

Discussion Document for Industry

eircom Group

Proposed Programme of Voluntary Wholesale Reforms



9 December 2011

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1 Introduction and Context

eircom is pleased to provide its Proposal for Wholesale Reforms (“the Proposal”) for discussion and feedback.

The key objectives of this major change process are to:

- Deliver outcomes to eircom Wholesale’s customers that reflect an enhanced commitment to our non-discrimination obligation.
- Enable a successful, customer-focused wholesale business within eircom, and
- Develop trust in eircom's re-focused wholesale approach on the part of Industry.

We outlined in the autumn a proposed programme to fundamentally realign our wholesale business and activities, leading to material improvements in the services, and service quality, available to customers. We then reviewed our outline proposals with customers in a series of bilateral meetings, workshops and email-shots and we have taken account of this feedback to inform our detailed set of proposals.

We have made considerable progress, including development of proposals for major elements of our Wholesale Reforms, the creation of an execution master plan, detailed underlying work packages, substantial progress on the packages themselves and the recruitment of external expertise to support our initiatives.

The issues related to Wholesale Reforms are far from straightforward, particularly for a company the size of eircom and operating with many legacy systems and processes in a challenging economic climate. Over the past five months, eircom has embarked on a Wholesale business transformation process unprecedented in the company’s history. We have embraced the need for change, as a business imperative, based on our conviction that eircom's future depends on its ability to develop and sustain a successful wholesale business as an important channel to market. In fact, the transformation we envisage will affect not only eircom Wholesale, but many other parts of the eircom Group as well.

The transformation project must be fit for purpose and calibrated to reflect the scale and particularities of the Irish market and prevailing financial conditions. In optimising business opportunities for our wholesale customers, the proportionality of the various options must be taken into account by assessing the resource and cost burdens on the company.

We are fully committed to Wholesale Reforms and determined to build a next generation access infrastructure for the nation, but we must manage these ambitions alongside delivering business as usual and restoring the company to a sound financial footing. There are multiple pressures bearing on senior management capacity, development resources and project and programme management skills. It is our role to balance these competing pressures and maintain the positive momentum already underway.

Improvements in service are already well underway for our LLU portfolio. We are making good progress delivering the package of improvements to which we committed. A steady stream of innovations has been delivered over the year, with more on schedule for December 2011, raising the level of performance on LLU towards the European best practice standards we have taken as our

benchmark. This is a good example of the benefits of transformation, and of eircom's readiness to set ambitious targets and deliver against them.

Coincident with our Wholesale Reforms Programme we will be deploying and launching NGA products. These major change processes are being carried out simultaneously. Each requires significant management time and effort. Each also needs close and continuous engagement with the Industry. There are significant interdependencies between the two programmes. Taken together, our NGA and Wholesale Reforms initiatives have the capacity to stimulate the adoption and use of ICT across the economy, delivering benefits and synergies to all stakeholders including the country and Government.

Our proposals are voluntary in nature. They embrace a number of commercial components, some of which may also fall within the ambit of regulation. For example, our initiatives will result in a more vigorous implementation of the non-discrimination obligation in those wholesale markets where we have been deemed to have "significant market power".

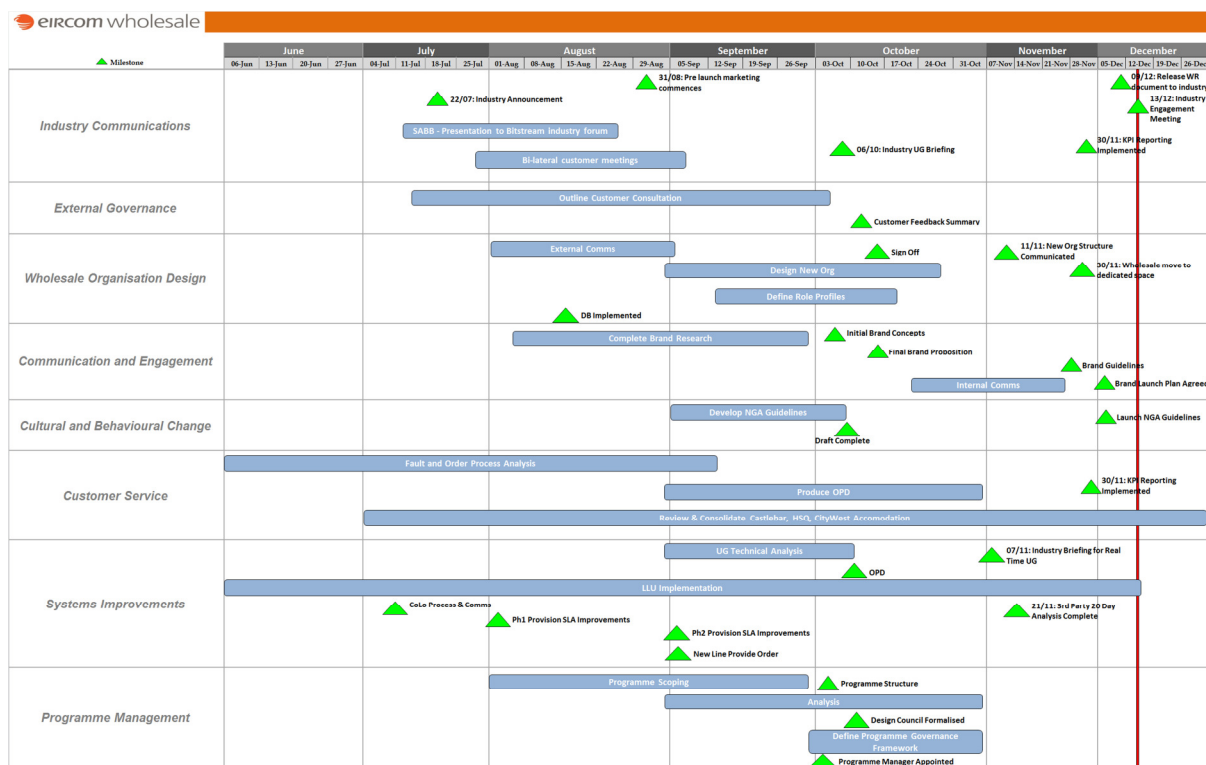
If we have the support of Industry, and assuming that unanticipated new burdens do not emerge from the NGA consultation, we remain on schedule to complete major elements of our Programme by June 2012, though some will take longer.

2 Approach and Timelines

Since our announcement of Wholesale Reforms, there has been extensive engagement with Industry and eircom has made substantial progress internally over a series of work streams (see Figure 1 below). The initial feedback confirmed Industry’s dissatisfaction with the status quo and appetite for change. eircom’s intentions for reforms were broadly if sceptically welcomed, with a strong appetite on all sides to see concrete, timetabled proposals. At the same time, Industry indicated that they wish to provide input at a stage in the process when proposals are sufficiently advanced to allow for meaningful feedback, but before the reforms are implemented. eircom has now reached the stage when it is timely to share our more detailed thinking.

