

Chapter XIV

Small World: The Irish Broadband Experience

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ABSTRACT

In this chapter we consider from a marketing perspective the political, cultural/social, and economic factors, both micro and macro, affecting the supply/demand nexus of broadband services for the Irish consumer. We chart the development of broadband and its current situation of rollout and uptake, examine the reasons for its continuing poor performance, and offer recommendations on how Ireland may close the gap and perhaps even move ahead. We collated data from a variety of resources, journals and press and trade publications. We attended a ministerial conference on the state of broadband to which many representatives of the telecommunications industry had been invited. We surveyed people with and without the facility, and interviewed key players in the field. We concluded that, although the market is beginning to grow strongly, it is from a low base, and as a result the country still lags behind many of its European counterparts. There is still a lack of competition which is having an adverse effect on both supply and demand of broadband for the Irish domestic consumer. In a small country, the incumbent still holds control of the most profitable areas of the technology, particularly wholesale and selling to other operators. Also, the Irish are still not convinced that broadband is the 'killer app' they need. This may change in the future as the technology delivers more of the content-rich multimedia fare that the Irish already enjoy in other formats.

INTRODUCTION: THE MACRO AND MICROECONOMIC BACKGROUND

After more than 15 years, the Celtic Tiger still roars. The economy doubled in size in the 1990s, achieving the fastest growth in the OECD zone in that period. There was no let-up in the first half of the following decade where it recorded the highest rate despite being hit by the worldwide slump in the information and communication technology (ICT) sector (OECD, 2006). Many countries, including some in the EU15 but especially those in the new EU27 and those awaiting accession, have looked to Ireland to learn the secrets of its success. There are both long- and short-term, macro and micro factors for Ireland's economic success of which a brief synopsis follows.

Following a period of harmful protectionism (from the foundation of the State, but particularly from 1932-1938), successive Irish governmental policies, both fiscal (in the form of low corporate taxes) and social (in the form of ongoing partnership agreements between trades unions, employers, and governments which have guaranteed workplace stability), have opened Ireland's markets wider and wider. This opening of the markets was further enhanced by membership of the European Union in 1973 and being in receipt of numerous grants from there. This money was, by and large, well spent (Dorgan, 2006). The country, through its agencies, the Irish Development Authority and Enterprise Ireland, has for decades actively sought and encouraged foreign direct investment while also promoting the successful integration of indigenous firms into these global networks (Ó'Riain, 2000). Paradoxically, as a result of the protectionist policy mentioned above, Ireland was a predominantly agricultural nation and therefore did not have the large, heavy industrial base of many of its European counterparts. Such industries often require burdensome subsidies or protracted dismantling. Ireland was literally a 'green field' site (Economist, 2004; O'Hearn, 2000).

Its geographical location on the edge of Europe, and its perceived pro-European attitude at a time when the United Kingdom was displaying distinctly anti-European tendencies, combined with a highly

effective exploitation of 'Tírghrá'¹ attracted the benign influence of the Irish Diaspora and the economic interests of many multinationals, both American and European. Furthermore, in recent times, 'Tírghrá' has brought many Irish natives and descendants home. With them they brought back a world outlook and experience, known locally as having a BA—Been Abroad—and strong technical and advanced managerial skillsets. They joined the indigenous, well-educated, computer-literate, young, flexible, English-speaking population, which until recently was regarded as low cost (Wilson & Murray, 2000). All these factors make a formidable combination, which bears out Paul Krugman's (cited in Ó'Riain, 2000, p. 160) pithy summary of Ireland's advantages being due "...part to luck, in part to policies...."

But some commentators do ask how, and for how long, can this growth be sustained (Economist, 2004; Gottheil, 2003; OECD, 2006; Thornton, (2004)? Many solutions are given: sustaining prudent fiscal policies; maintaining stable industrial relations; nurturing indigenous entrepreneurship; increasing investment in education, research, and development; and importantly, yet little discussed in the literature of the Celtic Tiger, protecting the peace process (McAleese, 2000).² Time and time again, furthermore, the crucial role of advanced telecommunications infrastructure in Ireland as an important driver for economic growth is cited (DCMNR, 2006; Forfás, 2005; Ottens, 2005; Sunday Business Post, 2006c). Yet for all our roaring, we remain, at best, just below European averages or, at worst, slipping towards the bottom of the leagues, for PC penetration, connection to the Internet, broadband rollout and uptake for domestic and commercial consumers, local loop unbundling (LLU), and value for money indices (CSO, 2005; Forfás, 2005; Sunday Business Post, 2006c; TIF, 2002).

In this chapter we consider from a marketing perspective the political, cultural/social, and economic factors, both micro and macro, affecting the supply/demand nexus of broadband services for the Irish consumer. We chart the development of broadband and its current situation³ of rollout and uptake, examine the reasons for its continuing poor

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