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TELECOMMUNICATION DEVELOPMENT BUREAU

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Communications Regulation Commission
BULGARIA

Annual Report 2006

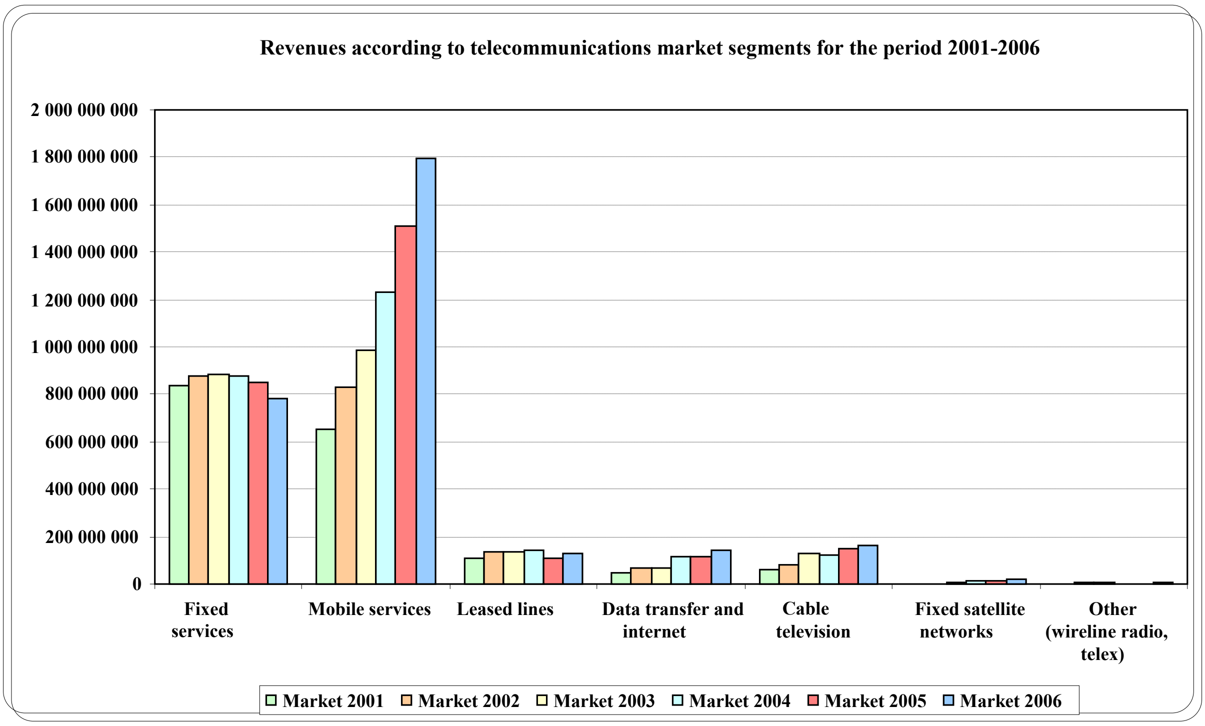
(Short version)

