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3. UNIVERSAL TELECOMMUNICATIONS SERVICE

The universal telecommunications service includes a minimal set of telecommunication services of certain quality, rendered to each end user at an affordable price. Pursuant to the Telecommunications Act such an obligation have operators defined as operators with significant market power, who carry out telecommunications through a fixed telecommunication network and provide fixed voice telephone services. BTC PLC as an operator with significant market power on that market (Decision of CRC No 1748 dated 16.09.2004) has the obligation for the provision of the universal service. This obligation of BTC PLC is input in the issued individual license of the operator.

The Telecommunications Act and the Ordinance on the Procedure and Conditions for Provision of a Universal Telecommunications Service stipulate a possibility (after 01.01.2005) for the conduct of a contest for the award of the provision of services within the scope of the universal service upon request of operators that do not have a significant market power.

As far as the provision of the universal service at an affordable price on the territory of the whole country often gives rise to financial losses for the operators, a mechanism is anticipated to compensate the losses of the operators in other European countries and our country. Among the EU Member States a fund for compensation of the net losses from provision of the universal service has been created in Belgium, Italy, Spain, France, the United Kingdom and the Czech Republic¹. In our country such a fund was established in 2005 and rules for the calculation of the net losses of the public operators from provision of the universal telecommunications service were adopted.

3.1. Affordability of the price of the fixed voice telephone service

With the last changes in prices of the telephone services provided by BTC PLC (effective since 01.05.2004²⁵), the preferences for residential users are preserved, and they are provided with a possibility for conclusion of a complementary agreement for an economic consumption package at half of the price of the monthly rental charge and a price of 0, 01 BGN per impulse for consumption up to 20 impulses. Compared to 2003, the number of impulses included in the economy package has been decreased by ten.

The preferential price packages for usage of telephone services by residential users – disabled persons 1st group include monthly rental charge and a predetermined limit of consumption up to 50 charge impulses per month at the total price of BGN 1,50 and a price of BGN 0,01 per charge impulse for consumption from 51 to 70 impulses included. In comparison to 2003 the value of the monthly rental charge and a consumption up to 70 impulses was BGN 1,25 with a price per charge impulse – BGN 0,01 for consumption from 71 to 110 impulses included.

In 2004 the usage of telephone services per telephone of the social and health services determined by the relevant Ministries has been retained at the same level. During the year monthly rental charge and a consumption of 350 charge impulses were at the price of BGN 3,50, and in 2003 the package included a consumption of 50 charge impulses more at a price of BGN 3,30.

3.2. Quality of the fixed voice telephone service

In most of the countries from Central and Eastern Europe, as in Bulgaria, the national regulatory body in the field of telecommunications monitors the quality of the service provided in compliance with the international standard EG 201 769 of ETSI.

¹ *The Cross-Country Analysis, Cullen International, February 28, 2005, p. 129-135*
Communication from Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, European Electronic Communications Regulation and Markets 2004, 10th Report, , p. 28-29

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http://europa.eu.int/information_society/topics/ecomm/all_about/implementation_enforcement/annualreports/10threport/index_en.htm

²⁶ *The prices are exclusive of VAT*

In 2004 BTC PLC reported the highest level of enhancement of the quality of service with regard to the indicator number of pending applications for opening of new telephone sets, whose number is nearly twice smaller as compared with 2003.

Table 4

Performance indicators for quality of service	31.12.2000	31.12.2001	31.12.2002	31.12.2003	31.12.2004
Pending applications for new telephone sets (numbers)	245 414	187 000	151 854	114 568	63 073
supply time for initial connection (y./m./d.)	1y. 8 m.	1y. 7 m.	2 m. 4 days	2 m.	3,8 m.
Average reported faults per 100 lines a month (%)	4,04	3,76	3,53	3,18	4,2
Average number of faults eliminated within 24-hour period (%)	89,91	90	88,21	78,74	80,21
Average number of complaints for the quality of connection per 1000 subscribers	0,13	0,33	0,08	0,07	0,05
Average number of complaints for the amount of the monthly bills per 1000 subscribers	0,63	0,41	0,35	0,31	0,23

Source: According to data of BTC PLC

For a one-year time period the value of the indicators “Average number of claims for the quality of the connection per 1000 subscribers” and “Average number of claims for the amount of the monthly bills per 1000 subscribers” show improvement of the trade service. The same is indicated by the share of faults eliminated within 24-hour period from their announcement, which is by 1,47% bigger at the end of the year compared to the same time period of 2003.

