Georgian National Communications Commission

Demographic and Basic Telecom Fact Sheet - Georgia

- **Area** (km²): 69700
- **Population** (000): 4409,8
- **Households** (000): 1079,1
- **Population growth:** -15% since 1990
- **Population density** (per km²) : 64
- **Capital**: Tbilisi 1,5 Mio
- **Ethnics:** Georgian (70%), Armenian (8%), Russian (6%), Azeri (6%), other (7%)

- **Telephone penetration** (per 100 inh.): 14,7%
- **Residential Telephones:** 65,4%
- **Residential Telephones** (per 100 Hh.): 39,3%
- **Mobile penetration** (per 100 inh.): 11,4%
- **Internet users** (per 100 inh.): 1,7%

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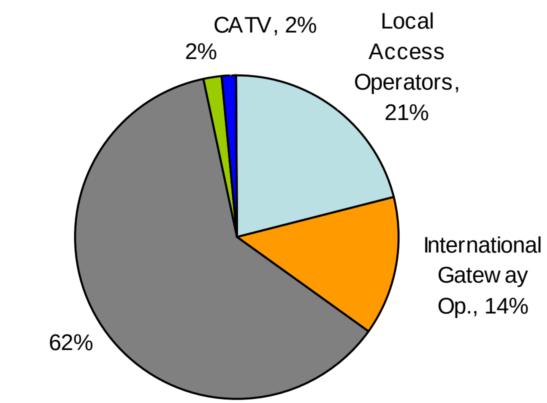
Georgian Telecom Market Overview

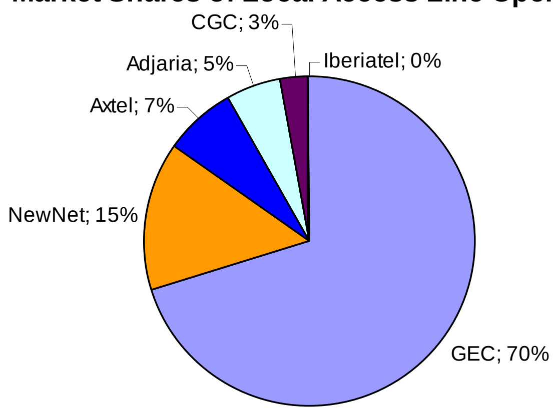
The Market is in general very open to competition. There are more than 270 licensed and operational Service Providers and Network (element) Operators

Market Shares (Revenue) of Georgian Telecom Market Segments



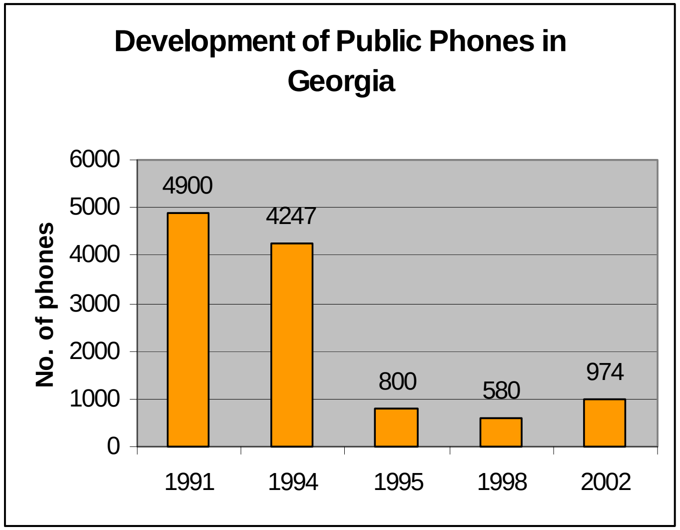
Revenue distribution of Georgian Telecom Markets (m GEL)		
Market Segments	***Market Share***	***Revenue***
Local Access Operators	21%	61057
International Gateway Op.	14%	40029
Mobile Operators	62%	178786
ISPs	2%	5222
CATV	2%	4348
Total	100%	289442

