URZĄD REGULACJI TELEKOMUNIKACJI I POCZTY

Rzeczpospolita Polska

URTiP

Economic Dynamics of Newly Liberalized Telecommunication Market in CEE Countries and Baltic States

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Increasing the competition in Polish mobile telecommunication market

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Introduction

Questions:

1. Is there a need for increasing the competition in the Polish mobile telecommunications market?
2. How to tackle the problem: stricter regulation or free market *laissez faire*?
3. What is the role of a regulatory authority?

History and development of the market.

1. June 1992: first mobile company Centertel begins to operate (NMT450i analogue system).
2. October 1996: Polkomtel S.A.begins to operate (GSM 900) after winning the „beauty contest”. The other winner was Polska Telefonia Cyfrowa (PTC).
3. March 1998: Idea Centertel network begins to operate in the GSM 1800 system.
4. 2000: Polkomtel launches HSCSD service.
5. December 2000: Centertel, Polkomtel S.A. and PTC are granted UMTS licenses.
6. March 2004: first MVNO „Heyah” begins to operate.
7. September 2004: Polkomtel introduces 3 G services

Operators

1. 3 market players:
- **PTC**: operates under the brand „ERA”, over 6 million clients (shareholders: Deutsche Telekom, Elektrim, Vivendi Universal),
- **Centertel**: operates under the brand „IDEA”, over 6 million clients (shareholders: Telekomunikacja Polska S.A., France Telecom)
- **Polkomtel**: operates under the brand „PLUS”, over 6 million clients (shareholders: KGHM, PKN Orlen, PSE S.A., Weglokoks, Tele-energo, Vodafone, TeleDanmark).
2. Difficult expansion of foreign operators: possible overtakings

Structure

	USERS IN 2001	%	USERS IN 2002	%	USERS IN 2003	%
ERA	3,776	37,7	4,868	35	6,211	35,7
IDEA	2,785	27,8	4,480	32,2	5,700	32,8
PLUS	3,443	34,4	4,500	32,7	5,488	31,5
TOTAL	10,004		13,898		17,399	

Penetration rate:

