

Telecommunications Regulation and Competition New Entrant's Perspective

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Outline

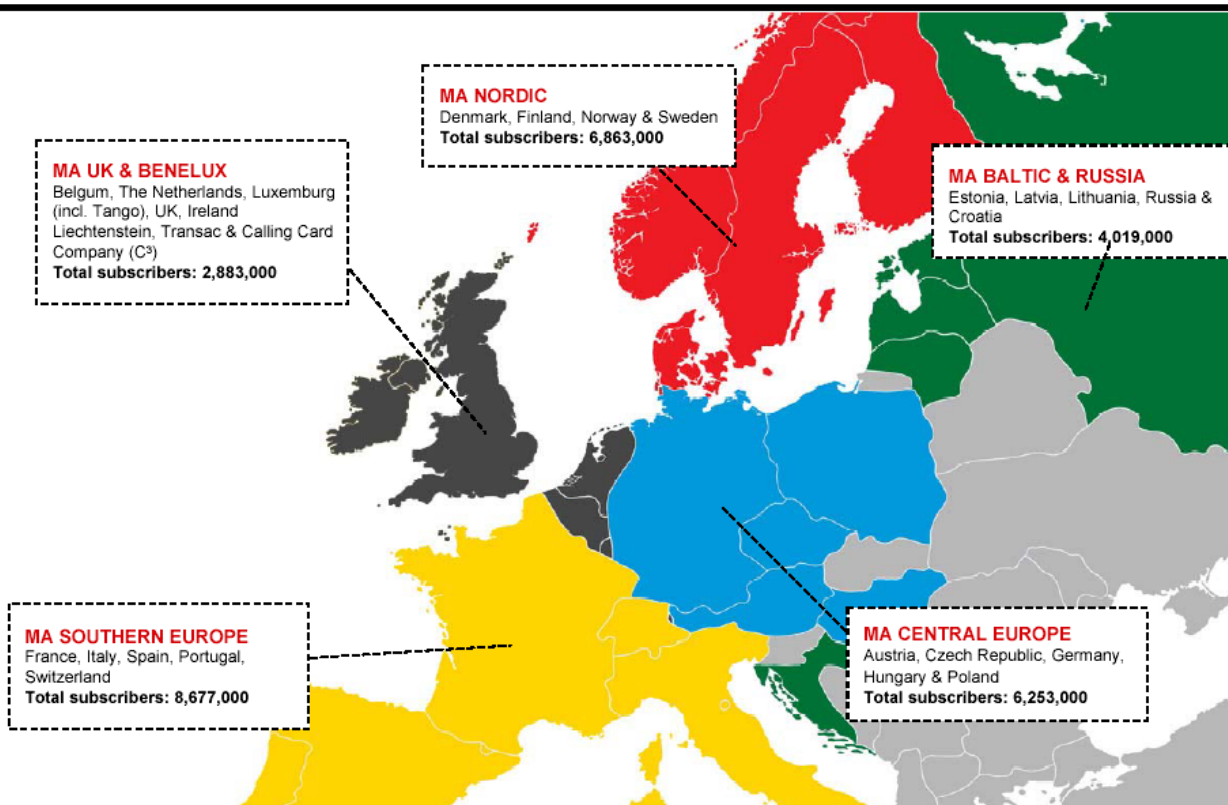
- 1 A new entrant's perspective**
- 2 Key aspects of a well-functioning market**
- 3 Enablers of competition**
- 4 Making a competitive market entry...**

A new entrant's perspective

- **Tele2 – ‘The Monopoly Challenger’ report (March 2005)**
- **Pan-European alternative telecom operator:
28.7m customers, 25 countries, € 4.7bn operating revenue 2004**
- **Services to residential users:
fixed & mobile telephony, Internet, data network services, cable TV**
- **‘Pure’ new entrant: no state telecom monopoly’s legacy**
- **Business model:**
 - **‘Strives to offer the market’s best prices’**
 - **Enters market as CS/CPS provider in fixed telephony or MVNO**
 - **Expands by cross-selling other services to the same customers**
 - **Avoids large investments in own network**