Market Shares of Local Access Line Operators



National Access Line Operators	*Market Share*	*Working Lines*	*Unbundled LL*	*Free Capacity*
GEC	70%	367531	0	110138
NewNet	15%	76995	56415	0
Axtel	7%	37624	23194	0
Adjaria	5%	27896	0	2627
CGC	3%	14609	11925	10816
Iberiatel	0%	250	250	0
Total	100%	524905	91784	123581
Unbundled local loop share in all working lines		*17%*		
Market share of alternative Operators in working lines		*30%*		

Public Telephone Service in Georgia



Rural Population with access to public phones	
(regional settlements with more than 50 inhabitants)	
Kakheti	31%
Inner Quartli	31%
Lower Quartli	34%
Samtskhe-Djavakheti	41%
Achara	47%
Guria	30%
Samegrelo	9%
Imereti	44%
Total:	**33%**

source: World Bank, Social and Economic Infrastructure in Rural Georgia, 200

The number of public phones went down from around 4900 in 1991 to 974 in 2002. A sharp decline took place from 1994 to 1995, when the old incumbent operator was split into Telecom Georgia and GEC. About 80% of the public phones taken over by GEC were either disconnected or mal-Functionning. This explains the sharp drop in the number of payphones from 1994 to 1995
Scince 1997 the number of public phones is increasing, and a new operator (Iberiatel) is serving (rural) areas with fixed-wireless phones. 10 % of phones are located in Tbilisi, 90% in the regions.

As an average, however, only 33% of rural population has access to a public phone; 95% of population live in
areas covered by at least one mobile network. There are,
however, no specific affordable mobile prices for rural or poor inhabitants.

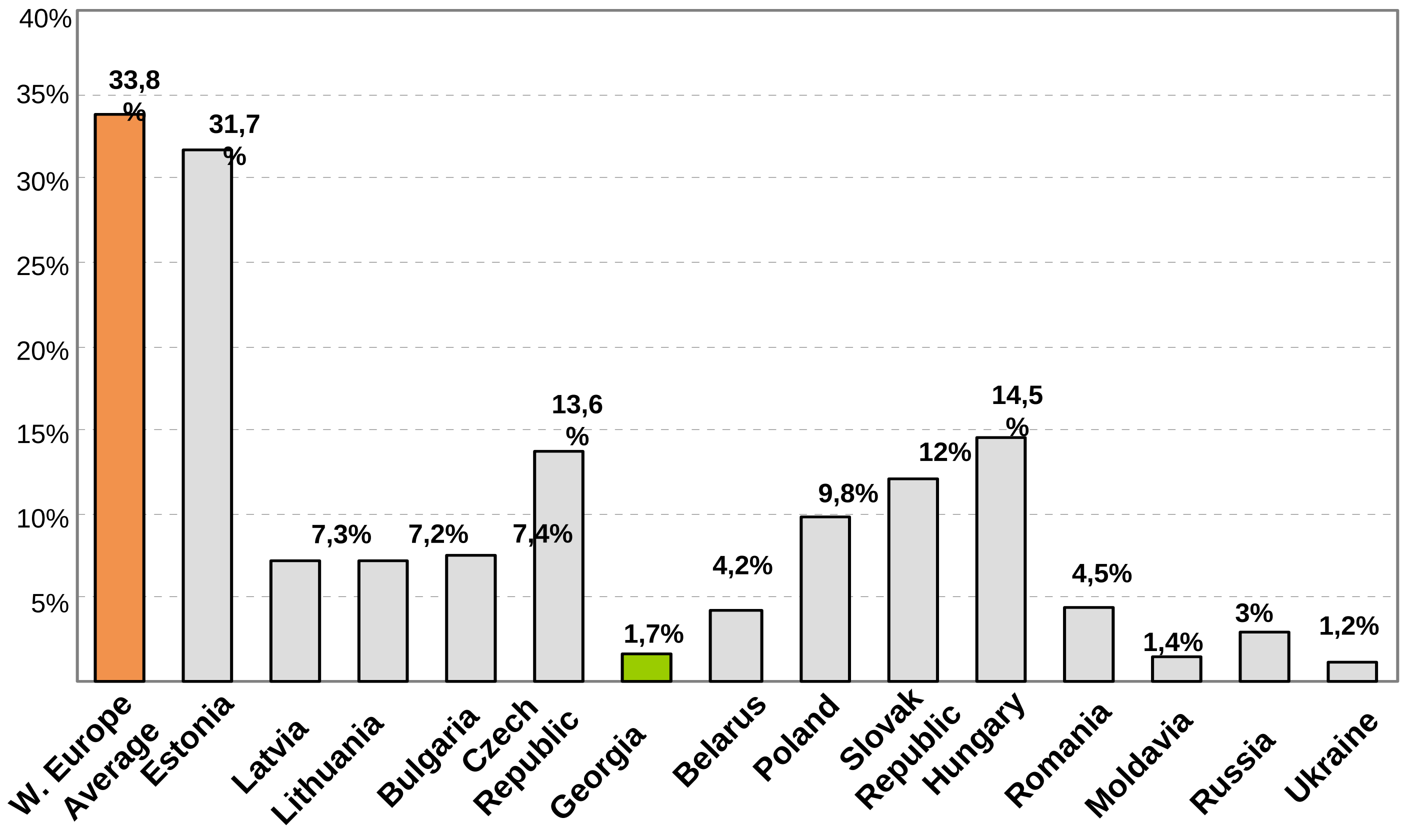
Public Payphones 2002	*Total*	*Tbilisi*	*Rest of Country*
GEC (fixed)	750	61	689
Iberiatel (fixed-wireless)	224	36	188
Total	974	97	877