A summary of the engagement to date with Industry and of the progress to date on the work elements of our Reforms Programme is in the Figure below.

Figure 1



eircom has reflected on the feedback offered by Industry thus far. We have refined and developed our approach, and introduced an overall project and programme management structure to ensure a coordinated and efficient delivery.

3 Proposal Summary

eircom's Proposal has four primary domains, covered separately in sections 4-7 below. **Organisational Structure and Internal Processes** is concerned with creating a new, better resourced and more customer-responsive wholesale organisation and business. It is about positioning that business correctly within the company, and ensuring effective control of information flows where regulatory obligations apply. Our plan responds to Industry concerns about the quality of account management, and customer service and about the relative positioning of the teams responsible for regulated and competitive wholesale products within eircom Wholesale.

Our **Systems** domain covers changes to the way we supply services to wholesale customers and to eircom's retail businesses, designed both to make it easier to do business with eircom Wholesale, and to ensure that there is fairness and no undue discrimination in the way service is supplied internally and externally.

The **Cultural Change** domain deals with making sure that the culture, motivation and behaviour of eircom's people matches the aspirations we have for the fair, positive and balanced treatment of our wholesale customers. We have already developed an interim set of guidelines for NGA development that we are taking steps to implement (along with an Enhanced Engagement Process for our wholesale customers in respect of NGA development). In line with the other reforms covered by our Proposal, we will adopt a new Code of Practice applicable across the eircom Group covering our delivery of both legacy and NGA regulated products.

Governance will be an important element of the overall package once the substantive components are confirmed. We have a number of internal and external measures under consideration, including enhanced internal controls, targeted independent audits of certain measures, and the establishment of an external governance body that would be chaired by an independent expert. We expect to be in a position to discuss our detailed governance proposals with Industry after we receive feedback on the other key elements of our proposed Wholesale Reforms Programme.

In developing our Proposal, we have had regard to models developed elsewhere in Europe and to the specific circumstances of the Irish marketplace. The Proposal offers what we consider to be a sound and reasonable model for an Industry sector of our size and a company of our shape, resources and obligations.

The Proposal includes a series of measures affecting the organisational position of eircom Wholesale and the way eircom Wholesale interacts externally and internally. These are designed to address known Industry concerns and to deliver enhanced non-discrimination obligations in relation to legacy RAP services and to go even further in relation to the provision of NGA RAP services (a form of equivalence of input delivered through the Unified Gateway (UG)).

4 Organisational Structure and Internal Processes

Core Deliverables

- Separate Regulated Access Products (RAP) Unit
- Strengthened account management function for all eircom Wholesale customers including eircom's retail businesses
- Agreed interfaces to other eircom business units
- Separate wholesale accommodation areas with restricted access

Due Date June 2012

4.1 Wholesale Organisation and build schedule

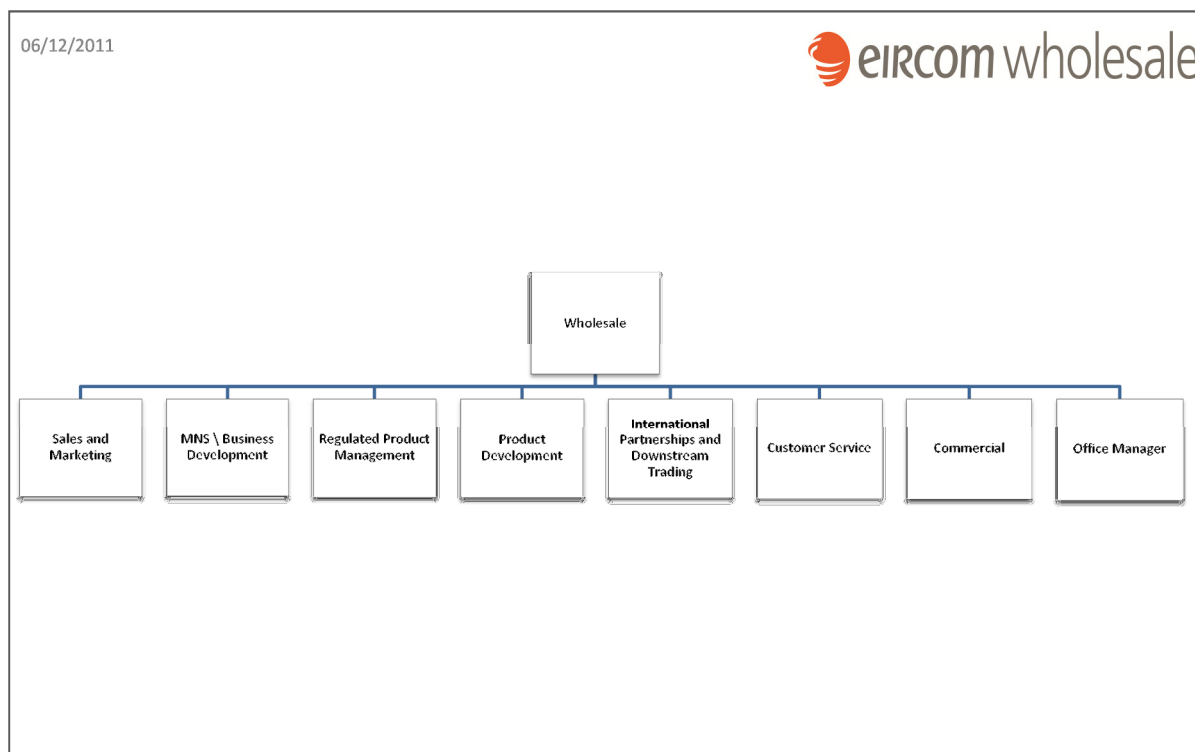
eircom plans to significantly increase its wholesale resources and to restructure the way in which they operate. A new Managing Director with relevant experience was appointed in early 2011. The level of resource within eircom Wholesale is being increased to approximately 140 by June 2012.

The absolute numbers in eircom Wholesale and the precise form of the organisation are a function of the business outputs required and the commercial prospects of the business. At present, our plans provide for a further increase of approximately 15% if business volumes grow as forecast.

The increased headcount supports a material increase in account management (in response to Industry views) and the creation of a separated RAP unit.

The Managed Network Services Unit (MNS), which will look after unregulated wholesale products, will be separate from the RAP Unit and will be subject to various internal safeguards in terms of information flows between the two units, reflecting our RAP obligations. Figure 2 below shows the target organisation structure due to be in place by June 2012.

Figure 2



4.2 Wholesale within eircom

eircom Wholesale will occupy a “ring-fenced” position within eircom. The objective is to ensure that the wholesale business operates at arm’s length from eircom’s retail businesses, dealing with them in relation to RAP products in the same way as with other wholesale customers. (“Ring-fencing” within eircom Wholesale is covered in Para 4.5 below).

eircom Wholesale is headed at Managing Director level, reporting directly to the Group CEO. eircom Wholesale business reviews will not overlap with those of eircom’s retail businesses.

eircom Wholesale will be operated separately from eircom Wholesale’s downstream businesses and housed in a dedicated area in the HSQ building with independent access control. eircom Wholesale staff were relocated into this space at the end of November 2011, after which the physical features (glass walls, secure access) will be put in place.