The time for initial provision of the service grew up from two months in 2003 to 3,8 in 2004 and reached the highest values for the entire time period 2002-2004.

In view of the expected entry of new, alternative participants into the market of fixed telephone networks and the provision of fixed voice telephone services, aimed at retaining the existing and eventually attracting new subscribers, the efforts of BTC PLC in 2005 will be directed at the overall improvement of the trade servicing of the clients and predominantly at the curtailment of the supply time for the initial connection.

3.3. Elements of the universal telecommunications service

3.3.1. Public payphones

One of the aspects of the scope of the universal telecommunications service is the access to fixed voice telephone service through public pay phones.

Since the end of 2003 carrying out of telecommunications through provision of the service access to voice telephone services through public payphones passed from a regime of individual licensing to the more simplified regime of registration under a general license.

In 2004 the activity of installation and operation of systems of payphones continues to be performed by the "RADIOTELECOMMUNICATION COMPANY" LTD (RTC LTD), "BULFON" PLC BCTI and BTC PLC. Since 2004 "INTERTEL" LTD has also been registered

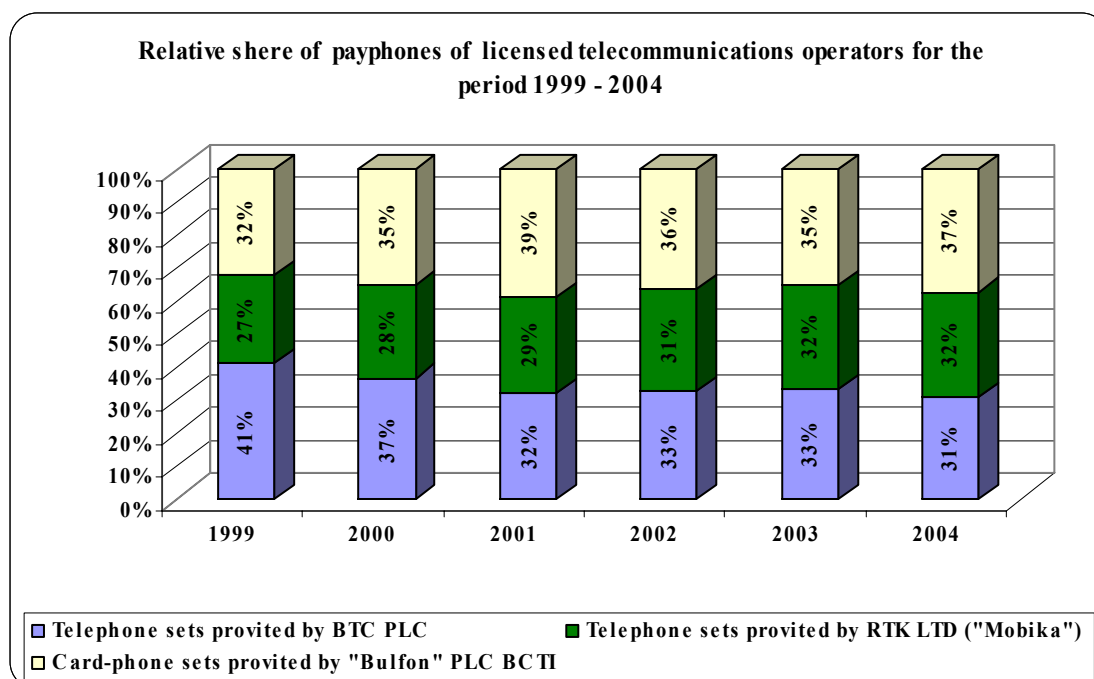
for implementation of this kind of telecommunication activity, but the Company did not implement any activities by the end of the year.