CONTENTS

I. STATE, DEVELOPMENT AND PROSPECTS OF THE TELECOMMUNICATIONS MARKET

1. Volume and structure of the Bulgarian telecommunications market

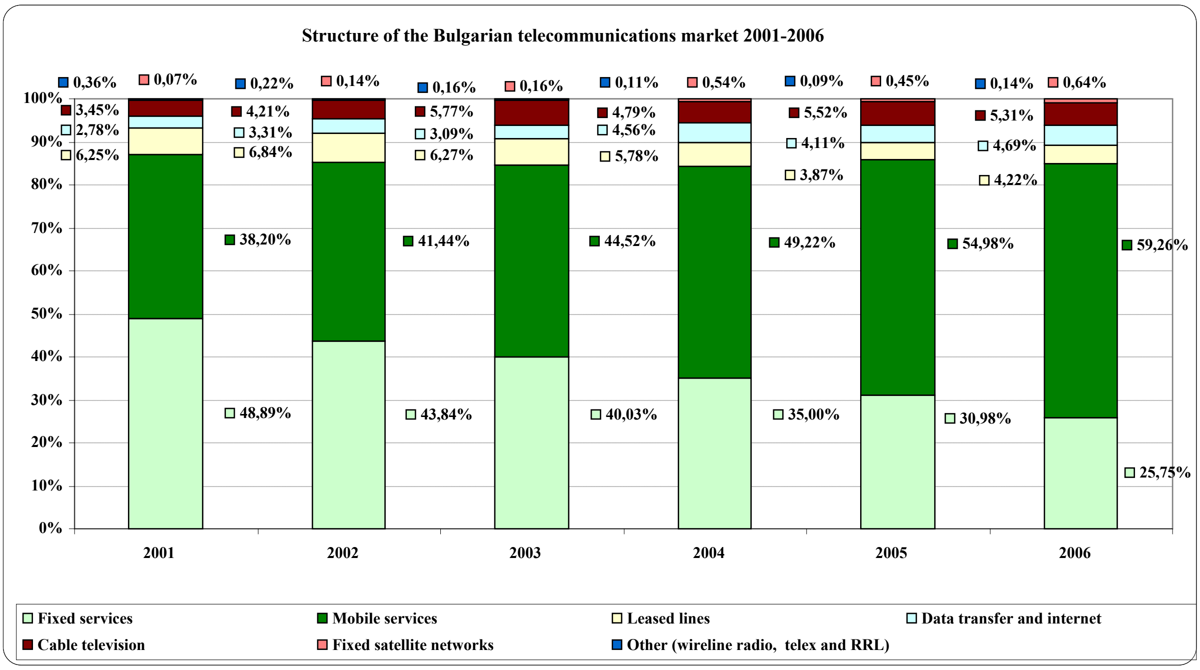
The volume of the Bulgarian telecommunications market in 2006, calculated on the basis of the realized revenues from fixed services, mobile services, leased lines, data transfer and access to internet, cable television, fixed satellite networks and other services, amounts to 3,028 milliard BGN or 1,548 milliard EUR, which is a 10% increase compared to the previous year. For 2005 compared to 2004 this increase was in the same amount, which shows that in the last years the Bulgarian telecommunications market has the same growth rate. The volume of the telecommunications market is about 6% of the total volume of the GDP of Bulgaria and for the first time its growth rate lags behind the growth rate of the country's GDP (the GDP for 2006 has an increase of 14,7% compared to 2005, this percentage showing the nominal growth rate, reported according to current prices, and the real GDP growth for the same period is 6,1%).



