II. ELECTRONIC COMMUNICATIONS NETWORKS AND SERVICES

1. Fixed phone networks and fixed phone services provision

In the past few years, the total size of fixed phone market at EU level, calculated as per minutes of traffic, continued to contract. According to data of the 15th EC report, the size of traffic in 2008 shed 7% compared to the year before and stood at 30% of 2005 levels. Incumbents also reported a 1% decrease. The offer of a fixed phone service as an individual service was no longer an infrastructure investment incentive for the public electronic communication providers. The providers offering bundled services through a broadband access growingly often provided its subscribers free access to fixed phone services within the bundled service, as part of their marketing strategy.[1]

In 2009, the Bulgarian public electronic communication market also witnessed the downward trend observed in the past few years in the segment of fixed phone services. For its part, the decline in the size of revenues from fixed phone services in Bulgaria was due not only to the contracted traffic, but was also the result of the regulated lower prices for origination and termination within public fixed phone networks imposed by CRC Decision 237/17.03.2009.

1.1. Fixed phone market players

Undertakings providing services featuring in the "fixed phone services" segment can generally be divided into two groups:

- undertakings providing a fixed phone service and public phone service access through the "carrier selection" service – the activity is carried out under a licensing regime through the use of an individually assigned scarce resource;
- undertakings providing public phone service access via public phones - the activity is carried out under a notification regime

1.1.1. Undertakings providing fixed phone service and public phone service access

In 2009, the CRC issued authorizations[2] for the use of individually assigned scarce resource – numbers for the provision of public electronic communications through a public electronic communication network and the provision of fixed phone services – to two new undertakings – NETFINITY EOOD and TELEDATA AD. Two other undertakings - BULGARIA TELECOM NET AD and NOVO EOOD were deleted from the Registry of undertakings that had submitted notifications about plans to provide electronic communications[3]. As a result as of 31.12.2009, the total number of alternative to BTC AD undertakings, authorized to provide public phone services through a fixed phone network as well as services for access to public phone services through the "carrier selection" service remained unchanged year-on-year and came up to 22.

Table No. 1 presents a reference for the alternative undertakings authorized to provide fixed phone services as well as public phone service access through the "carrier selection" service.

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[1] Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)

[2] CRC Decisions No. 1221/01.10.2009 and No. 1382/19.11.2009

[3] With Decision No. 689 from 16 July 2009, the CRC revoked Authorization No. 01383/08.04.2008 for the use of an individually assigned scarce resource - numbers for the provision of electronic communications through an electronic communication network and for the provision of fixed phone service - issued to BULGARIA TELECOM NET AD. With Decision No. 440 from 15 of May 2009, the CRC terminated the individual license No. 116A-03212/23.11.2005 for the provision of telecommunications through a public fixed telecommunications network and the provision of a fixed phone service issued to NOVO EOOD

Table № 1

Alternative undertakings authorized to provide fixed telephone services for the period 2003-2009

Name	Undertakings authorized to provide fixed telephone services and access to public telephone service through the carrier-selection services as of						
	31.12.2003	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Total number	**5**	**12**	**20**	**20**	**21**	**22**	**22**
CABLETEL EAD (up to 31.12.2005 Globaltech Bulgaria EOOD)	√	√	√	√	√	√	√
EASTERN TELECOMMUNICATION COMPANY AD	√	√	√	√	√	√	√
NEXCOM-BULGARIA EAD	√	√	√	√	√	√	√
NETPLUS OOD*	√	√	√	√	√		
ORBITEL EAD	√	√	√	√	√	√	√
BULGARIA TELECOM NET AD		√	√	√	√	√	
VESTITEL BG AD		√	√	√	√	√	√
SPECTRUM NET AD		√	√	√	√	√	√
INTEROUTE BULGARIA EAD**		√	√	√	√	√	√
TRANS TELECOM EAD		√	√	√	√	√	√
EUROCOM CABLE MANAGEMENT BULGARIA EOOD		√	√	√	√	√	√
GOLD TELECOM BULGARIA AD		√	√	√	√	√	√
ITD NETWORK AD			√	√	√	√	√
COSMO BULGARIA MOBILE EAD			√	√	√	√	√
MOBILTEL EAD			√	√	√	√	√
NET IS SAT OOD			√	√	√	√	√
NOVO EOOD***			√	√	√	√	
SKAT TV OOD			√	√	√	√	√
TELECOM 1 OOD			√	√	√	√	√
BTC-NET EOOD****			√	√	√	√	√
GLOBAL COMMUNICATION NET EAD					√	√	√
VARNA NET OOD						√	√
INTERBUILD OOD						√	√
TELEDATA AD							√
NETFINITY EOOD							√

Source: CRC

* With Decision No. 591 from 19 of April 2007, the CRC took the numbers and addresses granted through primary individual license No.116A-02583/15.10.2004 and individual license No. 116Б-02583/15.10.2004, issued to NETPLUS OOD.

** See footnote 38

*** See footnote 38

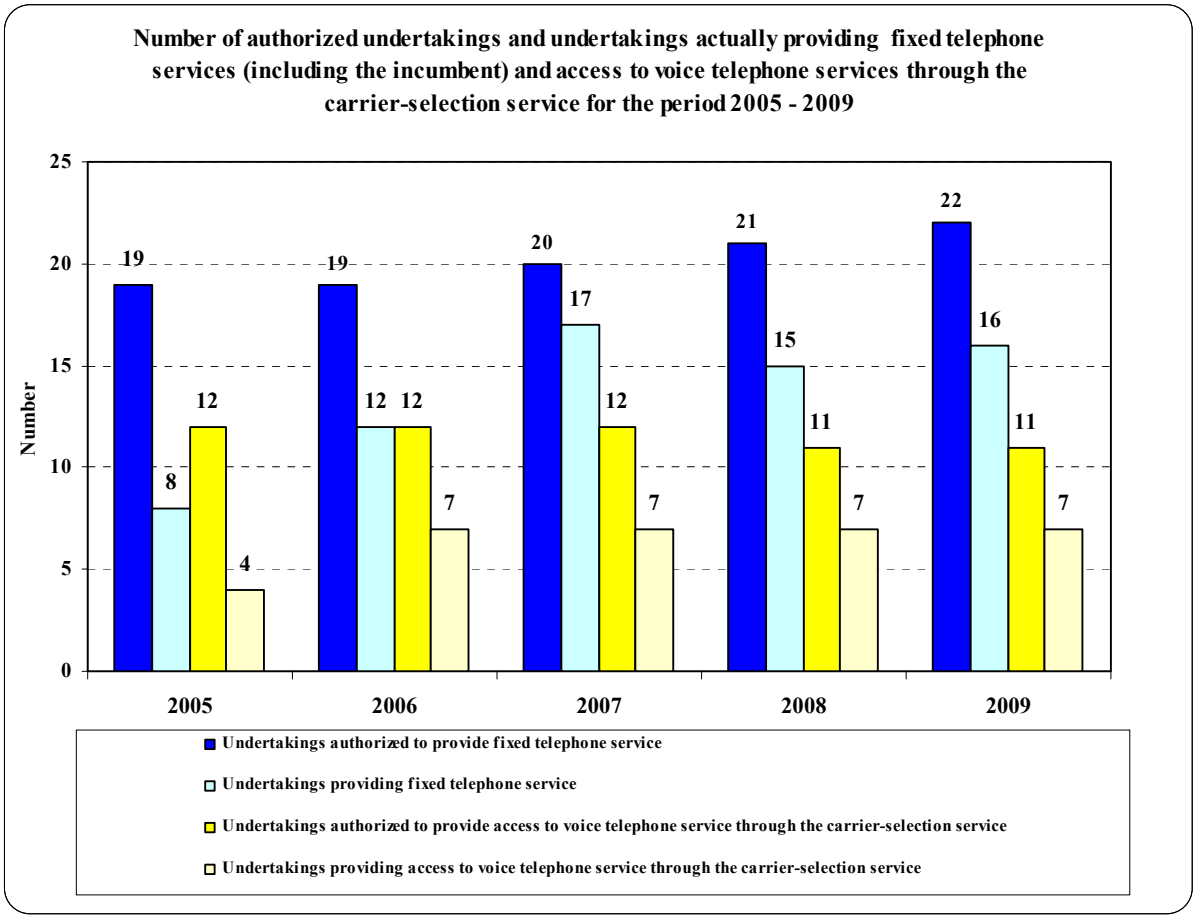
In the middle of 2009 with Decision No. 642 from 25 of June 2009, the CRC issued License No. 01521/25.06.2009 for the use of an individually assigned scarce resource - numbers for the provision of public electronic communications through public electronic communication networks and the provision of fixed phone services to GOLD TELECOM BULGARIA AD. In this way, the undertakings authorized to provide both fixed phone services and public phone services access through the "carrier selection" service became 10 in total. These were ITD NETWORK AD, VESTITEL BG AD, GOLD TELECOM BULGARIA AD, IZTOCHNA TELECOMUNICATSIONNA COMPANIYA AD, CABLETEL EAD, COSMO BULGARIA

MOBILE EAD, NEXCOM-BULGARIA EAD, ORBITEL EAD, SPECTRUM NET AD, TRANS TELECOM AD. The sole undertaking with no geographic numbers at its disposal and authorized to grant access to public phone services through the "carrier selection" service alone is BTC AD.

With regard to the territorial scope, all authorized undertakings have to operate on the territory of the Republic of Bulgaria.

Year 2009 saw the signing of a total of 23 new agreements for interconnection between the fixed networks of alternative undertakings, using individually assigned scarce resource - geographic numbers through which fixed phone service is provided.

As is clear from Fig. 18 in 2009, beside the incumbent, 15 alternative undertakings more provided fixed phone services through geographic numbers. These were: ITD NETWORK AD, VARNA NET ODO, VESTITEL BG AD, EUROCOM CABLE MANAGEMENT BULGARIA EOOD, IZTOCHNA TELECOMUNICATSIONNA COMPANIYA AD, INTEROUTE BULGARIA EAD, CABLETEL EAD, COSMO BULGARIA MOBILE EAD, MOBILTEL EAD, NEXCOM-BULGARIA EAD, NET IS SAT OOD, ORBITEL EAD, SPECTRUM NET AD, TELECOM 1 LTD, TRANS TELECOM AD.



Source: *Data submitted to the CRC*

Fig. 18

The number of undertakings granted an individually assigned scarce resource – a code for network access (short national code) ensuring the access to public phone services via the "carrier selection" service remained unchanged compared to the year before. The number of undertakings actually providing services remained the same as well. These were: ITD NETWORK AD, BTC NET EOOD, NEXCOM-BULGARIA EAD, ORBITEL EAD, SPECTRUM NET AD, and

TRANS TELECOM AD.

Thus as of the end of 2009, the number of undertakings authorized to provide fixed voice phone services (including the incumbent) and voice phone services access via the "carrier selection" service totaled 23, of which 18 were actually operational on the public phone services market.

1.1.2. Undertakings providing the service "access to public phone services via public phones"

As of the end of 2009, the number of undertakings to have declared intentions to provide public phone services via public phones came in at 17, the BTC AD included. Of those the service "access to public phone services via public phones and public booths" was actually provided by BTC S.A, ASPECT 3 EOOD, G-23 OOD, GET CONNECTED OOD, DIALOG EOOD, NEXCOM –BULGARIA EAD, NET TEL OOD, SPECTRUM NET AD, STANDARD TELECOM OOD and TRANS TELECOM AD. BTC AD provided the service "access to public phone services via public phones" as part of its obligation to provide universal service.

1.2. Development of the fixed phone market

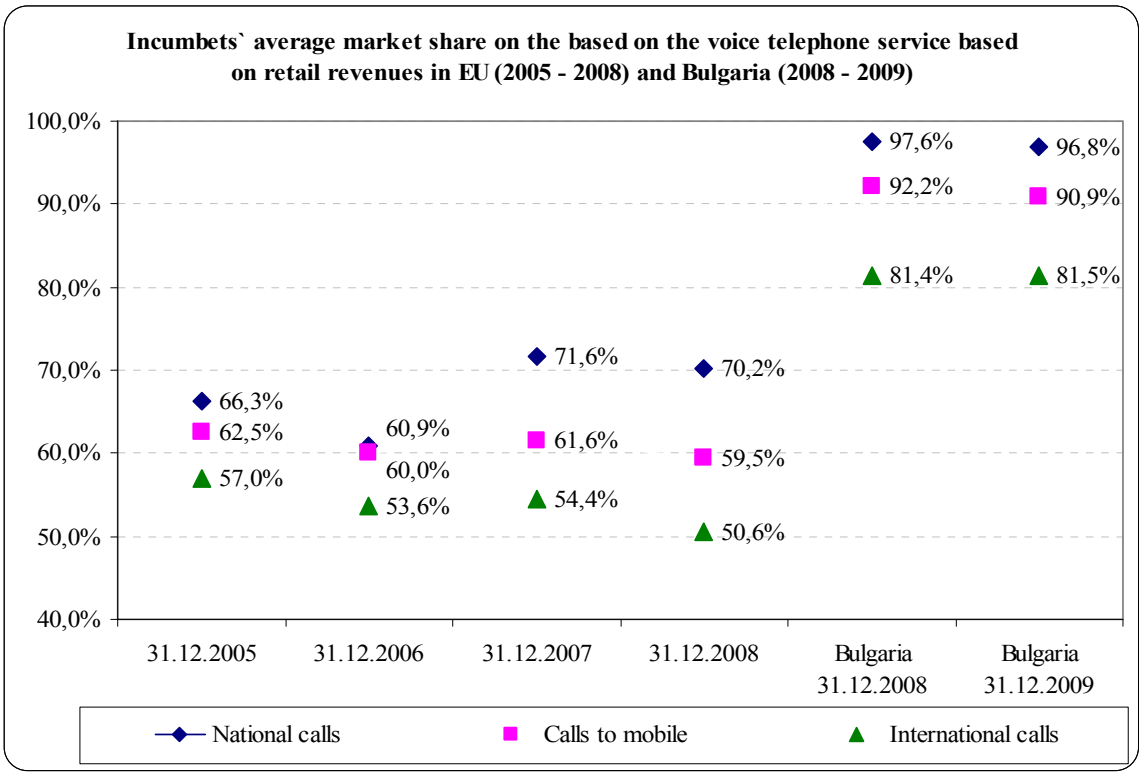
As of the end of 2009, total revenues from the provision of fixed phone services, access to public phone services via public phones and phone booths came in at approximately BGN 528 million. The significant reduction was, on the one hand, due to the registered decline in the use of fixed phone services and, on the other, the result of the CRC-imposed lower prices on the interconnection, origination and termination services[4]

Comparison of the data for subscriber-generated traffic from national[5] and international calls in 2009 with the respective generated traffic in the previous year showed a 10% reduction in the size of traffic in minutes.

Despite the significant decline in total revenues from the provision of fixed phone services, BTC preserved its high relative share calculated on the base of revenues from the provision of fixed phone services in 2009 as well, where the year-on-year change was a mere 0.4% decline from 96.1% in 2008 to 95.7% in 2009. Alternative undertakings' revenues from the provision of fixed phone service declined by 9.9% compared to 2008.

[4] With CRC Decision No. 237/17.03.2009, a glide-path reduction of the wholesale prices for origination and of the wholesale prices for termination of calls within fixed phone networks, as well as immediate symmetry between the tariffs for mobile to fixed and fixed to mobile termination is imposed.

[5] Incl. local and long distance calls, calls to mobile terrestrial networks, to networks for broadband wireless access and non-geographic numbers.



Note: The latest available data for the average market shares of the incumbents on the fixed voice phone services market in EU is as of 31.12.2008.

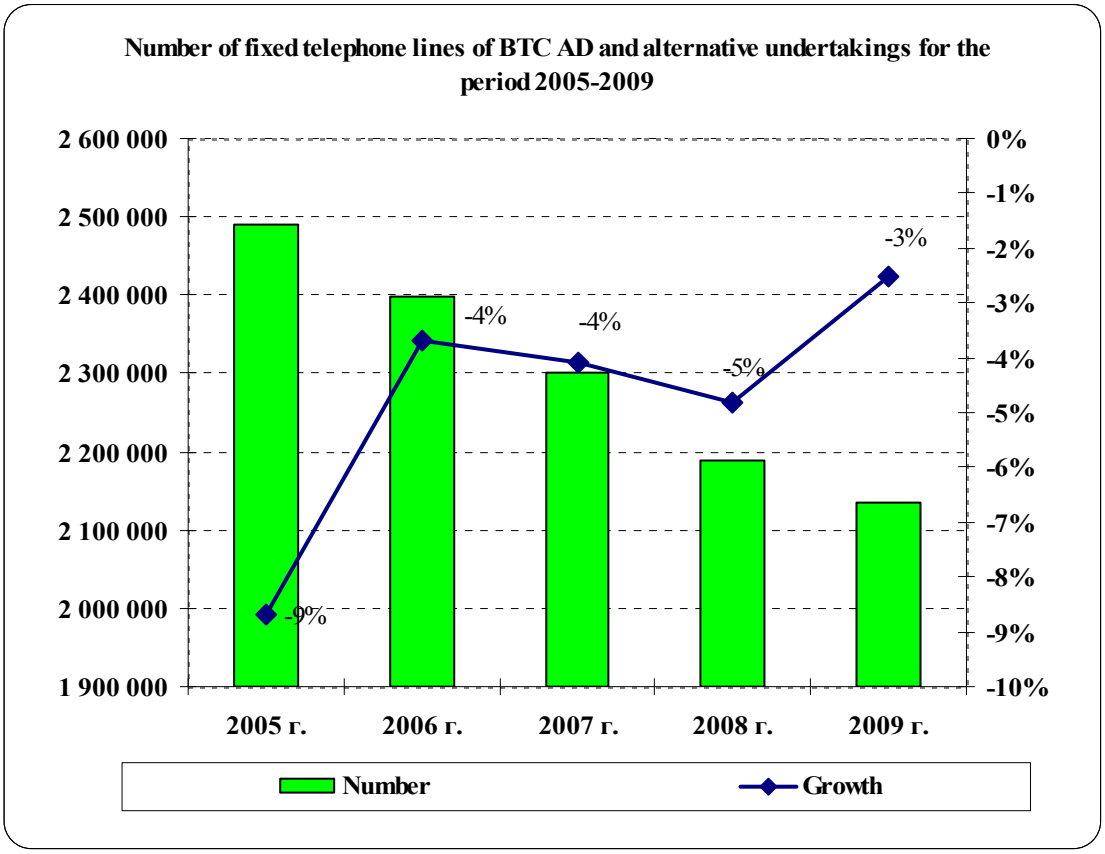
Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report) and data submitted to the CRC*

Fig. 19

Fig. 19 presents the change in incumbents' average market shares in the EU member states, calculated on the basis of retail revenues from national and international calls and calls to mobile networks. Juxtaposing the average market share data of the incumbents in the EU countries and the respective market shares of BTC AD as at the end of 2008 and 2009, it is clear that the market shares of Bulgaria's incumbent were still much higher than the EU average. Only the market shares of the incumbent calculated on the basis of international calls revenues were below 90%.

1.3. Fixed telephones

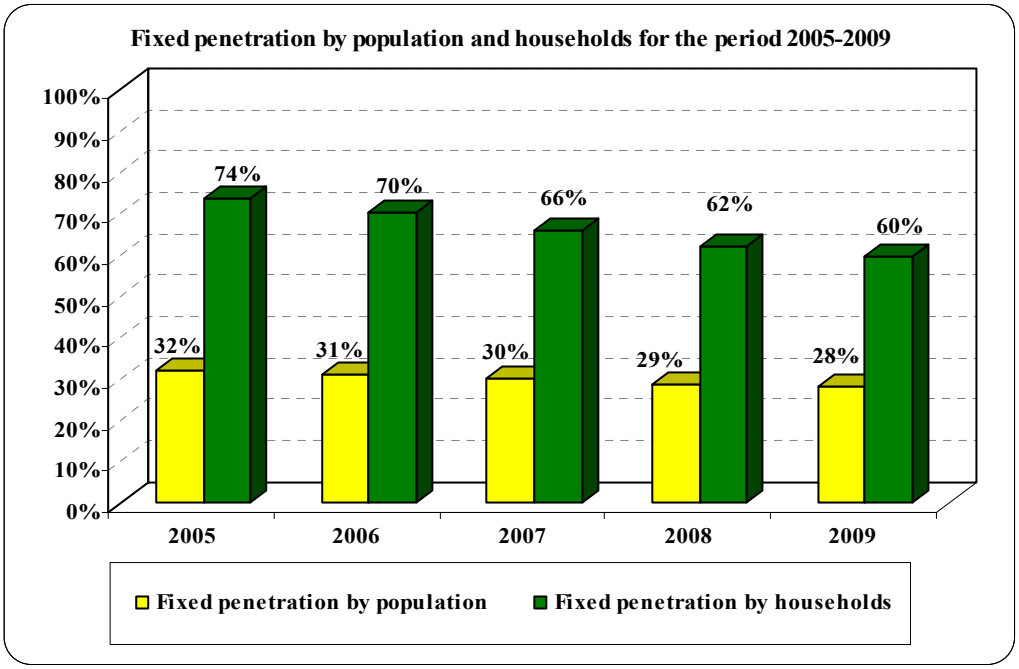
As of the end of 2009, the total number of fixed telephones in Bulgaria dropped by nearly 3% compared to the year before (Fig.20). Despite that the reduction rate was lower compared to previous years, the trend seeing the number of fixed phones in Bulgaria decline was sustained. With regard to the fixed telephones of alternative undertakings' subscribers, it should be noted that their number increased both in absolute terms and as a relative share. As of 31.12.2009, their total relative share reached 9.2% of the total number of fixed telephones, which represented a growth of nearly 5% compared to the value reported at the end of 2008. For the same period the market share of the incumbent, calculated on the base of fixed telephones, dropped from 95.7% to 90.8%.



Source: *Data submitted to the CRC*

Fig. 20

In 2009, the value of fixed phone density by population and households continued to decrease (Fig. 21). The "fixed phone density as per population" parameter for the 2005-2009 period kept decreasing by 1% a year. The fixed density, calculated on the base on households, decreased by only two percentage points in 2009 unlike in previous periods, where the decrease was by four percentage points a year.

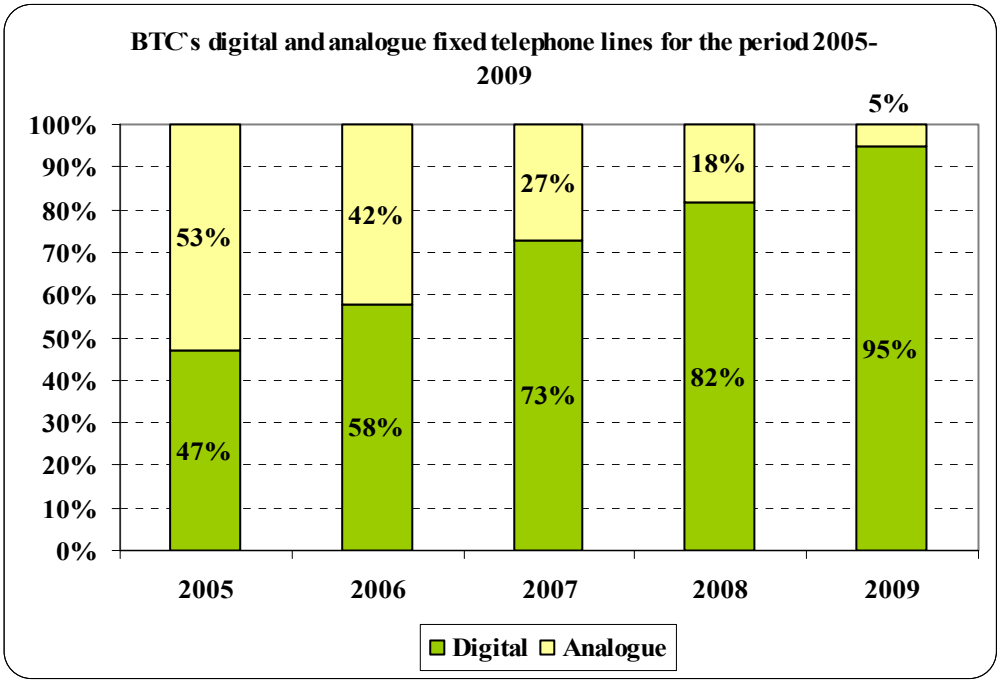


Source: *Data submitted to the CRC*

Fig. 21

To compare, in 2009 the parameters "average phone density" calculated based on population in the Southeast European countries and in the 27 EU member states remained at prior-year levels - at, respectively, 26% and 40%.[6]

In 2009, the digitization of the BTC network continued and at the end of the year 95% of the active fixed phones were digital (Fig. 22).



Source: *Data submitted to the CRC*

Fig. 22

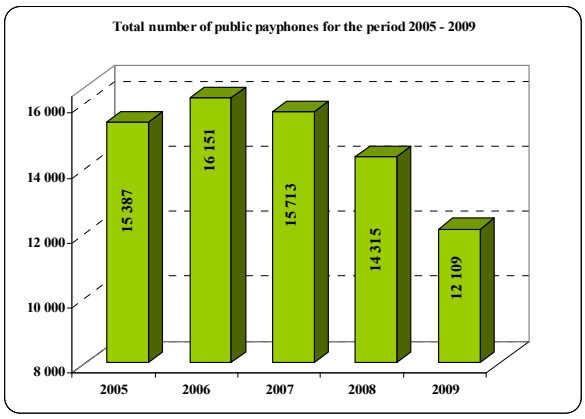
In the sector of fixed phone services, the number portability is seen as an important tool which can influence the competitive environment because the undertakings (the incumbent included), facing the prospect of losing their subscribers, would seek to increase the quality of their service and to improve their conditions, with price cuts included. At the same time, the number portability service protects the interests of end users by providing them the option to keep their numbers in case they change the supplier of the fixed service.

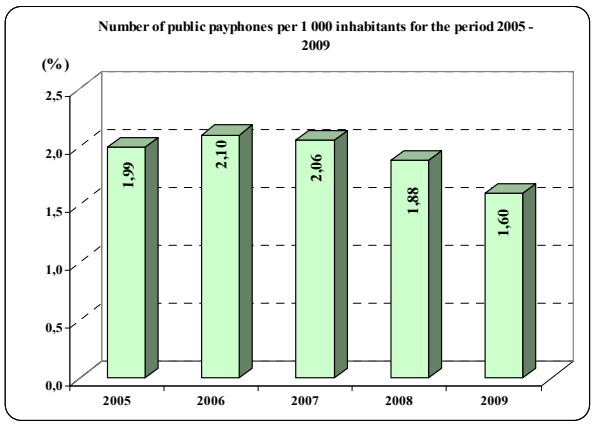
In Bulgaria, the portability of geographic numbers started in the middle of 2009 and at the end of the year the number of transferred numbers was below 10,000, which represented 0.45% of the total amount of active phone lines.

1.4. Public telephones

According to data of undertakings providing access to public phone services through public telephones, the total number of public phones and phone booths at the end of 2009 was down 15% compared to the number of these devices, registered as of 31.12.2008. (Fig.23).

[6] Report III – Supply of services in monitoring regulatory and market developments for electronic communications and information society services in Enlargement Countries, March 2010





Source: *Data submitted to the CRC*

Fig. 23 **Fig. 24**

In spite of the reported decrease in the number public phones and phone booths, the value of the parameter "number of public phones per 1000 citizens" in the country remained traditionally high – at 1.68 - in 2009 as well.

Revenues from the provision of the service "access to public phone services via public telephones and booths for public use" were slightly less than BGN 6.5 million during the year.

1.5. Services provided on the fixed phone market

In the end of 2008, the scope of the "carrier selection" service was extended with the adoption of "Rules for the conditions and order for the provision of the "carrier selection" service" (Promulgated in the State Gazette, issue 98 from 14.11.2008, in force as of 14.11.2008). According to the text of the document, the subscribers of the "carrier selection" service, besides long-distance and international calls can also make local calls, calls to mobile terrestrial networks and to networks for broadband wireless access ("a point to multipoint" with national access code), as well as calls to non-geographic numbers for the provision of services.

In spite of this, the data as at the end of 2009 shows that the "carrier selection" service still has no wide distribution between the subscribers of fixed phone services in Bulgaria. The relative share of the BTC AD subscribers using the service remains at 1%. The share of the traffic realized through the "carrier selection" service represents a mere 1% of the total realized subscriber traffic in 2009, having gone down by 28.6% compared to 2008.

The undertakings providing the "carrier selection" were: ITD NETWORK AD, BTC NET EOOD, GOLD TELECOM BULGARIA AD, NEXCOM-BULGARIA EAD, ORBITEL EAD, SPECTRUM NET AD and TRANS TELECOM AD. The subscribers of all of the abovementioned undertakings use the "carrier selection" service in its variety for each call. Only the subscribers of ORBITEL EAD use the "carrier selection" service in its subscription variety in 2009 as well.

1.6. Regulation of the fixed phone networks and services market

In 2009 in compliance with the European legal and regulatory framework 2002, introduced into Bulgarian legislation through the Law on Electronic Communications and the Methodology for the terms and procedures for the definition, analysis and evaluation of the respective markets and criteria for the definition of undertakings with significant influence on the market, the CRC

finalized work on the definition, analysis and evaluation for the availability of efficient competition on the following respective markets, according to the EC Recommendations[7]:

- **retail markets for access to a public phone network and public phone services in a specific location** (markets 1-6 as per 2003/311/EC) – with Decision No. 650/25.06.2009, the CRC adopted the analyses of the respective six retail markets and determined BTC as an enterprise with a significant influence on it. On the grounds of the identified competitive problems, the CRC imposed some specific obligations on BTC AD, namely to provide the "carrier selection" service and "wholesale subscription lines lease", including drafting and publication of a Reference Offer for wholesale subscription lines lease, obligations for non-discrimination and transparency, as well as price caps, including cost-oriented prices;
- **market for origination of calls from a specific location within public phone networks** (market 8 under Recommendation 2003/311/EC, respectively, market 2 under recommendation 2007/879/EC) - with Decision No. 237/17.03.2009, the CRC adopted the analysis of the respective market and pointed out BTC AD as an enterprise with a significant influence on the market. There are some obligations imposed on the incumbent: obligation for access to and use of the required network resources and equipment; obligation for transparency and non-discrimination; obligation to publish a Sample interconnection proposal; obligation for separate accounting; obligation for cost-oriented prices and maximum origination prices, set using the benchmarking method;
- **market for termination of calls in a specific location within individual public phone networks** (market 9 under Recommendation 2003/311/EC, respectively, market 3 under Recommendation 2007/879/EC) – with Decision No. 237/17.03.2009, the CRC adopted the analysis of the market and pointed out all 16 active undertakings as undertakings with a significant influence in their own public phone networks[8]. On the grounds of the analysis and evaluation of competitive issues on the conducted market inspection, the Commission imposed a staged decrease of the wholesale prices for termination of the mobile to the fixed and of the fixed to the mobile network. BTC AD was subject to the following specific obligations as well: an obligation for access to and use of the required network resources and equipment; obligation for transparency and non-discrimination; obligation to publish a Sample interconnection proposal; obligation for separate accounting; obligation for cost-oriented prices and origination price caps, set using the benchmarking method; alternative undertakings were imposed the obligations for transparency, non-discrimination, retaining - prior to the present obligation - access for implementation of interconnection and price limitations under the form of price caps.

With regard to the **market of transit services in public fixed networks** (market 10 under Recommendation 2003/311/EC), respecting the notes received from the end-2008 public discussion of the project for a solution to define the markets for origination, transit and termination in a specific location within public fixed networks, the Commission deemed it necessary to carry out a more profound analysis of the transit services market. For the purpose, some additional information from undertakings, providing public electronic communications via fixed networks was collected and analyzed. With Decision No. 1440/10.12.2009, the CRC adopted a project for a solution to define the transit services market in public fixed phone networks as not subject to 'ex-ante' regulation and open a procedure on public discussion according to Art.151, para.2 of the Law on Electronic Communications.

[7] Recommendation of the Commission 2003/311/EC from 11 of February 2003 and Recommendation of the Commission 2007/879/EC from 17 of December 2007

[8] The explanatory note of the EC, page 25, according to which each specified product market for call termination in a specific location is of a monopolistic nature.