source: GNCC

Internet Users

per 100 Inhabitants, 2001 – Georgia compared to Eastern Europe

Georgia’s Internet sector is rather weak



Source: World Telecommunications Development Report 2002, DETECON calculations

Georgian National Communications Commission Regulatory Framework

- **Independent regulatory authority for telecommunications, post and broadcasting established in 1999 as permanent independent state body (Georgian Law on Telecommunication and Post).**
- **Assuring Independence and immunity of regulators - Law on independent regulatory authorities (adopted in 2002);**

Regulatory goals:

- Ensure that the Telecom, Post and BC are healthy and viable sectors;
  - maximize private involvement by allowing financial gain commensurate with innovation, management and risk.
- Oversight of National and Consumer interests;
  - through the development of a healthy telecom sector and a competitive environment.

Georgia: Regulatory Framework

Universal Service:

Legal Framework:

Law on Post and Telecommunications

Normative Act on Universal Service (Still under discussion)

Procedures for Fund Administration (Still under discussion)

Manuals (competitive bidding, evaluation and monitoring) – under discussion;

Funding Mechanism:

The regulator major source of budgeting is “regulation fee” – 1% of revenues of license holders in Telecom, Post and Broadcasting Sectors. Considering the growth of the sector the part of regulatory fee will be redirected to Universal Service Department.

Main source of financing for the Universal Service Fund is 80% of licensing fees.

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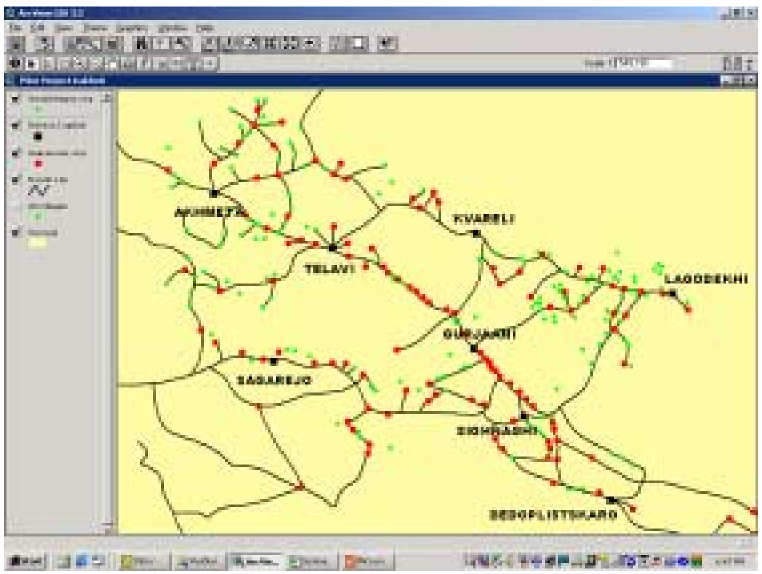
Compared to other countries in the region Georgia has of the most developed regulatory environemnt in Telecommunications, and therefore had been identified to be the country of first polit project.



