CONTENTS:

5. Mobile cellular networks and services

5.1. Market players and competition

At the end of 2005 on the mobile cellular networks and services market three operators carry out activities under digital GSM standard: MOBITEL EAD under the brand name of M-TEL, COSMO BULGARIA MOBILE EAD under the brand name of GLOBUL and BTC MOBILE EOOD under the brand name of VIVATEL, as well as one operator of analogue mobile network based on NMT standard - RADIOTELECOMMUNICATIONS COMPANY EOOD with the brand name of MOBIKOM.

During the year M-TEL has retained its leading position on the market, at further expansion of market presence of the second GSM operator GLOBUL and fading away functionality of MOBIKOM. The third GSM operator VIVATEL launched commercial activities in 2005. The emergence of a new market player is a prerequisite to expect serious dynamics and redistribution of the operators' market shares in the sector.

In 2005 a number of changes were done in the ownership of the companies carrying out activities on the market. At the beginning of the year BTC AD acquired 100% ownership of the analogue mobile operator MOBIKOM, buying the rest of the company shares from Cable and Wireless (49%) and from Radioelectronic systems (12%). In June was finalized the transaction of acquiring 100% of the share capital of MOBILTEL EAD by the Austrian telecommunication company Telecom Austria, amounting to 1,6 billion Euro market capitalization. In August the Greek company OTE, owner of COSMO BULGARIA MOBILE EAD, signed an agreement for sale of 100% of its shares in the Bulgarian operator of its mobile subsidy Cosmote for the total amount of 400 mln. Euro.

At the beginning of 2005 CRC started a licensing procedure for operators of UMTS networks. The UMTS technology assures significantly higher data transmission speed rates and offers to the subscribers of mobile networks a number of additional applications such as videotelephony, mobile television, electronic banking, etc. After a secret-bid auction held in 2005 CRC has issued three licenses for building-up of mobile networks based on UMTS standard: one class A license (2 x 10 + 5 MHz) to MOBILTEL EAD and two class B licenses (2 x 5 + 5 MHz) to COSMO BULGARIA MOBILE EAD and BTC AD. According to the netwrok development rates provided in the licenses, the first third-generation mobile services shall emerge two years after entering into force of the license at the latest, while within this time period MOBILTEL EAD has obligation to cover 20 % of the population and BTC AD COSMO BULGARIA MOBILE EAD – up to 15 % of it.

The commercial launch of services through public telecommunications network based on TETRA[1] standard is also expected in 2006. The TETRA network is a digital successor of the analogue public radio network and enables transmission of voice and data, inquiry services and other services at greater connection security compared to the GSM networks (encryption against phone tapping and protection against network overload), as well as possibility for traffic management through traffic control center and giving priority to some connections if needed. The services provided through TETRA networks do not compete directly the services targeting the end users of GSM networks, they are directed mostly towards the big companies, state administrations and security services. In that sense, the TETRA network operator can compete the existing mobile operators in the segment of big corporate clients.

5.2. Infrastructure of the mobile cellular networks

In table 4 are indicated the basic parameters of infrastructure development of the mobile cellular networks.

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[1] Trans European Trunked Radio

Table 4

operator / indicator	M-TEL			GLOBUL			VIVATEL
	2003	*2004*	*2005*	*2003*	*2004*	*2005*	*2005*
Coverage by territory	*96,10%*	*96,15%*	*97,90%*	*76,92%*	*84,94%*	*96,44%*	*51,76%*
Coverage by population	*99,36%*	*99,38%*	*99,70%*	*95,28%*	*98,20%*	*99,66%*	*85,40%*

Source: *Data submitted to CRC*

The further increase of the number of base stations and cells of the digital operators enables improvement of the quality of the services provided. With regard to the indicators coverage by territory and by population, M-TEL and GLOBUL have commensurable coverage – almost 100% by population and over 96% by territory. The built infrastructure of BTC allowed the third GSM operator to start with a high percentage of national coverage by population around 85%.

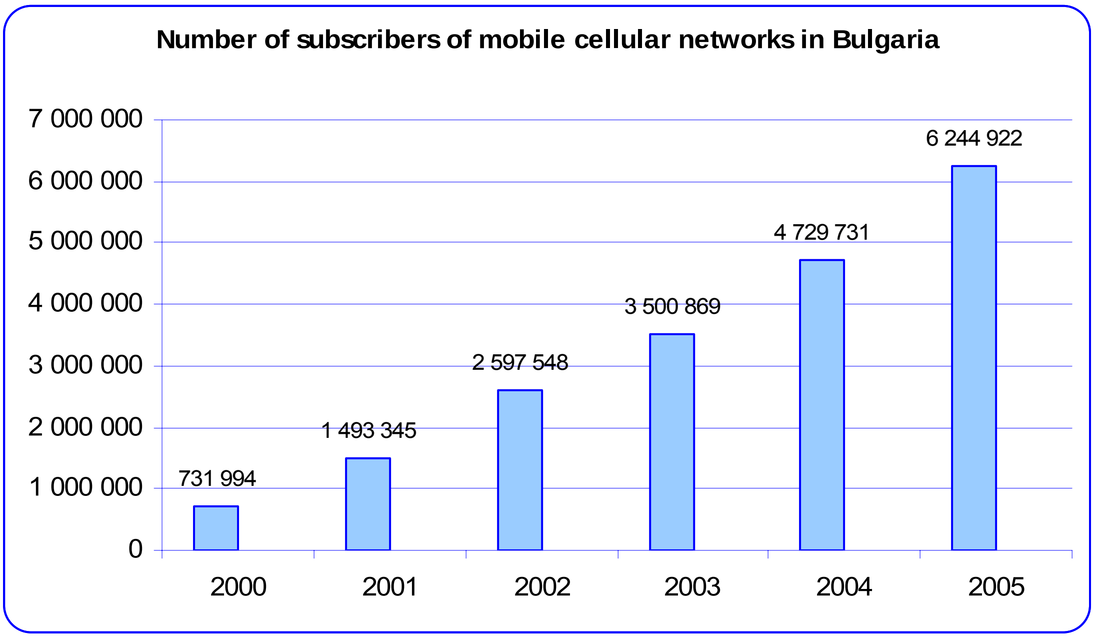
5.3. Development of the mobile telephone services market

Market dynamics

In 2005 the mobile networks and services market kept its intensive development. The trend for enlargement of the mobile segment at the expense of the fixed one persists.

The total revenues of the mobile services sector amount to 1,5 bn BGN and have increased by 22% for one-year term. It should be noted that the growth rates of the leading segment of the telecommunications market are preserved for a second consecutive year.

The number of subscribers of mobile services has grown by 32% compared to the end of 2004 and reached 6 240 933[2] at the end of the year.

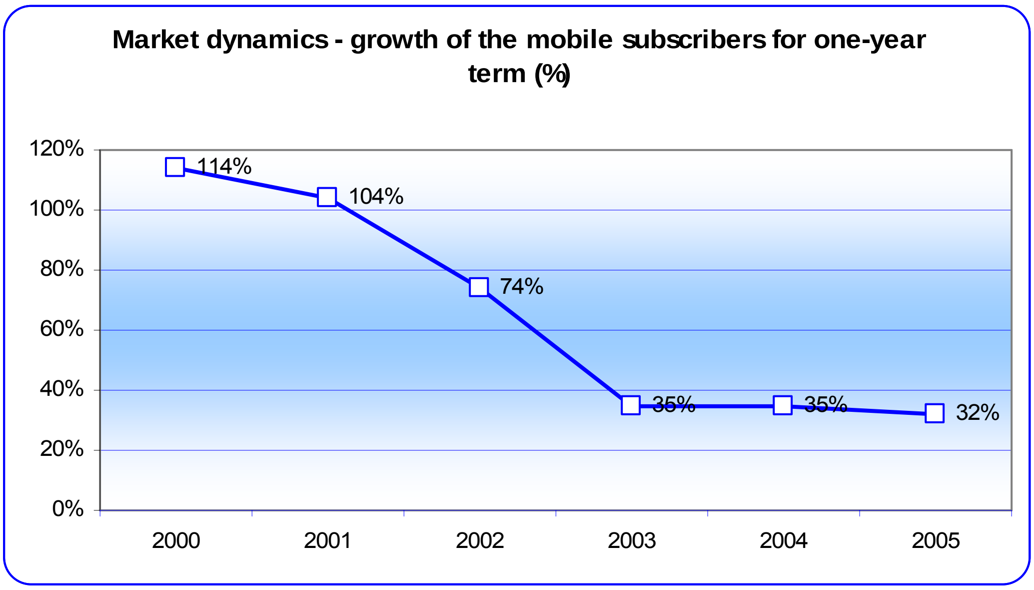


Source: *Data submitted to CRC*

Figure 62

[2] Number of active post-paid and pre-paid subscribers (at 12 months term of validity)

As can be seen from figure 63, the annual growth rate for the mobile services subscribers is stabilizing. That is a result from the dynamic development of the mobile market in country last year and its graduate saturation. The positive effect of the expected emergence of a new competitor on the market could be a short-term increase in the growth rates, but as a whole, in middle-term period the expected effect could be mainly redistribution of the market shares of the existing operators.

