I. STATE, DEVELOPMENT AND PROSPECTS OF THE ELECTRONIC COMMUNICATIONS MARKET

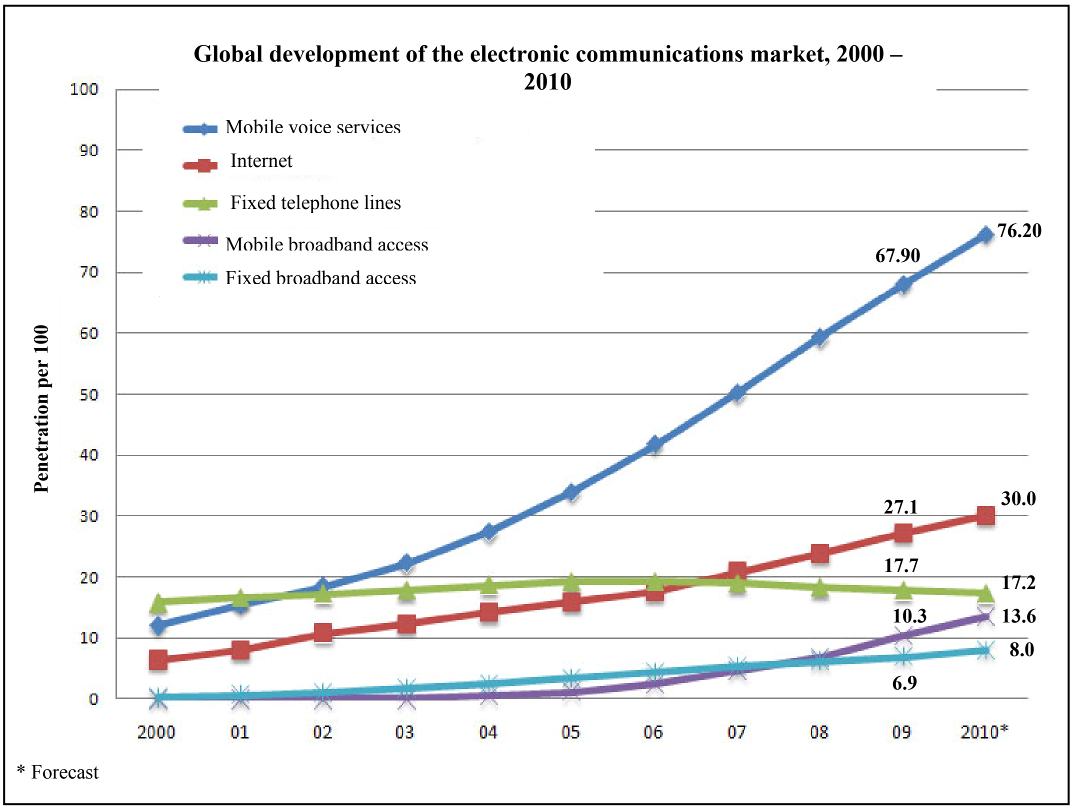
1. Global development of the electronic communications market

Volume and growth of the market

In 2010, the financial crisis persisted in having negative impact on the world economy development. However, the volume of the electronic communications market reported a growth of 4%[1], reaching USD 1.85 trillion.

In 2010, according to data of the European Information Technologies Observatory (EITO), the revenue in the sector in the European countries also reported an increase (though only by 0.8%, as compared with the preceding year), thus reaching Euro 344 billion.

The figure below reflects the electronic communications development in a world scale for the last ten years (2000 - 2010).



Source: *ITU World Telecommunication/ICT indicators database*

Fig. 1

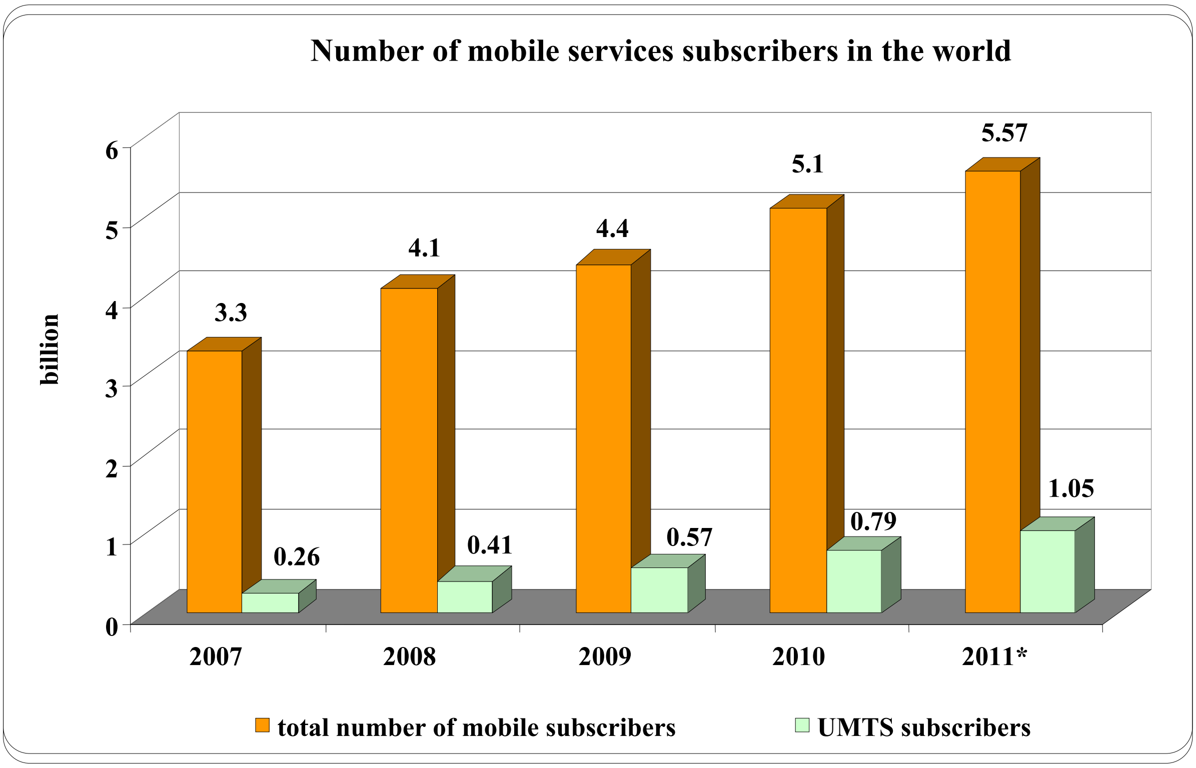
The data clearly shows that the leading services on the electronic communications market are the mobile voice services and the Internet, followed by the mobile broadband access. With them, the penetration of the relevant market segments grows at high rates. The fixed broadband access is characterized by a slow growth rate, while fixed telephony services follow the downward trend of the preceding years.

