

#### 4. LEASED LINES

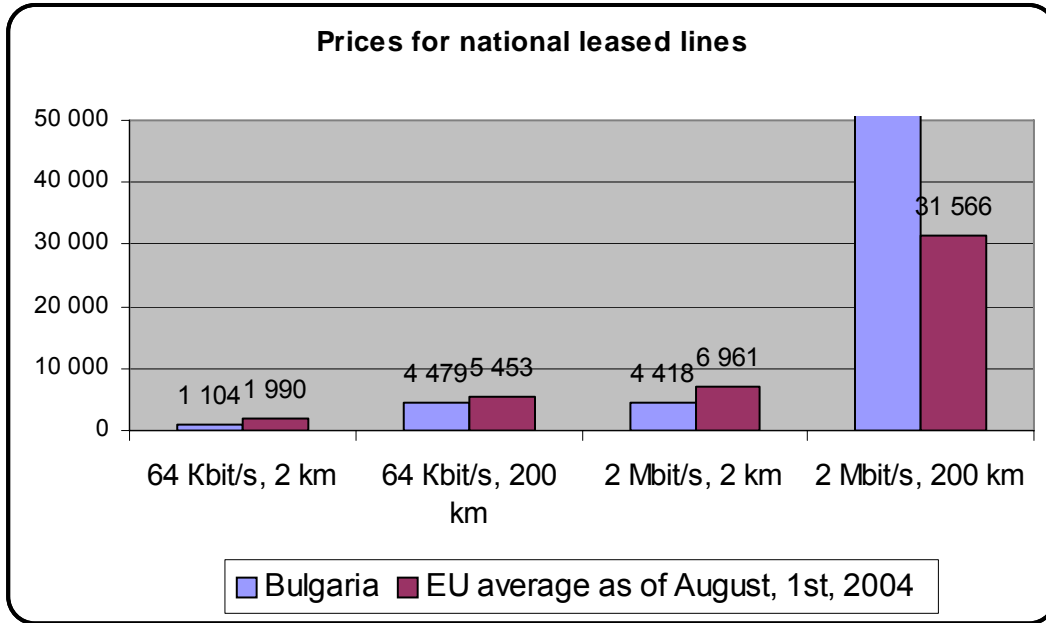
Before the expiry of BTC PLC monopoly over the provision of the “leased lines” service the telecommunications operators had the right to build their own lines only following a denial on behalf of BTC and after a permission granted by the CRC. With the drop of the monopoly after 01.01.2003 prerequisites were created for the emergence of new participants in this segment of the telecommunications market. In 2004 CRC issued individual licenses for carrying out of telecommunications through the provision of “leased lines” service to 11 operators: COSMO BULGARIA MOBILE PLC, RADIOTELECOMMUNICATION COMPANY LTD, MOBILTEL PLC, CABLETEL PLC, EUROCOM CABLE PLC, BULGARGAZ PLC, PTB PLC, TELEVOICE LTD, NETERA LTD, VESTITEL BG PLC and EST PLC. Further to BTC PLC solely two other operators, CABLETEL PLC and MOBILTEL PLC, declared for the time period to have implemented activities for the provision of the “leased lines” service.

Within the market segment “leased lines” the radio relay lines of BTC PLC are also included, as well as those of the licensed operators for construction, maintenance and operation of public telecommunications networks from the fixed radio service. In 2004 the CRC issued six new licenses of that kind: one for each of the following: BULSATCOM PLC, EUROTUR SAT TV ENGINEERING LTD, ITD NETWORK PLC, ORBITEL LTD, ATLANTIS NET LTD and PTB PLC. Among the licensed operators for this kind of telecommunications activities, further to BTC PLC, RAKOM NT LTD also provides radio relay transmission of radio- and television signals. Other four operators declare that they provide data transmission, access to Internet and VoIP through radio relay lines.

At the end of the year the revenues from the provision of “leased lines” service amounted to BGN 144,7 million, over 90% of them continuing to belong to BTC PLC. Compared to 2003 the revenues from this kind of telecommunications activities have grown up by 4%.

