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## **I. CONDITION, DEVELOPMENT AND PROSPECTS OF THE TELECOMMUNICATIONS MARKET**

### **3. UNIVERSAL SERVICE**

Along with the competition development and the ensuing advantages for the end users of services provided, the liberalization of the telecommunications market also offers conditions to limit the possibilities of separate user groups when using telecommunications services. In the distant geographic regions and sparsely populated areas in the country where people with limited financial resources prevail, the provision of telecommunications services requires huge installation and operational costs which have minimum return and cannot cover the investments so made.

For the time being this problem is solved by introducing an obligation for provision of a universal service (taken from the concept of a "universal service" in the EU legislation). As set forth in the Telecommunications Act, the universal service is a telephone service of definite quality of provision, possible to be accessed by any user regardless of its geographic location, and provided at affordable price. The universal service includes the provision of all or some of the following services: voice telephone service for each household, access to voice telephone service through public pay-phones, directory services for subscribers' telephone numbers, emergency calls and specialized services facilitating the use of the other elements of the service by disabled people.

In the CEECs the scope of the universal service is defined in a similar way and in most of them the obligation for its provision is carried out by the incumbent operator, which provides the telephone service. From all EU candidate countries Turkey alone excludes an access to the Internet and to a voice service from the service elements.

While the provision of access to telephone service for each user, its quality and affordability are still of a paramount significance in the CEECs, the EU countries pay particular attention to the development of the accessibility means for disabled people and enabling of economically disadvantaged people to use telephone services.

The operators authorized to provide the universal service undertake obligations related to certain requirements for its quality and affordability. Such obligations lead to financial losses for the operators. The legal framework of the European Union makes provisions for establishment of a fund, which is to compensate the net loss of the operator providing such a universal service. In most of the EU countries such a fund is already in operation while among the CEECs it is only Czech Republic that has a working mechanism to compensate the losses from provision of universal service.

By virtue of the established state monopoly over the provision of a plain telephone service, the Bulgarian Telecommunications Company was the only one operator in Bulgaria, which provided the universal service through its telecommunications network in 2002.

#### **3.1. Accessibility of the voice telephone service**

In 2002 there was a positive change in some parameters of the provision of the universal service. The access to this service is gained through the development of the infrastructure and advancement of digitalization of the BTC network.

During the latest change of the prices of the telephone services provided by BTC (effective as of 1 May 2002) the preferences of the residential users with limited consumption were preserved – the opportunity for additional agreement on an economic use package with a half-priced monthly subscription fee and 0.01 BGN per impulse for consumption up to 40 impulses.

Preferential price packages for telephone services are also envisaged to be offered to residential subscribers who are first-degree disabled persons (monthly subscription and consumption of 80 impulses at the total cost of 1 BGN and priced at 0.01 BGN per charge impulse for consumption from 80 up to 120 impulses).

There are other packages of telephone services used from a particular telephone line envisaged to be used by social and health establishments specified by the respective ministries (monthly subscription and consumption of 450 charge impulses at a price of 3 BGN). These preferences grant the economically and physically disadvantaged citizens an access to telephone services.

It should be noted that in 2002 the share of the households with an access to fixed telephone services fell down to 79.3% (as compared to 83% in 2001). The diminishment with this indicator is a result of the rapid penetration of the mobile telephone services on the market. Part of the users of fixed telephone service tend to exchange it with a mobile one.

### 3.2. Quality

There is a certain improvement in the indicators recording the quality of the business services during the year under consideration.

**Table 4**

Indicators of service quality	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002
Unprocessed applications for new telephone lines	416 000	331 785	245 414	187 000	151 854
Average number of monthly reported faults per 100 telephone lines	4,6	4,2	4,04	3,76	3,53
Average number of faults eliminated within 24 hours	83,9%	87,4%	89,91%	90%	88,21%
Average number of complaints regarding the connection quality per 1000 subscribers	1,1	0,2	0,13	0,33	0,08
Average number of complaints regarding the amount of the monthly bills per 1000 subscribers	1,15	1,01	0,63	0,41	0,35

**Source:** BTC

There is a considerable reduction of the number of applications for new telephone lines – 23% less than in 2001; likewise, the time for opening a new telephone line drastically decreased – from 1 year and 7 months in 2001 to 2 months and 4 days.