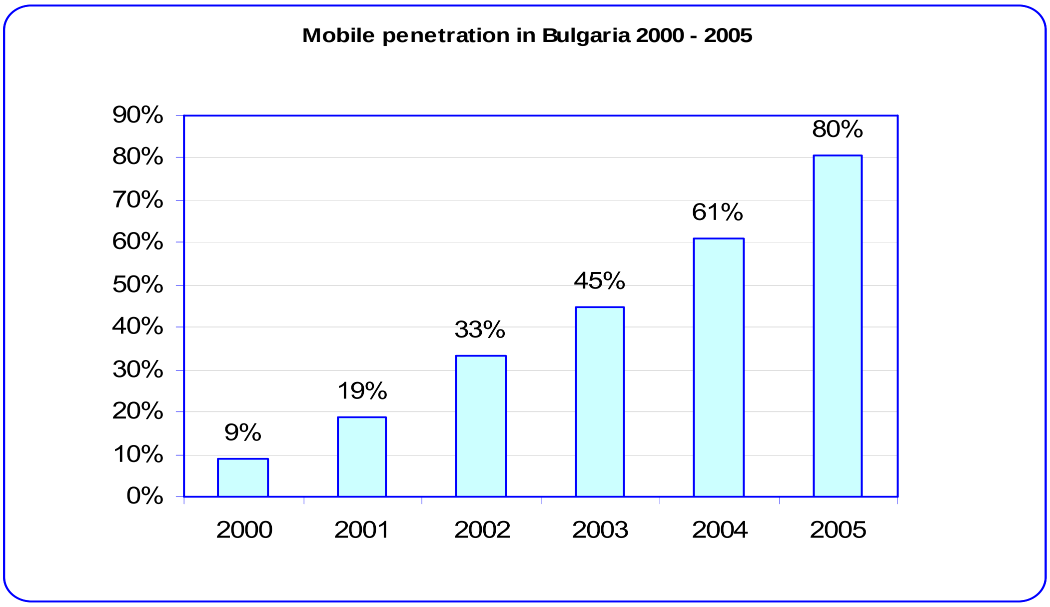


***Source**: Data submitted to CRC*

Figure 63

Mobile penetration

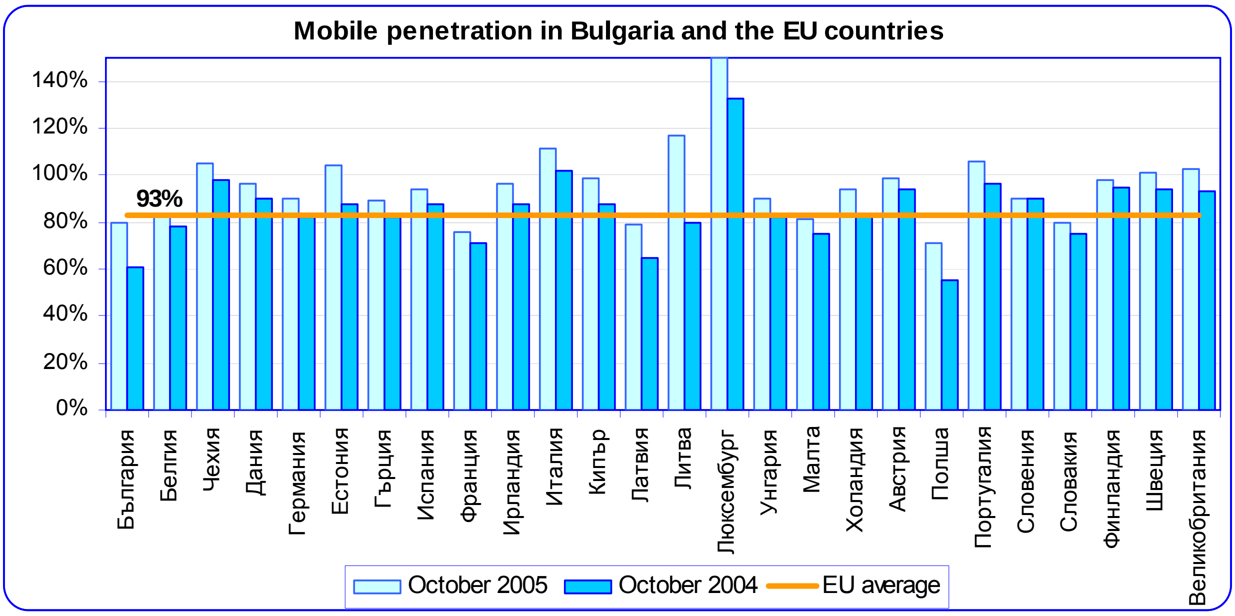
The progressive growth of the mobile penetration indicator (mobile subscribers per 100 inhabitants) observed on the mobile services market in Bulgaria last year is presented in Figure 64.



***Source**: Data submitted to CRC*

Figure 64

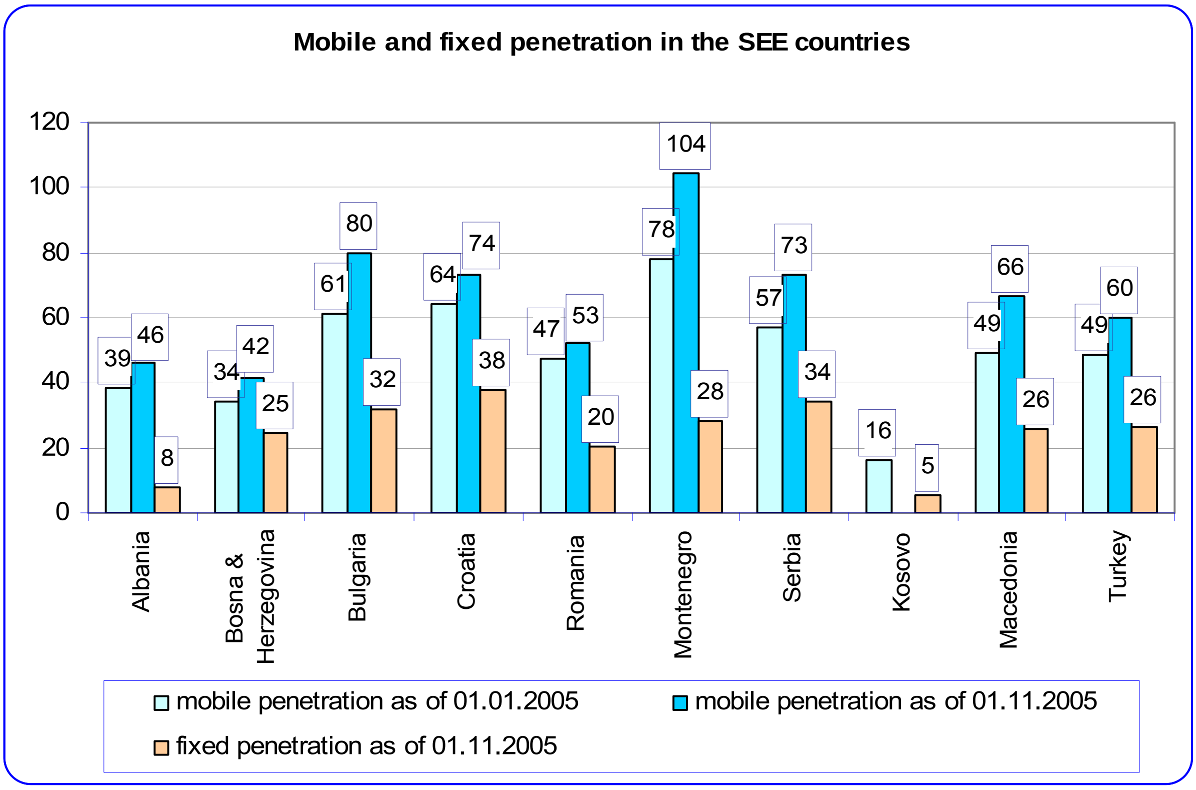
At the end of 2005 the mobile penetration indicator reached 80 % what represents growth of 19 point in comparison to the end of 2004. Despite of the significant growth rates, the mobile communications penetration in Bulgaria remains with lower than the greater part of the EU Member States. The average value of this indicator for the EU countries as of October 2005 is 93% and it varies strongly among the countries (Figure 65). In some of them the statistics register saturation of over 100 % when using mobile services, i.e. the number of subscribers with more than one SIM card increases.