After a conducted research, by Decision No 1749 dated 16.09.2004 the CRC determined BTC PLC as an operator with significant power over the leased lines provision market. During the year the Company developed and presented for approval by CRC a reference offer for the conclusion of a commercial agreement for Provision of the “Leased Lines” Service”, which was approved by Decision of CRC No 1487 dated 15.07.2004 and entered into force. The prices of the “leased lines” service from the “minimum package”, provided through the BTC PLC fixed public telephone network, fall within the range of the regulated by CRC prices and are determined on the basis of the costs incurred for their provision.

Shown at the figure below is the average annual price (the monthly subscription for 12 months) for leased lines, provided by the incumbents in the EU Member States and in Bulgaria. The prices are presented in Euro, exclusive of VAT.

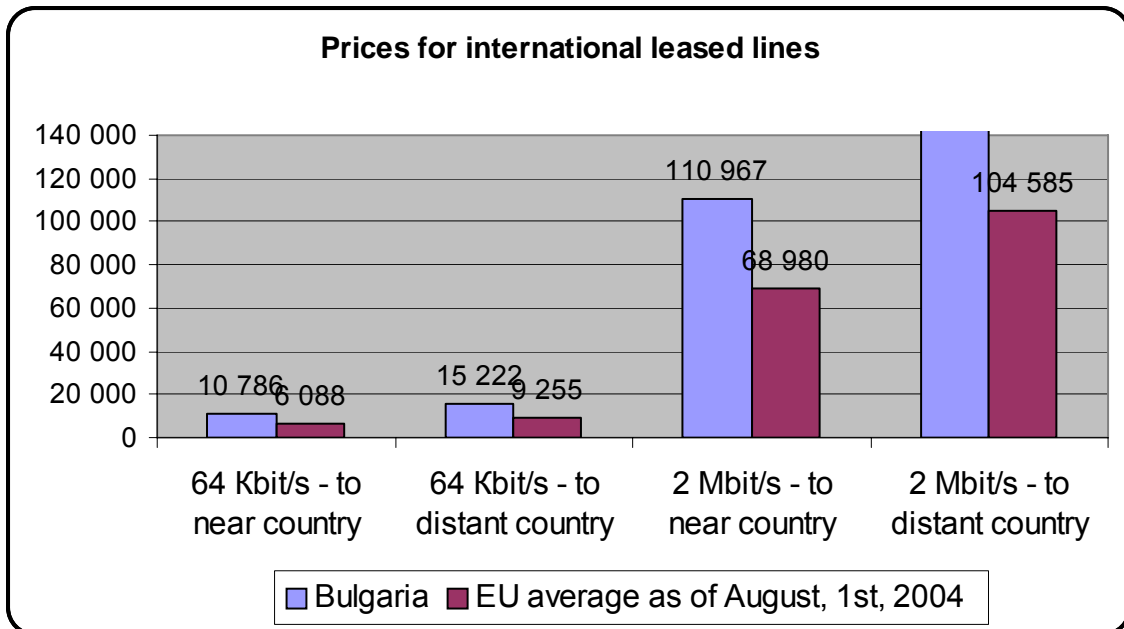


**Source:** EC, 10<sup>th</sup> Report on European Electronic Communications Regulation and Markets, 2004, CRC

**Fig. 49**

The BTC PLC prices for leased lines of 64 kbit/s, 2 km and 200km, and of 2 Mbit/s 2 km are lower than the average price for the European Union Member States respectively by 45%, 18 % and 37 %. During the year the trend of the leased lines price for 2 Mbit/s 200 km being higher than the average values for Europe – by about 70%, is preserved.

In Bulgaria the leased lines of 64 kbit/s 2 km preserved their value, whilst the prices for leased lines of 200 km 64 kbit/s and 2 Mbit/s increased respectively by 4 % and 15 %. The average EU values as compared with the preceding year 2003 mark a drop, an increase of 6% is being observed solely for the leased lines 2 Mbit/s 2 km.



**Source:** EC, 10<sup>th</sup> Report on European Electronic Communications Regulation and Markets, 2004, CRC

**Fig. 50**

The international leased lines prices are over the average values for the EU Member States. BTC PLC provides international leased lines for neighbour and distant European countries at prices at average by 37% higher than those in the countries of Europe. Compared to 2003 the prices for international leased lines both in Bulgaria and in the EU Member States mark a drop.

In relation to the liberalization of the telecommunications market during the next few years the trend towards entry of new telecommunications operators and growth of competition is expected to be preserved, which would result in decrease of prices for the “leased lines” service.