Source: *CRC*

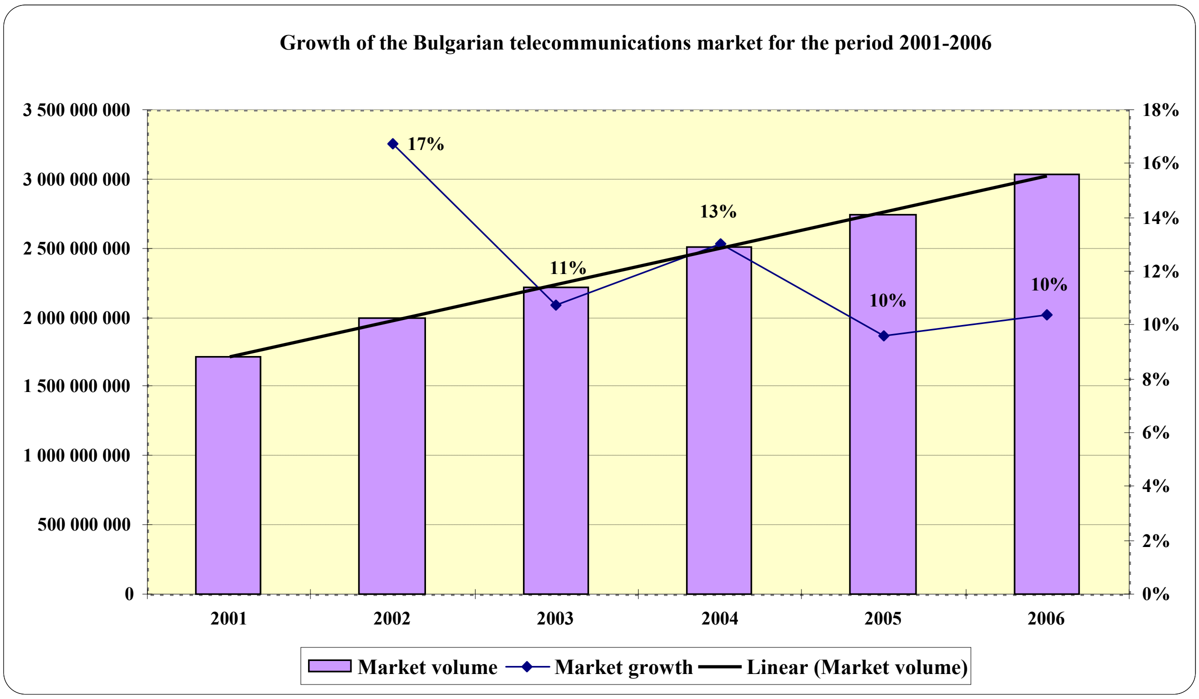
Fig. 1

The change of the revenues' volume according to segments is depicted on fig. 1, on fig. 2 – the dynamics of the telecommunications market structure and on fig. 3 – the growth of the telecommunications market of the country for the period 2001-2006.



Source: *CRC*

Fig. 2



Source: *CRC*

Fig. 3

The analysis of the data allows to follow and outline the main tendencies in the development of the telecommunications market during the last years:

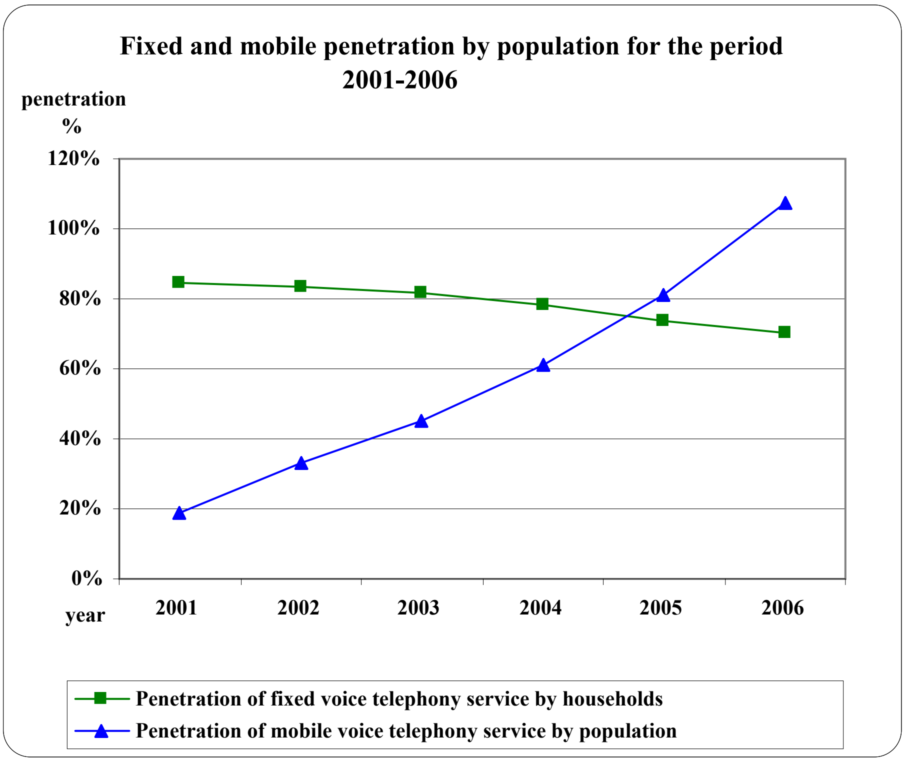
- For all of the market segments (with the exception of the segment „fixed services") there is a growth compared to 2005 both in absolute and relative values. The biggest growth rate is in the segments „satellite networks" and „other services"– over 50%, and the smallest - with the „cable television", 6 per cent;

