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## 4. Leased lines

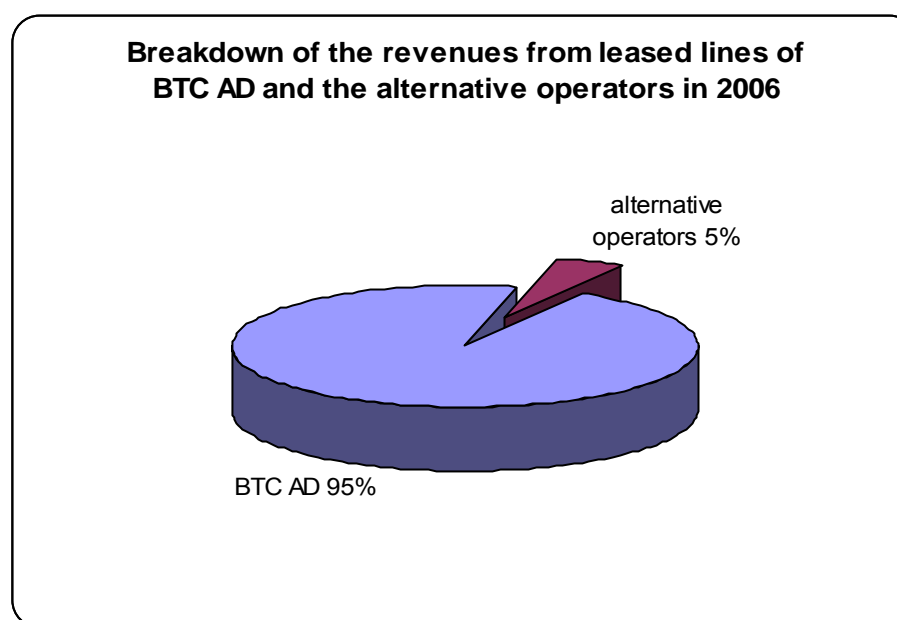
### 4.1. Market players

Besides the incumbent operator, BTC AD, individual licenses for carrying out telecommunications through telecommunications network for provision of the leased lines service have the mobile operators (MOBILTEL EAD, COSMO BULGARIA MOBILE EAD, RADIOTELECOMMUNICATIONS COMPANY EOOD), some of the big cable operators (EUROCOM CABLE MANAGEMENT BULGARIA EOOD) and data transfer operators (SOFIA COMMUNICATIONS AD, NETERRA EOOD, NOVATEL EOOD).

In 2006 there were no new individual licenses issued for carrying out telecommunications through telecommunications network for provision of the leased lines service. By CRC decisions No 2218 of 14.12.2006 and No 877 of 11.05.2006 the licenses of CABLETEL AD and EUROCOM CABLE EAD are transferred respectively to GLOBAL COMMUNICATION NET EAD and EUROCOM CABLE MANAGEMENT BULGARIA EOOD. At the end of the year the total number of telecommunication operators licensed to provide the leased lines service amounts to 14. In 2006, besides BTC, leased lines have provided 10 more operators: BULGARTEL EAD, VESTITEL BG AD, EST AD, CABLETEL AD, COSMO BULGARIA MOBILE EAD, MEMOREX TELEX COMMUNICATIONS BULGARIA EOOD, NETERRA EOOD, NOVATEL EOOD, PANTEL BULGARIA EAD and SOFIA COMMUNICATIONS AD.

### 4.2. Market volume and market shares

The revenues from provision of the leased line service in 2006 amount to 127, 7 mln BGN, which represents increase of 20,3% compared to the preceding year. This is both due to the greater number of alternative operators carrying out activities in the market (10 in 2006 compared to 7 in 2005), as well as to the growth in the revenues of the incumbent operator BTC AD. The relative share of the ex-monopolist in the market structure is 95%, which represents decrease of 2 points compared to 2005, while the share of the competing operators has increased to 5% (Figure 38).