Mobile services

The trend towards increase in the use of mobile services in a world scale is preserved. Revenue earned in the sector amounts to USD 1,174.9 billion, which is an increase of over

[1] http://about.datamonitor.com/media/archives/5624

11%[2], compared to 2009. The reported number of subscribers exceeds 5 billion (an increase of 12% since 2009), 15% of them are using mobile connection of Standard UMTS[3] (Fig. 2).



Source: *EITO*

Fig. 2

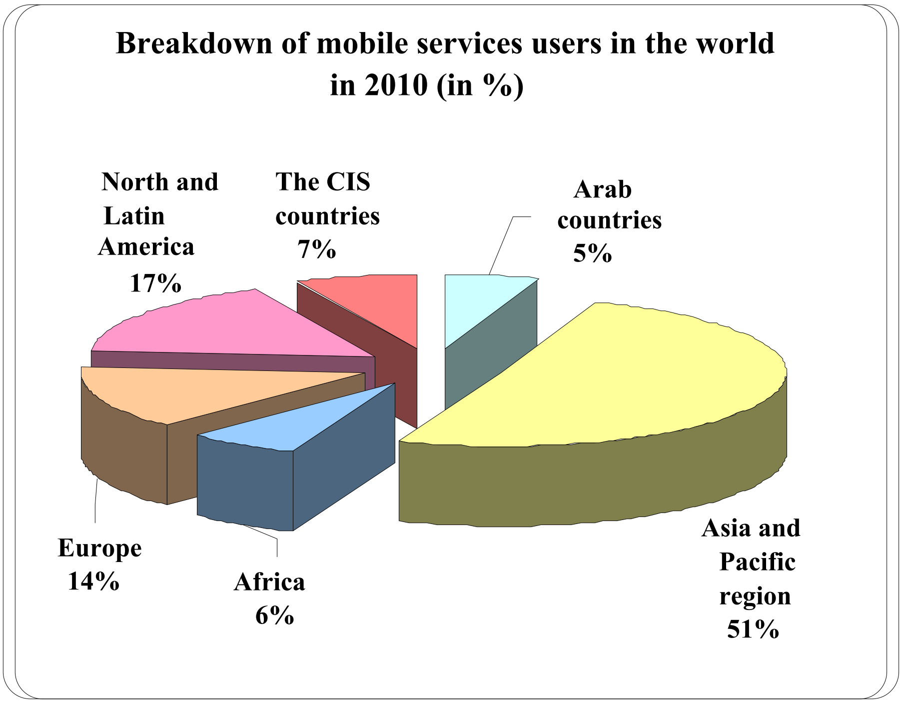
According to data of EITO and the International Telecommunications Union (ITU), the growth of mobile services is mostly due to the developing countries, where in the last five years the penetration of mobile services grew from 53% in 2005 to 73% at the end of 2010.[4]

According to data of ITU, the world population with an access to mobile networks has already reached 90%, and dynamic transition of subscribers from 2G to 3G technology is observed in both the developed and the developing countries. If in 2007 3G services were offered in 95 countries, in 2010 their number reached 143.

The average penetration rate of mobile services worldwide reached 76% (Fig. 1), as this percent is 116.1% for the developed countries, and 68% for the developing countries. The highest penetration rate is observed in the countries of the Commonwealth of Independent States[5] (CIS) – 131.5%, followed by the countries from Europe – 120%, and from North and South America – 94.1%. The lowest penetration rate of mobile services is observed in Africa – 41.4%.

The breakdown of mobile services users in 2010 by region is displayed in the chart below.

[2] Portio Research Mobile Factbook 2011
[3] http://www.eito.com/pressinformation_20100811.htm
[4] ITU – The World in 2010
[5] Includes the following countries: the Russian Federation, Ukraine, Moldova, Belarus, Georgia, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan and Tajikistan.



Source: ITU

Fig. 3

For another consecutive year the number of subscribers of mobile services in the Asia and Pacific region countries registers an increase, and at the end of 2010 they represent 51% of the subscribers in the world. The growth in the number of subscribers in this region by 5 percentage points is at the expense of the countries from North and Latin America, the Arab countries, the CIS countries and Europe.

According to data of *Portio Research*, in 2010, the revenue generated from short text and multimedia messages amounts to USD 179.2 billion, which is an increase of 21% compared to 2009. The revenue was generated by 7,186 billion short text and multimedia messages sent throughout the year. As compared with the preceding year, a significant increase (by 47%) of sent multimedia messages (MMS) is observed.

Fixed voice services

The downward trend for the use of traditional telephone services, carried out through fixed networks, persisted in 2010. According to data of ITU, the number of fixed telephone lines worldwide is 1,179 million, which is a 1.48% decrease compared with 2009. A minimum drop was reported in the penetration rate of fixed telephony services, which reached 17.27% at the end of 2010. It is highest in the European countries – 40.3%, followed by the countries from North and Latin America (28.1%) and from CIS (26.6%) respectively. The lowest penetration rate is observed in Africa – 1.6%[6].

Despite the global trend for decline in this sector, an increase in the fixed telephone lines and in the degree of consumption is still observed in the African countries.