- The already established tendency is preserved: the share of the mobile services revenues increases with 4 points for a one-year period and the share of the fixed services diminishes with 5 points (fig. 2);
- There are fluctuations with the leased lines – after growth of revenues in 2004 with 4% there is a reduction in the next year of nearly 27%, followed by an increase with 20 per cent in 2006;
- After two years of stagnation there is an increase of the revenues from “data transfer and internet” in 2006 with 26%.

The segment of the „mobile networks and services” in Bulgaria continues its dynamic development in an environment of intense competition and market saturation. The revenues from this segment have increased by 19% in absolute value and constitute more than half (59%) of the revenues from telecommunications services in the country as a whole. The high growth rate in the mobile networks segment and its significant relative share is due, on the one hand, to the continuing trend of more and more consumers renouncing the fixed voice services and replacing them with mobile and, on the other hand, to the multitude of agressively conducted promotions for attracting new customers, especially in the prepaid segment.

Despite of the presence of 13 active alternative operators on the fixed voice telephony networks and services market, the relative share of the revenues of BTC AD here remains too high (96,9%), which indicates ineffective competition on this market for another year. In 2006 the revenues from fixed telephony networks and provision of fixed voice telephony services diminish by 8% in absolute value and by 5% as a relative share of the total market volume. This decrease is a result of the smaller BTC revenues, which are not compensated by the revenues growth of the other operators. The decrease of revenues from fixed telephony networks and services can be attributed to the depopulation of the small settlements, migration to the mobile operators, offering a wider portfolio of services and flexibility of their use, the provision of services by VoIP providers, the more and more popular free PC-to-PC real time voice transfer over internet, the use of programs such as “Skype”, as well as to the fact, that the alternative operators still have limited access to the subscribers of the incumbent. In 2006 seven telecommunications operators („ITD NETWORK” Ltd, „BTC-NET” Ltd, „GOLD TELECOM BULGARIA” Ltd, „NEXCOM-BULGARIA” Plc, „ORBITEL” Ltd, „SPECTRUM NET” Ltd and „TRANS TELECOM” Ltd) provide the service “carrier selection” on a call-by-call basis and only one of them - „ORBITEL” Ltd – on a subscription basis. As a whole only 0,68% of the BTC Plc subscribers have used this service during the year.

On fig. 4 is depicted the emerged trend for fixed-to-mobile services substitution, expressed through the dynamics of the indicators „fixed” and „mobile” density. The popularity of mobile services among the Bulgarian users continues to grow along with the gradual decrease in the use of fixed services and towards the end of the year the number of subscribers reported by the mobile operators exceeds the population of the country, which means that the number of users with more than one SIM cards is growing.



Source: *CRC*

Fig. 4

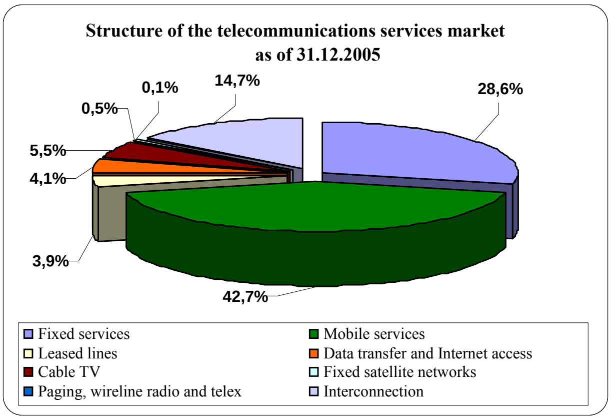
No new licenses have been issued in 2006 to carry out telecommunications through a telecommunications network for provision of the service „leased lines". The revenues from „leased lines" have grown with 20%, which is due to both the bigger number of alternative operators, operational on the market (10 in 2006 compared to 7 in 2005) and the growth in revenues of BTC Plc. The relative share of the former monopolist in the structure of this market segment is 95%, which constitutes a decrease by 2 points and the competitors' share has increased to 5%.