Table 5

Number of payphones as per:	31.12.1999	31.12.2000	31.12.2001	31.12.2002	31.12.2003	31.12.2004
Total incl.:	19 031	21 619	19 910	21 389	21 092	20 605
Payphones for local calls – with tokens and telephone cabin sets of BTC PLC	7 846	7 929	6 357	6 975	6 998	6 398
Payphones for combined calls – with phone cards, coins and combined sets of RTC LTD ("MOBIKA")	5 085	6 078	5803	6 637	6 646	6 544
Payphones for combined calls – phone card sets of "BULFON" PLC BCTI	6 100	7 612	7 750	7 777	7 448	7 663

Source: According to data of BTC PLC, RTC LTD and "BULFON" PLC BCTI

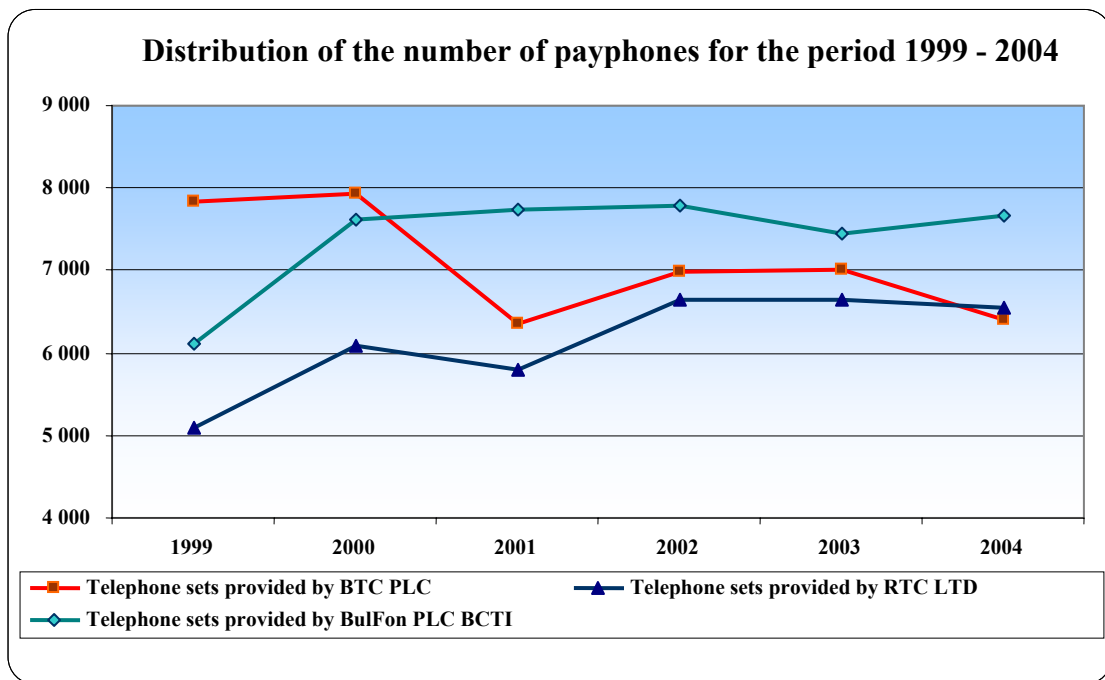
The public payphones of BTC PLC work with tokens and those of "BULFON" PLC BCTI and RTC LTD ("MOBIKA") – with phone cards and coins.