1.7. Imposed price caps on the retail market for access to public phone networks and of public phone services from a specific location

The price caps[9] imposed on BTC AD in its capacity as an enterprise with a significant influence on the retail markets for access to public phone networks and public phone services in a specific location, envisage the definition of:

- cost-oriented prices for access and calls within the own network as the enterprise shall have the obligation to alter the prices for calls in its own network according to deadlines that are in line with the deadlines for cuts in the prices for origination, termination of calls from/in a specific location within public phone networks;
- prices for calls to other fixed networks and calls to networks from a fixed radio service of the "point to multipoint" type, which mirror (equal) the prices charged for calls in the proprietary network.
- price cap for calls to mobile networks. The price cap is defined through a formula, which takes the prices for origination of double segment of BTC AD's fixed network and the prices for termination of mobile networks, according to the schedule for a gradual decrease of the wholesale prices, before and as at the moment of retail price change;

In effecting the price caps imposed, in July 2009 BTC AD filed a proposal, including:

- retaining the current prices for access (opening of fixed and monthly subscription with no minutes included) with no change;
- retaining the current prices for calls within the proprietary network (local, long-distance and international calls);
- change in the structure and price for a minute call to other fixed networks and networks from the fixed radio service of the "point to multipoint" type;
- cutting the prices for calls to mobile networks, as the prices proposed by the enterprise are under the price cap applicable for the respective period.

With Decision No. 1236 from 01.10.2009, the CRC pronounced on the BTC AD proposed prices for access to local and long-distance calls within its own network, for calls to mobile networks and international calls, and decided that they are in keeping with the imposed on the undertaking specific obligations. With regard to the prices for calls to other fixed networks and to networks with fixed radio service of the "point to multipoint" type, the CRC indicated that according to the obligations ensuing from the CRC Decision No. 650/25.06.2009, the prices for calls to other fixed networks and to networks with a fixed radio service of the "point to multipoint" type should mirror (equal) the prices charged for the calls within its own network.

In July 2009, BTC AD also offered three new bundled packages[10] combining fixed, mobile and internet services as well as a new standard plan[11] catering to domestic subscribers. With Decision No. 992/13.08.2009, the CRC accepted that the above stated "Standard" plan and the new price packages complied with the imposed on the undertaking specific obligations and obliged the enterprise, after the expiry of the six-month term from the packages launch to provide information of the realized size of consumption and revenues from the bundled services.

Until Decision No. 650/25.06.2009 became effective, with Decision No. 262/26.03.2009 the CRC approved changes to the prices and price terms for the provision of bundled package "BTC Office" and "BTC Planet", offered by BTC AD to business subscribers. The proposed by the undertaking changes included the increase of the number of included minutes and change in the name of the price package "BTC Office" as well as a change in the discount scheme for the price package "BTC Planet". The change in the list of the international groups, under which the

[9] Decision No. 650 of the CRC from 25.06.2009
[10] package "Fixed and mobile phone service" (Vivacom Duo), package "Fixed phone service and access to Internet" (Vivacom Home), package "Fixed and mobile phone service and access to Internet" (Vivacom Trio)
[11] "Standard" plan - monthly price of BGN 12,00, VAT inclusive

BTC handles international calls, was approved with CRC Decision No. 937/06.08.2009, where the destination Belarus (fixed networks) was moved from the first to the second international group.

Prices of the retail markets for access to public phone networks and public phone services in a specific location of competitive undertakings.

As the competitive to BTC AD undertakings were not defined as undertakings with significant influence on the retail markets for access to public phone networks and publicly accessible phone services in a specific location, the prices for the services offered in this market were set according to demand. The obligations of the competitive undertakings, ensuing from the Law on Electronic Communications concern the publication of prices on locations accessible to consumers and on their internet pages and the notification of the CRC whenever new prices are effected or the current prices are changed. According to the provisions of the Law on Electronic Communications, the notification needs to be sent within three days. As a whole, the competitive undertakings to have presented prices to the CRC in 2009, apply lower price levels than those offered by the incumbent.

Prices for the "carrier selection" service

In keeping with the obligations[12] imposed on it in its capacity as an enterprise with significant influence on the retail market for access to public phone networks and publicly accessible phone services in a specific location, BTC AD provided its subscribers with the option to choose the carrier for their local, long-distance and international calls. The subscribers of BTC AD who selected a competitive enterprise pay for the calls at the rates announced by the relevant competitive enterprise[13], which were lower than the BTC prices for the same calls.

Comparison of the retail prices for access to a public phone network and publicly accessible phone services in a specific location in Bulgaria – the EU

Below a comparison is made of the prices for fixed voice services, offered by BTC S.A, by its competitors in Bulgaria and by the incumbents in the EU member states for 2008 and 2009. The comparison is made under the following terms:

- the 15th report of the EC is used as a data source[14];
- the data for Bulgaria and the EU is as of 01.10.2008 and 01.10.2009;
- during price benchmarking, the prices for a three-minute local, three-minute long-distance and a ten-minute international call are used;
- the prices for a monthly subscription and for 10 minutes of international calls are in euro, and the rates for a three-minute local and long-distance calls are in eurocent;
- the data for ORBITEL EAD, whose market share is the second-largest by revenues after the one of the incumbent, is regarded as representative for the competitive undertakings in Bulgaria;
- the comparison between the monthly subscription prices for home subscribers benchmarks the rates of BTC S.A and the weighted average rate for the incumbents in the EU member states, provided that ORBITEL EAD does not offer the service to home subscribers; rather, to business subscribers alone;
- since the undertakings in Bulgaria apply tariffs for international calls which do not correspond to the distance zones, applicable for charging international calls in the EU member states, the comparison of these prices may be accepted as conditional;
- in Bulgaria, there are no any differences in the value of a ten-minute call for the

[12] http://www.crc.bg/files/_bg/CRC_Decision_650.pdf

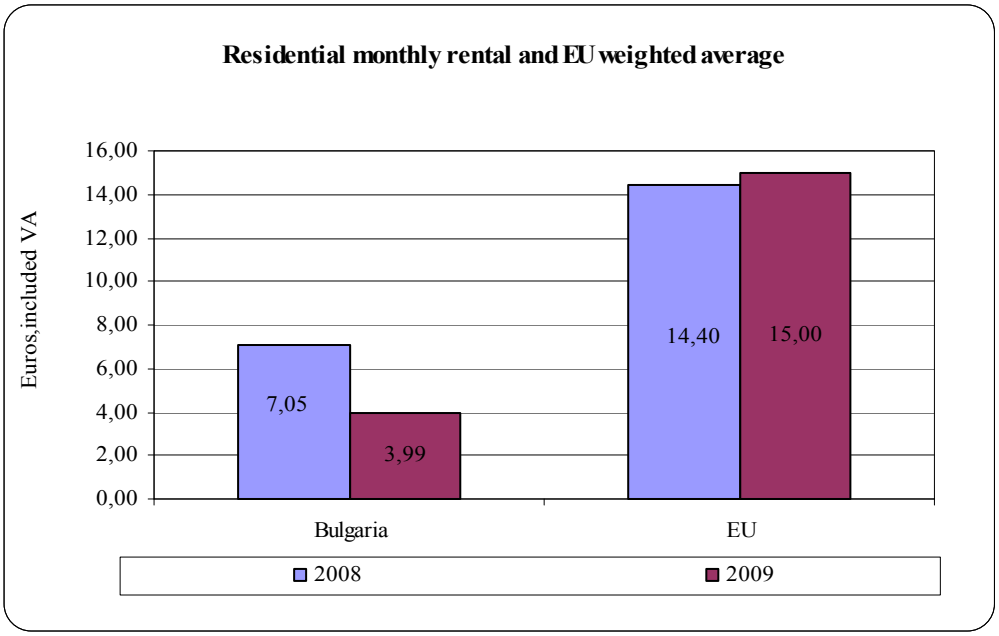
[13] The prices concern the local, long-distance and international calls carried by competitive undertakings and they are not regulated. They vary depending on the preferred enterprise and for international calls - depending on the chosen destination.

[14] Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)

different time zones since neither BTC AD nor the competitive undertakings apply to international calls any differentiated prices for the different hours of the day;

Comparison[15] of monthly subscription prices

Fig. 25 and Fig. 26 present the comparisons between the monthly subscription rates for home and business subscribers of BTC AD in Bulgaria and the incumbents in the EU member states for 2008 and 2009.

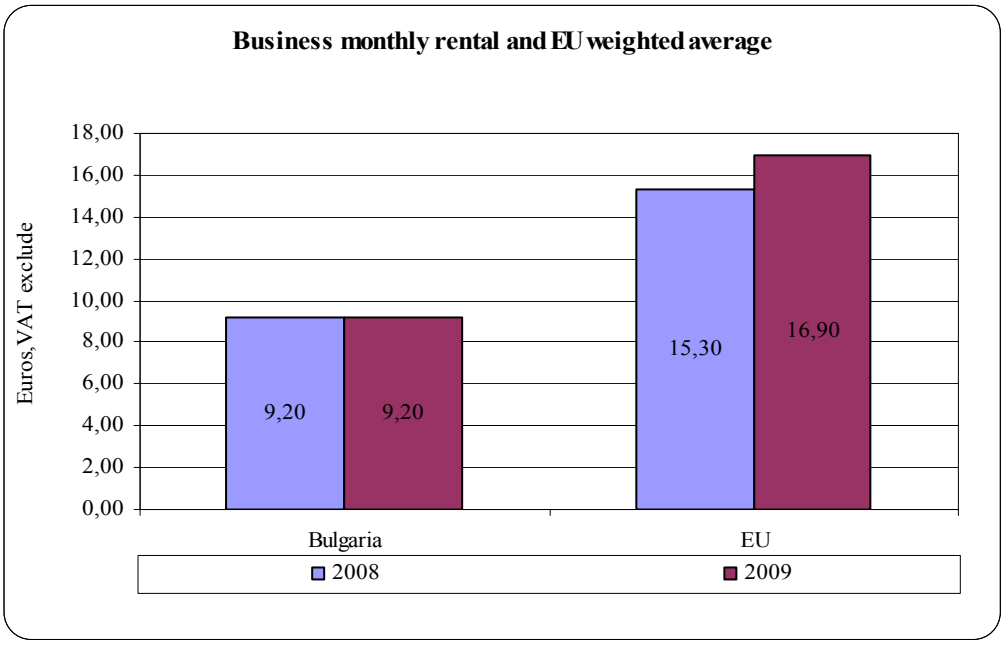


Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 25

The figure above illustrates that the monthly subscription rate for domestic subscribers has undergone a sharp decline in 2009 versus 2008. This, however, is due to the change of the plan the EC used in the comparison. For 2008 it used the "Standard" plan – BGN 13.80, VAT inclusive, and for 2009 – the "Minimum" plan – BGN 7.80, VAT inclusive. Again this is the reason for the increase and the difference between the monthly subscription price for home subscribers in Bulgaria and the EU average.

[15] For home subscribers, prices are VAT inclusive, whereas for business subscribers VAT exclusive.

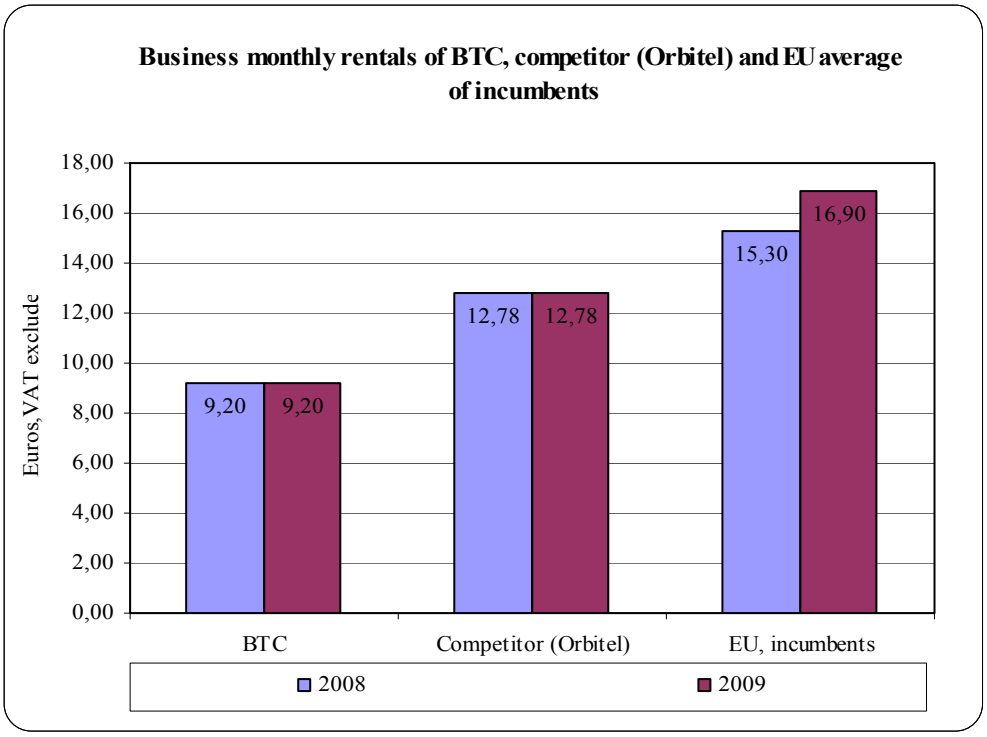


Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 26

The monthly subscription price for business subscribers was level against 2008 and by about 45% lower than the EU average.

The comparison between the prices for business subscribers of the competitive undertakings in Bulgaria (Orbitel EAD), the prices of BTC AD and the EU average is presented in the figure below.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report), CRC data*

Fig. 27

As is seen in the chart, ORBITEL EAD's monthly subscription price for business subscribers remained on part in 2009, being 38.89% higher than the price of BTC AD, but by 24.36% lower than the EU average.

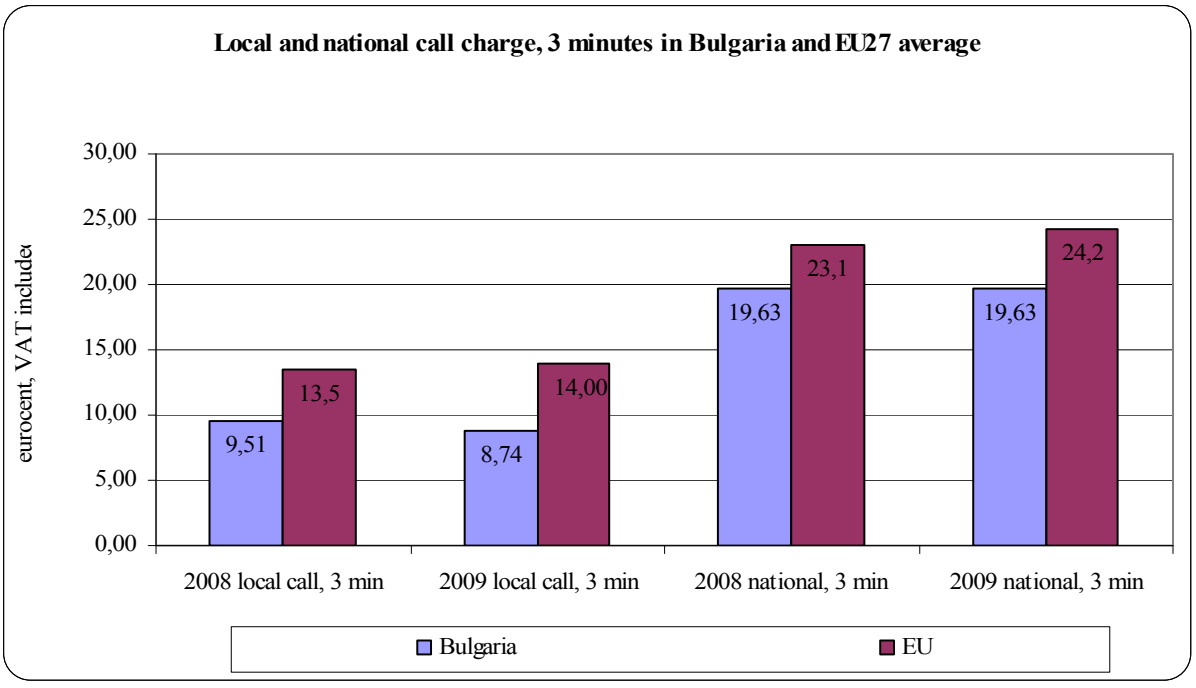
Comparison[16] of prices for calls

Local and long-distance calls

In the comparison of three-minute calls, in use are the prices for calls applied by the incumbents in the Community and the following:

- the value of a three-minute call at a distance of 3 km in the EU corresponds to the value of a three-minute local call of BTC AD.
- the value of a three-minute call at a distance of 200 km in the EU corresponds to the value of a three-minute long-distance call of BTC AD.
- the comparison between a three-minute local and long-distance calls for BTC AD and for the EU refers to the heavy traffic hours..

Fig. 28 presents the dynamics of the billing for three-minute local and three-minute long-distance calls offered by BTC AD and by the incumbents for the EU in 2008-2009.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 28

As the chart illustrates, the price of BTC AD for a local call in Bulgaria decreased by around 8% in 2009 while the price for a long-distance call did not change compared to 2008. The weighted average price for a three-minute local and three-minute long-distance call in the Community changed during the same period, where the price for a local call rose by 3.7% while for a long-distance call - by 4.76%.

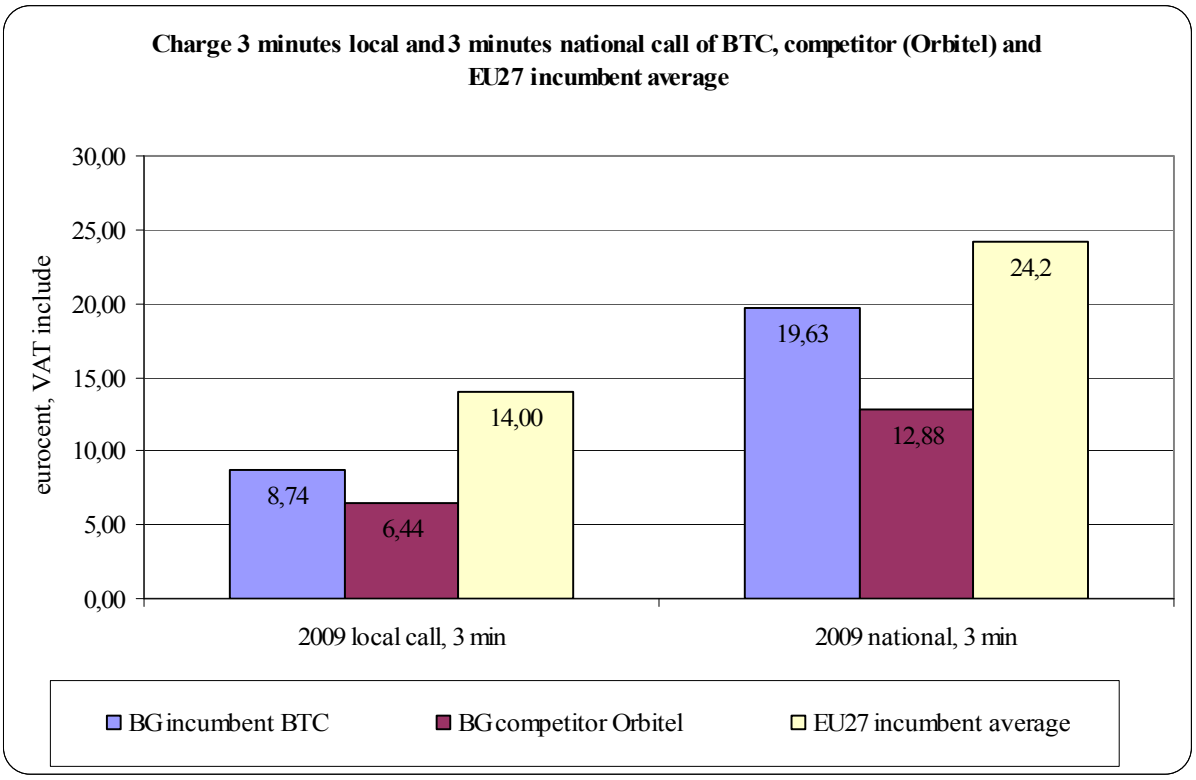
Compared to the price for a three-minute call in the Community for 2009, the BTC AD rate

[16] Subject to comparison are the prices taken from the 15th report of the EC (Commission staff working document accompanying the Progress report on the single European electronic communications market (15th Report) with regard to BTC AD and from CRC data with regard to the competitive undertakings (Orbitel EAD) with the weighted average price by population for the EU member states

was by 37.57% lower for local calls and by 18.87% lower for long-distance calls.

Comparison between the prices for three-minute local and long-distance calls in 2009 in Bulgaria (BTC AD and competitive undertakings[17]) and in the Community (historical undertakings)

The following chart compares the rates for a three-minute local and long-distance calls of BTC AD, ORBITEL EAD and the average price of the EU incumbents.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 29

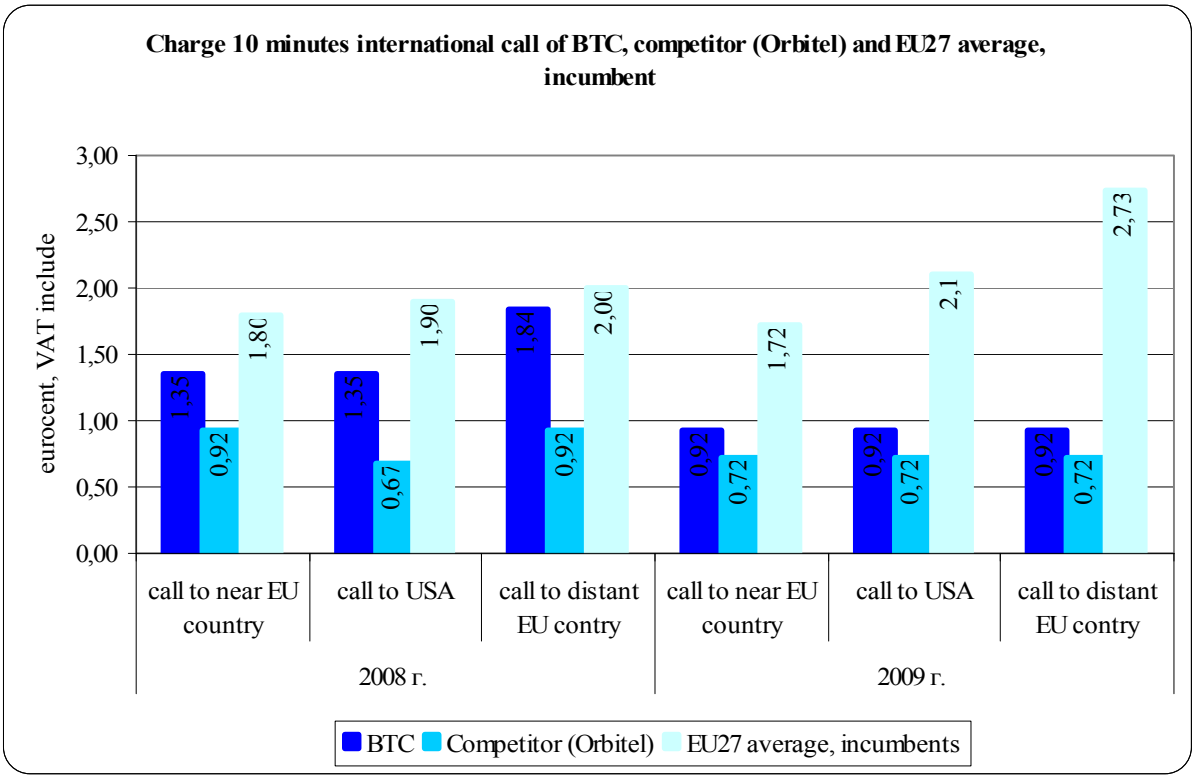
Data shows that ORBITEL EAD maintained the lowest price both for local and long-distance calls in 2009. A three-minute local call in the BTC AD network costs by 32.28% more than the same call in the network of competitive undertakings. The difference in price for a three minute long-distance call in the BTC AD network is almost the same, as its price is by 34.38% higher than the price of competitive undertakings.

Comparison between the prices for a ten-minute international call in Bulgraia (BTC AD and competitive undertakings) and in the Community[18].

Fig. 30 presents the charge of a ten-minute international call to a neighboring country, distant European country and the US performed by BTC AD subscribers and a competitive undertaking in Bulgaria, as well as the average charge for such a call by the incumbents in the EU.

17 The comparison uses the price per call by an Orbitel EAD business subscriber to a Standard Plan.

18 This comparison uses the average international call rate charged by the EU historic companies according to data of the 15th EC report (Commission staff working document accompanying the Progress report on the single European electronic communications market (15th Report) and of BTC AD and Orbitel EAD according to CRC data.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 30

The comparison shows that both BTC AD and ORBITEL EAD offer lower prices for international calls in comparison to their EU peers. It is clear from the prices published in the 15th EC report[19] for 2009 that the value for 10-minute call is equal in the two companies, no matter the distance of the countries used for the comparison, where the price of ORBITEL EAD is 21.74% lower than that of BTC AD.

2. Mobile cellular networks and services

2.1. Market players

As of the end of 2009, three companies were present on the mobile networks and services market in Bulgaria - Mobiltel EAD, Cosmo Bulgaria Mobile EAD and BTC AD.

2.2. Mobile cellular network infrastructure

The table below presents information about developments in the coverage of mobile networks as of 31.12. 2009.

[19] Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)

Table No. 2

undertaking / indicator	Mobiltel EAD		Cosmo Bulgaria Mobile EAD		BTC AD	
	GSM	**UMTS**	**GSM**	**UMTS**	**GSM**	**UMTS**
Territorial coverage	99.04%	19.41%	99.06%	47.02%	95.91%	16.72%
Population coverage	99.92%	69.19%	99.97%	82.05%	99.73%	54.32%

Source: *Data submitted at CRC*

As of the end of 2009, Cosmo Bulgaria Mobile EAD was again the undertaking with the largest UMTS network coverage both by territory and population – respectively, 47.02% and 82.05% which represents an year-on-year increase by around 8 and 6 percentage points. Within the span of a year, the other two companies have also registered a significant increase – Mobiltel EAD by, respectively, 7 and 8%, and BTC AD - by around 13 and 11%.

2.3. Mobile phone services market development

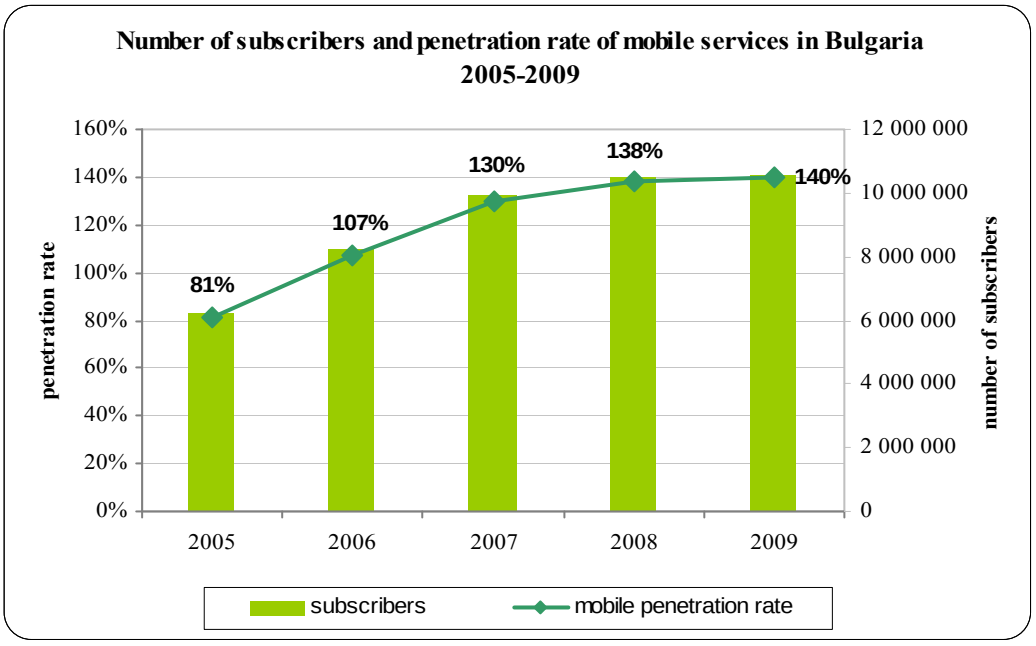
Dynamics and development of the market

The mobile networks and services segment was yet another year an overall leader on the electronic communications market and continued to dynamically develop amid intensive competition and market saturation.

For the first year ever, total mobile services revenues registered a decline: down by 3.7% year-on-year, at the end of 2009 being BGN 2.15 billion (64.6% of the total size of Bulgaria's electronic communication market).

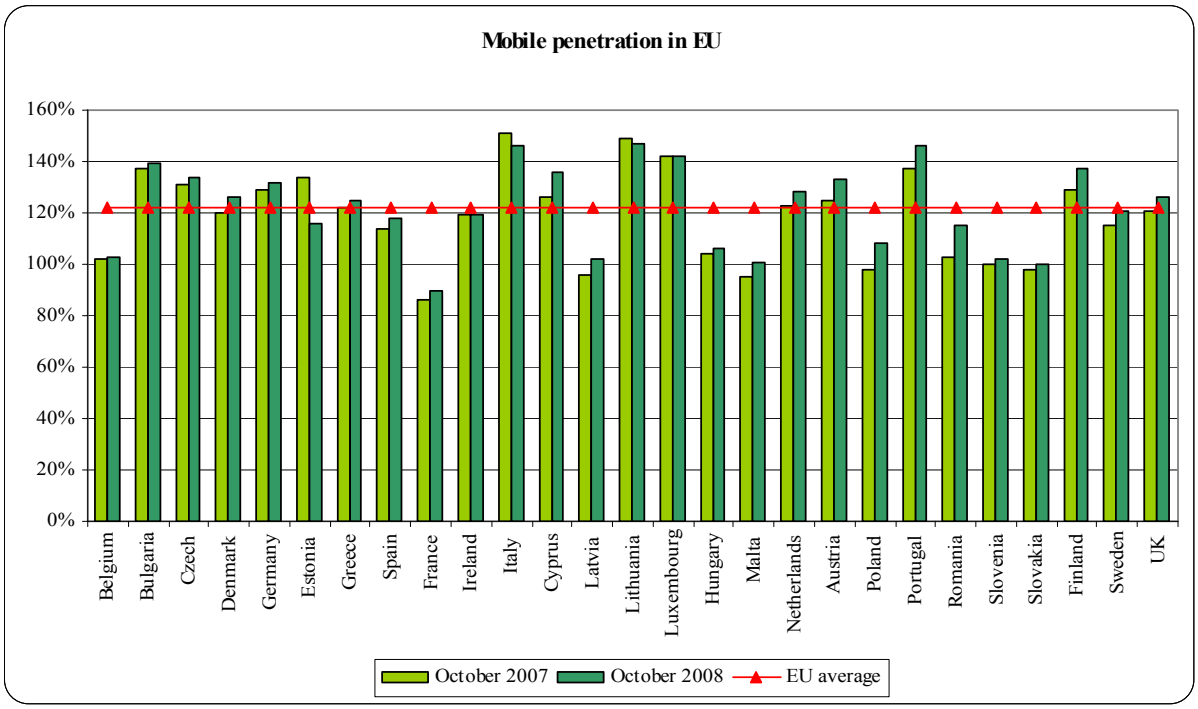
Mobile service subscribers increased by 0.7% against end-2008, which was by about 5% slower than the year-on-year growth rate reported in 2008. Their total number reached 10,575,700[20] at the end of the year. The decreasing growth rate of user numbers as well as the significant mobile services penetration on the market are a clear sign that the market has reached a high degree of saturation and now enter the maturity stage of this product's life cycle.