Internet

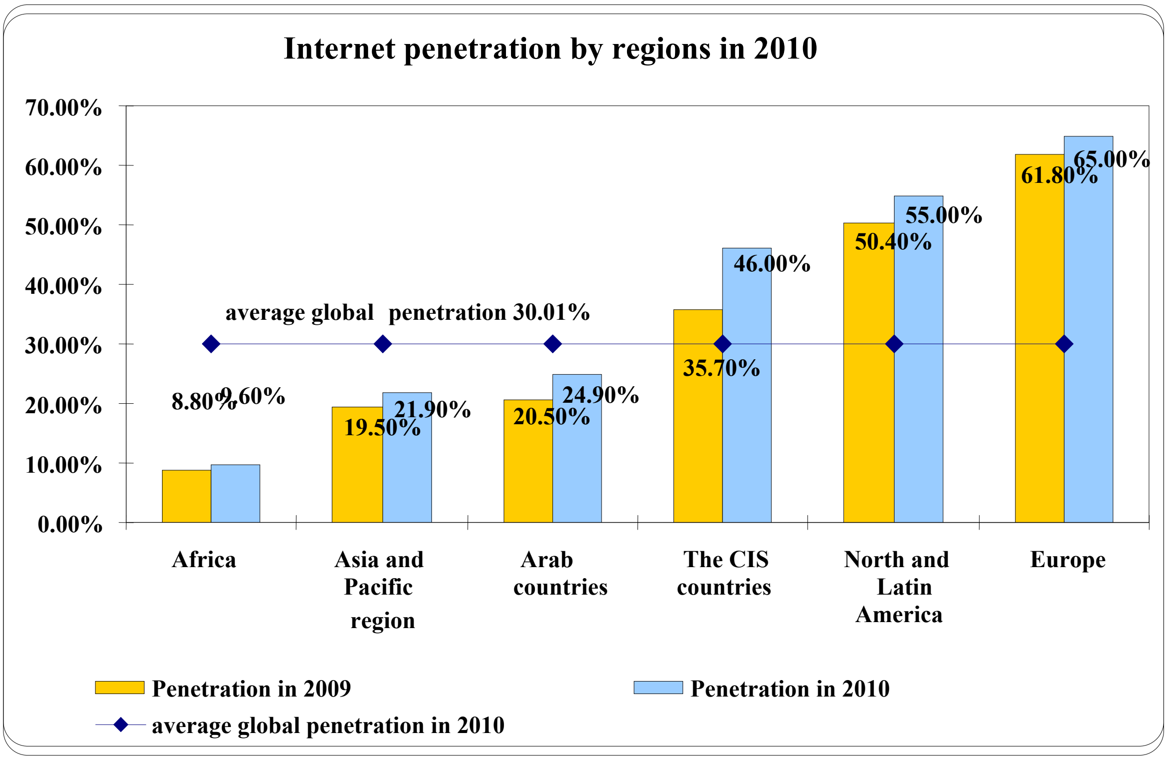
At the end of 2010, the number of Internet users exceeds 2 billion, of which 1.2 billion are in the developed countries, 420 million - in China[7], which makes the country the biggest

[6] ITU World Telecommunication/ICT indicators database
[7] ITU – The World in 2010

Internet market in the world.

The International Telecommunications Union, in its report *"The World in 2010"*, states that at the end of 2010 half billion households (29.5% of households in the world) have Internet access. In some countries, including the Republic of Korea, the Netherlands and Sweden, more than 80% of households have Internet access, all of them using broadband connection.

The chart below shows internet penetration by regions for the period 2009 – 2010.



Source: *ITU*

Fig. 4

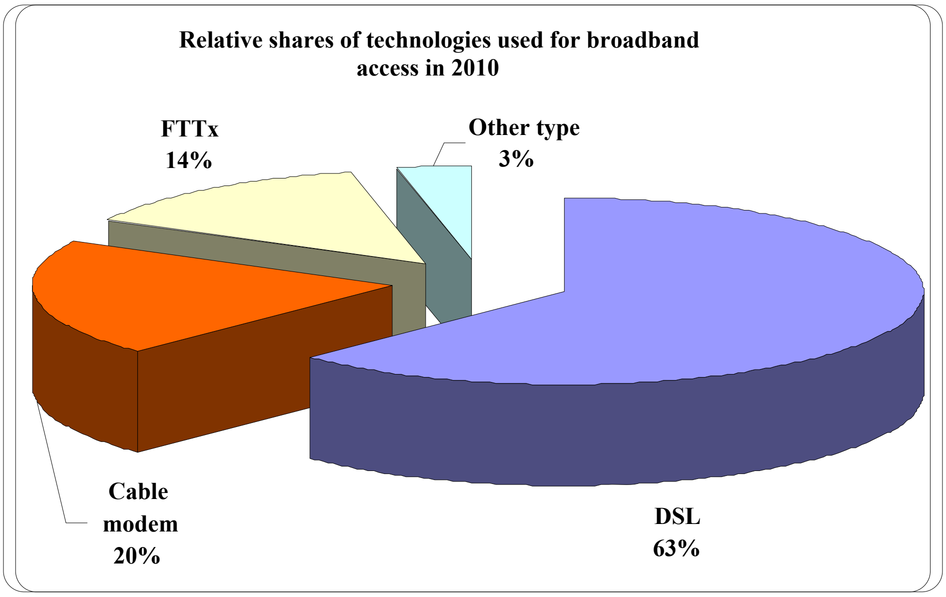
The data clearly shows that the consumption has increased mostly in the CIS countries - by 10.3 percentage points. Europe is a leader in terms of internet services per 100 residents, as the index has increased by 3.2 percentage points since 2009. The second place is held by the countries from North and Latin America where Internet penetration reached 55% in 2010, which is an increase of 4.6 percentage points. The most insignificant change in the index was observed in Africa – 0.8%. In the countries from Africa, the Asia and Pacific region and Arab countries, the consumption of Internet services per 100 residents is below the average global penetration for 2010 - 30.01%.

Broadband Internet access

The fixed broadband access continued to develop and in 2010 the number of subscribers to this type of service reached 555 million worldwide, which is a growth of 17.8% compared to 2009. The penetration rateof the fixed broadband access (8% in 2010) rose by 1.1 percentage points since 2009[8]. Despite the reported increase of consumption in the sector, the penetration rate in the developing countries is only 4.4% (for Africa, this value is below 1%)

[8] ITU – The World in 2010

and 24.6% in the developed countries[9].



