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I N D E X

WITNESS: EXAMINATION:Q. NO:

MARTIN BRENNAN

Mr. Healy

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THE TRIBUNAL RESUMED AS FOLLOWS ON THURSDAY, 23RD

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

TAPE OF PRESENTATION BY IRISH MOBICALL FOR THE SECOND
GSM LICENCE.

"MR. MARTIN BRENNAN: Good afternoon and welcome. My

name is Martin Brennan. I am Chairman of the Project

Group within the Department which is looking after

this project. I propose in starting to introduce the

team around me. It looks rather bigger than you might

expect, but it's a tough week for us and not everybody

is a member of the Project Group. Everybody is

covered in duplicate, so to speak.

So if I could start at the far end, Jimmy McNeill and

Billy Riordan of the Department of Finance. Next then

you have four members of the Andersen International

team. Jon Bruel, Jule Fetterson, Marius Jacobson and

Michael Andersen. On my immediate right is Maev Nic

Lochlainn, who works with me in the Department here.

Starting over here Fintan Touhy, who also works with

me. Then we have three representatives of our Telecom

and Radio Technology Division: John Breen, John

McQuaid and Aidan Ryan. Then Margaret O'Keefe, who

works with me, and Ed O'Callaghan who works in the

Regulatory Division in Ely Court. Sean McMahon, his

name is probably here but he is unable to join us for

the afternoon but the safe thing we have covered for

each seat.

I think we told you already in writing that we are recording the session simply to have a complete record in case there is any doubt when we come to review the events of the week and so on. We are happy to receive copies of any visual material that you may use if it's your wish to hand it over to us. But we would like to draw the line at that in the sense that we have no particular wish to receive supplementary applications. Our purpose is to enable ourselves and the consultants to better understand the applications and where there are doubts about the comparability of parts of the application and so on, to rectify those doubts and so on.

For all of the sessions we are operating to a three hour limit in the interests of equity and also so that we can get through them all in one week, let it be said. We see three distinct segments in the hour.

The first hour being your presentation which you can style to suit yourselves.

Then we envisage a discussion around the written questions which we sent to you on the 5th September.

Not all bear as directly or as heavily on each consortium but they are the topics we want to go into in the second hour.

The third hour will be a more general dialogue based on your specific application, the content of the presentation and so on. We can understand that since

some of the questions in that session may be coming at you totally cold, that you may now and again need to take a break to consult among yourselves. That won't cause any embarrassment or anything like that. We understand that that's sometimes necessary. In that session, that part of the meeting, we would intend to group the questions related to the different volumes of your application and not be hopping here and there. But that's not to say they will all be asked by the same individuals because Andersen's have some things they are pursuing and, say, John McQuaid has things from the Department of Finance and so on.

You will understand that there is quite a range of topics in the second and third hours and I see my obligation as Chairman to push along the discussions so that we cover all the topics and not have unanswered questions at the end. So if I find it necessary to interrupt, I wouldn't want people to feel, either my own side or on the other side, that I was being rude. It's just necessary to do so. I have a fair idea of what's left on the agenda and I need to push it on and so on.

One subject we are not discussing with individual applicants, we have touched on it in the RFP and in your applications, is the whole subject of the security interception and legal tapping. We regard further discussion of that topic as being appropriate

only to the eventual winner so we don't see any point in going any further with it. And at the end of the day, we would like to, what we are trying to do is draw a line under the applications after the sessions this week and not have further supplementary material because you know you go out and say we forgot to tell you this, I'll write to them. If there is any further contact, it will be us contacting you in writing in relation to points of detail and quickly. We hope it won't arise at all. We are not planning things that way but we do want to have a cut-off point where we can say now let's finish out our evaluation and let's produce whatever is the end result for the Government. By way of housekeeping, I should say that rather than have somebody walking around interrupting delivering cups of coffee, we have provided some flasks of coffee and some cups and some biscuits. Our practice so far is when people feel like a cup of coffee they go and get it and there is less interruption to the flow of the meeting in that way. So without further ado, I would invite you to start your presentation.

MR. GERRY SCANLON: Thank you, Chairman, I suppose I better say that we are happy to know what your ground rules are. The only person I want to introduce at this stage is Denis Whiteside who is sitting here beside me who is our acting chief executive. Denis, in due course, will introduce his executive team. We

have given you a list of who is present on our team, name plates and you have cards so you will be able to identify who everybody is.

I'll start by introducing myself. My name is Gerry Scanlon, I am Chairman of Irish Mobicall and some of you may know me from my previous position as chief executive of AIB Group but now I am Chairman of Mobicall. I am also Chairman of the Irish Stock Exchange and I am a director of a number of public companies.

I suppose at the outset, in regard to this exercise, we would wish to put on record that we are happy with the structure of the evaluation process. We believe it's clearly designed to be fair and to result in the award of the licence to the bidder who is the best candidate for the job.

You know that Irish Mobicall is a consortium company formed specifically to bid for this licence and as a result, our company has no track record, so you have to look through the company to its partners and principals to see the quality and the record of the shareholders.

Our company is very much aware that the awarding of the GSM second licence is an historic step not only for Irish telecommunications but for the Irish community as a whole. And I would say, as Chairman of the company, that I have a real sense of excitement

about the future and the more I listen to Denis Whiteside, the more excited I get, but that's another experience you'll have. But it has repeatedly been my experience that Irish business sees telecommunications not as just another industry, not as another utility service, but as absolutely crucial to Ireland's economic development. If you talk with the Irish Industrial Development Authority, they'll tell you that telecoms are one of the first issues that potential incoming investors want to talk about. And I know personally that that's a priority shared by virtually everyone working in Irish Business. They know the importance of state of the art telecoms provided at competitive prices.

We see mobile telephony fitting very much into this overall picture and the investment that we would make fitting into a history of considerable investment by the Irish state over the last 20 years. We believe that mobile telecoms will be an essential business tool of the future, not just for big companies and small businesses, but across the whole spectrum of economic activity. And for that reason, we believe it vital to the country's interests that the mobile market is developed to its full potential as soon as possible.

Naturally we believe that Irish Mobicall is ideally fitted to that role of market development. Mobicall

brings together the complementary strengths of three of the most experienced mobile telecommunications operators in the world, and the business abilities of some of Ireland's more successful if not most successful entrepreneurs.

So specifically those operators are Southwestern Bell, through its subsidiary SBC International.

Southwestern Bell is the world's second largest cellular operator in terms of number of customer served at about 3.3 million domestically and 700,000 overseas; that's about 4 million customers.

Then we have Tele Denmark, which is a consistent industry leader in GSM market development in a very competitive domestic market.

And thirdly we have Deutsche Telecom. Deutsche, through its subsidiary *Detacon is the operator of the world's largest GSM network.

And the team we have here today represents both the Irish and overseas partners and includes the key management executives who will drive Irish Mobicall.

As I mentioned earlier, you have been given business cards covering the whole team. I just want to touch for a moment on Denis Whiteside who is here. He is acting CEO of Irish Mobicall. He represents our American operating partners, Southwestern Bell, and later he will introduce to you his executive team who are towards this end of the table.

The Irish shareholders are represented here this afternoon by Loughlin Quinn who is deputy Chairman of the Glen Dimplex Group. For those who don't know, Glen Dimplex is a company involved in consumer electrical products internationally and it's one of the great success stories in this country. A company setup in 1974 and is now worth many hundreds of millions of dollars.

The other Irish shareholders are Martin Naughton who is the founder of that Glen Dimplex company and Ciaran Corrigan, a barrister and accountant who has been closely, and I would say very successfully, involved in some of Ireland's more exciting entrepreneurial developments in recent years.

So what Denis Whiteside and I will be doing in this part of the presentation is reinforcing a small number of key points from our bid book; specifically we want to focus on what we consider sets Irish Mobicall apart from any other contenders.

I'll sketch the broad strokes and Denis will go into the detail.

There are just four points I am going to highlight and the first is our ability to deliver. It must be obvious from our bid book that this is a submission of great strength, of great financial strength, of great technical strength and of great operational strength and that, to my mind, provides a pretty cast iron

guarantee that this company can deliver what it promises.

With financial assets of 93 billion in the operating partners alone, we can deliver the sizable investment required and we can afford to wait for a return from that investment and in this way, the proper development of the market will be assured. And again, with the technical, marketing and overall operating strengths of the biggest and most widely experienced operators of GSM, we can deliver the highest quality and we can deliver it rapidly.

Another attraction which we can offer in addition to roaming service within GSM networks globally is the facility of extending that roaming service throughout the United States and the Americas generally where cellular systems are non GSM and that would happen through automated linkages supplied by our US partner, Southwestern Bell.

So we would say ability to deliver is a key strength of Irish Mobicall. Now, we believe that what we say is what you'll get.

The second point I want to highlight is our concentrated focus. We are telephone operators and our sole interest is focused on developing the market for mobile telephony. Our company has no interest whatever in manufacturing equipment. So our strategies and our decisions can be totally vendor

independent.

We can concentrate in getting the best deals for our customers in the case of handsets and the most cost effective network equipment for our operations. So Irish Mobicall is a concentrated partnership focused on mobile telephony and nothing else.

Third point that I am going to touch on is our ownership structure. We believe we found an ideal solution to a key problem in this competition: how to ensure a substantial Irish involvement while at the same time ensuring the technical strengths that can only be brought in from abroad. Our board and planning support comprises a range of skills and experience: engineering, finance, marketing, law, communications technology. But I think more importantly, every member of our board has experience of working internationally in joint venture situations. And we derive some confidence from that and that's a confidence in our ability to work together as a focused team, and that philosophy is going to follow through into the executive team.

Another longer term aspect of our ownership structure is our stated intention to float 25 percent of the company on the Irish Stock Exchange as soon as the required trading record has been established. We visualise that that share offering will give preference to Mobicall subscribers and Mobicall staff

and obviously it is designed for members of the Irish public and to give them an opportunity to share fully in the success of the enterprise. After flotation, over 40 percent of the company will be in Irish hands.

So Irish Mobicall as it is today will be Irish

Mobicall in a very real sense.

My fourth and final and perhaps most important point is Irish Mobicall will have a customer driven ethos.

We all know that the finance side is critical, the technical side equally so, but these are only means to an end. All the financial strength in the world and all the technical capability cannot realise their full potential unless they're harnessed to realising a vision that puts the customer at the very centre of the entire operation. Our partners' experience in mobile is that it is this focus in identifying and responding to customers' needs, and we all know those needs can constantly change as the market evolves, but it's that focus that determines success in mobile market penetration.

So as I say, Irish Mobicall will have a close and deep relationship with its customers at a strategic level in terms of product development and marketing, and at an individual level, in terms of customer care and service.

At the same time, we are business people. And this isn't a soft edge matter of loving your customers or

anything like that. To deliver what customers need, you have to have the financial, the technical, the organisational resources that we believe our company will display in abundance. In delivering what customers need, aspirations and good intentions are not enough. You must have the capacity to deliver. We believe this is so central that if we were allowed to leave you only one slogan to remember us by, it would be this: Irish Mobicall, the customer driven company!

And, Chairman, may I say, finally, that we believe all of our many strengths fall into place under that umbrella. I'll now ask Denis Whiteside to share with you his vision of the future of our company and the industry of course.

MR. DENIS WHITESIDE: Thank you. Thanks, Gerry. Good afternoon. It's a little warm in here and you just had lunch so we'll do our best to work at it and keep you awake. I know how you must feel because we feel a little bit the same way.

My name is Denis Whiteside and I am the acting chief executive officer for Irish Mobicall, and as you might have guessed I am from American and I am from Southwestern Bell. I have got about 20 years experience in the radio communications business. I have spent the last 11 years in the cellular business. I have worked in a variety of management jobs in our

cellular company in the United States. And for the last three or four years I have worked in our international ventures and as my title says, I am acting CEO. Ideally we will be looking for a permanent CEO. We want somebody that knows and understands the Irish market so obviously we'll be looking primarily for someone who is Irish. We think it's a key importance that the leader of this company knows this market place.

But our primary objective is to make sure that the leader of this company is the best person for the job.

In any event, I have been here working on the project for quite sometime and I'll remain on the venture until it's the appropriate time for me to hand off and move on. If that takes a year, if that takes two years, I can't imagine it will take that long but probably it could take up to a year ,just to give you some sense of where we are.

Members of our management team:

I think you'll understand how we are assigning areas of responsibility within the company by who we have assigned to the various positions in the company.

Wolfgang *Starr is responsible for the network operations and implementation of the network and Wolfgang is from Detacon. *Bents Sven Holmer is from Tele Denmark and he will be responsible for the implementation of our marketing operations.

And Eric Groves from Southwestern Bell will be responsible for the financial operations of the company.

So why are all these people here? Why are we so interested in this opportunity?

Well, I'll tell you. It applies not just to our companies but obviously to everyone that is competing on this project. In 1980 the cellular business didn't even exist. It started in 1981, as all of you know.

By 1988 there were 4 million cellular customers in 40 countries around the world and we were pretty impressed back then, we thought we were doing pretty well. By 1994 it had grown to 50 million customers in 150 countries and we were real impressed. We have had a great year so far this year. Through the first half of the year we are up to 68 million customers worldwide. That's 18 million customers the first half. If we were to carry it on, it looks like we will close this year as global industry with about 88 million cellular customers worldwide.

It sounds great, but the best is yet to come. All of the analysts are confidentially projecting, and we think they are probably right, that there will be over 300 million cellular customers worldwide by the turn of the century. This is a pretty remarkable statement. There is a tremendous amount of growth despite what we have accomplished so far. Our

forecasts for Ireland are pretty consistent with these trends. For example, our total market the global forecast is about a six-fold increase over the next few years. Our forecast for the total market in Ireland represents about a five-fold increase over the same period.

Why is this all occurring? What's driving it? Well obviously there is a strong move to wireless communications and the reason is very simple: customers want to make and receive calls any time, anywhere, at a reasonable price. It's not a very demanding request but it's a pretty big challenge for operators.

To add a little further perspective I now move on to some of our specific plans here.

In 1993, 26 percent of the world's 42 million new phone lines were cellular. A quarter of the new lines added in the world were cellular. In some countries, in 1993, there were more new cellular lines added than there were new telephone lines; in New Zealand and Denmark, for instance, in 1993, they added more cellular than telephone. This year in 1995, there will be more new there will be twice as many cellular lines added in the United States as there are telephone lines. This is not bad news for the phone companies. The phone companies in the United States are enjoying a record year. Both mediums are existing

very well together and it's not reflected in a strategy by operators to try and move people from one medium to another. It's driven by customers. Plain and simple.

Well, if that's the case, then it's Mobicall's mission, very simply. We have to do five things that customers want most. What they simply expect: They want high quality service; they want broad geographic coverage; they want competitive prices; they want convenient access to the company, in other words, they don't want to go around looking for someone to provide them this service, they want to be able to find them easily; and they want excellent customer care through all facets of the operations including those independent companies that represent us.

I am sure over the next few days and for the past few days you are hearing a lot of people talk about their plans. And I wouldn't begin to suggest that anyone's plan is better than the other plan frankly. I am sure everyone has a pretty decent plan because a lot of companies can build and operate good cellular companies but there are can I step away from this, I can't see you guys over here there are only a few companies in this business that can build great cellular companies and what it takes to build a great cellular oh you caught me, I was going to do this without being recorded there are only a few

companies that can build great cellular companies that really accomplish a vision that really see what customers want and really build their companies to what customers need.

It's not just a question of building a whole bunch of base stations. It's seeing the customer. I'll tell you a story, and it's a story about a future customer of Irish Mobicall, and for the sake of discussions today, we'll call him Patrick Hayes.

Patrick is a young salesman. And Patrick is in an important sales meeting, and don't tell me there is a Patrick Hayes here? No, okay. All right he is in a really important sales meeting. It's important to him, he is a young salesman and he is on his way. And when he is in the meeting he takes his cellular phone out and he lays it on the table and we all know nobody wants to be disturbed in an important meeting. He wants this order. During the meeting, he receives a phone call. His phone silently alerts him that a call is coming in. It didn't ring. It silently alerted him that a call was coming in. He looked down and it was his secretary and she had that important missing piece of information he needed for today's meeting. He pressed the button on the phone. It acknowledged back to her, yes, I got the message, he looks at it, he has got what he needs to complete the meeting and by doing that he told her, I'll call you

back in an hour. Her call is then diverted to a voice mail and she leaves a longer message. Meeting is over. Patrick leaves the meeting and he goes back and he is in his car and he calls her back, he verifies everything that happened during the day. He goes some place and he grabs a bite of lunch because he is running late, kind of like we have all had to do today, and he is sitting in the pub and people don't want to hear the damn phone ring. So he does the same thing. He reaches down, and he silently starts scanning of all the non priority messages that came into him while he was in the meeting this morning. And he looks at it and there is Jack Kelly from the factory, so he highlights Jack Kelly's name and as he is finished lunch he is walking back to his car, he calls Jack back. Jack's the manager of the factory, Jack confirms that his orders are on time. It's a pretty good day so far. Patrick gets into his car and he hooks his phone up to the computer in his car and he downloads the orders that he got this morning. Things are going well and it's not difficult for him to accomplish a lot of things. He is on his way back to the office and he calls his wife to tell her that he is going to be a few minutes late tonight, it's been a busy day. His wife operates a small business from home and he calls her at her home number but she is not home, she is in London, but she answers

immediately on her GSM phone while she is in London and says, "Gosh, I had a last minute meeting myself in London but I'll be home later tonight too, see you later." He is back in his office. Now we are all in our offices a lot but we are not often at our desks.

How many of us are at our desk right now? Someone calls him at his desk and he is walking down the corridor getting on a lift but he takes his GSM phone and he answers it and he says, "yes, what do you want? How you doing?" And he talks to him as he is walking through the building out to his car. He gets home that night, has dinner with his wife - a late dinner.

They are out in the garden after dinner and his dad is in Boston on vacation, and he calls his dad, but he doesn't know where his dad is, he just knows he is in Boston. But he just calls his dad's Irish GSM number and the call automatically rings on a phone that his dad is carrying with him while he is travelling around the United States. It wasn't a really big deal to Patrick, it was a pretty easy day. He didn't think about all these things that happened. And he shouldn't. That's not his problem. But it's our challenge as operators, because if you think back about all the things that he did that day, there was a heck of a lot of things that happened in a cellular network and in a lot of networks to make it so simple.

What had to happen? First of all, he had to have the

ability to receive a message when he was in the meeting without bothering anybody. He had to receive a text message. He had to be able to activate a call screening process that says I'll take her calls but nobody else's calls. He had to be able to activate a process that diverted her call, acknowledged her call and then diverted it to a voice mail. He had to be able to then, at lunch, pull up all the non priority calls he was looking at and then highlight the ones he wanted and return those. He had to have the ability to download data transmission through his cellular phone back to the factory when he was in his car. When he was in the office he had to be able to walk around any place in his office building where his company's PBX system, in effect a shadow of the PBX if you will, and he had to be able to answer it on his GSM phone. He had to integrate the GSM system with the wireless PBX system. When he called his wife at home he called her home number. He didn't call her GSM number but she answered on her GSM phone, so there had to be some integration with the PSTN. There had to be integration with the GSM carrier to international roaming to the other GSM networks. When he called his dad and he didn't know where his dad was, he just called an Irish GSM number but there had to be some form of integration to enable that GSM phone, that number to ring on an Amps phone in the

United States because it's a different technical standard.

There is a lot of things that had to happen in a network to deliver that possibility for a guy and a guy didn't have to think about it. And it requires operating skill. It requires people who have a vision of what customers want and then put it together. And you can't call a supplier and say this is what I want and go plug it in. It requires a lot of skill. The skill to be able to integrate a lot of things from a lot of suppliers, because no single one has all the solutions.