[20] Includes the number of active subscribers and the number of active prepaid cards (whose term of validity is 12 months)



Source: *Data submitted to the CRC* **Fig. 31**

Mobile services penetration rose by 2% for a one-year period, where at the end of 2009 this indicator reached 140% of the country's population, which means that the number of users who operate with more than one SIM card has increased. As for the indicator "mobile telephone density," Bulgaria is already ahead of of the bulk of EU member states. (Fig. 32)



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

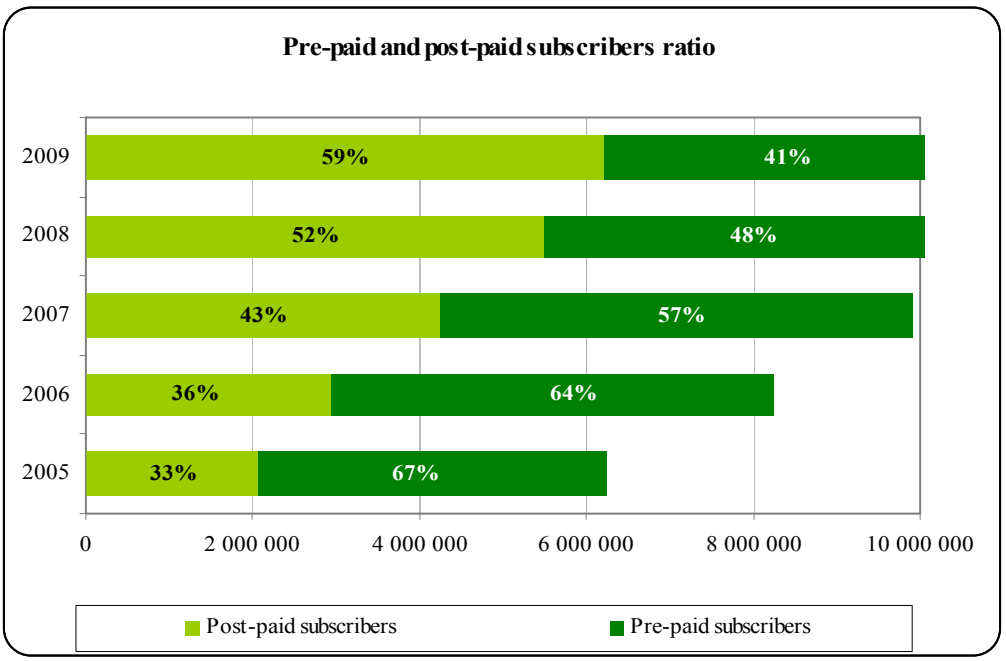
Fig. 32

One should take into account that the way of reporting prepaid cards as active users influences the value of the indicator – in some EU states active users are considered the ones who have paid a call or sent an SMS in the last 6 or 9 months; in other countries, this term is only 3 months[21]. In Bulgaria, mobile telephone services companies register as active all users of prepaid services who have purchased a SIM card and recharge it with a service credit at least once every 12 months, which is a relatively long period compared to the EU states.

Ratio between users of prepaid services and contract subscribers

As of the end of 2009, as it can be seen in the chart, contract subscribers in Bulgaria are more than the users of prepaid services (59/41). As at the end of 2009, as many 45% of the newly-joined subscribers concluded a contract, whereas the percentage in 2008 was at 43%.

[21] Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)



Source: *Data submitted to the CRC*

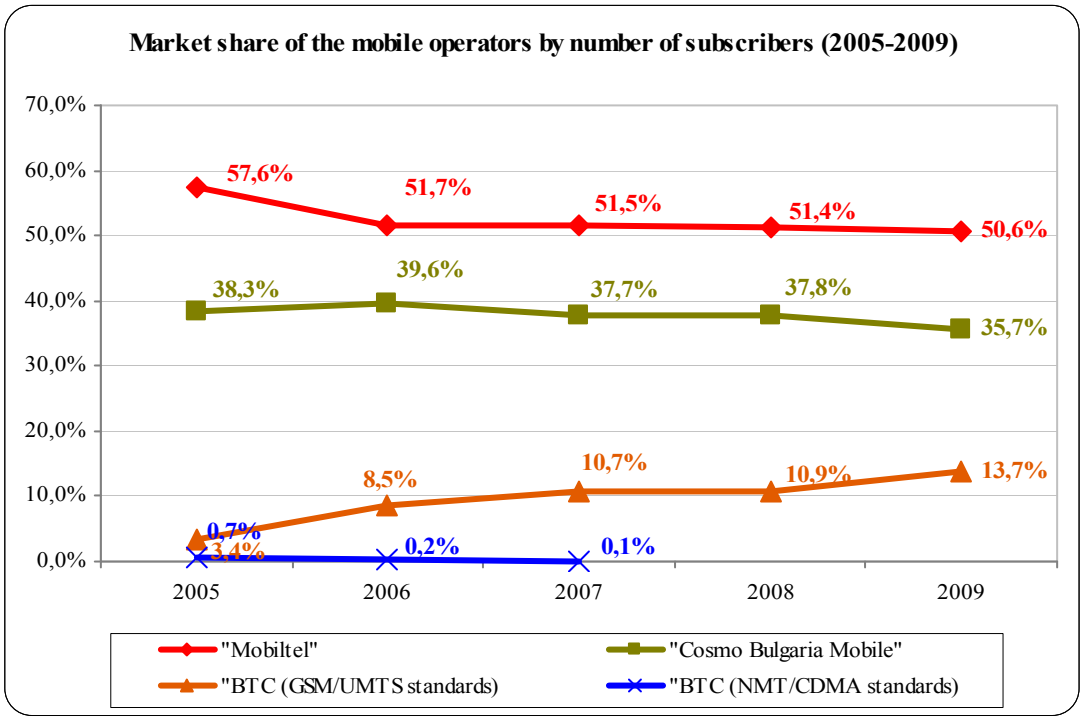
Fig. 33

Average for the EU the ration between contractors and users of prepaid services as of October 2009 is 45/55, and it varies according to the states – in Italy and Malta for example, over 82% of all mobile subscribers use prepaid cards, while in Finland the share of prepaid users is hardly 10%[22].

Relative shares

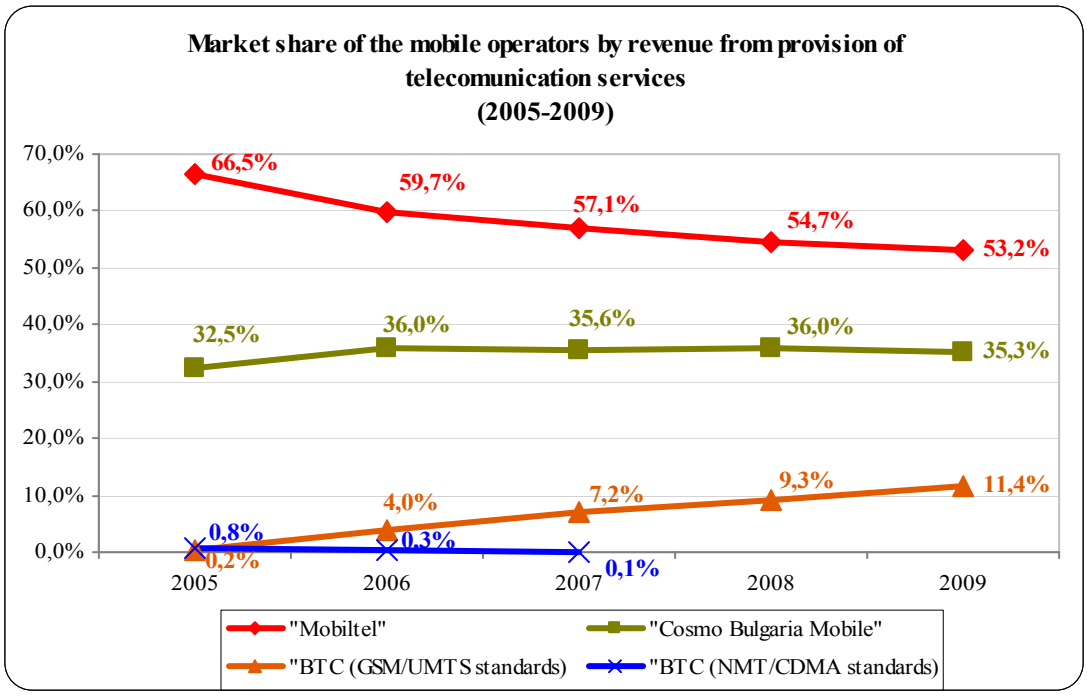
The change in the relative shares of companies, calculated both according to the number of subscribers and revenues from voice telephony provision and other services through their mobile networks for the 2005-2009 period are presented in Fig. 34 and Fig. 35.

[22] Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)



Source: *Data submitted to the CRC*

Fig. 34



Source: *Data submitted to the CRC*

Fig. 35

When considering the relative shares calculated according to the number of subscribers, it makes an impression that the share of BTC AD rose by nearly 3% within a year, which was mostly at the expense of Cosmo Bulgaria Mobile EAD.

When looking into the relative shares by revenues, cash flows from the provision of mobile

networks and/or services are seen undergoing reshuffle. For a period of one year, the market share of the largest undertaking declined by 1.5%, while that of the second-largest – Cosmo Bulgaria Mobile EAD shed nearly 1%. At the same time, the relative share of BTC AD increased compared to the year before.

Companies with significant impact on the market

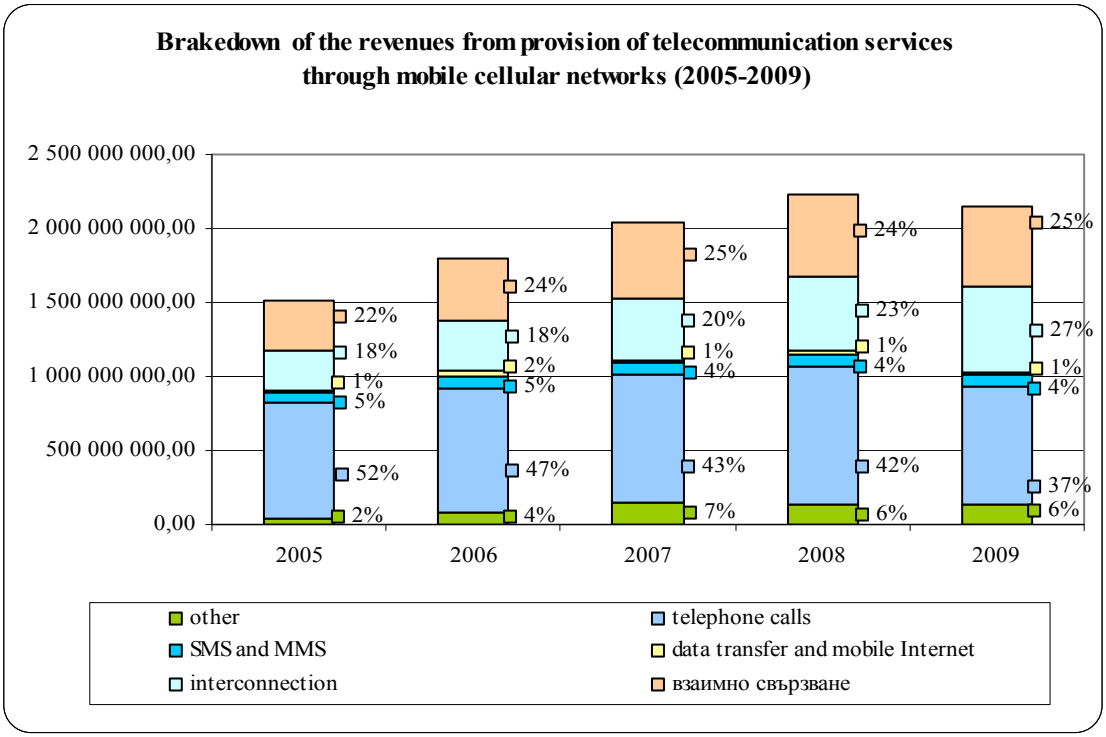
With Decision No. 236/17.03.2009, the CRC finally green lighted the analysis of the market voice call termination in individual mobile networks by which act it named Mobiltel EAD, Cosmo Bulgaria Mobile EAD and BTC AD[23] as the companies with a significant impact on the wholesale market for voice call termination within their own mobile networks under the GSM and UMTS standards, whereas for BTC AD the same is valid with regard to its proprietary mobile network under the NMT and/or CDMA standards. With a view to the established competitive problems, the CRC imposed on the abovementioned the obligation to gradually decrease wholesale prices for termination in individual mobile networks and to apply mirror prices for termination of traffic of fixed phone to a mobile network and from a mobile to a mobile network, as well as to apply price caps for termination after benchmarking.

2.4. Services

Distribution of incomes from services delivered through mobile networks

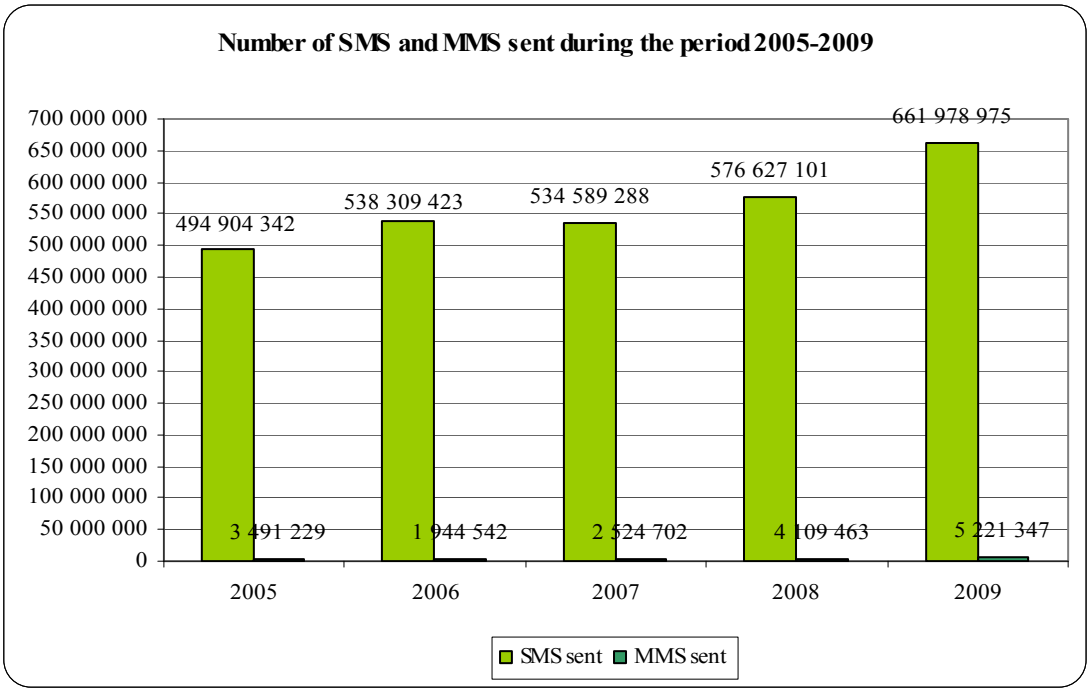
To companies, a main source of revenues remained voice telephony, which accounts for about 37% of all revenues from mobile services. In reality, the share of voice services is even higher because revenues from calls included in the free-of-charge minute plans are reported as revenues from monthly subscription – in 2009, these revenues increased by 4 percentage points and comprised 27% of total revenues. The share of data transfer services via a mobile network, as well as the SMS and MMS services remained unchanged in 2009 – they together generated only 5% of the revenues of mobile phone operators (Fig. 36).

[23] As of 10.09.2009, BTC AD operates on the fixed phone services and mobile phone services market under the common trademark Vivacom



Source: *Data submitted to the CRC*

Fig. 36



Source: *Data submitted to the CRC*

Fig. 37

In 2009, the total number of sent MMS rose by 27% compared to 2008, while the number of sent SMS was by 15% higher than the year before.

New services introduced by mobile companies in 2009

According to data entered in the questionnaires for reporting 2009 activities, only Mobiltel

EAD introduced new services that year, the other two saying that they had not introduced new services to their clients. The newly-introduced services by the biggest undertaking are: M-Tel Navigator, a detailed report for prepaid services users, payment of fines to the Traffic Police, key control, Nokia messaging and Music unlimited.

One of the trends observed in 2009 was that mobile operators continued to rely on convergent and/or bundled services, which combine mobile and fixed phone services and/or Internet access. The number of subscribers for this type of services, where the mobile voice service is just one of the items increased about six fold for a period of one year and accounted for approximately 1.3% of the total number of mobile subscribers.

Intentions for introduction of new services in 2010

Mobile companies continue to update their portfolio and to add new services in addition to the mobile telephony. It is expected that in 2010, some of the companies will penetrate new market segments such as cable television and fixed Internet. A new trend is the provision of bundled services in partnership with other companies – Internet providers, TV and content providers.

2.5. Prices and pricing policy

Price baskets for mobile services consumption

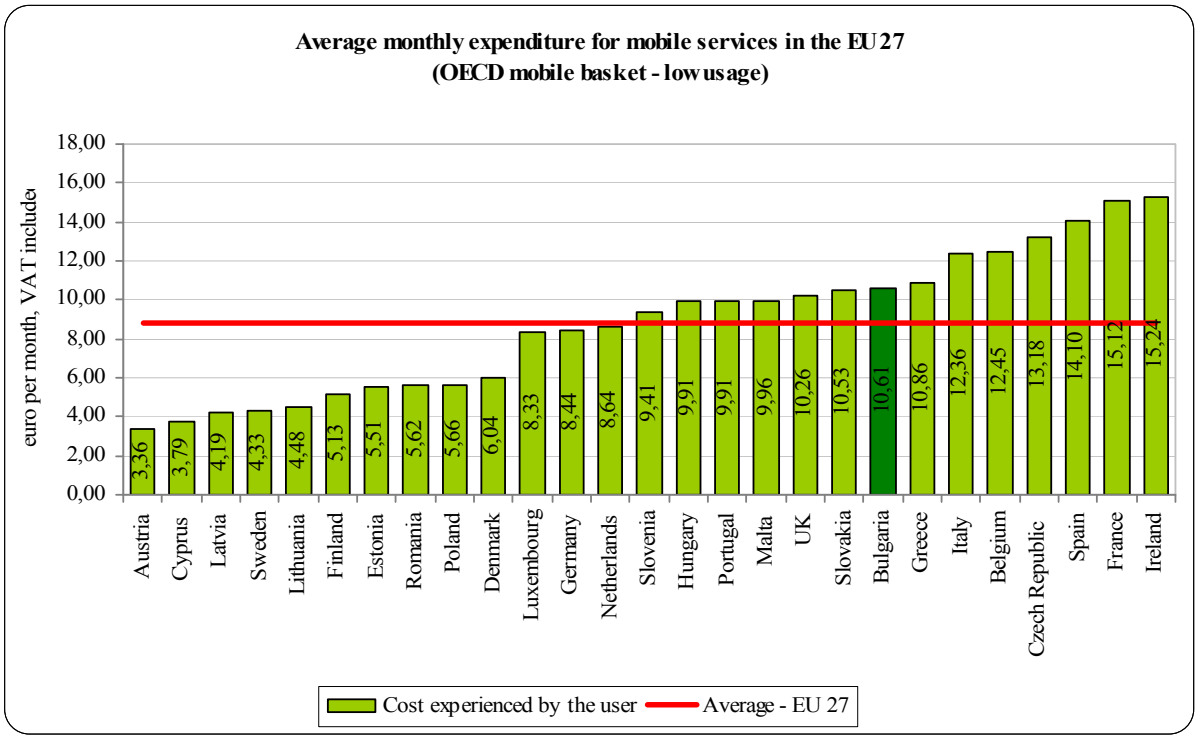
The charts below show user spending for mobile services in Bulgaria and the other EU member states as of 01.10.2009 calculated on the base of the three mobile baskets of the Organization for Economic Cooperation and Development (OECD) revised in the beginning of 2006 - for low, medium and high consumption. The presented average monthly user expenses are in euro and were calculated based on the installment fee, the monthly subscription fee, the charge for a minute call and SMS and MMS rates that correspond to the revised tariff plan. Each of the baskets contains an average consumption scheme established by the OECD, which includes the following elements:

- Low consumption basket: contains 33 short messages and 30 outgoing calls per month, where 22% of the calls are bound to fixed phone networks, 70% - to mobile phones (48% for calls within the same mobile network and 22% to other mobile networks) and 8% - for voice mail;
- Medium consumption basket: contains 50 short messages and 65 outgoing calls per month, where 21% of the calls are bound to fixed phone networks, 72% - to mobile telephones (48% for calls within the same mobile network and 24% to other mobile networks) and 7% - for voice mail;
- High consumption basket: contains 55 short messages and 140 outgoing calls per month, where 20% of the calls are bound to fixed phone networks, 73% - to mobile phones (47% for calls within the same mobile network and 26% to other mobile networks) and 7% - for voice mail;

Each of the baskets is with a specific call spread for the regular and peak hours, as well as for such with variable call duration.

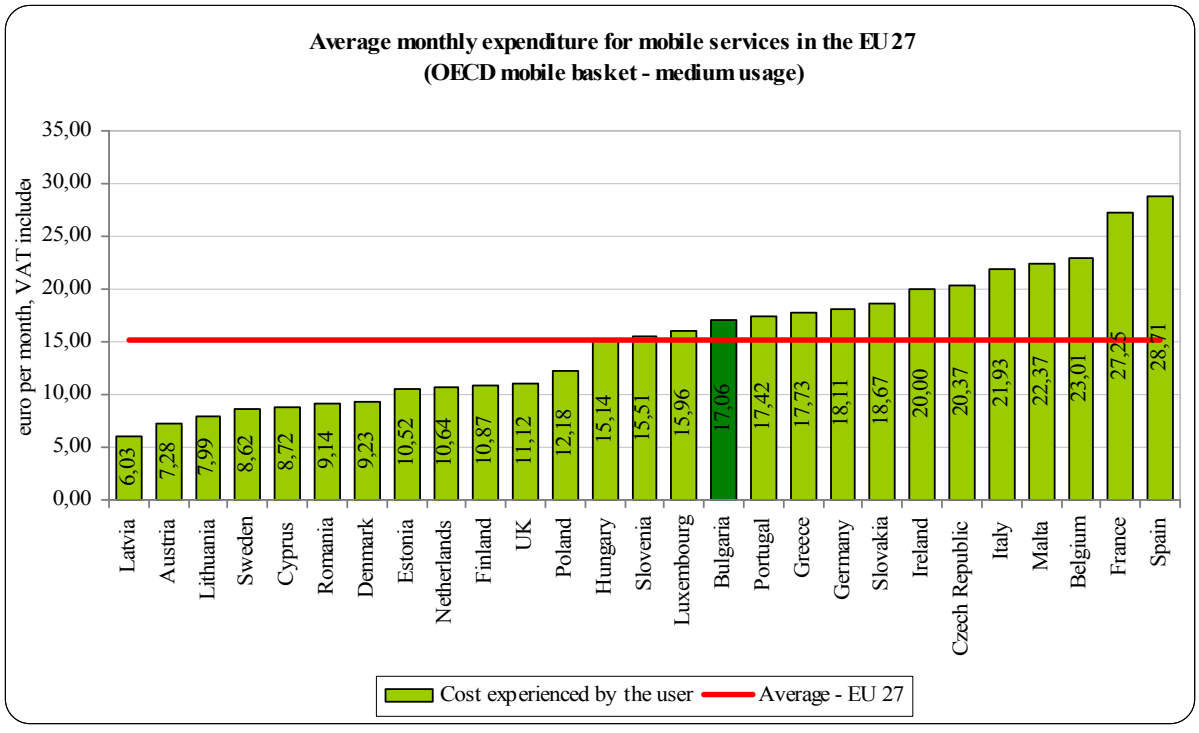
To calculate the level of expenses in the individual countries, the tariff plans of the two biggest companies (based on subscriber numbers) were used for each country, where all promotion programs were excluded. The charts for each of the levels of consumption present the most advantageous option (tariff plan with the lowest level of expenses with an envisaged consumption scheme) for each country, Bulgaria included.

The complete description of the baskets can be found on the website of *Teligen Ltd*[24].



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

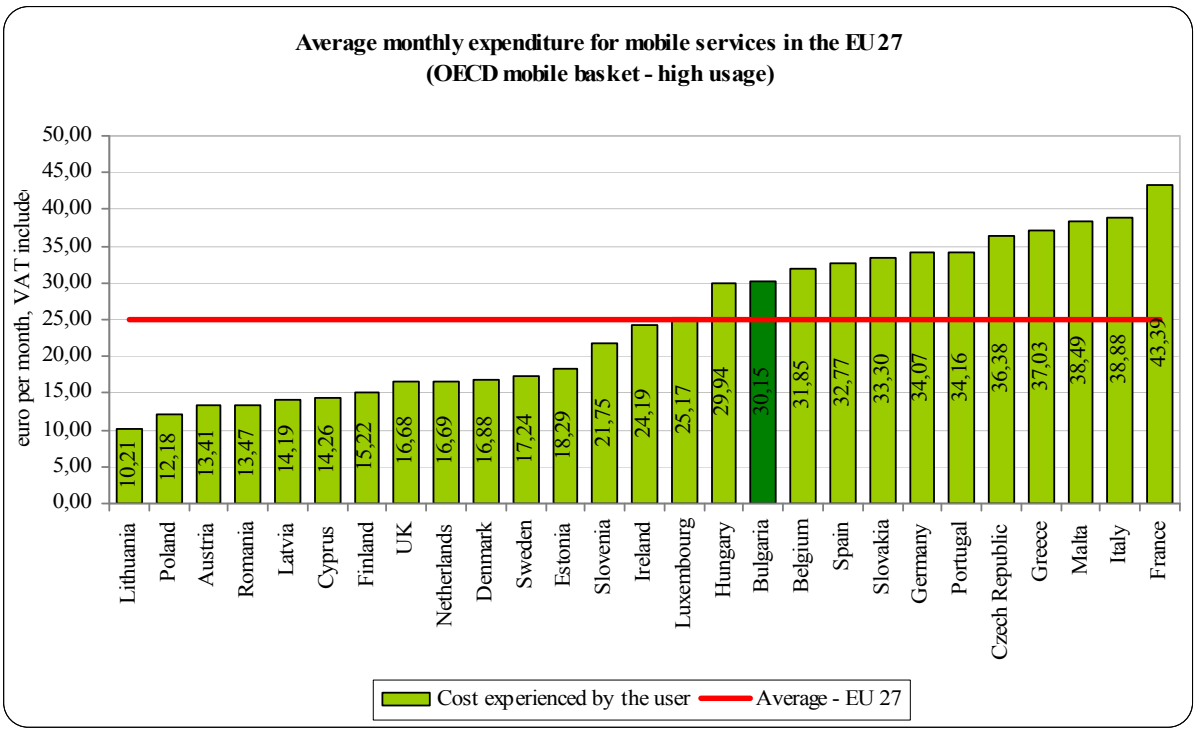
Fig. 38



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 39

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



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 40

From the charts above, it is clear that the average consumer spending per month for mobile services calculated through the three types of baskets in Bulgaria is by around 20% above the EU average. To compare, the average monthly spending for the past year calculated through the low consumption basket was below the average for the EU member states and amounted to EUR 11.43, while with the other two types it was above the EU average - respectively, by 7% and 13%.

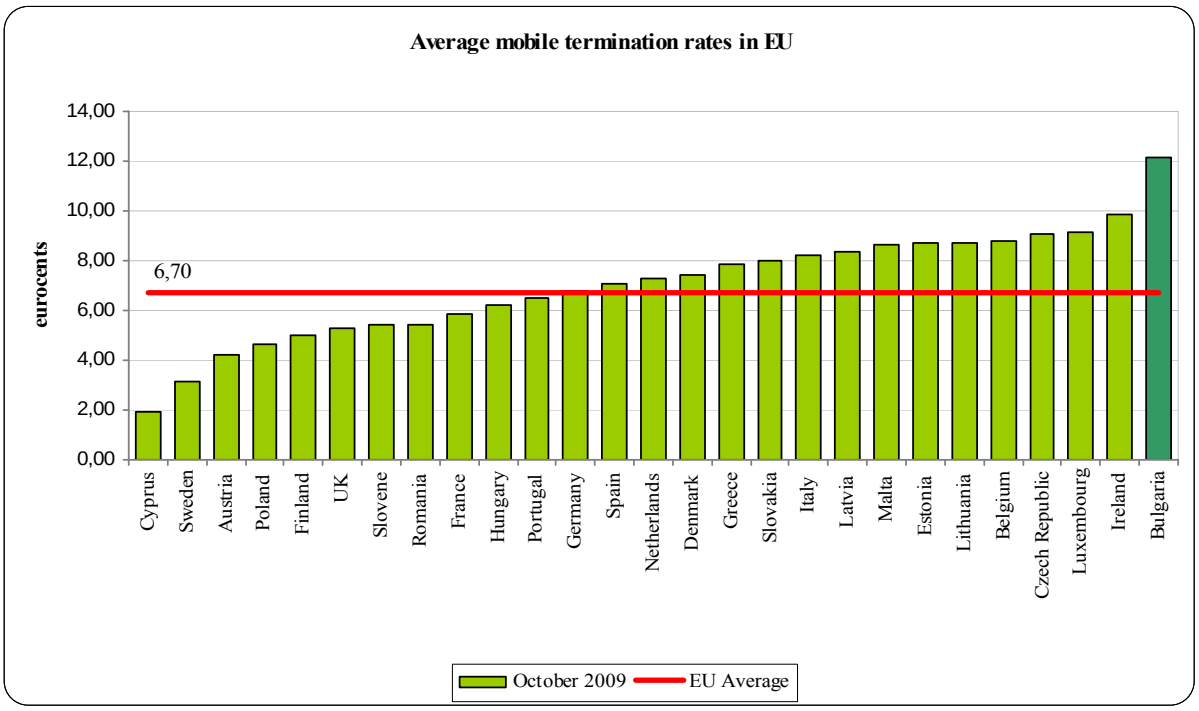
According to a survey[25] of Alpha Research agency for market research, nearly half (48.9%) of all mobile phone subscribers spend on mobile services BGN 20 (around EUR 10.3) on average, and 36.4% from BGN 21 to BGN 50. Thereof one can conclude that although when calculating consumer spending the average consumption levels for the OECD countries were used they do not take into account specifics in consumption in Bulgaria; therefore, the most appropriate benchmarking baskets for Bulgaria are the low and medium consumption baskets.

One should note that mobile phone operators in Bulgaria offer various promotions to the end user, which offer discounts on the monthly fees for certain plans, adding minutes for outgoing calls, etc., which results in a reduction of the average monthly spending total.

Prices for traffic termination in the mobile phone networks

The following chart presents a comparison between the prices for termination in individual mobile networks in the EU member states, valid as at October 2009..