The eircom retail businesses will not have access to eircom Wholesale’s space, other than (like other operators) as guests of an authorised pass holder. In addition, the HSQ space will encompass a number of meeting rooms dedicated to eircom Wholesale’s use. These will not be available for reservation by other business units.

In the Citywest building, we are creating a secure area for the eircom Wholesale Customer Care team with access restricted to appropriate eircom Wholesale team members. Space has been allocated, designs are complete and construction is planned for early 2012.

eircom Wholesale already has its own web-site and intranet space and it will be evolved to reflect new branding and logos. eircom's retail businesses will remain partitioned from the web site, directory and email domain, and will have accesses to them comparable to those available to other wholesale customers.

eircom Wholesale will continue to treat its customer information as confidential, and will not share it with eircom's retail businesses. To the extent that confidential information needs to be shared beyond eircom Wholesale (for example, in order to commission network capacity or service), eircom Wholesale will ensure that the information is appropriately classified and secured, and eircom's Code of Practice (see Section 6.2 below) will ensure that confidentiality is respected.

From 2012/13, eircom Wholesale incentives (bonuses, scorecards, targets etc.) will be substantially based on wholesale outputs rather than eircom Group performance.

4.3 eircom Wholesale identity

eircom Wholesale is developing a more distinct and separate identity. A revised brand positioning will be based on the core idea or strap-line of "eircom Wholesale – Better Connected" and will stress a commitment to open access to networks, products, technical expertise and customer collaboration.

In a service business, brand is established and sustained by behaviour and practice. The brand development programme is developing brand attributes which will serve both as clear statements of intent and as drivers of training, direction and behaviour. This is still work in progress, but attributes currently under assessment give a clear picture of the direction being taken. They are:

Collaborative

We work collaboratively with our customers to understand their needs, building long lasting mutually profitable relationships.

Straightforward

We make dealing with us and accessing eircom's assets, products and services as easy and straightforward as possible.

Trusted

We treat all our customers equally working in partnership with them. They can trust us to act responsibly and with integrity on their behalf for our mutual benefit.

Expert

With our experience, knowledge and technical expertise, our customers can depend on us to deliver the best solutions and service.

4.4 Budgets

The opex budget for eircom Wholesale is allocated as part of the annual planning and budgeting cycle and is managed by eircom Wholesale independently of the downstream businesses. Opex for

running the network and capex for network and systems investment are built from the combined requirements of eircom Wholesale, eircom's retail businesses and the long term evolution plans for the network, and is managed as an integrated business.

4.5 Wholesale RAP and RAP unit

The eircom Wholesale RAP unit has accountability for product price and profitability, product specification and performance, terms and conditions and defining the product development requirements. Product management of RAPs and other regulated wholesale products will be within a self-contained unit managed and reporting separately from product management of wholesale non-RAP services. The objective is to ensure that information flows around RAP services are properly managed and safeguarded and that the development and promotion of RAPs is managed separately from other added-value products. A section of the Code of Practice will deal specifically with information flows and security in relation to the boundary between the RAP unit in eircom Wholesale and Managed Network Services product management.

The RAP unit will comprise dedicated product management functions and will also include business analyst capability (translation of business requirements to technical solutions) to ensure that it can provide the same level of support to wholesale customers in relation to analysis of their RAP and regulated business requirements as is currently provided by Group Technology to eircom retail businesses. Product development is a separate service function within eircom Wholesale, developing services according to the specifications set by product managers.

The RAP product management capability within eircom's retail businesses will be integrated into the overall wholesale RAP unit as part of the build of the target organisation structure of eircom Wholesale.

The RAP and Managed Network Services units will each report directly to the eircom Wholesale Managing Director. The RAP unit's objectives and incentivisation will be based on the commercial success of RAP and regulated products, and on compliance with the core provisions of the Code of Practice, as well as personal performance in role.

Account managers and sales and service agents will sell and support both RAP and regulated products and non-RAP wholesale services, avoiding the need for customers to deal with separate eircom Wholesale agents for different products.

Sales incentive schemes will be constructed to ensure that the promotion of both RAP services and regulated products and non-RAP services are linked to customer satisfaction as reflected in internal measures, published KPIs and progress against account plans, where possible jointly agreed with the customer.

A complete review of the processes concerned with interactions between the RAP unit and its internal and external customers is being undertaken. We have identified the key processes which require analysis and process redesign. Process analysis work commenced in November, with redesigned processes to be documented and completed by the end of May 2012.

A Code of Practice will set out the principles governing appropriate information sharing and the method for tracking compliance. The Code will be backed up with training, and monitored through

regulatory compliance and internal audit. The Code is discussed in greater detail in Section 6.2 below; enhanced internal controls and independent targeted audits are also under consideration.

There is a particular tension to be resolved in ensuring that the downstream wholesale business is competitive, innovative, and able to respond flexibly and imaginatively to customers' requirements, while at the same time ensuring that the non-discrimination principle applicable to RAP services is demonstrably maintained. This is an area which will be addressed in the Code of Practice.

4.6 Account management

Wholesale customers have told us that they want more from their account managers. They want the account teams to work in a collaborative style, building long-term trusted partnerships that are customer focused, commercial and delivery orientated and who are able to represent the customer's short, medium and long-term interests back into eircom Wholesale.

In response, we are planning to expand the size and develop the quality of the eircom Wholesale account management teams.

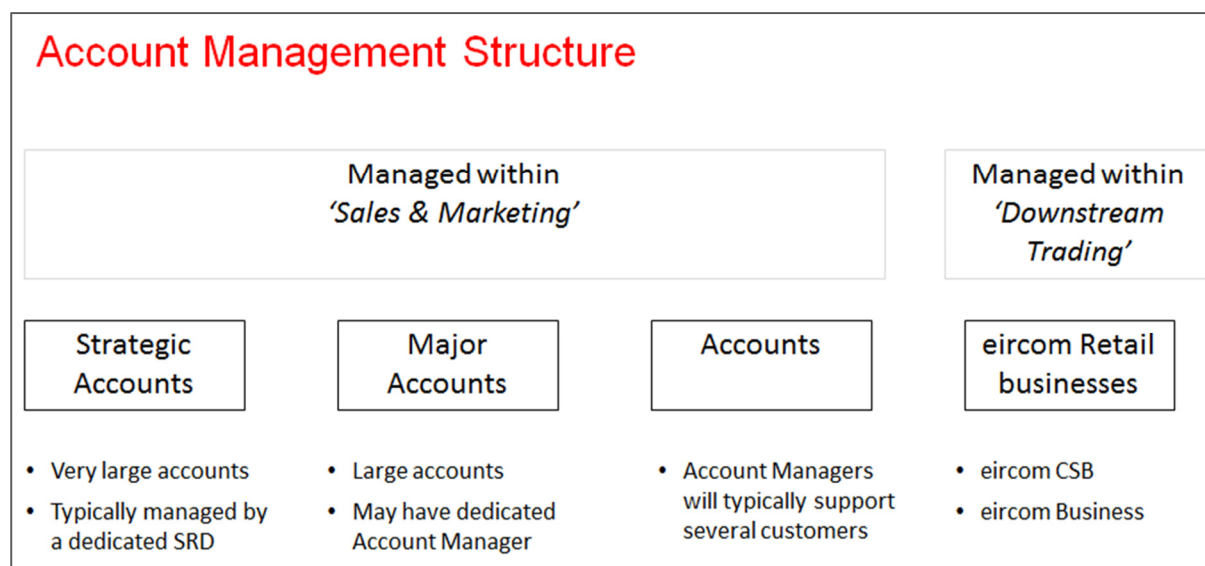
Our goal is to strengthen relationships across all relevant areas with our customers and in so doing to improve the level and quality of service offered to them. We have appointed external experts to advise the transformations required in eircom Wholesale sales and marketing.