We are confident the three Telecom operators that are part of this consortium are investing millions and millions of pounds in research and development not just in the creation of these services but in the integration of these services to make it easy for our customers.

We are going to start with a very strong organisational structure. This is going to be an Irish company that combines the strengths of all of the partners, Irish and foreign, frankly. 95 percent of the employees will be Irish and they will be serving Irish customers obviously. We are going to start with about 130 employees. We have already got all the training programmes and everything designed to get them where they need to go. The partners, the

Telecom partners will be very active in the early, particularly in the first six months in helping setup the construction and roll-out the network and we'll also have teams here that will be doing the training for the Irish employees so that they can take over the operations over the course of this process.

We have identified 20 key positions in the company we think are essential right from the start. And we have already received we have hired personnel recruiting companies here to start identifying candidates for us and we have 80 candidates for the top 20 spots. We haven't hired any of them - we'll be real straightforward about this - because we don't have a licence, and it wouldn't be prudent for us to be hiring people if we don't have a licence and frankly I would be a little suspect of any of the people that we were looking at, if they would accept a job with us, with us not having a licence. They are not exercising good sense on their part.

By the year 2005 we expect we'll have about 300 employees. And we'll be creating indirectly through our distribution channels about 600 jobs, it could go as high as 1,000 jobs, it just our experience is it will create between two and three times as many, for every employee we have, it will create about two or three full-time jobs through our distribution channels. So we have a very strong organisational

structure. The roles and responsibilities of the partners are clearly defined. We have already invested about 1/2 million in the project over the last two years, and we have a planning team of approximately 40 people that have been working on this project.

Network deployment:

Network deployment is assigned to Detacon. Detacon, as Gerry mentioned, operates the world's largest GSM network. They are very well known, renowned throughout the industry for their quality of the service they deliver to their customers. They are building and operating and consulting for GSM networks throughout the world. They are partners and they participate in the operations in four countries and they provide a consulting and engineering service for GSM projects and about 14 others.

Just to give you some perspective, and this will be in the handout. This is a chart that shows the ten largest GSM operators in Europe.

Tele Denmark of course is among them. Deutsche Telecom, as you know, is on top. The reason we highlighted SFR in France is Southwestern Bell is a partner in the SFR operations in France.

Marketing Plan Implementation.

It's assigned to Tele Denmark. For over a decade they have been among the world leaders in the development

of the cellular market place. Their current penetration is around 9 percent. They launched GSM services, as obviously many of you know, in 1992 and they currently hold about a 60 percent market share, and it's a fiercely competitive market. They are a very skilled operator in a country that has a comparable population to Ireland.

And you have probably seen this quite a few times over the last few days and probably over the next few days again on the European market penetration by country.

Management and finance functions.

Are assigned to SBC - Southwestern Bell. SBC has the lowest cost structure and the highest operating market of any cellular company. That's going to be very important to Irish Mobicall. If it intends to compete with Eircell, it has to have the right cost structure to be effective. SBC has 3.3 million customers in the United States. We have the highest market penetration of US operators. And as Gerry mentioned, through our international alliances, we serve another 700,000 subscribers.

This is a quick peek at the ten largest US cellular operators ranked by market penetration.

So enough already of all our background stuff. So what are we doing?

All the design work and planning for implementation of the network for a nationwide network has been

completed. By the way, I know some of you, the technical folks probably are particularly interested, do we have enough radio spectrum? And the answer is yes, we have sufficient radio spectrum to satisfy the demand requirements that we have forecasted in the traffic estimates that we have for the network for throughout the planning period.

I hope I didn't spoil a question later.

We have completed 400 site surveys. So we have a number of alternatives for each of the one hundred sites that we are going to start with. Each of those sites will ensure that we maintain our quality standards and we are ready to execute site agreements immediately. We have understandings with ESB, CIE, the Guards, Irish Forestry Agency, Irish Estates and a major bank. Most of our sites or many of our sites will go on existing towers that are already being used for communication purposes so we don't anticipate a serious planning problem in getting zoning approvals on those. Hope not. You never know in this business.

We have tried to be very sensitive to environmental planning. We know it's important to people that live in the neighbourhoods.

This is just an example of one of the sites and if you can't see where the antennas for the cell sites are, I'll point them out to you real quick. They are right here. It's hard for me to tell so close to the screen

if that's a clear shot or not, but we can put sites in locations now. It's advanced, and we can do a pretty good job of concealing cell sites in critical areas.

Fixed Network backbone.

Was jointly developed with ESB. We do appreciate their help on it. They were very cooperative throughout the process. They were not in a position, understandably, to engage in commercial negotiations over what the cost would be to use that backbone. So we based all the transmission costs in our Business Plan on Telecom Eireann rates. We have vendor commitments for our deployment schedule. Motorola, Siemens, Ericsson, Nokia, Nortel have all guaranteed that they can meet our July, 1996 service launch. We have evidence for that if you need it.

Phase Out:

We have a four phase roll-out plan. Service launch will start in July, 1996. National coverage will be completed by December, 1997. This is what the first phase of the roll-out looks like. We have already started the work on it obviously when we did the plan.

We'll start with two mobile switching centres: one in Dublin, one in Cork. Nine base station controllers and 100 base stations. When we launch service in July, 1996, we'll be covering 76 percent of the population, 47 percent of the geography and we'll immediately have indoor coverage throughout greater

parts of Dublin and Cork.

Phase 2 to be completed in December, 1996 with another switching centres in Galway, 27 additional base stations. We'll then cover 85 percent of the population and 66 percent of the geography.

Phase 3 - we are on a roll now - we will add another 30 base stations. We'll be covering 95 percent of the population and 81 percent of the geography.

We'll complete nationwide coverage by December, 1997, having installed a grand total of three mobile switching centres, 13 base station controllers and 186 base stations. We'll have achieved coverage of 97 percent of the population, 88 percent of the geography. We'll have invested a cumulative capital plan of £1248 million.

We won't stop there of course. We'll still be investing quite a bit of money over a period of time to improve coverage indoors, *inspect coverage where customers need it and to expand and upgrade the network and to add additional services.

Marketing Plan:

It's designed on what customers consider when they choose an operator: quality; price they want, they'll pay a reasonable price if they believe they are getting value for it; accessibility; distribution; and services. It's driven to achieve our demand forecasts which are 36,000 customers in 1997 and 392,000 in the

year 2005.

So how are we going to get those customers? Through a distribution plan with channels targeted to different customer segments. We will have agents that are targeted to small and medium sized businesses.

Direct sales force that is targeted to corporate and government accounts and lots of shops and retailers to attract consumers.

Agents:

90 percent of the customer growth in early years is going to come from agents. We expect that over the first three years we'll grow the agent distribution network to about 160 outlets. What do agents need?

Well, we have sent a team around the country for the last few months talking to existing agents and prospective agents and we didn't talk to them so much about doing a deal with us. We just wanted to understand how they work, what they do, what they like, what kind of support they are getting and what do they want.

They are small businessmen, and they want help at recruiting and training people, so we put plans in place to do that. They want help in locating their businesses where they need to be to attract customers, so we put a plan in place to do that. They want signage and frankly we want signage. We want common identity throughout the country so that any time

someone passes a premises and they look at it and if it's an authorised agent of ours they know it instantly by the appearance. They want merchandising for inside their store and they want co-op advertising, so we are going to deliver.

Agent compensation. They deserve fair compensation for the value of the customers they bring us. We are going to pay them, on a weighted average, $\frac{1}{2}95$ for every customer they activate on the network and we'll pay them 3 percent of the service revenues generated by their customer base. And why do we pay them 3 percent of the service revenues of the customer base? Is that good business? You bet you. That's real good business, and I'll tell you why:

It provides our agents a source of financial security.

They are small businessmen. They need cashflow.

What that gives us is a stable distribution network.

You can't bring and keep customers if your distribution network is in and out. We want them to give our customers excellent customer service. If we pay them a percentage of the service revenues, they are going to help us keep our churn, or the deactivations, down because they don't want that customer to leave. That customer is as valuable to them as he is to us.

We are going to pay I would rather pay an agent 3 percent of $\frac{1}{2}49$ a month than to pay him another $\frac{1}{2}95$ to

go out and get me a customer that just disconnected.

Direct key account sales:

We'll generate about 9 percent of our sales in the early years. We will employ a small but highly professional sales force because they'll be calling on corporate accounts. Those require, generally speaking, a long sales cycle. And corporate accounts want a lot of customised services, like if they have 20 phones, they don't necessarily want 20 bills; they want consolidated billing; they want package services and we are prepared to generate what it takes to get those. Compensation for them will be a base salary plus commission.

Shops and retail outlets:

We are forecasting they will generate about 1 percent of our sales in the early years and about 24 percent of our sales later on.

Consumers.

The private customer wants to be able to buy a product where he buys other products. And agents don't always, sometimes they do but they don't always necessarily fit that customer segment. Some examples will be people like, and I want to make a point here, would be people like Power City, Harry Moore and Quinnsworth. I am not representing that we have agreements with those companies, I don't want you to misunderstand that, but it would be companies like

that, okay?

And if I can be candid here, I think this is one area where we are wrong. I think we are going to be surprised. It's not going to generate 1 percent of sales in the early years. I think it's going to be much better than we ever expected. And the reason is that because Loughlin Glynn and Martin Naughton, they have got a strong track record in developing this kind of market place. They deal with consumer products distributorships. They know, they know more than I'll ever know about the Irish consumer and how do we get them. And so, I think that this will be one of our pleasant surprises.

Price.

So what are you going to charge for it? How are you going to position your company in the market place?

First of all, customer equivalent price is falling quickly. We have got tremendous buying power that will lend to this company through the Telecom partners but we will not be in the equipment business. We are not going to buy terminal gear and resell it. We are not going to be warehousing business. But we will assist in coordinating purchasing with distributors and let me tell you how. Southwestern Bell, in the United States, buys a million cellular phones every year. Every year we buy them. Motorola tells us we are their largest customer. We have a lot of

influence with these guys. And in every country that we have ever worked on an international partnership, we have taken that buying power and helped our partners. And we'll do it again here. And here it's even more extraordinary because we have got two other very strong partners to lend that buying power and that influence and believe me, we know how to make that work.

Service pricing:

We'll create multiple price plans fit to the usage habits of different customers. If we have a high usage customer, we have created a plan to fit him. If we have an average usage customer, we have created a plan for him and for the consumers, we have created plans that are most attractive for them. Tariffing the products so that it matches their usage habits.

But we'll allow them to change plans any time they want at no charge. And we'll build those customers on one second increments so that they only pay for what they use.

Overall, our tariffs reflect about 10 to 20 percent discount from the existing GSM rates but on activation, because we are really focused on bringing in customers so the entry barrier to customers has to come down so we drop the activation charge by 40 percent.

So service pricing: this is our weighted basket in

year one. I took the annual that you have in your tables and I just did it on a monthly basis, I hope you don't mind. It's 18.52. Normal call charges or peak time would be 20 pence per minute, off peak 14 pence and I expect that we'll also be creating a lot of discount packages in the form of off peak bundling and things per customers, but it's a little too early to predict exactly how we do that. I just expect that that's going to come, that you'll see us talking to you later after we are in operation, we'll be coming back and saying here is some of the things we want to do to help attract even more customers and package services to fit even more customer needs.

Services.

We'll have 40 services at system launch and as new GSM services come on line, if customers want them, we'll deliver them. Plain and simple. We have outlined in the bid, now we are going into it because it just goes on and on into a lot of other value added services.

We'll provide roaming to 25 GSM countries on 38 networks. And as I have described earlier, we'll provide a roaming capability to the US and here is how it will work: If an Irish Mobicall customer is travelling to the US, one of the ways, not the only way but one of the ways that he could roam over there is he simply stops at a kiosk that we would have at the Shannon or Dublin Airport and there we'll issue

him an Amps phone, a phone that will work in the US and we'll link our network so that when someone here in Ireland calls his Irish GSM number, the call is automatically routed to the Amps phone wherever he is going in the United States. We think it's going to be a real benefit for the business and tourism district because of the volume of traffic between our two countries. In reverse, we are doing exactly the same thing for the Southwestern Bell customers and frankly for customers of other networks in the US as well.

Customer care.

We'll provide 24 hour, 365 day a year toll free service for inquiries and assistance. We'll always be there if the customer wants to talk to us. We'll provide service activation within fifteen minutes after credit approval. If you want our service, the last thing we want is for you to have to wait to get it. And we'll perform quarterly customer satisfaction surveys so that we know how customers view us. What do we look like in their eyes? And what we'll be looking for, and these will be standardised surveys and we'll conduct them by an independent company so that we get a fair, objective, unbiased view, so we know how to fix or improve what we are doing. We'll want to know several things: we'll want to know how they feel about the voice clarity on our network. We'll want them to tell us what was the access on the first

try; did you get blocked calls and have to redial?

Did you experience dropped calls? Were the people you dealt with, were they friendly? Did they know what

they were talking about? And were they responsive?

Did they do anything about it after you talked to them?

If we do all those things right, and I know we will,

we'll create a solid business that's reflected in the

Business Plan we are projecting.

Revenues for this company will grow from $\text{€}14$ million

in 1997 to $\text{€}139$ million in the year 2005. Operating

margins will turn positive in 1999 and they will

improve to 51 percent in the year 2001. We will be

cell phoning a net income positive in 1999 and we'll

have a cumulative capital investment of $\text{€}61$ million in

1997, $\text{€}72$ million in year 2005, and $\text{€}100$ million by

the year 2010.

Financing.

Our total capital requirements for this company are

$\text{€}103$ million. It will be funded by share capital of

$\text{€}72$ million, an external debt of $\text{€}33$ million.

To just kind of wrap this up. Irish Mobicall is built

on the collective strengths of all the partners. We

have a clear vision not only of what we want to do in

the next view months, but where we want to take the

company and where we believe customers want us to be.

The telecom partners in this venture serve six and a

half million cellular customers worldwide; a million and a half of them are GSM customers. We have all of the financial and operating strength this company will ever need. Our Irish partners are accomplished businessmen and they know Irish customers and that's what will get us where we need to go. And in their own rights, they are very successful international businessmen so they know how to work with international partners.

We are going to create a world class company with very deep Irish roots. We are going as Gerry said in the beginning, we are going to deliver what we promise because we have the ability to get there. I think from what you have heard today, the whole company is driven by the customer.

So in that context, if I could just wrap it up and I am sure you are glad that I am, I think our customers ought to have the last say and so, since we don't have any yet, we envision this is what customers will say about us later.

Thank you.

MR. GERRY SCANLON: Thanks very much. That wraps it up for us. If you have questions, Mr. Chairman, however you'd like to carry it forward.

MR. MARTIN BRENNAN: I suppose the best thing is to invite you to retake your seats opposite and we'll have more of an interactive session if that suits you.

Thank you very much for your opening presentation.

You are not the first speaker who avoided using the word Coillte, which is very difficult for foreigners.

MR. DENIS WHITESIDE: Can I just say he has been driving me crazy because I can't say it.

MR. MARTIN BRENNAN: The second thing I noted was the degree of gender balance in your closing advertisements.

We sent you, on the 5th September, as I said in the beginning, a list of questions which arose from our general consideration of applications and at this stage what we would like to do is to go through, there will be some cases where you'll be able to say we have nothing to add to what we have said already. In other cases we might like to probe a bit and so on. So if you'd like to address the first one which is the question of elaborating on the impact of your business case of the other mobile technologies and including maybe your thoughts on whether and when you would avail of the option which you would have to commence a DCS 1800 licence. That general area.

MR. DENIS WHITESIDE: Some of us will need to go out. I am assigned to answer the question. You have heard me a lot already so I'll just stay here and maybe keep it short.

First of all, all those technologies that you identified, they create opportunities for us and they

create some challenges for us. One, I'll do the last part first I guess.

The challenges would be, yeah, they create some competition potentially but that's okay. I mean, that's where this business is going. We are here to enter the market to compete and so I think it would be inappropriate for us to tell you that there shouldn't be any competition in the future. I think all of the applicants will probably tell you we'd like to have the opportunity to try and establish a business first. But in any event, I'll talk about the technologies one by one.

I mean, DCS 1800, we designed the network, and Wolfgang and Ulrich can go into more detail if necessary. But we designed the network to serve the DCS 1800 as well. So radio plan fits it already.

That really wasn't a problem.

We are prepared to implement it whenever it becomes available to us. We would implement it, particularly I think in circumstances where it enables us to do things more efficiently and deliver a better service to our customers in areas that require a lot of high density traffic, in areas where we need to go indoors that we might not be able to go indoors otherwise, and in stadiums and things like that. But we are in pretty good shape as it is today so I am not too concerned about the timing of the deployment of DCS

1800.

As far as DECT or D E C T

MR. MARTIN BRENNAN: Could I just probe that a little bit, the DCS 1800. Judging by current thinking in the European Union, there may be an obligation on Ireland to have DCS 1800 live in say three to four years, it's kind of guesswork at this stage. Would you see yourself at that stage assisting in the fulfilling of that obligation or would you only do it when you needed it for your own business purposes?

MR. DENIS WHITESIDE: The answer is both and the answer is yes, and the reason I say it is one, it would be important that we deploy it pretty soon and the reason is there is going to be a lot of DCS 1800 customers around Europe so there is going to be those customers that want to come to Ireland and they'll want to use their DCS 1800 phones in Ireland and we don't know how many at this point in time. It would be a little bit difficult to predict how many, if any, dual mode phones will be available and how many of the average customers in other parts of Europe will be carrying dual mode phones. So I think that one, to serve customers and frankly for the business opportunity, getting the roaming revenues from them, we'll want to do that. So as soon as it becomes available to us, we would deploy it for that reason alone and obviously we'll do it to ensure that Ireland

meets its obligations.

DECT is real important. And the reason it's important is because, you know, like in the Patrick Hayes description, you know, where he is walking around a building and he is using a wireless PBX, the deployment wireless PBX is going to be a real boom to this business because it's taking us to the next level. And customers always talked about coverage and we always thought about coverage as being broad geographic coverage, but coverage is more than that. Coverage is intensity of coverage as well - indoors, underground, that sort of thing. So DECT has real opportunities for us to take the customer totally wireless and we'd like to see it happen but we don't have to do that ourselves, as in our company. I mean, we'll cooperate, we'll encourage actually lots of companies to sell DECT products and install DECT to customers throughout Ireland. And what we'll be doing is telling them if you need any help, we'll help you in any way you want us, just tell us how would you like us to help you develop that market. Because we don't have to do it ourselves but we'll be participating in every way. I am not saying we won't be involved or we won't sell it but we'll want that for our own greedy reasons.

So your next one was Tetra, right? I don't really see that that's one of those wireless technologies that

coexists with cellular just fine. I got a cellular.

I just don't say it, I say it like a bloody American.

But, I mean, it's a great technology for its application. And that business will coexist and thrive and do just fine but I don't foresee our company being involved in it initially. We probably will have a lot of customers that are using both services. In any event, that's our view on that.

Leo: Leo is a promising technology. It promises people an awful lot all the time and we'll all see how it evolves and I don't say that in degrading way because I think it will happen. But I mean, those operators are being very up front in saying that they are going to serve kind of a selected market segment of international travellers who are willing to pay high rates but they want to use one product worldwide. And there is a market for that. And I suspect they'll do okay. We'll cooperate with them because a lot of their customers will also be our customers so we'll want to work with them and form kind of alliances, not necessarily in an equity way, but in a business way, in an exchange of business way. So we'll be working with them. I don't foresee them as a threat to this business at all. I mean, because they are not even designed to focus on any given country and provide the intensity of service in a country the way cellular operators are.