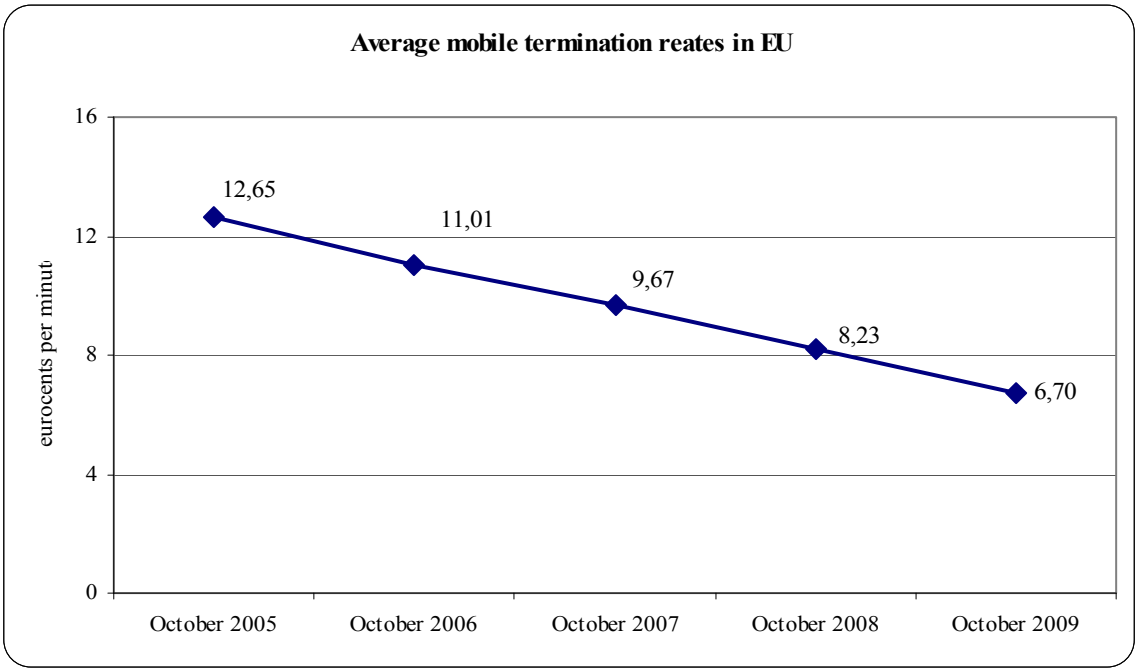
[25] Survey of Alpha Research – Mobile communications, published on 21.06.2010 (http://www.aresearch.org/bg/mobile_communications.html)



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 41

The chart shows that as of October 2009, Bulgaria was among the countries with the with rates for termination of calls in mobile networks although prices declined by 24% for a one-year period.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 42

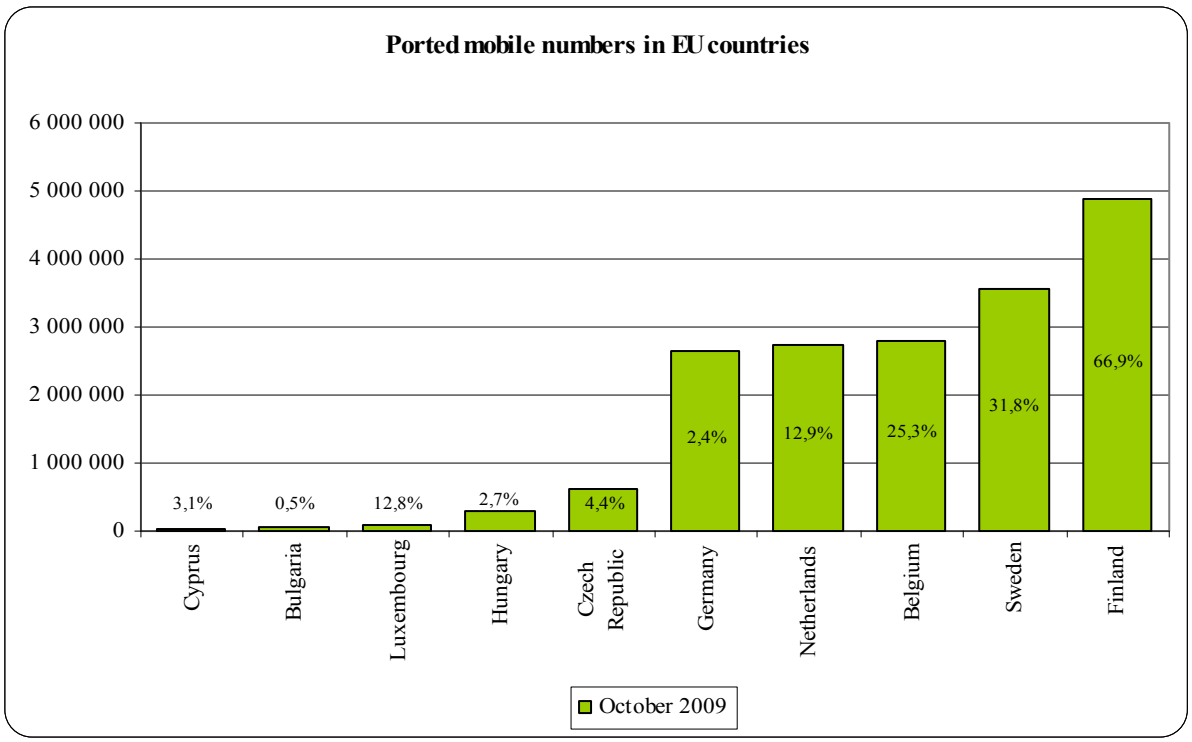
The chart above shows that the average prices for termination in mobile networks in the EU member states (data for Bulgaria and Romania is from 2007) as of October 2009 were by 18.5% lower than in October 2008.

According to the cited CRC Decision No 236/17.03.2009 from 01.01.2010, the prices for termination of voice calls in individual mobile networks in the country have to go down compared to the ones imposed as of 01.04.2009 by, respectively, 22% and 21% in regular and peak hours.

Prospects for development

The development of the mobile networks and services segment in future will much more focus on the redistribution of existing subscribers and not as much on the attraction of new ones (which are less solvent and, therefore, not as attractive users).

The introduction of the "number portability" service (April 2008) saw the migration of 55 830 phone numbers between the local mobile phone operators as at end-2009; however, they are still a very small part of the total number of mobile subscribers – around 0.5%.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 43

Fig. 43 presents the number of ported numbers in some of the EU member states as for the other countries in the cited report the number of transactions was pointed. It can be seen from the chart that the number of ported phone numbers is at the largest in Finland, Sweden, Belgium, Holland and Germany, however as a percent of the total number of subscribers of mobile services, each of these countries, their share strongly varies – Finland (66.9%) while in Germany it is hardly 2.4% although it is one of the countries with the largest number of ported phone numbers.

3. Prices for interconnection, unbundled and specific access and for joint use

3.1. Prices for interconnection referring to the markets of call origination from a certain location within public phone networks and call termination in a certain location within individual public phone networks[26]

In compliance with a CRC Decision No. 237/17.03.2009 and as a result of analyses of the respective markets for call origination from a certain location within public telephone networks and call termination from a certain location within individual public telephone networks, the CRC extended the validity of an obligation imposed on BTC AD in its capacity as a undertaking with a significant influence on the abovementioned markets. The obligation to define cost-oriented prices based on a cost setting system, which system is in compliance with EC recommendation (2009/396/EO) from 7 May 2009 on the approach regulating the prices for termination of fixed phone and mobile phone connections in the EU. In the meantime, until the approval of the cost-oriented prices set on grounds of an approved cost setting system for BTC AD, some billing restrictions were imposed with reference to the services prices:

- call origination from a certain location of the public phone network;
- traffic termination within the proprietary network;
- access to network facilities and elements that are necessary for procuring access to the network and for termination of traffic in it, including the provision of mutual deployment and other forms of mutual use.

With the same decision[27], the CRC also imposed on the other companies defined as having significant influence[28] on the market of call termination from a certain location of the individual telephone networks, price restrictions for interconnection and access to networks by setting price caps.

The CRC-imposed price limitations on BTC AD for the origination and termination prices envisage the price caps for the period from 01.04.2009 to 01.07.2010 presented in the table below.

Table No. 3

Prices for origination, termination, BGN/min, VAT excl.:	From 01.04.2009		From 01.07.2009		From 01.01.2010		From 01.07.2010	
	Heavy traffic hours	Low traffic hours	Heavy traffic hours	Low traffic hours	Heavy traffic hours	Low traffic hours	Heavy traffic hours	Low traffic hours
Local segment of the BTC AD network	0.0141	0.0100	0.0129	1.0100	0.0117	0.0095	0.0105	0.0085
Metro segment of the BTC AD network	0.0200	0.0110	0.0200	0.0110	N/A	N/A	N/A	N/A
Single segment from the BTC AD network	0.0206	0.0110	0.0174	0.0110	0.0142	0.0100	0.0110	0.0095

[26] Markets No. 2 and 3 from EC recommendation 2007/879/EC from 17.12. 2007, and, respectively, markets No. 8 from EC recommendation 2003/311/EC from 11.02.2003

[27] No. 237/17.03.2009

[28] ITD NETWORK AD, VESTITEL BG AD EUROCOM CABLE MANAGEMENT BULGARIA EOOD, EAST TELECOMMUNICATION COMPANY AD, CABLETEL EAD, COSMO BULGARIA MOBILE EAD, MOBILTEL EAD, NEXCOM BULGARIA EAD, NET IS SAT OOD, NOVO EAD, ORBITEL EAD, SPECTRUM NET AD, TELECOM 1 OOD, INTERROUTE BULGARIA EAD, TRANS TELECOM AD.

Double segment from the BTC AD network	0.0440	0.0180	0.0360	0.01800	0.0280	0.0160	0.0200	0.0140

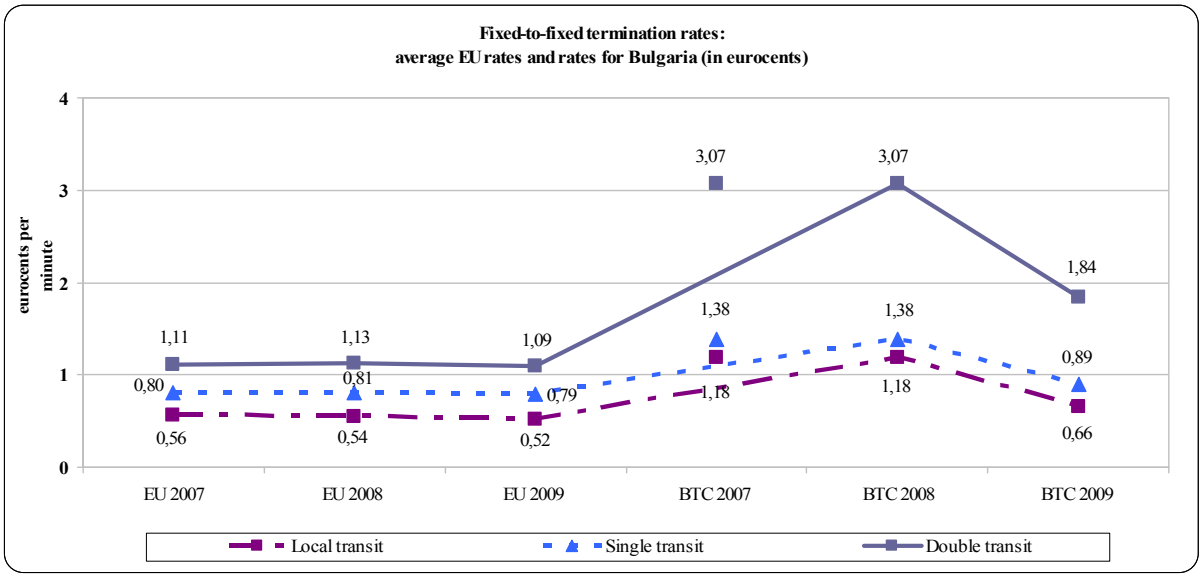
With the new price limitations imposed on BTC AD by Decision No. 237/17.03.2009, the CRC defined prices for the "carrier selection" service, which equals the prices for origination, after indicating that the service in question is realized through the purchase of the call origination service.

The remaining companies seen as having a significant impact on the market of call termination from a certain location within individual public telephone networks charge rates for termination of traffic in their proprietary networks that are not higher than the ones the CRC imposed on BTC AD.

As a result of the regulatory intervention of the CRC, at the end of 2009 the termination prices for the BTC AD network declined and in this way they drew closer to the EU average.

In 2009 the fixed phone networks of historic undertakings within the common internal market saw a decline as follows: for the local segment, the average price was down by 3.7%; for the single segment – by 2.46%, while for the double segment – by 3.53%. The decline in prices for termination in the EU member states was due to the regulatory intervention after a survey and analysis of the market and modification of the cost setting systems, which the historic companies used when setting the cost-oriented prices.

Fig. 44 presents a comparison of the average prices for termination in the fixed phone networks of incumbents in the EU member states (2007, 2008 and 2009) and the prices for termination in the BTC AD network (2007, 2008 and 2009) according to data as of October 2009. The average prices were calculated for heavy traffic hours, where the prices for Bulgaria were converted into euro cent.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th report) and CRC data*

Fig. 44

3.2. Prices for interconnection referring to the market of voice call termination within individual mobile networks[29]

[29] market No. 7 from EC Recommendation 2007/879/EC from 17.12. 2007, respectively, market No. 16 from EC Recommendation 2003/311/EC from 11.02.2003

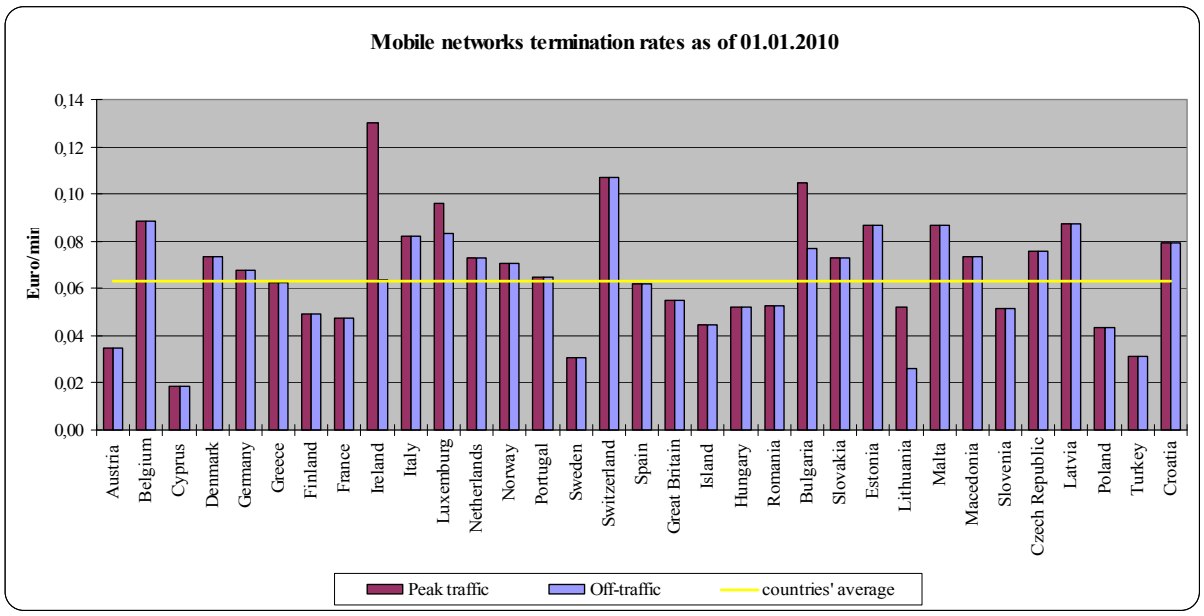
With decision No. 236/17.03.2009 and as a result of a market analyses for voice call termination within individual mobile networks, the CRC imposed on the undertakings with a significant impact[30] on the respective market the obligation to define cost-oriented prices based on a cost definition system and in keeping with the EC Recommendation (2009/396/EO) from 7 May 2009 about the approach in regulating the prices for termination of fixed and mobile phone connections in the EU. Until the approval of cost-oriented prices, defined based on a cost setting system, the undertakings with a significant impact on the respective market were imposed price caps as follows:

Table No. 4

Periods	Prices for call termination originating from other mobile networks and fixed networks, in BGN/min, VAT excl.	
	heavy traffic hours	low traffic hours
As of 01.04.2009	0.25	0.19
As of 01.07.2009	0.23	0.17
As of 01.01.2010.	0.205	0.15
As of 01.07.2010	0.13	0.11

The imposed price caps eliminated the practice of setting prices for termination in the mobile networks depending on the origin of the call. By elimination of the mentioned differences, Bulgaria ceased to be an exception from the practices established in the member states.

Fig. 45 presents comparisons of prices for call termination in mobile networks in Bulgaria with the levels in other European countries.



Source: *BEREC MTR Benchmark Snapshot (as of January 2010)*

Fig. 45

This information is the result of a survey of the Body of European Regulators for Electronic Communications (BEREC) and were calculated as a weighted average for the countries reporting the number of users and prices for termination for each mobile phone operator. The data shows that apart from Bulgaria, Ireland, Luxembourg and Lithuania also impose different prices for termination depending on the time zone. No matter the imposed with a

[30] Mobiltel EAD, Cosmo Bulgaria Mobile EAD, BTC AD

CRC decision No. 236/17.03.2009, obligation for the reduction of prices for termination in individual mobile networks, Bulgaria remained among the countries with the highest average prices for termination in mobile networks.

3.3. Roaming prices

In June 2009, the European Parliament and the European Council voted Regulation (EC) No. 544/2009 (the Regulation) for amendments to the Regulation (EC) No. 717/2007 on roaming in public mobile telephone networks within the Community. With this act, the validity of the Regulations was prolonged until 30 June 2012; its scope was broadened so that it includes provision of roaming services, SMS and data within the Community. It also introduced the requirement to charge with precision of up to one second, by allowing a start up interval of 30 seconds for outgoing calls. Some supplementary requirements were introduced for the delivery of information according to the tariff of regulated SMS and the services for transferring data while in roaming.

In compliance with the Regulation, Bulgarian undertakings delivering mobile services apply the following prices from 01.07.2009:

Table No. 5

	Undertaking		
	Mobiltel" EAD	Cosmo Bulgaria Mobile	BTC AD
Eurotariff			
Outgoing call (BGN./min., VAT incl	1.009	1.008	0.99
Incoming calls BGN./min., VAT incl	0.444	0.444*	0.43
Euro-SMS tariff			
SMS in BGN	0.252	0.258	0.252
Way of charging	Incoming calls are charged per second, when the initial charging interval for outgoing calls is 30 sec. after which charging is per every second. Way of charging is equal for subscribers and for prepaid service consumers and is applied to incoming and outgoing calls.		

* For prepaid services users the price is 0.516 BGN/min, VAT incl.

Two of the Bulgarian mobile operators – MOBILTEL EAD and COSMO BULGARIA MOBILE EAD offer special roaming tariffs together with the euro tariff: M-Tel World Traveller – tariff valid as of 01.06.2009 and Globul Travel'n'talk – a tariff valid from 01.07.2009.

MOBILTEL EAD and COSMO BULGARIA MOBILE EAD offer packages for voice services as well as for the provision of data while in roaming. For subscribers of Mobiltel EAD packages for voice services in the Eurozone were offered, namely M-Tel Euro Talk for private clients, Business Eurotalk – for business clients. These packages contain a certain number of minutes depending on the price – 30, 120, 240 minutes for private subscribers and 100, 300, 600 minutes for the business subscribers – which can be used within 30 days. COSMO BULGARIA MOBILE EAD also offers packages Travel Europe with 15, 30 or 60 minutes for private and business clients no matter the selected subscription plan, which are valid 30 days after activation.

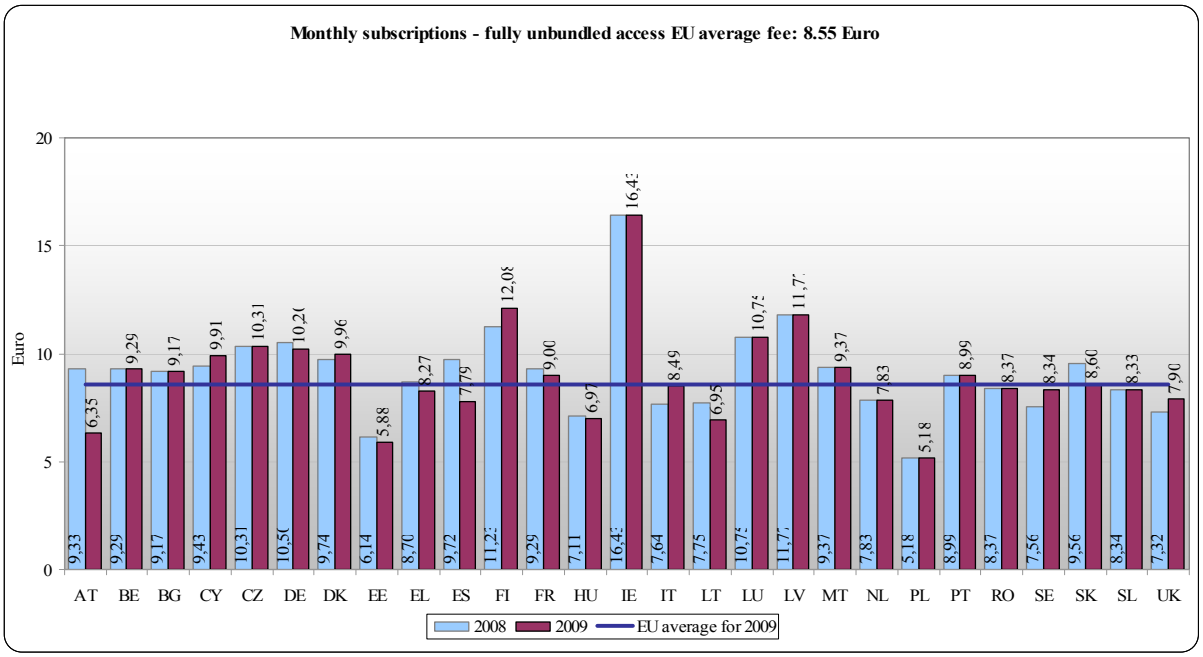
The two undertakings offer data transfer packages with included price-dependent traffic: „Travel GoWeb" (5, 10, 50 MB) is the package of COSMO BULGARIA MOBILE EAD. „M-Tel NET WINGS" (10, 60 MB), „M-Tel Business NET WINGS" (20, 60 MB), „BlackBerry Mail Away" are the packages of MOBILTEL EAD for mobile Internet while in roaming

According to the provisions of the Regulation, the CRC prepared and regularly submitted reports on observing the requirements for international roaming prices and the application of the Regulation.

3.4. Prices for unbundled access

In 2009, according to Art. 7[31] of the transitional and final provisions of the Law on Electronic Communications, BTC AD is obliged to apply cost-oriented prices for unbundled access to a subscriber line. At the end of March, BTC AD approached NEXCOM BULGARIA EAD, ORBITEL EAD and SPECTRUM NET AD with a unilateral binding offer for a cut in the monthly subscription prices from BGN 5.90 to BGN 4.90 for mutual access and from BGN 17.50 to BGN 14.50 for individual access without having to prove their cost orientation. The prices for the other services in 2009 remained unchanged compared to 2008 both in terms of the price cap set by CRC Decision No. 1459/11.07.2006 and of the prices according to the concluded contracts.

The charts below compare the prices for monthly subscription for unbundled access (individual or mutual) to a twisted metal couple in Bulgaria, for the EU member states and the EU average, as the names of the EU member states were substituted with their Latin abbreviation[32]. Due to the changed by the EC methodology for the provision of data for unbundled access[33], the 15th EC report for 2009 cannot be compared with the data pointed in the CRC annual report 2008.



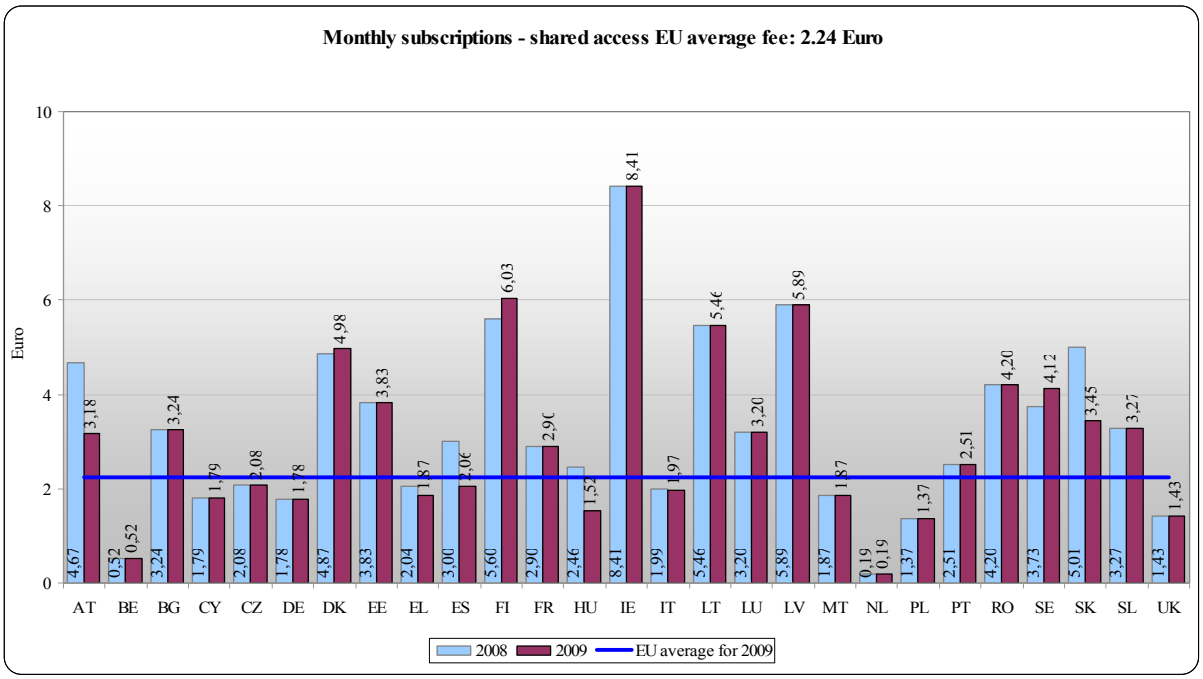
Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 46

[31] The obligations imposed on operators with significant impact on the market under the procedures of the Telecommunication Act (repealed) and connected to specific access (bitsream) remained valid until the enforcement of the CRC decisions, which impose specific obligations on undertakings seen as having a significant impact on the respective market under the Law on Electronic Communications.

[32] BG- Bulgaria, BE- Belgium, CZ- the Czech Republic DK- Denmark, DE- Germany, EE- Estonia, EL- Greece, ES- Spain, FR- France, IE- Ireland, IT- Italy, CY- Cyprus, LV- Latvia, LT- Lithuania, LU- Luxembourg, HU- Hungary, MT- Malta, NL- Holland, AT- Austria, PL- Poland, PT- Portugal, SL- Slovenia, SK- Slovakia, SE- Sweden and UK- United Kingdom.

[33] The fee for a monthly subscription includes average costs calculated as a monthly subscription; connectivity costs under the three-year depreciation method are included.



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report)*

Fig. 47

The comparison between the 2009 prices for a monthly subscription for unbundled access for Bulgaria (BTC AD) and the weighted average for the EU member states, while using the EU methodology, shows that the monthly price with an independent access is slightly higher than the EU average (by 0.07%), while with an mutual access the price is much above the EU average (by 45%).

3.5. Prices for specific access

According to Art. 7 of the transitional and final provisions of the Law on Electronic Communications, prices for specific/bitstream access applied by BTC AD were defined while observing the transparency and cost orientation principles. In that regard, prices for the provision of services for specific/bitsteam access according to the contracts concluded in 2009 were coordinated with the price caps imposed by the CRC[34], as there is no change in the number of the concluded contracts (7) between BTC AD and the competitive undertakings in 2009 versus 2008.

In 2009, BTC AD offered a unilateral reduction of prices for some of the services as the prices offered were negotiated between the undertakings without displaying their cost orientation. The prices active in 2009 are presented in Table 6.

Table No. 6

1. Initial prices		**Price in BGN VAT excl.**
1.1.1.	Technical survey of a submitted statement for ADSL PoP	5 000 for the whole country/100
1.1.2.	Technical survey of a submitted statement for ADSL PoP beyond the scope of the MAN network	390,00
1.2.	Single opening of DSLAM port	50

[34] Decision of CRC No. 1358/15.11.2007

1. Initial prices		Price in BGN VAT excl.
1.3.	Technical survey and opening of a subscription line	10.00
1.4.	Opening an aggregating MAN port	53.00
1.5.1.	Definition and configuration of VLAN	106.00
1.5.2.	Definition and configuration of VLAN for all profiles of one MAN	333.00
2. Monthly fees		
2.1 Monthly subscription fee for specific access to a subscriber line according to the profile of the end client traffic		
2.1.1.	ADSL 6144-A (1:50 sharing coefficient)	4.25
2.1.2.	ADSL 12288-A (1:50 sharing coefficient)	7.25
2.1.3.	ADSL 6144-B (1:20 sharing coefficient)	13.42
2.1.4.	ADSL 12288-B (1:20 sharing coefficient)	18.18
2.2 Monthly subscription fee for aggregating MAN port		
2.2.1.	10/100 Mbps port	81.00
2.2.2.	1000 Mbps port	130.00
2.3 Monthly subscription fee for VLAN		60.00
2.4 Monthly subscription fee for specific access to a subscriber line, in ADSL point outside MAN network according to the profile of the end client traffic		
2.4.1.	ADSL 512-A (1:50 sharing coefficient)	11.54
2.4.2.	ADSL 1024-A (1:20 sharing coefficient)	15.40
3. Other prices		
3.1.	Change of the profile of the end client traffic	30.00

Together with the traditional offer for specific/bitsteam access, in 2009 BTC AD started offering the "Naked bitsteam access" service with monthly subscription prices as follows:

Table No. 7

Monthly subscription for Naked bitsteam access to a subscription line according to the profile of the end client traffic	Price (BGN), VAT excl..
ADSL n-6144-A (1:50 sharing coefficient)	9.25
ADSL n-12288-A (1:50 sharing coefficient)	12.25
ADSL n-6144-B+ (1:20 sharing coefficient)	18.42
ADSL n-12288- B+ (1:20 sharing coefficient)	23.18

At the end of 2008 with Decision 2364/02.12.2008, CRC published for public discussion a decision and draft analyses of the market for the wholesale provision of (physical) access to network infrastructure (including full and mutual unbundled access) in a certain location and the market for wholesale provision of broadband access. After taking the statements submitted by the undertakings into account, in which prevailed the idea for including connection through the underground channel network and premises, facilities and towers in the scope of the market analysis, the CRC revised the market analyses and with Decision No. 767/23.07.2009 it opened a new public discussion procedure. On analyzing the results from the public discussion held in 2009, the CRC identified the need to update the data, on the basis of which the analyses were made.

3.6. Prices for joint use

As it had already been pointed out, with a CRC decision No. 237/17.03.2009 and as a result of an analysis of the respective markets for call origination from a certain location of public telephone networks and call termination from a certain location of individual public telephone networks, the CRC continued the action of the imposed on BTC AD - in its capacity as a undertaking with significant impact on the abovementioned markets - obligation to set cost-oriented prices including the prices necessary to effect network access and to generate/terminate traffic in it, including the deployment of mutual installations and other forms of mutual use. By the approval of cost-oriented prices defined on the grounds of BTC AD's, cost setting system, some price caps were imposed[35] with reference to the mutual use prices.

With Decision No. 9246/09.07.2009, the Supreme Administrative Court confirmed the approved with CRC Decision No. 721/10.05.2007 general conditions for mutual use of the underground channel network and the general conditions for the use of premises, facilities and towers (General conditions) of BTC AD, whose subject are also the prices at which the mutual use services are offered.

4. Provision of universal service

In accordance with the acting regulatory requirements[36], with Decision No. 1086/03.09.2009, the CRC announced plans to run a competition to select a undertaking/s and to assign the provision of the universal service; to screen corporate interest in the provision of a universal service as well as to see under what conditions this interest is the keenest, by setting a 30-day deadline by which interested undertakings were to declare interest. As a result, the Commission received letters from BTC AD, MOBILTEL EAD, COSMO BULGARIA MOBILE EAD, TRANS TELECOM AD and TELEDATA AD. After taking the opinions stated in the letters into account, the CRC deemed it necessary to draw up an analysis of the relevant regulatory framework for the provision of the universal service. In view of the abovementioned and based on Art. 7 of the transitional and final provisions of the Law on Electronic Communications, it named BTC AD the provider of the universal service for the year 2009. The assigned obligations concerned the provision of the services within the range[37] of the universal service with a specified quality, at reasonable prices and on the entire territory of the country.