*Source: Data submitted to CRC*

**Figure 38**

Having in mind the significant market share of BTC in the market for provision of leased lines amounting to 97% for 2005, the competition development on this market segment depends to great extent on regulating and imposing obligations on the operator with significant market power. By Decision No 1315 of 20.06.2006 CRC for a third consecutive year has designated BTC AD as an operator with significant market power on the market of provision of the “leased lines” service, based on analysis of information for the net revenues realized by the operators for the previous year, the total volume of the “leased lines” market segment and the market shares of each of the market participants (in accordance with the provisions of the Methodology on conditions and procedure for designation of operators with significant market power)<sup>1</sup>. As SMP operator, BTC AD continued to fulfil the obligations with regard to the leased lines service stipulated

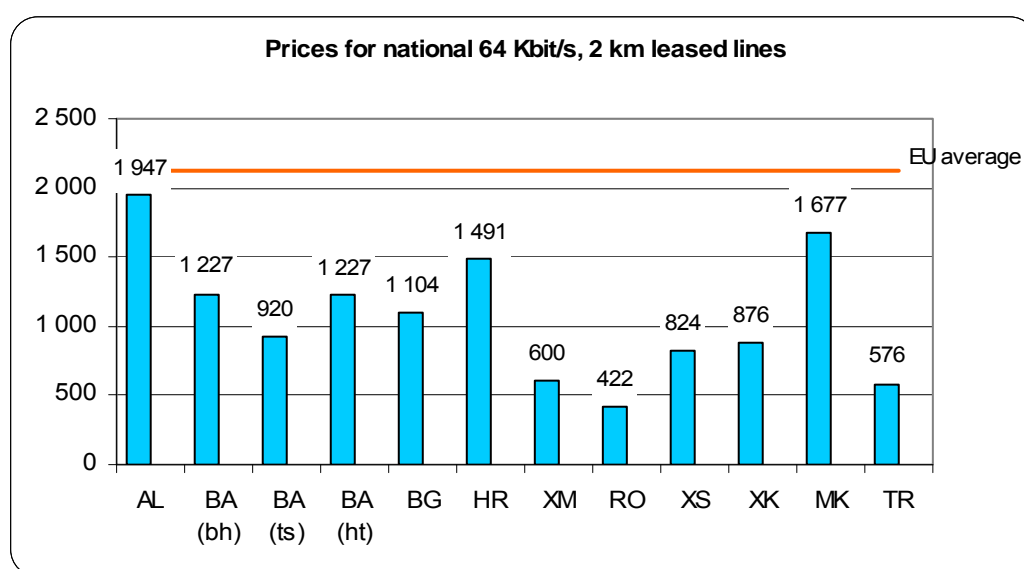
<sup>1</sup> The high market share of the incumbent operator is due to the restricted definition for the leased lines service used for the analysis in accordance with the TA in force and the 1998 EU Regulatory framework. The market definitions and analyses in compliance with the new Electronic communications law probably will show higher market share of the alternative operators.

by the TA and the individual license issued for carrying out telecommunications through telecommunications network for provision of the leased line service, including international leased lines.

### 4.3. Prices for the leased line service

The prices for the minimum set of leased lines, provided through the BTC network are in the range of the prices regulated by CRC. They shall be public and orientated towards the costs of the operator providing them. In 2005 there was no change in the prices of the Reference Offer for the leased lines service approved by the CRC Decision No 1486 of 15.07.2004.

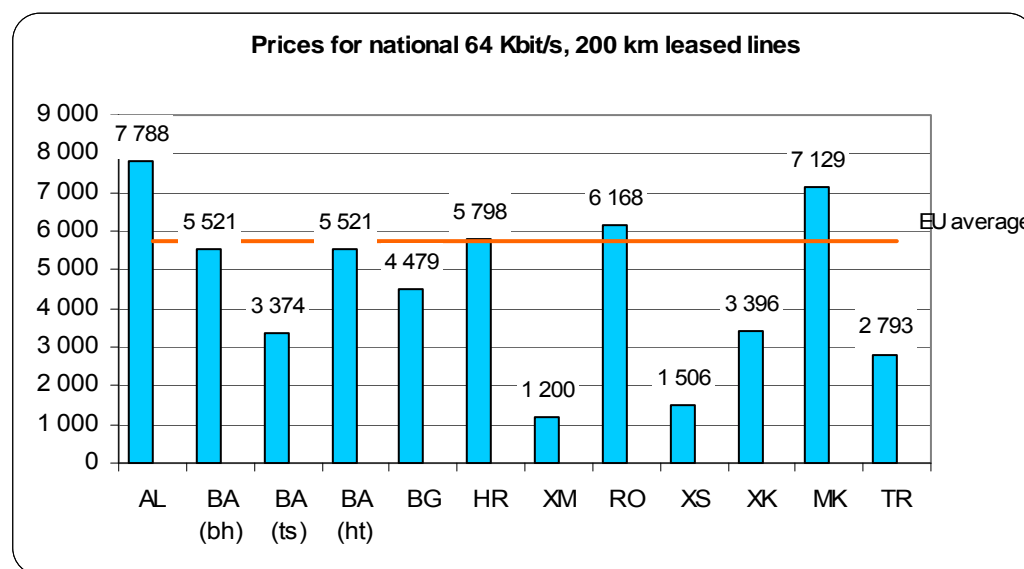
The figures 39-42 present the average retail prices per year (calculated on the basis of the monthly subscription for 12 months) for national leased lines provided by the incumbent operators in Bulgaria and the rest of the countries in South Eastern Europe<sup>2</sup>. The EU averages are also marked on the charts. The prices are presented in euro, excluding VAT and any kind of discounts resulting from individual negotiations. The EU prices are as of September 2006, the SEE ones – as of July 2006.



