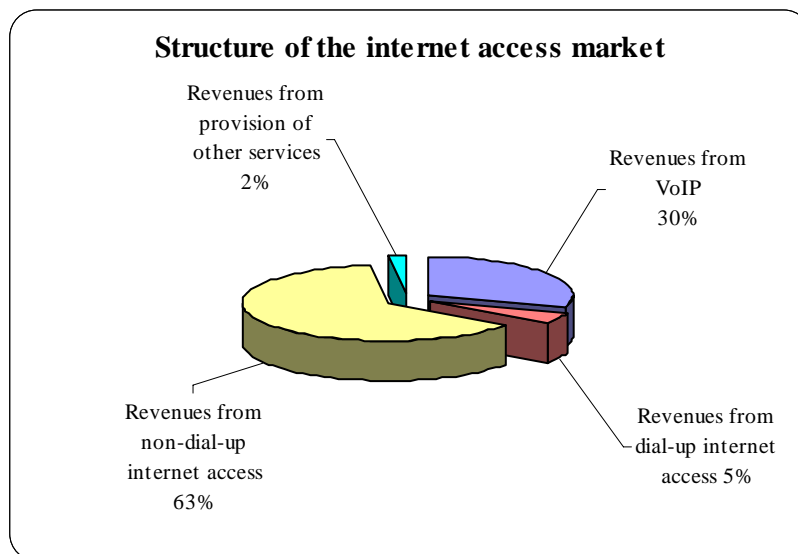


## 10. INTERNET ACCESS SERVICE PROVISION

The trend for active entrance of the Internet applications in the daily lives of the consumers does not omit the telecommunications market in our country, either. The consumption of Internet access services continually increases. A higher and higher degree of convergence between the IP networks and the Internet access services and the fixed networks (DSL service), the mobile networks (mobile Internet) and the cable networks (cable Internet) are observed.

The provision of the "Internet access" services in Bulgaria is carried out under a free of authorization and licensing regime. The CRC requested information from about 190 Internet services providers (ISP) in the country, from which over 40% possess registration in the CRC under General License No 217 and individual licenses with No 117 for the carrying out telecommunications through a public telecommunications network for data transmission and provision of telecommunications services through it. Data were obtained in the CRC from about 64% of the total number of providers, which information was requested from. The number of the national ISPs is 13.

According to an expert assessment and on the grounds of the data received in the CRC, the total volume of the revenues from provision of services for Internet access in 2004 amounted to about BGN 70 million and the market continues to expand. The services provided by the ISPs, include dial-up and non-switched Internet access as well as web hosting and design of web sites, inclusive of carriage of voice over Internet Protocol (VoIP). About 30% of the revenues of the ISPs are realized from the provision of VoIP services. The popularity of the VoIP services in Bulgaria is growing up all the time. This trend is due most of all to the profitable prices for making international calls and the greater flexibility of the consumption. The bigger part of the revenues (over 63%) of the ISPs is from non-switched access to Internet, whilst the revenues from dial-up access are under 5%. A significant part of the revenues of the ISPs is realized from business users, which is due to the higher prices for business subscribers and the services demanded by them with a bigger traffic, high quality and guaranteed speed.



Source: CRC

Fig. 75

The number of subscribers of the ISPs at the assessment of the CRC is over 113 thousand, approximately 30% of them being business users. According to data from a national representative survey of "Alpha Research", as of February 2005 the number of Internet users in our country is 1 707 430. The penetration of the Internet services in our country is 22%<sup>1</sup> as of February 2005. The research indicates that in Sofia the penetration reaches nearly 50%.