Some others that occur to us would be like armies paging. I mean, we have got some pretty good sites if it were possible and reasonable for us to go into that business, we might consider that, because about 30 percent generally around the world, every place I have had the good fortune to go, about 30 percent or so of cellular customers carry pagers too and that may change over time but at least that's the case today and that's because they use their pager to screen calls. Now hopefully if the vision evolves and the screen function and everything turns out exactly the way our customers expect, maybe we'll have another solution, but nonetheless they like that feature and so it's real clear that there is a demand for that feature and if it's done through armies and if that's the right way to do it, then we'll want to participate and if not participate in an equity way again, we'll want to participate in terms of cooperation with the operators, because again we'll be sharing, in many cases, the same customers. That's it.

MR. MARTIN BRENNAN: Thank you. Not everybody took up the option on the etc.. I don't know if Michael Andersen wants to ask you any more detailed questions on that? No.

Have you any more to say to us on the subject of windfall gains in a sense that by their nature they can't be predicted and can't be taken into account in

your Business Plan, but it's easy to see how they could arise. For example, a collapse in the interconnection rates, if you are successful in pushing the regulator or Telecom in that direction; cheaper international payouts; different access for international if you could, in some future date, inherit the right to bypass Telecom Eireann on international and so on. In your own case indeed, if the ESB's infrastructure's comes in a lot cheaper than Telecom Eireann's, and have you anything to say on that subject to us?

*MR. ERIC GROVES: I can't promise that I'll be more informative than Denis, but I'll try. You have sort of well defined what the windfall gains may be. The ones that we have primarily thought about were the reductions in the interconnect costs or other Government fees associated with the licence and it would be a reduction further than those that we have anticipated in our plans.

Our plan itself takes into account a number of the established trends that we have seen in the wireless market as it's developed and one such trend which, as it occurred throughout the EU and frankly throughout the world, is the reduction of the interconnect grades over time. In the event that the actual decline exceeds those expectations which we have in our plan and which we have defined in there, we propose to pass

that on in its entirety to the customer in the form of reduced tariffs. So, you know, along those lines, we have thought about that and we intend to pass that on. Now, in the event that the regulatory agency decides to reduce some of the other fees associated with the licence, it is our intention to pass on that differential as well in the form of lower tariffs.

MR. MARTIN BRENNAN: Michael Andersen has a follow-up question on that.

MR. MICHAEL ANDERSEN: Yes, there is one thing I do not quite understand in your remark, and that is that you expect more or a greater decrease in the interconnection rate that you have to pass on or to pay to Telecom Eireann for the delivery of, for the terminating access in their network, that is mobile to fixed calls, and in the written response you gave to us, you already foresee quite a decrease from 4.3 pence in 1996 to 1.4 pence in the year 2010. So not only do you calculate with what I call far end handover in your network, you also have taken a considerable decrease in the interconnection charge into consideration. Isn't that correct?

MR. ERIC GROVES: That is correct, and our basis for doing that in the initial years is that as you have increased traffic on the system, as we have seen in other places in the UK in the EU, interconnect rates have come down and it is our feeling that during

the first couple of years as the traffic increases, it's rational for us to reduce those interconnect rates. Then once we get out further in the years 2000 and on, you have the thought that there may be full liberalisation, maybe multiple interconnect parties which one can look as a source of interconnection and therefore, there should be a further decline in the rates. So yes, we did and that's, I mean, that's as we have outlined it is our intention in the model.

MR. MICHAEL ANDERSEN: Okay. But can you elaborate a little bit on the size of the additional decreases you foresee?

MR. ERIC GROVES: The additional beyond what we have forecasted?

MR. MICHAEL ANDERSEN: Yeah.

MR. ERIC GROVES: Well, we don't know, and that's why they should be sort of windfall gains obviously. If we expected them to go further, we would not consider them to be windfall gains. Anything beyond which we have laid out, we would consider to be windfall.

MR. MARTIN BRENNAN: You are concerned that if they go further. My concern was if they go faster.

The third question, I think you have talked a lot about the planning aspects and location and concealment aspects in relation to sharing existing towers and so on. Is there a danger that you may be underestimating the planning delays in greenfield

situations where they arise?

MR. DENIS WHITESIDE: Wolfgang, you want to address that?

*MR. WOLFGANG STARR: Okay. I would like to show you some slides and pictures I have prepared so is it possible to in the mean while, I would like to put some remarks on the first item.

How will Mobicall consider environmental aspects?

One part of Mobicall's basic philosophy is to minimise environmental impacts. There are mainly two reasons. Firstly, we have introduced ourselves as a nationwide competing operator, totally customer driven with efficient and powerful strategies. And in addition to our business approach, we also have in mind the public opinion of Mobicall's outward appearance. The technical appearance of Mobicall will also fit to the outstanding benefits our customer will gain from our services.

Secondly, smart site and antenna design will be helpful in order to shorten planning permission procedures by minimising any objections. In order to minimise environmental impacts concerning appearance and timing, we, wherever possible, will use existing sites, mainly in non residential areas, and links, so we have no need to build an extended microwave network of our own. Agreements were made with the five large multi-site owners, either to gain access to their

buildings and estate and/or to share existing radio towers and masts.

In addition, we are supported by Irish Estate to identify further suitable alternatives and received five LRIs in the meantime. Furthermore, the user, the outstanding planning methodology, the work of our technical team with

Ulrich Bollard from Detacon resulted in an optimised and, therefore, reduced number of necessary sites.

Another sub point of question number 3 is dealing with concealment, and I have to go to the podium. I'd like to give you an impression of how we will achieve concealment in order to minimise effects on the environment and maximise acceptance in the case we have to build our own sites and antenna constructions.

I am happy that we can bring in experiences from our work in our parent companies. This picture shows you an old family home in Leipzig, East Germany. It was the only location available for a new site on that area so it was a great challenge for us to find an acceptable solution. By the way, the chimney, you can see here on the left background, was unfortunately blown up. Here on top of the roof, formerly a studio had been, and we got the permission to build up a suitable containment. You can see that we realised an 8 cornered containment comprising a complete VTS with

antenna, power supply included.

So in this picture, this picture shows you the actual result. The containment is painted in the colour of the building's plastering and even tiled like the main building in order to minimise any strange effects.

There is another one I'd like to show. You can see the reflector antenna here attached directly to the facade of this company building, again painted in order to make the antenna virtually invisible. The VTS is located in an appropriate room inside the building.

Just to give you an example that we have prepared some new ideas of mass design, I'd like to show you this picture. This is one of some future solutions resulting from an architectural contest. It's a very slim triangular construction, the designer calls it 'suspending mast held into place by guy ropes'. This picture should only give you an impression that we are open minded for new ideas. Sorry I am not able to attach a copy to the presentation material because there is copyright I have to consider. All other pictures and some more you will find in the presentation documents.

I think there is another rather important point related to question 3, Mobicall is fully aware of the importance of this subject. But first I'd like to point out that we will minimise radiation energy by

introducing the features power control and discontinuance transmission from the early start of our network. Implementing half rate technology step by step from '97 on will have further positive impact on the energy budget for users with half rate equipment due to the fact that only a time slot with half the duration of today's full rate equipment is needed during a call.

Next item.

Our planning methodology makes sure that Mobicall complies with the strict standards regarding to the limits of the specific absorption rates adopted from World Health Organisation's recommendations.

Unfortunately I haven't received a copy of the standards applied for our network in time so if you'd like, I will forward a copy to you within the next few days.

To give you the first idea, imagine a typical base transceiver station with an output of 44 dbm and eight db antennas then the critical distance related to the specific absorption rate, the exposition range, as we call it, is about 5 metres around the antenna. There is no critical distance specified for using a class 4 hand held. In fact, all approved class 4 terminals presently being operated don't reach the specified limits, provided of course they are operated properly. Mobicall will issue recommendations for appropriate

use in addition to the informations the equipment manufacturer should give in the manuals. For instance, we will strongly recommend that a customer shouldn't use a hand held in a car without an appropriate mounting set and an outside antenna, by the way, there for avoiding jamming the car radio and influencing other electrical parts of the car. We will also issue recommendations for customers with pacemakers and hearing aids. For instance, results of extended research identified that the critical distance between a class 4 hand held and an old pacemaker; an old pacemaker is 15 centimetres. For new ones there is no limitation because new pace makers are shielded.

Besides the more technical and physical way to handle the subject of health effects precisely, we undertake all steps necessary to make any discussions as objective and rational as possible, because the public, the public will discuss the matter on a more emotional level, and we are aware of that.

Therefore, for instance, we think it's a good idea not to hide but to discuss the matter as part of our public relations and support any research probably in common with other operators dealing with the same subject.

In addition, our parent companies have established sections specialised in dealing with all subjects

related to electromagnetic compatibility and effects on environment and we have got a promise Mobicall will get any support from the people there.

So far my remarks on question number 3. Thank you.

MR. DENIS WHITESIDE: If I could just say, I realise your question wasn't exactly that, that you had jumped a little bit. I mean, I realise that, so we got question 3 done.

Your question about the pace of planning approval. I have never seen a place you can predict what the planning commissions are going to do. And so I think it would be a little silly if I sat here and said I am completely confident and we will get it done and there is going to be no problems. There are going to be places where we are not going to get planning approval right away. I'd be amazed if every one of our sites get planning approval in the time schedule we have laid out for us. It's not going to happen. And I think it would be wrong for us to represent it any other way.

And, you know, we have talked about this a lot among ourselves and should we have launched planning approval requests and things, but frankly, the feedback we got from planning commissions and people were, well, you guys don't have a business so why are you bothering us with this now? And so, we have laid off deliberately and we'll get most of them. We'll

get most of them. I mean, we do this a lot. We build out networks. I mean, we launch networks a lot in six months, that's not a problem, but there are going to be some holes in our system here and there where we are not going to get planning approval right away and that's just a fact but we'll have enough to provide very good quality service and we won't launch service unless we have sufficient sites to deliver excellent quality service immediately. It's not worth the risk to the customer base.

MR. MARTIN BRENNAN: Just to stay with the planning permission side of it for a moment and, you know, I see that you appreciate the differences between putting well concealed boxes on downtown buildings which doesn't seem to be a problem. The real problem in this country seems to be scenic rural areas and so on. Apart from being rebuffed by planning authorities here and there, have you made any preparatory steps or developed a strategy or found somebody with feet on the ground who knows how it's done, what the short-cuts are and so on?

MR. DENIS WHITESIDE: Yes, absolutely, we have already retained local counsel with real experience in planning process. As a matter of fact, those were the ones that advised us it would be inappropriate, they had done some checking for us and they told us don't bother these people right now, they are going to get

pretty mad with you right now if every applicant comes flooding in but we have counsel that is real experienced in that and we have already had a full team over, you know, how we did the site surveys, we did a lot of that because part of the process doing a site survey is not just surveying it for the radio propagation, it's also surveying it for the willingness of people to do a deal with us. And so we brought in specialists and it wasn't just radio engineers that said this site works. It was also people that talked to the land owner and say this is what it's going to look like on your property. This is where we'll run the cabling etc., etc.. So we are in pretty good shape there I think. I mean most people we have talked to know what to expect and I think we can execute the agreements okay. And we have the agreements with, understandings I should say, not formal agreements, but understandings with the ESB and all the people we outlined with you and in most of those cases many of those sites are in the less urban areas, so in most cases we are in pretty good shape in that respect.

MR. MARTIN BRENNAN: Ulrich is looking to add postscript.

MR. ULRICH BOLLARD: To support this, in our negotiation with ESB at former times, but later on with CIE, the railway organisation, and also with the

Garda, we got offered direct support in the planning permission process which we definitely asked for. So we are well in good hope that this will be an element but it will speed up in the end the process which we are very well aware of that is a very crucial point in the network roll-out but we have made to the far as possible extent our preparations to speed this process up.

Another point in this aspect is that also in the site preparation, which is also a thing to be done, we got direct offers of support in civil engineering from Coillte, as well as in the technical side, engineering from CIE and from Garda. Thank you.

MR. DENIS WHITESIDE: Ulrich, by the way, was responsible for the network planning and he is in the process over the last few weeks, I guess about a month now, in transitioning all the work he did to Wolfgang for implementation. Just so you know who is talking and why.

MR. MARTIN BRENNAN: Thank you. One thing I should say is that Wolfgang offered to send us some material in the next few days. We'd actually prefer not to receive it. I think we have enough on that. Michael Andersen and maybe Marius want to get in.

MR. MICHAEL ANDERSEN: Just a short question for clarification purposes only.

You say that you have support from ESB and from CIE.

Do you have commitment from them? Could you be a little bit more specific about the commitment side of it?

*MR. WOLFGANG STARR: Yes. In fact we have received four LRIs from CIE; I'll try it, Coillte, ESB and major Irish bank and we are in very good discussions with the Garda and we are in good hope to receive an LRI from the Garda within the next few weeks too.

MR. GERRY SCANLON: If I could perhaps add to that, there are strong letters of indication available but I think the reality is that we were along way down the road in discussions with ESB until they precluded themselves from continuing those discussions and obviously if they are not successful in their combination, those discussions would resume very quickly if Mobicall had occasion to resume them with them, if that makes sense. If ESB isn't successful, they are available to negotiate with the winners.

MR. MARTIN BRENNAN: I gather from reading the newspapers you weren't the only ones who had that predicament for sometime. Marius, are you happy enough on the health effects? I think the ground has been covered reasonably well.

Could we press on then perhaps briefly to question 4. It's how to deal with the risk of the sort of worse case scenarios in relation to some of these things, you know, the risk of having a hole in your Dublin to

Cork coverage because of two adjacent planning permission refusals or long delays in settling interconnection issues and so on, distribution failure, particularly possibly the handsets supply bottlenecks that we have seen in the past, and so on.

MR. WOLFGANG STARR: I think the first sub-part of question number 4 is covered, has been covered just by a question and answering. So I would like to proceed.

Interconnection issues:

We will establish suitable redundancy in our network, particularly our three mode switching centres handling a great amount of traffic are interconnected so if there occurs failure on one of the interconnections, the traffic will be routed the other way.

The same applies for incoming traffic from the fixed network for which the gateway's located in our Dublin centre. This traffic, if not handled by the Dublin embassy, of course, will be routed either directly to the appropriate embassy in Cork or Galway, or in case of failure, veer the other one to the final destination.

A similar transfer mechanism is provided at the gateway for the outgoing traffic. If there occurs a blocking or malfunction at one of the five gateways outside Dublin, the traffic will be routed to the Dublin gateway via tertiary exchange into the fixed network. Furthermore, we will establish radio sites

with a minimum of two radio terminals which in fact also provide certain redundancy in case of a failure in one radio terminal, so the service might be reduced during repair but not interrupted.

Another sub point: Distribution failure.

Why is Mobicall confident that there will be no risk of delayed launch due to distribution failure?

First of all, it's very important to note that Mobicall is completely independent from any system infrastructure and/or terminal equipment supplier.

This allows us to design our system consisting mainly of the switching sub system, the base sub system, the operational sub system, microwave links, in a modular way. We can take the best solution in each case coming out of a competitive unrestricted bidding process regarding costs, quality, reliability, capability and time. Furthermore, we can rely on the support of our parent companies with broad experiences in project logistics.

Closing this item I'd like to point out that we don't have in mind to purchase, let me say, a starting package just to be in the market. But we aim to long-term supply relationships to keep track with a system, hard and software evolution, and to build a trustful basis of cooperation to support this

*(inaudible) development.

Establishing of a backbone network.

It's our intention to realise a combination of existing microwave links to be shared between our partners and us in leased lines from Telecom Eireann. We have planned a significant part of our interconnection network, particularly the backbone network, in common with ESB. They gave us excellent support and we appreciate their cooperation. For some preselected locations in the countryside, we will build microwave links of our own to connect VSC with the remote VTS, particularly in the Dublin area, we rely on leased lines from Telecom Eireann. Up to now we have made very good experiences with Telecom Eireann, so I feel very confident in cooperating and don't assume any delay due to late provision of leased lines.

So far, our remarks on question 4. Thank you.

MR. MARTIN BRENNAN: Thank you very much. There may be a question of linguistics of maybe we are not expressing ourselves terribly well, but in interconnection, I had in mind anyway, failure to be able to settle interconnection negotiations in terms of Telecom Eireann at the technical end, not the financial end, and in distribution failure, failure to put in place the distribution channels that you need to support your business and failure to procure or the failure of supply of handsets to meet a rapidly expanding market and so on.

MR. DENIS WHITESIDE: I'll talk about the distribution issue for just a brief minute.

As I said in the earlier remarks, we have had a team of people who have been all over the country talking to distributors. We are real confident that we can close that out quickly. We won't have any problems at all establishing distribution network to support our goals.

There were a lot of things, and I won't repeat the whole presentation, but I mean there were a lot of things they wanted that they were not getting and I think we are ready to give it to them. It's a thing that we have done time and again in many markets so it's nothing new for us to create.

MR. MICHAEL ANDERSEN: Could I have just a brief question concerning distribution and the setup of distribution channels. That is, you don't foresee the problems in Ireland that we have seen elsewhere in Europe, for instance, in countries where an incumbent operator tries, so to speak, to close the distribution site with huge upsides to the existing distribution channels in order for them to stay loyal with the incumbent.

MR. DENIS WHITESIDE: Actually, I kind of salute them. I mean, they are learning competition. You know, if they didn't do that, I'd be really I'd really be thinking, man, we are going to clean up here, you

know. And that's just not right. I mean, that doesn't bother me they are doing that. They ought to be doing that if they are protecting their rights to their business. That's okay. I mean, our experience is that the people that come to this business as distributors are people that, in many cases, don't even exist as businesses today. And it's because they see opportunity here. I mean, they obviously we see opportunity as a network operator, our vendors see opportunity to sell this equipment and there are a lot of entrepreneurial businessmen that see opportunities to make a lot of money in this business in the distribution end. And, frankly, our cellular company is ten years old, I guess all of our cellular companies are ten years old in one form or another and I can assure you that in every one of our cases, both in our domestic and in our international operations, the most successful distributors we have in years seven, eight, nine were not the most successful distributors in one, two and three. Some of them are. What happened over that time is there are a lot of real sharp businessmen would see where this business is going in the first three years and they jump in it in year four and then it really explodes.

MR. MARTIN BRENNAN: Just a postscript on that, and I don't want to spend too long on this issue, but against the kind of question Michael is asking you,

1/295 plus 3 percent of service revenue looks a bit on the tame side.

MR. DENIS WHITESIDE: That's a weighted average.

We'll probably pay more for the high volume people and less for the real low volume people, okay. So I mean, that's kind of a weighed average across the whole scheme. But if it takes more to get some on, I mean, that's the nature of competition. That's what drives this business and that's just the first step and we are prepared to do that if we have to, but what we are not going to do is we are not going to go out and be so irresponsible as to start driving those costs up irrationally, because there are a lot of alternatives if the costs get too high.

MR. MARTIN BRENNAN: Okay. Could I ask John McQuaid, have you any further questions in relation to 3 and 4, the risks and?

MR. JOHN McQUAID: Just a very brief question really. Your network, the establishment of your network very much depends on the availability of ESB sites and ESB masts. It does appear that while you have an understanding with the ESB, you have not secured a commitment from them. What if you fail to secure this commitment? What's your fallback position then in a worse case scenario?

MR. DENIS WHITESIDE: I will start, you guys can jump in, Wolfgang you can jump in but I'll start the

answer, okay?