Source: *Point Topic*

Fig. 5

In 2010, there was, although a minimum, change in the relative shares of the different kinds of technology used for broadband access worldwide (Fig. 5). The most used in a world scale, with a share of 63% (a drop by 2 percentage points since 2009), is still the DSL technology, followed by the use of a cable modem - 20.34% (a drop by 0.03 percentage points since 2009). Although only 13.84% of the subscribers in the world access the Internet through optical networks, the relative share of the FTTx technology grew since 2009.

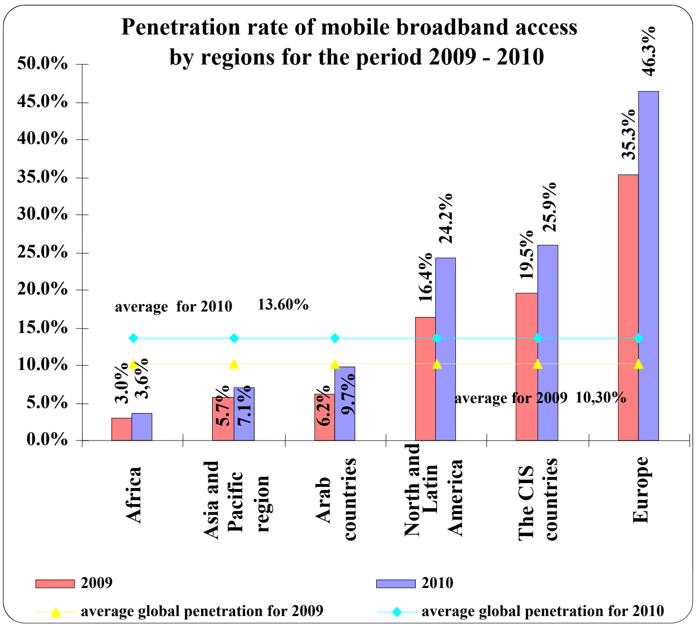
Mobile broadband access

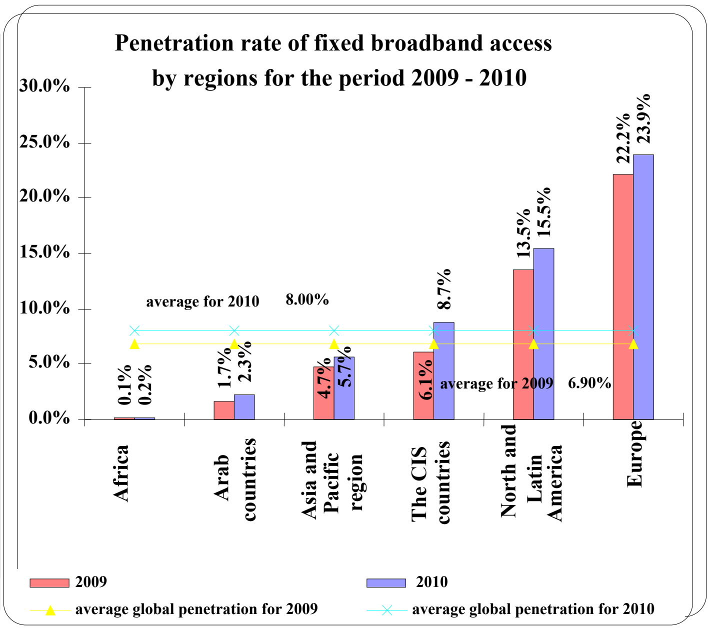
The mobile broadband access is becoming a more important factor for the development of electronic communications and increases its significance for the world economy. In 2010, according to data of ITU, 940 million subscribers of mobile broadband access are reported, which is an increase of 33.71%, as compared with 2009 (703 million).

Throughout the year, the penetration rate of the mobile broadband access grew by 3.3 percentage points since 2009, thus reaching 13.6%.

The figures below represent the global penetration of fixed and mobile broadband access by regions, for the period 2009 – 2010.

[9] ITU – The World in 2010





Source: *ITU*

Fig. 6 **Fig. 7**

As data clearly shows, in 2010 the penetration rate of mobile broadband Internet access considerably outstrips the penetration rate of fixed broadband access. In addition, the growth rate of the penetration of mobile broadband access, as compared with 2009, is considerably higher than the one of the fixed broadband Internet access.

2. Prospects for the global electronic communications market

Leading research companies are cautious in their expectations for the development of the global electronic communications market both in the short term – 2011, and the midterm – the following five years.

At the start of the current year, *Gartner Inc.*, one of the leading IT market research companies in the world, announced that in 2010 revenue in the telecommunications sector (which includes both revenue from telecommunication services and telecommunication equipment) reached USD 2.02[10] trillion, which is a growth of 5.9%, as compared to 2009. The Results exceed analyst expectations for growth of 5.1%[11] and revenue of USD 1.99 trillion.

Despite the high results of 2010, according to this year's forecast, the increase of revenue from the telecommunications sector will slow down up to 4.6% compared with the preceding year, thus reaching USD 2.11 trillion. The forecast reflects a slowdown in the growth of both the telecommunications services – from 3.9% in 2010 to 3.4% in 2011, and the telecommunications equipment – from 14.0% to 9.1%.

The mid-term forecast for the sector is also reserved. The analysts of *Insight Research* predict that in the period 2011 - 2016, the average growth of revenue from electronic communications will slow down to 8.7%[12] in comparison with last year's forecast of the company which envisaged an average growth of 13.8%[13] for the period 2010 – 2015.

From a regional point of view, the assessment of the prospects for the global electronic

[10] http://www.gartner.com/it/page.jsp?id=1513614
[11] http://www.gartner.com/it/page.jsp?id=1339013
[12] http://www.insight-corp.com/reports/review11.asp
[13] http://www.insight-corp.com/reports/review10.asp

communications market varies significantly. In the next five years, Europe, the Middle East and Africa, which collectively form the (EMEA) region, are expected to expand at a CAGR (compound annual growth rate) of 3.9%. This contrasts with last year's forecast which projected that in the period 2010 – 2015 the region will reach a CAGR of 9.1%. The current forecast revision reflects to a great degree the continuing debt problems of the Eurozone countries and the slow economic recovery in most of them.