Our largest accounts will be managed by Strategic Relationship Directors (SRD), a new role. SRDs will be supported by a professional Major Account Manager. SRDs will have full responsibility for the management of the account and will lead and co-ordinate the relationship across all levels of customer contact. Major Account Managers and Account Managers will have similar roles for their assigned customers. Account management will be underpinned by an account plan, where possible agreed with the customer.

In total we will grow to 10 SRDs and account managers in the new structure. We also intend a significant lifting of competence and skill levels.

The account management team in eircom Wholesale will be divided into three groups: strategic accounts, very large customers managed by an SRD; major accounts, large customers managed by Major Account Managers (one Major Account Manager may cover more than one major account); and other accounts managed by an Account Manager.

Figure 3



To ensure the levels of customer service for each strategic account are agreed and delivered, account teams will include a Service Manager. Their role will be to ensure the levels of service agreed with the customer are delivered; and to ensure any remedial actions or escalations are proactively managed.

An important role of the SRDs and Major Account Managers will be to understand each customer's product and service requirements for the future. Each account will have a customer relationship governance process for the different meetings and interactions. This will be reviewed with the customer annually, or more often if necessary. Account teams will be responsible for selling the service and products that best meet the customer's needs and requirements.

SRDs, Account Managers and other eircom Wholesale sales and service staff will sell and support both RAP and non-RAP services, avoiding requiring customers to deal with separate parts of eircom Wholesale for different elements of their wholesale services.

The account management organisation and its supporting services have been defined, and the structure and the underlying engagement process will be finalised by June 2012.

Based on customer feedback, we expect that the new and enhanced account management capability will generate substantial improvements in customer satisfaction and working relationships.

eircom's retail businesses will also be account managed from eircom Wholesale. There are sensitivities in relation to information flows over how closely aligned this account management role is to those supporting external customers. For that reason, while the account management process, interactions and information flows with eircom's retail businesses will be the same as those for other operators, account management for eircom's retail businesses will be located within the Downstream Trading unit.

4.7 RAP Processes

An initial set of processes has been identified that will support the operation of the new RAP unit and its operation within a ring-fenced environment. These processes include product strategy, product management and product development Road Map, communications, reporting and project management. Each process is being analysed and defined in work packages running until May 2012.

4.8 Interface with eircom's retail businesses: Interim

Until our Wholesale Reforms Programme has created an account management capacity within eircom Wholesale for eircom's retail businesses, they will operate under transitional guidelines in relation to RAP services. While eircom's retail businesses are already participating in NGA Industry fora, the full range of new processes and organisation changes is not yet in place, and a reasonable transition period will be required. We have developed a set of interim guidelines relating to NGA development which describe, amongst other things, how eircom's retail businesses may interface with Group Technology in the interim for developing retail NGA services and in adapting their operations to use the UG. The guidelines introduce safeguards to ensure that the eircom retail businesses do not receive RAP NGA information that is not also made available to other wholesale customers.

Robust processes exist within relevant business units and within Group functions to ensure that underlying wholesale prices can be sustained by eircom's retail businesses. All eircom retail business price proposals are subject to regulatory review based on margin squeeze tests.

In line with our regulatory obligations, audited accounts are translated into mandated formats and are published in the form of Regulated Accounts.

An Enhanced Industry Engagement process has also been introduced to ensure that other operators have a comparable opportunity to engage with eircom's technical experts and to influence NGA RAP service development.

4.9 Interface with eircom's retail businesses: Final

From June 2012 it is our intention that eircom's retail businesses will be fully account-managed by eircom Wholesale through virtually the same processes as any other wholesale customer. The scope will encompass all RAPs, and relates to interaction and discussions relating to all aspects of RAP, including pricing, provision, repair, availability and development. Information flows from eircom Wholesale to eircom's retail businesses will be equivalent to the information flows to other operators and will occur during the same time periods as for other wholesale customers.

Engagement for product development will follow standard processes for capturing customer requirements, will utilise existing Industry fora and may be subject to cross Industry prioritisation exercises undertaken by eircom Wholesale or through the appropriate forum dealing with RAP (see Section 7 below).

Under the final operating model eircom's retail businesses will continue to work directly with Group Technology for their own eircom retail business systems requirements. eircom's retail businesses, as would be the case for wholesale customers, will make an assessment if they believe that an eircom

retail business product development requires change to an underlying RAP. If an access seeker believes a change in RAP is required, they will register their requirement with eircom Wholesale. In such cases, the RAP product management team will ensure that Industry wide processes are followed in assessing and, if appropriate, implementing the change concerned.

It may not always be readily apparent that an eircom retail business development may have implications for a RAP service. For this reason if a requirement for a non-RAP development is submitted by eircom's retail businesses to Group Technology and if in its preliminary assessment, Group Technology identifies that a change is required in any functionality of a RAP product, or to NGA OSS, or to NGA ancillary services, Group Technology will be required to refer this to the RAP unit within eircom Wholesale for assessment. The RAP unit and Group Technology will have access to support from Regulatory Operations or from Legal to make such assessments.

As part of the Wholesale Reforms Programme, eircom will undertake an exercise to review relationships between business units in order to ensure that those relating to RAP are directed through eircom Wholesale. Changes to business processes will be identified, documented and implemented. In parallel, eircom will establish a set of controls with regard to the creation of new formal or informal communications channels between eircom's retail businesses and Group Technology in relation to RAP products. These will be covered in the Code of Practice and subject to the monitoring of compliance with the Code.

As at present, separated regulatory accounts will be produced, showing costs for NGA RAP services reflecting wholesale charges (regulated wholesale price input).