A new entrant's perspective: Tele2

28.7 million customers in 25 countries

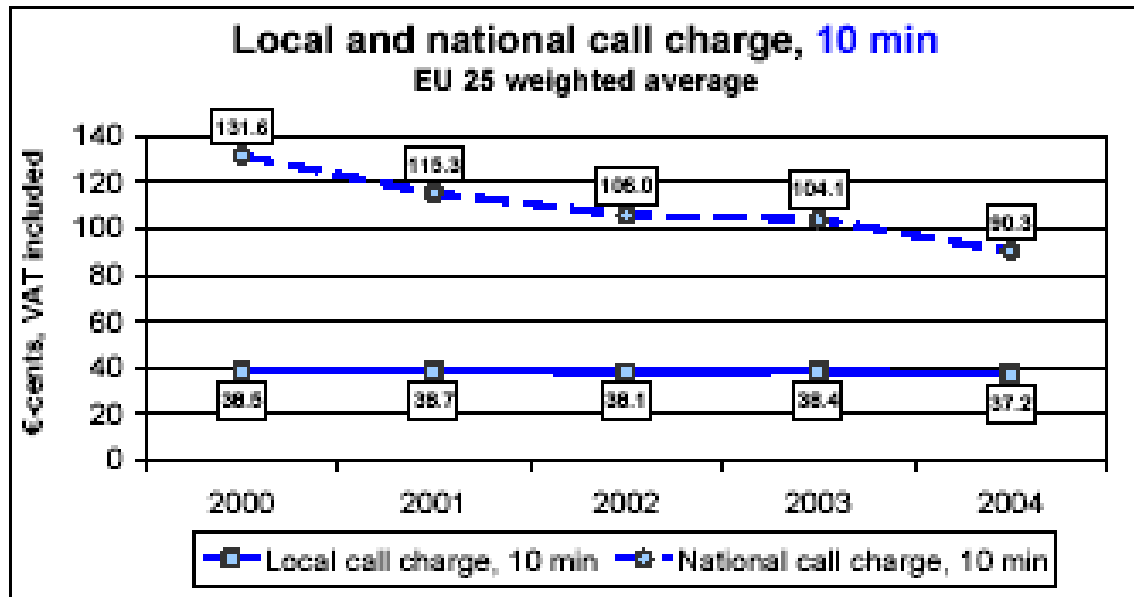


Key aspects of a well-functioning market

- Legal framework enabling free market entry
- Regulatory environment allowing competition on equal terms with the former monopolists
- Stable and predictable rules
- Competent regulators

Why competition makes a difference?

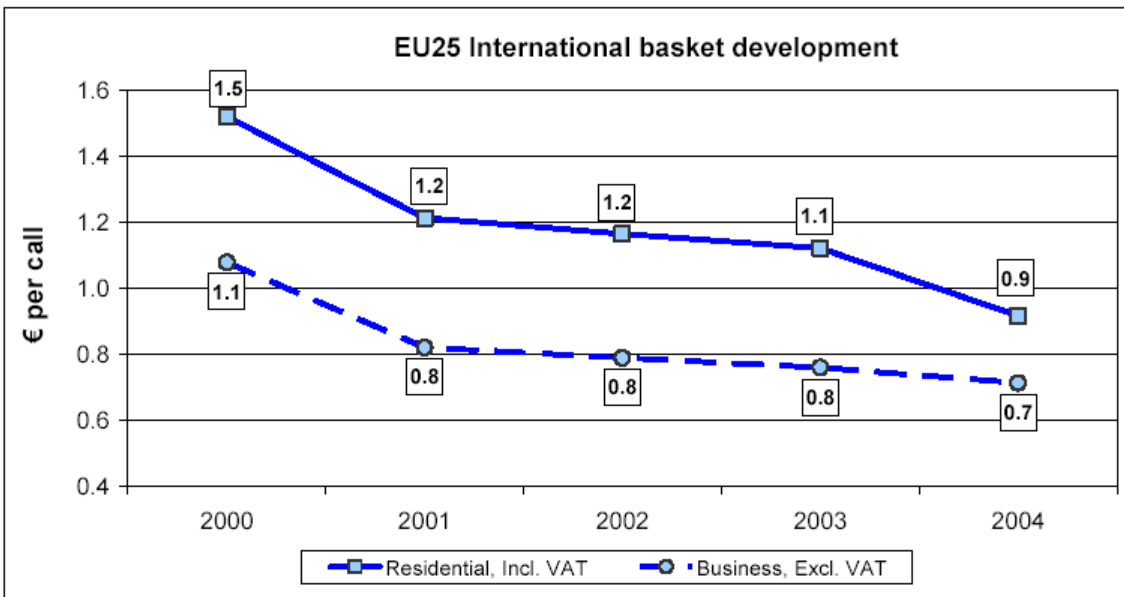
Average fixed national calls charges by incumbent operators in the EU 25 decreased by 31% between 2000-2004...



