

V. MARKET REGULATION

The systematic study, observation and analysis of the telecommunications market as a whole, including its separate segments, are of great importance for the development and application of efficient CRC regulatory and tariff policy under conditions of a liberalizing market. For executing its regulative functions CRC collects and processes on a regular basis the information provided by the telecommunications operators. Based on the collected information an analysis of market conditions is made and tendencies for its future development are outlined. Thus, CRC receives a feedback information on how the market responds to the applied regulatory measures and mechanisms, as well as about their efficiency and expedience, which enable their future precise adjustment.

In 2003 an annual analysis of the condition and development of the telecommunications market in Bulgaria for the previous year was made. The analysis was based on the information about the activity of 643 licensed operators of public telecommunications networks providing telecommunications services, 39 operators running their activity on the grounds of § 16 of the Transitional and Final Provisions of the Telecommunications Act (abrogated in 'State Gazette' No 88/7 October 2003), as well as about 170 providers of Internet access services. For information collection purposes, questionnaires for reporting 2002 telecommunication activities were prepared and sent to the licensed operators and the Internet providers in 2002. Based on the collected information is maintained and updated a database by type of telecommunication activities.

A monitoring set of parameters concerning the condition of the telecommunications market is also necessary in connection with the current monitoring of the competition in separate market segments. In 2003 CRC kept close cooperation with the Commission for Protection of Competition and supported its work in many cases related to the competition on the market of cable networks and services.

CRC experts systematically observe the activity of world and European telecommunication organizations (ITU, ETSI), European legislation in the telecommunication sector, as well as the regulatory framework in the sector and the practice of the European regulatory authorities with respect to the regulatory and tariff policy, so as to study and apply the best practice in accordance with the specific characteristics of the Bulgarian telecommunications market.

The adoption of the new Telecommunications Act set a new regulatory framework in the sector, which arranges various important aspects of the market regulations: definition of operators with significant market power and the assignment of specific obligations to these operators, provision of universal telecommunications service, approval of cost accounting systems for setting cost-oriented prices by the regulatory authority, adoption of reference interconnection offer, unbundled access to the local loop and provision of leased lines. In 2003 started the development of a secondary legislation regarding the telecommunications sector. In 2003 CRC experts worked on priority projects in the field of market regulation: Methodology of terms and conditions for definition and study of the respective market and definition of operators with significant market power, drafts of secondary legislation regulating the universal telecommunications service, Regulation of terms and conditions for provision of leased line service.

A joint working group, including representatives of CRC and BTC PLC, was established, and a number of meetings were held aiming to coordinate the submitted by BTC PLC project on the cost accounting system "SeeCost – cost accounting management system" and the draft reference interconnection offer of BTC PLC.

CRC experts prepared a report, including an analysis of the new services, offered by BTC PLC under the conditions of the liberalizing market: prepaid BTCard, BTC Internet package and development of local client network. For this purpose, the information necessary for the preparation of a price analysis of the new services, provided by BTC PLC, was collected and systematized.

With regard to the execution of the Bulgarian Government's Program for implementation of a third-generation mobile networks in the Republic of Bulgaria (UTMS) and Decision ERC/DEC/(99)25 of the European Radiocommunications Committee (ERC), the respective

information was collected and systematized and CRC began its work on preparing a prognostic analysis of UMTS potential market in Bulgaria. A report on the development and implementation of CDMA technology on the mobile services market as well as a forecast of its introduction in Bulgaria were prepared.

Regarding the development of data transmission networks with individual frequency source, an expert analysis of networks using the "point-to-multipoint" (PMP) technology was made. Information about the tariff and license policy and practice of the regulatory authorities of EU Member State and Candidate Countries related to PMP networks and management of the radio frequency spectrum was collected and studied. The above report included a study of the methods for determination the amount of license fees for using radio frequency spectrum, as well as for determination of the price for using radio frequency spectrum in PMP networks. Initial and final bid price for PMP technology license and per capita price were studied.

In 2003 CRC organized a competition for a third national television and thus, established conditions for an effective competition in the market segment, and determined the efficient use of radio frequency spectrum as scarce source.

During the same year various meetings were held together with representatives of Telecommunications and Posts National Committee of the Republic of Greece (EETT) under PHARE Twinning Project on the subject: Policy and legal framework for providing universal telecommunications service under the conditions of a completely liberalized market".

Shared experience is of great importance for CRC experts as it helps working on projects of secondary legislation regulating the terms and conditions for provision of a universal service, price affordability of the universal service and the rules for determination of net losses of operators providing such service.

Following the initiative of CRC, a meeting with the representatives of the Italian regulator in the area of telecommunications (*Autorita per le Garanzie nelle Comunicazioni, AGCOM*) was held. Representatives of BTC PLC and MobilTel EAD also participated in the meeting where the condition and development of the Italian telecommunications market were presented; the basic topics discussed during the meeting concerned several current regulatory issues, such as the economic aspects of network interconnection regulation and the experience of the Italian regulator regarding the applied cost accounting methods and setting of cost-oriented price. The meeting was well-timed and useful with respect to the responsibilities and tasks, set in the new Telecommunications Act, for improvement and application of accounting and cost distribution systems, access and network interconnection economic regulation, development of models for cost-oriented price determination, definition and study of respective markets and operators with significant market power. An important outcome of the meeting was that the three delegations were simultaneously introduced to the practice, precedents and the execution decisions made by the Italian regulator with regard to the fulfillment of the provisions of the European telecommunications regulatory framework for the period 1998 – 2000.

In 2003, the experts from CRC and the Ministry of Transport and Communications participated in the two stages held under EC project: "Monitoring Telecommunication Markets of EU Candidate Countries". The objective of the project was to monitor the development of telecommunication in the EU Candidate Countries. According to the nearly 200 indicators, Bulgaria prepared and submitted information on the condition of its telecommunications market (as of the end of 2002 and the first six months of 2003).

By using a specialized questionnaire, the Bulgarian regulator continued to provide the International Telecommunication Union (ITU) with information about the Bulgarian telecommunications market for updating its database of indicators for global development of telecommunications and preparation of report for global development of telecommunications in 2003. Information about the Bulgarian telecommunications market was sent also to other organizations and institutions both within the country and abroad: Ministry of Transport and Communications, through the Council for Electronic Media to the European Platform of Regulatory Authorities, INA (Southeastern Europe Telecommunications & Informatics Research Institute), European regulatory authorities.

CRC representatives kept participating in the working meetings under the "APRII" project (Accounting Principles and Regulatory Interconnection Issues) of the ECC (Electronic Communications Committee). The APRII project deals with the economic aspects of interconnection among the telecommunications networks in the CEPT member countries

(European Conference of Postal and Telecommunications Administrations) with respect to liberalization of the telecommunications market and application of the cost-oriented principle to the basic price system in interconnection.

In 2003 CRC made the first steps for joining the Independent Regulators Group (IRG). Following the Greek regulatory authority initiative a meeting was held in Athens on October 3, 2003 attended by representatives of IRG Member Countries and regulatory authorities from Bulgaria, Romania and Turkey. From the beginning of 2004 Bulgaria will become a member of IRG, which will enable experts of the Bulgarian regulator to participate in IRG working groups whose major activity is related to priority market regulation issues: market study for defining SMP operators regulation of mobile networks, access and interconnection of fixed networks, development of competition in broad-band spectrum services, separate (management) accounting and methods for cost distribution, statistic instruments and data for analysis of the telecommunications market, regulatory aspects related to end users.