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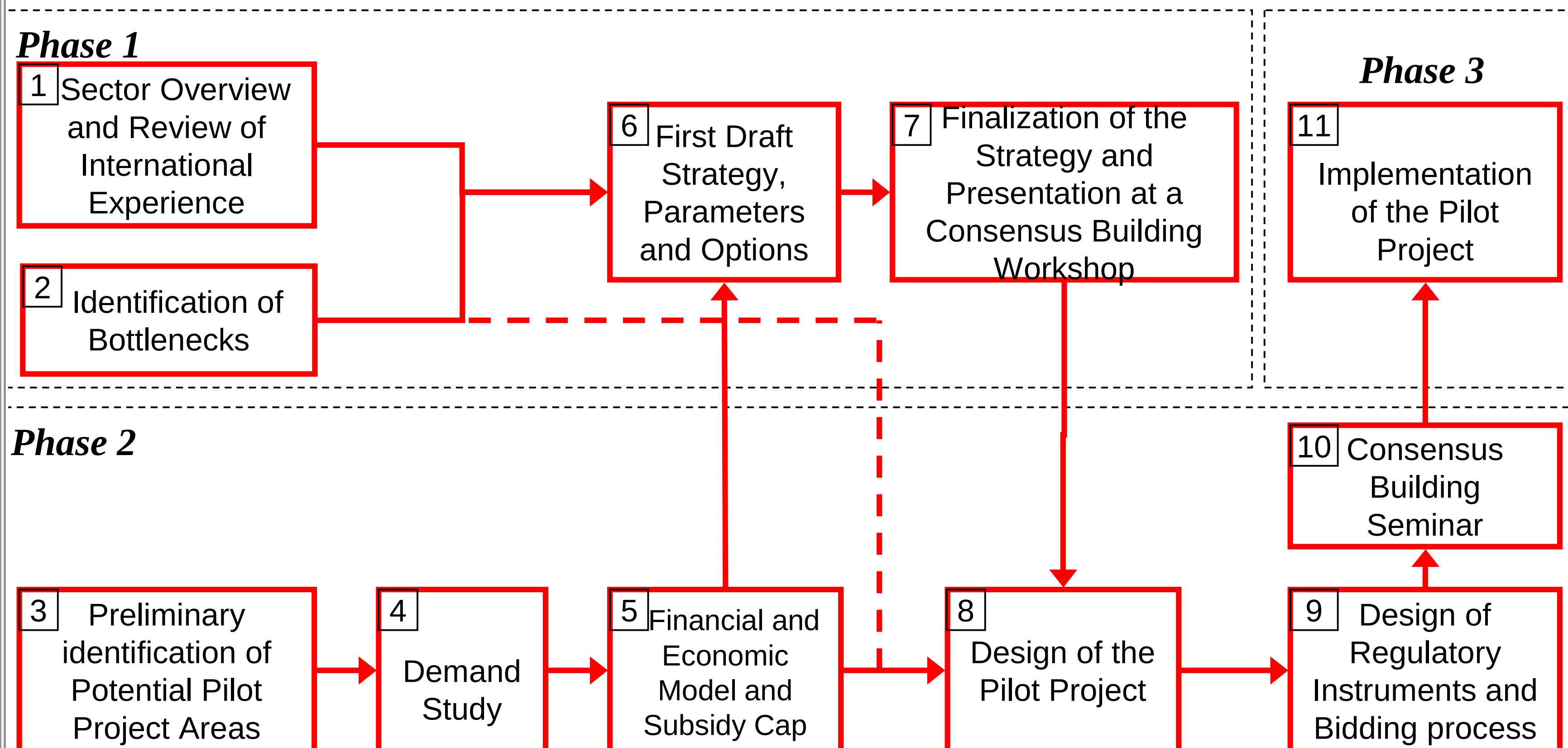
Pilot Project for Kakheti Region