I'd be real surprised if we don't reach agreement with the ESB, and not all of our sites are ESB sites, and we have 400 alternatives out there for the 100 sites we are going to launch service with. So while ESB is a part of some of those alternatives that we have, we are not totally dependent on any one of the people that we have understandings with. So in the event we didn't reach agreement, I'd be a little surprised.

It's in our mutual interest to reach agreement, but in the event we didn't, it's, you know, we'll move on.

And we'll probably exercise some options on some sites in redundancy to the ESB sites just as a hedge.

MR. UIRICH BOLLARD: Denis said we have a pool presently of about 400 sites. This is related to mainly the countryside where we mostly have had ESB sites but the total of other sites is concentrating on Dublin where we have made contacts during the last two months with those four companies which I have mentioned before. So we didn't yet exploit the potential of those sites which will be offered also for the countrysides. What we have done in the past is the following: Feeling a little bit unsure about the final attitude of ESB, we have made a double planning. We have made radio plans for Dublin two times, completed totally. One, in one case based on the hundred percent, almost hundred percent on ESB

site. Second time based mainly on those five companies which we have mentioned before. The same can be repeated also in the countryside.

Looking at Coillte, Coillte owns 5 to 6 percent of the total Irish landscape, I would say, and in the negotiation with the Coillte representative, it was indicated that many of those areas where ESB has established its masts, it's really owned by Coillte so we got the offer also to use those areas where sites are already in place if it should be necessary, maybe also with own sites with own masts but this would not be our preferred solution because the environmental impact. But the question of having areas available for putting up sites, this is, in my opinion, not a severe question. It's a matter of fact that we have access when we want it, provided the commercial terms are set in the right place with the different partners. Thank you.

MR. MARTIN BRENNAN: Okay. Thank you. I think we have covered the ground of questions 3 and 4 adequately at this stage.

My own feeling, subject to correction by my team, is that questions 5 and 6 are a little redundant in your case. Am I right in that feeling, Michael? And that we go straight to question 7.

It's well known, I think you have read all the Minister's speeches, that he is interested in sharp

competition and so on. He doesn't want the two graphs running in parallel like railway tracks and so we need to probe this question of how to be confident that we are not just licensing a cosy duopoly and against that background, I think I would have to say that, talk about the lower of your ranges, 10 percent off the incumbent, you said 10 to 20 percent off the incumbent. 10 would look very unexciting against the background of our concerns here.

MR. DENIS WHITESIDE: If I could ask Sven to answer the first part and then I'll just add some comments if that would be all right?

*MR. BENTS SVEN HOLMER: I am Bents Sven Holmer, executive director, and responsible for marketing and sales and I will deal with the question number 7 and question number 8.

And question number 7 deals with real competition in duopoly. I'd like to point out that in our experience, competition relies on choices, real choices for not only the consumers, the business in the market, but also choices for the distributors.

We are aware that competition has different angles and we believe that competition will benefit both the society in Ireland, the customers and the business and by the business we mean not only business in the meaning of the word, but also business connected with Mobicall, including our own business. We are

dedicated to competition and we are sure that it will not be possible to reach our goals both in the penetration and the market share without competition and without heavy competition both from our side and from our competitor, Eircell.

We'd like to point out that we are member independent. That means being able not only to compete on our own services, but also to make competition on, say, handsets and we will guarantee that there will be no cosy duopoly after service launch when fully Mobicall will enter the Irish market.

Our strategy for real competition is composed of three major points. Firstly, speed. Not only speed in our roll-out plan and coverage, but also speed in getting safe distribution channels and getting the market aware of our very competitive offers.

The second point is reduced prices from the first day of service launch both on our own services and on handsets.

Third but not the last, not the least, I mean, point, we will focus upon a differentiation strategy and differentiation, that means competition, not only will we target our packages to different target groups, we will also differentiate our service packages towards those target groups including different pricing plans.

Besides that, we will use different channels, not only the same channels that are in the existing market, but

also new channels, especially there will be a need for new channels to exploit and also fulfil the needs in the consumer market. And we will back up our marketing with a very *precise marketing, in the best meaning of the word, and that will be by a combination of not only single handed, say, media advertising, but what we have experienced from other markets, a combination of, synergistic combination of, say, advertising, mail follow-up, the marketing getting leached, so not only our agents but other outlets.

So in conclusion, we will do our best so there will be no cosy duopoly when entering the market because we can only read our own goals by means of competition.

MR. DENIS WHITESIDE: One of the things that I could add is, I guess you are already starting to see the fruits of competition, terminal prices are already starting to come down even in the last week or two. I think you are already starting to see it in terms of things like are they going to try and lock up some of their dealers and all that. I mean, that's only the beginning. It's like the first shots and you haven't made your decision yet.

There is going to be a lot of competition. We are going to be fighting for customers in every facet of the business, but customers have to find value in us in a lot more than price alone. It doesn't mean we won't resist coming in with prices. You know, I

mentioned earlier, I mean, I don't know how you considered this because I understand the rules, I can't introduce necessarily something that we didn't put in the bid but I mean I can tell you, you are going to see packages of pricing schemes to attract market segments and it will be a never ending process.

The prices you see at the start won't be the prices you see five years from now, won't be the prices you see ten years from now. And you'll see it in a lot of ways.

One, you will see it in lower prices and you will see it in a lot of other ways in package prices. I'll give you examples of things we do in the US, for example, and that is for, I guess it would be effectively about $\frac{1}{2}$ a month customers can talk unlimited off peak; that they can make all the off peak calls they want. And our experience with that is that that brings on lots of customers that wouldn't have subscribed otherwise because they just want it for the safety and security purposes. And it works for us in doing that because those customers then talk peak also. All right? I mean, we are businessmen.

Okay? But I mean, it's just a facet of the market.

It's a new phase of competition and it's just good honest competition that you'll see in a duopoly.

MR. MICHAEL ANDERSEN: It's an elaboration of your answer. I could, of course, agree that you can have

competition in the sense you presented, but still that doesn't entirely solve the question of, or answer the question of a cosy duopoly in the sense that you might have competition but controlled competition or agreed competition among two competitors in a duopoly environment and it might still be cosy to have competition and for that reason, I would like to move back a little bit on the agenda to a question which you commented on earlier this afternoon, namely, the question of interconnection where you told us that you had had good contacts with Telecom Eireann, friendly relations and that you foresee no problems in concluding an interconnection agreement. How do we interpret this in relation to the notion of cosy duopoly?

*MR. WOLFGANG STARR: I think that we should point out that our relationship to Telecom Eireann has of course nothing to do with the duopoly and cosy duopoly but here we are in the need to lease lines from Telecom Eireann, as any other who is going to do so, and, of course, Telecom Eireann will have an offer based on conditions. I don't know precisely, but it's not a question regarding monopoly, duopoly whatsoever and here we are customer of Telecom Eireann, plain and simple.

MR. DENIS WHITESIDE: If I could add to that, I mean there are two levels of relationships, you might say,

between us and Telecom Eireann. One is the level of relationship where they are our supplier for interconnection, and we have lots of suppliers for various things and we'll negotiate and negotiate hard with them but those are generally productive negotiations. They don't have to be antagonistic at all and I would expect, I mean, we have used suppliers as partners in that if they don't deliver for us, we don't deliver for our customers and we are in real bad shape, okay. And in that relationship we should have good relations. I mean, if we have bad relations with them, they are not going to deliver for us and we are going to be in trouble and that applies to whoever you choose. But when it comes to Eircell, I don't know if it's a proper term, but they are the enemy, we don't talk to them, all right?

MR. MARTIN BRENNAN: Just so that you will know where we are coming from. We are trying to write a prescription for Irish telecommunications policy which brings all aspects of it into the upper 25 percent of the OECD indicators of quality, availability and price, and it's against that background that we are trying to paint a certain picture, but I think we have explored this question enough for now.

And in relation to this session, the last question which is quite an important one. There are many impacts, potential impacts of full liberalisation on

your business case. The Government is now publicly committed to liberalising not in 1998, not in 2002, in the year 2000. What comments would you offer us on how that affects, both positively and negatively, your business case?

MR. DENIS WHITESIDE: I prepared a slide but I don't think I need to use it. It was, and it kind of goes full circle in some ways with question 1.

It's new competition and new opportunities. I mean, it will be new competition and life will get tough, you know, and we'll toughen up and we'll face up to it. There will be new operators in the market place and that's what this is all about. But when new operators come in the market place, generally it expands the market, and we expect it, and that's okay, we support that.

I mean, just in the wireless arena alone, look at the UK today. I mean, with the DCS 1800, operators who came on. It's actually reinvigorated the UK market in a way. But it also presents some real opportunities for us. I mean, by the time when you do that, we'll have a nationwide infrastructure. And I think that that will give us the vehicle to do any number of things, depending on what the terms and conditions are at the time.

MR. MARTIN BRENNAN: Okay. Michael, have you or your team any follow-up on that?

MR. MICHAEL ANDERSEN: Yeah, you answer in a very general way. What will be the answer to a question like, do you want to move into fixed network operations in Ireland?

MR. DENIS WHITESIDE: The answer is yes. The terms and conditions, I don't know, you know? If you just asked me do I want to do that? The answer is yes, I do. But if the terms and conditions were, you know, somehow prohibitive or difficult, then we obviously wouldn't do it and it's just hard to speculate at this point in time.

MR. MARTIN BRENNAN: I actually inferred from your vision story at the beginning there wouldn't be a fixed network at that time.

I think we have come to the end of this segment and we have picked up five or six minutes to spare so if people want to comfort stop for five minutes it's okay with me. If you'd prefer to press on that's okay with me too.

Right, we have just over an hour left for this meeting, and my practice so far in relation to the third hour is to hand over control of the meeting to Michael Andersen and I would only intervene as seldom as possible when I can't resist it. So over to you, Michael.

MR. MICHAEL ANDERSEN: Thank you, Mr. Chairman, we will take it in the sequence that you have presented

in your business case with some headings, some general headings. And the first questions will be headed under what we labelled 'general business case' questions, that is a few questions which relate more or less to all aspects of your business case. After that, we will present some questions within the area of marketing and after that again, we will move to some financial questions concerning the financial part of your business case. Then some technical questions will follow. From that, we will switch to management aspects and if there is time, we will also cover other aspects, for instance, some of the aspects you have covered in book number 6 of your application under your label 'other aspects'. So that is the way we intend to proceed. And I will try to clearly indicate when we move from one part to another so to speak. And the first question will be within the area of, so to speak, the general business case, if you like.

With TACS 900 and the GSM system of Eircell already in commercial operation, Eircell definitely has some first mover advantages and some first mover disadvantages. Now, as a potential licensee for GSM 2 operations in the Irish market, you will also have some disadvantages and advantages related to the position as the potential second mover. By the way, you have experience from your home markets as first movers primarily, or you have, we have taken notice

that you have all first mover experience, so that's one point, but our first question is focused on your, on what you see is your second mover advantages here in Ireland.

MR. DENIS WHITESIDE: I think one of the second mover advantages we have is that we can start with a clean slate. One of the foundations of setting up a company is delivering a good product and I don't want to get too theoretical about this, I want to be specific in my answer. But we are going to locate cell sites, base station sites where they ought to be and we are not going to be biased by was it on a telephone company property or was it on TACS 900 type property?

And what that's going to result in is the sites are going to be located for good radio plan and it will deliver a good quality product.

Now, that's an advantage for us. And I can tell you, and we were talking about last night that one of the disadvantages that Telecom Denmark experienced and I have been in other situations where I have experienced it too, is there is this natural tendency to want to put your base station sites where you have other base station sites, like you are going to put your GSM sites where you have your TACS 900 sites and they are just not always appropriate and it causes some network products and if you launch services, you deliver services and if you end up with problems like that

then your customers are going to be upset with you.

We are going to have an advantage in that we are going to start with a clean slate and we are going to exploit that advantage, all right? We are going to have an advantage in that we are going to be able to create our own market position. And I would say, that as a general policy, it would be our intent, unless our competitor got crazy, but it would be our intent to also price position ourselves at least 5 percent under them at least for the foreseeable future so that we can always tell customers that we are the low cost provider. I mean, that's a positioning issue. Now, if they do something crazy, we wouldn't necessarily do that because we have a lot more to sell than just that. We are going to be a tough competitor and we are going to exercise those advantages. Is that adequate?

MR. MICHAEL ANDERSEN: Yes, thank you. I have a follow-up question on the type of strategy you want to follow. I mean, in the strategic vocabulary we find different types of strategies like market leader, cost leadership, follower type of strategies. If you would like to pursue that. The role as a differentiator, etc., there are a number of different strategies which you can pursue. And I would like to ask which underlying strategy you see, if you have a first choice, to pick and choose one of those strategies.

Before you answer, I might maybe say a little bit of our interpretation, so far, of your application.

Then you can correct us whether we are right or wrong.

Concerning the market leadership, we have taken notice that you do not specifically opt for being the market leader in a quantitative sense of the word because you have a market penetration aspiration going up to 49 percent of the entire GSM market during the end of the planning period. And I heard from the presentation this afternoon, for instance, from your executive marketing officer, the word "differentiator" used several times, but anyhow, we would like, with your own words, which type of strategy you pursue?

MR. DENIS WHITESIDE: I can throw a lot of coined words that I am sure you heard a lot throughout the course of the week from various people about, but there are several things about strategy. We are going to be a market driver, if you want a key identifier word. We are going to drive the market place and we are going to drive it in all the areas I identified and I am not going to repeat all of those things but one of the things that is a key success factor in this business is distribution. And I have seen it time and again is carriers, carriers constantly talk about leadership and carriers constantly talk about differentiation. If you want a point of differentiation, you better have a lot of

distribution, because that's what will create more customers than many of the other things that you try to do in the market place.

Now we are going to have the other points of differentiation. We are going to offer a tonne of services and those provide points of differentiation, so quite honestly they don't generate a whole lot of money. All these plethora of ancillary services do give you the advantage of providing points of differentiation to the customer but they don't generally, in our experience at least thus far, create a tonne of air time. I have forgotten the number, 5 percent, 5 percent of our revenues will come from ancillary services but they are points of differentiation to help us attract customers. Okay?

I had another point I was going to make about it and it escapes me at the moment. Okay?

MR. MICHAEL ANDERSEN: Okay, so it's mostly a differentiation type of strategy. Thank you.

We will now move to, from the more general questions to some marketing like questions and I will give the floor to Maev Nic Louchlainn to ask some questions about your segmentation packages and tariffs. Maev, the floor is yours.

MS. MAEV NIC LOCHLAINN: Thank you. I'd like you to elaborate, if you could, a little on your selection of tariff packages, in particular, if you could indicate

how the packages you have selected, Personal Ring and the others, how they match the various market segments you have identified in the application?

MR. DENIS WHITESIDE: I will start with the Personal Ring package, I need to pull it out so I can get the numbers for you.

MS. MAEV NIC LOCHLAINN: I think chapter 4.

MR. MICHAEL ANDERSEN: Yes, book number 2, chapter number 4.

MR. DENIS WHITESIDE: I'll just talk about it instead of wasting your time searching for it. I know it well enough, all right?

Personal Ring, the tariff we chose for Personal Ring.

One of the aspects of it in relation to consumers is that when consumers sign up for the service, they are looking for something that has a low monthly charge, okay. Because they don't have a concept of how much they are going to use it but their self perception is they may not use it an awful lot but they like the convenience it provides them, they like the security it provides them. And so they want something that has the minimal monthly cost, fixed monthly cost and so that's how we positioned the service so it had a low monthly access charge rate. I forget the number, I think it's $\frac{1}{2}$ 12.50, all right? And their traffic tendencies is to use it substantially off peak, whether it's in the evening or on weekends. So we

tried to keep the off peak tariff within a reasonable level that we could afford to provide such a low monthly access charge. And I think that generally we are going to see a lot of consumers on that plan.

The Standard Plan really encompasses most of the customer segment and it is for most of the customers that use their phone less than 150 to 250 minutes a month. It's in that range. I shouldn't say most of the customers, but a large number of the early adopters, okay. And that will go down over some time but those are generally the small business segments are the real early adopters.

The Executive Plan has a higher monthly access charge and it's but with that, they get a lower peak rate but that's a pretty small segment that adopts that. It's high users.

You know, getting back to, if I could just kind of, since we are sort of on the same subject and we are talking about the marketing strategy and our forecast where we get to, like, 49 percent market share. And that's just based on practical numbers. They got a head start. And I think we are going to do pretty well but they are going to be if they are smart, they are going to be aggressively transitioning their TACS 900 customers over and, you know, we can manipulate numbers to try and sell you something that makes us look like we have got 54 percent market share

or something, but that's just what we think.

MS. MAEV NIC LOCHLAINN: I have two follow-ups on that, if that's okay. You are saying your standard ring where most of your customers is going to come is the small business segment, would that be correct?

MR. DENIS WHITESIDE: Yes.

MS. MAEV NIC LOCHLAINN: And the reason I ask this question really is your per minute charge for the Personal Ring customer, you have them at 27p per minute peak and 23p off peak. I'd just like you to expand a little on how you see these charges fitting in with the claim you make earlier in your marketing volume that the consumer market segment is the most price sensitive grouping in the market, whereas if we compare that off peak per minute charge, 23p, if we look at the other packages it's 11p for a business user or 10p for a high user. I'd just like you to justify that.

MR. DENIS WHITESIDE: Sure, no problem. We justify it with the monthly access charge. Because they are most price sensitive to the monthly access fee. They are not so price sensitive to the air time charge yet and you can't charge a real low monthly access fee and practically do a business plan that gets you can't do a real low month access charge and a real low, extremely low off peak charge at the same time, it just doesn't make business sense.

MR. MARTIN BRENNAN: Have you any independent research to support this view because there is the contrary view that while the monthly charge and the handset price might be a deterrent to adoption of the technology, that the usage charge might increase your churn rate.

MR. DENIS WHITESIDE: That the air time fee would increase our churn rate?

MR. MARTIN BRENNAN: That the air time fee set at that kind of level aimed at that market segment now.

MR. DENIS WHITESIDE: Oh, I follow what you are saying. Okay.

Well, you have to be real careful about that because, and probably we would compensate our distribution channels much different for those customers, because we want to be careful that we are not pulling in customers with the attraction of it and they find out their bills are so high that they are going to churn off. I mean, that's not in our best interests because our marketing costs will go out of site and we won't get customers.

To your question of primary research. Yeah, we have done some primary research here and we can also provide information on our experience in our home markets as well.

MS. MAEV NIC LOCHLAINN: Sorry, a further follow up. This particular market segment, the consumer and

users, how do you see this particular segment within the context of your overall strategy which you have proclaimed at the beginning of the volumes that you are aiming for a mass market penetration because what you said earlier about the standard ring, that you saw most of your customers coming into the small business segment, how do you see the move to the mass market then?

MR. DENIS WHITESIDE: I guess it's how you define mass market, but we think that the mass market will evolve over time and as we get all the prices in line, to appeal to a broader customer segment, we will probably introduce plans later on that aren't in this document, that would continue to expand to the consumer segment but until we understand what all the subsegments are and where they are... Like, there is an awful lot of rural customers here. I mean, the population, a large percentage of the population is rural and we are going to have to create tariff plans that they are going to need and we don't know those customers well enough yet to predict what we are going to offer. We will learn that as we go. I mean, that's a fair answer. Sorry.

MS. MAEV NIC LOCHLAINN: Just moving still within the marketing section but just on, throughout your presentation you have emphasised your, that a critical success factor is your distribution channels and how important they are and we understand how important

they are in your strategy. I'd just like to turn to the advertising promotional part of your marketing strategy. You describe in some details the advertising messages you intend to bring to the public in the post and pre-launch phases. Could you elaborate a little on the philosophy behind these messages? In particular, what do you see as the critical success factor in this area, in the area of advertising messages to the public?