* data for Bulgaria as of 31.12.2004 and 31.12.2005 respectively

Source: *11th Report on the Implementation of the Telecommunications Regulatory Package, data submitted to CRC*

Figure 65



* 2005 data for Romania as of 30.06.05 г., mobile penetration data for Kosovo as of November 3005 not available

Source: *Country Comparative Report - Supply of services in monitoring of South East Europe - telecommunications services sector and related aspects, 2006; data submitted to CRC*

Figure 66

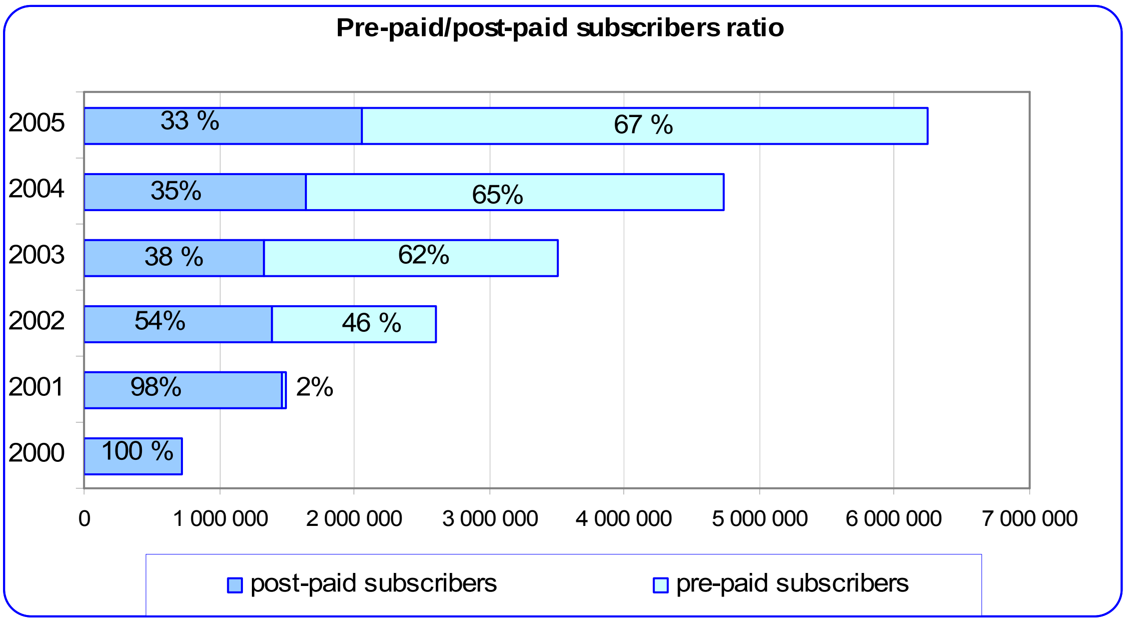
The mobile penetration in the SEE countries (except for Montenegro) is still far below the EU average penetration. However, with regard to this segment of the market, the dynamics in the region are so high that the fall back could be overcome soon. In all the countries the mobile penetration leaves behind the fixed penetration, while in most of the countries (including Bulgaria) it's rate is twice higher than the fixed one.

It should be noted that various rules are applied for validity of the pre-paid cards in the different countries – in Albania, for example, pre-paid card used six months long is counted for a pre-paid subscriber, in Croatia the term is nine months, while in Romania it should be used for the last one year. The term of validity of the pre-paid cards offered by the GSM operators in Bulgaria is one year (in case the cards are not re-charged); the term of validity for the pre-paid service of the analogue operator is shorter: two or six months.

Pre-paid / post-paid subscribers ratio

In 2005 the pre-paid mobile services market kept on growing: at the end of the year 67% of the subscribers use pre-paid cards and 33% of them are subscribers under contract. This trend is observed since 2002: for comparison, in 2001 98% of the customers of the mobile operators in the country have signed a contract and only 2% of them use pre-paid services (Figure 67).

In 2005 the pre-paid - post-paid subscribers ratio for M-TEL and GLOBUL is almost the same: 67/33. At the end of 2005 VIVATEL offered to its consumers only pre-paid packages (post-paid subscribers were only business customers), that is why the pre-paid - post-paid subscribers' ratio for the company is 91 to 9.

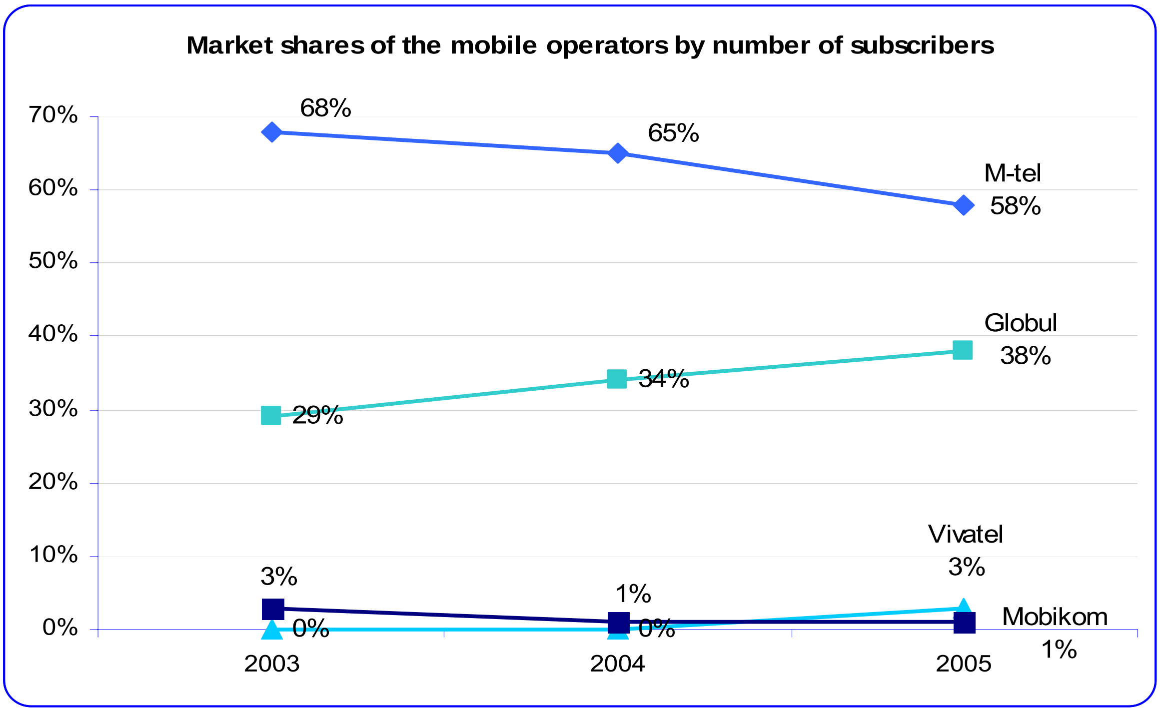


***Source**: Data submitted to CRC*

Figure 67

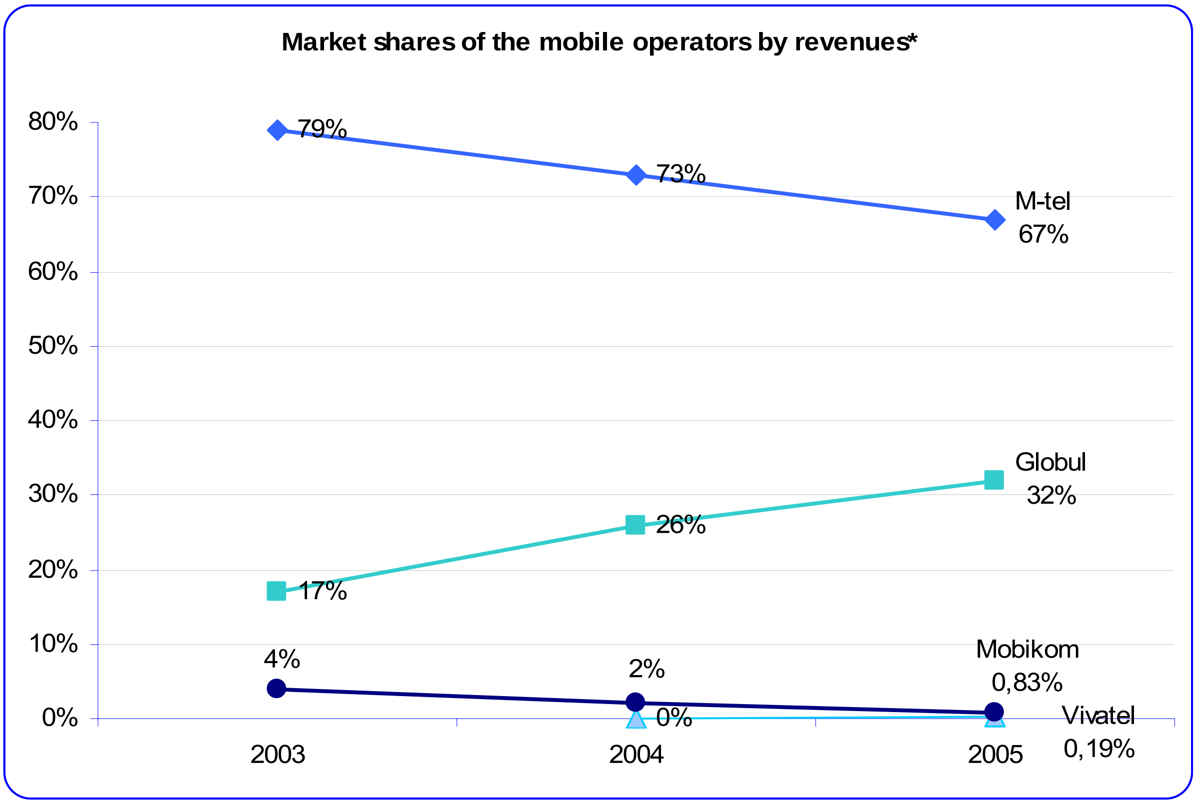
Market shares

The following figures (Figure 68 and 69) illustrate the market shares dynamics for the four mobile telecommunication operators, calculated on the basis of the number of subscribers, as well as on the revenues generated from provision of voice telephony and other services through the networks for the period 2003 – 2005. As can be seen from the charts, the shares of the operators are changing, but their ranking is kept. The market shares according to the number of subscribers are calculated on the basis of data on the number of post-paid subscribers and the number of active pre-paid cards, submitted by the mobile operators.