4.10 Road Maps

A Road Map is a summary of planned future product developments. It offers wholesale customers a forward view of expected enhancements, feature changes, network deployment and other product changes. Increasingly, Road Maps will capture eircom Wholesale's response to Industry requirements as agreed in Industry fora, or as recommended by the external governance body (see Section 7 below).

Historically eircom Wholesale has not routinely provided comprehensive product Road Maps to customers. However, within the last year, eircom Wholesale has sought to provide customers with a greater degree of transparency through the provision of a number of indicative product Road Maps via Industry fora.

It is eircom Wholesale's intention to further develop this process into a structured and consistent "Road Map" methodology which provides customers/Industry with transparency on how requirements/requests are managed and aggregated, into consolidated customer/Industry requirements. eircom Wholesale will engage with Industry during the development of this proposed methodology.

This will result in an engagement model that will drive the development of RAP Road Maps. Once the initial methodology is agreed in principle, all subsequent changes will be managed via an agreed change control process. eircom Wholesale recognise that this engagement model will evolve in conjunction with customer input on an on-going basis.

This will result in a clear Road Map providing clarity, transparency, and predictability in respect of RAP. By the end of January 2012 eircom propose to present high level methodologies for:

- gathering customer requirements
- objective evaluation criteria to inform Industry prioritisation
- change management

In parallel, eircom Wholesale will provide a summary by Industry forum of eircom Wholesale's current understanding of customer/Industry requirements. This will allow Industry to review, evaluate and discuss whether all are still valid and how they may be prioritised.

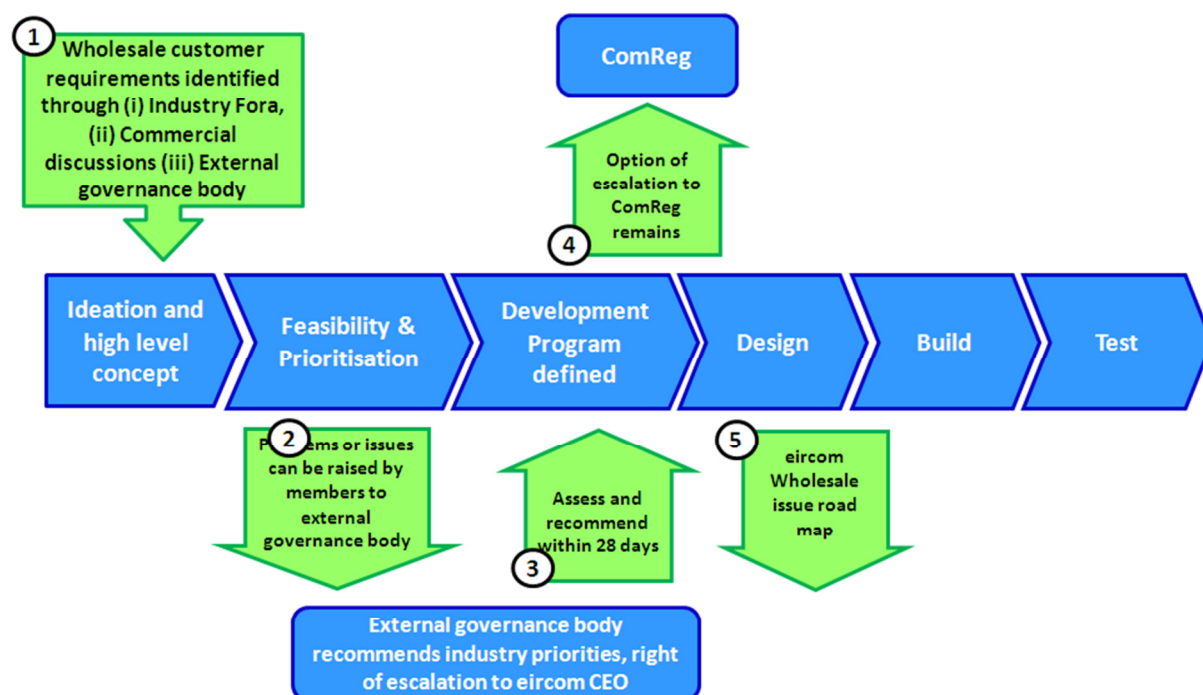
4.11 RAP development priorities

eircom's total development resources are already under considerable strain. Launching NGA RAP services will demand considerable resource, as will enabling eircom's retail businesses to use the UG gateway for NGA products. A number of wholesale customer issues require development capacity in order to progress. New migration arrangements for all customers are going to need support. It is very probable that not all of these demands can be met as quickly as both eircom and its customers would wish.

In the short term, priority will be given to NGA and its associated systems and processes. In the medium term, it is intended that guidance on development priorities can emerge from Industry fora or if requested, from the external governance body (see section 7). eircom will publish its response in its RAP Road Maps. The Road Maps will be produced taking account of development resources and, once a Road Map is produced, the necessary resources will be committed by eircom (subject to any further reprioritisation that may be required). In this way the future evolution of RAPs will be shaped by the prioritised needs of the Industry, clearly set out in the form of the Road Map, and secured through eircom's commitment of the required resources.

Figure 4 below shows how the development process links to existing and proposed Industry bodies.

Figure 4



eircom Wholesale currently has a significant number of customers/Industry requirements received both directly and via the Industry fora. The current volume of customers/Industry requirements will likely exceed eircom's current capability. eircom is proactively engaged in steps to address the capability constraints including significant outsourcing of developments and reviewing end to end development processes within eircom to improve their efficiency and effectiveness.

In tandem with capacity initiatives, there is an emerging need for customers/Industry to review their current requirements and to prioritise these to inform the development of an interim set of RAP Road Maps.

The proposed interim RAP Road Maps will, in the first instance, be based on eircom Wholesale's understanding of known Industry requirements. These proposed draft Road Maps should reflect those elements that have been raised through the relevant Industry fora.

Engagement between eircom's downstream businesses and NGA RAP product development is controlled through interim guidance and will become subject to the Code of Practice when finalised and adopted as discussed in Section 6.2 below.

4.12 Customer Service

Wholesale customer service improvements comprise a set of organisational, system and process initiatives at the eircom Wholesale front end and within Group Technology (GT) to facilitate smooth transaction processing and communications in a real-time environment, thus providing enhanced customer 'self-serve' within SLA targets.

The cycle of improvements is summarised in the Figure below.

Figure 5



The **Group Technology** initiatives are sponsored by eircom Wholesale and are now underway. Increased Jeopardy Management will reduce repair time and meet SLA requirements by proactively managing faults. An integrated jeopardy management process will be implemented that improves time to repair by escalating issues earlier in the process and facilitates smooth transitions between areas of the organisation.

Enhanced levels of customer 'self serve' will be offered via real-time Incident Management communications, on-line appointments and real-time transaction processing. A greater automation of transactions will increase throughput, reducing response times to meet customer requirements.

Proactive engagement refers to the active management of incidents and service management through a better alignment between Service management and Group Technology.