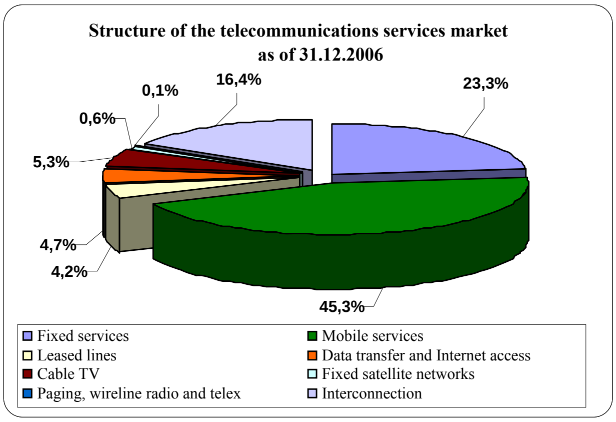
33 new operators of public cable telecommunications networks have been registered during the year and 97 supplements to already existing registrations have been issued, whereas the number of deleted registrations is 33. This indicates that the local competition according to settlements continues to intensify. The expert estimate of CRC for the volume of the total revenues from cable telecommunications networks amounts to 161,5 million BGN, which is with nearly 6% more as compared to 2005. The main part of them are again from distribution of radio and television programs, the revenues from which have a growth of 5% and reach 81 per cent from the total revenues of the market segment, whereas the relative share of the encoded programs decreases by about 5% and amounts to 1%. Along with the provision of radio and television program packages the cable operators provide or intend to provide bundled services such as „Double play", „Triple play", coded programs, data transfer and video on demand.

The volume of the market segment „fixed satellite networks" amounts to 19,35 million BGN and has grown by 50,8% compared to 2005. The growth is significant and is explained by the significant share of the digital television in the segment as a whole. CRC licensed in 2006 one operator with individual license 112 ("BIKAM" Ltd) and issued two certificates for registration of operators according to General license 216 ("FORCE DELTA" Ltd and "ELSACOM S.p.A." Plc).

The volume of the market segment „data transfer and Internet access services" amounts approximately to 142 million BGN, showing growth of 26%. The number of subscribers to the ADSL service of BTC Plc has increased during the last year nearly 2,4 times. It is the CRC estimate that the penetration of the broadband services in the country is 6% and has grown with 4 points compared to the previous year. Despite of this Bulgaria is still occupying one of the last places in comparison with the EU countries.

The interconnection segment is autonomously depicted on the following figures within the general structure of the telecommunications market.





Note: When calculating the volume of the segment interconnection the revenues from the physical realization of the interconnection are also included (ports, lines and points of connection); termination of traffic (originating from fixed/mobile operators in the country and abroad, including SMS and MMS traffic), carrier selection, transit traffic and colocation.

Source: *CRC*

Fig. 5 **Fig. 6**

When entering the telecommunications market the newly licensed operators have few own subscribers. The attraction of users would be strongly limited if there is no possibility to connect them with the users of other competitors, mostly with the subscribers of the networks of the established players on the market, especially of BTC. The ensuring of conditions for interconnection of the networks of the new entrants with the networks of already established on the market operators is a prerequisite for the creation of a real competitive environment of the telecommunications in the country.

Since there is no autonomous segment “interconnection”, when determining the volume of the segments „fixed” and „mobile” services the revenues realized by fixed and mobile networks from interconnection are also included.

Although as a volume the revenues here have grown by 23%, (they are gross, without deduction of settlement payments between the operators) their share in the general market structure has increased by only 1,6 points. The data confirms the trend from the recent years more and more traffic to be confined within the mobile networks. It is becoming increasingly rare traffic generated in a fixed network to be terminated in a mobile one, and vice versa.