Source: 10th Report of the European Commission on European electronic communications regulation and markets 2004 (COM(2004) 759 final), Staff working paper Volume 2, Figure 94

Why competition makes a difference?

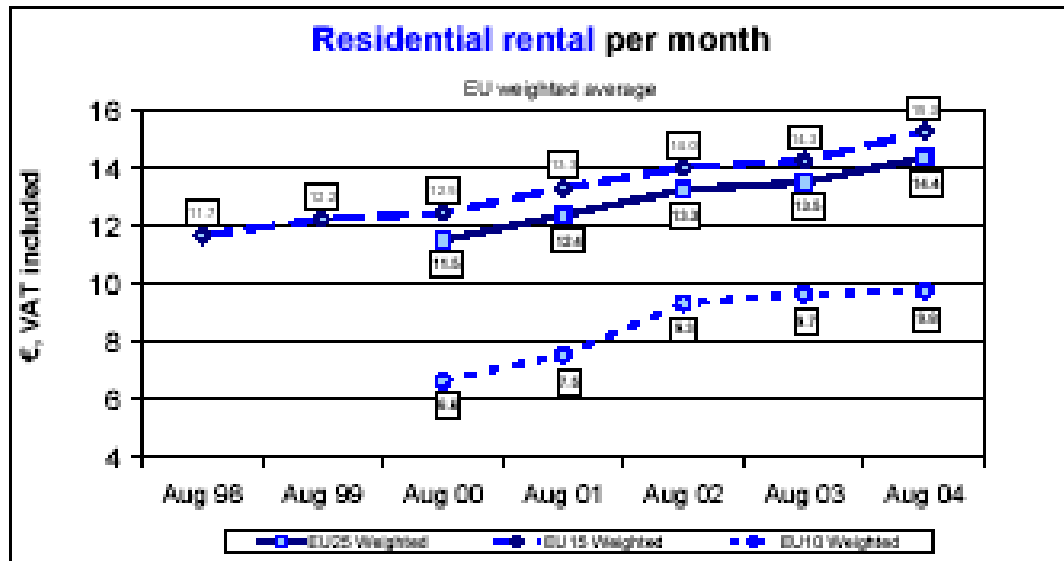
Average fixed international call charges by incumbent operators decreased by 40% for residential users and 30% for business...



Source: 10th Report of the European Commission on European electronic communications regulation and markets 2004 (COM(2004) 759 final), Staff working paper Volume 2, Figure 94

Why competition makes a difference?