The decrease in the average number of monthly reported faults per 100 telephone lines is due to the better organization of the Malfunctions Department, as well as to the increased number of quickly eliminated faults. The decrease in the average monthly number of complaints per 1,000 subscribers regarding the billing was due to the installed new digital exchanges, as well as to the systematically introduced equipment for itemized billing in the analogue exchanges.

In Bulgaria just like in most CEECs the national telecommunications establishment controls the quality of the provided service in compliance with the European standards ETSI EG 201 or the older standard ETSI ETR 138.

### 3.3. Other elements of the universal service

#### 3.3.1. Public telephones

One of the important aspects of the universal service is the access to a plain telephone service through public telephone sets (pay phones) placed throughout the country and installed at suitable locations. Such telephones ensure a paid access to subscribers of fixed and mobile networks as well as a free access to nation-wide emergency services.

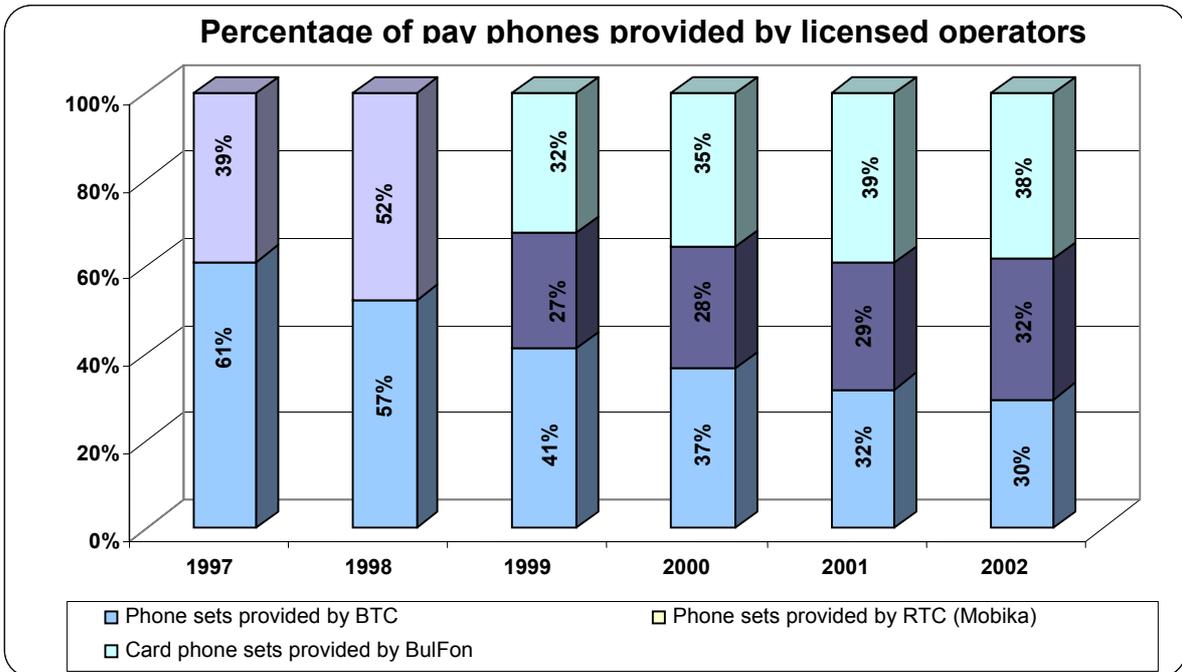
**Table 5**

Number of pay phones as at:	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002
Total, incl.:	14 453	14 451	19 031	21 619	19 910	20 480
Local call pay phones – token phones of BTC	8 847	8 227	7 846	7 929	6 357	6 066
Combined pay phones – phone card, token and combined phones sets of RTC (Mobika)	5 606	7 472	5 085	6 078	5803	6 637
Combined pay phones – phone card phones of BulFon SA BCTI			6 100	7 612	7 750	7 777