According to the analysts of *Insight Research*, over the next five years the countries from the Asia Pacific region (AP) along with the countries from North America (NA), will achieve growth of 11.2% and 11.0% respectively, while Latin America and the Caribbean (LAC), is expected to be the fastest growing region. Dominated by the economies of Mexico and Brazil, LAC is expected to achieve CAGR of 18.2%. In contrast, last year's forecast projected that in the period 2010 – 2015 this region will reach CAGR of 14.1%. The increased growth expectations reflect the increase of the middle class, as well as robust economic development as a consequence of privatization in key industries.

From a technological point of view, *Insight Research* analysts expect three-quarters of the telecommunications revenue growth in the next five years to be concentrated in one segment only - broadband wireless services. For the period 2011 – 2016, revenue from this segment is expected to achieve an average growth of 45.4%. The relative share of these services in the total revenue from telecommunication services will rise from 6.6% in 2011 to 28.2% in 2016. Narrowband wireless services, which have the largest relative share in 2011, are expected to achieve an average growth of 5.8% for the forecast period. The relative share of these services is projected to narrow from 43.0% in 2011 to 37.6% at the end of 2016. For the forecast period, fixed broadband services are projected to see an average revenue growth of 13.8%, and their relative share in the total revenue from electronic communications to expand from 8.8% in 2011 to 11.1% in 2016. As for fixed narrowband services, in the next five years they are expected to report an average annual drop of 3.4% and their relative share to shrink from 41.6% in 2011 to 23.1% in 2016.

Globally, broadband services providers are expected to continue their efforts to establish an effective business model for high-speed services. In this respect, they rely on opportunities provided by the Internet protocol for data transfer and control. Currently, high-speed services most often include bundles that combine voice over IP (VoIP), virtual private networks (VPN), video, games and entertainment, and cater to two main user groups – households and small business.

3. Legal and regulatory framework

I. In 2010, some amendments in the sector's regulatory framework were introduced. CRC experts participated in the development of:

1. Bill for amendment and supplement to the Postal Services Act.
2. Bill for amendment and supplement to the Law on Radio and Television.
3. Bill for amendment and supplement to the Law on Electronic Document and Electronic Signature.

During this period, a number of secondary legislative acts were prepared, adopted and amended.

The following secondary legislative acts under the PSA were prepared by CRC and entered into force:

1. System for postal codes formation in the networks of the postal operator obliged to provide the universal postal service and the postal operators providing services included in the scope of the universal postal service

2. General rules for the conditions of delivery of postal items and postal parcels
3. Criteria for defining the difficult-to-access areas and the settlements located there
4. Standards for determining the density of access points to the postal network of the postal operator obliged to perform the universal postal service, so that they correspond to the users' needs in terms of number and density

CRC experts took part in the amendment and supplement to the Tariff of the fees collectable by the Communications Regulation Commission under the Postal Services Act and the Law on Electronic Document and Electronic Signature

The following amendments and supplements to secondary legislative acts under the LEC were prepared by CRC and entered into force:

1. Technical requirements for the operation of electronic communication networks from broadcasting radio service and the related equipment.
2. Technical requirements for the operation of mobile terrestrial networks and the related equipment.
3. Functional specifications for implementing portability of national significant numbers in the event of change of the provider of public mobile telephony service.
4. Functional specifications for implementing portability of non-geographic numbers in the event of change of the respective service provider.
5. Functional specifications for implementing portability of geographic numbers in the event of change of the provider of the fixed telephony service and/or change of the address within one geographic national destination code.
6. Rules for operation of electronic communications for private needs via radio equipment using frequency spectrum which does not need to be individually assigned.
7. List of radio equipment using frequency bands harmonized throughout the EU and the electronic communication terminal equipment.
8. Ordinance No. 1 of 22 July 2010 concerning the rules for distribution and the procedures for primary and secondary assignment for use, reservation and withdrawal of numbers, addresses and names.
9. Rules for the conditions and order for issuance of authorizations for the use of individually assigned scarce recourse.

CRC experts took part in the amendment and supplement to the Tariff of the fees collectable by the Communications Regulation Commission for 2011 under the Law on Electronic Communications.

II. Within the limits of its powers to intervene and settle problems of users and, respectively, to take punitive actions against violating undertakings, CRC initiated some proposals for changes in LEC in this regard.

1. On order to make the legal provisions more specific and improve the prerequisites and conditions for holding undertakings liable in terms of number portability, CRC has proposed a change in the currently applicable regulatory provisions by introducing an explicit legal text which will provide for sanctions in case of violation of the Functional specifications for number portability adopted by the Commission.

2. With reference to the multiple complaints by subscribers of telephone services stating that they don't receive their detailed bills for these services, and in order to make the legal provisions more specific and improve the prerequisites and conditions for holding undertakings with obligations in terms of non-provision of detailed bills, CRC has proposed changes in the currently applicable regulatory provisions of Art. 260 of LEC. The proposals aim at providing a detailed bill within one month of the date of issue, and in case of explicit

request by the subscriber, the undertaking shall be obliged to furnish him with a detailed record.

3. With a view to the multiple complaints filed by complainants expressing their dissatisfaction by the unilateral determination by the mobile telephony service providers of the credit limit granted to subscribers, and by not being notified when they have reached or exceeded it, CRC proposed, when amending LEC, to make the undertakings liable by law in terms of the credit limit granted by them, and particularly, to be obliged to notify their subscribers when they reach 90% of the limit and to be unable to increase the initially granted and fixed limit without the subscriber's consent.

4. With reference to the presence of the so called clause "automatic contract renewal", CRC proposed an explicit legislative regulation in LEC, namely the opportunity of CRC to give binding instructions to the undertakings, related to the so proposed amendments. Two very important CRC's proposals read that LEC shall expressly state that after the expiry of contracts, the same shall become permanent, and any agreements in contradiction thereto shall be null and void, as well as that a mechanism for out-of-court resolution of disputes between users and undertakings shall be introduced to LEC.