4.1 Performance of the obligation to provide the universal service on the entire territory of the country

The data BTC AD provided on the performance of the obligation to provide the universal service nationwide showed that as of 31.12.2009 there were 524 populated places without telephony out of 5 302 territorial units in all[38], level against 2008. According to BTC AD data as of 31.12.2009, the spread of the populated places with no phone lines depending on the number of residents, is shown in the following chart:

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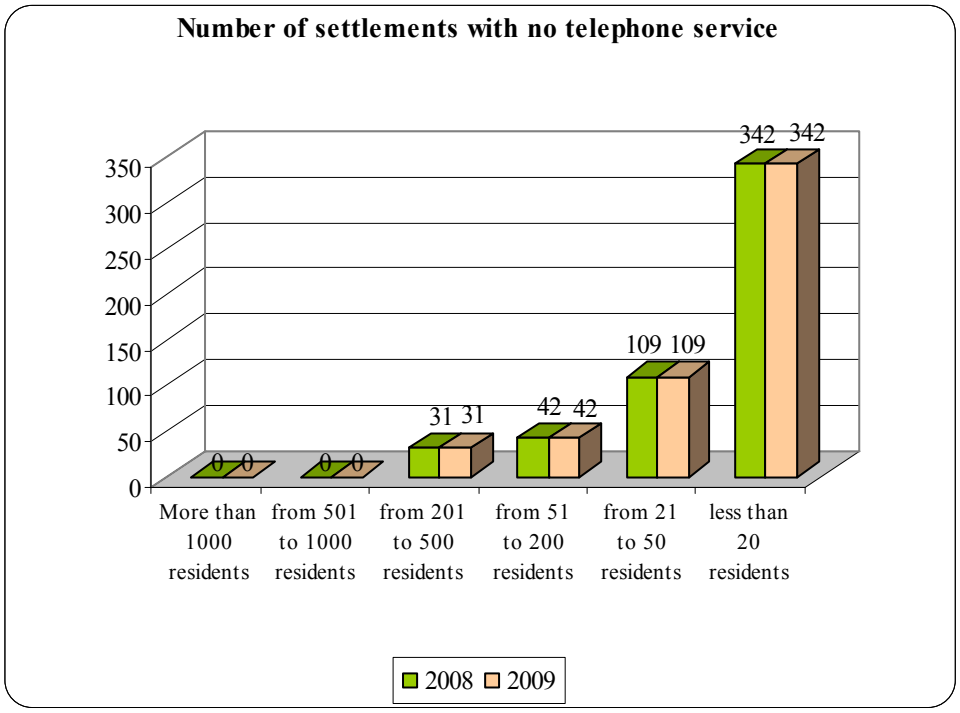
[35] http://www.crc.bg/files/_bg/M2-3_BG_Final_decision_analysis_non-confidential.pdf

[36] LEC; Ordinance No. 6/13.03.2008 by the chairman of the State Agency for Information Technologies and Communications on the requirements and quality parameters for the universal service, special measures for handicapped people and the order for the selection of undertakings providing public electronic communication networks and /or services, and for assigning the obligation to provide the universal service, updated, State Gazette, issue 32/25.03.2008 (Ordinance No.6)

[37] ~~The scope of the universal service i~~s stipulated in Art. 182, para. 2 of the LEC

[38] According to data of the National Statistical Institute from the Unified Classification of the Administrative-Territorial and Territorial Units (UCATTU), effective as of 31.12.2009, there are 5 302 territorial units / populated places in Bulgaria.

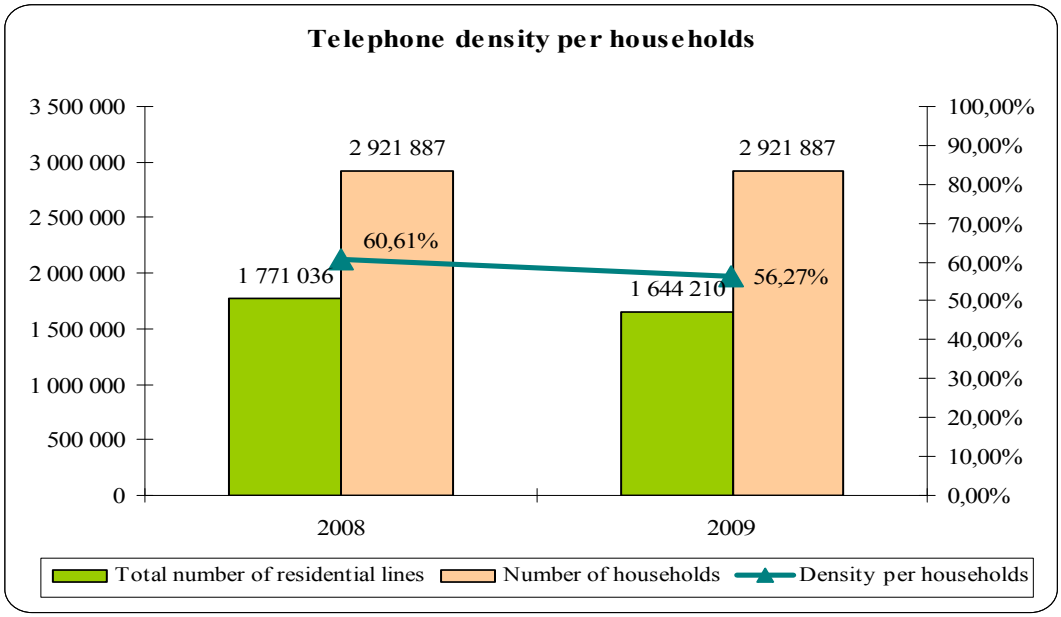


Source: *Data submitted to the CRC*

Fig. 48

The chart shows that out of the populated places with no phone lines, the number of populated places with 50 or fewer citizens is the largest (82.6% of all populated places without telephony). There are no zero-telephony populated places with more than 500 and more than 1000 citizens in Bulgaria.

According to BTC AD data, telephone density by households[39] was 56.27%, down 4.34% against the year before due to the 7.16% year-on-year decrease in home subscriber numbers.



Source: *Data submitted to the CRC*

Fig. 49

[39] The index "density by households" is measured by dividing the total number of home subscribers to the number of households in the country. The number of households equals the latest officially published figure of the National Statistical Institute, as of 2001.

4.2. Meeting the obligations for connectivity in a certain location to the public telephone network and access to public telephone services

According to BTC AD data, as of 31.12.2009 the number of submitted substantiated applications[40] for connection to the public fixed telephone network saw a negligible decrease (by 559) against 2008 to a total of 58 704[41]. In the meantime, the number of applications submitted by handicapped people in 2009 more than doubled against 2008 to 4 478.

A comparison between the number of people awaiting approval of their substantiated applications as of end-2009 and that as of end-2008 shows a palpable decrease[42] by more than 52%. BTC AD has pointed no reasons for turning substantiated applications down. Rather, it says that due to the technical time, necessary to create a technical capacity to offer the service, the applicants give up the service. By approving of the substantiated connectivity applications submitted, subscribers are given access to public telephone services: making calls to subscribers of BTC AD and other networks, sending and receiving fax messages and data transfer at a speed that is suitable for functional access to the Internet. In 2009, BTC AD offers dial-up Internet access to 1 988 subscribers, with the traffic of calls to the numbers for access 134xx reaching 0.19% of the total number of calls to the national numbers.

With the provision of public telephone services, BTC AD performs its obligation to provide free-of-charge calls to emergency numbers. Since end users retreat to these calls only when necessary, their size, measured in minutes, is insignificant (0.12%) compared to the total number of calls to national numbers.

4.3. Meeting the obligation to provide public telephones with a predetermined quality that allow making free calls to emergency numbers

The obligation of BTC AD to provide public telephones, stipulated in Regulation No. 6, envisages that a criterion for a sufficient number of public telephones is reached. Regulation No. 6 indicates that 1 public telephone in a municipality with more than 500 residents and at least 1 public telephone for a municipality with more than 1500 residents is sufficient.

Based on BTC AD data about the number of installed public telephones as of 31.12.2009[43] by populated places and of the statistical data about the number of municipalities with more than 500, from 500 to 1500 and more than 1500 citizens, Table 8 presents data testifying to a met obligation for the provision of a sufficient number of public telephones:

[40] BTC AD treats all applications submitted by home subscribers as substantiated applications that refer to the permanent address of the end user, within the construction borders of the populated place.
[41] For year-on-year comparison purposes, the number of submitted applications includes the 8 498 applications withdrawn in 2009.
[42] As of 31.12.2008, the number of applicants awaiting approval came in at 6 515 or 11%, while as of 31.12.2009 that number totaled 3 446 or 5.7%.
[43] The number of public booths is also included according to Art. 7 of Regulation No. 6

Table No. 8

	Number of municipalities	Number of BTC AD-installed public telephones	Sufficient number of public telephones[44]	Meeting the criterion for a sufficient number of public telephones
Fewer than 500 residents	1 477	884	N/A	+ 884
From 500 to 1500 residents	1 167	1 300	1 501	- 201
More than 1500 residents	529	9 574	3 908	+5 666
Total:		**11 758**	**5 409**	**+ 6349**

It is clear that to meet the requirement for a sufficient number of public telephones for end users in municipalities with 500 to 1500 residents, BTC AD is 201 units short, whereas for the remainder of mayoralties the number of installed public telephones is significantly higher. Despite the abovementioned, in all the number of BTC AD-owned public telephones declines year-on-year by approximately 15.32%.

Public telephones, property of BTC AD, whose qualitative characteristics include facilities for users with impaired hearing and for users with no or impaired eyesight, reached 65.58% as of 31.12.2009. Part of them contain a textual or other type of connection for people with impaired hearing or speech and are accessible for users in wheelchairs by being installed in suitable locations.

As of the end of 2009, BTC AD reported a 2.93% decrease in the percentage of functional public telephones compared to the end of 2008, when their percentage was 89.46%. In 2009, the time for repair of public telephone damages increased by more than 5 hours compared to 2008.

The provision of the service through public telephones in the past year was accessible to users after their purchase of calling cards at the following prices:

Table No. 9

Card	for 25 units	for 50 units	for 100 units	for 200 units
price (in BGN)	2.90	4.90	7.50	13.00

Note: The price is VAT inclusive.

Free calls to the national emergency numbers and to the single European emergency number 112 can be made from all public telephones, owned by BTC AD.

4.4. Meeting the obligation to provide a telephone directory with the numbers of all public telephone subscribers and directory enquiry services about the numbers of subscribers featuring in the telephone directory

In meeting its obligation to procure a common telephone directory with the numbers of all

[44] A sufficient number of telephone units is derived as a sum of the required minimum of public telephones for each municipality according to Regulation No. 6, based on the allocation of populated places by municipalities and population count as of 31.12.2009, according to NSI data

subscribers to public telephone services in a form (print and/or electronic), approved by the CRC in October 2008, BTC AD extended a proposal to coordinate the telephone directory in an electronic format. With Decision No. 2358/03.12.2008, the CRC approved the 2009 electronic version of the telephone directory and obliged BTC AD to publish and keep it up to date on its official webpage.

In meeting the obligation to offer the numbers from the general telephone directory, BTC AD provides end users 24 hours a day a telephone information service that equals the number of a local call[45].

4.5. Meeting the affordability obligations for universal service prices

In meeting the affordability obligation[46] for the price of the universal service, in 2009 BTC determined as affordable the prices for:

- connection in a certain location to the public telephone network. The price for a connection is BGN 24, VAT included, and refers to the connection based on a substantiated applications, submitted by an end user;
- maintenance of access to public telephone services (monthly subscription/standard plan). In 2009, the CRC approved[47] the proposal filed by BTC AD for a monthly subscription rate, which does not include consumption (a certain number of minutes for calls or data transfer);
- ценовите пакети от обхвата на универсалната услуга.

In 2009, BTC continued to offer price packages catering to low-income users (Low-user plan, as named by BTC AD); handicapped people whose work capacity or capacity for social adaptation has been impaired by 90% and more (Handicap plan, as named by BTC AD); such admitted to social or health institutions (Social and health institutions plan, as named by BTC AD), offered in 2008 as well, such as:

- **no changes to the requirements and prices in the price package catering to the low-income users.** The package continues to be offered to socially disadvantaged users who are entitled to welfare or have documents from administrative institutions, which are authorized to issue documents testifying to the socially disadvantaged status of a person. The monthly price of the package is BGN 3.72, VAT inclusive, includes 20 minutes of local calls or 10 units (for phone lines with no time meters) a month, which are charged 0.00 BGN per minute/unit. For calls after the package minutes are used up, subscribers pay as much as BTC AD standard package subscribers.

- **BTC AD renamed the name of the price package catering to handicapped people whose work capacity or ability for social adaptation has been impaired by 90% and more** (from Handicap plan to Handicap 160 plan in the price list. The conditions and prices in the renamed price package remain unchanged. The package is offered on presentation of the respective documents testifying to lasting handicaps and a work capacity cut by 90% and more (1st disability group). The monthly package of BGN 1.80, VAT inclusive, includes 160 minutes of local calls or 80 units a month, which are charged at BGN 0.00 a minute/unit. If the package-included minutes/units are surpassed, the price for the extra minutes equals the ones paid by BTC AC standard package subscribers.

- **as of 01.04.2009, BTC AD launched the offer of a new price package Handicap 300, which caters to handicapped users whose work capacity or ability for social adaptation**

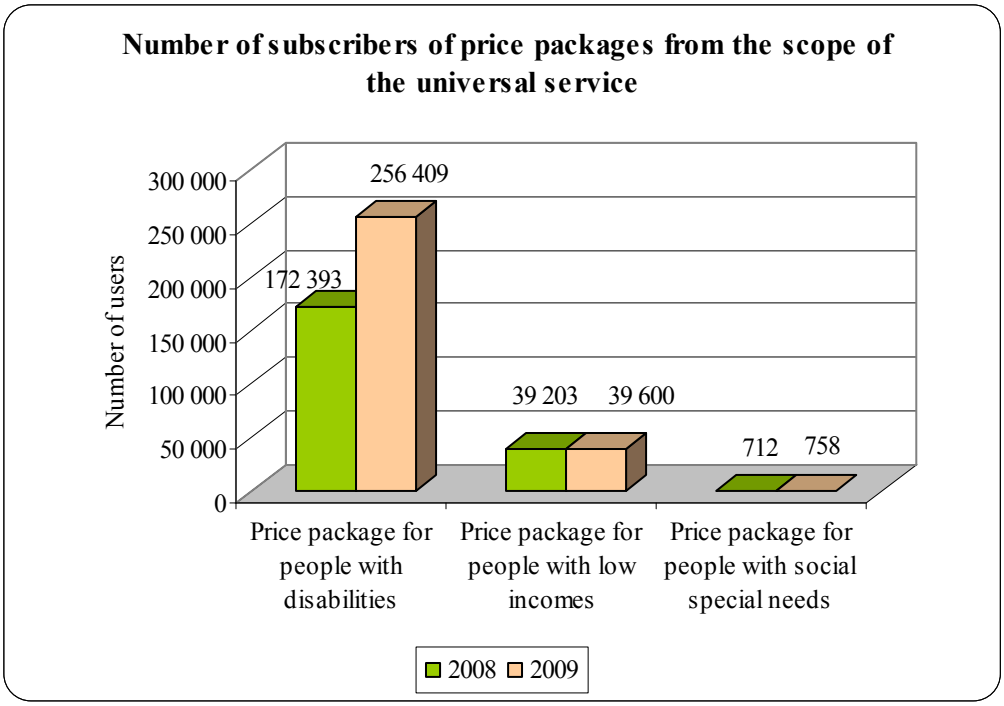
[45] 0.018 BGN/min in the peak load hours and 0.00 BGN/min in the low load hours after paying up-front BGN 0.132. The indicated prices are VAT inclusive

[46] Stipulated in the Methodology for determining prices and price packages for the universal service, endorsed with Ordinance No. 254 from 23.10.2008 of the Council of Ministers, prom. SG, issue 94 from 31.10.2008

[47] With Decision № 992/13.08.2009, the CRC approved the BTC AD proposal for a new price package for home subscribers to the landline voice phone service

has been impaired by 50% and more (1st, 2nd and 3rd disability group). The package is offered on presentation of the respective document from a Territorial Expert Medical Commission, which testifies to lasting disabilities. The monthly price of the package of BGN 7.80, VAT inclusive, includes 300 minutes of local and long-distance calls or 150 units a month, which are charged 0.000 BGN a minute/unit. If the package-included minutes/units are surpassed, the price for the extra minutes equals the ones paid by BTC AC standard package subscribers.

- **no changes to the requirements and prices of the price package catering to users with special social needs, which are accommodated in social and health institutions** (Social and health institutions plan). The package is offered to social and health institutions, drafted by the Ministry of Healthcare and Ministry of Labor and Social Policy, which is updated annually by January 30. The BGN 7.80, VAT inclusive, monthly price of the package includes 1000 minutes or 500 units of local calls a month, which are charged BGN 0.00 a minute/unit. The minutes of calls outside the price package are charged at rates that equal the prices for calls made by standard package subscribers. Changes to the number of subscribers to standard packages from the scope of the universal service in 2009 as against 2008 are presented in the chart below:



Source: *Data submitted to the CRC*

Fig. 50

The chart shows that in 2009 the number of users for all price packages increased, the sharpest growth being registered in the handicapped people price package, an increase by 49% compared to the year before.

4.6. Meeting the obligations for a certain quality in the universal service provision

Table No. 10 below offers a comparison of the quality parameters, listed in Ordinance No. 6.

Table № 10

Quality parameters for universal service provision			
I. For the telephone service provided at a fixed location			
Parameters	**Unit of measurment**	**2009**	**2008**
1. Supply time for initial connection	in days	20	20
2. Fault rate per access line			
2.1. for digital subscriber lines	in %	0.98	0,93
2.2. for analogue subscriber lines	in %	3,2	2,9
3. Fault repair time - average value	in hours	3,75	5,39
4. Unsuccessful calls rate	in %	0.10	0,13
5. Connection time	in seconds	0.5	0.59
6. Call set up time (response) by calls to operator service - average response time	in seconds	20	39
7. Call set up time (response) by calls to directory enquiry services	in seconds	20	8,5
8. Percentage of bill correction complaints	in %	47	49
9. The voice quality assessment factor (R factor)			
9.1. for wire access technology		75	75
9.2. for wireless access technology		70	70
10. One-way voice delay	milliseconds	not greater than 150	not greater than 150
II. Of public payphones			
1. Fault repair time - average value	in hours	09:26:00	03:54:37
2. Unsuccessful call rates	in %	0	0
3. Call set up time	in seconds	0.5	0.5
4. Call set up time (response) by calls to operator service - average response time	in seconds	39	39
5. Call set up time (response) bw calls to directory enquiry services	in seconds	8.5	8.5
6. Percentage of the public payphones in good condition	in %	89.46	92.39

Source: *Data submitted to the CRC,*

Data shows that compared to 2008 BTC AD enhanced the quality of the universal service under the following parameters:

- the time for elimination of failures in phone services at a certain location has been downsized by 30%;
- the percentage of failed calls was down by 0.03%;
- the time for connection establishment was cut by 15%;
- the time for connection establishment (response) for calls to an operator was reduced by 48.72%;
- the percentage of complaints over the accuracy of bills was down 2%.

In 2009, BTC AD reported poorer quality on the parameter "Time for connection establishment (response) for calls to telephone information services", where the average time was up by 11.5 seconds year-on-year.

4.7. Complaints and complaint adjudication

According to the General conditions governing relations between BTC AD and the end users, the undertaking allows users the possibility to individually track and control their costs through:

- the provision of detailed bills free of charge [48];
- selective limitation of outgoing calls free of charge;
- glide-path payment when connecting to public telephone networks.

According to BTC AD data, as of 31.12.2009 the number of subscribers, whose subscriber lines have no time meters, totaled 96,015, which represents 5.84% of the total number of home subscribers. These lines are linked to analogue telephone exchanges, which are not equipped with time-based charging devices and because of this technical deficiency subscribers are deprived of their right to receive a detailed invoice[49] about the number, type and duration of the calls made. In this way, the subscribers are deprived of the opportunity to track and control their costs.

In 2009, the number of complaints over the provision of the universal service, which the undertaking received, totaled 9,242, a 61.49% decrease compared to 2008, and stood at 5.6 complaints per 1000 home subscribers.

Most often complaints disputed the accuracy of the bills, technical failures, invoice provision, violation of contractual provisions. The percentage of the complaints concerning invoice accuracy compared to the total number of complaints was at 47% and was down 2% compared to the same parameter in 2008.

BTC AD responded to 59% of the incoming complaints within the regulatory deadline of 30 days, while the percentage of respected complaints was 66%.

4.8. Compensation of net expenditures accrued due to universal service provision

The provisions in item 2, para. 2 from Art. 200 of the LEC, in force from 2009, limited BTC AD's possibilities to request compensation for the proven net expenditures because in regard to the completed market analyses, the CRC - with Decisions No. 236/17.03.2009, No. 237/17.03.2009 and No. 650/25.06.2009 – found BTC AD a undertaking with a significant impact on the following markets: call termination in individual mobile networks; call origination from a certain location in public telephone networks and call termination from a certain location within individual public telephone networks; access to a public telephone network from a certain location and public telephone services.

In 2009, the CRC has not received a net expenditure compensation request as regards the provision of the universal service. In this regard, the Board of Directors of the fund for universal service compensation (the Fund) did not take a decision with regard to the total size of the compensation, as well as for the concrete sum of each applicant. The Fund did not operate with funds, nor did open a bank account.

4.9. Prospects for development of the universal service

Year 2009 witnessed a follow-up to the debate, launched in 2008, on the second periodical review of the scope of the universal service. It was initiated by the EC in compliance with Art. 15 of the Universal Service Directive (Directive 2002/22/EC). Discussions focused on the change to the universal service concept, offering more flexibility to the EU member states in defining the scope of the universal service, its inclusion in the scope of the broadband Internet access and the future financing of the universal service. The EC opinion on the open consultative procedure related to the scope of the universal service is expected in May 2010.

[48] According to Art. 260, para.3 of the LEC
[49] According to Art. 260, para. 4 of the LEC

5. Leased lines

5.1. Market players

As of 31.12.2009, a total of 36 undertakings notified the CRC about plans to offer the service "leased lines", "international leased lines" included, of which 8 were new undertakings to have notified the CRC in 2009 they intended to begin leasing lines: NBI SYSTEMS OOD, IBEROCOM BULGARIA OOD, LEADER PC OOD, NETBOX EOOD, NETGUARD OOD, NETSTAR TELECOM OOD, SKY GROUP NET OOD and TELEPHONE.COM OOD.

As of 2009, RADIOTELECOMMUNICATIONS COMPANY EOOD and BTC MOBILE EOOD no longer offer the "leased lines' service[50].

According to data submitted to the CRC, just 17 of all undertakings actually offered leased lines in 2009:

Table № 11

• „BULGARTEL EAD • BULGARIAN TELECOMMUNICATIONSI COMPANY AD • VESTITEL.BG AD • GLOBAL COMMUNICATION NET AD • EUROCOM CABLE MANAGEMENT BULGARIA EOOD • INVITEL INTERNATIONAL BULGARIA EOOD • INTERBUILD OOD • COSMO BULGARIA MOBILE EAD	• MOBILTEL EAD • NETGUARD OOD • NETERRA EOOD • NETWORKS – BULGARIA OOD • „NOVATEL" EOOD • „PLADI COMPUTERS" OOD • RAKOM AD • SOFIA COMMUNICATIONS EAD • SPECTRUM NET AD

To compare, as of end-2008 the number of undertakings to have notified about plans to join the market, totaled 30, of which 15 actually operated on the market. Of the undertakings, which stated plans to start operations in 2009, only NETGUARD OOD did so.

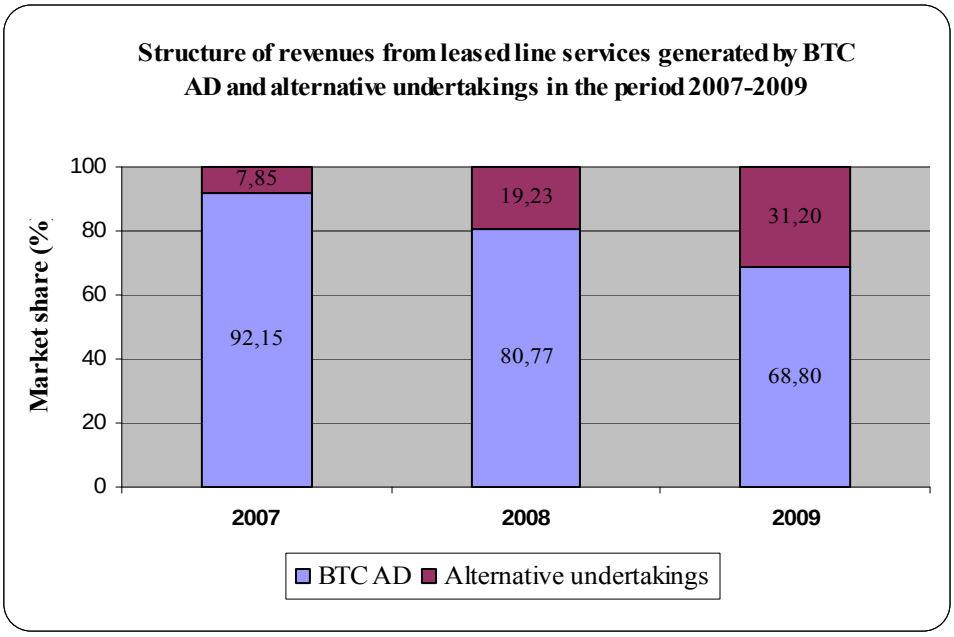
5.2. Size of the market and market shares

Revenues from the "leased lines" service provision came in at BGN 51.7 million, a decrease by 49% compared to 2008.[51] The sizable slump was mainly due to two reasons. First, the decrease in revenues from wholesale leased lines provision (of other undertakings offering public electronic communications) shed 60%, which could be explained with the continued investments of public electronic communications providers into proprietary infrastructure and which made them less and less dependent on that of someone else. On the other hand, the enduring drop in BTC AD revenues from the wholesale of leased lines, down 73% from the year before, also had a significant impact on the market downsize. In addition, the decline in 2009 total revenues of alternative operators, was also palpable, a slump by approximately 18% compared to 2008. The main reason behind the decrease in leased lines revenues of both the incumbent and alternative undertakings was the ever

[50] On 20.08.2008, RADIOTELECOMMUNICATIONS COMPANY EOOD was absorbed by BTC MOBILE EOOD, whereas on 13.01.2009 BTC MOBILE EOOD became part of BULGARIAN TELECOMMUNICATIONS COMPANY AD, with which both undertakings ceased to exist as legal persons.

[51] According to a 2009 activity questionnaire, undertakings that offer leased lines are required to declare revenues only from the national sections of the leased international lines.

fiercer market competition, which affected a downward push on the monthly rates for these services.



Source: *Data submitted to the CRC*

Fig. 51

The relative share of the conventional enterprise on the leased lines market (Fig. 51), calculated drawing on the revenues from the activity, continues to sizably decrease compared to prior periods and in 2009 it stood at 68.80% (the share being 80.77% in 2008 and 92.15% in 2007).

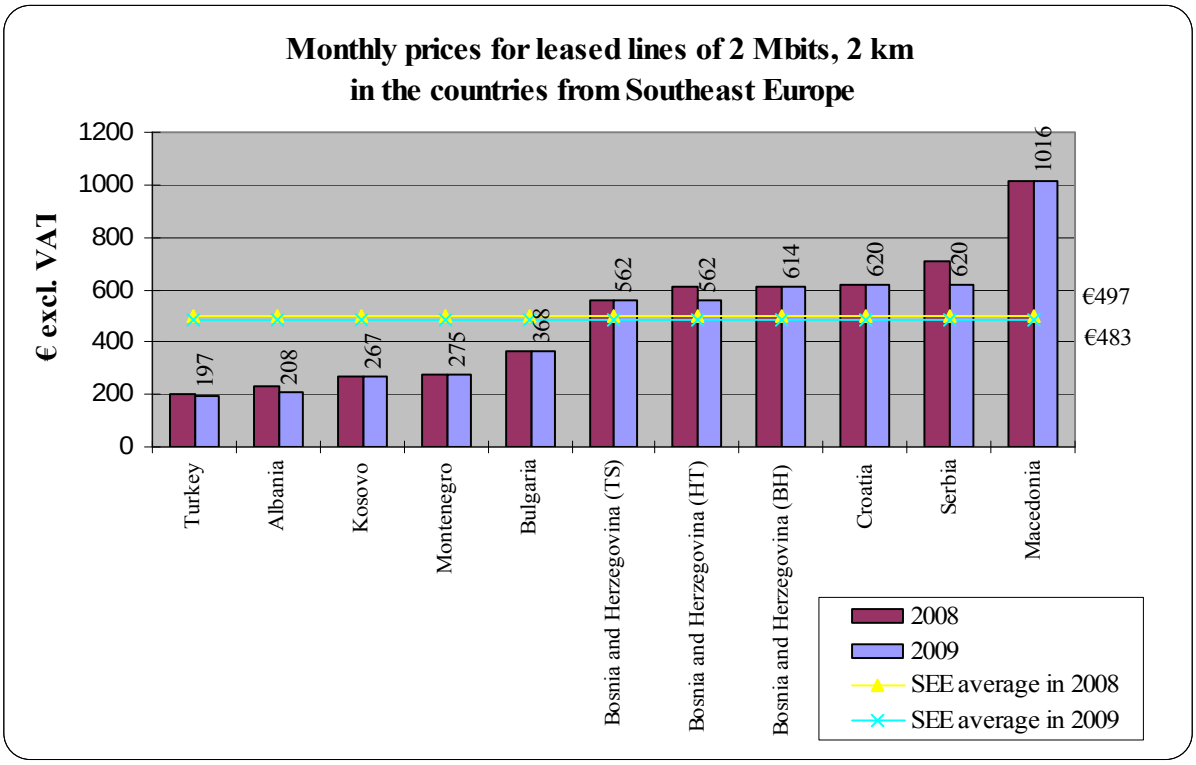
5.3. Prices for the leased line service

The prices for the "leased lines" service from the minimal package offered through the fixed public telephone network of BTC AD fall in the scope of the CRC-regulated prices. They have to be made available to the public and have to undertaking with the corporate expenditures related to the service provision. In 2009, the prices approved by the CRC with Decision No. 1487 from 15.07.2004 "A reference offer for concluding a contract for the 'leased lines' service" remained unchanged.

Fig. 52 presents the average monthly retail rates for national leased lines, offered by the conventional undertakings in Bulgaria and South-East Europe[52]. The prices are in euro, where all values do not include VAT or discounts offered on contract signing. The prices for national leased lines for countries from South East Europe are valid as of October 2009.

As a whole, the trend for relative stability of leased line prices in the South East European countries since 2006 to date is sustained, the slight fluctuations being primarily due to a change in the exchange rates in individual countries.

[52] For Bosnia and Herzegovina, three sets of prices are cited, reflecting the existence of three conventional operators working in the various regions, as follows: BH Telecom (BH) – in Federation Bosnia and Herzegovina, as the sole operator in some regions and in others – alongside Hrvatske Telekomunikacije Mostar (HT); Telekom Srpske (TS) – in Republika Srpska; Hrvatske Telekomunikacije Mostar (HT) – in Federation Bosnia and Herzegovina, being the sole operator in some regions and in others – alongside BH Telecom.