The countries and regions are coded as follows: AL - Albania, BA - Bosnia & Herzegovina (bh) - BH Telecom, (ts) - Telekom Srpske, (ht) - Hrvatske Telekomunikacije, BG - Bulgaria, HR - Croatia, RO - Romania, Mon - Montenegro, Ser - Serbia, Kos - Kosovo, MK - Macedonia, TR - Turkey

**Source:** Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs

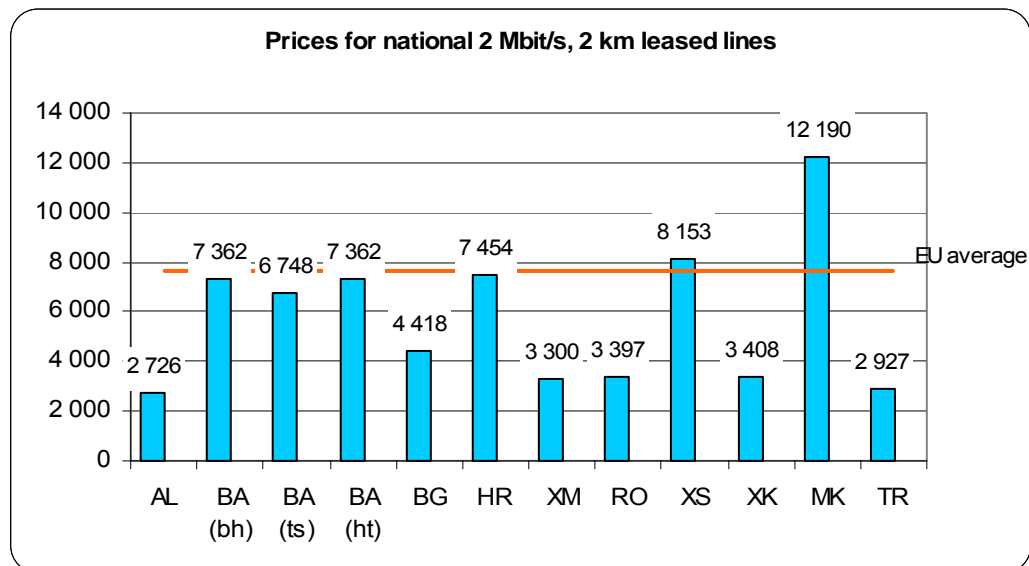
**Figure 39**



**Source:** Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs

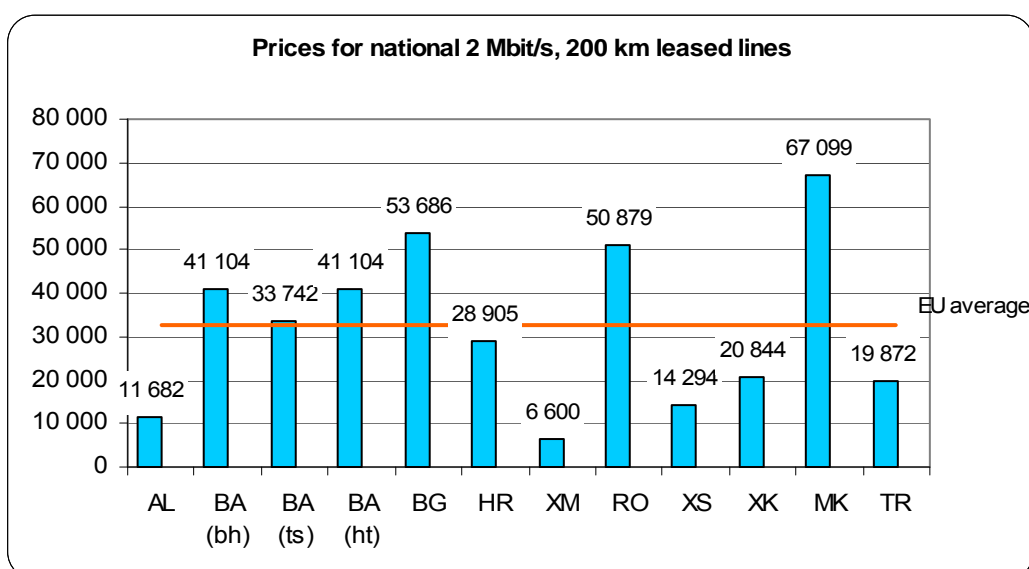
**Figure 40**

<sup>2</sup> The prices of the three incumbent operators active in the different regions of Bosnia & Herzegovina are presented as follows: *BH Telecom (BH)*, active in the Federation of Bosnia & Herzegovina, the only operator in some cantons and sharing the market with *Hrvatske Telekomunikacije Mostar (HT)* in other cantons; *Telekom Srpske (TS)* active in the Republic of Serbia and *Hrvatske Telekomunikacije Mostar (HT)* - active in the Federation of Bosnia & Herzegovina, the only operator in some cantons and sharing the market with BH Telecom in other cantons.