5. With reference to receiving marketing and advertising messages, CRC made some proposals with the purpose to make Art. 261 of LEC more specific, namely:

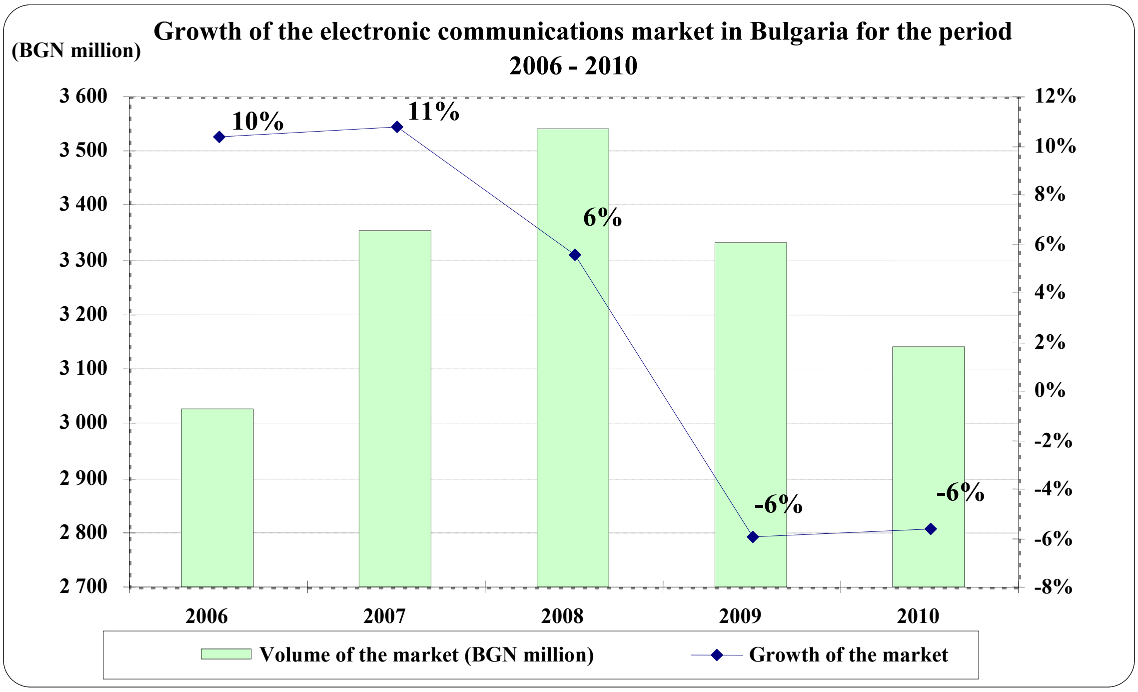
- a clearer definition of the cases when the prior consent of the user for sending marketing and advertising messages may not be requested;
- a legislative differentiation of the person sending the messages and the person on whose behalf these messages are sent;
- definition of the cases when there is an absolute prohibition for sending marketing and advertising messages.

4. Volume and structure of the electronic communications market in Bulgaria

4.1. Volume of the market

In 2010, the number of undertakings registered with CRC for the provision of public electronic communications was 1336. 878 undertakings, out of the total of 1028 respondents, declared that they have not carried out any activity related to the provision of electronic communications services during the year.

The changes in the volume and growth of the electronic communications market in the country for the period 2006-2010 are displayed on Figure 8.



Note: The information about the volume of the market in 2008 and 2009 has been updated.

Source: *Data submitted to CRC*

Fig. 8

As the data clearly shows, the total volume of the electronic communications market in Bulgaria amounts to BGN 3.141 billion, which is a nearly 6% decline as compared with the preceding year. The total volume of the electronic communications market represents 4.5% of the total volume of Bulgaria's GDP[14].

4.2. Structure of the market

Taking into account the technological neutrality and the growing supply of bundled and convergent services in providing electronic communications, CRC introduced methodological changes to the instruments used for reporting the activity of undertakings related to the provision of public electronic communications in Bulgaria in 2010. With the newly introduced segmentation of the electronic communications market, the focus of the criterion used up to now for market segmentation according to the type of networks for provision of electronic communications services was entirely redirected to segmentation according to the type of services provided through them. The information about the structure of the electronic communications market, presented in the current annual report, differs from the preceding years, as the new market segments comprise 6 main groups of electronic communication networks. For the purposes of the comparative analysis, the 2008 and 2009 data have been re-calculated according to the new segmentation of the total public electronic communications market introduced in 2010.

Table 1 shows revenue from the activity on provision of public electronic communications in Bulgaria for the period 2008-2010 and its breakdown by main market segments.

[14] Calculated using current prices. Source: National Statistical Institute

Table 1.

Structure of the public electronic communications market in Bulgaria according to the type of services provided for the period 2008-2010.

