

V. MARKET REGULATION

The process of elaborating market analyses and the application of regulatory measures is of an exceptional importance for the practical implementation of the current regulatory frame. For the performance of its regulatory functions CRC studies the telecommunications market, collects and processes data on the implemented telecommunication activities by operators, registers their market behavior and prepares analyses of the market of telecommunication networks and services. The analyses contain information about the state of the competition on the telecommunications market and about the trends in its development. Based on the market analyses regulatory measures shall be determined, by whose application the efficiency of the competition could be increased under the conditions of transparency and equality, while at the same time monitoring the effect of their application.

Annual report 2003

In 2004 an annual analysis was made of the status and development of the telecommunications market in Bulgaria in 2003, which is a part of the annual report of the CRC. The analysis is based on information about the activities of about 660 operators of public telecommunication networks, providing for telecommunication services through them, as well as of about 170 Internet service providers. To collect the information forms – questionnaires were elaborated and sent away, so that the telecommunication activities of the licensed operators and the Internet providers were reported. On the grounds of the collected information the database is maintained and updated by types of telecommunication activities.

Monitoring of the market

The current monitoring of the status of the telecommunications market as a whole and of separate segments through monitoring of certain parameters, is performed by CRC, which at the same time keeps a watch over the development of the world and the European trends by getting acquainted with studies of international organizations in the field of telecommunications like the International Telecommunications Union (ITU), the European Telecommunications Standards Institute (ETSI), with the recommendations of the European Commission in the field of telecommunications and other acts, reports, studies, as well as with the best practice of other European telecommunications regulators in the field of the regulatory politics aimed at its application in conformity with the specific conditions of the Bulgarian telecommunications market.

Definition of an Operator with Significant Market Power (OSMP)

In 2004 experts of the CRC for the first time elaborated analyses of the market of the fixed telephone networks and the provision of fixed voice telephone services, of the service 'leased lines', as well as of the market of mobile telecommunication networks and provision of voice telephone services through them in connection with designation of operator with a significant market power.

The analyses performed in compliance with the Methodology on the conditions and the procedure of determining operator with a SMP (the Methodology), include the following stages:

- Definition of the relevant markets;
- Performing investigation and collecting information;
- Determining the share of the operators on the relevant markets;
- Determining the operators with significant power on the relevant markets.

In compliance with article 12, paragraph 1 of the Methodology, on the basis of the obtained results from the analyses, CRC declared BTC PLC as the telecommunication operator with a market share of over 25%, by Decisions No 1748 and No 1749 dated September 16th, 2004 as an operator with SMP on the fixed telephone networks and provision of a fixed voice telephone services market and on the market of providing the service "leased lines", imposing the specific obligations stipulated in the Telecommunications Act.

The analysis of the market of mobile telecommunication networks and the provision of voice telephone services by them aiming at determining an operator with SMP was elaborated on the basis of the information obtained by the annual reports of the licensed activities for 2003 of the operators on the market of the mobile telecommunication networks providing voice telephone services through them. On the basis of the results of the analysis and in compliance with article 44 of the Telecommunications Act, CRC by its Decision No 1934 from 28 October 2004 determined MOBILTEL AD as an operator with SMP on the market of mobile telecommunication networks and provision of voice telephone services through them, imposing the specific obligations, stipulated in the Telecommunications Act.

Regulation of prices

In compliance with the Telecommunications Act CRC performs the regulation of the following prices determined by the operator with SMP of the fixed telephone networks and fixed voice telephone services market and on the market of providing the service "leased lines":

1. for fixed voice telephone service;
2. for interconnection;
3. for providing the service leased lines of the range of the minimum set;
4. for special access;
5. for unbundled access to the local loop;
6. for collocation.

In connection with the obligation for cost-oriented prices of BTC PLC as an operator with significant market power, in 2004 CRC with its Decision No 1049/15.04.2004 approved a system of the costs distribution ("See Cost System for the Management Costs Accountancy"), introduced on behalf of BTC PLC. On the basis of the system it follows that the costs shall be determined for the provision of the services with regulated prices, which the operator introduces to CRC for approval.

Experts of the Commission took part in the preparation for the coordination of a project, introduced by BTC PLC on the modifications in some prices and price conditions for providing the fixed voice telephone service, approved by CRC by Decision No 1169/29.04.2004.

Further to that the experts took part in the preparation for coordination of the following regulated prices:

- for collocation in coordinating the General conditions for concluding a contract for the shared use of premises and equipment;
- for interconnection in coordinating the Reference Interconnection Offer of BTC PLC
- for provision of leased lines from the range of the minimum set – Reference offer for concluding a contract for providing the service "leased lines".

Provision of a universal telecommunication service

Concerning the guaranteeing of provision of the universal telecommunication service CRC collects information from BTC PLC as from a public operator, obligated to provide for the universal telecommunication service, about the fulfillment of the obligation to provide universal telecommunication service – coverage, quality, prices, expenditures and revenues, connected with its provision, the servicing of the demands, the number of denials and the reasons for them.

Experts of the CRC participated in the elaboration of the changing of the individual license of BTC PLC, by which the company is assigned the provision of the universal telecommunication service. In connection with this obligation a new project was developed of the Principles of calculating the amount of the net losses from the provision of this service.