*MR. SVEN HOLMER: I'd like to repeat what I mentioned in connection with real competition.

Part of our marketing strategy is a combination of different medias which have not been seen in that way in the Irish market today and of course because of a low penetration rate and not many consumers using cellular services, and we will focus upon a strategy based upon not only advertisement in targeted medias, but also by following up with mails which are directed to, say, heavy users in the consumer segments or customers which are connected with, say, businessmen and then follow up by our own media telemarketing which will promote our agents and lots of it is direct consumers will promote traffic in our channels of outlets. That's the way we will create, from the first day, a new way of marketing cellular products.

MR. DENIS WHITESIDE: It's kind of two levels of advertising that we'll be doing. First level is

awareness advertising. We have got to create a name for ourselves in the market place so we are going to we'll do a pretty heavy advertising campaign that will introduce ourselves, okay, and create awareness for us.

We'll have a second level of advertising which we might call a deal a day, and we'll do that through our distribution channels. And that's because we want our authorised agents, in particular in the early years, to be very competitive, so we are going to pay them a co-op advertising fee for the customers that they generate on the network and then we'll let them use that to advertise special deals that they want, particularly on terminal equipment.

MS. MAEV NIC LOCHLAINN: Thank you very much. There is just one very short question. I haven't seen it in the applications, an indication of the type of advertising budget you have in the first year of launch.

MR. ERIC GROVES: The first year total sales and marketing costs is approximately, I think, IRi₆^{1/2}5 million. I'll give you the exact figure in a second.

The advertising in the first year, the budget is IRi₆^{1/2}5 million.

MR. MICHAEL ANDERSEN: Five and a half.

MR. ERIC GROVES: 5.012.

MR. MICHAEL ANDERSEN: Thank you for the answers to

this and thank you, Maev.

Another question in the marketing area is easy to answer because it's on the suggestions you have to provide for a discount, in particular, volume discount. You give an indication in your application that you will go for volume discount. However, we are always reading applications in order to specifically see where commitments are in place. So can you elaborate a little bit on the commitment side of your wording concerning discounts?

MR. DENIS WHITESIDE: Sure. Since we are being recorded, I will absolutely commit that we will offer volume price packages. And I am not kidding about it really. I mean we will absolutely. Because it's just good business to do. The reason we didn't present it in or one of the reasons we didn't present it in a bid document is we don't know what the interconnection costs are. If we say something like for $\frac{1}{2}$ you can have unlimited off peak, or something like that, without knowing absolutely certain how interconnection and everything is going to evolve in this business, you know, we could be making a pretty serious mistake there. So... But if we are solid, if we know it for sure and there is no problems, then absolutely we are going to offer them like that.

MR. MICHAEL ANDERSEN: So what precisely is your commitment? I mean, you have indicated some

percentages, but it's not entirely clear to the evaluation team when these discounts will be given and the exact percentages. Can you elaborate on that?

MR. DENIS WHITESIDE: I'd like to say we'd do it at service launch but I am not certain. But I'll tell you, by Phase 2, the roll-out, which will be December '96, we absolutely will offer price, off peak price packages. We have not completed the financial analysis and I think it would be irresponsible for me to give you a percentage.

MR. MARTIN BRENNAN: I think, though, our difficulty is if you can't measure it, you can't count it.

MR. DENIS WHITESIDE: Yeah, I understand. I hear you completely.

MR. MICHAEL ANDERSEN: I would like to stress I am not talking about the off peak packages. I am talking about the volume discounts and the general discounts you are talking about. Because you state specifically that you haven't taken decisions on these off peak packages etc., so we have taken that for granted, whereas you are in the area of discounts, general discounts and in particular, volume discounts, you even quote some percentages. However, it is difficult for us to see whether they are commitments or just hopes and dreams.

MR. DENIS WHITESIDE: Fair enough. That's a tough question. Let me give it some thought and before we

close, I'll give you an answer but I don't want to just sit here and off-the-cuff give you an answer that I can't stand on. Let me give it some thought and before we close today I'll give you an answer. Would that be reasonable?

MR. ERIC GROVES: And I'll come back to you on that other one. 5 million in advertising and the other 500 is in promotions, so co-op. So you're right and I am wrong. We got it on the record, there you go.

MR. MICHAEL ANDERSEN: Sorry, do you want a one minute pause or do you want the next question? Okay. We will then, if the team agrees, close on the marketing aspect and move on and the next issue will be the financial part of your business case and the figures you have indicated etc..

And we have some quite specific questions, or I hope that they will be perceived as being specific, but time will show.

The first question, or rather the first groups of questions will be posed by Jon Bruel and later on also Billy Riordan from the Department of Finance will pose questions. Jon, the floor is yours.

MR. JON BRUEL: Thank you. I have a set of three questions about the accumulated investments and the accumulated depreciations and the accumulated profits. Maybe they are interlinked and you can explain it if they are. But let me start with the first one.

If you look at, in book 3, the financial part, chapter 3, page 1, have you got it? It's item 71 where you have got the accumulated total investments. When we look at it we don't get that - item 71 - we don't get that that's a sum, a diagonal sum of what you get in the previous year, item 71, than next year. For instance, if you look at the second, year 2, then your accumulated investments are 61 million, well that's not the sum of 48 and 14. Could you explain to us how we should interpret these figures?

MR. ERIC GROVES: I tell you what makes sense to do is if you would just ask the questions and what I'll do is I'll go back through and give you responses to them if that would be okay, rather than for me to try

MR. JON BRUEL: I will go on then to the next one which is related to the accumulated depreciation. That's in chapter 4, page 2, item 72. Again similarly to the other one, I don't get that accumulation is a sum of the individual depreciations, which is item 53. And do you want the last one?

MR. ERIC GROVES: Yeah, go ahead.

MR. JON BRUEL: In the profit and loss account, for instance, we see accumulated profit of 372 million in year 15. But when we read, for instance, your book here, or your balance sheet, we don't we can't see how this profit is placed, if it's taken out as dividend or if it's reinvested in the company. We

can't find any clear statements about this, how the profit is used.

MR. ERIC GROVES: Okay, I am sorry, could you repeat which line you are coming from, on year 3 is what you are looking at? Year 15

MR. JON BRUEL: Just take any year where you start to get the profit or accumulated profit.

MR. ERIC GROVES: You'd like to know the split between dividends versus retention?

MR. JON BRUEL: Yes.

MR. ERIC GROVES: What I'll do is I'll put together a table and then I'll just walk through it with you, if that's acceptable, of how the split is done.

MR. JON BRUEL: Yes.

MR. MARTIN BRENNAN: Is it then appropriate the question I want to ask is, while you are doing some work, if you need to do some work, can we press on with some other questions? Can they be in the financial area or do we have to go into the another area? That's the second point. I mean, presumably if we are moving financial questions you are involved in answering them, is that right? So can we go to another area then, Michael?

MR. BILLY RIORDAN: Martin, sorry, I have a couple of financial questions, they are more management/financial questions so they may be answerable by other members of the team and I'll try

them and if that doesn't work, then we can defer.

The first question was that I understood from the presentation in earlier parts of the bid document that you had a debt equity ratio of about 30 to 70, isn't that right? Wasn't that the ballpark, and there was a point actually in the financial section which said that there was the intention of Irish Mobicall to procure 40 percent of its capital needs by equity payments of its shareholders and 60 percent by loan.

I am just wondering whether I am misinterpreting.

Maybe that

MR. ERIC GROVES: The differentiation between the two is that, to be more clear, it should stipulate that the book debt to equity ratio is 60:40. To accomplish that in terms of a free cashflow allocation due to retained earnings being negative during the years when you have negative net income, the actual cash requirements that would be put in would be 70:30.

MR. BILLY RIORDAN: The second question, and I hope not to interrupt you again actually, was, that another stage in that paragraph it says that in the case Irish Mobicall Limited should need additional capital, the shareholders are committed to inject the additional funds needed. Then up above that it talks about the way it will rotate through the shareholders if some shareholders don't take up their option to inject new capital. And I was just wondering if the shareholders

indeed have a firm commitment that if there is a further capital requirement necessary, that they will, they will contribute to that capital requirement pro rata or not. That's what I was unclear about.

*SPEAKER: At this particular stage we have all agreed that we will retain our existing relationships right through. That was put in there for technical reasons in the event at some stage in the future we wanted a formal agreement, that if one decided not to, for whatever reason down the road, that there was a formula for handling it thereafter. But in fact we have particularly committed, at this stage, to retain our existing shareholding relationships of 25 percent.

MR. BILLY RIORDAN: Okay. That probably then there is another question which I probably had, that's probably answered already, was, that the 25 percent flotation stage, presumably each existing shareholder at that stage will dilute pro rata as well. Like the intention is in the longer term to keep everybody in the equilibrium they're all in ab initio.

*SPEAKER: Correct.

MR. BILLY RIORDAN: I think I had two more questions but I may need Eric's assistance in those regards.

The first one was that there was a tax liability in the balance sheet or in the PNL I think, yeah, in the PNL in year one and I was just wondering how that happens, bearing in mind you probably have substantial

losses, trading losses at that stage. Sorry, just

clarify that.

MR. ERIC GROVES: The tax liabilities for deferred

taxes, and that's a creation due to the fact that the

licence, I believe, and I'll go back and look but I

believe that's because the licence is advertisable for

book purposes only and not tax.

MR. BILLY RIORDAN: Okay. Then, yeah, the final

question was that while there are in the middle of the

period year seven to ten, there are positive cash

balances in the balance sheet, yet there seems to be

no financial income, there is 20 million or so, and I

am just wondering whether that's a prudent assumption.

MR. ERIC GROVES: The assumption was that based on our

forecasting methodology, we are looking at revenues,

we tend to try and be very conservative. When we look

at expenses, we try to be more aggressive and it's

just an internal way of looking at it that we just

assume that we are not going to get in all

likelihood we probably will get some interest income

on that cash obviously sitting in the balance but we

just assumed for these purposes not to include that.

MR. BILLY RIORDAN: Thank you.

MR. MICHAEL ANDERSEN: Well, then you need some time

to answer the questions from Jon Bruel, isn't that

correct? We will then move on with a question which

is maybe financial, maybe management like in its

nature and it is in continuation of the discussion with, the subject of the partner composition.

In book number 4 of your application, you have included a statement from Deutsche Telecom and I am making reference to chapter number 1, page 11 and book number 4, where it is said "that the management board of Deutsche Telecom AG will endeavour to provide Irish Mobicall with all the necessary resources from throughout the concern at its best possibilities and capabilities to fulfil the requirements and obligations placed upon its subsidiary, Detacon."

Generally speaking, we are looking for commitments, as I said before, when we read such an application and we are not particularly happy with words like "will endeavour to" or "its best possibilities" etc.. Can you elaborate a little bit?

MR. DENIS WHITESIDE: Yeah I can. We have obviously representatives from Deutsche Telecom here, but at the shareholder level the representative is not here because of the limitation of people, but I mean, I can tell you knowing them, that I think it's just a language difference when they wrote it. I could tell you unequivocally I know them and I have worked with them throughout this project and they are probably as committed as anyone could ever be to provide to this thing whatever it needs.

MR. ULRICH BOLLARD: We have discussed that a little

bit and I think you should be aware that in Detacon's board there is a lot of members from banks and they normally express themselves in such a way that can be left a little bit doubted. Actually it was from the German side to state that they really are committed and it's meant definitely as a commitment.

MR. GERRY SCANLON: I think against my banking experience I'd say it's not a guarantee but it's a strong letter of commitment, or strong letter of comfort which doesn't have to be included in their balance sheet. Sorry...

MR. ULRICH BOLLARD: Just some information on the history of Detacon now lasts for 18 years and for all these times Detacon has got full support from Telecom on the different projects all over the world. This is some kind of basic attitude of Telecom to present civil servants, experts for limited time for projects and I think this is what we are talking about when we think about the forthcoming one or two years to get support for the management and other activities which have to be activity, which have to be done by Mobicall.

MR. MICHAEL ANDERSEN: Okay that's fine. Thank you. That moves me on to a follow-up question. You have presented Deutsche Telecom as the partner in your presentation this morning. But we see from, or you mentioned the word Deutsche, the name Deutsche Telecom

but isn't it correctly understood that it is Detacon

that is the signatory partner?

MR. ULRICH BOLLARD: Yeah.

MR. MICHAEL ANDERSEN: Okay. Well Detacon is only

partly owned by Deutsche Telecom, I think it has a

shareholding of 30 percent. What happens if Deutsche

Telecom cannot exert influence on Detacon under the

present 30 percent ownership regime?

MR. ULRICH BOLLARD: The question is right but the

answer is more right. Well, the experience and the

history shows that the interest of the banks is only

in the dividend to be paid after the lapse of one

year, after one business year. All management

decisions, all decisions on telecommunication projects

are full in the responsibility of Telecom. Within the

management board you have a composition of votes where

the casting vote is by is given to the Chairman.

The Chairman is coming from Deutsche Telecom. That

means the project and the decisions on activities to

be taken is mainly driven and taken over by Deutsche

Telecom and we have never had in the past a situation

where a decision was counteracted by a contra vote of

the banks in this respect.

MR. MICHAEL ANDERSEN: Okay. Still we would always

prefer binding commitments and with this a little bit

vaguely formulated letter and the fact that Deutsche

Telecom has only a 30 percent ownership, we would like

still to pose you the question: What is the binding commitment in relation to Deutsche Telecom? And I could maybe also elaborate with the side question here: The Irish Mobicall business meet temporary opposition and the banking shareholders of Detacon wants, let's say, Detacon to withdraw from their obligations, maybe in disagreement even with Deutsche Telecom, what is then the guarantee vis-a-vis the licence or this Department that Deutsche Telecom or the expertise from Deutsche Telecom will still be on board in this project?

*MR. WOLFGANG STARR : I think I have answered in a lot of discussion about setting up the agreements between the companies. Obviously there should be somebody from Germany going to answer it and there is maybe some uncertainty but we have been discussing this among the partners and I see it there is a shareholders' agreement in Detacon which definitely shows that they are operating with the media influence and in such issue from Deutsche Telecom, that as far as it's explained to me that's of historical reasons that for years ago it was impossible for Telecom or Government owned telecommunications company in Germany to go into the competing areas and that was one of the reasons we set up Detacon but I think it would have to deal with if you need to have more information about management agreement or shareholders' agreement in

Detacon, which you are concerned about here, you have to elaborate on that with the Germans and how much of that that can be highlighted in this connection.

On the other side we have secured in the agreements that if there should be, that's just having another security into it, that there are shareholders who are willing to stand for it. If you are only concerned about whether the technical capability from the Germans is taking into account, I cannot see the problem. It should we are going to raise business here in Ireland with enough people to manage it and you are not talking that we should withdraw from the consortium.

MR. MICHAEL ANDERSEN: Okay. I thank you for the answer.

MR. MICHAEL SCANLON: Are there any gaps that are a cause of concern to you? We would wish to address those gaps and close them out.

MR. MICHAEL ANDERSEN: But I think it is in the nature that there can be gaps that can not be bridged or closed, so to speak, in a sense that you may have some internal agreements and a draft or even a final joint venture agreement which we do not have entire access to and therefore, we have not total transparent view on all the agreements you have made among the partners. So all we can stick to is the application, so to speak, and the application leaves us with a fact

that Deutsche Telecom has not signed an entirely committing letter to Detacon and Detacon is only partly owned by Deutsche Telecom and for that reason, we are still left, I feel at least, with some degree of uncertainty.

MR. GERRY SCANLON: If we were a successful candidate and that was still a gap, obviously it could be a condition in the licence. But we would if you wish to write to us, we will certainly address it and give you a written reply, which we would prefer to do to satisfy the issue.

MR. MARTIN BRENNAN: The trouble is, if I may speak as Chairman, there are different gaps in different applications and some are more easily filled than others. We have a duty to be objective in relation to all applications.

MR. GERRY SCANLON: I think the Irish partners and the Danish partners very clearly understand that Detacon are long-term partners and not short-term partners. The support which we are reflecting from Deutsche Telecom is expressed in a form which I understand is not to your total satisfaction.

MR. MICHAEL ANDERSEN: Well, I think we can we must leave it here and time is running as well. But you talked about the licence, so why not quickly switch to the licence that's covered under the heading 'Other Aspects'.

You have expressed some reservations concerning the licence, as we have read your comments to the draft licence, and for instance, you seem to be almost demanding that you will have a licence renewal after the fifteen years licence period. Can you elaborate a little bit on your rather strong wording concerning the draft licence?

MR. DENIS WHITESIDE: Sure. It's deliberately worded strong hoping you'd adopt it.

And frankly, I guess I mean it too. I mean, we would like to see some reinforcement of where it goes after this. I mean if you don't want to put in a licence, it's okay. Because we were given licences in the US with no renewal on them and we were okay with them. It's not conditional on our part at all. So I want to make that clear.

But I can tell you, as businessmen, that you never stop investing in these companies and so we'd like to see a window when you would establish when you are going to renew them and not let a licensee start reinvesting in his company in year twelve and thirteen, as he ought to, and then discover that you don't intend to renew them at all. Now I don't see that happening frankly. I haven't seen that happen in any place. So if you feel like that's a problem, ignore us, okay.

MR. MICHAEL ANDERSEN: Okay. Thank you. Ed

Callaghan.

MR. ED CALLAGHAN: Can I maybe just come back on that a little bit. The comments you have in the draft licence are quite substantive and they depart quite, to a large extent, from the conditions that would form it's understood of course that it's not a final document. What we are looking for is some guidance as to whether the comments you make are pre-conditional? Are they demands? Are they ones where without which you will not accept the licence? We just need some because some of the language has been put so strongly, we need some guidance here.

MR. MARTIN BRENNAN: Could I prompt you to save time to say your opening position because John McQuaid has loads of questions.

MR. DENIS WHITESIDE: None the things that we said are conditional, period.

MR. MICHAEL ANDERSEN: Okay. Thank you. Then we move on to some technical questions and I will give the word to John McQuaid.

MR. JOHN McQUAID: I have a question on the backbone network on radio links. I should preface my questions, first of all, by saying that the Department has decided not to initiate discussions on the detailed assignment of frequencies for the radio links before the issue of the licence. We do not want to be we do not want to get into detailed negotiations

with six bidders on their aspirations for radio links,
it would be much too difficult.

And having said that then, my question is that in the
event of the Department being unable to provide links
below 15 gigahertz, how would this impact on your
backbone network plans?

MR. DENIS WHITESIDE: Okay I would like to pass the
question over to Ulrich Bollard because he and his
team have worked out the whole strategy of
implementing our backbone network.

MR. ULRICH BOLLARD: Okay. I want to repeat the
question. If it would not be possible to get
frequency for the range below 15 gigahertz, what would
our reaction on this situation be?

MR. JOHN McQUAID: Yes, and that is a worse case
scenario.

MR. ULRICH BOLLARD: In one aspect that would have an
impact on the business case, I think, because going to
higher frequencies you get shorter hops in your
transmission links, that would have a financial impact
on what we have calculated so far. I could imagine
that by applying what we also have described a little
bit in our proposal by applying our optimisation tool
we would make a new calculation and see to what extent
leased lines would fit into this new situation. This
would be the first step to go and wait for the outcome
of the calculations.

Another solution which I could imagine, provided that the availability of frequencies in a special given to geographic area is not possible maybe because of other transmission links are too near. I think we have made the experience in our preparation for this tender we are flexible enough to look for new sites. I talked about this quite big pool and not to explore the other possibilities given by the four to five companies that we are able to, within a short time, to make a new planning and by usage of our organisational tool, to get new and maybe even better results if you are forced to go to other places.

