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Executive summary for presentation:

Fixed telecommunications market of Latvia: analysis one year after liberalisation

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In late 2001 Latvian Parliament adopted the law On Telecommunications drafted to transpose the 1998 EU regulatory framework. The law provided for Sabiedrisko pakalpojumu regulešanas komisija (the national regulatory authority) to set up a secondary legislation framework dealing with issues related to *inter alia* competition and market regulation, a total of about 40 legislative enactments. The most important message, however, was opening of fixed voice telephony and leased lines markets for competition from 1 January 2003.

Even before market *de jure* opening a number authorisations (licences) were issued. There was already a number of potential market participants willing to start entrepreneurship in telecommunications field.

Within one and a half a year since markets were opened for competition more than 60 new undertakings entered the market. Out of these 60 at least actually 17 provided fixed voice telephony services comparing to at least 12 by the end of first half of the year after market liberalisation. Most of new entrants are offering international calls, where the there are relatively high margins remaining.

In the first year of competition the market share of incumbent *Lattelekom SIA* in fixed voice services dropped to approximately 96% In the same time period new entrants received about 10% of geographic numbering. These two indicators and number of authorisations granted provide for that there is some competition in the market and potential for competition to develop.

As in the case of fixed voice telephony market leased lines services market was opened for competition from 1 January 2003. Leased line segment characterised by presence of market participants which core entrepreneurship is related to provision of other infrastructure based services of general interest, is the market showing the major growth of competition after market liberalisation.

As of end of 1st half of the year after market opening at least 14 undertakings provided leased line services. According to information provided by market participants there were at least 20 telecommunications undertakings operating in the market of fixed telephony services during the first half of 2004 meaning six new undertakings actually providing services.

Information provided by the market participants shows that a year after the market liberalization the value of Hirschmann-Hirfendal Index is 4530 points. The share of *Lattelekom SIA*, former monopolist, has dropped substantially. At the beginning of 2004 the share of *Lattelekom SIA* in the leased line services market was approximately 66 percent. *Latvenergo*, as well as *Telia Sonera International Carrier* were among the closest competitors of *Lattelekom SIA* in the market. Tendencies in the provision and growth of leased lines services indicate on availability of alternative infrastructure capable of carrying of traffic.

Already, having rather short time since market opening on 1 January 2003 there are some indicators representing a positive future outlook for competition in fixed electronic communication services. Following those indicators, adoption of necessary legislation for regulatory environment and *inter alia* tools for application of asymmetrical regulation to meet the requirements market and of EU 2002 regulatory framework and strengthening of regulation in particular areas like interconnection, are focal points in order to ensure further market development and proper functioning.