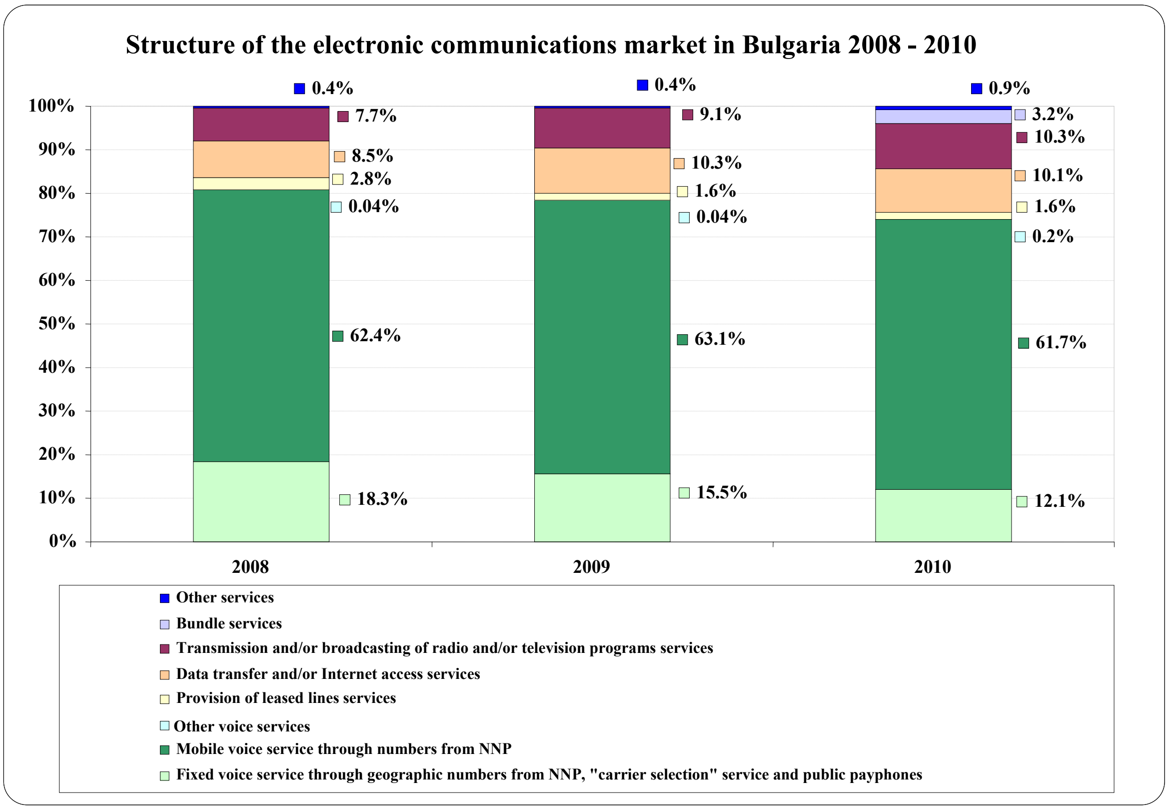
Services related to the provision of public electronic communications	Year		
	2008	2009	2010
	(BGN million)		
1. Voice telephone services	2,856.898	2,613.671	2,323.132
1.1. Fixed voice service through geographic numbers from NNP, the "carrier selection" service and public payphones	646.921	514.347	381.475
1.2. Mobile voice service through numbers from NNP	2,208.658	2,097.913	1,936.515
1.3. Other voice services	1.319	1.410	5.142
2. Provision of leased lines services	97.863	53.878	49.361
3. Data transfer and/or Internet access services	300.633	342.551	316.976
4. Transmission and/or broadcasting of radio and/or television programs services	271.487	301.971	323.335
5. Bundled services	///	///	100.691
6. Other services[1]	15.043	14.947	27.299
Total	**3,541.924**	**3,327.018**	**3,140.795**

[1] The segment includes revenue from providing ducts, satellite systems access services, co-location apart from interconnection and unbundled access, and other forms of shared use

Note: Bundled services revenue for 2008 and 2009 can not be separated from the different segments revenue. The information about the total volume of the market in 2008 and 2009 has been updated.

Source: *Data submitted to CRC*

Figure 9 presents the change in the relative shares of segments in the structure of the electronic communications market for the period 2008-2010.



Source: *Data submitted to CRC*

Fig. 9

The data displayed in Table 1 and Figure 9 show that in 2010 the greatest share in the total volume of the public electronic communications market was held by voice telephone services (fixed, mobile, and other telephone services), with a total revenue of 74%, followed by the transmission and/or broadcasting of radio and television programs services, and the data transfer and/or Internet access services, with market shares of 10.3% and 10.1%, respectively.

The dynamics of revenue in the main market segments, as compared with the preceding year, is as follows;

- A decline of 11.1% was registered in the "Voice telephone services" segment;
- A decline of 8.4% was registered in the " Provision of leased lines services" segment;
- The volume of revenue in the "Data transfer and/or Internet access services" segment decreased by 7.5%;
- A growth of 7.1% was reported in the "Transmission and/or broadcasting of radio and television programs services" segment.

The analysis of data regarding the dynamics of the public electronic communications market according to main segment groups should take into account that revenue from installation fees and monthly subscription in the provision of bundled services, in 2010 form a separate market segment, which represents 3.2% of the market volume, whereas they were a part of the respective segments by services in the preceding years.

Interconnection

The following charts present interconnection as an individual segment in the general structure of the electronic communications market.

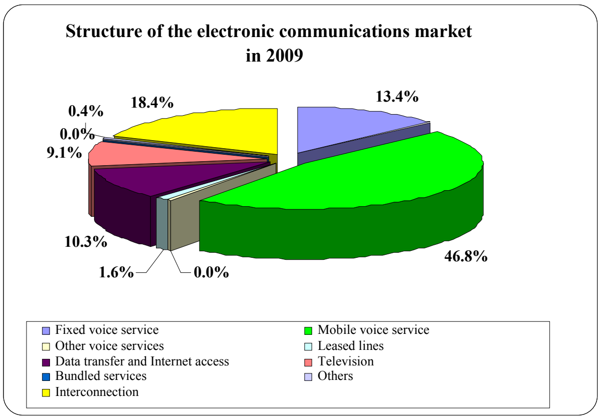


Fig. 10

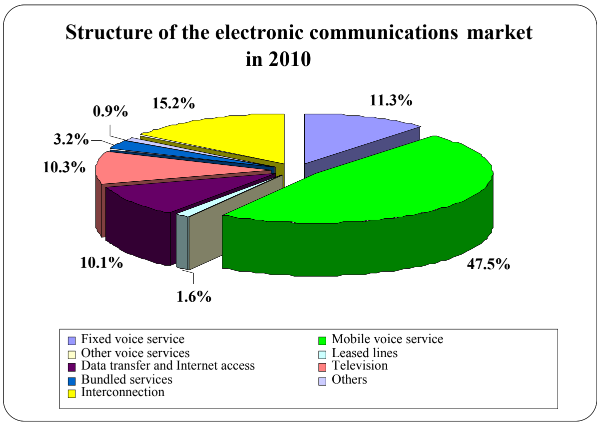


Fig. 11

Note: When calculating the volume of the "interconnection" segment, revenue is included from: physical interconnection realization (ports, lines, and connection points); traffic termination (arising from fixed/mobile undertakings and WiMax networks both in the country and abroad, including SMS and MMS traffic); carrier selection and transit.

Source: *Data submitted to CRC*

The change in the volume of interconnection revenue in 2010 was significant, with a reported decline of 22.2%, which is mainly due to Decision No. 236/17.03.2009 and Decision No. 237/17.03.2009 imposing a glide path for reduction of wholesale termination rates for individual mobile networks and the wholesale origination rates for fixed networks A change was also observed in the share of the interconnection segment which fell by 3.2 percentage points, thus reaching 15.2% of the total volume of the electronic communications market.