This, for the time being, seems to be a general answer but this would be the way we had to go. I do not see for the time being other possibilities to overcome such a problem. But we have been told on occasion of a visit in the frequency planning department, I think three quarters of a year ago, that lack of frequency will probably only occur because of failed frequency bands in the range up to below 11 gigahertz. 7.5 is quite fully occupied. The frequency bands above also a little bit, but also let's say a little bit more relaxed than the other situation and this we especially wanted to know in terms of getting a feeling how long it will take if we would have to go in other frequency ranges to make some kind of substitutional solution.

For the time being I cannot tell any more, but we would, in any case, react flexible on new situations and try to apply what we have in our baggage or at home in our premises.

MR. JOHN McQUAID: Okay. Just to sum up then, I think that at 15 gigahertz and above we don't envisage a problem. Below 10 gigahertz the bands are quite congested in particular areas. We obviously will be flexible as well, but I think you must understand that we can not give you what we haven't got. So in certain cases, we will not be able to give you what you request, particularly in the lower bands.

I have another question to ask as well, just a supplementary question on your radio network.

Do you plan to deploy PDH or SDH and at what capacities?

MR. ULRICH BOLLARD: I understood the question you are asking us, what we are going to plan in terms of SDH, SDH networks?

MR. JOHN McQUAID: Yes, your network, your backbone radio network, will it be based on SDH technology, synchronised digital hierarchy, or will it be the older PDH technology and what capacity?

MR. ULRICH BOLLARD: Well, when we are talking about our backbone network, it is by nature not our own network. It may have some extensions where we may not use, for example, ESB offers, but the ESB network, as

far as I know, is going to also experience some transition from analogue nature to a future, within the course of 1996 I think they are going to finalise it as far as I heard, or we heard before, they are going to modernise it so that it will better fit to the requirements which we see it should offer to us.

I think they are going to SDH technology.

MR. JOHN McQUAID: They are, yes.

MR. ULRICH BOLLARD: That's so far what I can tell on this. Of course, we would have the need to attach ourself to the given technology in the backbone network when we make some extensions. We are even gone a little bit far by offering at the former time in the contact period with ESB, also to take over by some common operation of network links of hops, to take over some investment on the infrastructure on ESB. This had been also discussed very positively but then things changed a little bit by their commitment to the other consortium we know about.

MR. JOHN McQUAID: Okay. I think there is another question which Marius wants to ask on roaming.

MR. MARTIN BRENNAN: Could I interrupt to say that we now have approximately five minutes left. We have to revert to two questions, one about discounts and one about the financial tables. Are you in a position to revert to those because I think they are quick answers before we go to the further technical questions.

MR. ERIC GROVES: On the first count, on the accumulated depreciation and the accumulated investments, I believe and I'll have to go back and actually check the formulation that are in the spreadsheet, but I believe it has something to do with a double counting since we forecast everything in real numbers and everything in the tables was in current during the conversion process, I believe that something got double counted in the accumulating calculation. So what I can do is go back and check the calculations and re-input that information to make sure it's correct and get it back to you.

MR. MARTIN BRENNAN: I think in this particular case it's simply a technical matter of correcting a table. We could probably accept it within 24 hours. Does that sound okay to you, Michael? It's a very technical matter of one person doing a calculation or another.

MR. MICHAEL ANDERSEN: I would prefer to receive all the answers before we make a decision on that.

MR. MARTIN BRENNAN: Michael is the ultimate referee, he is the consultant.

MR. ERIC GROVES: That's fine.

MR. DENIS WHITESIDE: On the question of discount so we can be specific and I know you want that, I know you want a commitment, so how about a commitment then?

All right, in the price and tariff section, under the

table I am sorry are, on chapter 4, page 1, in chapter 4 on page 1, under the table for the tariffs, we talk about a plan that we would introduce. How about if we just give you a commitment? We will introduce that on January 1st, '97. Is that reasonable?

MR. MICHAEL ANDERSEN: When do you say?

MR. DENIS WHITESIDE: January 1st, '97.

MR. MICHAEL ANDERSEN: What about volume discount?

MR. DENIS WHITESIDE: How about if we do it in this context: Users that if a user generates more than 200 minutes a month in usage, we'll give them an additional 5 percent discount. We'll commit to that.

MR. MARTIN BRENNAN: I don't see us as bargaining your 5 percent against somebody else's or pushing you into a hasty decision.

MR. DENIS WHITESIDE: No. That's our commitment.

That's the only that's the only way I can provide you with a commitment and still be financially responsible to the company.

MR. MICHAEL ANDERSEN: Okay, but I think that has answered the question that they are willing to give some binding commitments concerning discounts and that was our initial question. Will you give some binding commitments concerning discounts? Yes or no? And I hear the answer being yes.

MR. MARTIN BRENNAN: What I would like to say is

strictly speaking the time is up but we did have a little injury time while our side was consulting so we could use two or three minutes, Marius, if you have a quick question that I think Billy, have you a problem at all?

MR. BILLY RIORDAN: There are still outstanding matters in the financial end that we didn't clarify.

Are you saying the difference on the reserves and the difference in the depreciation, they are all hinging out of the same situation?

MR. ERIC GROVES: I believe what's happening is that the investments are being, which have already been present valued back are being credited and that amount is again being credited back to 1995 numbers. So the number that you are seeing is less than the actual number should be, but it's because the numbers that we have on our books are in real terms and when we are converted to current dollar terms, the depreciation is being done and then the accumulated depreciation is being done again and so you have sort of a double counting. That's what I am guessing is causing the problem.

MR. BILLY RIORDAN: Sorry to be drawing on with this.

The other question was on the reserves. The nil reserves in the balance sheet.

MR. ERIC GROVES: Basically in terms of maybe this will explain it as to how we allocate cashflow as it

comes available. What we are doing is the cash that's available is first being used to retire debt.

Secondly, it's being used to take retained earnings to zero, in a sense keeping an extra cash balance on the book until the point in time when retained earnings go positive and then and only then are we giving dividends out. Does that answer your question?

MR. BILLY RIORDAN: The dividends you seem to be paying all the revenue reserves surplus, the revenue reserve dividends, is that right, or the vast bulk of them?

MR. ERIC GROVES: What we are doing, once retained earnings go positive or stay at zero, in a sense we are dividending the remainder, that is correct.

MR. BILLY RIORDAN: Thank you.

MR. ERIC GROVES: At that point we have also built up a cash balance of 30 million.

MR. MICHAEL ANDERSEN: I think what we need to get is some new figures where you explain how you come from the old figures to the new so we can have proven that you haven't changed them.

MR. ERIC GROVES: Sure.

MR. MICHAEL ANDERSEN: And that should be within 24 hours.

MR. ERIC GROVES: Just tell us where you want us to send them and we'll make sure you have them.

MR. MICHAEL ANDERSEN: To the Department please.

MR. MARTIN BRENNAN: To the Department, addressed to me, within 24 hours. This is an exceptional arrangement because it's a technical recalculation that we don't feel able to do ourselves.

Now, Marius, have you got a burning question that has to be asked or not?

MR. MARIUS JACOBSON: If we have not time enough I think I have information enough concerning the technical

MR. MARTIN BRENNAN: Okay. In that case, it only remains to close the meeting. To thank you for your participation. It's been a long afternoon and the last session has been difficult for everybody. When I say everybody, I don't mean everybody on your team; every team. Thank you very much."

END OF TAPE.

CHAIRMAN: Thanks very much everyone. We'll adjourn for lunch and resume Mr. Brennan's evidence at twenty five past two.

THE TRIBUNAL THEN ADJOURNED FOR LUNCH.

THE TRIBUNAL RESUMED AS FOLLOWS AFTER LUNCH:

CONTINUATION OF EXAMINATION OF MARTIN BRENNAN BY

MR. HEALY:

CHAIRMAN: Take your time, Mr. Brennan. Thank you for coming back, although you have been with us in spirit in the last two days.

Q. MR. HEALY: Mr. Brennan, if you'd go to Leaf 99, it

predates the material that has been put in evidence over the past day and a half, the tapes of the presentations, but we didn't actually dispose of it when you were last in the witness-box. It's the 10th meeting of the GSM. It's a minute of the 10th meeting of the GSM Project Group on the 11th September, 1995.

I don't think it records anything of significance other than that you indicated how the presentations would proceed.

You say, beginning in the second paragraph, "Despite the fact the taping of the presentation has been agreed, it was decided that written minutes would also be taken. As it would be impossible for any one person to take the minutes, it was agreed that Ms. Nic Lochlainn and Ms. O'Keeffe would record a general resume and that GSM Project Group members with technical and financial expertise would record the information that pertained to them.

"Mr. Andersen advised that the opening questions to each applicant should be easy so as to give the presenters a chance to warm up, and that they should also be informed that they may have time to confer on questions if the need arose.

"Mr. Towey sought clarification on whether the prices and tariffs quoted in the tenders would be binding in a contract, and it was decided that this was the case.

"T&RT had a set of technical questions which they

wished to pose to each applicant. Of particular importance was the question of the applicant's backbone network.

"It was decided to ask the applicants questions on their mandatory tables and their business plans, as there appeared to be many discrepancies between these two.

"As a general rule it was decided that applicants would be given a last opportunity to provide clarification orally at these meetings. Further contact would be avoided. If it became apparent that clarification was essential after the meetings, contact would be initiated in writing by the Department. The applicants were to be informed in this regard."

We note, from the tape that we have heard, it's roughly along those lines that the presentations proceeded and roughly in accordance with that template that each of them was carried out.

The principle behind the presentation seems to be encapsulated in the last paragraph of that minute; would I be right in that?

A. Yeah.

Q. Where you say that it was a last opportunity to provide clarification orally and that further contact would be avoided, but that if it became apparent that clarification was essential after the meetings,

contact would be initiated in writing by the

Department.

A. I believe that was clearly stated at each meeting.

Q. It was, yes. It was also stated, as we know, at each

meeting, though there is one aspect of it that

slightly puzzles me, in that it's clear from the tapes

we have heard that there were areas upon which

clarification was required by or seen as being

required by the Department and by Andersens; isn't

that right?

A. Yeah.

Q. And clearly any of the questions posed at the

applications were questions of importance, judging

from the way the presentations were conducted, there

was very little there was no frivolity, apart from

a few jokes?

A. And very little spontaneity, either, on our side.

Q. And there were occasions when in fact you had to

prioritise the questions you had planned to ask and

ditch some of them in favour of more important ones?

A. I am not so sure whether we ditched some of them. I

think as we went along we may have been able to

conclude that some of the questions were already dealt

with in the presentation, for example. I think in

fact, and I just turned over some of transcripts, I

was kind of checking to make sure that nothing of

importance was overlooked.

Q. But you weren't going through all of the applicants' applications although each applicant was given an opportunity to make a general presentation, you were then pinpointing aspects of the application upon which you felt the need for more information?

A. Yes.

Q. But do you recall in the case that at least two applications, you were offered further information if you required further clarification?

A. The transcript shows that in one case, I have forgotten which case, we agreed that a one page spreadsheet would be furnished within 24 hours. That's the one I am picking that up from the transcript; it's not something I recall.

Q. I think in that application and in the Persona application, it was also I think stated by the applicants that they that they were prepared to provide you with further clarification if you sought it; and what's more, they ask you to indicate in one case rather more expressly than in another, that if you had any further concerns, they could expect you to get back to them for more information or clarification to allay those concerns. Do you remember that?

A. There seems to be some element of that in the transcripts.

Q. Do you remember Mr. Andersen, I think, dealing with that issue in the course of an exchange with Mr.

Scanlon of Mobicall, where Mr. Scanlon was trying to emphasise, "Look, if there is some gap here, we'd like an opportunity to fill it", and I think perhaps you and/or Mr. Andersen intervened to say "Look, there are different gaps in different applications, but we are going to make do with what we have got"?

A. Mmm.

Q. What I want to try to understand is, what was the purpose of the application of the presentations if you weren't going to try to fill those gaps, in particular, when you were trying to separate the top three applicants?

A. I am not so sure I understand the question. I mean, the overall purpose of the presentations was to enable people to present their applications for an hour; to enable us to ask, in the next hour, the sort of general questions that consultants wanted, things about market philosophies and stuff like that, approaches to technology and so on, that then to have the questions that arose by the different members of the team posed to the applicants. I don't know where you are taking this after that.

Q. Well, I am just wondering, why did you ask questions with a view to clarifying aspects of the applications and not follow up on them when you were being invited to follow up on them by the applicants?

A. Well, without going through the series of

presentations, we had in mind very much that we wanted to bring the application phase to an end and on to the adjudication phase or the evaluation phase.

Q. If you go on to the next document, Document 100, that's in Leaf 100, and it contains an Andersen note of select oral applicant-specific questions to be posed during the presentation meetings on the 11-14 September. The first one in the bundle of documents here is in relation to A3; that's Persona. Then the next one is A2, A5, A6, and I don't think and A1 has been included as well.

If you look at page 2, under "Management Aspects", question 9 is as follows: "Sigma is a member of the consortium as a 26.7 percent shareholder." That's its Persona consortium. "What are the exact financial responsibilities and liabilities of Sigma? How do you assess the relationship between the significant exposure of the business case and the present equity of Sigma?"

I understand that to mean that Sigma has just over a quarter of Persona; have they got the money or access to the money to enable them to put in their share of the anticipated equity over the duration of the project?

Do you have a copy of the presentation a transcript of the presentation tape with you?

A. I don't have it here. I have it upstairs.

(Document handed to witness.)

Q. You see the reference to Michael Andersen on that part of the transcript of the presentation tape, page 101.

It's on the front page?

A. Yes.

Q. Michael Andersen says "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 9, 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".

Then Mr. Bruel says, "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 Sigma, considering that there is quite a high exposure of Persona, I think you mentioned $\frac{1}{2}$ 40 million, how do you assess the relation between this significant exposure of the business case and the" it's transcribed as "pressed"; I am not sure what it means "equity of Sigma".

Mr. Tony Boyle answers. "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 a bid with a letter of support from KPMG, and 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.

Jan Bruel says "Please elaborate on 'strategic offer'". Can you clarify that?"

Mr. Tony Boyle: "Okay, 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 Network 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 further clarification, as I say, now or over the next several weeks, we can certainly provide that. That point, you will appreciate, obviously, is in confidence, as I am sure "

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: "Okay, 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".

Then the Chairman that's you, Mr. Brennan say "Noted."

Does that mean that if you had any further concerns, you would seek further clarification or documentation?

A. I think it only means I noted his request.

Q. Did it mean that you disagreed? I mean, if you are

going to say "No, we won't, that's not the way we are prepared to proceed", why wouldn't you have just said so? "No, we won't, this is it, this is your last chance"?

A. I don't really know.

Q. Do you remember having a similar discussion with Mr. Scanlon, where I think he again requested that he would have an opportunity of providing clarification if you had any continuing concerns, and I think in his case, a more specific response was given that you were going to take the applications as they stood with the gaps in them as they were; do you remember that?

A. Yes.

Q. Did that answer provide you with the information you needed?

A. I think

Q. I think I should go further, to satisfy yourself that you could assess the extent to which Sigma would be exposed to a high equity capital demand, if you like, that they mightn't have been able to meet?

A. I think it's reasonable for me to remind you that this comes back to before Christmas; there were sub-groups of the project team, and one of the sub-groups was focusing on this issue. I wasn't personally carrying the responsibility for all of the different issues, and you will presumably be seeing some of these people, and they may be able to give you better

answers to these questions than I can.

Q. You were, nevertheless, if you listen to the tapes, you were I think nevertheless the Chairman running the overall presentation?

A. That's correct.

Q. And you were, as it were, as I see it, monitoring the ground rules in terms of the procedure to be followed?

A. Absolutely, yes.

Q. Wouldn't it be fair to suggest that it was you were the person who would say, "Look, no, this is it, we are not going further than this, this is the only information we are going to accept from you, and whatever further concerns we have, we are going to have to make do with the information we have got"?

A. I am having difficulty to trying to find out what you are trying to establish here.

Q. I am trying to see why was there a difference between the two answers you gave. Why did you see in one case "Noted", which I understood you to mean that you would go back to the man in question if you had further concerns, which you indicate to me does not mean that.

Why in the other case you made it clear to Mr. Scanlon, look, there's a gap, you were filling it as well as you could at the presentation, but beyond that you weren't going to go.

MR. O'DONNELL: Chairman, just to deal with that point, the answer that's given by Mr. Brennan at page

98 of the Mobicall presentation, and it's perhaps appropriate to read out the question from Mr. Scanlon at page 97: "If we were a successful candidate and that was still a gap, obviously it could be a condition in the licence; but we would, if you wished to write to us, we would certainly address it and give you a written reply, which we would prefer to do if that satisfies the issue."

Mr. Brennan says: "The trouble is if I might speak at ... there are different gaps in different applications, and some are more easily filled than others. We have a duty to be objective in relation to all applications".

So I don't know if that is the point if that's where the issue arises, where it is suggested that in some way there was a gap but that they were taking it gaps and all. That's the Mobicall conversation with Scanlon that I think My Friend refers to.

CHAIRMAN: Well, I am conscious, Mr. Brennan, that I did say to you at the outset, the Tribunal isn't looking for nit-picking or tiny matters arising, because with a long week of lengthy presentations, of course it's hard it's impossible to achieve mathematical exactitude in everything that you do as Chairman. But obviously this is an aspect that Mr. Healy will be coming back to in the context of matters that took place in the course of the Esat

presentation. And I take your initial answer as being to the effect that as regards the spreadsheet that the American gentlemen have referred to, you took the view that was exceptional; it was a finite piece of information that you couldn't work out. And after consulting with Mr. Andersen, I think you both had a number of exchanges, and you said "as an exception, you can put it in within 24 hours by sending it to me at the Department by tomorrow"?

A. Yeah, that's correct.

CHAIRMAN: And as did you see yourself as having any discretion as regards other matters that came up?

A. Well, at one level I was in the hands of the team and of the consultants. And there was no conscious differentiation of approach as to how we responded to different consortia. I mean, we used the words we used, but it wasn't a conscious decision to ask harder questions or give more evasive answers. There was nothing like that in our minds.

Q. MR. HEALY: I appreciate the point that Mr. O'Donnell drew to the Tribunal's attention, Mr. Brennan, but I think what you said was in the context of an exchange between yourself and Mr. Scanlon and between Mr. Scanlon and Mr. Andersen.

And maybe I'll just put that in context by going back one page, I think, from the page that Mr. O'Donnell referred to, page 97. And at page 97, maybe Mr.

O'Donnell must have presumably a copy of that.

(Document handed to witness.)

You see the first name on the second-last page is Mr.

Michael Andersen, then Mr. Michael Scanlon. Mr.

Michael Scanlon says "Are there any gaps?" He was for

Mobicall. He says "Are there any gaps that are a

cause of concern to you? We would wish to address

these gaps and close them out."

Mr. Andersen says "But I think it is in the nature

that there can be gaps that cannot be bridged or

closed, so to speak, in a sense that you may have some

internal agreements and a draft or even a final joint

venture agreement which we do not have entire access

to, and therefore we have not total transparent view

on all the agreements you have made among the

partners. So all we can stick to is the application,

so to speak, and the application leaves us with the

fact that Deutsche Telecom has not signed an entirely

committing letter to Detacon. And Detacon is only

partly owned by Deutsche Telecom, and for that reason

we have still left, I feel, at least with some degree

of uncertainty."