***Source**: Data submitted to CRC*

Figure 68

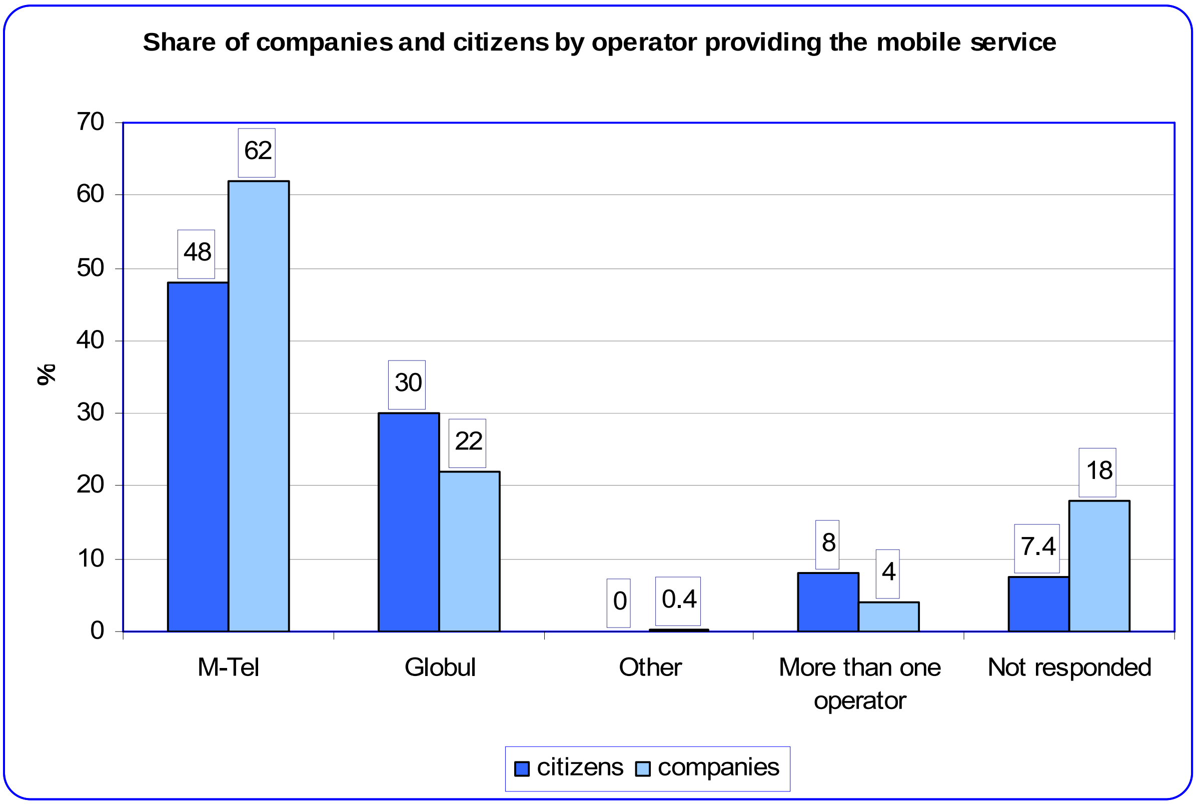


***Source**: Data submitted to CRC*

Figure 69

For one-year term the market share of M-TEL, determined on the basis of the subscribers number has decreased by 7% and on the basis of revenues – by 6%. Compared to end of last year, GLOBUL has managed to increase its share by 4% in terms of subscribers and by 6% in terms of revenues. Being present on the market for the last two months of 2005, VIVATEL has succeeded to attract 3% of the subscribers. As of the end of 2005, the mobile telephone services through NMT network, to which only 1% of the subscribers are still loyal (mainly because of the price and the coverage), will probably drop out of the market in the next years. Additional push will give the expected migration of that users towards the GSM network of the third digital operator because of the profitable conditions offered to the subscribers of the analogue network.

One part of the users, aiming at optimization of their total expenditures and to benefit from the profitable promotional conditions, are subscribers of more than one operator.



Source: *"Research and analysis of consumer demand for telecommunications services in Bulgaria", 2006*

Figure 70

According to data from research of the consumer demand of telecommunication services in Bulgaria[3], made to order by CRC and based on a sample of 200 companies, 200 non-governmental organizations and 1500 citizens from the whole country, for the period November 2005 – March 2006 8% of the responded companies and 4% of the citizens use the services of more than one mobile operator at the same time (Figure 70). According to the results of the study, the two biggest operators have formed their own niches among the citizens and the companies that differ significantly. Among the M-TEL subscribers prevail the older of responded citizens, managers, business people and the people with the highest income. Users of GLOBUL are mainly the young people, employees and workers, as well as the people with lower income. Like the citizens, the companies form two groups depending on the mobile service operator: connected to M-TEL are mainly the big ones in terms of staff and turnover, those from the sector of services and the industry, from the villages and the big cities. GLOBUL is preferred mainly by the small firms, those with lowest turnover, from the trade sector, the capital and the little towns.

In 2005 CRC has designated again MOBILTEL EAD as operator with significant market power on the market of mobile telecommunication networks and provision of voice services through them. The decision of CRC was taken according to the provisions of the Telecommunications Act and the Methodology on conditions and procedure for designation of operators with significant market power, and on the basis of information for the realized net revenues by the operators for the last year, the total volume of the mobile voice services market segment and the market share of each of the participants on that segment. As of

[3] "Research and analysis of consumer demand for telecommunications services in Bulgaria", 2006, survey of the Economic faculty of Sofia University made to order by CRC

31.12.2004 the market shares are as follows: 1,55% for RTC OOD, 23,6% for COSMO BULGARIA MOBILE EAD and 74,85% for MOBILTEL EAD.

As operator with significant market power on the mobile voice services market, on MOBILTEL EAD are imposed the specific obligations concerning interconnection: following the principles of non-discrimination, transparency and confidentiality when providing interconnection services.

5.4. Services provided

Due to the mobile networks and technologies development, along with the traditional voice services, the operators are offering increasingly wide range of additional services: Internet access services, data transfer through mobile telephone, multimedia messaging, etc.

Through mobile Internet could be accessed all the services used through the web, such as e-mail checking, download and transfer of files, search of information in web pages and others. The MMS services adds to the text message melodies, pictures, animations and its size reaches 50 kb. In 2005 exchange of multimedia messages was possible only between the networks of GLOBUL and M-TEL.

New services introduced by the mobile operators in 2005

Table No5

M-TEL	GLOBUL	VIVATEL
▪ *GPRS applications* ▪ *EDGE applications* ▪ *Recharge of Prima through Internet* ▪ *New animations, logos, pictures, skins and games* ▪ *Video MMS* ▪ *Musicall*	▪ *Globul MVPN* ▪ *My Globul Menu* ▪ *Globul 2 в 1* ▪ *b-connect SMART roaming*	▪ *Pre-paid roaming* ▪ *Pre-paidGPRS* ▪ *Pre-paid plan for business customers*

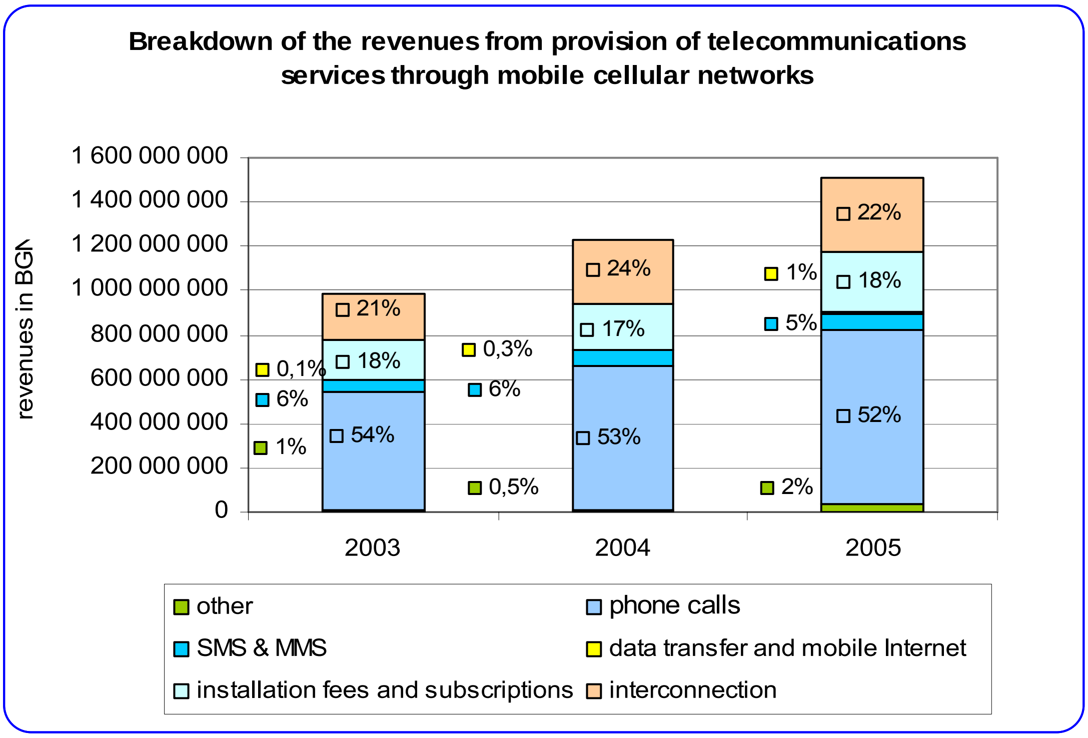
***Sources**: Data submitted to CRC*

Since February 2005 the M-TEL network supports the EDGE technology which enables data speed rates for the GSM equipment close to those of the third-generation mobile networks and allows high efficiency of the different business applications: Internet, mobile office, electronic banking, access to private corporate networks, etc. At the end of the year services based on EDGE are offered by the operator in Sofia, some of the big Bulgarian cities (Varna, Burgas, Stara Zagora, Blagoevgrad and others), as well as in the big resorts and settlements at our seaside.