Source: CRC

Fig. 46

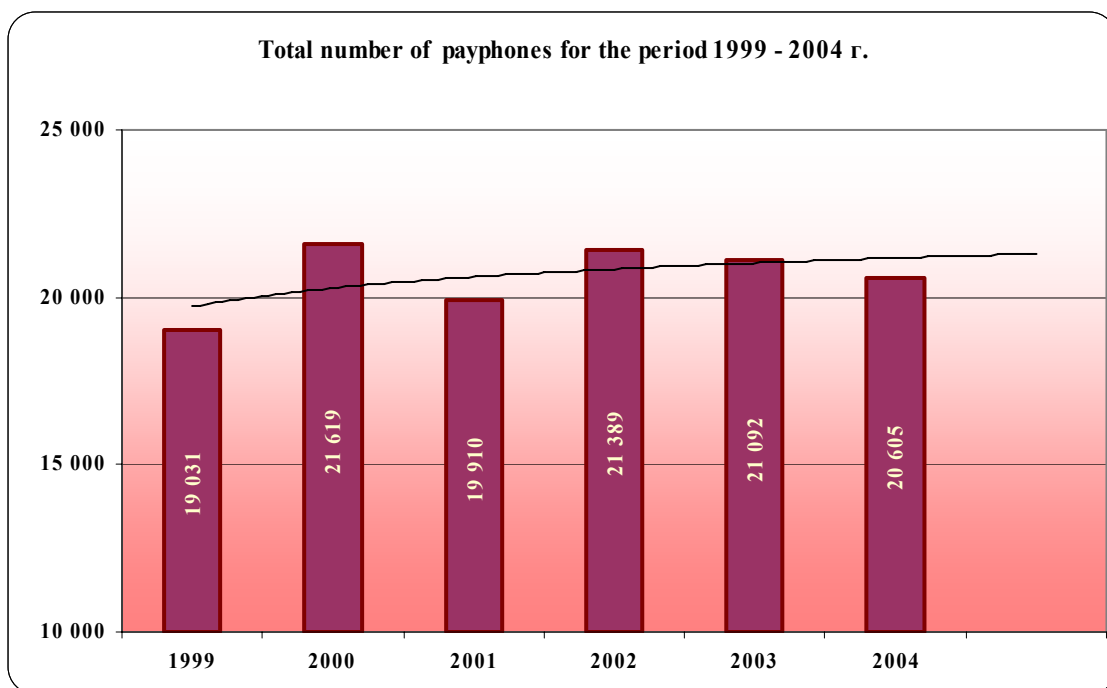
For the period 2001-2004 the shares of each of the three operators within the total structure of installed public telephone sets are relatively constant. For the fourth consecutive year the largest share of the public telephone sets belongs to "BULFON" PLC. In 2004 compared to 2003 the share of "MOBIKA" was preserved, and the share of "BULFON" PLC grew up by 2% at the expense of the token sets of BTC PLC.



Source: CRC

Fig. 47

As of 31.12.2004 the total number of public payphones has decreased by 2,3% compared to 31.12.2003. This decrease is due to the drop in the number of pay phones of BTC PLC and RTC LTD ("MOBIKA"), respectively by 9% and 2%, which is not compensated by the 3% increase with the pay phones of "BULFON" PLC.



Source: CRC

Fig. 48

At the end of 2004 the amount of revenues gained from provision of services through public payphones amounted to BGN 15,8 million and was by 19% lower compared to the end of 2003. The decrease could be explained with the observed for the last few years trend of users having a smaller and smaller stimulus to use the services offered through public payphones, at the expense of the grown up consumption of mobile services. The main factors for the re-orientation of the consumption are the attractive price packages, which the mobile operators offer in combination with greater mobility, flexibility and diversification of the services. The decreased demand of calls through payphones on its hand does not create stimuli in the operators existing on the market to invest in further development and maintenance of their systems. Eventual movement on the public payphones market in 2005 would be possible if during the year "INTERTEL" LTD starts up its activities and commences the provision of this kind of telecommunication services.

The already mentioned competition of VoIP operators at the provision of a fixed voice telephone service is also available at the public pay phones: the number of public telephone sets and cabins with VoIP telephony offering calls to mobile phones and international destinations with a discount compared to BTC PLC prices grows more and more.

3.3.2. Directory services and facilities for disabled persons

An element of the universal telecommunications service is also the provision of directory enquiry services for the telephone numbers of the subscribers and a directory with the telephone numbers of the subscribers of the fixed and mobile networks.

The operators obliged to provide this element of the universal telecommunications service should observe the requirements for protection of personal data stipulated by the Telecommunications Act and the Personal Data Protection Act. The telephone directories should be generally accessible, updated and published at least once every three years. They should be developed and maintained both in a hard copy and in an electronic version. In 2004, with regard to the provision of specialized services enabling access to the telecommunications services of disabled people from different groups, certain facilities were also put up in place such as the opportunity for inclusion of network connecting devices designed specially to help people with disabilities: free of charge provision of the telephone

directory of BTC PLC as well as preferential price packages for consumption of telephone services. About 1% of the total number of telephone sets has been adjusted for usage by disabled persons from different groups. During the year BTC PLC installed 4 new payphones, which are specialized for use by disabled persons.