Source: *Cullen International, REPORT I Supply of services in monitoring regulatory and market developments for electronic communications and information society services in Enlargement Countries September 30 2008, Cullen International, REPORT III - Supply of services in monitoring regulatory and market developments for electronic communications and information society services in Enlargement Countries, March 2010, Prices of BTC AD*

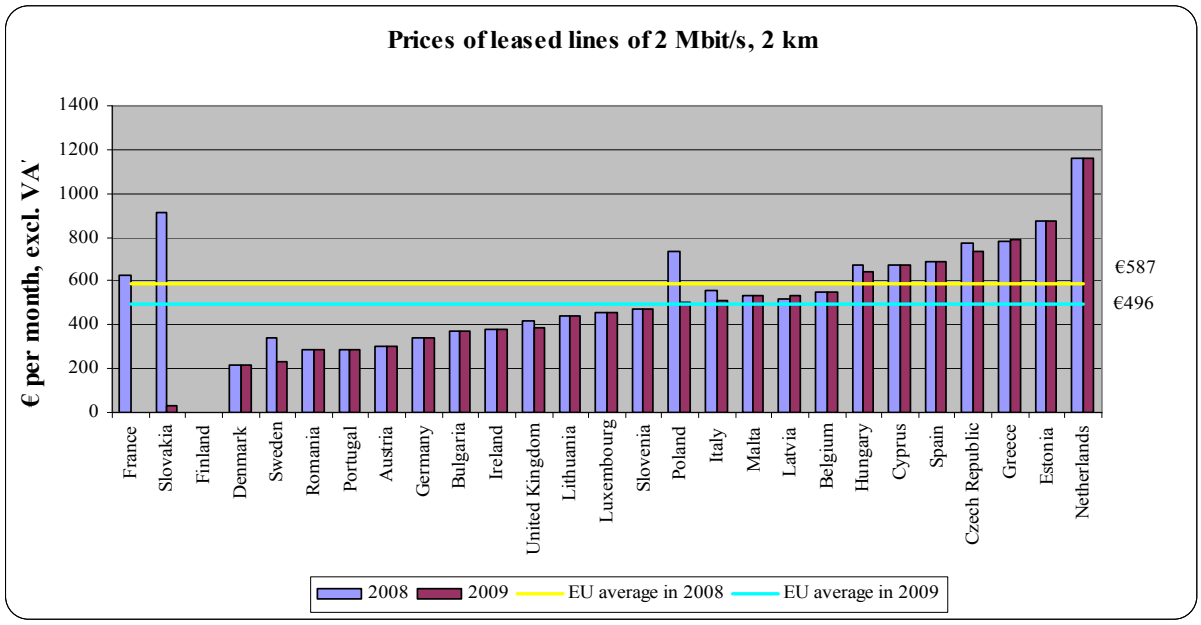
Fig. 52

In half the South East European countries, the 2 Mbit/s, 2 km national leased lines are lower than the average once for SEE and EU countries alike. The lowest prices for this type of lines are offered by the conventional undertakings in Turkey and Albania, whereas the highest – by those in Macedonia, Croatia and Serbia. The difference in the price per 2 Mbit/s, 2 km line in Macedonia (€1016) is more than fivefold compared to that in Turkey (€197). Prices of BTC AD for 2 Mbit/s, 2 km lines are higher than those in four of the SEE countries, but remain below the region's average.

A price decrease trend is observed for the 2 Mbit/s, 2 km lines in the SEE – while the average price for the region totaled EUR 497 in 2008, it was down to EUR 483 in 2009. Nonetheless, the comparison against the rates for the same type of lines offered in the remaining European states shows that the majority of conventional undertakings in the SEE still lease these lines at rates that are higher than those in the EU.

Compared to the monthly prices for 2 Mbit/s, 2 km lines offered by the conventional undertakings in the European Union[53], the price of BTC AD is significantly lower than the EU average and features among the 10 lowest rates (Fig. 53).

[53] Prices presented for this type of lines in the European Union member states are for retail national lines, in euro per month, VAT excl., and are valid as at 15.09.2009.

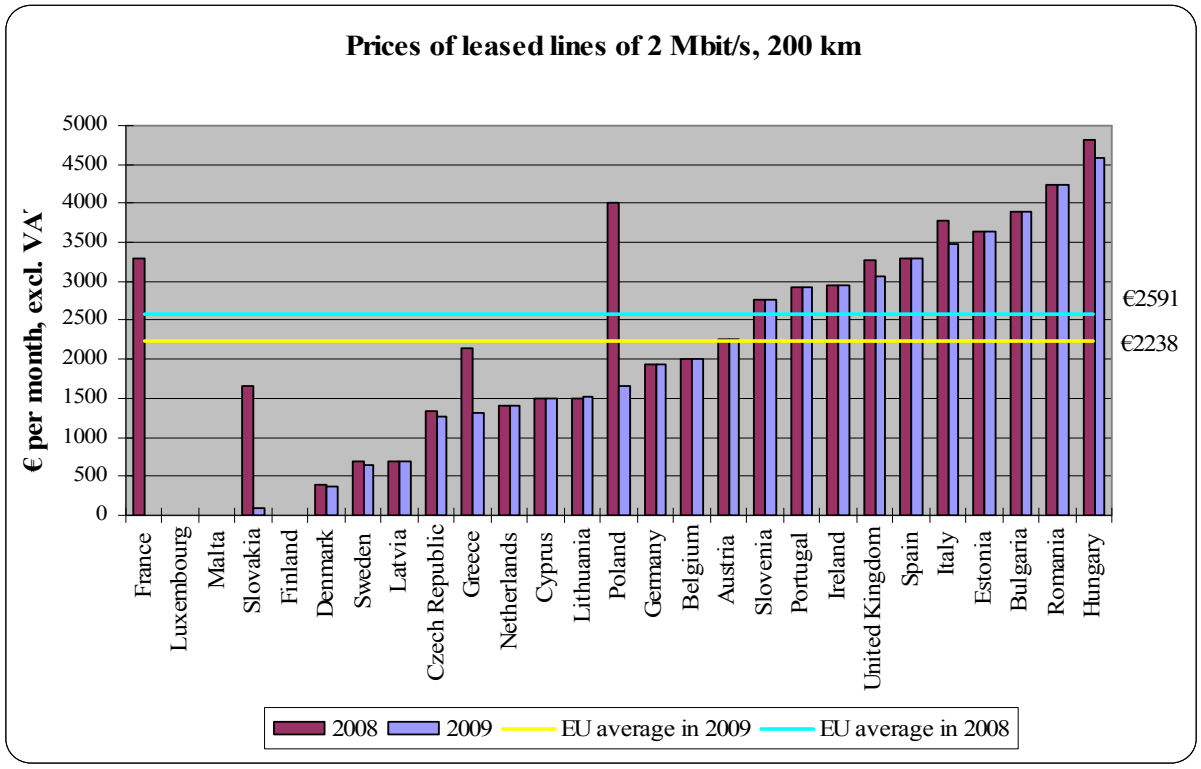


Note: No data for 2009 for Finland and France.

***Source**: Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report), Commission staff working document accompanying the Progress report on the single European electronic communications market 2008 (14th Report)*

Fig. 53

This, however is not true for lines of the 2 Mbit/s, 200 km type, which BTC AD offers at a substantially higher than the EU average price both in 2008 and 2009 (Fig. 54)



Note: For Finland, France, Malta and Luxemburg there are no data for 2009.

Fig. 54

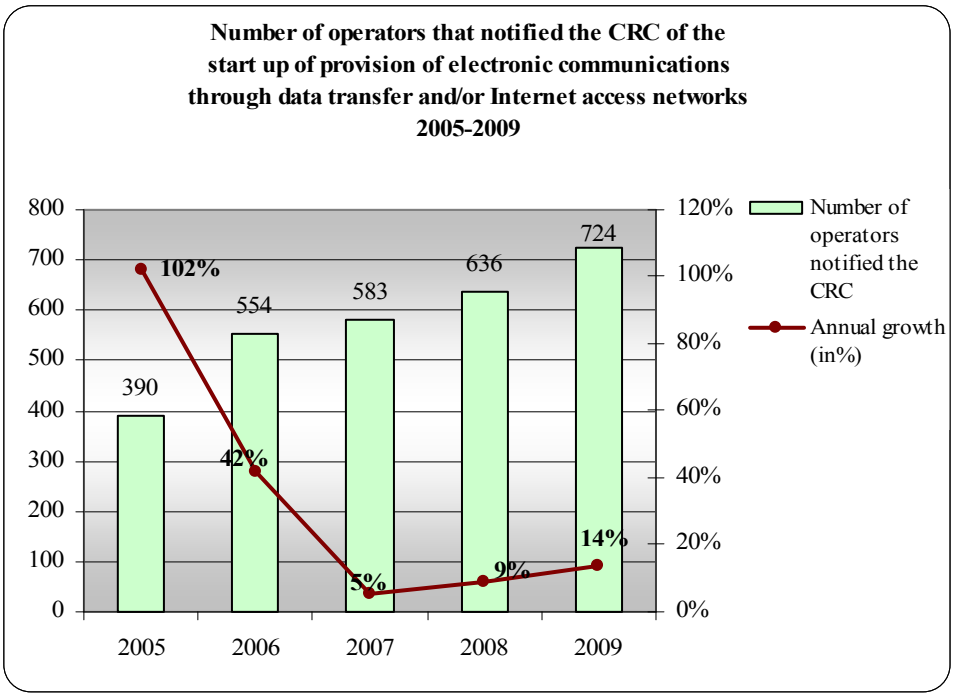
***Source**: Commission staff working document accompanying the Progress report on the single European electronic communications market 2009 (15th Report), Commission staff*

A comparison of the prices of leased 2 Mbit/s lines shows that the highest 2009 prices for 2 Mbit/s, 2 km lines for the EU is in the Netherlands and the highest price for the 2 Mbit/s, 200 km one is in Hungary. Although to a large extent the prices for 2 Mbit/s prices remain unchanged in the past few years (the ones in Bulgaria included), in 2009 most European countries witness their gradual decline.

6. Data transfer networks and provision of Internet access services

6.1. Data transfer networks

As at end-2009, the number of undertakings to have notified the CRC about plans to offer public electronic communications through data transfer networks, data transfer and/or Internet access services reached 724 (Fig. 55), which represents a 14-percent increase compared to 2008.



Source: *Data submitted to the CRC*

Fig. 55

The number of new start-of-operation notifications submitted to the CRC in 2009 is as follows:

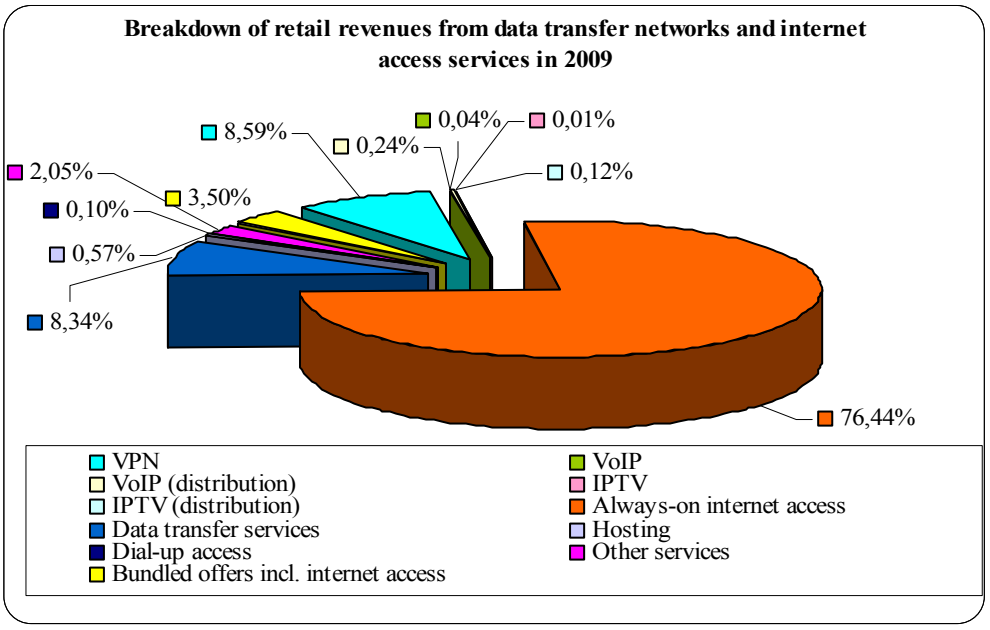
- Through cable data transfer networks: 150
- Through wireless networks (WAS/RLAN): 66
- Internet access services: 171
- Data transfer services: 114

During the past year, no authorizations were issued for the use of scarce resource "Numbers from the National Numbering Plan" with regard to the activity on the provision of public electronic communications through data transfer and/or Internet access networks.

The size of the market segment "Data transfer networks and provision of Internet access services", calculated based on the data submitted to the CRC by 95% of the registered undertakings, totaled BGN 295 million or 5% more compared to 2008. About 83% of the revenues

out of the total size of the segment is from services to end clients, package services such as Internet access included, whereas 17% come from service wholesale. The spread of revenues from the retail and wholesale provision of services for data transfer and Internet access is shown in Fig. 56 and 57.

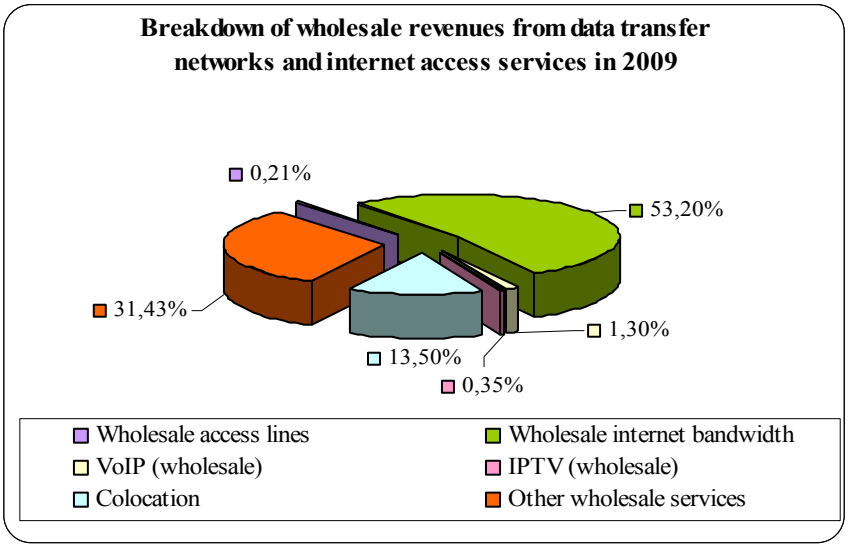
The analysis of the revenues, allocated by offered retail services shows that the largest share of the revenues comes from non-dialup access to Internet – 76%, followed by revenues from the implementation of VPNs and data transfer services (Fig. 56). Revenues from additional services such as IP television, voice over IP (VoIP), hosting and dial-up access account for an insignificant share of the total size – 1%. As at end-2009, 36 undertakings declared they would begin offering VoIP, whereas 18 – IP television. Of the undertakings to have submitted data to the CRC, 12 plan to offer the VoIP service in 2010 whereas 36 plan to offer IP television.



Source: *Data submitted to the CRC*

Fig. 56

More than half the revenues from the service wholesale, 53%, come from the provision of internet connectivity capacity to other undertakings. These revenues have increased by 33% compared to the year before.



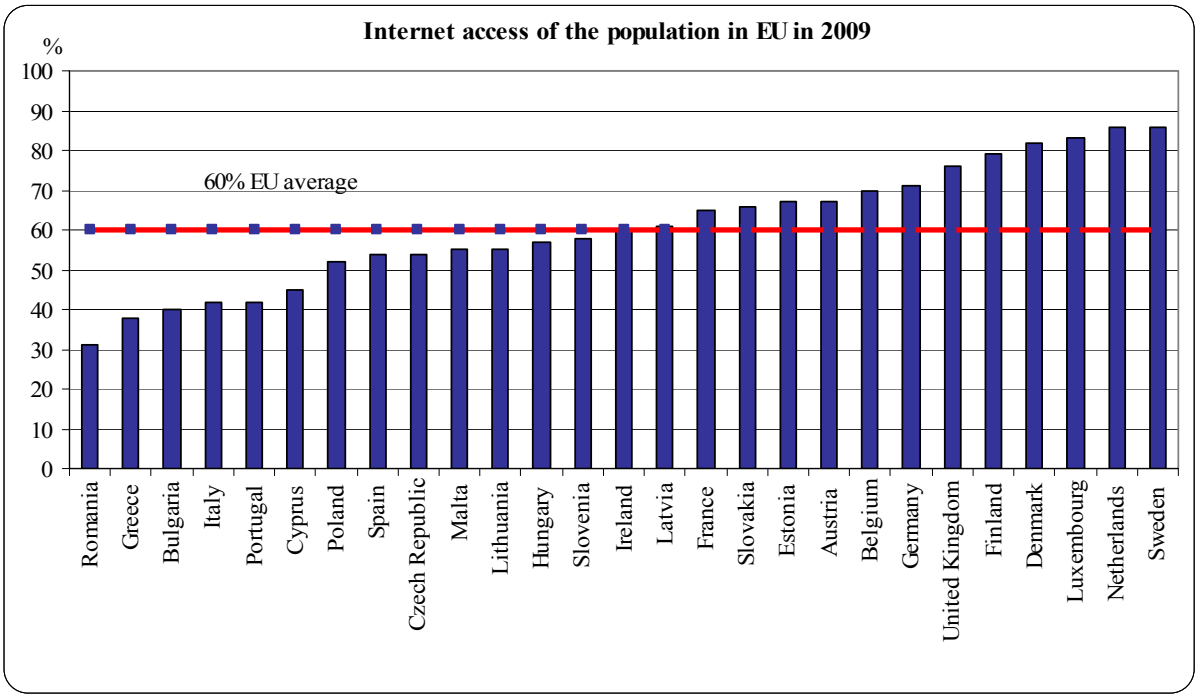
Source: *Data submitted to the CRC*

Fig. 57

The investments in 2009 into the implementation, maintenance and use of data transfer networks came in at BGN 90 million and were up 21% compared to 2008. According to corporate data, investment outlays for 2010 stood at BGN 139 million.

6.2. Internet access services

According to NSI data[54], as at end-2009, the share of people aged between 16 and 74 years in Bulgaria, who regularly (at least once a week) use Internet was 39.7%, an increase by 11 percentage points for the 2007 – 2009 period. During the past year, Bulgaria improved its standing on this parameter and outpaced Greece and Romania (Fig. 58), yet remains below the EU average (60%).

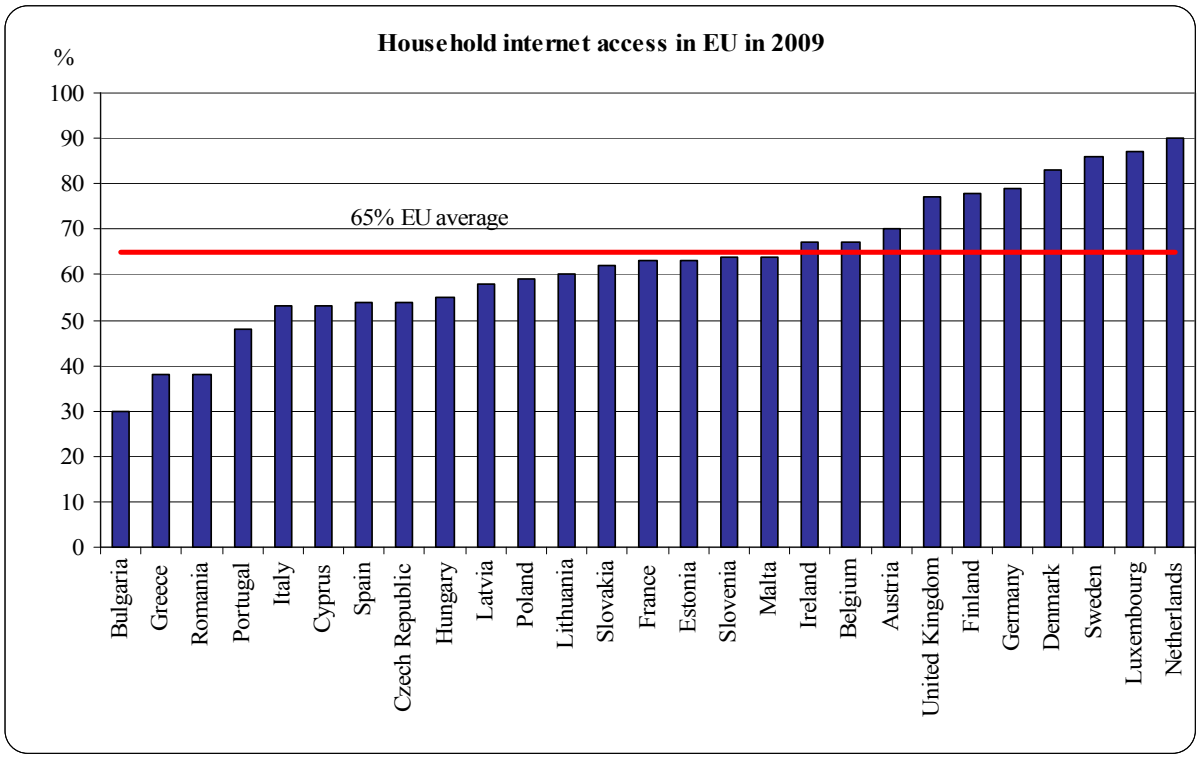


Source: *Eurostat*

Fig. 58

Fig. 59 showcases the household-based Internet access service penetration in the EU member states drawing on Eurostat data. The chart shows that the Internet penetration in Bulgarian households reached 30% as at end-2009, which is an increase by 11 percentage points compared to 2007. Despite the growth, Bulgaria still occupies the last position by the parameter "access to Internet by households" and is still is far below the EU average.

[54] http://www.nsi.bg/IKT/IKT.htm

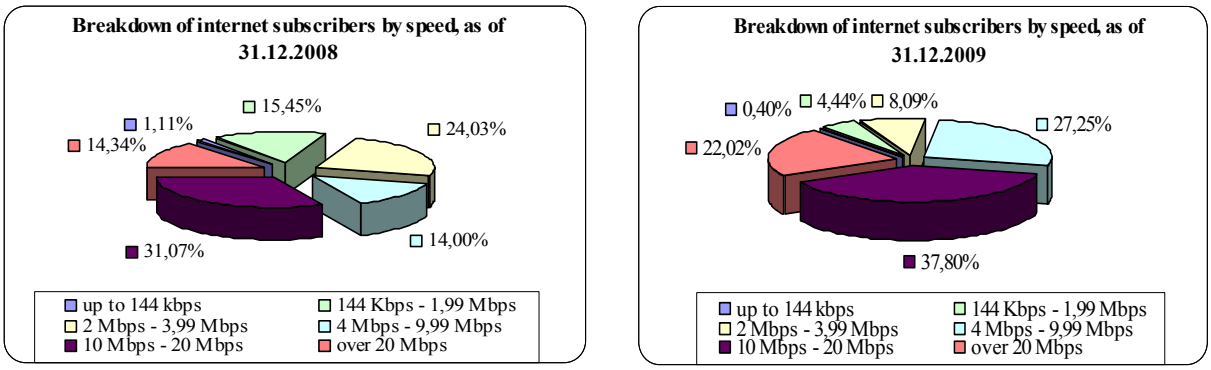


Source: *Eurostat*

Fig. 59

According to data submitted by 95% of the undertakings, the number of fixed Internet subscribers grew by 17% for one year and as of the end of 2009 they totaled 999 912.

Fig. 60 presents the allocation of Internet access subscribers according to the used capacity. From the results presented, it is clear that the relative share of subscribers using low-speed Internet (below 144 kbit/s) has sizably gone down, which accounts for a mere 0.40% of the total number of subscribers. The majority, about 60% of all Internet connections in the country, used speeds exceeding 10 Mbit/s.

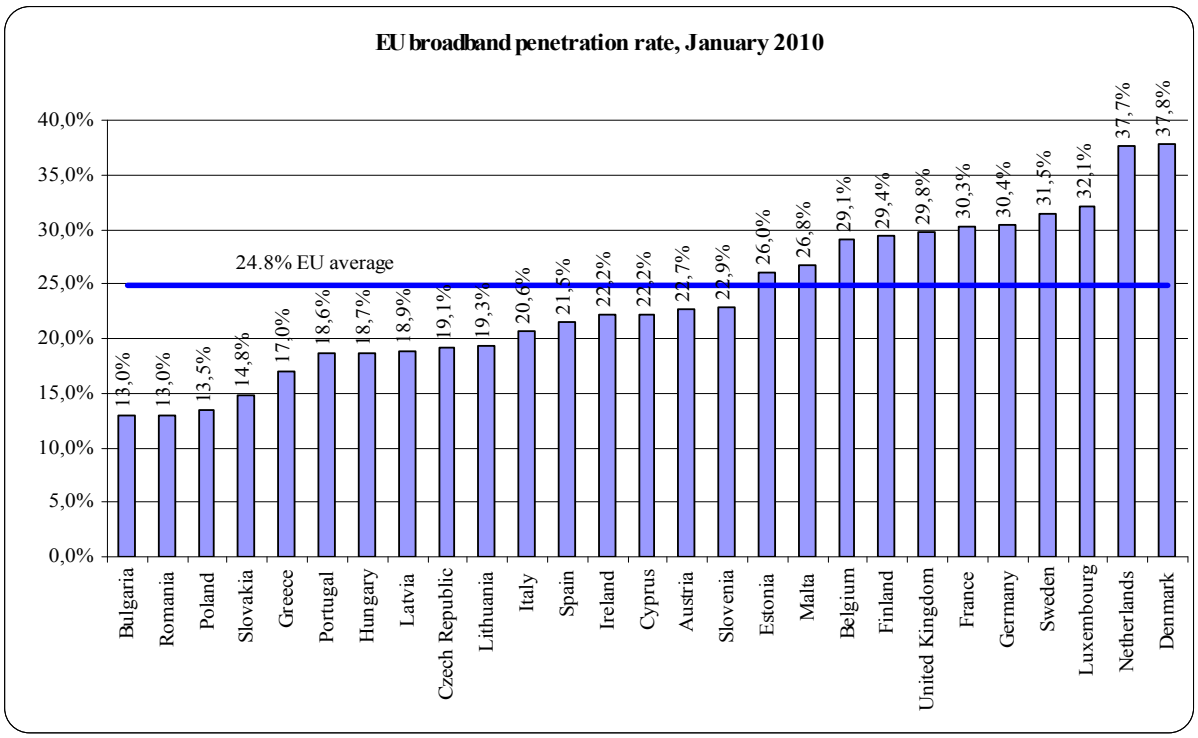


Source: *Data submitted to the CRC*

Fig. 60

Fig. 61 graphically presents data of the penetration[55] of broadband services in the EU. In terms of broadband services in the EU member states, Bulgaria ranks last together with Romania with 13%, and the year-on-year increase is 2 percentage points.

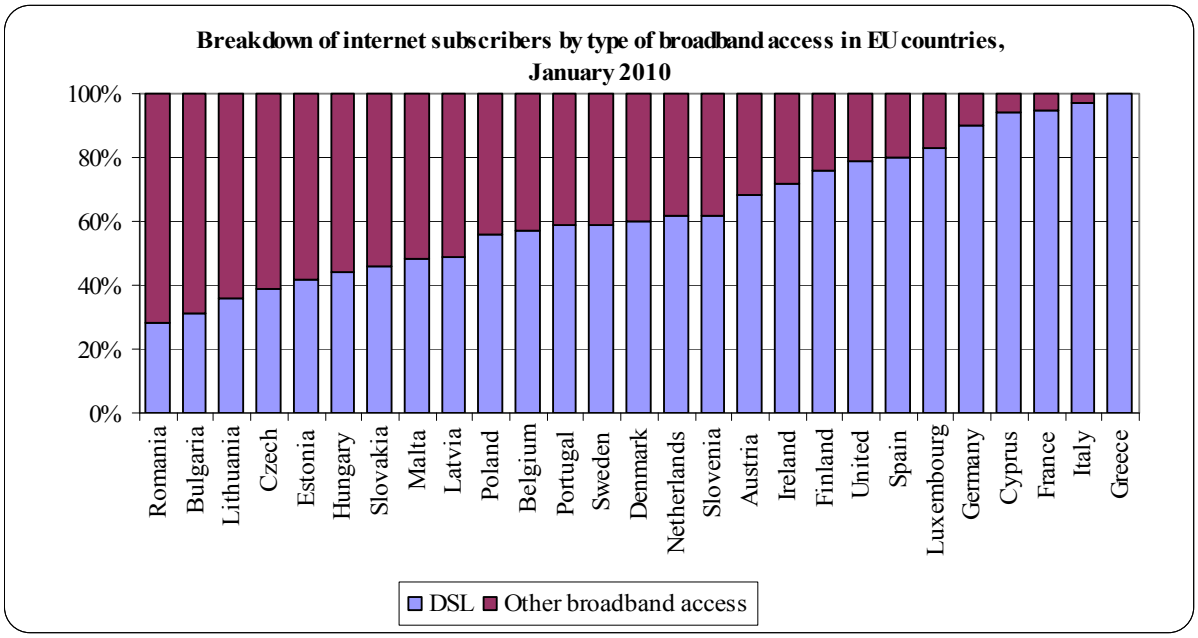
[55] Total number of broadband lines with a reference to the population number of the respective country



Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market (15th Report)*

Fig. 61

The technology to enjoy the highest popularity when implementing broadband connections in the EU remains xDSL: 79% (Fig. 62), although in nine of the EU member states another type (different from the DSL) access to broadband Internet is used.

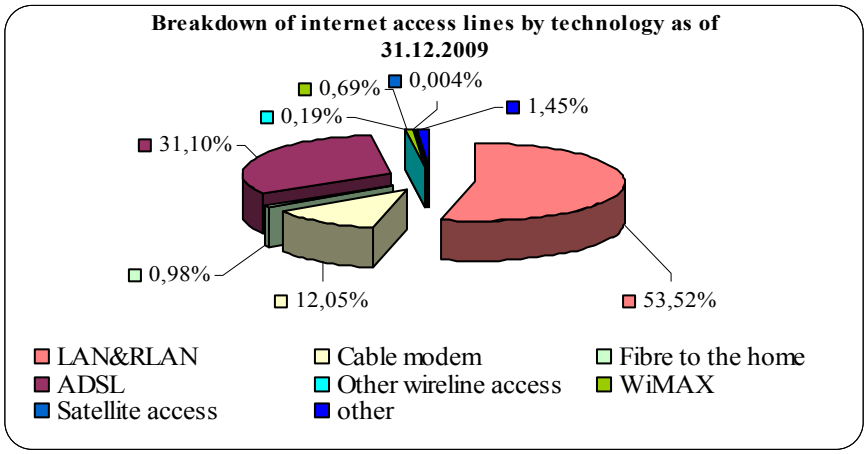


Source: *Commission staff working document accompanying the Progress report on the single European electronic communications market (15th Report)*

Fig. 62

The xDSL technology is not as widely used in Bulgaria compared to the EU member states. ADSL subscribers as of 31.12.2009 in the country (offered both by the conventional undertaking

and through bitstream access) totaled 309,745 and comprise 31% of all broadband subscribers in Bulgaria, which is an increase by 21% compared to the year before. Apart from BTC AD, currently two of the alternative undertakings (ORBITEL EAD and NEXCOM EAD) also offer DSL access to Internet based on an agreement for bitstream access to the network of the conventional enterprise. The share of alternative undertakings in the total number of ADSL lines used is below 1%.



Source: *Data submitted to the CRC*

Fig. 63

Fig. 63 presents the breakdown of broadband internet access subscribers in Bulgaria according to the type of technology. The most widespread technologies were LAN and RLAN (54% of the total number of subscribers), followed by ADSL (31%) and cable access (12%). WiMax access technology was used by less than 1% of all subscribers. Fiber-optic Internet (FTTx) users have increased and their share is expected to grow. The usage of Internet through mobile devices grew at a dynamic rate. The active users of the three mobile undertakings, who used data packages (through USB modems, data cards) were 120 878 in the end of 2009, which represented a growth of 70% against 2008.

The usage of Internet in Bulgaria continued to grow with the development of the existing data transfer networks, the available ADSL service and bundled offers of cable TV, fixed and mobile voice telephone service and high-speed Internet. The prospects for development of the segment are connected with the increase of the investments in new technologies, quality and variety improvement of the end-user services.

7. Satellite systems

7.1. Market players

In 2009, the market segment of stationary satellite networks covered the activity of undertakings providing public electronic communications via:

1. Satellite data transfer network from a stationary satellite radio service;
2. Satellite network for transmission and/or broadcast of radio and TV programs;
3. Satellite broadcasting services:
4. Satellite systems access services.

The number of undertakings with registration at the CRC for performing activity via the abovementioned networks and/or services totaled 20, while during the year there was one newly registered enterprise – REACTION STUDIO EOOD and one enterprise, whose registration was terminated – LIMES CONSULTING OOD.

Of the 20 undertakings registered in the segment, 15 submitted an activity report for 2009 to the CRC (75% of the undertakings), where 5 of them indicated that they offered public electronic communications to retail and/or wholesale subscribers[56] during the year and generated income from them. The number of undertakings which did not provide public electronic communications to subscribers nor performed any activity during the year totaled 10.

As to the 5 undertakings which had not presented information about their activity in 2009, four of them had not provided public electronic communications in the segment until 2008 inclusive, and one enterprise was among the main players in the segment from 2004 to 2009 - TRANSAT AD. The enterprise authorization to provide public electronic communications via satellite data transfer network from fixed satellite radio service was terminated with CRC protocol decision No. 313/11.03.2010.