In october M-TEL offered the Musicall service allowing replacement of the standard "free" ringing tone with chosen by the user music.

In 2005 GLOBUL introduced MVPN service for corporate clients. Its aims basically at integrating all the mobile handsets and desk phones of the company in a common network, regardless of the number of the offices, their location and the location of each of the employees. Each employee has a personal short number which is used for incoming calls – from fixed and from mobile phones of the group – at preferential rates. In September GLOBUL offered the service Globul 2 in 1, which enables handling two numbers – personal and business, billed separately, through one mobile handset. Another new service is My Globul Menu allowing easy and quick access to various inquiry, information and fun services. Through b-connect SMART roaming introduced by GLOBUL in December the pre-paid subscribers of the operator could also receive calls (they can't make calls), as well as send and receive short messages abroad.

With its launch in November, the third digital operator VIVATEL introduced the following services on the market: pre-paid roaming, pre-paid GPRS service and pre-paid business plan.

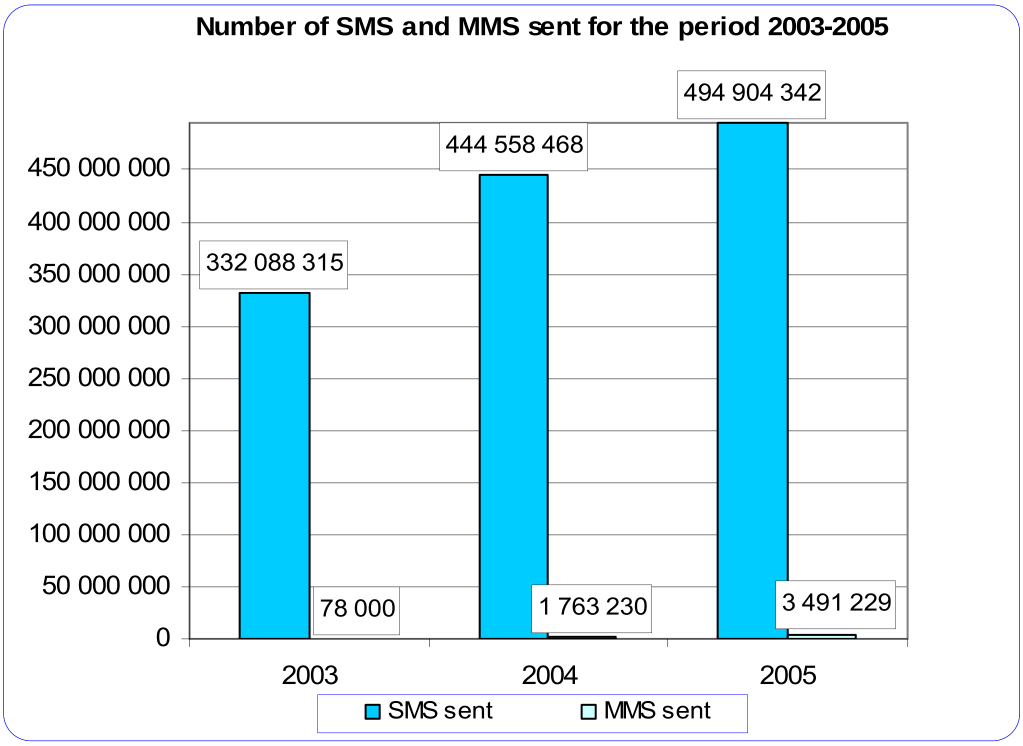


***Source**: Data submitted to CRC*

Figure 71

Voice transmission is still the main source of growth and revenues for the market players. More than a half of the revenues from provision of services through mobile cellular network are earned through provision of voice telephone services. The text and multimedia messaging have generated 5% of the revenues of the digital operators for 2005 (Figure 71).

As can be seen from Figure 72, the number of short multimedia messages sent has increased almost twice for one-year period.



Note: for 2003 and 2005 – subscribers of M-TEL and GLOBUL; for 2004 – subscribers of M-TEL, GLOBUL and MOBIKOM
VIVATEL and MOBIKOM have not submitted data on the number of SMS and MMS sent for 2005
***Source**: Data submitted to CRC*

Figure 72

The percentage of non-voice messages is expected to grow further due to the development of the mobile content market in the country (great variety of supply of logos, melodies, pictures, skins, games, etc.)

Intentions for introduction of new services in 2006

In 2006 the operators intend to offer to their subscribers possibilities for easier access to the services of their interest through introduction of services for pre-paid cards managing (for example, recharge via Internet), check-up of account balance and amount, order of service through SMS or the web page of the operator, electronic invoicing, etc.

With the expected launch of third-generation networks during the next year, the mobile operators will be able to offer new services such as video calls, high-speed data transfer, video/audio streaming – games, etc. The profitability and the demand for the new UMTS-based services will depend on a number of factors, including the country development in the next years, the evolution of technologies and respectively the prices of handsets and 3G based services, as well as the market policy and strategies of the operators.

5.5. Quality of service

The next table presents data submitted to CRC by the mobile operators, including information for the number of complaints received by the mobile networks subscribers and the reasons that caused them, as well as data on the observed quality of service parameters.

Table No 6

	M-TEL	GLOBUL	VIVATEL	MOBIKOM
Total number of registered complaints	*3 245*	*4 364*	*7*	*35*
- number of justified complaints	*564*	*632*	*6*	*14*
- number of complaints responded to in a written form	*2690*	*4 070*	*0*	*12*
Distributions of the complaints by reasons:				
- abuse of contract	*234*	*18*	*0*	4
- technical faults	*129*	*306*	4	*6*
- incorrectness of bills	*2 369*	*2 168*	*0*	*15*
- other	*513*	*1 872*	*3*	*10*
Unsuccessful call ratio (in %), including:	*1,12%*	*0,40%*	*1,15%*	*12,92%*
- due to network overload	*0,90%*	*0,30%*	*n/a*	*12,92%*
- due to technical failures	*0,22%*	*0,10%*	*n/a*	*n/a*
Average fault repair time (hours) *Средно време за отстраняване на повреди (в часове)*	*3,25*	*4*	*n/a*	*n/a*
Average service activation time (hours)				
- for subscriber activation	*0,20*	*n/a*	*до 48*	*до 24*
- for Internet /GPRS provision	*0,20*	*2*	*до 48**	-
- for provision of roaming	*0,20*	*1*	*до 48**	-

* automatically, by activation of the SIM card
n/a – the operator has not submitted the requested data to CRC

***Source**: Data submitted to CRC*

The differences in the quoted data arise mainly from differences in the number of subscribers, the quality characteristics and the period of activity of the mobile operators. Compared to last year, according to data from the quality monitoring systems of the operators, GLOBUL registers almost double increase in the number of written complains received by consumers, and for M-Tel the increase is almost 30%. For both operators the main share of complaints is those of complaints due to incorrect bills. With regard to the unsuccessful call ratio due to network overload, M-Tel keeps the level from the last year and GLOBUL have succeeded to decrease the rate of this parameter by half.

The data from a research of the consumer demand for telecommunications services in Bulgaria registers high evaluation for the quality of the telecommunications services provided by the mobile operators – only around 3% of the citizens and 1% of the companies evaluate the quality as low. As irregularities when using the service of the mobile operators almost 14% of the citizens and 11% of the companies have pointed out occasions of long waiting for activation. From 36% to 49% have had rare occasions of faults, low-quality connection or unsuccessful calls[4].

5.6. Prices and pricing policy

The operators of mobile cellular networks determine their prices and pricing policy in a free manner and provide the prices for information to CRC.

[4 и 53] "Research and analysis of consumer demand for telecommunications services in Bulgaria", 2006, survey of the Economic faculty of Sofia University made to order by CRC

The mobile operators offer great diversity of tariff plans and packages. They vary strongly depending on the way of payment (pre-paid / post paid services), the type of terminating network (call within the own network, to other mobile networks, to fixed networks), the time when the call is made, the specific tariff plan the subscriber has chosen, the charging system (minimum time charged – 30 or 60 sec).

Despite of the fact that the leading position of M-TEL has been challenged by GLOBUL for the last four years, the prices of the mobile services of the two companies have been kept at similar levels and for a period long enough quite high. In 2005 the expected entrance of a new market player has caused more considerable decrease of the retail prices for mobile services and lead to a great number of aggressive promotions. Indicator for that is the offers of calls at the price of 0.01 BGN (for example, calls within corporate group: Business Partners plan of GLOBUL, Business Plus Plan of M-TEL), or a null tariff per minute (for example, M-TEL Free Prima Party – promotional plan for pre-paid users activated till the end of October 2005, including free on-net calls from 21.00h to 5.00h).

Despite of the drops in the retail prices of the mobile services in our country during the year, the consumers still consider them rather high than low[5]. More than the half of the inquired citizens consider both the monthly subscription fee and the call prices high.