Customer Service Representatives improvements include improved customer service levels through multi-skilled personnel who are capable of handling both fault and order activities. Staff Performance Management will have an increased focus on customer Service requirements, and enhanced training will ensure that CSRs are focussed on Customer needs.

A **Single WCCC** (Wholesale Customer Contact Centre) to be created on a phased basis over 2-3 years and located in Citywest, will offer improved efficiency. Three workstreams have been formed as part of customer service improvements: Automation, Process Optimisation and Facilities.

The Automation workstream will automate a number of business processes which are currently carried out manually. This will address many outstanding process issues currently carried out manually and introduce automated incident and planned outage management and 24 hour porting.

Process Optimisation is concerned with reducing repair time through jeopardy management and by migrating from the legacy hardware to a managed platform.

A restructuring of facilities will consolidate existing separate centres and relocate to Citywest, introducing “best in class” CRM and call handling report systems. This restructuring will also enable a multi skilled / cross trained CSR capability that will have better overall visibility of customer issues, leading to a reduced number of touch points for the customer and hence an improved customer experience. Close proximity to Group Technology in the same location will also benefit the Customer Service team relocated to Citywest.

These initiatives in combination address and remedy a number of known customer concerns, while also working to meet and improve on customer SLAs. Going forward, eircom will also implement a continuous improvement programme in the Customer Service area with a view to addressing customers’ feedback and concerns.

Fault management and repair for eircom’s retail businesses will be through legacy systems for legacy products and through the UG for NGA, as described in Section 5 following.

5 Systems

Core Deliverables

- KPIs to measure provision, repair, and service quality, and to monitor non-discrimination and progress on wholesale reforms
- Real-time access for customers to B2B web services (via the UG). Technical specs to be available from mid December 2011, access to functionality from March / April 2012
- Further systems improvements to support equivalence of outputs for current RAP products
- Transition path for migration of eircom's retail businesses to UG for NGA products (From August 2012)

5.1 Note on limitations of legacy systems re-engineering

eircom's core systems are a complex set of interconnected systems that evolved around the Telephone Information System (TIS) developed 30 years ago. A vast array of other systems have been configured around TIS over the intervening 3 decades, the greater part of which took place during the period before emergence of market liberalisation and the evolution of regulation under the EU framework. This heritage infrastructure supports around 100 voice service packages that have been developed over the past decade. Unravelling these by replicating them in new systems is impracticable and would introduce complexity and inefficiency into any new systems, increasing the systems development challenge and operating costs. Replication of legacy voice packages would also divert scarce development resources. Any such solution would therefore be disproportionate, disruptive and counterproductive.

It is this background of an evolution of a legacy systems estate, from a time prior to market liberalisation, that constrains what can be achieved quickly in terms of migrating eircom comprehensively to the UG, and which shapes what it is practicable and proportionate to deliver.

5.2 Legacy RAP: Equivalence of Outcomes

Legacy RAP services are those access services required of eircom as a result of findings of significant market power. eircom intends as part of its Wholesale Reforms Programme to deliver, and demonstrate that it is delivering, equivalence of outcome (EEO) for its legacy RAP portfolio. This means that the service outcomes achieved by users of the RAP portfolio are not materially different from the service outcomes delivered by eircom's equivalent retail services.

5.3 Reporting on KPIs

In line with the final directions arising from the Decision '*Response to Consultation and Decision on the Introduction of Key Performance Indicators for Regulated Markets*', D05/11 issued on 29th June'11, eircom commenced publication at the end of November 2011 of a wide range of KPIs covering provision, repair, and quality of service KPIs for Narrowband, WPNIA, WBA and Leased

Lines. These reports on KPIs will enable comparison of the outputs experienced by wholesale customers as compared to eircom's retail business customers.

eircom proposes to continuously engage with the Industry and, where necessary, to identify additional KPIs to help monitor our commitment to non-discrimination and to our Wholesale Reforms Programme. It is expected that the form and nature of the KPIs will continue to evolve in response to what they reveal, and as the external governance body considers the reports available to it and the future needs of the Industry. A progressively refined series of measures, and action taken promptly on the results they show, will progressively enhance the *"equivalence of outcome"* delivered by legacy RAP services.

5.4 Unified Gateway (UG) Upgrade

The Wholesale Unified Gateway is the primary access point between eircom Wholesale and wholesale customers for ordering and assurance. It validates and processes operators' orders and other requests and provides appropriate notifications in response.

Operators currently access eircom services via three channels through the Unified Gateway:

- Web Services – a small set of order types (17) are available for real-time connection with Operators BSS systems
- Online GUI – a secure web page through which all order types can be manually entered
- FTP – a batch processing channel for Bulk migrations and other exceptionally large order volumes

In order to enhance the service available to our customers, the Unified Gateway is being upgraded to enable 100+ order types via real-time access through a UG Web Services interface. This will enhance the wholesale customer experience as follows:

- Wholesale providers will be able to control their own end-customer journeys
 - Live orders will be progressed in Real-Time
 - Real-Time response to information will be provided in an efficient manner
 - Enables greater integration with eircom systems
- Business process efficiency will be delivered through better use of CSR time and resources by eliminating double keying
- Available across a broad product set and lifecycle events for SB-WLR, Bitstream, LLU, and GNP

This will be a considerable improvement in the service provided to eircom Wholesale's customers.

Bulk migrations and other exceptionally large order volumes, will continue to use the existing FTP Channel and are outside the scope of this requirement.

Wholesale B2B Web services will deliver an expanded real-time response for legacy regulated access products. In order to avail of this capability, Operators will need to upgrade their own BSS systems to the agreed specification for a B2B/Web Services. It is expected that technical specifications will be made available to customers by mid-December. eircom is required to provide such technical

specifications to service providers 3 months in advance of activation of new functionalities so that service providers can undertake development of their own systems to align with the new specification and functionality. On that basis, this functionality would become available to service providers from March/April 2012.