The reported investment for construction and maintenance of the networks and development of the services amounts to around 815 million BGN. The decrease by 14% is mainly due to already made earlier investment by the mobile operators. The investment envisaged for the sector in 2007 shall be more than 918 million BGN.

2. Prospects for development of the Bulgarian telecommunications market

Although the competition penetrates certain market segments of the domestic telecommunications market (such as „fixed voice telephony service" and „unbundled access") rather slow and difficult, the potential for growth during the next years shall be generated by the new technologies, the convergence of the networks and the provision of integrated services. This shall activate the competition and shall blur the boundaries between the existing market segments and additional stimulating factors shall be the increasing demand of consumers towards on-line way of living, global scale and interactivity. On the other hand the forthcoming regulation according to the principles of EU framework 2002, after the adoption of the new Electronic Communications Act, will be a necessary precondition to encourage investment and competition in the sector in the years to come.

It is expected the provision of bundled services to generate an ever increasing share of the revenues from telecommunications. Apart from the more and more popular double-play and triple-play packets of the cable operators, the operators of data transfer networks shall also start the provision of similar services in their varieties of internet, VoIP telephony and IP television. It is anticipated in 2007 the already established operators on the mobile market to start provision of fixed voice telephony service, which is a prerequisite for the actual convergence between fixed and mobile telecommunications networks in the country. This shall make possible the provision on the Bulgarian telecommunications market of integrated packets of fixed voice service, mobile voice service and internet.

The expected introduction of number portability for the mobile cellular networks shall stimulate rivalry as a result of the efforts of the operators to retain the existing and to attract new subscribers. The main benefit will be for the consumers, which without change of their current number shall be able to choose the mobile operator providing conditions for use of the service as well as tariff plans best meeting their individual needs.

Until the beginning of 2007 three of the operators, which received in 2005 license of the type „point-to-multipoint", start provision of services (fixed voice telephony and Internet) by means of WiMAX technologies. Bearing in mind that this type wireless technology represents a real alternative for the „last mile" access of the incumbent as well as its potential for provision of a broad portfolio of services to the end users it could be expected that WiMAX shall lead to a stirring on the telecommunications market of the country.

The reorientation to the digital format of transmission, translation and reception of television signal is also a trend, which shall continue in the following years: more and more cable operators shall offer packages with digital television programs in competition with the offers of the satellite operators. The benefits for the users (e.g. high quality and interactivity) are significant.

The Bulgarian ITC Broadband platform was created in the middle of the year with the participation of leading technological and telecommunications companies and with the support of SAITC, BAIT, CRC and others. Its main purpose is the promotion of the broadband services in the country. In the following 4-5 years (according to the participants in the platform) the broadband access has the potential to double annually. The main tasks which shall be pursued to achieve this goal are the greater penetration in rural areas, attraction of investments from the EU funds for financing projects, introduction of tax alleviations schemes for investments in communications infrastructure as well as government programs for subsidies, regulatory and legal framework.

II. LEGAL AND REGULATORY FRAMEWORK

In 2006 CRC completed the development of a draft of an Electronic Communications Act and at the end of the year the draft was submitted to the National Assembly.

Its most important characteristics, determining the regulatory framework for electronic communications are the following:

National regulatory authority

The structure and independence of the Communications Regulation Commission is preserved. The consultation procedure with the market players, with the Commission for Protection of Competition (CPC), the Council for Electronic Media (CEM), the European Commission (EC) and the national regulatory authorities of the EU Member States is described in detail.

Authorization

The provision of electronic communications networks and services without use of scarce resources is on the basis of general authorization. In case the use of scarce resource is necessary for their provision CRC holds a tender or competition for issuance of the authorization.

Significant market power (SMP)

The obligations imposed on the SMP operators according to the TA shall be maintained until the completion of the market analyses by the Commission and the determination of the undertakings with significant market power, on which specific obligations are imposed.

Access and interconnection

The access and interconnection between the networks of the undertakings shall be realized on the basis of a commercial contract. The definition of “access” is extended to cover the means and/or the services for access, such as connecting equipment, access to the physical infrastructure, functional systems, roaming access etc.