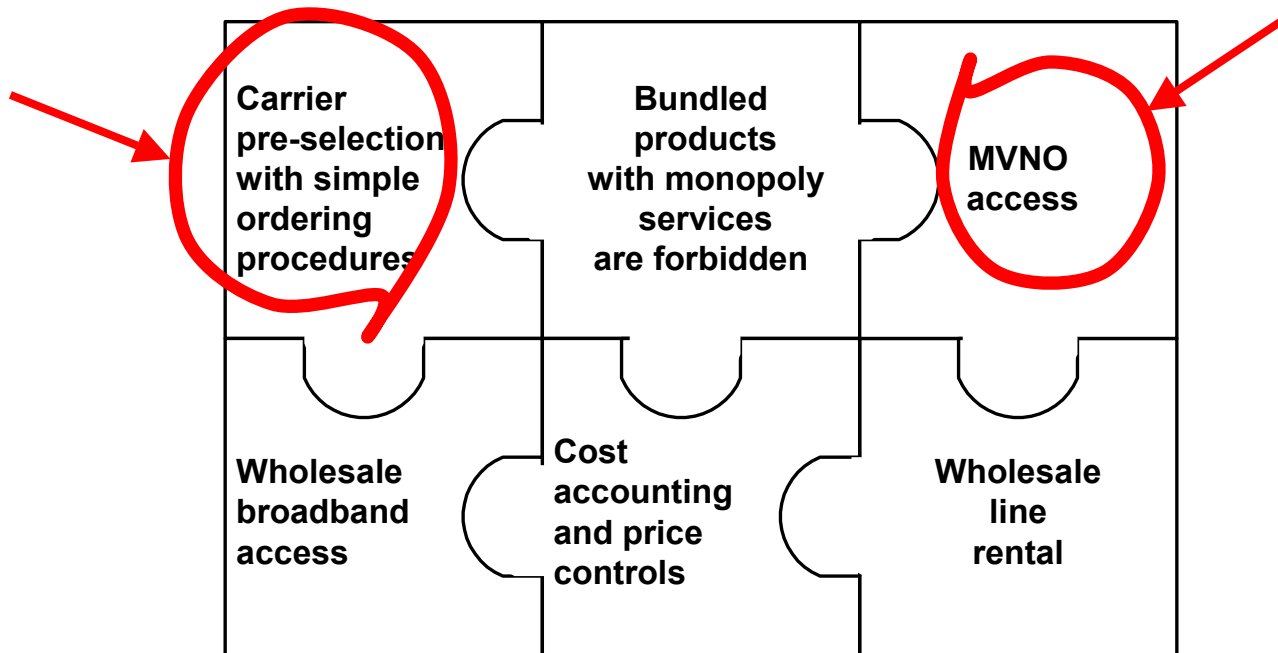
At the same time, charges for fixed telephony subscription increased by 25-30%...



Source: 10th Report of the European Commission on European electronic communications regulation and markets 2004 (COM(2004) 759 final), Staff working paper Volume 2, Figure 94

Enablers of effective competition

- Competition often means more rules and regulation
- Different enablers become more important as market matures



Making a competitive market entry...

- **Investments in new markets are risky**
- **New entrants do not have deep pockets**
- **Infrastructure competition is not the starting point**
- **More likely strategy is to enter market as a service provider in fixed telephony or an MVNO**

Entering the market as a fixed service provider...

Country	Carrier pre-selection				
	Local calls	Long distance calls	International calls	Calls to mobile	Calls to non-geographical numbers
Albania	Not decided	Not decided	Not decided	Not decided yet	Not decided
Bosnia & Herzegovina	Foreseen after 1.1.2006	Foreseen after 1.1.2006	Foreseen after 1.1.2006	Foreseen after 1.1.2006	Foreseen after 1.1.2006
Bulgaria	Not available	01.01.2005	01.01.2005	Not available	Not available
Croatia	02. 04. 2005 Not available	02. 04. 2005 Not available	02. 04. 2005 Not available	02. 04. 2005 Not available	Not decided
<i>Montenegro</i>	Not decided	Not decided	Not decided	Not decided	Not decided
<i>Serbia</i>	Legal obligation not yet applied	Legal obligation not yet applied	Legal obligation not yet applied	Legal obligation not yet applied	Legal obligation not yet applied
<i>Kosovo</i>	Not decided	Not decided	Not decided	Not decided	Not decided
Romania	Foreseen after mid 2006	Foreseen after mid 2006	Foreseen after mid 2006	Foreseen after mid 2006	Foreseen after mid 2006
Macedonia	30.09.2005 (legal requirement)	30.09.2005 (legal requirement)	30.09.2005 (legal requirement)	30.09.2005 (legal requirement)	30.09.2005 (legal requirement)
Turkey	Not implemented	17.05.2005 target date	17.05.2005 target date	17.05.2005 target date	17.05.2005 target date

Table 28 - Availability of carrier pre-selection (old Table 16)

Entering the market as a fixed service provider...