Now, I think we know from the tape this morning what

he was referring to. That was the arrangement whereby

Deutsche Telecom was going to provide mainly, I think,

human resources to Detacon. And I think it's in that

context that I think an answer was given to Mr.

Scanlon to the effect that "Look, the gaps are going to be there the applications are going to be adjudged as they are".

A. Mm-hmm.

Q. What I am just trying to get at is, what was the purpose of the whole presentation? You identified a gap; you identified, if you like, an issue; you sought clarification; there is still a gap. There was no part of the application to which you could have referred to find an answer, so therefore, what point was there in the exercise?

A. I want to reiterate that insofar as, for example, there were technical gaps in applications, it was for Mr. McQuaid and the Andersens people and Mr. Breen or Mr. Ryan to chase those. I wasn't qualified to do so. In the case of financial matters, I clearly had people who were dealing with the financial matters. And if they were still unsure of where they stood, to my way of thinking, it was up to them to ask further questions. And I am sure you will eventually be talking to these people, at least to the ones who were not Andersen's team.

Q. They were certainly asking questions, but I detected from you and Michael Andersen, who seemed to be the two sort of, if you like, almost Chairman and Deputy Chairman

A. Mm-hmm.

Q. that you were laying down ground rules beyond which one wouldn't have expected other members of the team to transgress, but that's the impression that I have.

A. To an extent, yes; but I mean, there was opportunity for the people who were examining the financial aspects and the management aspects to ask the questions or to express themselves if they were dissatisfied, if they so choose.

Q. If you go on to A5, you'll see there are eight applicant-specific oral questions envisaged. If you go to the eighth question, the last question, "Financial aspects". The question is posed in these terms: "In your business case, you have presented yourself during three years with a degree of solvency below zero percent; please clarify."

And this question I think was taken up by Mr. Andersen at the presentation. Page 98.

(Document handed to witness.)

Michael Andersen is the first person named on page 98.

And he is recorded as having said: "Okay, I think, given the time that we have allocated to the remaining questions, I will leave out some questions concerning value-added services and distribution, etc., and then move on to financial, some financial questions we have. Is that okay, Chairman?"

That's what I meant by "ditching". Maybe I shouldn't have used the word "ditching"; it sounds too

pejorative. Some questions were left out. I am not suggesting that every question that you envisaged would have been asked, but obviously you decided, because you had fixed this three-hour limit, that you'd have to prioritise things; and what I was simply trying to suggest was you were obviously going to leave in the important ones and leave out ones that you felt were not terribly significant.

A. That sounds reasonable, yeah.

Q. He goes on: "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."

And Mr. Denis O'Brien says "You mean to say we are going to be making losses in the first three years?"

And then Mr. Peter O'Donoghue comes in I think, in fact, if I could clarify matters, what Mr. Andersen may have been referring to was Years 2, 3, and 4; not Years 1, 2, and 3.

You probably can't remember that detail.

A. No.

Q. Mr. Peter O'Donoghue then responds to the question:

"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 a 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 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 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 Johansen also responds: "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 of 40 to 60. So the question is more of a technical nature regarding the company law."

Then Mr. Billy Riordan also responds: "You are saying that operationally" he doesn't respond; he intervenes "You are saying that operationally, you can actually get over this hurdle; but technically, you are going to have to take steps to redress the balance so it will never be that way".

Mr. Peter O'Donoghue says: "Exactly."

Mr. Michael Andersen says: "So, okay, you (sic) have assurances that you will not go bankrupt."

I think, in fairness, my recollection of what Mr. Andersen may have said was "we have assurances", I think, "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."

I am just wondering how you use the information that you obtained in response to the question posed by Mr. Andersen, inasmuch as you were told that you would receive parent company guarantees to support Esat Digifone over this period of time during which the company would have been making, effectively, losses; I think in another note it was described as appearing to

be bankrupt, if you recall, in some of the preparatory documents before we got to this stage, to the presentations stage.

What I am trying to just evaluate is, did you accept that answer? And if you did, how did you do so? I want you to know where I am coming from; how did you do so without seeing the guarantees or the documentation that would have enabled you to evaluate the guarantees?

A. What I expect is that the people who formed the financial sub-group took into account the applications and the information they got at these meetings in determining the markings within that sub-group.

Q. If I could just go on to one more portion, just clarify one aspect of that before I leave it. If somebody tells you that he is not going to go out of business, or not going to be carrying on business in an illegal way, because he has got negative capital for a period of three years, and that the reason that this is so is because he has a guarantee, you can accept that explanation as it is; but if the application doesn't have a guarantee, wouldn't it be essential to write out to Esat Digifone and to get it?

A. You are asking me detailed questions about company law

Q. No, I am asking you a question about an evaluation yourself. I am not an accountant either.

A. But you are bearing in on issues of accountancy and company law which I am not qualified to answer, really.

Q. What I think I am bearing in on is issues of how you approached the need for more documentation, or did you decide, "Look, we are going to try to evaluate it on the basis of the information we have with the clarifications we have received, and if those clarifications involve access to further documents, then we will have to make a decision about whether we want them or not".

A. I think that's the burden of what's in the report of the meeting the day before.

Q. Could we then go on to page 100, and a further intervention by Mr. Billy Riordan, where he says "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 $\dot{\iota}_{\dot{\iota}}10$ million for 25 percent of the company, and then at some stage in the proposal it says that they have $\dot{\iota}_{\dot{\iota}}19.5$ million invested for 34 percent. I just want to clarify. Have they, in the interim, invested an extra $\dot{\iota}_{\dot{\iota}}9.5$ million for the extra 9 percent equity?"

Just to put that question in context, if you recall, this is a reference to Communicorp and the fact that Advent was providing financial support in the form of

equity for Communicorp, which was the Denis O'Brien vehicle. Now, for reasons which are of no particular significance, Esat Telecom ultimately became the Denis O'Brien vehicle, but I don't think we need concern ourselves with that detail.

Mr. Denis O'Brien responded "They have invested a total of £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 of approximately £10 million in Communicorp, and it leaves it at that. They are committed to investing an extra £9.5 million.

Mr. Denis O'Brien: "They have actually done it".

Mr. Billy Riordan: "That's the clarification I was looking for. Then really a follow-on from that was that Advent have said they are providing up to £30 million to Communicorp".

Mr. Denis O'Brien: "30 million I think it's pounds".

Mr. Billy Riordan: "Sorry, you are right, £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. 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 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. 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 cannot 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 a 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 that 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?2

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 there"

Mr. Denis O'Brien: "Yeah, 20 will be right".

Mr. Bill Riordan: "Plus the 37 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 it was going to be up to was it 47 percent voting powerwise, 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

percent, 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 I think that's Mr. McMahon says:

"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".

Then Mr. Martin Brennan: "That is not the same as the letter of 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."

If you go back to page 100, Mr. Brennan, Mr. Riordan

was trying to distinguish between two things: between what money Advent had put in and had indicated they were going to put in to Communicorp, as was stated in the application and perhaps by Mr. O'Brien himself, and what money they were going to put into Communicorp dedicated specifically to GSM. I think that's the distinction he was making.

And the first thing he wanted to be clear about was the 19.5 million; had that anything to do with GSM.

And he was told, no, that had already been put in. At the end of page 100, Mr. O'Brien says "They have invested a total of 19,500,000 since last October which is clearly apart from this new investment which will come and is guaranteed if we receive this licence."

So Mr. O'Brien was saying they had guaranteed to put in 30 million, conditional of course on Digifone getting the licence.

Then Mr. Riordan wanted to know "Was that 30 million, was it equity or loan finance?" And Mr. O'Brien says: "It's going to be equity".

And then there was a significant discussion, which went on for some time, about what form that equity was going to take and what impact it was going to have on the extension of Advent's interest in Communicorp.

And while of course it would significantly extend the amount Advent had invested in Communicorp, and of

course the amount of money they'd expect to get out of Communicorp, Mr. O'Brien was anxious to point out that it wouldn't actually extend Advent's ownership or foreign ownership in Communicorp because of a three-to-one voting regime that applied.

But he was anxious to make it clear to Mr. Riordan that this was a commitment of a very significant amount of money, more money than was actually needed, to the extent of 8.5 million, and that it had been irrevocably committed, including the additional money of 8.5 million, that that had been committed even if it wasn't actually needed. Which is obviously a very impressive commitment.

And then Mr. McMahon asked, I just want to be clear about this, he says: "I understand do I understand that there is already an agreement in place?" And Mr. O'Brien said yes. And you wanted to know was that different from the letter that had already been put in evidence I beg your pardon, the letter, it has in fact put in evidence or has been mentioned but had already been put in as part of the application.

This was a letter of the 10th July from Advent International; it's in Book 48, leaf 21. It was referred to in the Opening Statement. I'll give you a hard text copy. Just to make it easier.

(Document handed to witness.)

In this letter, which is signed by Mr. Massimo Prelz

Oltimamonte, referred to I think in the Opening Statement and in many of the documents as Massimo Prelz, and it goes as follows it's dated 10th July, which is in fact almost a month before the application went in.

"Dear Mr. Brennan,

"We refer to the application made to you ... by Esat Digifone Limited in connection with the grant by you of a licence to operate the second GSM cellular system throughout Ireland.

"Introduction to Advent International:

"Advent International Corporation is a leading international private equity provider.

"With funds under management in excess of \$1.4 billion and offices in North America, Europe and Asia, Advent International has provided development capital and private equity to over 200 companies, giving entrepreneurs adequate financial resources to develop independent business.

"Advent International's investment strategy is to focus on a selective number of industrial ... which experience an above-average level of growth. In particular, our funds have ... and a strong interest in investing in the same.

"Advent's investment in the Communicorp Group.

"In 1994, certain of the funds managed by Advent International invested a total of approximately \$10

million in Communicorp Group Limited in return for just over 25 percent of the voting share capital.

Communicorp is the holder of 50% issued share capital of Esat Digifone Limited.

"These funds have committed to invest an additional \$9.5 million to further develop the group's activities.

"Advent's commitment to GSM licence application:

"We have reviewed the business plan prepared by Digifone in connection with its application for the second GSM licence and consider its operation of the second GSM cellular system in Ireland to be an attractive and viable project. The application to you by Communicorp sets out how it is intended to inject new equity into Digifone on the licence being granted to it and shows the Advent funds as 5% shareholders participating in the 20 percent holding which has been allocated to institutional investors. We are delighted to have the opportunity of investing directly in Digifone as well as our indirect investment in the company through Communicorp and Esat.

"The said application also shows Communicorp Group remaining as a 40% shareholder in Digifone and being required to provide up to 30 million Irish punts to fund that 40% equity participation. We can confirm that we have offered that amount to Communicorp to

enable it to fund its obligations.

"Please do not hesitate to contact Massimo Prelz

Oltimamonte" and he gives a telephone number

"Should you have any queries on this information in

this letter."

Now, in dealing with the evaluation of the responses

by Mr. O'Brien and to some extent Mr. O'Donoghue to

these financial questions, as I understand it, you

were not you did not look for the agreement that

was described as being in existence in response to Mr.

McMahon's question; isn't that right?

A. It seems like that.

Q. And could I suggest to you that that letter doesn't

give you any indication at all of the terms under

which Advent were going to provide $\frac{1}{2}$ 30 million to

Communicorp Group?

A. That's true.

Q. Now, we know that that issue we'll talk about the

importance of it later continued to be a part of

the evaluation. It was an open issue, if you like,

right down to the end, isn't that right, of the

evaluation?

A. The question of 'other aspects' was live, yes.

Q. Well, the question of Communicorp's finances?

A. Mm-hmm.

Q. And at no time did Michael Andersen or anyone else or

you or anyone else in the group, as far as I can see,

suggest looking for this agreement that Mr. O'Brien said was in place in response to Mr. McMahon's question?

A. I think that's true, yeah.

Q. Now, I have the advantage, of course, of hindsight, but I think it's only fair to point out or to remind you of what was stated in the Opening Statement by Mr. Coughlan. At the time that you were being told that there was an irrevocable commitment of 30 million from Communicorp on foot of an actual agreement in place to that effect, it would appear from the documents which the Tribunal has seen and the information available to the Tribunal that Communicorp actually had no entitlement to $\frac{1}{2}$ 30 million from Advent or from anyone else, and indeed at that particular moment, Advent's 5% or right to 5% direct investment in Esat Digifone was being disputed or denied by Mr. O'Brien, and what Mr. O'Brien was actually doing at or around the time of this presentation was seeking to replace Advent as a funder to Communicorp by CSFB and to raise finance on bond issues using CSFB, I think at very, very, very I suppose "exotic rates" would be a way of putting it and was also seeking to displace Advent and the institutional investors with whom he claimed to have another agreement in favour of Mr. Dermot Desmond. If you had asked for those two agreements, the agreement that was supposed to exist with the

institutional investors and the agreement with Advent,

you might have tumbled to those facts?

A. That sounds a reasonable thing for to you say now,

looking back at it, yes.

Q. We'll have to focus in on it in more detail at a later

point.

Do you remember before Christmas we discussed the

strength of the commitment of the institutions?

A. Yes.

Q. And I think a distinction was being drawn by you

between a very I'll be careful about the words I'll

choose I suppose a very firm commitment in the

executive summary, and the commitment that wasn't

quite so firm in the body of the application on your

interpretation?

A. I am not so sure I follow your use of the word

"commitment" in this context. What the summary was

saying was that 20 percent had been placed; and what

the application was saying, when you go into the

detail, would be placed but was underwritten. If

that's the sense in which you are using "commitment",

that's fine.

Q. But at the presentation, what you were being told was

that there was an actual agreement with these

institutions that they would assist in taking the

shares into the capital markets in Dublin.

Suggesting

A. Is that not the further placement of shares referred to?

Q. Oh, yes, it is, but that there was an actual agreement in place with the institutions to that effect?

A. That's talking about a different proportion of the consortium, if I understand you correctly. The consortium was 50/50 with 20 to be placed but with a further indication that by Year 2 or Year 3, that a further 10 or 12% would be floated in the market place. And I think that's the bit to which the commitment you are referring to applies. But I am not certain. It seems like that from the documents.

Q. Are you saying that in other words I'll read out the section so that we are ad idem on it. It's on page 103.

"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 that 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."

Do you understand that to be the institutions in

general, the financial institutions? Is that what you are saying?

A. No, what I am saying is that the role being postulated for institutions at that point is in the placing of the additional percentage, not in relation to the 20 percent.

Q. I see. I see. But do you understand that to mean the institutions that are taking up the 20 percent? In other words, do you mean do you understand it to mean that the agreement was with those institutions, AIB, IBI, Standard Life?

A. It says the Irish investors, yeah.

Q. But would I be right in thinking that suggests a fairly close relationship with the institutions taking the 20 percent, to the point where an institution taking 20 percent was hardly going to be involved in committing itself to a further involvement introducing shares, different shares, if necessary, onto the capital markets unless they had already committed themselves to an involvement in the company?

A. Yeah, my understanding is that they were committing at the level they could without having to declare it in their annual accounts to four allocations of 5 percent. And there seems to be also, then, that they would play a role in placing a further I am not sure what amount; 12 or 16 or whatever percent.

Q. I was simply drawing your attention to the fact that

Mr. O'Brien stated that Digifone had an agreement with them to that effect.

A. Mm-hmm.

Q. I presume that means a written agreement? I assume it to mean a written agreement?

A. Okay. I mean, you assume what you assume. I don't know.

Q. Wouldn't it be reasonable to assume a written agreement? We were talking about, Mr. Brennan, an extremely serious process here.

A. That's true.

Q. With the possibility to take profits at a staggering rate. Even on Eircell's fairly pessimistic, if you like, or less than optimistic view of the market. So when somebody says they have an agreement, one assumes they have a tied-down, nailed-down agreement; and if somebody tells you they have any class of an agreement in this context, one has to assume they mean a written agreement and not simply a nod over the telephone or something.

A. That's probably a reasonable way of looking at it, but I think it's fair to say we were dealing in realtime with people at face value and with documentation at face value. And I know that some degree of due diligence was carried out by some of the people dealing with the financial evaluation, but I don't know the detail of that. And I believe you will have

the opportunity to ask them about it.

But, for example, I know that some research was done for us to find out at first hand who were Advent, and were they good for their commitments?

Q. Yes, that's true. I think you're anticipating what we may come to eventually, to it may be dealt with by somebody else, but you went to the trouble of I think having Mr. Billy Riordan use his, if you like, parent company's contacts in the States to form an impression of what kind of a company Advent was, what its standing was and so forth. I think he wrote to PriceWaterhouse in the States, and I think he got a considerable amount of information from them as to how Advent were doing. Is that what you are talking about?

A. Yeah, but you are saying "I went to the trouble". I don't think I played a role in it. I think that's something that he or the group decided would be appropriate for him to do it.

Q. The Project Group did it?

A. The Project Group or sub-group, I am not sure.

Q. I see, but he did do it, in any case?

A. I am virtually certain that he did, yeah.

Q. Oh, yes, I am stating it because I believe it to be a fact, having seen the documentation. Although he did do it at a time when they were no longer involved, if he had only known the truth of it completely, it was a

redundant exercise because they had ceased to be involved, although he hadn't been informed of that.

When you talk about operating in realtime, you mean on a face-to-face basis with people?

A. I mean taking documents at face value, not starting from a point of having a forensic look back based on different information.

Q. I appreciate that, but wouldn't it seem reasonable, if somebody refers to having an agreement, that you'd simply say, "Thanks very much, that clarifies that, will you just send us a copy of the agreement?"

That's hardly going to delay anything. It's hardly very forensic. Somebody mentions a document; it's a document that supports their application. It plugs a gap that you had identified and you wanted clarified, and the man clarifies it. You take him at face value. You simply ask him for a look at the agreement. Not simply to test his integrity, but in addition, to see what's it about.

Maybe this company are going to get a savage amount of equity for their amount. How do I know until I see the agreement?

A. I can only reiterate, that's a reasonable thing for you to suggest now, seven years later.

Q. I am not just looking at it from the point of view of seven years later. If you go back to what Mr.

Andersen said when dealing with Mobicall, do you

recall how he pointed out that there were gaps in the application, that there were documents to which they had not had full access, but that they would, nevertheless, meaning the evaluation team, would look at the situation with the documents as they were, indicating that they wouldn't in fact look for more documents or documents to fill the gaps?

Now, I suggest to you that that isn't quite the same as what you are suggesting to me now, that Mr. Andersen was saying, "Look, you have asked us", referring to Mobicall, "to have regard to I think a joint venture agreement they had, but we don't have the whole agreement, or we don't have access to the whole agreement you have, or the basis of your agreement, the agreement between Detacon and Deutsche Telecom; we are just going to have to make up our minds about it as it is".

A. Well, I don't see a question there.

Q. He was drawing he was, if you like, informing Mobicall that the absence of adequate documentation was effectively going to reflect negatively on them but that there was nothing could be done about it?

A. Yeah, I mean, that's what you are reading into the situation. But the bottom line is, were we

Q. Wasn't he saying that? I mean, am I right in that? Correct me if I am wrong.

A. I mean, we have so many documents open now that I

don't know what words he was using in which circumstances.

Q. We might as well just go back to it, because I don't want to be going off on the wrong track. I want to be sure that I am just trying to find the Mobicall presentation again.

Do you have your copy of it there? It says "Mobicall Presentation" on the top of the page.