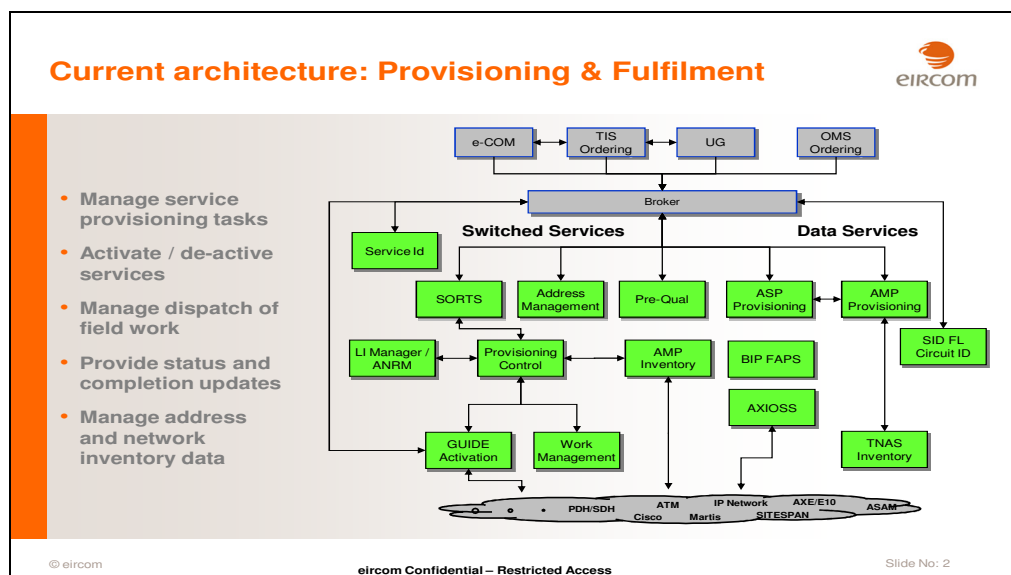
5.5 Systems assessment

We propose to undertake an assessment to identify further differences in information or systems access that may exist between eircom’s retail businesses and what is available to other operators. Once identified, and where practical, we will develop and implement remedies. This approach will enable a more accurate determination of the effort needed for the remaining key processes and to refine the approach if required.

5.6 eircom retail business systems interconnection through the UG for NGA products

eircom has examined how to move to an architecture for NGA products that would result in eircom’s retail business systems interconnecting through the UG in the same way as other operators. This represents the equivalence of inputs systems solution to which eircom has committed for the provision of NGA services. Based on this objective, a strategy has been identified that will implement all new relevant eircom retail business systems through the Unified Gateway, which we expect to implement at approximately the same time as the commencement of NGA deployment.

Figure 6 below shows the current systems architecture.



Note: Similar architectural diagrams for Sales, Customer Care, and Management, and for Service Assurance are available.

This approach is based on utilising the Unified Gateway as a central interface enabling developments to be undertaken on multiple systems on a more independent basis and will ensure that eircom's retail businesses interconnect through the UG for NGA services in the same way as other operators.

Legacy products such as Fixed Voice will continue to be supported through existing IT systems configurations.

eircom has been developing a new Customer Care and Billing system that is being configured to operate through the Unified Gateway. As a consequence, eircom's retail business systems will be interconnecting through the UG in the same way as other operators for NGA products in the first instance, and progressively for non-NGA products.

This is a pragmatic approach that moves to an architecture for NGA products that will ensure that eircom's retail business systems will interconnect through the UG in the same way as other operators, and that customers availing of legacy services will progressively migrate to a similar interconnection as they adopt newer services.

6 Cultural Change

<i>Core Deliverables:</i>

- | |
|--|
| <ul style="list-style-type: none"> • Interim guidance • Enhanced wholesale customer engagement programme • Code of Practice (June 2012) • Measures of success (KPIs - published November 2011) • Revised incentive and compliance arrangements (March 2012) |
|--|

6.1 Existing Compliance Framework and Procedures

A framework is already in place to facilitate on-going review of the effectiveness of the controls to ensure compliance with eircom's obligations. Operational procedures and system controls have been strengthened over time as lessons have been drawn from eircom's own compliance initiatives or remedies agreed as a result of disputes or compliance investigations relating to non-discrimination. These include system developments on the key OSS layer to ensure the security of eircom Wholesale's data and the development of controls to monitor equivalence of network performance.

Components of the framework include the following:-

- A Regulatory Compliance unit within the Audit, Risk, and Compliance function provides training support for regulatory compliance, monitoring of self-certification of effective controls, investigation of complaints or investigations of non-compliance with regulatory obligations, and reporting on these issues.
- eircom's people receive Regulatory Compliance training and validation testing is conducted. A Regulatory Handbook has been provided to all staff and updates on regulatory developments are provided on a regular basis.
- eircom's Legal Department and Regulatory Operations Unit provide on-going regulatory advice to business areas to ensure adherence to our regulatory obligations. Advice is taken on a regular basis from external professional advisers on changes in regulation and compliance requirements etc.
- eircom has programmes maintaining the Group's Risk, Control & Compliance framework which facilitates active monitoring of internal controls and compliance requirements; management of key business risks; and timely remediation of issues that arise. These programmes represent key enablers for enhanced internal control, compliance with regulations and active management of business risk embedded across eircom processes and organisation.

- A Regulatory Management Self-Assessment Programme is operated that includes 50 senior managers certifying on a quarterly basis that effective controls are in place within their areas of responsibility to ensure compliance with eircom's regulatory obligations.
- We operate a defined process for the approval of products, and prices, including discounts. eircom's retail and wholesale Product Development Councils (PDCs) perform an overall governance role within the executive decision-making process and co-ordinate all product development within our retail businesses and wholesale businesses including ensuring that proposals for price changes, new products, product enhancements, or product withdrawals, have been assessed against our regulatory obligations. The Product development Process is ISO 9002 accredited.
- Our Compliance Framework and Procedures includes regular monitoring by a senior management Corporate Risk Committee and oversight by the Board's Audit Committee.

It is on top of this established framework that we propose to build additional internal and external controls, as described in our Proposal.. We are also considering further enhancements, for example, by expanding and strengthening our internal compliance capability, and by commissioning independent audits of key equivalency KPIs and milestones where reasonable and proportionate.

6.2 Interim Guidance and enhanced engagement programme

We have said we will deliver higher standards of non-discrimination for the provision of NGA RAP services. These will be in place when NGA is launched and the Wholesale Reforms Programme is implemented. Meanwhile, transitional measures have been put in place to guide practice and behaviour in relation to NGA RAP development in a fair and effective way for all stakeholders. In the meantime, an eircom retail business account management capability is being built in eircom Wholesale and a new set of internal processes is being put into place to accommodate this significant reorganisation. eircom's retail businesses are already participating in NGA fora, although they will sometimes need to engage directly with Group Technology on the development of NGA services and on the evolution of the UG, subject to appropriate controls. Such meetings are to be attended by trained monitors, briefed to ensure there is no release of NGA RAP information to eircom's retail businesses which is not also communicated to other operators contemporaneously, and to ensure that there is a comparable opportunity for wholesale customers to influence service and gateway development.

6.3 Code of Practice

A Code of Practice will embed and formalise the expectations eircom has of its people concerning relationships with eircom Wholesale and wholesale customers. The Code will set out the core principles and requirements surrounding our enhanced non-discrimination commitment and will, use practical examples to illustrate appropriate and inappropriate behaviours in the form of Frequently Asked Questions ("FAQs"). The Code will be supported by management briefings and training for all affected staff at launch and on a rolling basis thereafter.

It is eircom's expectation that the Code of Practice will be both understood and honoured by its people. Material breaches will be investigated and compliance will be enforced. The Code will

reflect the organisational changes described in section 4 above, along with process changes and other provisions embodying our enhanced non-discrimination commitment. The Code will include specific annexes that will apply to several categories of employees whose roles may be particularly important to delivering on our enhanced non-discrimination commitment.