Country	Operators with allocated access code	Operators using CS for provision of services	Operators using CPS for provision of services
Albania	0	0	0
Bosnia & Herzegovina	0	0	0
Bulgaria	10	10	0
Croatia	3	0	0
<i>Montenegro</i>	0	0	0
<i>Serbia</i>	0	0	0
<i>Kosovo</i>	0	0	0
Romania	47	31	0
Macedonia	0	0	0
Turkey	25	0	0

Table 29 - Operators with allocated access codes and use of CS and CPS for provision of voice telephony (old Table 18)

Entering the market as a fixed service provider...

Country	Status of RIO	Number of interconnection agreements		
		Fixed – Fixed	Fixed – Mobile	Mobile - Mobile
Albania	Not available	46	2	1
Bosnia & Herzegovina	Drafts exist for all the 3 incumbent operators	0	0	0
Bulgaria	Published	6	3	3
Croatia	Published February 2005	2	4	1
Montenegro	Published	0	2	1
Serbia	Not available	-	1	-
Kosovo	Not available	-	-	-
Romania	Published February 2003	33	33	6
Macedonia	To be published within 30 days after NRA is established	-	2	1
Turkey	Published	23	3	4

Table 33 - Reference interconnection offer of fixed incumbent operator and number of interconnection agreements (old Table 58)

Entering the market as a fixed service provider...