Universal service

The scope of the universal service is maintained, but the technological restrictions regarding the connection are avoided through the introduction of the term “specified location” instead of “fixed point of the network”.

Protection of the consumers’ interests

The consumers should have the right to sign contracts with the undertakings. The undertakings publish general conditions for their relations with the end users. The undertakings should provide up-to-date information about the prices, tariffs and the quality of services.

Protection of the personal data

The privacy of the communications is guaranteed by the law. The interception, recording and retention of the communications by third parties, without the explicit consent of the consumers, is forbidden.

1. Amendments to the secondary legislation envisaged by the TA

During the year amendments and/or supplements were prepared and adopted to part of the secondary legislation envisaged by the TA: the Tariff on the fees, the rules of procedure and the technical parameters for the operation of the telecommunications networks of the fixed service and the broadcasting service, a series of ordinances etc. This made possible the finalization of the applicable legal telecommunications framework, enabling the actual creation and development of a liberalized market.

2. In 2006 CRC issued by a tender procedure individual licenses to carry out telecommunications through public telecommunications network in the fixed service of the type „point-to-multipoint" in the frequency range 26 GHz on the territory of the Republic of Bulgaria.

3. CRC issued two individual licenses, assigning respectively, position of the geostationary orbit, allocated to the Republic of Bulgaria in the plan of Appendix 30B of the Radio Regulations (RR) of the International Telecommunications Union (ITU) for the position (50,4 ± 10)° to carry out telecommunications through the system BUL00000 of the fixed satellite service with national coverage, and position on the geostationary orbit, allocated to the Republic of Bulgaria in the plans of Appendices 30 and 30A of the Radio Regulations (RR) of the International Telecommunications Union (ITU) at the position minus 1,2° for the system BUL02000 of the satellite broadcasting service with national coverage.

4. Liberalization of the telecommunications market of fixed public telephone networks and fixed voice telephony services and enabling the entry of new alternative operators on the market.

CRC determined again BTC Plc for **operator with significant market power (SMP operator)** for provision of the service "leased lines" as well as on the market of fixed public telephone networks and fixed voice telephony services,

CRC determined **„MOBILTEL" Plc and „COSMO BULGARIA MOBILE" Plc as operators with significant market power on the market of mobile telecommunications networks** and provision of voice telephony services through them.

III. MANAGEMENT OF THE RADIO FREQUENCY SPECTRUM

The Communications Regulation Commission is responsible for the efficient management and utilization of the radio frequency spectrum, one of the key national natural resources. Its optimal management is a prerequisite for ensuring of a competitive environment for development of the telecommunications networks using radio frequency spectrum, for creation of conditions for introduction of new technologies as well as meeting the consumers' demand for new services with better quality. Easy and quick access to the radio frequency resource, maximizing the economical and social benefits, use of the spectrum in accordance with the national and international requirements – these are some of the main goals the Commission is seeking in the management of the radio frequency spectrum.

A main tool related to this management is the National Plan for Allocation of the Radio Frequency Spectrum in radio frequencies and radio frequency bands for civil needs, for the needs of the national security and defense, as well as for shared use between them. The allocation of the spectrum in the plan is in accordance with the Radio Regulations of the

International Telecommunications Union, the European Table of Frequency Allocations and Utilizations (ERC/Report 25) and the Joint NATO agreement for the allocation of the frequencies for civil needs and for the needs of the defense, which is a guarantee for its harmonized use. CRC manages the radio frequency spectrum allocated for civil needs in accordance with its capacity, with the Principles and the Regulatory policy for management of the radio frequency spectrum allocated for civil needs, with the ordinances for determining the rules of procedure and the technical parameters for operation of the radio services as well as in compliance with the rules for use of the radio frequency spectrum in the European Union and in the International Telecommunications Union, observing the principles of transparency, non-discrimination, predictability, proportionality, objectivity and publicity.