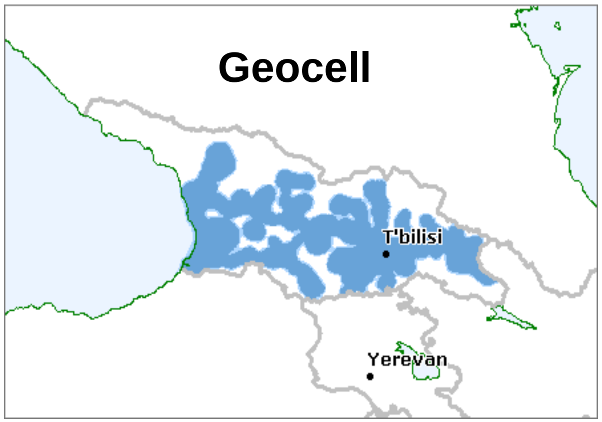
The project is being implemented in three (3) phases:

Phase I: Strategy development and consensus building.
Phase II: Pilot project definition and stakeholder consultations.
Phase III: Pilot project implementation.



Again about:
Coverage of telecommunications services (i)

Coverage is pretty well extended, especially regarding wireless…



Iberiatel

Source: GSM World, Iberiatel

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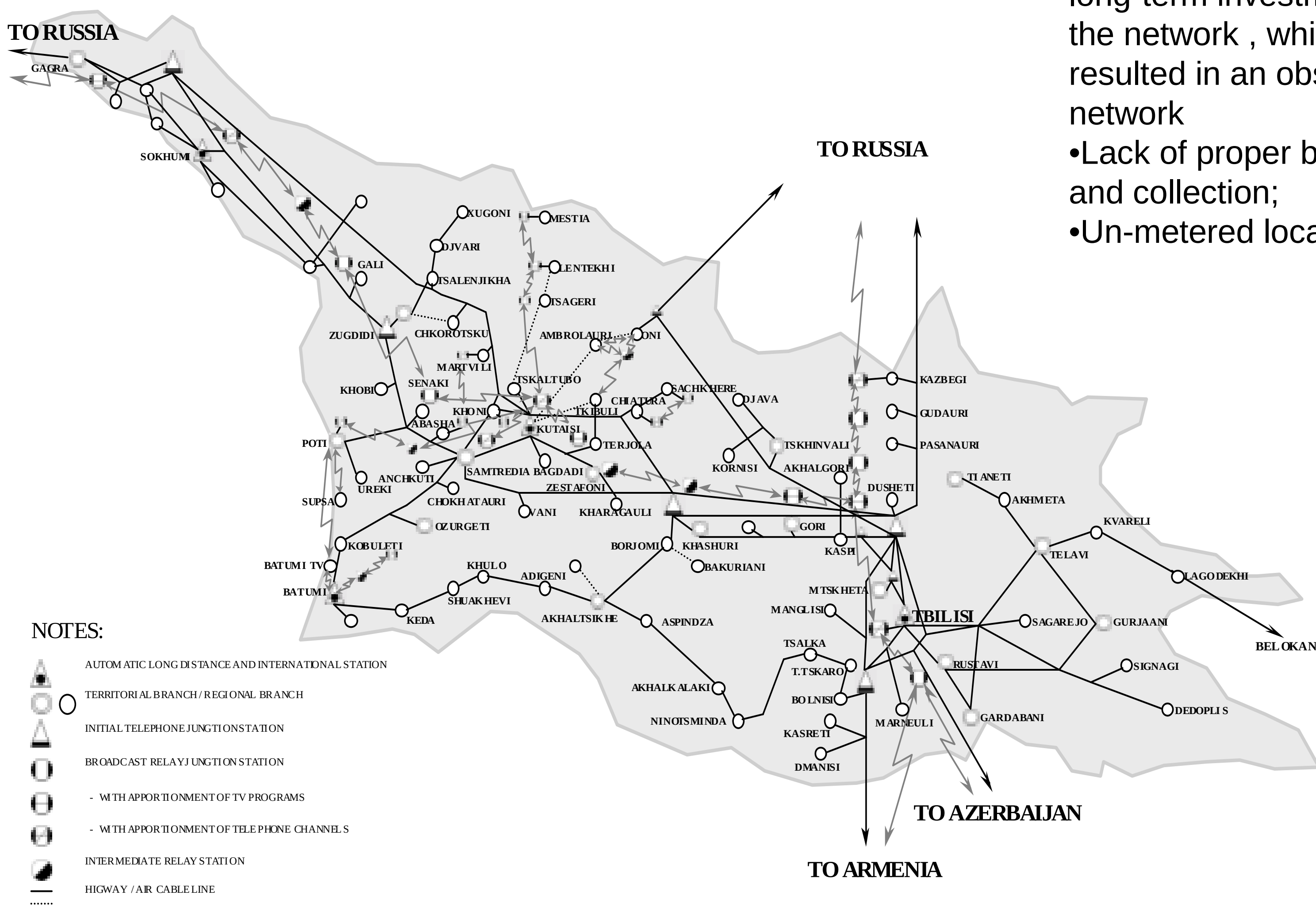
Coverage of telecommunications services (ii)