Prices of calling plans

During the year the operators kept offering various tariff plans for post-paid customers, diverged by the end user type (corporate clients, consumers), as well as by the type of consumption (packages with included SMS, free minutes and/or discounts for calls to specific numbers, preferential rates for on-net or off-net calls, etc.). The monthly subscription fee starts bringing added value to the consumer as the operators are offering great number of calling plans with included free minutes. In most of the cases these are minutes for on-net calls as the customers are encouraged to choose family, friends or corporate plans. The operators started offering also included minutes for calls to the fixed network of BTC.

At the end of 2005 M-TEL started offering to the individual consumers eight different tariff plans with unified monthly subscription fee and included different packages of minutes for on-net and off-net calls, as well the calling plans *M-Tel Extra*, *M-Tel 5* and *M-Tel 20,* including a certain number of free minutes and/or free SMS for the own network of the operator depending on the amount of the monthly fee. The M-TEL plans for corporate clients are four. In October the operator introduced a new promotional tariff plan Business Plus, targeting the employees of small and middle-sized companies, with preferential rates for calls within the corporate group, a certain number of minutes for on-net calls and call to fixed networks, and equal rates for peak and off-peak calls . Since July M-TEL provides also to its business customers the service “Business network” for calls at preferential rates to up to 10 business subscribers out of the corporate group of the subscriber.

GLOBUL offers to the consumers seven subscription plans with free minutes included and unified tariffs to all the networks. In September GLOBUL introduced also four family programmes with unified monthly subscription fee for up to four SIM cards for the family members who will use together the package minutes. The corporate programme of the operator, *Globul Buisiness Partner,* offers six different business packages according to the specific usage patterns, including up to 500 minutes for national calls, as well as 300 minutes for calls in closed group that could be used free or against monthly subscription, depending on the term of the contract.

VIVATEL introduce calling plans only for the corporate customers – the operator started with two business plans, including free minutes for calls within the group and a certain number (depending on the monthly subscription fee) of free on-net calls and calls to the fixed network of BTC AD.

Prices of pre-paid services

The most significant price decrease during the year was the one in the pre-paid services segment. Aiming at enlargement of their market presence on the market, the three mobile operators compete with each other in attracting new subscribers, even at first stage to pre-paid services and later applying strategies for commitment of the pre-paid customers. As a result, the operators started a price war, mainly in the pre-paid services segment.

In 2005 M-TEL and GLOBUL offer three pre-paid tariff plans. Along with the standard plans (*Prima Classic, B-connect*), also plans segmentating the users according to their specific preferences (for example, plans with included number of free SMS (GLOBUL – *B-connect SMS*), plans according to the time when the calls are usually held (M-TEL – *Prima Party*), and according to the network calls are usually terminated (M-TEL – *Prima Star*). Developing the pre-paid subscribers' niche, VIVATEL introduced a pre-paid offer for the business as well.

In 2005 the analogue operator MOBIKOM was still offering without any change the pre-paid service *Mobilik* with nominal prices of 10, 20, 50 and 100 BGN, VAT included, no free minutes included. When using the service, the first minute costs 0.55 BGN, VAT excluded, in peak hours, and after it the price per minute is 0.38 BGN.

Loyal client programmes

In 2005 the two digital operators were still offering loyal client programmes, various types of bonus programmes and integrated cards with other dealers. During the year, M-TEL started cooperation with leading companies in different sectors through the *M-TEL Business club* programme, providing discounts for access to offers and services of the partner companies. *M-Tel club* was the programme offered by the operator to the private customers giving them opportunities to gain loyalty points calculated on the basis of the average monthly bill for half-year period.

GLOBUL offers a discount *Loyal client* through which every subscriber of subscription and standard programme who has completed one year gets 5% discount from the monthly bill.

Price baskets for consumption of mobile services

The charts below present the consumer expenditures for mobile services in the OECD countries and Bulgaria, calculated on the basis of the three OECD mobile baskets (low, medium and high user baskets). The baskets cover the standard tariff plans, as well as pre-paid services. The average monthly expenditures presented are in Euro and are calculated on the basis of the one-time installation fee, the monthly rental and the per-minute call prices, according to the tariff plans. Each of the baskets contain averaged consumption scheme defined by OECD for the countries within the organization, valid as of end of 2005, calculated on the basis of data for the traffic volumes and destinations (including calls and SMS) in the member-countries of OECD[6]. Every basket has a specific distribution of calls in the peak and off-peak hours, as well as specific call duration and contains the following elements:

- Low user basket: contains 30 SMS and 25 minutes outgoing calls, 42% of them to fixed telephone lines and 58% to mobile networks (40% are mobile on-net calls and 18% - mobile off-net calls);

[6] The basket definistions will be revised in the beginning of 2006

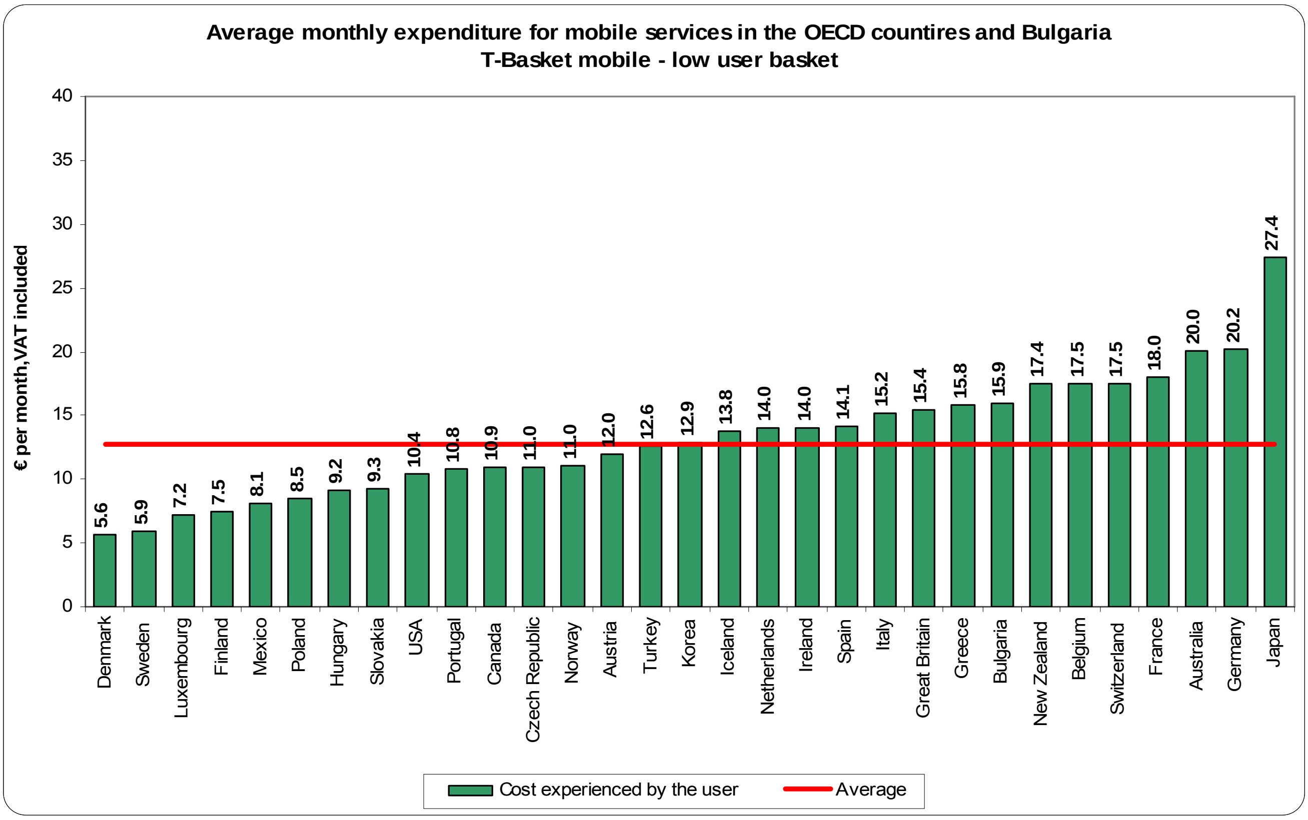
➢ Medium user basket: contains 35 SMS and 75 minutes outgoing calls, 36% of them to fixed telephone lines and 64% to mobile networks (43% are mobile on-net calls and 21% - mobile off-net calls);

➢ High user basket: contains 42 SMS and 150 minutes outgoing calls, 40% of them to fixed telephone lines and 60% to mobile networks (42% are mobile on-net calls and 18% - mobile off-net calls).

When calculating the basket results any free minutes for outgoing calls or free SMS of the calling plans are excluded.

For the sake of comparison of the expenditure levels in the OECD countries and Bulgaria, the tariff plans of GLOBUL and M-TEL in force as of end of 2005 are used. The calling plans for consumers as well as taken into account, excluding the business customers, the promotional plans, as well as the family programmes offered by GLOBUL. The charts showing each of the consumption levels present the best option for every country (tariff plan with lowest consumer expenditures at the given usage pattern).