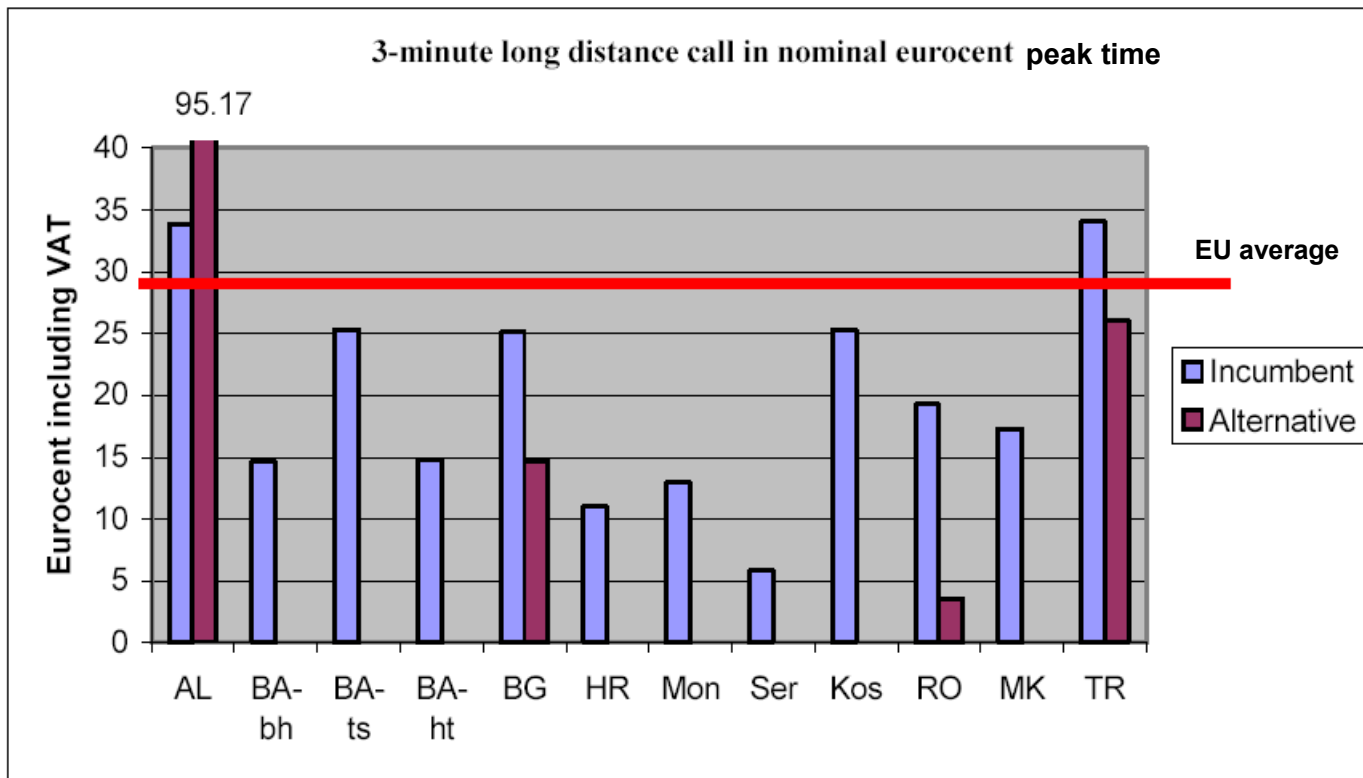


Figure 19 - Price of fixed incumbent and alternative fixed operator for a 3-minute long distance call in nominal Eurocents (old Table 37)

Entering the market as a fixed service provider...