**Source:** CRC

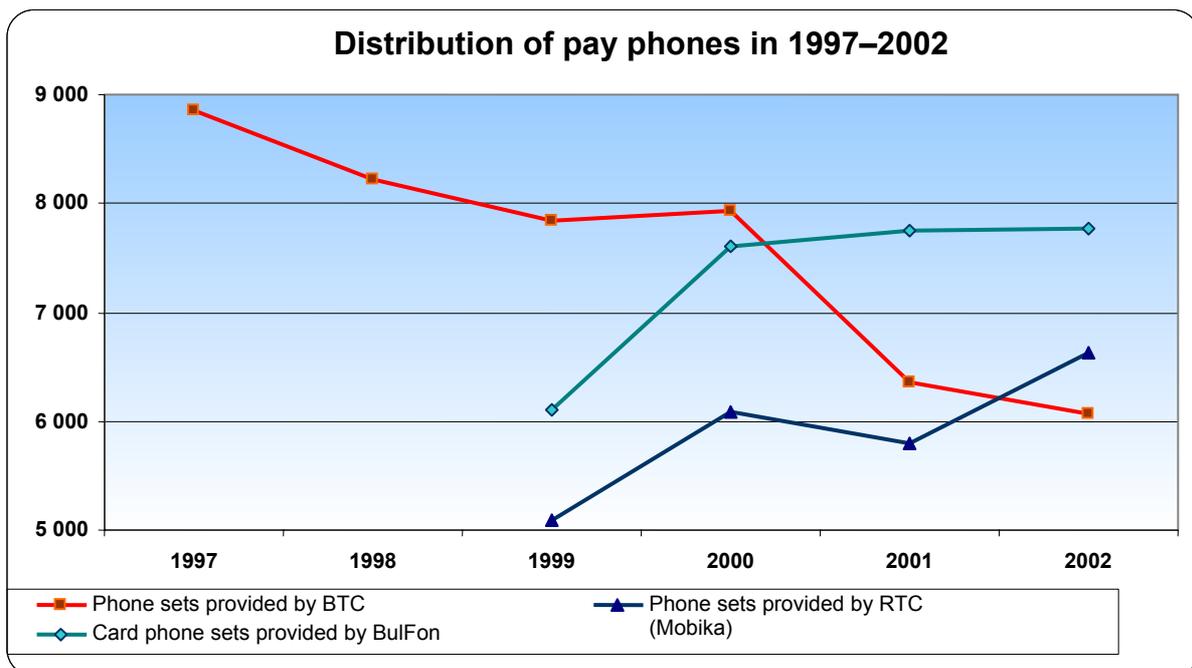
In 2002 the activities of installation and operation of telephone systems for public use were again carried out by Radio Telecommunication Company (RTC) and BulFon SA BCTI under individual licenses. BTC put into operation telephone sets for public use as determined by its multi-service license.

The public telephones installed by BTC operate with tokens, which gradually grow scant and are replaced by the pay telephone sets of RTC (Mobika) and BulFon SA BCTI. In 2002 the greatest share in the public telephone sets was occupied by BulFon SA BCTI and this tendency is expected to go on in 2003 as well, considering the intentions of the company to expand its system by installation of new telephone sets.