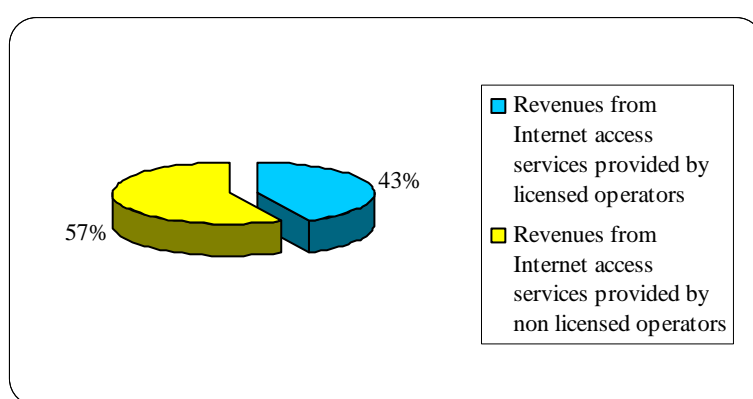
<sup>1</sup> <http://www.research.org/doc.php?en=0&id=44>

According to data of a survey of „Vitoshka Research” under an order of CRC about the consumption of information and communication technologies by the Bulgarian population, the real users of Internet are about 18% of the population at the age of over 15. About three fourths of these users are concentrated into the age limit between 15 and 40.

According to data of the same research only 5,7% of the people using Internet are inhabitants of villages. The limited market of these services there and the absence of investments for services of higher quality in these regions may explain their small share.

Most frequently Internet is used once a week. The share of the people who carry out access to Internet on a daily basis is by about 9 per cent smaller. The share of the users who use Internet on a daily basis in rural and smaller populated areas is smaller than 5%.

For 2004 28 ISPs, each of which with annual revenues of over BGN 200 thousand, realized in total proceeds of over BGN 50 million, i.e. 14,5% of the ISPs realize approximately 75-80% of the revenues within the sector. The 13 national ISPs are included in this group as well. The operators licensed in the CRC under licenses No 217 and No 117 for data transmission realized about 43% of the total revenues from the provision of access to Internet.



Source: CRC

Fig. 76

According to data received in CRC, the investments of the ISPs for 2004 exceed BGN 5 million and at least the same amount is anticipated for the next year. About 93% of them are investments made by the biggest providers in the country ORBITEL, BTC NET, SPECTRUM NET, TELECOM PARTNERS NETWORK.

According to data of the CRC the average monthly consumption of subscribers under contracts is about 40 hours, and for users with Internet cards (prepaid services) – at an average 16 hours per month. According to data from the survey of „Vitoshka Research” for the CRC over 40 % of the residential users spend on the Internet between BGN 15 and 25 at an average per month.

Prior to the expansion of the scope of the cable networks, the dominating access to Internet was the dial-up access through the fixed network of BTC PLC. According to data of the survey of „Vitoshka Research” amongst the population and the business the most popular Internet access is the cable one (about half of the connections), followed by LAN networks.

Owing to the rebalancing of the prices of the telephone services and most of all the impossibility of this kind of access to satisfy the growing up users' requirements for high speed and quality of the connection, its significance progressively decreases. This trend intensifies by the development of the competitive cable (inclusive of LAN) networks and the comparatively low prices of the services offered. In 2004 some of the biggest ISPs as ORBITEL and BOL BG started to offer to its clients free of charge dial-up Internet access, where they pay solely the price of the telephone impulses for the time of use. According to a representative survey of „Vitoshka Research” of November 2004, under 2% of the population use dial-up modem<sup>2</sup>.

As it was already noted, the Internet access by cable becomes more and more popular. Out of over 600 licensed cable operators about 5% declared that they provide

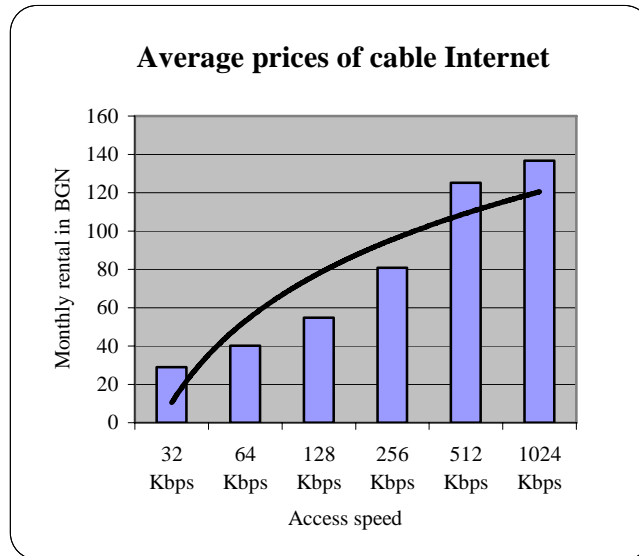
<sup>2</sup> “The Information Society in Bulgaria: Status, Trends, Development”, February 2005. Vitoshka Research