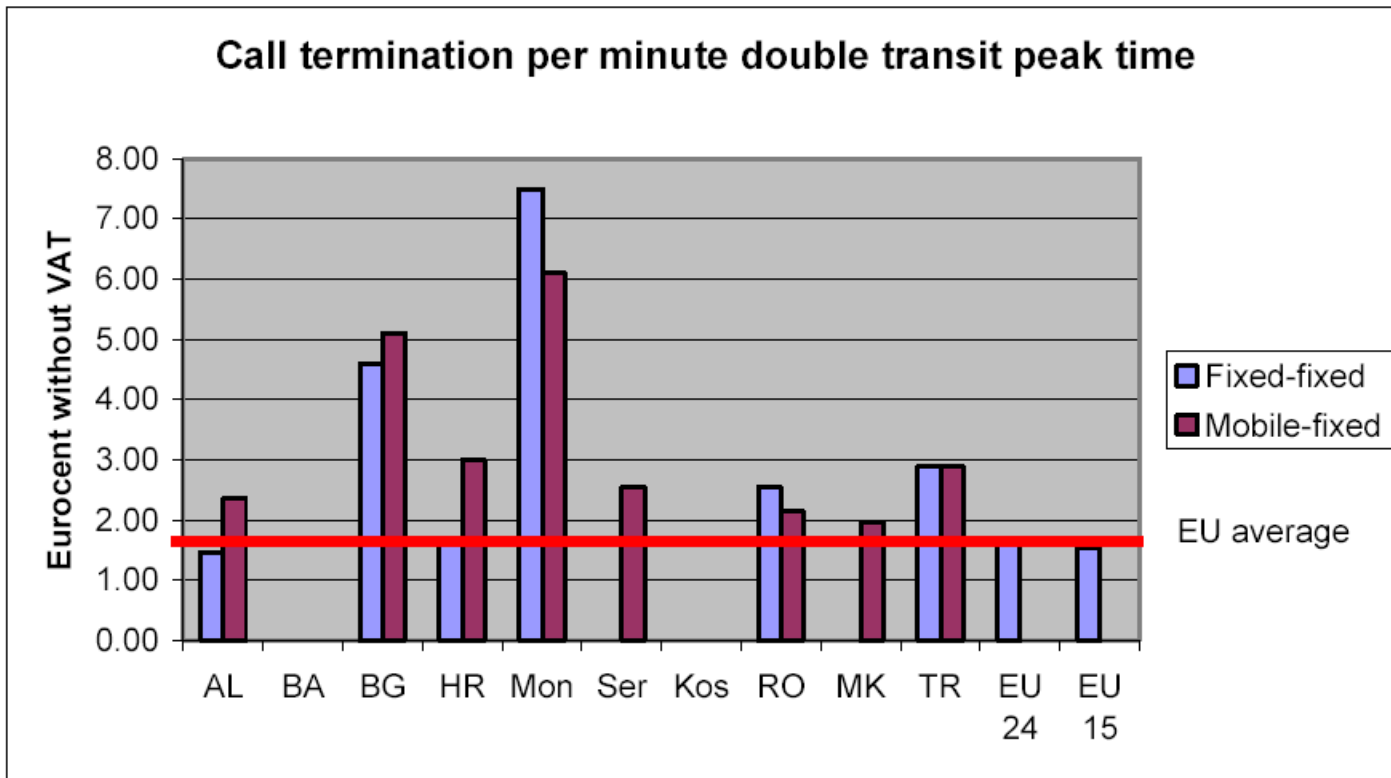


Figure 37 - Fixed-to-fixed interconnection charges for call termination on fixed network of incumbent operator – double transit

Entering the market as a fixed service provider...

- Country example – Montenegro
 - Retail prices below EU average
 - Fixed call termination charges above EU average
- A simple calculation:
 - 3 min long distance call = 12.99 eurocents
 - 3 min call termination =
3 x 7.50 = 22.50 eurocents
- Competitive business case?

Entering the market as an MVNO...

Country	Legal obligation for mobile operators to deal with			Commercial reality
	Service providers	Enhanced service providers	Mobile virtual network operators	
Albania	Yes	No	No	No
Bosnia & Herzegovina	Yes	Yes	No	No
Bulgaria	No	No	No	No
Croatia	Yes	Yes	Yes	SMS service providers
Montenegro	No	No	No	No
Serbia	No	No	No	Mobtel, as a MNO is in cooperation with a service and application provider.
Kosovo	No	No	No	No
Romania	No	No	No	No
Macedonia	No	No	No	No
Turkey	No	No	No	One airtime reseller

Table 24 - Service providers and mobile virtual network operators (old Table 82)

Entering the market as an MVNO...

Country	National roaming requirements
Albania	No requirements
Bosnia & Herzegovina	National 2G operators must have national roaming with each other to ensure national coverage
Bulgaria	Licensed UMTS operators (having a 2G network with national coverage) are obliged to provide national roaming for a new operator having reached network coverage by population of 20% and having granted data transfer speed 144 kbit/s.
Croatia	2G operators are obliged to provide national roaming for new 2G operators for at least three years after the new operator has reached coverage of at least 20% of the population.
Montenegro	No requirements
Serbia	2G national roaming is provided between Mobtel and Telekom Serbia within the territory of Kosovo only. 2G roaming on the country level is in place with both mobile operators in Montenegro.
Kosovo	2G operators must provide roaming for new 3G operators for a period of 3 years after start of operation and/or regional operators must have national roaming agreement with each other to ensure national coverage
Romania	No requirements
Macedonia	No requirements
Turkey	2G operators are required to meet reasonable, economically proportionate and technically feasible requests for roaming from other operators.

Table 35 - National roaming requirements for 2G operators (old Table 81)

Entering the market as an MVNO...

Country	Geographic fixed numbers	Non-geographic fixed numbers	Mobile numbers
Albania	Not decided	Not decided	Not decided
Bosnia & Herzegovina	Not decided	Not decided	Not decided
Bulgaria	01.01.2009	01.01.2009	01.01.2007
Croatia	02.04. 2005 Not implemented	02.04. 2005 Not yet implemented	Planned for 30.10.2005
<i>Montenegro</i>	Not decided	Not decided	Not decided
<i>Serbia</i>	No legal obligation	No legal obligation	No legal obligation
<i>Kosovo</i>	May be decided during 2006	May be decided during 2006	Not decided
Romania	To be decided in 2005	To be decided in 2005	To be decided in 2005
Macedonia	05.03.2007	05.03.2007	05.03.2007
Turkey	Planned to issue regulation by the end of 2005	Planned to issue regulation by the end of 2005	Planned to issue regulation by the end of 2005

Table 30 - Availability of number portability (old Table 17)

Other issues?

- Wholesale line rental
- CPS processes:
 - simple ordering procedure
 - slamming
 - number of CPS orders handled by the incumbent
 - CPS implementation fee
- MNP implementation:
 - technical solution
 - database funding and operation
- Single POP to serve the whole of region