- At the end of 2003: 42%
- At II Q of 2004: 48,2%

Segmentation

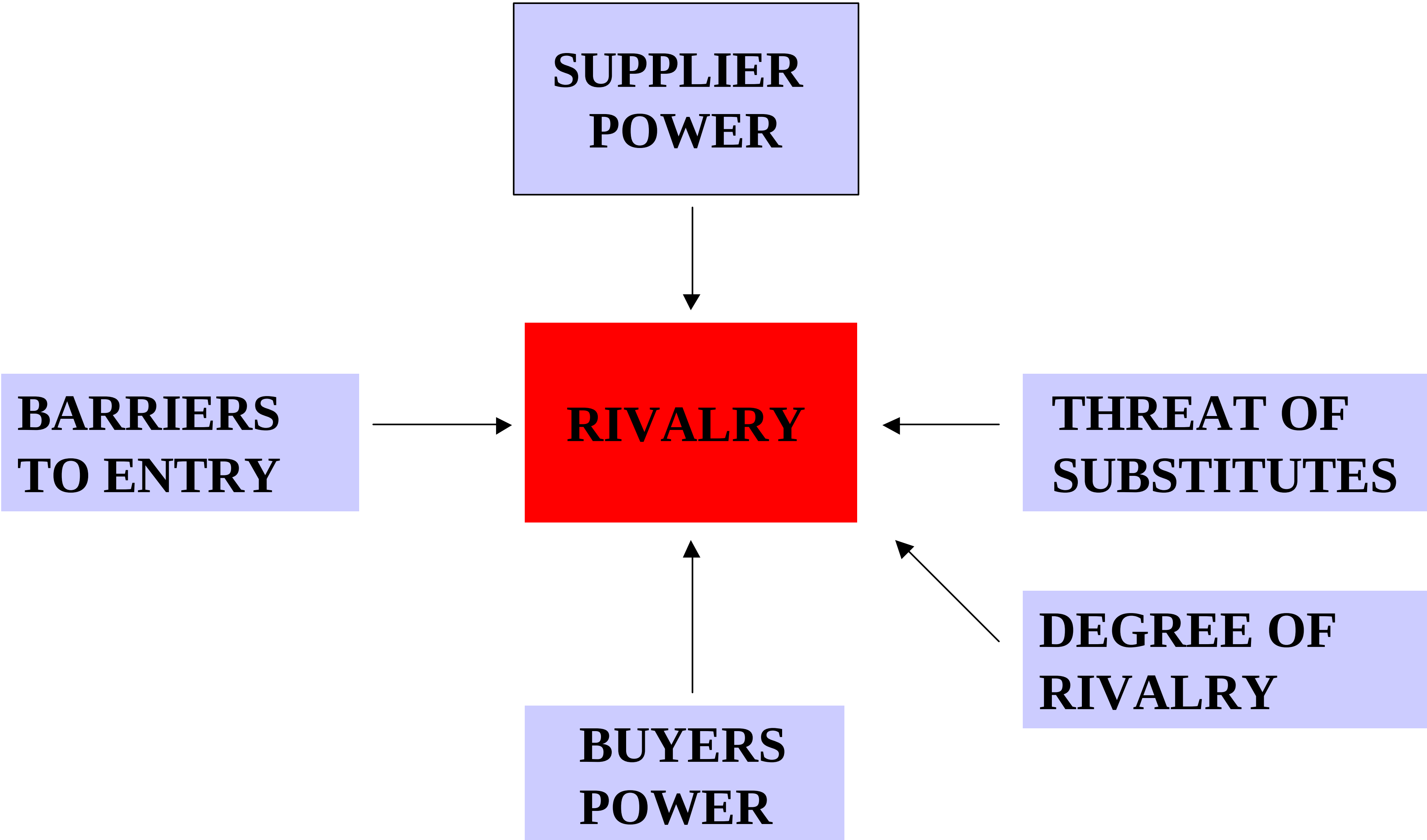
POST -PAID

	POST PAID USERS IN 2001	%	POST PAID USERS IN 2002	%	POST PAID USERS IN 2003	%
ERA	2,356	42,7	2,530	38,9	2,867	35,8
IDEA	1,203	21,8	1,740	26,7	2,600	32,4
PLUS	1,961	35,5	2,241	34,4	2,546	31,8
% SHARE OF ALL USERS	55,2		46,9		46,1	

PRE-PAID

	PRE-PAID USERS IN 2001	%	PRE-PAID USERS IN 2002	%	PRE-PAID USERS IN 2003	%
ERA	1,419	31,9	2,337	31,7	3,344	35,6
IDEA	1,540	34,7	2,728	37,0	3,100	33,0
PLUS	1,483	33,4	2,310	31,3	2942	31,3
% SHARE OF ALL USERS	44,4		53,1		53,9	

Analysis of rivalry on the market: Porter's five forces



Oligopoly or a competitive market?

Results of analysis: weak buyers, no threat of substitutes, barriers to entry for new players, low level of rivalry.

Is the Polish mobile telecommunications market an oligopoly then?
- limited number of operators with almost equal share of the market ? **YES!**
- high tariffs? **YES!**
- copycat behaviour? **YES!**

The answer is: **YES!**

The role of the President of Office of Telecommunications and Post Regulation (URTiP)

The objectives concerning competition area and consumer protection defined in the Telecommunications Act of 2004:

1) assuring universal access to telecommunications services throughout entire territory of Poland,

2) protection of interests of users of telecommunications,

3) **strengthening fair and effective competition in the provision of telecommunications services,**

4) development of modern telecommunications infrastructure that integrates telecommunications, information and audio-video services in order to assure access to pan-European and global networks and telecommunications services,

Introduction of new UMTS and GSM operators

1. 2 separate tenders: for 1 or 2 GSM 1800 operators and for a forth UMTS operator.
2. Official concept of tender presented on 15 September 2004:

- **preservation of competition conditions** and amount declared by the candidate for a reservation of the frequency band as crucial criteria of the offers’ assessment,
- **preferences for offers from players who do not possess the right to use 1800 MHz frequencies and UMTS band** (and are not associated with such entities),
- Candidates for GSM 1800 operators will have to provide a network construction schedule during the tender procedure,
- the tender proceedings are to start already in 2004 and finish in May 2005.

3. The problem of internal roaming

Proposal for an Act on Restructuring license liabilities of mobile operators

1. License liabilities of mobile operators for UMTS licenses
- each of 3 operators has already paid approximately 260 million Euro for UMTS licenses granted in 2000
- the rest (390 million of Euro per operator) is to be paid in instalments until 2022.
2. On 3 September 2004 the President of URTiP submitted to the Minister of Infrastructure a proposal to convert the liabilities into investments in infrastructure (the precedent of fixed telecommunication market operators conversion in 2003).
3. An act shall reconcile interest of operators and consumers (achievement of aims of „E-Polska 2004-2006" strategy).

Regulator as a mediator

1. The concept of a regulator which would act as a mediator on the market.
2. An agreement on lowering interconnection rates between the incumbent and 3 mobile operators: August/September 2004: rates for connections from TP S.A. to mobile operators may be even 30% lower,

- problems with signing annexes (PTC makes its approval conditional upon the lowering of retail prices in TP S.A price list).

3. An alternative: administrative fixing of interconnection rates.

Self-regulation of the mobile market?

1. The President of URTiP issued 19 licenses for mobile virtual network operators (MVNO).
2. In March 2004 PTC introduces „Heyah”, first MVNO: cheap „starter kit”, lower tariffs, per-second billing.
3. Significant drop of tariffs in the whole pre-paid market in 2004:

- Centertel/IDEA introduces „Nowy Pop”,
- Polkomtel lowers its tariffs.

4. Copycat policy of operators still may be noticed but oligopoly system has been certainly weakened.
5. Introduction of „Heyah” as an anti-competitive action?

Summary. The future of mobile telecommunications in Poland

Final answers:

1. Strong need for increasing competition in the Polish mobile telecommunications market.
2. Regulation as coordination and monitoring rather than creation of additional barriers to entry.
3. The regulator as a coordinator and mediator rather than a watchdog.

Future of the mobile telecommunications in Poland:

1. Low penetration rate: place for new mobile telecommunications operators,
2. Some problems: MVNO and internal roaming, restructuring license liabilities, tenders for GSM and UMTS frequencies.

Thank you!