*Source: Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs*

**Figure 41**

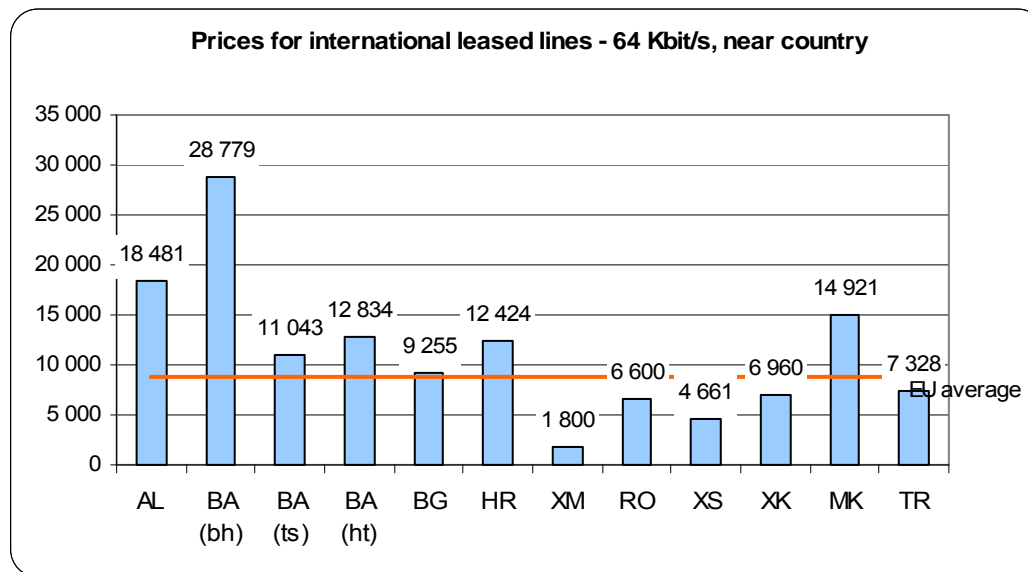


*Source: Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs*

**Figure 42**

In all the countries from the SEE region the prices for national 64 Kbit/s, 2 km leased lines are lower than the average for the EU, while the prices for the rest of the categories of leased lines vary across the countries and the regions. The lowest prices have the incumbent operators in Romania and Turkey (for 64 Kbit/s, 2 km), in Montenegro and Serbia (for 64 Kbit/s, 200 km) and in Albania and Montenegro (for the high-speed lines - 2 Mbit/s). Except for the 2 Mbit/s 200 km lines, the BTC AD prices remain respectively by 92% (for 64 Kbit/s, 2 km), 29% (for 64 Kbit/s, 200 km) and 74% (for 2 Mbit/s, 2 km) lower than the average ones in the EU.