Source: CRC

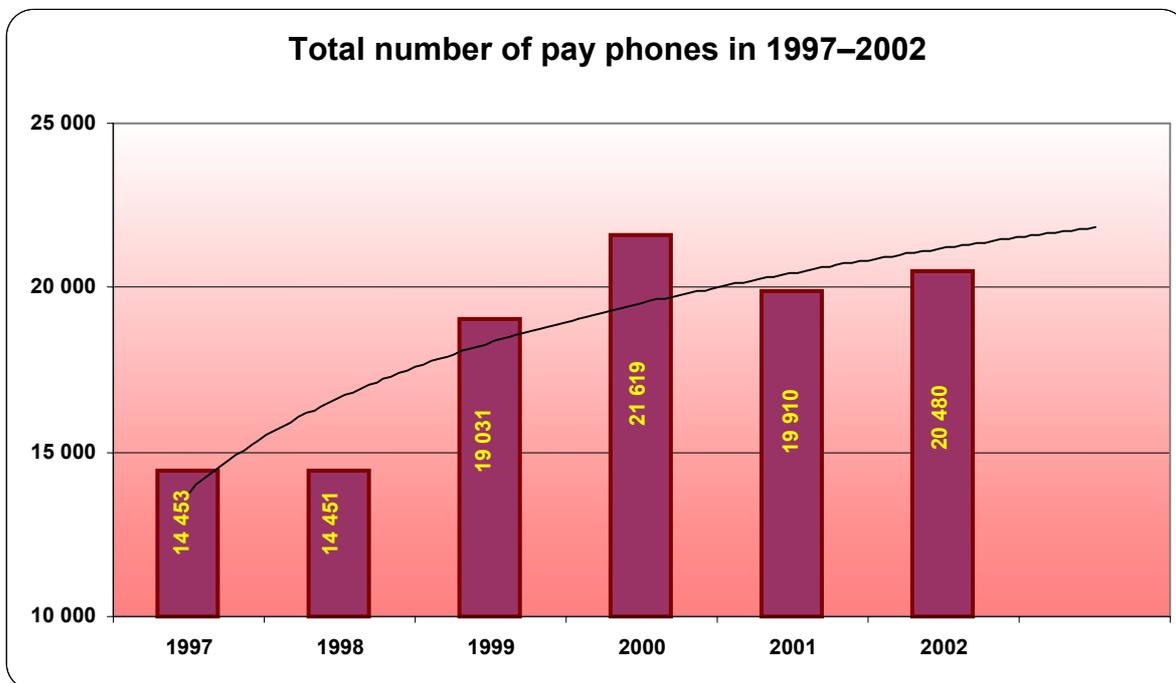
Fig.18



Source: CRC

Fig.19

In the last year the number of the public telephone sets has grown by 3%. The average growth rate of their number in the last six years was 8% – the greatest growth in the number of pay phones was from 1998 through 2000 (32 % and 14% increase respectively in 1999, as compared to 1998, and in 2000, as compared to 1999). During this period of three years the average growth rate in the number of telephone sets in the CEE countries was 9.5% and in EU countries – 2%.