The Code will cover issues such as the responsible way to deal with customers of another operator, the confidentiality of wholesale customer information, and the non-discrimination rules associated with regulated access products and services.

Once the Code of Practice is in place, both the Regulatory Compliance and Audit functions will be responsible for monitoring and reporting on adherence to the Code and on lessons for its further development. The FAQs will be updated from time to time to reflect actual experience.

6.4 Incentives and compliance

Working with the new eircom Wholesale organisation structure and the Code of Practice will entail significant changes in the way many eircom people go about their work. People need to be informed and briefed on the changes and what they mean in practical terms in their specific area. This will require both strong central messages and leadership, and local interpretation and line briefings.

On-line training packages to check management and staff understanding will be part of the overall launch and of on-going maintenance of awareness. Take-up of the training package will be monitored and reported. Professional support has been engaged to develop appropriate programmes for this purpose.

eircom will use incentives relating to, for example, customer satisfaction or the delivery of agreed account development plans, as a means of reinforcing appropriate behaviours in discrete business units. We do not consider that generic incentives are appropriate for a compliance activity: compliance is expected of any responsible employee. Conversely, we will be clear that intentional and material non-compliance with the Code is a serious matter and will not be tolerated.

7 Governance

eircom recognises that governance will be an important element of our Wholesale Reforms Programme in order to build trust and credibility. Under consideration is a package of enhanced internal compliance measures and external controls, including the possibility of independent audits of actual performance against key KPIs and product development milestones during an initial trial period. Also under consideration is the establishment of an external governance body that would be chaired by an independent expert.

As we conceive it, the external governance body would be a key component of the overall governance structure. The body would act as a senior Industry forum charged with developing a cross-Industry view of eircom's progress in delivering RAP products on a non-discriminatory basis and the forward evolution of RAP services. The independent chair would serve as an expert mediator for resolving differences of views relating to the prioritisation of RAP services and similar issues.

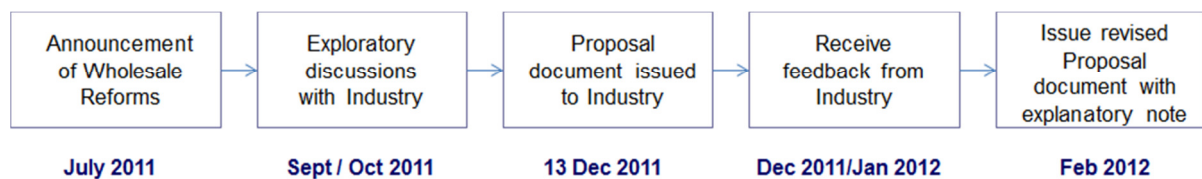
We have discussed the creation of an external governance body in numerous meetings and workshops with Industry stakeholders. There is a range of views on its structure, funding and functions (and, indeed, the need for such a body at all). We recognise the complexity of the issues associated with the establishment and successful implementation of such a body in the Irish context. We welcome Industry's views and concrete proposals in this regard. We intend to publish a more detailed set of governance proposals following our review of Industry comments on the substantive elements of our Proposal.

8 Next Steps

Following presentation of our Reforms Proposals to Industry on 13th December 2011, eircom proposes a period for Industry feedback. This is likely to include bilateral discussions. During the week of 23rd January we propose to convene a workshop to address outstanding questions, issues and comments.

Our aim is to complete this feedback process before the end of January 2012. We plan to issue a revised Proposals document with a summary of the comments and an explanatory memorandum in February.

The schematic below illustrates our proposed engagement process.



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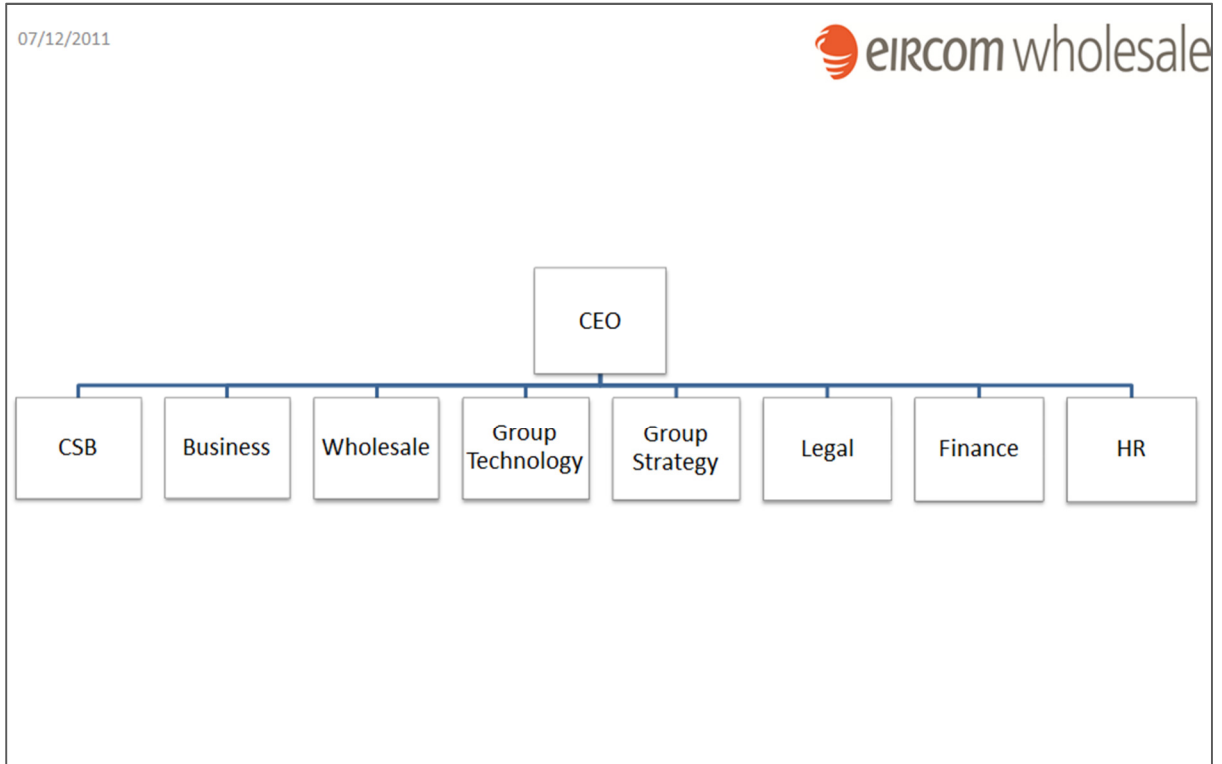
December 2011

Attachments:

Annex 1 – eircom Functional Structure

Annex 2 – Regulated Access Product List

Annex One: eircom Functional Structure



Annex Two: Regulated Access Product List

1. Wholesale Physical Network Infrastructure Access (WPNIA)
2. Wholesale Broadband Access (WBA)
3. Wholesale Line Rental (WLR)
4. Leased Line Terminating Segment