Taking part in the preparation for coordination of reference offers for interconnection of networks, reference offers for unbundled access and leased lines

In connection with the liberalization of the telecommunications market and the assigning of new obligations to the operators with SMP, related with the provision of possibilities for the realization of interconnection and access to the subscribers network, in 2004 BTC PLC elaborated projects of Reference offers for interconnection, unbundled access to the local loop and leased lines. CRC performed analysis of the submitted for approval Reference offers for interconnection, unbundled access to the local loop and leased lines and prepared a report on the contracts, submitted by the operators, on the interconnection, the specified access and the unbundled access to local loops.

Participation in working groups – digital TV, PMP

In 2004 CRC declared its intentions to start up licensing procedures for the issuance of licenses in connection with some new activities to the Bulgarian telecommunications market: digital TV, provision of services by technology of the type PMP¹ “point-to-multipoint” and a third generation mobile services. Experts of the Commission made analyses in connection with the investigation of the most appropriate type of race procedure, which should be applied, as well as concerning the potential of the market from the point of view of demand and supply.

Coordination of the General Conditions for the interrelations between the operators and the end users

In 2004 in connection with the changes in the licensing regime, experts of CRC participated in the coordination and changes in the general conditions for operators and the development of model general conditions of the interrelations between the operators and the end users, as follows:

1. Model general conditions of the interrelations between operators and end users – under General License No 217 from 23.12.2003 (promulgated in SG, issue 2 of 2004), network for data transmission without using a scarce resource;
2. Model general conditions of the interrelations between the operators and the end users – under General License No 201 from 23.12.2003 (promulgated in SG, issue 2 from 2004), cable telecommunication network for the broadcasting of radio and TV programs.

The model general conditions were published on the web site of CRC on the Internet.

Throughout the year more than 320 files on coordination of general conditions projects of the interrelations with the users of the cable telecommunication network operators, networks for data transmission, etc. were processed as 89 projects of them were approved in compliance with the Decisions of CRC.

Collaboration with the Competition Protection Commission (CPC)

In 2004 CRC continued its collaboration with the Competition Protection Commission, rendering it assistance in the realization of studies of a number of proceedings with regard to competition in the field of provision of fixed and mobile voice telephone services, as well as services by cable telecommunication networks.

Elaboration of a Bill for the Electronic Communications Act

Experts of the Ministry of Transport and Communications and CRC started work on the elaboration of a Bill for the Electronic Communications Act, which anticipates the introduction of the new European regulatory frame 2002.

¹ Point-to-multipoint

Participation in international projects

The regulatory authority continued the submission of information about the status of the Bulgarian telecommunications market, by a questionnaire of the International Telecommunication Union, in connection with the updating of its database of parameters of the world telecommunication development and the preparation of a report to ITU for 2004.

Experts of the Ministry of Transport and Communications and CRC took part in the preparation of the project "Monitoring of the Electronic Communications in South-East Europe", financed by the European Commission. This is the renewed project for the following of the development of sector "Telecommunications" in the countries candidates for EU membership, including the new group of Balkan countries – candidates for membership after the accession in May 2004: except Bulgaria and Romania it included Serbia and Montenegro, Croatia, Macedonia, Turkey. Bulgaria will continue submitting information about a broad range of parameters of the practice of regulation, the tariffs of the telecommunication services, the market development.

Experts of CRC took part in the work of preparation of the start of the Twinning light project BG/2002/IB/TE/01/UE "Institutional building of the Communications Regulation Commission", financed by the PHARE program, whose implementation is assigned to the regulatory bodies of Spain. One of the four modules of the project is dedicated to the market regulation.

CRC has been a member of the Independent Regulators Group (IRG²) since the beginning of 2004. IRG is a valuable forum for the discussion and sharing practical experience among the experts of the European regulatory bodies in the field of a number of problems of the market regulation and compliance to the European legislation. Representatives of CRC have started preparation for the participation in the work of 6 from the working groups of IRG, as follows:

1) **Working group "Significant market power" (SMP WG):** assists IRG in the field of problems as competition, especially those on defining the relevant markets and determining the SMP operators.

2) **Working group "Mobile services market" (Mobile Market WG):** studies problems connected to the regulation of the market of the mobile communications and especially the regulated access to the mobile networks within the frame of the countries from IRG. This group discusses the shared experience in the field of technical and economical problems of access to the mobile networks. When needed, the group proposes a general approach to the coordination of the regulation of the mobile telecommunication markets within the IRG.

3) **Working group "Fixed network" (Fixed Network WG):** reviews problems, connected with the fixed networks, including these resulting from the new regulatory framework. The work of the group depends vitally on the problems, referred to in the Directive on Access and Interconnection (Directive 2002/19/EC). Together with the problems of access and interconnection of the fixed networks, the problems of the leased lines are also covered. Special attention is paid to the competition in the broadband services for end users.

4) **Working group "Regulatory accounting" (Regulatory Accounting WG):** discusses problems of the separate bookkeeping and methods of the distribution of the costs.

5) **Working group "Market data analysis" (Market Data Analysis WG):** determines the more appropriate statistical instruments, making possible the international benchmarks; providing market data for the other work groups.

6) **Working group "End users" (End Users WG):** discusses the regulatory aspects related to the end users. Actually these are the contracts with the users; the publishing and the access to the information about the users; the measures, which would allow the users to control their expenses for the service; transparency of the tariffs and the procedures of settlement of disputes by off-court agreements.

At the beginning of 2004 Bulgaria was given the statute of observer in the European regulators group (ERG), which will allow its more active participation in the IRG/ERG working groups.

² Independent Regulators Group