The total investments in network construction and maintenance and services development declared by the undertakings providing electronic communications in 2010, amounted to nearly BGN 800 million, which is an increase of over 44% since the year before. For 2011, undertakings plan to invest a little over BGN 638 million in the activity related to provision of public electronic communications.

5. Prospects for development of the Bulgarian electronic communications market

The world economic crisis continued to have a negative impact on the electronic communications market in Bulgaria, and the decline in the sector revenues registered in 2009 persisted in 2010.

Consolidation of the electronic communication services market

The consolidation process continued during the year, as this process expanded also among undertakings providing Internet access and data transfer services. A clear example is the acquisition by "MOBILTEL" EAD in September 2010 of two of the biggest Internet providers in the country - "SPECTRUM NET” AD and "MEGALAN NETWORK” AD, as the undertaking aims at occupying more serious market positions by expanding its services portfolio.

Another event is related to the merger of several alternative and cable undertakings into the "BULGARIAN TELECOM AND TELEVISION" company which aims at achieving a full national coverage by diverse services, including mobile telephony and mobile Internet.

In 2010, start was given to the first form of franchising in the electronic communications in Bulgaria. Under it, the undertaking provides its partners with a platform for provision of IP-based services, along with a national support center, and they are granted the opportunity to offer everything provided by the undertaking, standardization of its network and billing system which includes all services and ways of electronic payment. In return, franchising partners pay the undertaking a percentage of their income.

On its part, the satellite operator Bulsatcom actively intervened in the LAN market by purchasing many Internet providers in the country.

The consolidation trend is expected to persist and grow in 2011.

Competition development

The growing competition between undertakings, accompanied by the regulatory measures imposed by CRC and directed towards elimination of possibilities for uncompetitive behaviour on the relevant markets, in the past year found its expression in the offer of favourable prices and reduction of weighted average prices at the retail markets level.

The glide path adopted by CRC for reduction of mobile termination rates[15], providing for reductions as of 1 January and 1 July 2010, resulted in lower prices for the end consumers of mobile telephony services as well. This decrease also contributed to the stronger competition between undertakings, which is evident by their numerous new offers of tariff plans during the year. As a result, a growth was reported in the traffic of mobile undertakings both in terms of calls made within their own networks and calls to competitive networks.

In addition, on the basis of mobile termination rates and fixed origination rates for which there are restrictions imposed, CRC fixed a maximum allowable level for the retail price of calls to mobile networks, by obliging the "BULGARIAN TELECOMMUNICATIONS COMPANY" AD (BTC) to apply prices of calls to a mobile network not higher than BGN 0.250 (VAT incl.) for peak hours, and BGN 0.208 (VAT incl.) for off-peak hours. The

[15] CRC Decision No. 236/17.03.2009

consecutive reduction of price caps for roaming voice calls as of 1 July 2010, also contributed to the decrease of retail prices for mobile services.

The call prices paid by BTC subscribers when calling subscribers of other networks dropped to the level of prices for long-distance calls made by BTC subscribers to subscribers of the same undertaking.

In the following year, competition is expected to develop on the basis of greater tariff plans diversity both for prepaid and for contract services of mobile undertakings, which are most often combined with more favourable mobile Internet prices. As in 2010, they will probably continue to offer new bundles including bigger traffic volume.

Competition on the market segment of mobile telephony services could develop even more with the start of a mobile virtual operator which would benefit from the advantages of this form, namely: short term of reaching the market; access to an existing client basis; opportunity to sell additional services; lower capital and operating expenses, etc.

Increased supply and demand of bundled services

In order to meet their clients' expectations, undertakings tend to concentrate more intensively on offering different types of bundled and convergent services. As a whole, the supply and demand on the electronic communications services market redirects from individual to bundled services.

In 2010, the revenue from bundled services amounted to BGN 100.7 million, which constitutes 3.2% of the total volume of the electronic communications services market in Bulgaria. Bundled services offers grew both in terms of the number of undertakings providing them (by 30.6%), and in terms of diversity of bundles available on the market.

Competition in the provision of bundled electronic communications services is also growing - offers include different combinations of fixed and mobile voice services, broadband Internet, cable, satellite, and IP television. The most popular bundled service in 2010 included fixed and mobile voice service (in 2009, most popular was the bundled service including television and Internet access). Bundled services are in wide offer by the incumbent, mobile and cable undertakings, and also growingly by undertakings offering Internet access and data transfer services.

The new bundles offered in Bulgaria also follow the global trends for development of the mobile broadband Internet - it is expected that mobile access will spread faster than the fixed one, and that the number of consumers using the global network through mobile devices will exceed the number of Internet users using household computer.

Development of the broadband access

The broadband Internet access market in our country, which reached a rate of 15.4% penetration per population at the end of 2010, will also continue to develop.

Competition in this segment is expected to be stimulated by both the measures proposed by CRC in the public consultation of the market analysis on the provision of wholesale broadband access, and the implementation of the measures included in the National strategy for development of broadband access in Bulgaria. In 2010, the Ministry of Transport, Information Technologies and Communications (MTITC) chose the regions where the government will invest in high-speed Internet, as the first three projects will be constructed by the state, and then the infrastructure will be leased to private investors. In 2011, when allocation of the bulk of the funds for broadband Internet under operational program "Regional Development" is planned to take place, MTITC is expected also to launch the projects based on the principle of public-private partnership.

The undertakings' efforts go in line with the goals for development of the digital future contained in Europe 2020 strategy of the European Union for provision of broadband services to all European citizens. The strive for development of mobile broadband access is especially strong in Bulgaria. The increase in its consumption in 2010 (120%) stimulates the mobile undertakings to invest in their networks and in more modern technologies for high-speed data transfer. In this regard, they will continue to aggressively offer mobile Internet bundled with other services and/or with the latest generation of telephone devices. Apart from the higher consumption volume of mobile Internet, the speeds it is provided at are also expected to rise.

The potential of mobile Internet has not been yet fully utilized. It will represent an important revenue source for mobile undertakings in the coming years.