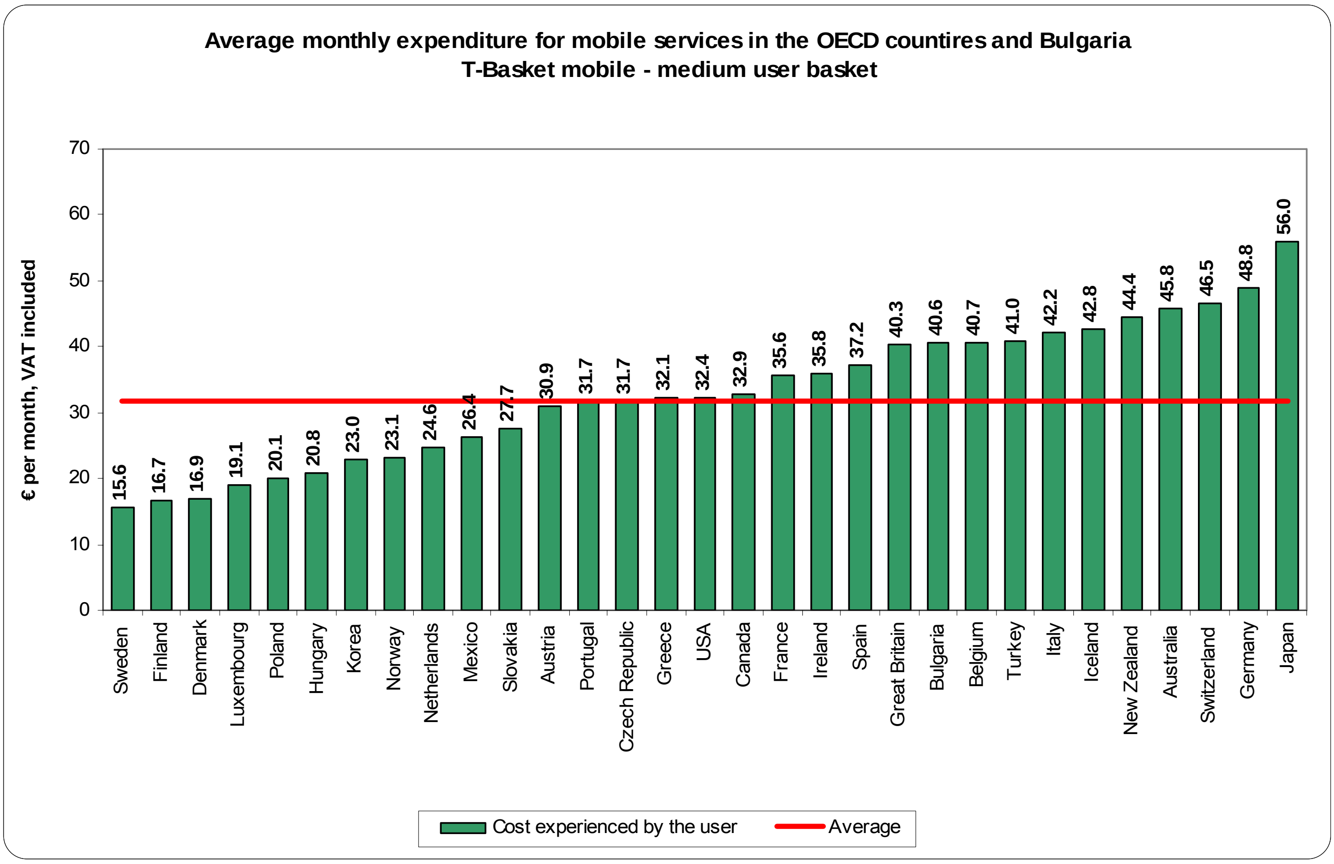
The full description of the baskets can be found on the web page of Teligen Ltd[7].