A. Yeah.

Q. Again, it's that section that I drew to your attention after Mr. O'Donnell referred me to another page. It's page 97. Mr. Andersen said "I think it's in the nature that gaps cannot be bridged or closed, so to speak, in a sense that you may have some internal agreements and a draft or even a final joint venture agreement which we do not have entire access to, and therefore we have not total transparent view on all the agreements you have made among the partners. So all we can stick to is the application, so to speak, and the application leaves us with a fact that Deutsche Telecom has not signed an entirely committing letter to Detacon, and Detacon is only partly owned by Deutsche Telecom, and for that reason we are still left, I feel, at least with some degree of uncertainty."

I read that as Mr. Andersen saying, "Look, we are only going to go by the documentation as it exists; we are

only going to go by the application. We don't have the documents that you are referring to now, and look, I think in the politest possible way he was saying there is an uncertainty; and if you say there is an uncertainty to somebody that can't be plugged, well, that's a negative point, if you like, to some extent, where their application is concerned?

A. Yeah, that's a reasonable way of interpreting that. But I am having difficulty following the line of this. I mean, you would have to be suggesting that we were consciously differentiating as between our treatment, or consciously discriminating as regards our treatment of different consortias throughout this period, and all I can say to you is it never happened.

Q. I am not suggesting that at all, Mr. Brennan. I am trying to see if there was I wouldn't use the word "discrimination". If there were differences in approach, or if there were approaches taken in the case of one application and not taken in the case of another, (differentiation) I want you to understand where I am coming from. The purpose of the Tribunal is to inquire into, in the context of its Terms of Reference, decisions taken by Mr. Lowry. The Tribunal has identified a number of issues concerning relationships between Mr. Lowry and individuals associated with the granting of the licence or with the I beg your pardon the receipt of the

licence.

The Tribunal has been examining in the money trail connections between those individuals. The Tribunal then went to look at the granting of the licence itself to see if there are any connections between the granting of the licence and the relationships between Mr. Lowry and Mr. O'Brien and his associates. It will be unfair to Mr. Lowry, if, because different approaches were taken towards different applicants, but not consciously, a result was achieved in favour of a particular applicant which maybe wouldn't have happened if the same approach had been taken to every applicant but where this was not due to any intervention on the part of Mr. Lowry.

That's the purpose of my looking into it. It's in fairness to Mr. Lowry. The process may have been conducted without any intervention, any improper intervention on his part. It may have arrived at a particular result because of an unconscious but in no way illegal difference of approach toward one applicant and another. It may have arrived at a particular result as a result of a technically unlawful I am using that in an administrative law sense difference of approach between one candidate and another and still may not have involved any improper intervention by the Minister.

That's all I am seeking to look at. Nothing more than

that. If that helps you.

MR. McGONIGAL: Arising from what Mr. Healy has just said, may I inquire, as part of the Tribunal's case, are they suggesting that Mr. Lowry in some way had an improper relationship or acted improperly within the subcommittee meetings and the process which is now being described? Because if he is not, then I don't understand the relevance of a lot of this questioning.

CHAIRMAN: Well, nothing of that sort, Mr. McGonigal, as I understand it, is remotely being suggested. The facts are merely being inquired into. And as matters now stand, all I understand is being tested by Mr. Healy is his inquiry of Mr. Brennan as to views or rulings that were taken at different stages of the successive presentations; could it be that this may have had some degree of influence on the eventual outcome of the competition?

MR. McGONIGAL: But not as a result of anything which Mr. Lowry did, if I understand him correctly; am I right in that?

CHAIRMAN: There is no suggestion of that from evidence that's been made available to the Tribunal to date, Mr. McGonigal.

MR. McGONIGAL: I just want to be clear, Mr. Chairman, because I actually am not clear in my own mind why so much time has been spent going into the process and the way in which the assessors carried out their work

in relation to the Terms of Reference. And that's why I sought I am seeking clarification as a result of what Mr. Healy says, because he doesn't really clarify how this comes within the Terms of Reference. And I am concerned about it. I mean, whether or not the T's were crossed and the I's were dotted within the process seems to me irrelevant to the Terms of Reference if Mr. Lowry wasn't in any way involved. And it seems clear now that there is no suggestion that Mr. Lowry was involved, so perhaps we should move to material where Mr. Lowry may or may not have been involved and inquire into what I would consider relevant matters.

CHAIRMAN: I think, Mr. McGonigal, it's not feasible to simply section a particular portion of the inquiry such as is being pursued today and view that in absolute isolation from any other aspects that may remain to be inquired into. But I certainly do regard, for present purposes, what is presently being asked as being a matter of no small importance.

And perhaps, Mr. Brennan, to be fair to you, am I correctly encapsulating your evidence at this stage, that you appear to accept, in response to Mr. Healy, that Mr. Andersen, in response to Mr. Scanlon in the Mobicall presentation, when, towards the end of the meeting, he was inquiring "Are there further gaps that we need to plug?" And Mr. Andersen gave a relatively

hard-line response, saying that there may be various gaps, but in the present circumstances, we must take things as they are and adjudicate, and that this appears to have been the substance of a lot of rulings in the course of presentations.

I understand that you accept, in the course of your dialogue with Mr. Healy, that it could have been in retrospect that you might have asked for evidence of the further agreement with Advent alluded to by Mr. O'Brien in his response to Mr. McMahon; but you say that that may be so, in the context of eight years' retrospection after the event, and that you were trying to deal with matters on the hoof, so to speak, and take matters at face value.

A. That seems reasonable, Chairman, but I do feel in some way that isolating one particular agreement that may have been sought is a little unbalanced, because if you were to forensically look at all of the applications and all of the presentations, there are bound to have been many cases where, if you had unlimited time, you could continue making inquiries and put off the decision.

CHAIRMAN: I accept that, and I have said I don't want you to feel that you are being effectively invigilated on every slight nuance. But obviously, in the context of what we will be coming to and Mr. Walsh's letter and the like, this matter of the financial backing of

the Esat Digifone was and certainly has remained a matter of some importance. So that's why I am not disposed to interfere with Mr. Healy's examination in this regard.

A. I think that's all very reasonable, Chairman; but if I might just for a moment say that the document that this discussion opened on is in Leaf 100 in Book 42.

And it's a first attempt or an attempt by Andersens to assist the group with its approach to questioning consortia, and it's clear from what unfolded in the presentation that in the case of A5, that Andersens clearly overlooked putting in a question about the finances of Communicorp. It's clear that the group spotted that gap and that the group planned it wasn't accidental; the group planned to ask questions about the financing of Communicorp in relation to Advent. So the gap that that is apparent in the Andersen list of questions was covered by the group. Then there are questions, I think, about what was the appropriate stance in terms of the balance between face value and due diligence? And in the financial area, what I am suggesting is that there were people better qualified than me who were examining the financial questions, and no doubt you will see them in due course, and I was reliant on their judgements as to how far to pursue different things.

Q. MR. HEALY: And can I take it, therefore perhaps I

should say that, lest there be any doubt about it on Mr. McGonigal's part, the Tribunal is not making a case against you or Mr. Lowry or Mr. O'Brien. It's simply trying to understand, how did the process evolve?

A. Mm-hmm.

Q. You are saying that you allowed the members of the project team to form their own opinions, to ask their own questions to decide what gaps they felt needed to be clarified in the context of their own areas of expertise?

A. That's not quite that. What I am saying is that Andersens came to the meeting on the 10th or the 11th with this document of their view of questions appropriate to individual consortia. The group discussed this document, and the group identified gaps in the document and added questions of their own, including the fact that there was no question about the financing of Communicorp. The group identified it, and Billy Riordan, for some reason, was deputed by the group to ask that question. And then the dialogue unfolded as it unfolded.

Q. Yes, but I think the it was Mr. Riordan's question, I think, that elicited the reference to this separate agreement between the institutions in relation to the placing of some of the equity through the capital markets in Dublin, but I think it was in response to a

question from Mr. McMahon that the reference to what I would have thought was a fairly critical agreement with Communicorp was elicited. Do I understand you to be saying that you would have left it either to Mr. Riordan or to Mr. McMahon, in either case, to say "Well, please send us in that agreement", or "We'd like to have a look at it", or "Is it in the application, and can you point us to where we might find it?"

A. You say Mr. Riordan or Mr. McMahon. I would have said "or the consultants".

Q. Or the consultants, yes. And if neither of those felt they needed either of those documents, you weren't going to get involved?

A. That's it.

Q. The next document, in Leaf 101, I think we can quickly pass over. It's I recognise the handwriting, I think, as Mr. McMahon's; would I be right? I think it's simply his note of the

A. That's Mr. McMahon's Green Book, as we refer to it.

Q. Yes, his Green Book. An extract or a copy of an extract from his Green Book dealing with the presentations. And it's a fairly good, I think, summary of the issues that seem to be of interest to him, in any case, because he did identify this issue that we have just been talking about. And in fact, rather than just pass over it, I'll just mention one

point on the second page.

The second-last bullet point and the second half of that page deals with some of the issues to which I have directed your attention. If you go to the third-last bullet point, in fact, you see the note "Advent will fund up to 30 million for Communicorp's involvement in Esat Digifone."

Underneath that, the next bullet point: "There is an agreement in place", and you notice the underlining of "is," and I suppose you are asking me to take the view and I am not suggesting I am being incredulous, or anything like that that if Mr. McMahon wanted to go further and look for an agreement, that would have been his decision or anybody else's decision at the meeting?

A. Anybody else who felt the need for it, and bearing in mind the consultants had done this kind of job before, Mr. McMahon has legal training, Mr. Riordan was an accountant, and so on. So there was lots of experience within the team.

Q. Well, I don't want you to think that I have overlooked the point made by the Sole Member that Mr. Andersen seemed to be taking a harder line, i.e., "We have seen there is a gap, we have asked questions, you are relying on an agreement, we don't have it, we are just going to drive on as it is".

A. Mmm.

Q. The next document, in Leaf 102, I think again is a long note of the presentation. I think it's probably Margaret O'Keeffe's, and unless you want to draw my attention to anything in it, I don't think we need to go through it. Similarly, Number 103.

A. You are saying you think it's Margaret O'Keeffe?

Q. Well, I may be wrong.

A. I have no idea, but it has a level of technical detail that might be beyond her. I just don't know. I am trying to be helpful in that regard, but there is nothing that

Q. Do you remember you asked at the outset, or do you remember we referred to at the outset of your examination today that Project Group meeting where you'd say you'd have a tape, everybody would take their own notes of the areas that they were interested in, and that Ms. Nic Lochlainn and Ms. O'Keeffe, I think, would take a general note?

A. Yeah.

Q. So I can't distinguish between Ms. O'Keeffe and Ms. Nic Lochlainn, so presumably

A. I think the next one is more likely Ms. O'Keeffe's.

Q. I see. Again, unless you want to draw my attention to anything, I don't want to delay on it.

CHAIRMAN: I think in Mr. McMahon's note on the first page of the Esat Digifone presentation is something that we are not directly concerned with, I think about

windfall gains. There is a reference to "waffle", and I think that's no disrespect to anybody; there was a fair measure of sales talk, promotion, in all the applications from the applicants, and some matters you probably were disposed to take as such?

A. Mmm.

Q. MR. HEALY: We now come to the report of the 11th meeting of the GSM Project Group, held on Thursday, 14th September 1995. It seems to me you more or less had a full attendance. You had the various divisions, you had Finance, and you had Andersen

A. Mm-hmm.

Q. and his colleagues.

Under the heading "Opening" begins: "As all the preparation has now been made, Mr. Brennan suggested that, in view of the intensity of the week's schedule, no conclusions should yet be drawn by the group.

"The agenda proposed was:

"1. Discussion of the morning's presentation by A4.

"2. Review of current position.

"3. Decide how to progress the evaluations further.

"Mr. Andersen spoke about the success of the presentations generally. He felt that because AMI were well prepared from the earlier quantity assessment, they had attained the required information from all the applicants. The presentations had served to highlight considerable variation between the

applicants."

I don't want to refer to any of the applications that were not part of the top three. I don't think they are of particular relevance, and it doesn't seem fair.

CHAIRMAN: Save that Mr. Brennan said that he might care to raise it himself at some stage, and of course

A. I think we got across that. I was mistaken

MR. HEALY: It was in fact Mobicall.

CHAIRMAN: All right. Fine.

Q. MR. HEALY: You come on to the heading "Review of Current Position".

"The group agreed that the presentations had served a useful exercise.

the ability of each applicant to work as a team had been highlighted

all applicants had been treated equally

the presentations had served to consolidate the initial views of the applicants arising from the quantitative assessment

the importance both of a foreign applicant having a good knowledge of the Irish scene and an Irish applicant having an understanding of the global picture was noted

some companies showed that they could take a pro-active role in developing the market where required.

"Mr. Brennan also stated, and the group agreed, that no further contact between the evaluation team and the applicants was possible, although access to the Minister could not be stopped.

"AMI said that while all the applications would be scored, greater resources would from now on be expended on the leading applications. Two distinct groups had emerged those with a good score to date and those whose arranging was such that further intensive evaluation of deemed unnecessary.

"How to progress the evaluations:

"The assessment of the technical dimensions was complete. T&RT Project Group members had attended all but one of the sub-groups and were happy with the conclusions. T&RT/AMI are to score the technical aspects by close of business on 14 September.

"AMI listed the next steps as:

"1. Finalise the qualitative scoring and award marks on the dimensions.

"2. Perform initial scoring of the aspects, and

"3. Perform supplementary analyses in

blocking/drop out

financial analysis concerning Sigma/Advent

adherence to EU procurement rules

tariffs

interconnection (since assumptions vary widely

between applicants).

"The scoring of the marketing, financial and management dimensions would take place in Copenhagen next week. DTEC to appoint the appropriate personnel to attend. AMI would provide the first draft evaluation report on the 3rd October. This would be discussed by the group on Monday 9 October. The three DTEC divisions would supply any written comments prior to that meeting. Following that, AMI would produce a second draft report by 17 October.

"Other issues:

"Mr. Towey reported that the draft licence was being examined by the AG's office. The licence itself would include conditions from the winning application. AMI would be involved in any negotiation with the successful applicant.

"Mr. Riordan is to do some work on the financial indicators and is to forward material to AMI, who would amend their spreadsheets accordingly."

By this stage it would seem that the quantitative evaluation was still alive, as it were, to judge from the comments made on the first page?

A. Yeah, to some degree anyway, yes.

Q. Do you know at this stage whether you had been presented with a corrected version of the quantitative evaluation?

A. You asked me that the last day. I have yet to find such a document. So I don't know.

Q. I don't want to catch you out on this, so that I'll just track forward a little and tell you that there is a document which we will be coming tomorrow, I think, of the 20th September 1995, which is a version of the quantitative evaluations; so they were still alive right up to that date, which I think was very close to the denouement, if you like, when you started making the final distinctions?

A. But it's clear that there is a fair amount of quantitative information in the qualitative approach, so

Q. Correct

A. So to that extent, one was feeding the other.

Q. Yes. I want to try to find out two things about it.

Firstly, because of the importance to which Mr.

Andersen seems to attach or the importance Mr.

Andersen seems to attach to the abandonment of the

quantitative evaluation. I am trying to find out when

was it abandoned, and I am trying to find out at what

point was a corrected version produced. And lastly,

were the figures that you used in the qualitative

evaluation from a corrected quantitative evaluation or

not?

A. I can't answer that.

Q. You can bear in mind they are issues that we are trying to explore.

A. Mm-hmm.

Q. If you go on to the review of the current position, it's the third bullet point, notes that it was agreed that the presentations had served to consolidate the initial views on the applications arising from the quantitative assessment.

Now, that suggests to me, on the face of it, that the project evaluation group were working on a set of rankings from the quantitative evaluation.

A. Working on a set of rankings?

Q. Well, working on I know that the qualitative evaluations produced a ranking, it generated a ranking. Each of them generated a ranking, the various iterations, as you put it?

A. Yes, but the first quantitative document, as I recall, had a very severe health warning as to its limitations.

Q. Yes.

A. So I don't know whether it's those rankings you are talking about, but I mean

Q. That's what I am trying to find out. It may have had a very severe health warning, but nevertheless, what is stated here is that it was agreed that the presentations had served to consolidate the initial views on the applications arising from the quantitative assessment.

Before I finish that question, I want you to bear in mind the following: When the Tribunal drew this

statement to the attention of Mr. Andersen, he said,

"Oh, that must be a mistake; it must mean

'qualitative'".

A. I don't know whether that's I don't know whether that's a fact or not. Bear in mind that and I have raised this before that these reports were written by the most junior person present and not vetted for clinical accuracy or anything like that, as far as I know. And this particular case, I notice the report was done two weeks after the meeting. And that's explained by the fact that the person writing the report was in a job-sharing basis week on, week off, or split weeks, or whatever it was. You know.

Q. I suppose we know it was typed two weeks after, but one assumes that the notes were kept on the day?

A. I would assume that, yes.

Q. We have seen handwritten notes of these minutes before, and in fact the handwritten notes are even more extensive, but they do embrace everything that's in the printed notes, although they often go much further?

A. Right, okay.

Q. I am just offering you the opportunity of saying they are inaccurate. They seem to me to be fairly accurate in the I think only two cases where I have compared the handwritten and printed.

A. I am not going so far as to think they are inaccurate.

I am saying if Mr. Andersen is raising doubts about the accuracy of a particular word, we have to take that into account; no more than that.

Q. Yes. I'd wonder about that, because the qualitative assessment had only just got under way?

A. Had a long way to go at that point, yeah.

Q. You see the next portion of the note where you are recorded as having stated, and the group agreed, that no further contact between the evaluation team and the applicants was possible. Presumably you were drawing a line on further documentation, were you, or were you drawing

A. Further documentation or further conversation.

Q. Right. "Although access to the Minister could not be stopped." Do you remember that point being discussed and agreed?

A. I don't. It's like a throwaway remark I would have made myself. I mean, bearing in mind that civil servants don't have any control over the Minister's diary.

Q. I appreciate that. But what I would wonder is, what prompted any reference to the Minister?

A. I really don't know.

Q. Does the expression "cannot be stopped" indicate that there was an awareness of access?

A. I wouldn't say so, but I don't know.

Q. If you look at the next document, which is in Leaf

105, I am not going to deal with all the document today, but if you could just look at one portion of it. I think it's Mr. McMahon's note of the same meeting. He heads it "Post hoc evaluation". Because I think it refers to the completion of the final presentation, when obviously you were all together.

A. Okay.

Q. And about one third of the way up from the bottom of the page, he has a note: "All agreed process is still intact and not compromised."

Now, obviously I am going to have to ask him what that means, but does that suggest any connection between that remark and your reference to access to the Minister being something that couldn't be stopped?

A. I am not so sure that it necessarily does so, but I think I said in my own opening narrative, when you have a group of semi-state bodies, for example, and the Minister has day-to-day or has some contact with them, a Minister who is a socialite about town and so on, I wouldn't I wouldn't be inclined to draw any particular conclusions from either that statement or the previous one. But it's for the Tribunal at the end of the day.

Q. Had there been any discussion at that evaluation group meeting of any compromise to or damage, if you like, to the process?

A. I don't know. I mean, Mr. McMahon wrote this, and

you'll just have to ask him what was in his mind at the time. Clearly somebody said you know, "It looks like we are still intact here", you know.

Q. I certainly could see somebody saying that. They were certainly on schedule; there was no doubt about that.

You were well on schedule.

A. Yeah.

MR. HEALY: I think I propose to leave it there today, Sir, unless you want me to go on.

CHAIRMAN: Unless you have an anxiety for another 50 minutes, Mr. Brennan. We have had a long enough morning with the transcript, and I think the tempo has possibly quickened a little bit in our getting through materials, and I dare say you won't quarrel if we probably revert to 11 o'clock for two 2-hour shifts tomorrow. Thank you.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY, FRIDAY, 24TH JANUARY 2003, AT 11AM.