Source: CRC

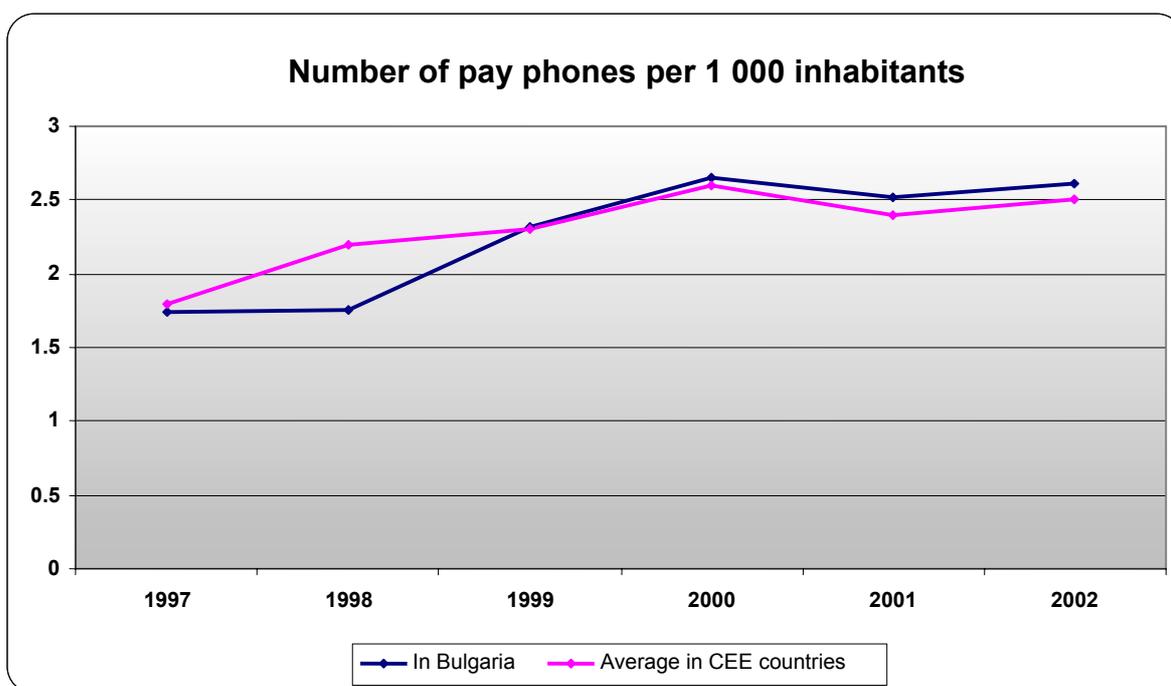
Fig.20

A drop in the number of public telephone sets can be noted in the last two years. New pay phones were installed basically in Sofia and in towns with population over 10,000 people, while their number tends to decrease in the other towns. What is interesting to note is that in 2002 the average call time from the phone cards issued by Mobika and BulFon was approximately 5,600 hours per day, compared to 7,700 hours in 2001; the greatest share being that of the local calls and the smallest one – the calls to subscribers of mobile networks. The principal reason for such a diminished use of pay phones is the quick penetration of mobile telephones onto the telecommunications market since being a beneficial alternative of the fixed telephone sets.

According to a research conducted at the end of 2002 by *Ofitel*, a British regulatory body, the public telephones are used mainly by users who have no fixed telephone sets at their home, by users with low income who use a public telephone despite having their own mobiles, and by users who live in rented dwellings. The basic reasons why the public telephones are more preferable seem to be their suitable positions for making short calls and their greater cost-effectiveness for making longer local calls compared to the mobile telephones.

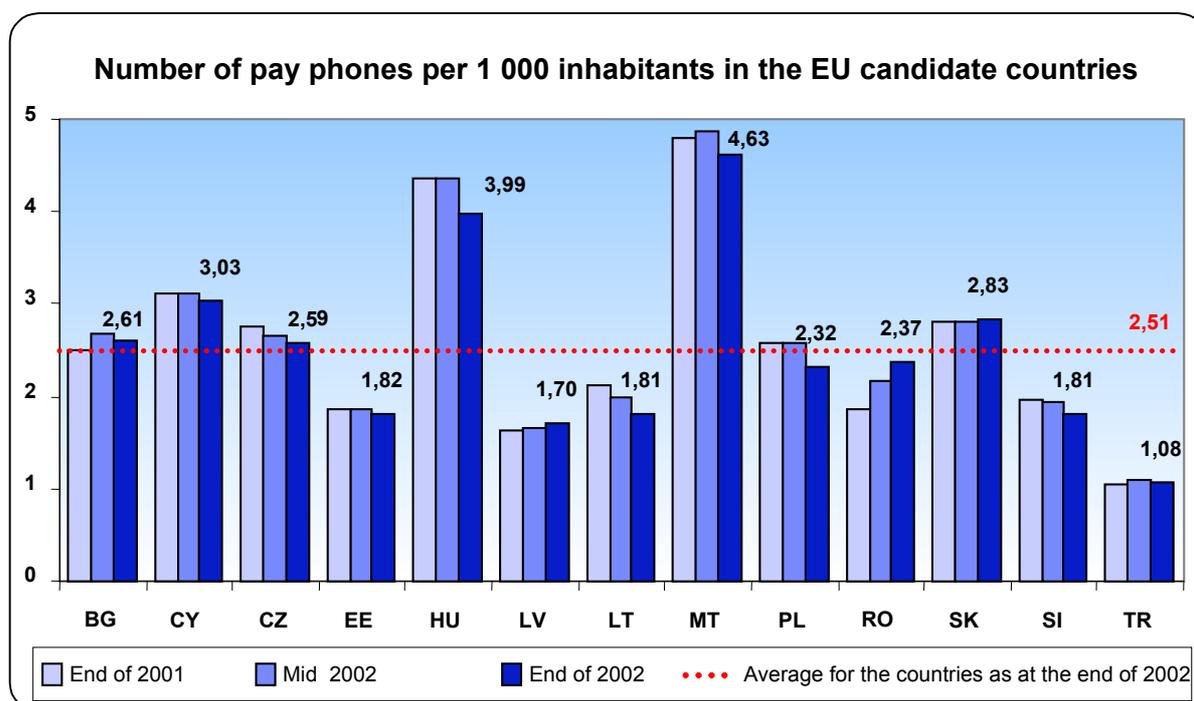
Mobika and BulFon employ phone cards with a built-in microchip and a fundamental element in their marketing strategy is the manufacturing of phone cards advertising companies with presence on the Bulgarian market. There are three types of public telephones bearing the trademark "Mobika" – a regular phone card set, a coin telephone set and a combined one which operates with phone cards, coins and credit cards. Both companies tend to increase their advertising activities by releasing advertising phone cards and commercials.