…and somewhat regarding fixed telephony.

NETWORK MAP OF GLLC



Major Bottlenecks are caused by GEC/GLLC:

- Low commitment to long-term investments in the network , which has resulted in an obsolete network
- Lack of proper billing and collection;
- Un-metered local calls

Services to be provided – Public Payphones/Access Centers

The first objective of Georgia's universal access strategy has been defined as the provision to every village of basic telephony access through payphones availability to all the villagers.

The demand-side analysis indicated that 84% of Kakheti's households can have effective access to basic telephony services. Therefore, universal access to these services has been almost fulfilled.

The operator must install 1 payphone per village and provide a quality of voice equivalent to MOS 3.2 and with the capacity to transmit facsimile and low speed data at 19,6 Kbps.

Availability of electricity varies in Kakheti's villages. Therefore, operators must provide, when needed, an alternative source of energy supply (for example, batteries or solar panels) to assure that the payphone will be operative at least 12 hours a day.

The installation must be completed within next 6 months.

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Services to be provided – OBA scheme for Internet Access (i)

• The second objective of Georgia's universal access strategy is to give access to population on every district capital to Internet Access through the provision of Point of Presence (POP).

• Because of the lack of awareness and in order to stimulate the demand, Small Telecentres (ST) will be installed for awareness, training services and build capabilities in rural population. Therefore, the pilot project considers the installation of 8 ST's in Kakheti.

• The operator selected to install the POP's will offer the leased lines and facilities to access to Internet at a maximum price cap established by the regulator. The operator will be obliged to maintain a minimum standard of quality in renting the facilities.

• Local Georgian entrepreneur and institutions will have access to the leased lines in a non-discriminatory and equitable manner. The operator could become at its own stake and cost an ISP, leasing lines and selling access to internet to all villages within the area of its license. In this case the operator will be obliged to maintain separate accounting provisions issued by the regulatory agency.

Services to be provided – OBA scheme for Internet Access (ii)

•This alternatives of access will support the backbone sustainability and could promote the involvement of local entrepreneurs or pioneer modern institutions in the provision of Internet access through telecentres or Internet cafes.

• GNCC will coordinate and promote through institutions with local presence (i.e. Ministry of Education and Health, NGO's and others), the access to the facilities and with the standard terms of contract for leased lines.

•The expected minimum requirements of access to Internet will be 64kbps (clear channel) for each 10,000 inhabitants.

•Each ST must have at least:

- •5 personal computers including all software to work with word processors, spreadsheets, develop presentations, access Internet, e-mails, zip and unzip files and anti-virus software.
- •One color printer and scanner.

•The installation must be completed within 6 months.

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Thanks to ITU and Mexican Ministry of Transport and Communications for this opportunity to present the regulatory work undertaken in Georgia   and participate in this workshop!

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