Source: *Teligen, T-Basket (November 2005), data submitted to CRC*

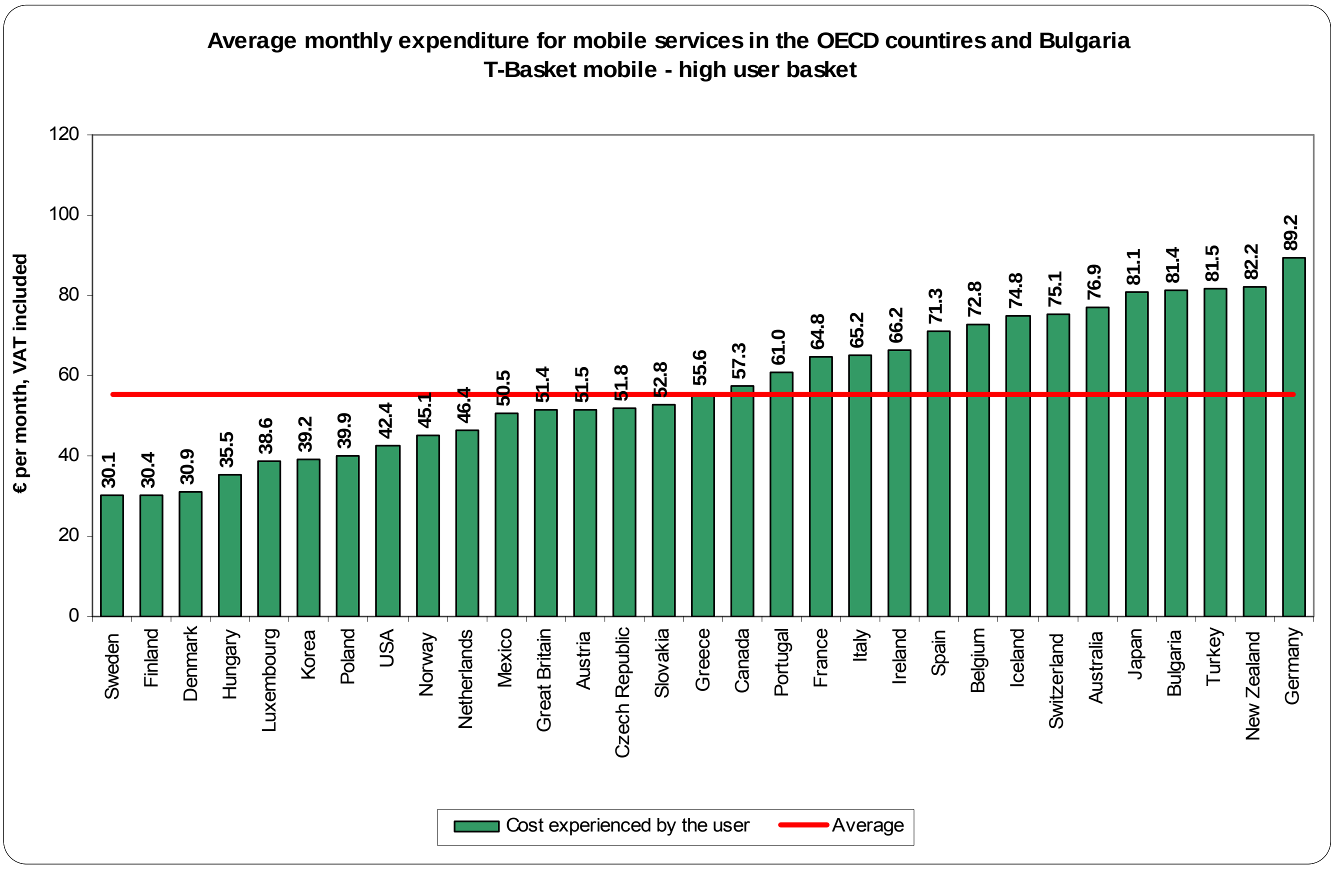
Figure 73

[7] http://www.teligen.com/publications/oecd.pdf



Source: *Teligen, T-Basket (November 2005), data submitted to CRC*

Figure 74



Source: *Teligen, T-Basket (November 2005), data submitted to CRC*

Figure 75

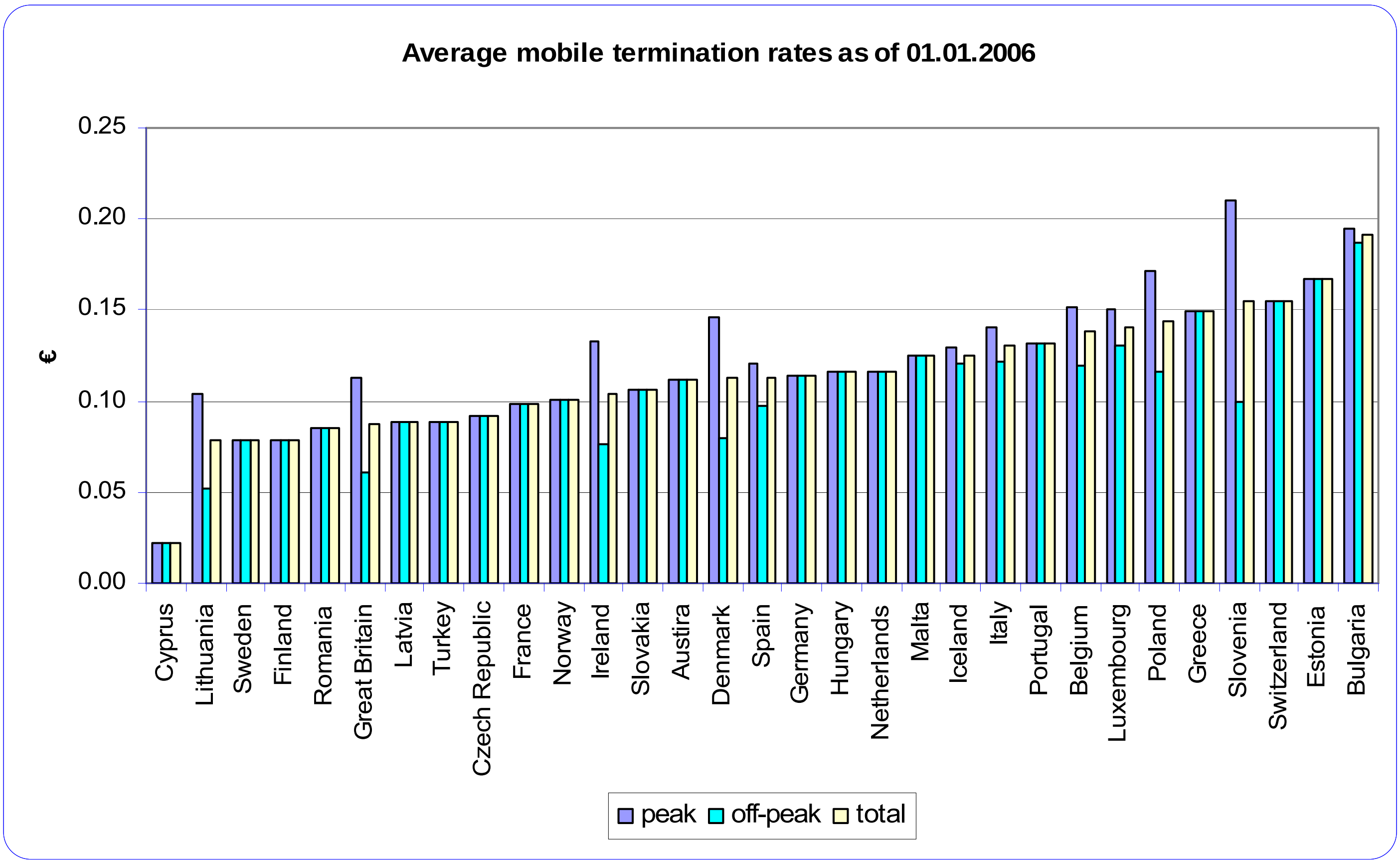
As it was noted before, average levels of the OECD countries consumption were used for the calculation of the expenditures. These levels do not take into account the specific consumption pattern of Bulgaria. According to data from the two Bulgarian operators submitted to CRC the total average monthly consumption expenditures for 2005 (including the business customers) is lower than the average value received by the low user basket.

It should be mentioned that both M-TEL and GLOBUL offer to the end users discounts from the standard monthly rental charge for some of the calling plans, inclusion of additional number of minutes for outgoing calls, etc., that decrease the average monthly expenditures.

Fixed-to-mobile interconnection charges

The retail prices for mobile services depend on the pricing strategies of the companies as well as on the negotiated interconnection charges for termination on the BTC AD fixed network and on the other mobile networks.

Comparisons of the fixed-to-mobile termination charges of Bulgaria and the European countries are presented in Figure 76.

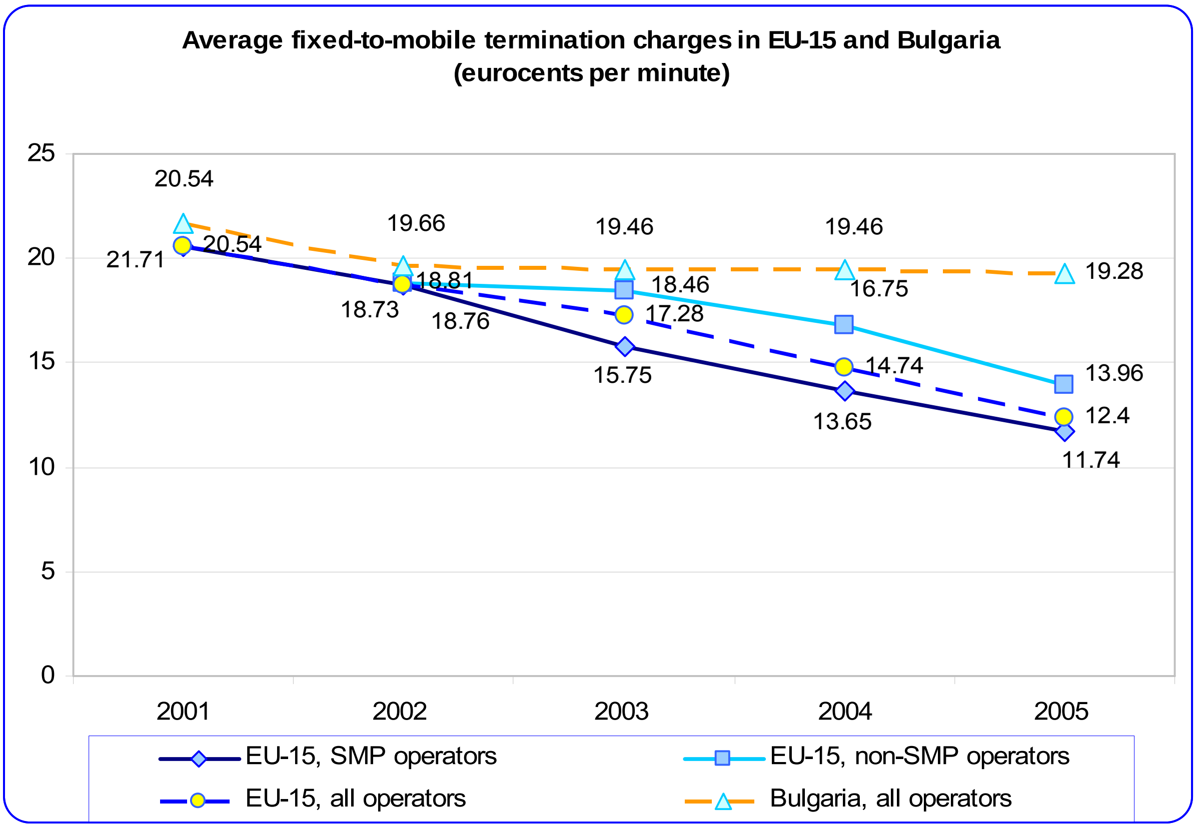


Source: *IRG MM WG, data submitted to CRC*

Figure 76

The data is a result of a study of the IRG Mobile Markets Working Group and is calculated as weighted-average for each of the countries, taking into account the number of subscribers and the termination charges of each of the mobile operators. The greater part of the operators covered by the study applies unified termination rates, regardless of the type of the originating network (fixed or mobile). The exceptions are Bulgaria, Portugal, Poland, Slovenia and France. As can be seen from the chart, Bulgaria is the country with highest average fixed-to-mobile termination rates. The average charges for termination on mobile networks in Bulgaria keep close levels for the last five year, while during this period the number of subscribers to mobile services has increased almost ten times.

According to data of the European Commission[8] the fixed-to-mobile termination charges in the EU 15 countries has decreased by 32% on average for three years period (July 2002 – October 2005) – from 18,76 euro-cents to 12,40 euro-cents weighted-average values.



Note: Average per minute charges, in peak hours (from 7 to 21 h); EU 15 data as of July of the respective year, 2005 data – as of October; data for Bulgaria – as of 31.12. of the each year.

Source: *11th Report on the Implementation of the Telecommunications Regulatory Package, data submitted to CRC*

Figure 77

The trend towards decrease of the termination rates across the European countries is due to interference of the national regulatory authorities which regulate the prices of the operators with significant market power on the interconnection and mobile services markets (in case the legislation of the relevant country provides for such an interference). The number of operators designated with significant market power in the old EU Member States continues to grow, while at the end of 2005 their subscribers represent 73% of the total number of subscribers to mobile services (for the sake of comparison, their share was respectively 62% in 2004, 45% in 2003 and 41% in 2002). Despite of the progressive decrease in the mobile termination rates across the EU Member States, they are still around nine times higher on the average, compared to the average fixed-to-fixed termination charges (double transit level).

[8] 11th Report on the Implementation of the Telecommunications Regulatory Package, 2006

The legislation in force in our country at the moment makes no provision for definition of interconnection market and for regulation of the prices for mobile telephone services of operators with significant market power.

Prospects for development of the mobile market

Despite of the fact that the market of mobile telephone services enters gradually its saturation stage, its significance within the telecommunications market keeps growing, having in mind the realized revenues generated traffic and attracted subscribers.

The prospects for development of the mobile networks and services market in a short-term perspective can be summoned up as follows:

- Preserved / accelerated trend of fixed-to-mobile substitution (according to the results from the consumer demand research[9], 41% of the responded citizens declare they would give up their fixed telephone because the mobile handset is more convenient) ;

- The start of the third digital operator and the expected commercial launch of TETRA operator is promising for serious dynamics on the market next years;

- Supply of integrated services as a result of the entrance of the mobile operators on new market segments. During the year MOBILTEL EAD and COSMO BULGARIA MOBILE EAD got the right to provide voice service over fixed network and to MOBILTEL EAD was issued a license for telecommunication network in the fixed service of the type "point-to-multipoint". That would allow the mobile operators to supply bundled packages of telecommunication services – mobile and fixed telephony, data transfer, and most probably the first customers next years will be corporate ones.

- Emergence of third-generation mobile services ;

- Increasing share of non-voice services which would generate more and more revenues;

- Introduction of number portability in 2007, allowing the user to keep the subscriber number when changing the operator. The introduction of number portability is expected to increase additionally the competition on this market segment, as on one side it facilitates the customers to change from one tariff plan to another, more profitable one, and, on the other side, would create opportunities for the market players to attract easily subscribers of other networks.

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[9] "Research and analysis of consumer demand for telecommunications services in Bulgaria", 2006, survey of the Economic faculty of Sofia University made to order by CRC