On the basis of the indicator "number of pay phones per 1000 inhabitants" Bulgaria preserved its position, which is slightly above the average in the CEE countries – being 2.5 pay phones per 1000 inhabitants at the end of 2002. As a comparison, this indicator for Western Europe was between 35 and 37 pay phones per 1000 inhabitants within the period 1997–1999.



**Source:** CRC, NSI, [http://www.eu-esis.org/script/form\\_simple.cgi](http://www.eu-esis.org/script/form_simple.cgi), IBM Business Consulting Services, 3rd Report on Monitoring of EU Candidate Countries (Telecommunications services Sector)

**Fig.21**



**Source:** IBM Business Consulting Services, 3rd Report on Monitoring of EU Candidate Countries (Telecommunications services Sector)

**Fig.22**

### 3.3.2 Directory services and facilities for disabled people

Another element of the universal service is the provision of directory services with the telephone numbers of the subscribers. Only the Bulgarian Telecommunications Company is obligated to provide such. The provision and maintenance of the common telephone directories with the numbers of the

mobile subscribers are not yet legally established considering the complications with the regulation of rights over the databases and the protection of personal information and rights of the subscribers when their data are entered and processed.

With respect to the provision of special services which grant the people of different disability type an access to telecommunications services, various facilities are envisaged such as a priority access to the fixed telephone network, possibility for network connection equipment particularly designed to help such disabled customers, free supply of the BTC telephone directory, as well as preference price packages for telephone services.

Standard technical features are established for each telephone set to be easily used by people with damaged sight and hearing. About 2% of the total number of telephone sets are made suitable to be used by people with different disabilities.

### **3.4. Regulation and development of the universal service**

A key factor for protection of the consumer interests were the General Conditions of the contracts between the telecommunications operators and the users of services. These General Conditions set forth the relations between the two parties. By virtue of the Telecommunications Act and under the license granted the licensed operators develop general conditions of the contracts with users and coordinated them with Communications Regulation Commission. In short-term aspect an emphasis will be placed on agreeing on general conditions for operators with monopoly or dominant position so that any abusive behavior or sale under compulsion on their part related to the provision of different services can be eliminated. The universal service should ensure the respective quality, non-discrimination of users and clearly defined rights and obligations of the parties.

Before the full liberalization of telecommunications it is very important that the legal instruments regulating the universal service should determine the scope, particular quality requirements, acceptable prices, special rate schemes and preferential rates, introduction of itemized billing and other additional services in compliance with Directive 2002/22/EC which is currently implemented in the EU countries.

The operators, which will be licensed to provide the universal service, should undertake obligations with regard to the requirements for quality and affordable prices. These obligations will often result in financial loss for the operators, which necessitates the adoption of a normative instrument regulating both the requirements, which the operators should meet, and the conditions and procedures for their compensation. It is necessary to create a favorable environment for introduction of incentives for the operators providing this service package.

The speedy development of technology in this sector and the decrease in the prices of the services will enable the operators to expand the scope of the universal service. To start with, schools should be provided with an Internet access and later this service should be accessible for every household. In view of this, it is possible to divide the package services between different operators.