services for access to Internet through its cable networks in more than 20 populated areas. The revenues from cable Internet represent 5% of the total revenues within the sector of the cable services and over 7% of the revenues from Internet access services. According to the survey of "Vitoshka Research" about 4.8% of the population has cable modems. The reasons for the growing up significance of the Internet access by cable are in the continually increase of the potential and the coverage per territory of the cable networks in the country, as well as the offer of new services, inclusive of the combined service "triple play".

In 2004 the trend of building up of small district LAN networks, which provide Internet to several hundred users in the relevant district, continues. The advantages of this form of access to Internet are the easy activation of the services and the possibilities for maintenance of comparatively low prices for the users. The services for Internet access through a LAN network are preferred by the users because of the fast speed access to local servers with films, music, software and other diversified information. At the same time the offers of LAN Internet providers do not offer sufficiently fast speed to the international Internet space, as this would significantly increase their expenditures and would affect the competitiveness of the prices for the individual clients. Some of the big Internet providers in the country also build up their own LAN networks, which allow them to enhance their presence on the retail Internet access market and to make use of the growing up interest of the users to this kind of access.

The main disadvantage of a great part of the LAN networks in the country is the absence of sufficient conditions that would guarantee the quality and the correctness during the provision of services to the end users. For instance, no document is issued for effected payment of a rental charge by a subscriber, there are no guarantees for the speed of access or elimination of damages and discontinuances in the network, networks are not built up in conformity with the standards and so forth.

For the last few years with the increase of the consumption and the alternative possibilities for Internet access the prices have shown a tendency of going down. In 2004 a number of ISPs removed the initial fees for activation of services. The prices of the cable modems also significantly decrease and many operators offer profitable conditions for lease purchase or lease of the devices. A great part of the LAN networks offer unlimited monthly access to Internet at a rental charge of BGN 20-25 per month, inclusive of VAT for residential users and about BGN 60 per month, inclusive of VAT for business subscribers. These prices refer to services with unguaranteed speed – 256-512 KB/s to the Bulgarian space and about 16-32 KB/s to the international space. Services with guaranteed speed are much more expensive. A great part of the operators also offer limited access to traffic, which provides for a possibility for greater flexibility of the users with small traffic at the formation of their monthly expenditures. Leased lines are directly offered to big corporate clients, the prices varying from BGN 150 to 700 per month depending on the guaranteed speed (between 64 and 256 KB/s). The average prices for unlimited Internet access by cable in conformity with the speed of the access are presented in the figure herein below:



Source: CRC

Fig. 77

The provision of ADSL access to Internet by BTC started in 2004. The number of ADSL subscribers as of 31.12.2004 was about 6000 or around 5-6% of the total number of ISP subscribers according to data of the CRC. The ADSL service occupies the biggest share in the provision of broadband Internet access on a global scale. This is due to the possibility of combining the scope and the possibilities of the fixed networks with the search of high speed Internet service by the users. In this sense it may be anticipated that the number of users and the revenues from this kind of services in our country will increase by significant rates in the next few years. The advantages of this service are high speed, secure and always on connection (inclusive of international traffic), free modem and 24-hour maintenance, possibility for simultaneous use and payment of telephone and Internet services. At the end of 2004 the target market of the ADSL service were predominantly the residential users and the small companies, the offer of the service being accompanied by an active publicity campaign. Packages are offered on a subscription principle and the prices are competitive to the prices for Internet access of the cable operators.