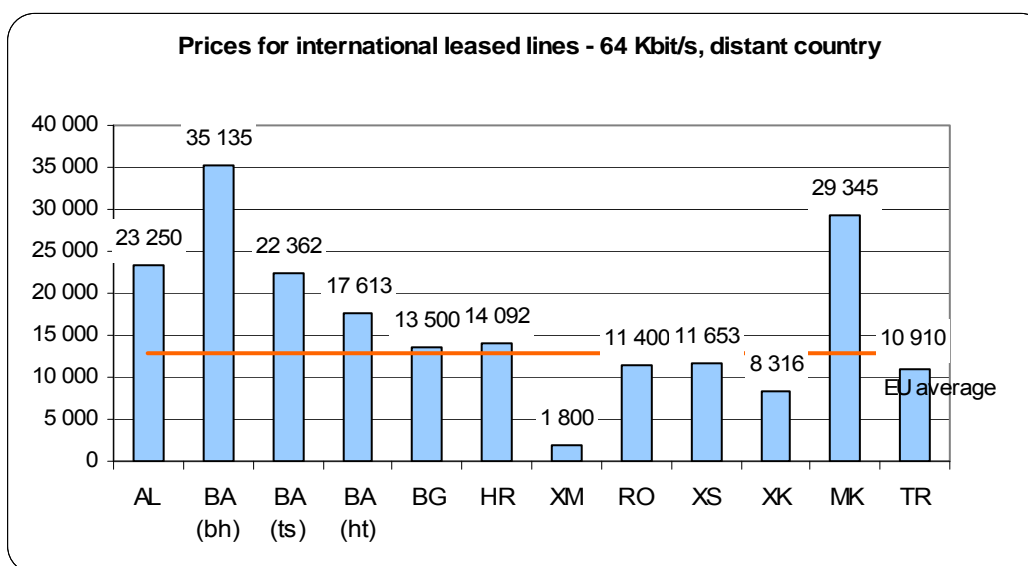
The average prices per year (the monthly subscription for 12 months) for international leased lines provided by the incumbent operators in Bulgaria and the rest of the countries from South Eastern Europe are presented on the following charts (Figure 43-46). The prices to the United Kingdom represent the prices to distant country.



Note: The prices of Bulgaria and Romania for international leased lines, as well as the price of Macedonia for international leased lines – 64Kbit/s, near country refer to „single routing”. For the rest of the countries the prices refer to „double routing”. International circuits are often provided in the form of double routing, i.e. include an additional element of redundancy in case of technical failure.

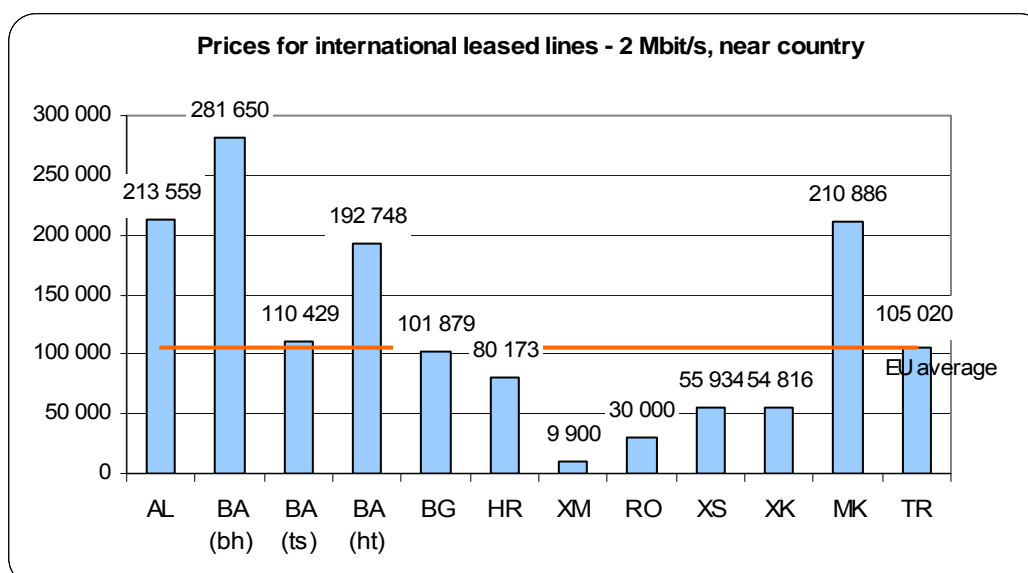
**Source:** Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs

**Figure 43**



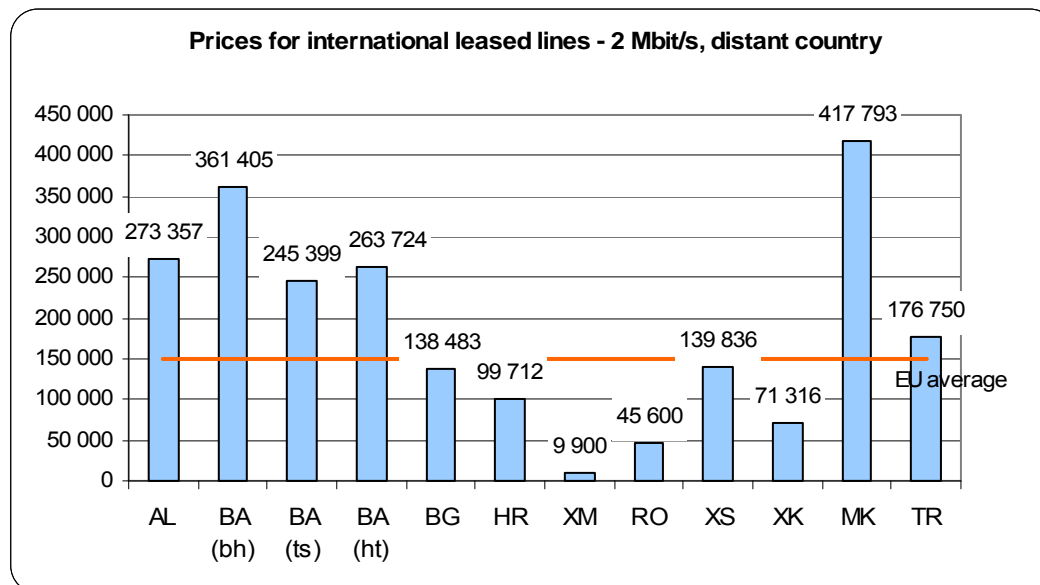
**Source:** Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs

**Figure 44**



**Source:** Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs

**Figure 45**



**Source:** Cullen International, 3<sup>rd</sup> Country Comparative Report SEE, 2007; EC, 12<sup>th</sup> Implementation Report, 2007; BTC tariffs