In 2009, all four undertakings which had performed activity via satellite data transfer network from a fixed satellite radio service and via satellite network for transmission and/or broadcast of radio and TV programs provided only one service – "Satellite network for transmission and/or broadcast of radio and TV programs to wholesale and/or end users".

During the year, the only enterprise that performed activity via public electronic communication services for access to satellite systems provided two types of retail services – "Voice transmission to end users" and "Other services to end users: voice and data transmission for maritime communications and navigation and intelligent transport systems and GPS systems for monitoring and control of the fleet".

Table 12 presents the information for the provided services in 2009, by the undertakings, that performed activity in market segment "fixed satellite networks":

Table No. 12

Type of the provided services in market segment - Fixed satellite networks, in 2009

Networks and services for provision of public electronic communications via satellite systems	Total number of undertakings, in 2009	incl. Undertakings, submitted information to CRC in 2009								
		Total	incl. Undertakings, provided services in 2009							
			Number	Services	Name of the undertaking					
					BULSATCOM AD	INTERACTIVE TECHNOLOGIES AD	NETERRA EOOD	SCORTEL OOD	TELENOR BULGARIA EOOD
					1	2	3	4	5
1.1. Satellite networks for data transfer via fixed satellite radiocommunication service	**9**	**7**	1	1. Satellite broadcasting/transfer of television and radio programs - wholesale or to end-users	-	-	✓	-	-
1.2. Satellite network for broadcasting/transfer of TV and radio programs	**6**	**5**	3		✓	✓	-	-	✓
1.3. Broadcasting satellite services	**2**	**1**	0	-	-	-	-	-	-
1.4. Access to satellite systems services	**5**	**3**	1	1. Retail voice transmission 2. Other retail services	-	-	-	✓	-

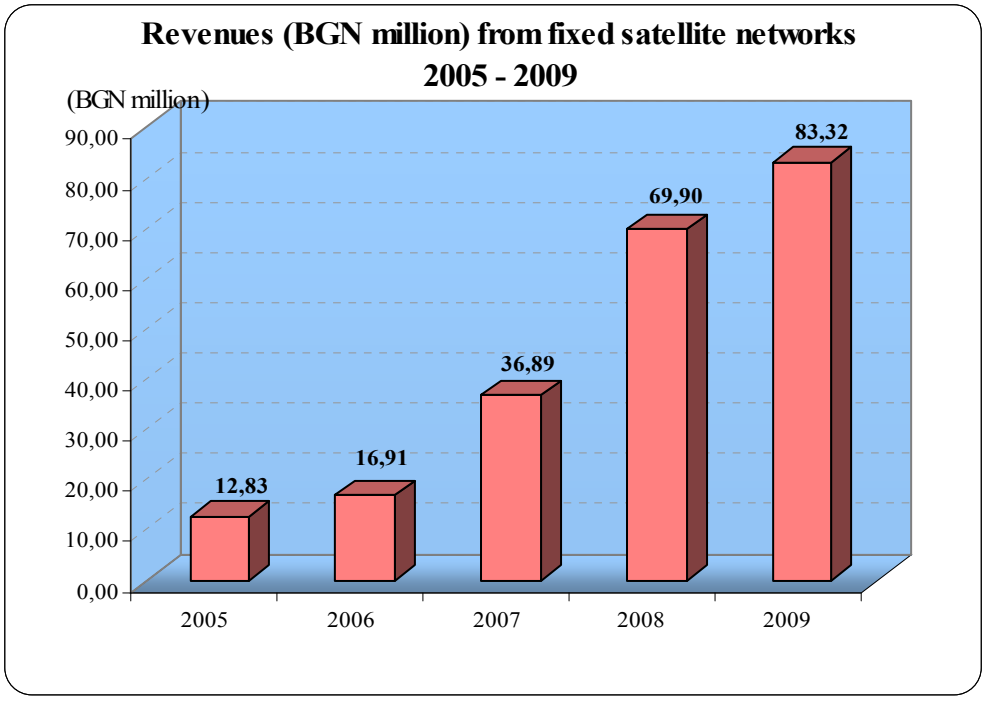
Source: *Data submitted to the CRC*

[56] Retail subscribers are home and/or business subscribers. Home subscribers are natural persons/households and business subscribers are legal entities, sole proprietors and civil associations.

None of the undertakings that provided in 2009 services in the segment had not stated intentions to introduce and provide new services in 2010 and out of the other 10 undertakings which were not active during the year but had submitted information to the CRC, two had stated their intention to start activity in 2010 – BTC AD and FORCE-DELTA OOD.

7.2. Size, structure and investments in the market segment of fixed satellite networks in 2009.

The size of revenues calculated on the basis of services provided by the enumerated in Table 12 undertakings[57], continue to increase and in it amounted to BGN 83.32 million (Fig. 64)[58]. In absolute terms, this represents by BGN 13.42 million more than the previous year (1.2 times), when their size were BGN 69.90 million.



Source: *Data submitted to the CRC*

Fig. 64

The trend seeing the share of revenues from services provided to end users exceeding those from wholesale services is sustained in 2009 as well, where 89% of the revenues in the segment were generated from services to end users and 11% from wholesale services. Table 13 below presents the revenue structure by types of services offered wholesale and to end users in 2009, as part of the total size of the market segment "stationary satellite networks":

[57] In contrast to the segment of cable networks for transmission and/or broadcasting of radio and television signals, in which a valuation of the indicators of undertakings which did not present data was made, the market segment "stationary satellite network" is characterized with a small number of undertakings that provide different services and the performance of such valuation is inapplicable.

[58] 2006 data were corrected- revenues from the sale of terminal devices are excluded.

Table No. 13

Revenues structure by services in market segment - Fixed satellite networks, for the period 2007 - 2009

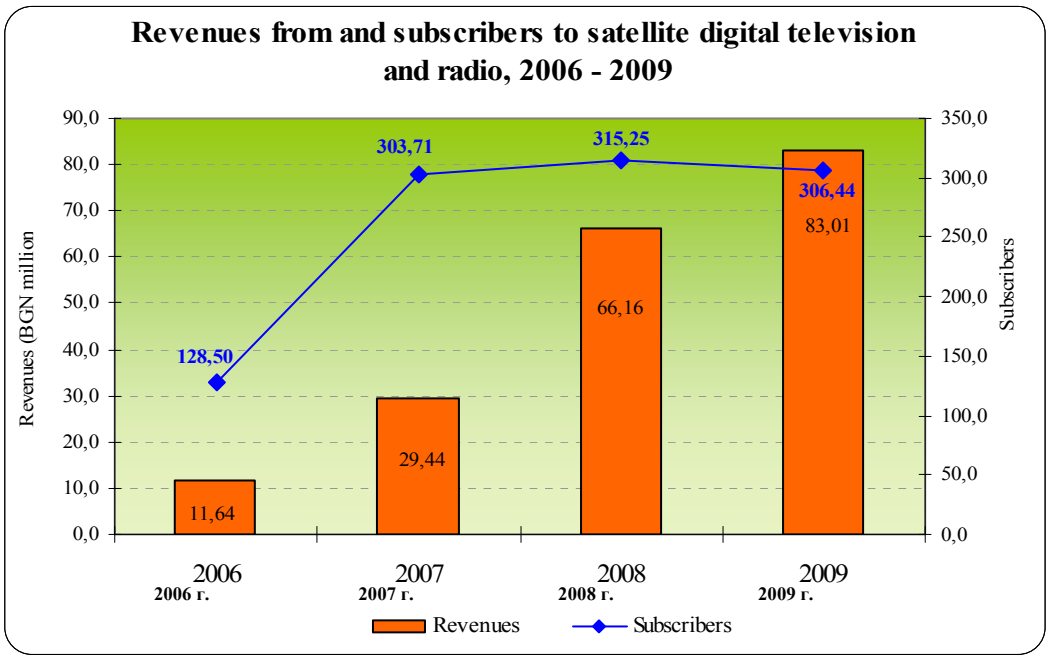
Types of services	Relative share of revenues by types of services in the total segment volume (%)		
	2007	2008	2009
1. Wholesale satellite broadcasting of radio and television programs	9,53%	5,30%	11,27%
2. Satellite digital television and radio	79,81%	89,35%	88,35%
3. Retail Internet access provision	0,06%	0,03%	0,00%
4. Retail voice transmission	0,79%	0,33%	0,25%
5. Retail two-way data transfer[1]	6,18%	3,21%	0,00%
6. Other retail services[2]	0,14%	0,12%	0,13%
7. Wholesale one-way data transfer	3,49%	1,66%	0,00%
Total:	**100,00%**	**100,00%**	**100,00%**

[1] Data transfer from accounting, ERP and other applications

[2] Voice and data transmission for the purposes of maritime communications and navigation, and intelligent transport systems, and GPS systems for the monitoring and control of transport parks (fleets)

Source: *Data submitted to the CRC*

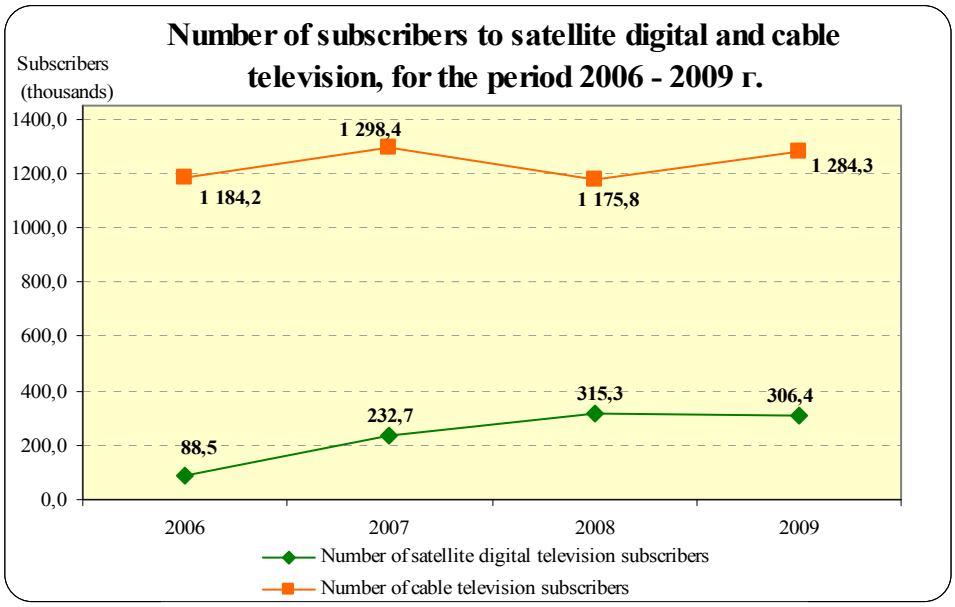
The analysis of revenues in absolute terms from the provided in 2009 services shows that the growth of BGN 13.42 million of this market segment was due to the growth of revenues from wholesale of satellite broadcasting (transmission) of radio and television programs. Although by less than the previous year, revenues from these services continued to grow and from BGN 66.16 million in 2008 they reached BGN 83.01 million in 2009, and for the past 3 years they rose by BGN 50.05 million (2.5 times).



Source: *Data submitted to the CRC*

Fig. 65

In 2009, the number of subscribers to satellite digital television reached 306 400, representing a 3.8% decrease compared to the previous year. The penetration of satellite digital television service among households amounted to 10.5% and showed a downturn by 0.3% in comparison with 2008, when the reported penetration was 10.8%[59]. To compare, the penetration of cable television in 2009 was 41% or by 1 % more than the previous year (figure 66).

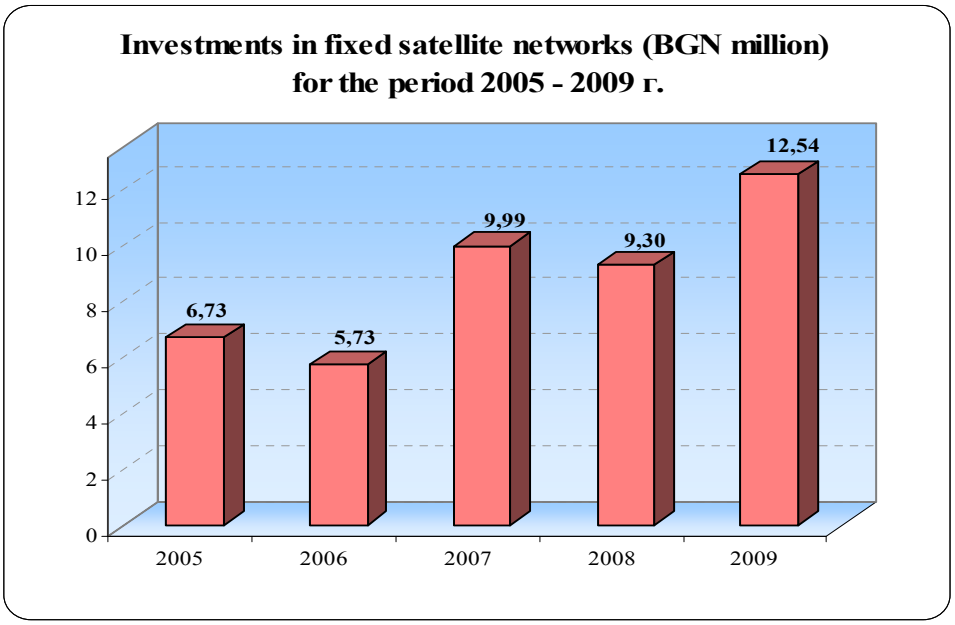


Source: *Data submitted to the CRC*

Fig. 66

Investments declared by the undertakings in 2009 amounted to BGN 12.54 million, a 25.84% increase compared to 2008, when a 7.4% year-on-year decrease in the size of investments was reported (Fig. 67).

The size of investments, which undertakings declared they would infuse into stationary satellite systems in 2010 totaled BGN 4.62 million.



Source: *Data submitted to the CRC*

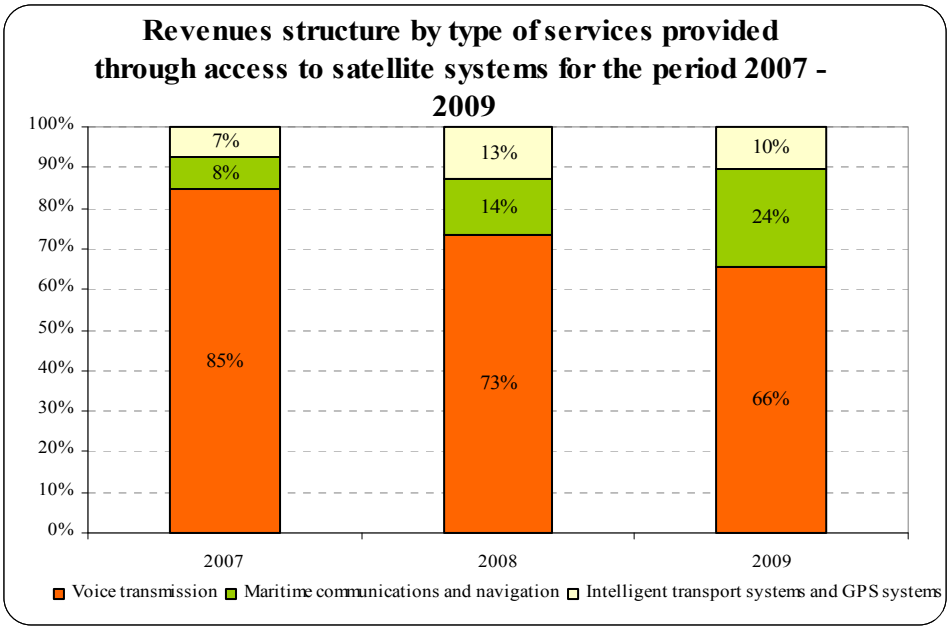
Fig. 67

[59] The number of households used for calculation of the indicator is from the last official count in 2001.

7.3. Access to satellite systems

After the registered in 2008 decrease by 7.6% versus the previous year, in 2009 a small increase by 0.6% of the total size of revenues from the provision of public electronic communications via access to satellite systems was registered. The relative share of the revenues from these services in the total size of market segment "stationary satellite systems" continued to decrease - even if insignificantly - by 0.1% in 2009 as against 2008.

Out of a total of five undertakings to have registered to provide public electronic communications via access services to satellite systems in 2009, only one enterprise, SCORTEL OOD, was active. The enterprise offers to end users voice transmission and data transfer for the purposes of maritime communications and navigation, and the so-called intelligent transport systems and GPS systems for monitoring and control of the fleet. Figure 68 below present revenue structure by types of services for access to satellite systems for the 2007-2009 period.



Source: *Data submitted to the CRC*

Fig. 68

Despite that in the reviewed 3-year period, the share of revenues from voice transmission registered a 19% decrease they continued to account for the largest share (66%) of the total size of revenues from access to satellite systems services in 2009. The second place occupied revenues from voice transmission and data transfer for the provision of maritime communication and navigation (24%), and the smallest share was for the revenues from voice transmission and data transfer for the so-called intelligent transport systems and GPS systems for monitoring and control of the fleet (10%).

In 2009, the number of subscribers decreased by 23% compared to the previous year but the number of active subscribers' terminal devices registered an increase by 10%. The highest remains the share of business subscribers (84%) and the share of the revenues received by them stood at 95% of the total size of revenues. Table 14 below presents the breakdown of subscribers and active subscribers' terminal devices by type of access to satellite systems services:

Table № 14

Breakdown of subscribers and active subscribers' terminal devices by types of access to satellite systems services for the 2007-2009 period

Services provided through access to satellite systems	2007		2008		2009	
	Subscribers	Active terminal devices	Subscribers	Active terminal devices	Subscribers	Active terminal devices
Voice transmission	82%	59%	85%	57%	87%	56%
Maritime communications and navigation	3%	14%	3%	15%	4%	15%
Intelligent transport systems and GPS systems	15%	27%	12%	28%	9%	29%
Общо	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: *Data submitted to the CRC*

8. Terrestrial broadcasting

In 2009, the CRC continued to execute its authority concerning the terrestrial analogue/digital broadcasting of radio and television signals by strictly observing the regulations of the Law on Electronic Communications (LEC), as well as the relative sub legislative and administrative documents. The program content regulation functions remained in the competency of the Council for Electronic Media (CEM). In the past year, the mutual partnership between the two independent regulatory authorities contributed to the effective use of the radio-frequency spectrum, to the increase of benefits for the users and to the stimulation of the competition in the media sector.

A point of intersection between the CRC and CEM continued to be the glide-path transfer from analogue to digital television. Parallel changes in the corresponding texts of the LEC and Law on Radio and Television (LRT) was needed due to the creation of a full legal framework for the introduction of digitization. The priorities in the activity of the CRC regarding the digitization evolved from the Plan for introduction of digital video broadcasting – terrestrial (DVB-T) in the Republic of Bulgaria, adopted in 2008 by the Council of Ministers. The document regulates the harmonized assignment of the radio-frequency resource in accordance with the Final acts of the Regional Radio-communication Conference for planning of the digital terrestrial broadcasting services in the parts of Regions 1 and 3 in the 174-320 MHz and 470-862 MHz frequency bands. The plan provides conditions for glide-path digitization, which will end in 2015- it is planned that by the end of 2012 all transmitters of terrestrial analogue television broadcasting will cease to broadcast and by 2015 a full population coverage for receiving digitally broadcast television programs on the territory of the Republic of Bulgaria would be achieved. Due to the complex nature of digitization and the aim for stimulation of its introduction, updates of the plan were needed as at the end of 2009; therefore, the Government approved the relative changes to ensure that the December 2012 deadline is met.

On 9th of June 2009 after a non-attendance tender, the CRC - according to the First stage of the Plan for introduction of digital video broadcasting – terrestrial (DVB-T) in the Republic of Bulgaria - issued to TOWERCOM BULGARIA EAD an authorization for the use of an individual assigned scarce resource - a radio-frequency spectrum for the provision of electronic communications via two national electronic networks for terrestrial digital broadcasting with national coverage. A month later, according to the second stage of the plan, an authorization was issued to HANNU PRO BULGARIA EAD for the provision of electronic communications via three national electronic networks for terrestrial digital broadcasting with national coverage.

8.1. VHF-FM broadcasting

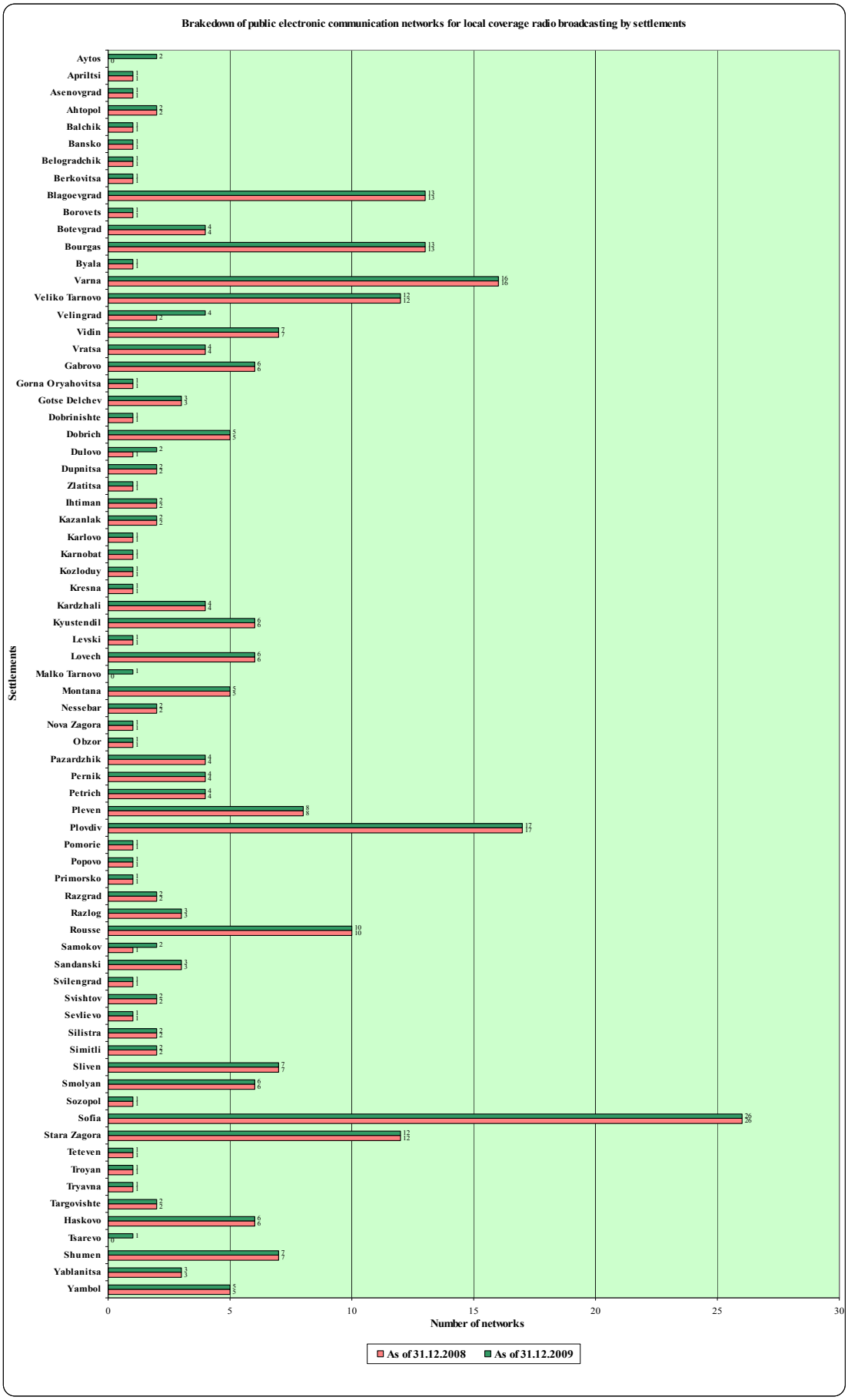
In early 2009, the number of undertakings with licenses for local coverage broadcasting was 92, while the number of authorizations issued was 280. The Bulgarian National Radio (BNR) and DARIK RADIO AD, both holding national coverage licenses, continued broadcasting as well.

During the year, 16 licenses for the use of an individual assigned scarce resource – a radio-frequency spectrum for the provision of electronic communications via terrestrial broadcasting of local coverage radio signals, were transferred with CEM and CRC decisions. 44 licenses for local coverage terrestrial broadcasting were terminated.

Eleven local coverage licenses of active undertakings, which provide public electronic communications via a network for terrestrial analogue broadcasting of radio signals, were issued on the grounds of Art. 30, item 12 of the LEC as well as on the grounds of CEM decisions according to a tender under the RTA. On the grounds of Art. 42, item 2 of the Transitional and Final provisions of the Bill on amendments to the RTA, the CRC issued another 41 licenses with local coverage. In the beginning of 2009, one authorization was issued on the grounds of an individual license for radio signals broadcasting for the territory of the city of Sofia.

At the end of 2009, a total of 86 undertakings had the right to carry out local coverage terrestrial broadcasting. The total number of authorizations for local coverage terrestrial broadcasting was 288.

Figure 69 presents the breakdown of public electronic communication networks for local coverage broadcasting by populated places as of December 31, 2008 and 2009, where in 2009 four authorizations for new settlements were issued - Aytos- 2 authorizations, 1 authorization for the city of Malko Tarnovo and 1 for the city of Tsarevo. Toward the end of 2009, 38.4% of the undertakings operated in more than one populated place.



Source: *CRC*

Fig. 69

Revenues generated by undertakings providing public electronic communications via analogue terrestrial broadcasting of radio signals in 2009 amounted to BGN 30.9 million, where the main revenue source continued to be advertising with a relative share of 94.48% in the total activity revenue pie. Radio advertisements revenues decrease by 15% from the same period in 2008, which possibly was due to sagging demand in the conditions of economic crisis.

Investments made during the year in the construction, maintenance and use of the broadcasting networks amounted to BGN 4.1 million and the investments scheduled for 2010 were to the value of BGN 1.9 million.

The coverage of BNR and DARIK RADIO AD programs, achieved by population as of 31.12.2008, was 96% and 95%, respectively.

8.2. Television broadcasting

As of 31.12.2009, a total of 20 undertakings had the right to provide electronic communications on the basis of authorizations issued for analogue terrestrial broadcasting of television signals, as the networks of 17 of them had local coverage.

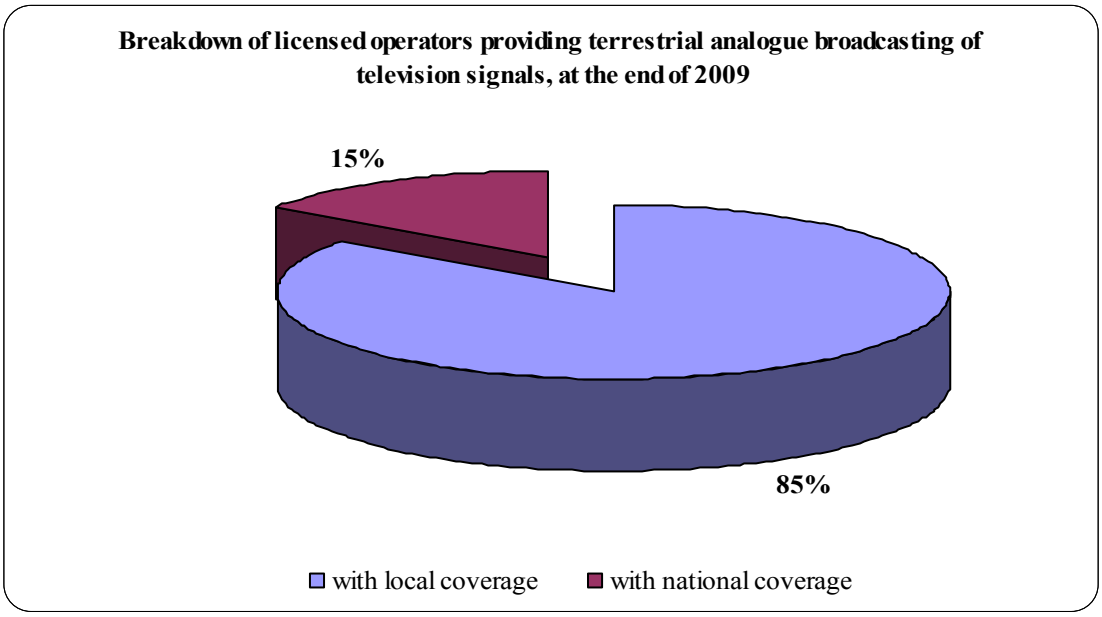
During the year, a total of 3 authorizations for the provision of electronic communications by terrestrial broadcasting of television signals with local coverage were transferred by means of CEM and CRC decisions.

With a decision No. 362 dated 14.04.2009, the CRC accepted Regulations for the issue of authorizations for the use of individual assigned scarce resource – a radio-frequency spectrum for the provision of electronic communications via electronic communications networks for terrestrial analogue broadcasting of television signals (The Regulations). The creation of this sub delegated legislation was due to the necessity to guarantee the effective use of the available free resource – a radio-frequency spectrum before the real start of work on the terrestrial digital broadcasting networks. According to the regulation of Art. 5, item 2 of LEC and after receiving a positive opinion by CEM, the CRC issued 101 authorizations for terrestrial analogue broadcasting of television signals with local coverage to five undertakings, which have registration according to the regulation of RTA- M SAT TV EOOD, PRO BG MEDIA EOOD, TV SEDEM EAD, TELEVIZIA EVROPA AD, EUROCOM NCT OOD. As a result, at the end of 2009 the number of issued authorizations for terrestrial analogue broadcasting of television signals with local coverage reached 142. The real start of the activity of the undertakings with issued authorizations according to Art. 5, item 2 of LEC was due to begin in early 2010.

BULGARIAN NATIONAL TELEVISION (BNT), BALKAN NEWS CORPORATION EAD, and NOVA TV - FIRST PRIVATE CHANNEL EAD held authorizations for analogue terrestrial broadcasting of television signals with national coverage.

BTC AD was authorized to offer digital terrestrial broadcasting of television signals under the DVB-T[60] standard, for the territory of Sofia. In 2009, the incumbent broadcasted the following six television programs - Channel 1, bTV, Nova TV, BBT, TV7 and THE VOICE, as well as the national radio programs - HORIZONT and HRISTO BOTEV.

[60] DVB-T (Digital Video Broadcasting-Terrestrial) – standard for terrestrial digital broadcasting of television signals



Source: *CRC*

Fig. 70

Revenues generated by undertakings with licenses for terrestrial analogue/digital broadcasting of television signals, in 2009, amounted to BGN 242 million, which was 21.52% less compared to 2008; 77.52% of them were from broadcast advertisements. For the first time last year, these was a decrease in the revenue from the common activity of undertakings in the sector of terrestrial analogue/digital broadcasting. This negative trend was mainly due to the decrease of the advertisement revenues. While in the past few years, these revenues showed an annual growth, the data from 2009 showed a decrease by 23% compared to the year before. The economic crisis and the ensuing from it decline on the market of television advertisements could be stated as an objective reason.

Investments, made in 2009, into the construction, maintenance, and use of networks for television broadcasting amounted to BGN 26.9 million, which was two and a half times more than the previous year. Investments scheduled for 2010 totaled BGN 8.74 million. The investments made during the previous year were concentrated mainly in the activity of the undertakings, which had licenses for analogue broadcasting of television signals with national coverage.