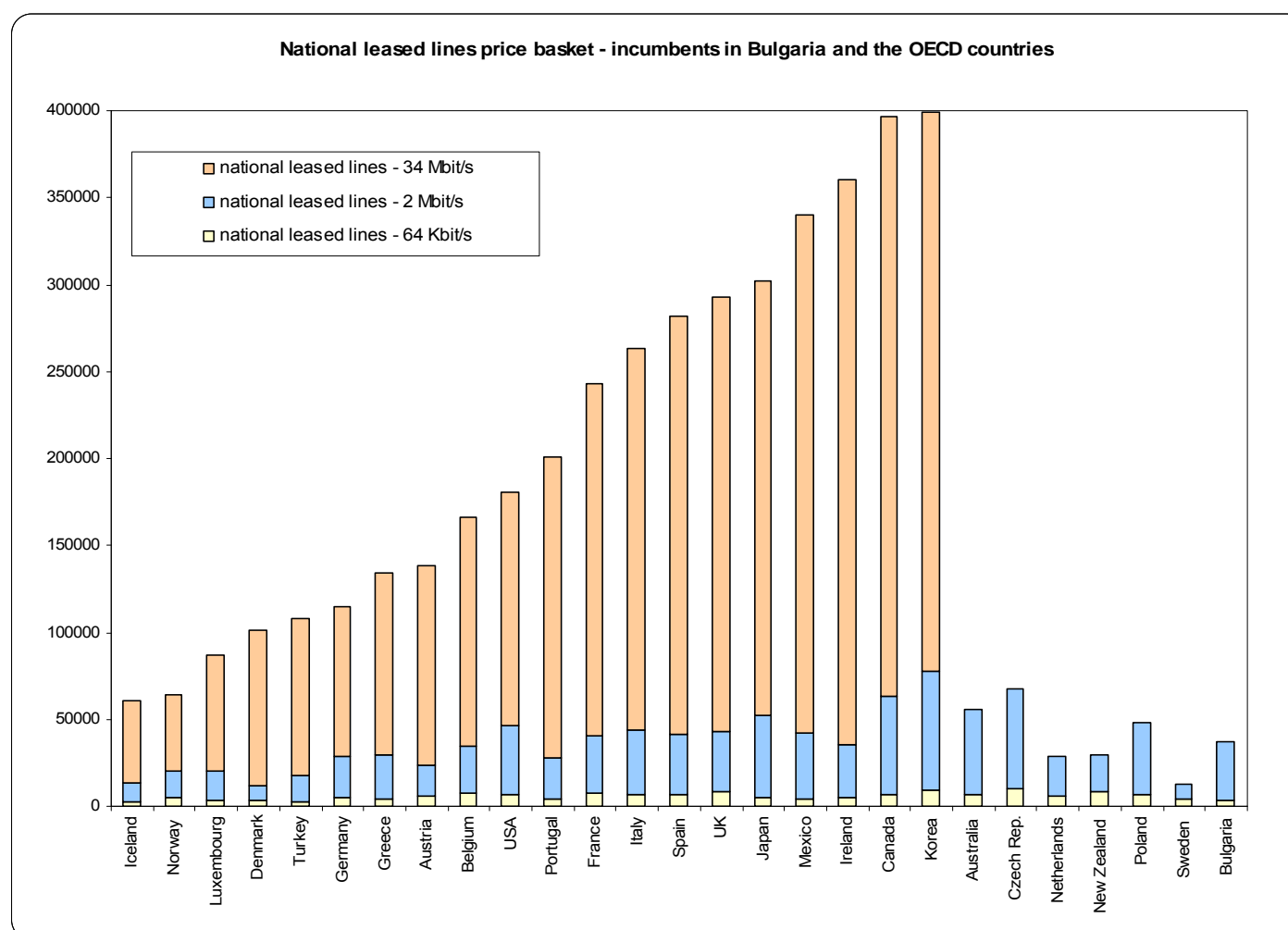
**Figure 46**

The BTC AD prices for international leased lines (quoted in Special Drawing Rights, SDRs) keep their levels of 2004 and 2005; while the difference in their values is due only to exchange rates differences<sup>3</sup>. Their levels are close to the averages for the EU Member States. The lowest prices in the SEE region are those of the incumbent operators of Montenegro, while the highest prices are of one of the incumbent operators in Bosnia & Herzegovina (BH Telecom) and those of the operators in Macedonia and Albania.

Figure 47 illustrates the average annual price for national leased lines of the incumbent operators in Bulgaria and the countries from the Organisation for economic cooperation and development (OECD), calculated based on the OECD price basket. The prices are in euro and are as of November 2006, the values exclude VAT and the initial charges for service activation. The price basket comprises national lines of 64 Kbit/s, 2 Mbit/s и 34 Mbit/s.

The incumbent operators in Finland, Hungary, Slovakia and Switzerland do not publish leased line tariffs any more, therefore, the price basket does not include data for these countries. The incumbent operator in Sweden also does not publish tariffs and the last available data for this country are used for the basket.

Full description of the price basket can be found on the web page of Teligen Ltd<sup>4</sup>.



**Source:** Teligen T-Basket (version November 2006); prices of BTC AD

<sup>3</sup> The BTC AD prices are quoted in currency of the International Monetary Fund (IMF) – special drawing rights (SDR), the values are converted to US dollars (USD) according to data in the International Monetary Funds (IMF) special bulletins. The USD value is converted to BGN according to the USD-SDR and USD-BGN exchange rates announced by the Bulgarian National Bank for the relevant period.

<sup>4</sup> <http://www.teligen.com/publications/oecd.pdf>

#### **Figure 47**

It could be expected that trend of entrance of more new telecommunications operators on the leased lines market will be kept for the next years. The planned for 2007 investment for construction, maintenance and usage of leased lines networks amounting 22,4 mln BGN give grounds to forecast revenue growth for this type of telecommunications activity and increasing competition.