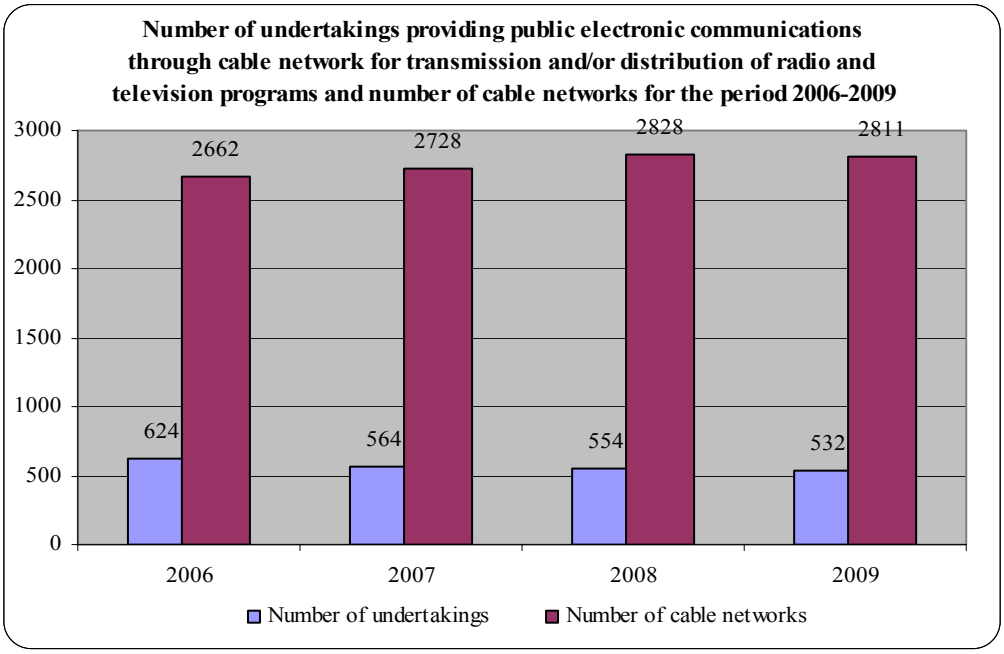
As of 31.12.2009, the population coverage of BNT was 98, of bTV and NOVA TV - FIRST PRIVATE CHANNEL EAD - 99.9% and 80%, respectively.

9. Cable networks for transmission and/or distribution of radio and television signals

In 2008, 36 new undertakings, providing public electronic communications via a cable network for transmission and/or broadcasting of radio and television programs, were registered, which in accordance with the LEC have notified the CRC of their intentions to carry out this type of electronic communications activity. For the past year, the number of the newly-registered differed significantly from the one in 2008 but the number of CRC-issued decisions for deregistration reached 60, by 14 more than 2008.

At the end of the year, the total number of undertakings, providing public electronic communications via a cable network for transmission and/or broadcasting of radio and television

programs, was 532[61], which was 22 less compared to 2008, and the number of cable networks reached 2811. The consolidation of this segment continued yet to a lesser degree compared with the 2006-2008 period. Although generally the number of undertakings was on the decrease, an intensified competition in terms of service quality was observed.

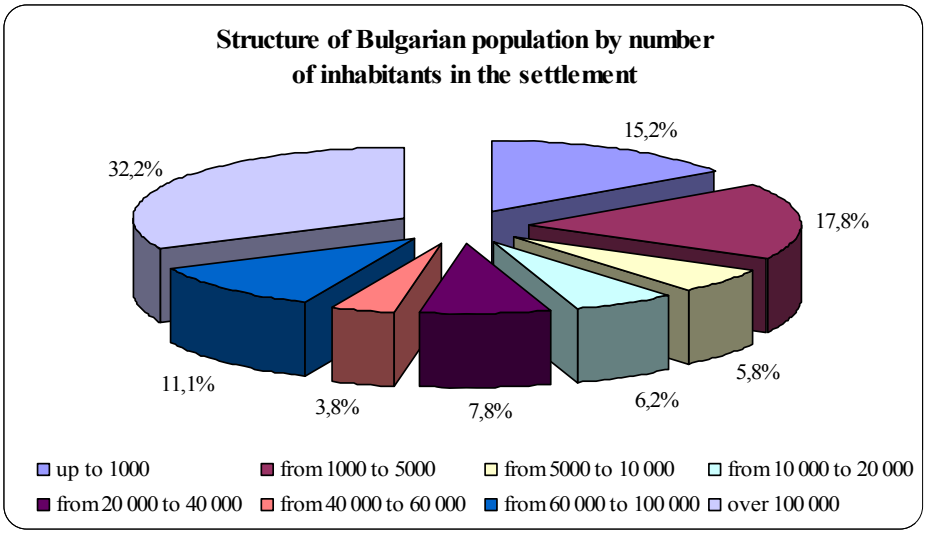


Source: *CRC*

Fig. 71

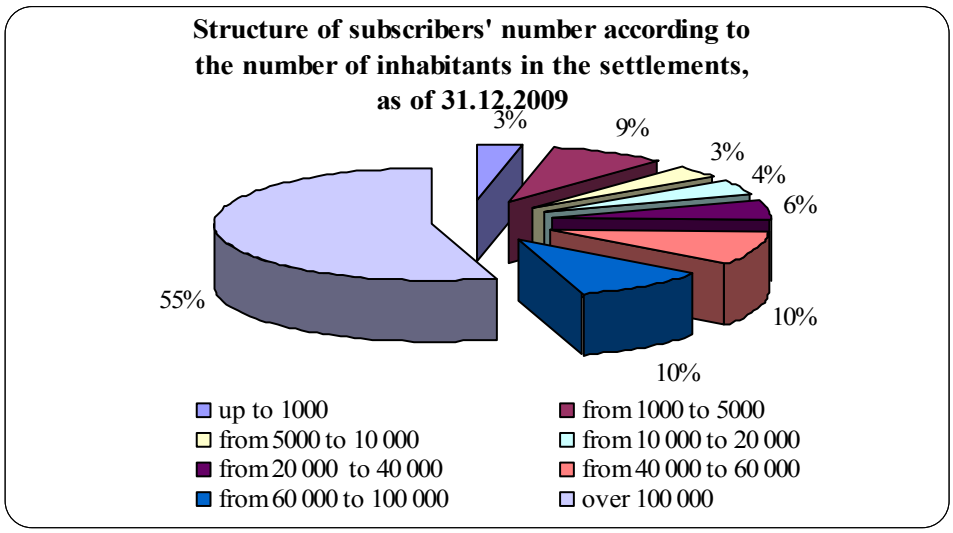
High population concentration in cities, on the one hand, and higher standards of living in them, on the other, determines the larger relative share of the population using public electronic services through cable network for transmission and/or broadcasting of radio and television programs. Half of cable networks subscribers were concentrated in large cities with population of more than 100 000 inhabitants, and the relative share of subscribers in towns with populations of over 60 000 inhabitants (cumulative) was 65%. In settlements with population up to 5 000 inhabitants, this indicator was down by 4 percentage points, over the previous year, reaching 12% (figure 73).

[61] Total number of undertakings providing public electronic communications via a cable network for transmission and/or broadcasting of radio and television programs as of the end of the year, without the ones deregistered in 2009



Source: *NSI*[62]

Fig. 72



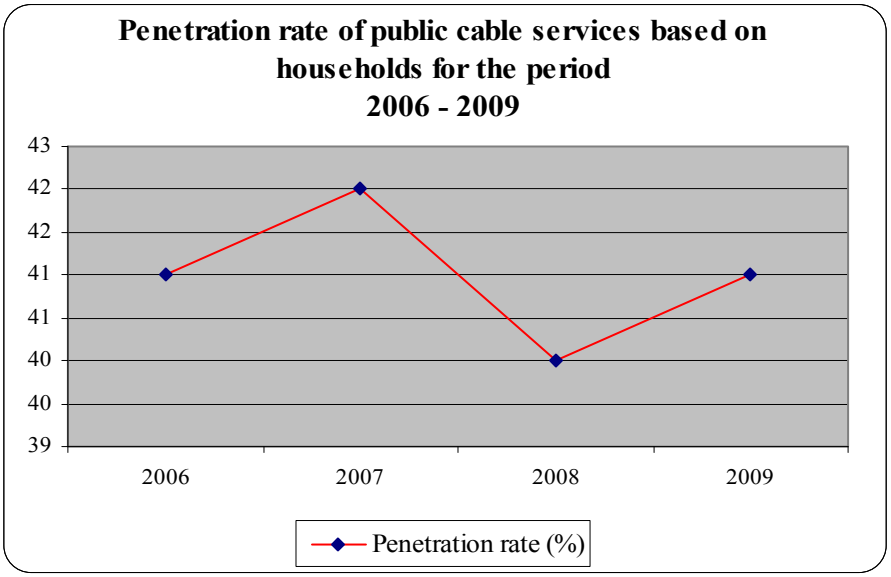
Source: *Data submitted to the CRC*

Fig. 73

The total number of cable network subscribers in Bulgaria, as of 31.12.2009, according to an expert estimate, based on data submitted to the CRC by 93 percent of the registered undertakings, was about 1 200 000[63]. Compared to 2009, it increased by almost 3 percent. According to data on subscribers, at the same date, cable television penetration of Bulgarian households was 41 percent, which was 2 percentage points more compared to 2008 (Figure 74). The increase in the total number of subscribers to cable networks in 2009 compared to 2008 was due to the greater variety of services and the increased quality, which the undertakings offered.

[62] According to data provided by the NSI, as of 31.12.2009

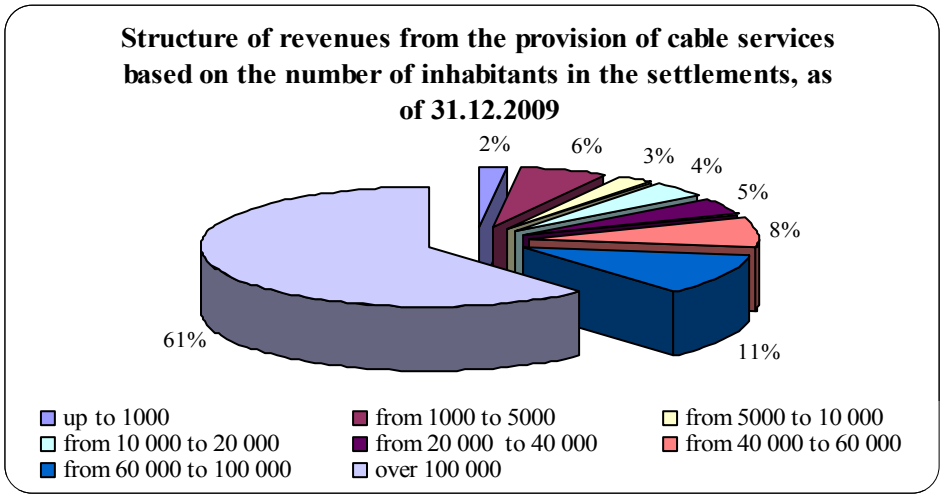
[63] Includes the subscribers of basic program packages, including an additional package and encoded programs of package services, including Double play (cable television and Internet), Double play (cable television and voice transmission) and Triple play and value added services.



Source: *Data submitted to the CRC*

Fig. 74

Figure 75 presents the structure of revenues from the provision of public electronic services through a cable network for the transmission and/or broadcasting of radio and television signals. Given that more than half the subscribers were located in settlements with more than 60000 inhabitants, revenues from such an activity were significant in this market segment - 72 percent. In settlements with up to 5 000 inhabitants, this indicator was only 8 percent.



Source: *Data submitted to the CRC*

Fig. 75

According to an expert evaluation based on data received by the CRC from almost 93% of the registered undertakings, total revenues from cable networks came in at BGN 213 million[64], which was 7 percent more compared to 2008. The main part of them (72 percent) continued to be from the sale of a basic program package, which registered a decrease by nearly 10%. This decrease was due to the fact that because of the variety of the services and more profitable conditions, which the undertakings offered, a lot of subscribers changed their plans to bundled services or value added services. The share of the revenues from encoded programs for 2009 increased more than 4 times compared to the previous year and reached 4.1% of the revenue of

[64] Includes revenues from the provision of a basic program package, including an additional package and encoded programs, as well as bundled services, including Double play (cable television and Internet), Double play (cable television and voice transmission) and Triple play, as well as value added services.

the undertakings providing services over a cable network and had submitted information to the CRC. Revenues from the provision of bundled services such as Double play (cable television and Internet access) increased by 1.2 percentage points and amounted to 8%, while those from the provision of services like Triple play reached 6.7%, and revenues from the broadcasting of programs received by the subscribers in a digital format increased considerably with 6.4 percentage points and reached 12.1% of the total revenues of cable networks.

Services provided and prices

The bundled services to which belong Double play (cable television and Internet access and/or cable television and voice transmission) and Triple play (cable television, Internet access and voice transmission), became increasingly popular with subscribers during the the past few years, since they bring value added, which is expressed in the improvement of quality, price discounts and a possibility to choose among different packages according to their individual needs. Due to this fact a growing number of undertakings offering services via cable networks, offer or have intentions to offer not only bundled services but also services like Internet access, HDTV[65] and Video on Demand (VOD)[66], with aim to satisfy the requirements of subscribers.

The provision of the Double play (cable television and Internet) service is attractive to those undertakings carrying out their activity primarily in big cities such as Sofia, Varna, Burgas, Plovdiv, Ruse, and Stara Zagora. The trend of an increasingly widespread availability of this service in smaller towns and some villages, observed in the past few years, persisted. In 2009, the number of undertakings to have declared plans to provide this service, increased by 14 compared to 2008 to a total of 42. Revenues from the Double play service increased by 1.2 percentage points, compared to the previous year, and amounted to 8% of the total amount in the market segment. According to CRC data, submitted by the undertakings, the average monthly subscription for the Double play service remained unchanged compared to 2008 and amounted to BGN 33.00.

The Triple play service, which provides access to cable television, fixed voice telephony and high-speed Internet, received by consumers via a single cable, continued to be quite attractive in 2009 as well, while the number of undertakings to have declared that they provide the service reached 10: CABLETEL EAD, VESTITEL BG AD, EUROCOM CABLE MANAGEMENT BULGARIA EOOD, ITD NETWORK AD, DELTA OOD, INTERBUILD OOD, NOBLECOM OOD, SPECTRUM NET AD, TELECABLE AD and SPEEDY NET AD. Triple play service provision is concentrated mainly in big cities. It should be noted that Bulgarians, using Double play and Triple play bundled services, were respectively about 6 percent and 4.6 percent of the total number of cable network subscribers in Bulgaria, as the Triple play service subscribers have increased by 2.4 percentage points, which was almost double compared to the previous 2008.
In 2009, the number of undertakings providing digital TV programs to subscribers increased by nearly 1.5 times against 2008 and reached 46. The relative share of subscribers having cable TV with digital format increased by nearly 9 percentage points versus 2008 and came in at 21.8% of the total number. HDTV continued to gain broader acclaim among the users of digital cable TV, accounting for 0.2% of Bulgaria's cable TV subscribers. Among the undertakings providing such a TV digital format are: CABLETEL EAD, EUROCOM CABLE MANAGEMENT BULGARIA EOOD, TELECABLE AD, M SAT CABLE AD, KORES GROUP EOOD, NOBLECOM OOD and others.

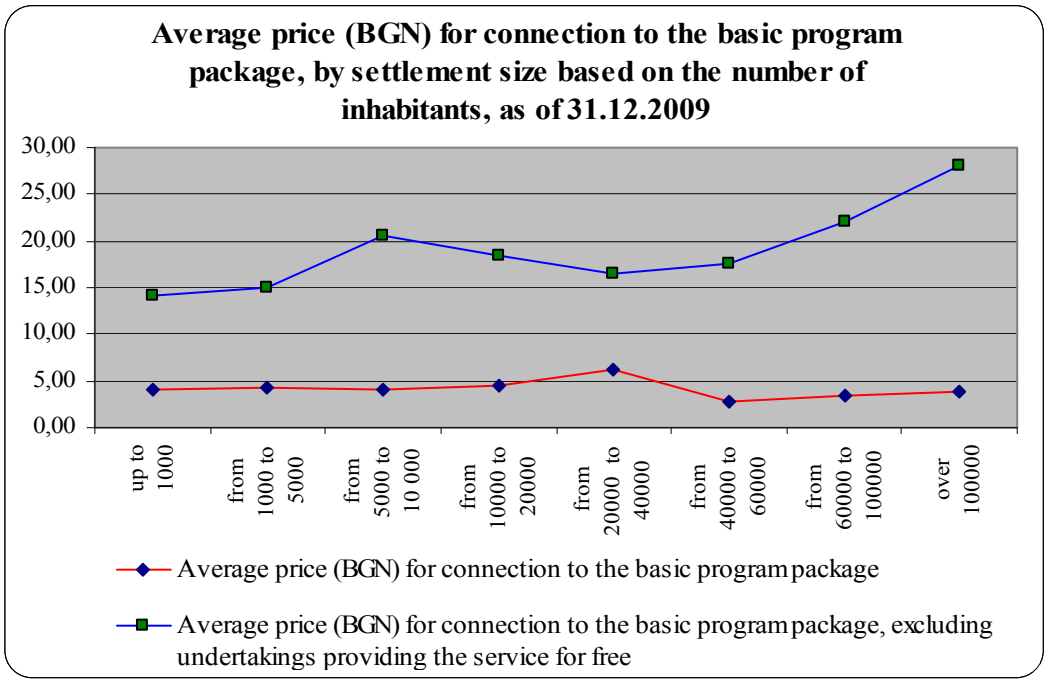
According to data submitted to the CRC from undertakings providing electronic communications via a cable network for transfer and/or broadcasting of radio TV programs in

[65] A digital television standard supporting a format that allows higher quality transmission and higher resolution in comparison with the traditional analogue or digital television

[66] System that uses video compressions with a view to provide video programs to subscribers via ISDN or cable, whenever they want to watch them.

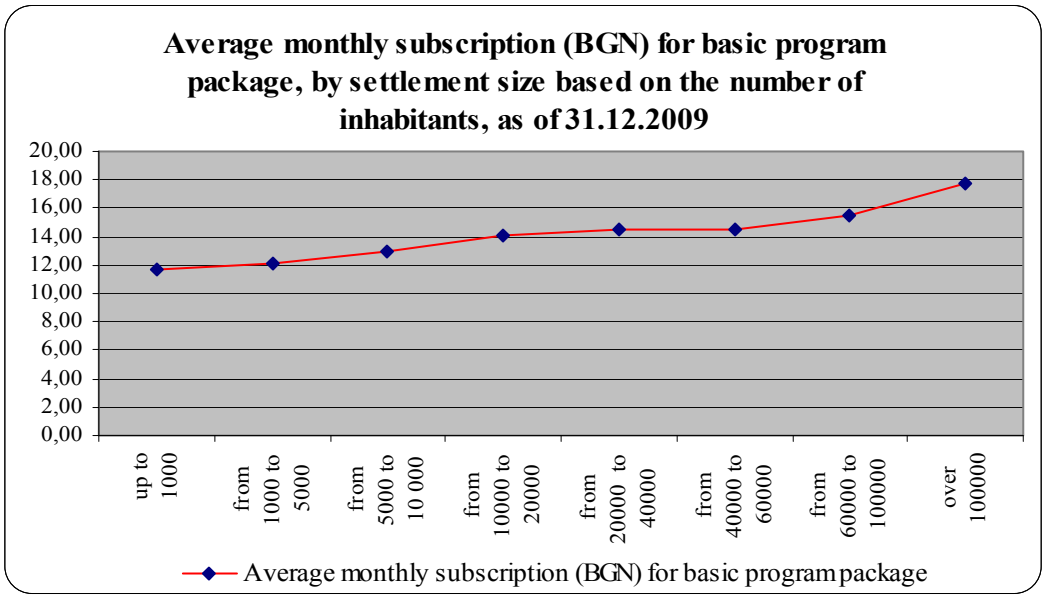
2009, the number of subscribers to "video on demand" and "Pay-per-View" services[67], coming henceforward in the market amounted to, respectively, 0.04% and 0.05% of the subscribers of cable TV. These services are still unknown to the bigger part of the users, but the interest toward it increased, evidenced by the fact that five undertakings declared plans to provide this service in 2010.

The figures below present the average connection and monthly subscription fees[68] for the basic program packages of the undertakings, providing services via cable network. As mentioned above, revenues from these packages covered the highest share of the market segment.



Source: *Data submitted to the CRC*

Fig. 76



Source: *Data submitted to the CRC*

Fig. 77

[67] A system via which cable TV users pay to watch a specific sport event, movie or special program, where the broadcast is simultaneously broadcast to all who have paid in advance

[68] The prices are calculated as an average arithmetic value according to the settlement and number of citizens

In 2009, the average monthly subscription fee for the basic program package increased by about 4 percent compared to 2008, due primarily to the improvement in the quality of services provided by cable operators, in accordance with the higher user requirements.

The cost for the launch of the basic channel package to potential subscribers of the undertakings, carrying out activities in cities with more than 60 000 citizens is relatively high- BGN 25 on average. However, the trend observed in the past few years was to offer the service free of charge. The larger the number of citizens in settlements, the higher the percentage of undertakings that operate there and offer the service, basic bundling included, free of charge. This is dictated by the higher number of players in these markets, which makes competition all the more efficient. The price for the offer of basic bundling in small settlements with up to 5000 citizens is relatively lower (averagely around BGN 14.50) but the percentage of undertakings offering the service free of charge was lower. Significantly lower was the monthly subscription for basic bundled programs regardless that competition was inefficient there, which was due both to the not-as-high quality and the lower scope of services provided and the lower solvency of the population in these settlements.

10. Services provided through electronic communication networks for broadband wireless access (BWA) by means of radio frequency spectrum (networks of the "point to multipoint" type)

As at the end of 2009, five undertakings held licenses for the construction of nationwide electronic communication networks of the BWA type (networks of the "point to multipoint" type) using the WiMAX technology. These undertakings were MAX TELECOM OOD, TRANS TELECOM AD, NEXCOM BULGARIA EAD, MOBILTEL EAD (with the trade mark M-tel) and CARRIER BG AD. Three out of them did exercise market activity - MAX TELECOM OOD, TRANS TELECOM AD (using the trade mark "1 One", which was changed to "4 Ever" in December 2009) and NEXCOM BULGARIA EAD.

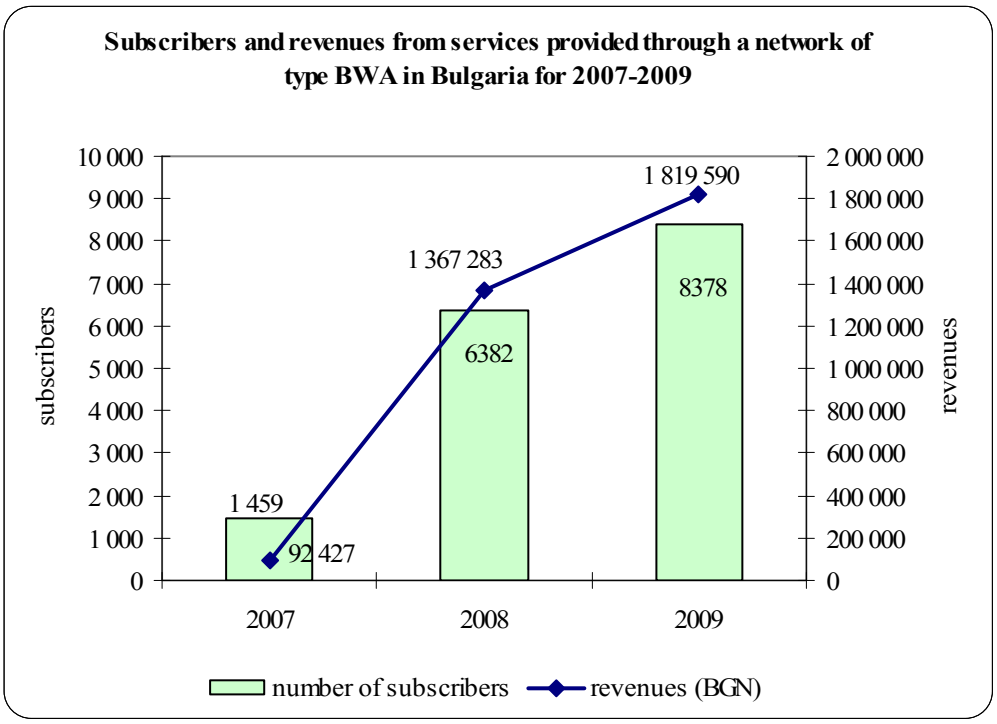
Via their BWA networks, the undertakings deliver:

- Broadband Internet access with up to 4Mbit/s speed;
- Voice services:
  - via numbers with national code of the 099x type (delivered by MAX TELECOM OOD with 0999 code and by TRANS TELECOM AD with 0996 code);
  - via geographic numbers (TRANS TELECOM AD and NEXCOM BULGARIA EAD held certificates for the provision of fixed voice telephony and use their BWA networks for the provision of fixed telephone services through a wireless access to subscribers);
- additional services such as voice mail, eb television, mobile applications, web hosting, video surveillance, MAN/VPN services and telephone numerators for business users, etc.

MAX TELECOM OOD, TRANS TELECOM AD and NEXCOM BULGARIA EAD delivered subscribers services both to home and business clients, while MAX TELECOM OOD delivered prepaid WiMAX services.

As of the end of 2009, users of services delivered via broadband wireless networks of the BWA type in Bulgaria totaled 8378, which is an increase by 31.28% compared to the end of 2008. Revenues from these services amounted to BGN 1,819,590 million, registering an increase of 33.08% compared to 2008.

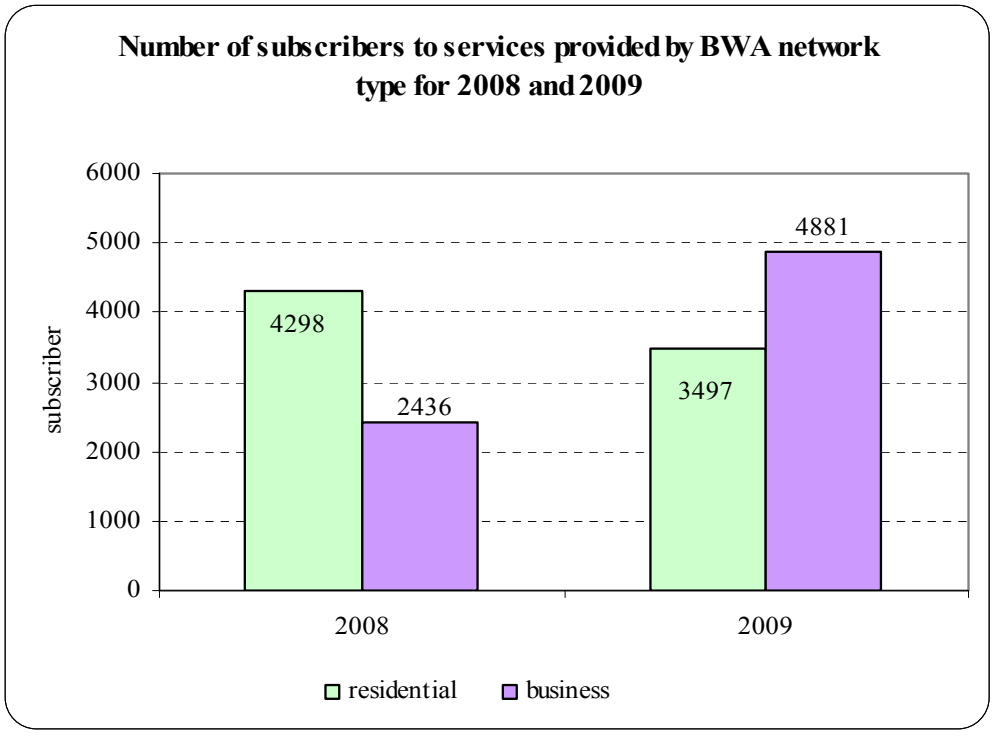
Fig. 78 below presents information about the development of the services delivered via a BWA network for the 2007-2009 period.



Source: *Data submitted to the CRC*

Fig. 78

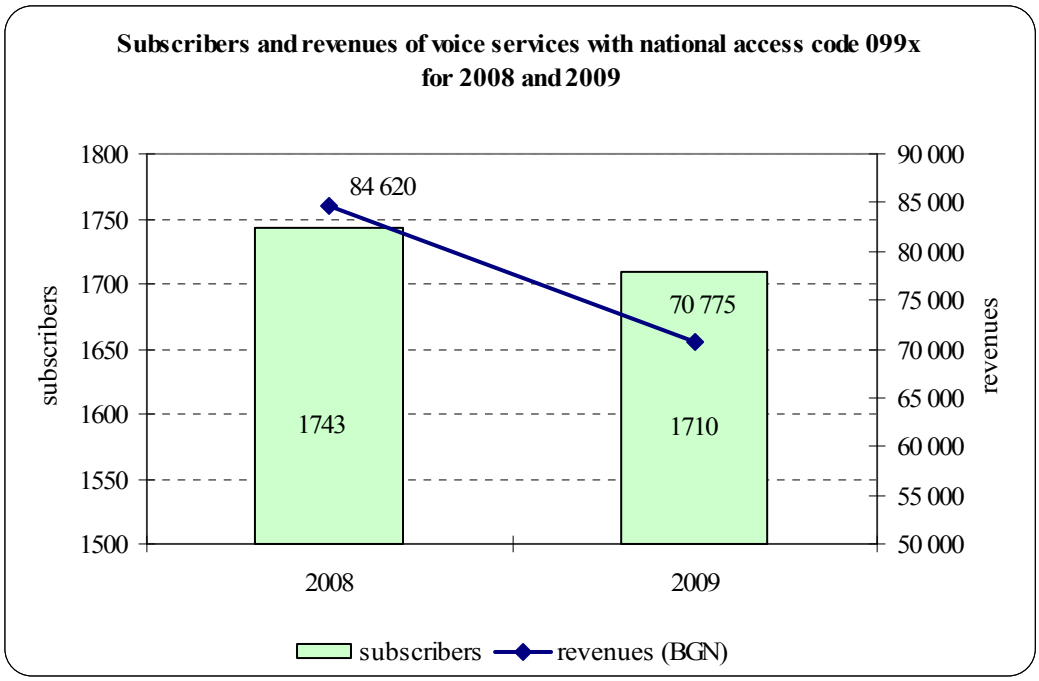
In comparison to the previous year when home subscribers prevailed over business subscribers in 2:1 proportion, in 2009 the number of home subscribers was down by 19% and that of business subscribers rose by 100%. This alteration was mainly due to the fact that business subscribers generated higher incomes in comparison to home subscribers.



Source: *Data submitted to the CRC*

Fig. 79

The users of voice services provided by MAX TELECOM LTD and TRANS TELECOM AD via numbers with a national access code of the 009x type were 1596 in total and the revenues generated by both undertakings came in at BGN 71 000. As of 2008, there was a 2% decline in subscriber numbers and nearly 20% in revenues, which had an impact on the index "average revenue per subscriber" which also dropped in 2009.



Source: *Data submitted to the CRC*

Fig. 80

This decline may be explained by the few devices offered on the market, which maintain the WiMAX standard, with the insufficient coverage of networks by population and territory, and with the unattractive to the end user tariff plans.

The service prices for "wireless internet access" provided via networks for broadband access were close to the prices for services for cable, LAN and DSL broadband Internet access. MAX TELECOM LTD, TRANS TELECOM AD and NEXCOM BULGARIA EAD also provided the so-called "nomadity" - the option for users to use their own Internet connection anywhere, where the network of the undertaking had coverage. It should be noted that as a whole, the speed of an Internet connection offered was lower than the speed offered by the competitive undertakings, providing cable, LAN and DSL services.

The network coverage reached at the end of 2009 (which is presented on Table No. 15) indicated an increase by 7%, which reached 51.32% of the population and 15.23% of the territory of the country, but was significantly less than that envisaged in 2009. According to CRC data, in 2009 undertakings invested BGN 17.6 million in total into the completion of their networks and in 2010 they had envisaged new investments of approximately BGN 25 million, with which they plan to increase their population and territorial coverage to an average of 67% and 20%, respectively.

Table № 15

Achieved average coverage of networks of the BWA type in %					
2008		2009		2010*	
Population	Territory	Population	Territory	Population	territory
44.31	3.47	51.33	15.23	67.67	20.05

Note: The data for 2010 are estimates

Source: *Data submitted to the CRC*

The development of the electronic communication networks for broadband wireless access (BWA - networks of the "point to multipoint" type) in Bulgaria continued at a slow rate. The global financial crisis impeded the development and implementation of devices necessary to support the technology (portable computers and other mobile devices) on the end-user market, which combined with their high price, made them not as popular with the users. Another fact was the halving of advertising costs made by these undertakings in 2009. All this had a negative impact on the development of this type of network in Bulgaria.