In view of the great variety of short range radio devices and their rapid entering on the market an amendment and supplement of Ordinance No. 14 about the terms and conditions to carry out telecommunications through radio equipment and networks of radio equipment for own needs using radio frequency spectrum for common utilization was prepared, in accordance with the National plan for allocation of the radio frequency spectrum and Recommendation ERC/REC 70-03 of the Electronic Communications Committee. With the update of the ordinance new frequencies and radio frequency bands were identified for short range radio devices as well as technical and operational requirements for their work

In order to ensure the safety of aeronautical navigation, in 2006 were conducted 300 studies on electromagnetic compatibility between VHF FM broadcasting stations and the aeronautical navigation systems ILS, VOR and COM.

In connection with the work of CRC on identifying the sources of the trans-border interference to radio and television broadcasting stations measurement protocols were analyzed for registration of signals in the radio frequency bands allocated for broadcasting and the respective conclusions and recommendations to the operators for solving the problem with this interference were made.

IV. LICENSING ACTIVITY

1. Individual licenses

- CRC issued a total of 102 individual licenses**,** including the 2 individual licenses issued for the first time for assignment of positions of the geostationary orbit, allocated to the Republic of Bulgaria with international agreements.
- The individual licenses in force at the end of the year are 1389 in total.
- The licenses brought into compliance with the TA and the reissued licenses are 10.
- CRC has executed 642 amendments, supplements and transfers.
- The abrogated, terminated, withdrawn, revoked or expired individual licenses are 100 altogether.

2. General licenses

- The Commission issued 484 certificates for registration under General licenses.
- The deleted certificates for registration under General licenses in 2006 are 66.
- The issued documents relating to a registration under General licenses are 333. According to the type of document their number is as follows:
    - ✓ Radio amateur certificates - 63.
    - ✓ HAREC certificates and CEPT licenses - 17.

- ✓ Listener's and temporary call signs - 35.
- ✓ Certificates for radio stations onboard vessels and aircraft - 218.

- ✓ A total of 36 people have been admitted to the three exams for radio amateur certificates.

V. MARKET REGULATION

CRC follows the state of the telecommunications market, studies it and forecasts it, collects and processes information on the activities performed by the operators and based on it conducts analysis of the networks and services.

1. Annual report 2005

In 2006 was prepared the next regular annual analysis on the state and development of the market in Bulgaria and on the activities related to its regulation. The analysis is part of the CRC annual report for 2005 and is based on the received information concerning the activity of about 1120 operators of public telecommunications networks, providing telecommunications services through them, as well as of providers of services for Internet access on a free regime.

2. Monitoring of the market

In connection with the current observing of the state of the telecommunications market – both as a whole and of its separate segments – a monitoring is conducted of a set of parameters, determined by the Commission. This set comprises the information, necessary for the realization of specific functions of the market regulation, according to the TA, as well as for the provision of information to international institutions and organizations, of which CRC is a member according to international agreements. Information is also collected in the framework of monitoring projects.

3. Designation of operators with significant market power

The annual analyses on the presence of effective competition in the market segments listed below were prepared in accordance with the provisions of the TA in force and the approved by CRC Methodology on the terms and conditions for designation of SMP operators: fixed telephone networks and provision of fixed voice telephony services; provision of the service „leased lines"; mobile telecommunications networks and provision of voice telephony services through them.

The Commission designated for a third consecutive year BTC Plc as an operator with significant market power on the market of fixed telephone networks and provision of fixed voice telephony services and on the market for provision of the service „leased lines". Based on the results obtained via the analysis of the market of mobile telephone networks and provision of voice telephony services through them, CRC delivered a decision for the repeated designation of „MOBILTEL" Plc as an operator with significant market power on this market. The Commission designated also „COSMO BULGARIA MOBILE" Plc as SMP operator.

4. Price regulation

In accordance with its statutory powers, ensuing from the TA, the Commission undertook the following actions concerning the regulated prices:

4.1. Prices of fixed voice telephony services

CRC returned twice to BTC Plc their proposal submitted in April for amendment of the prices of the fixed voice telephony service because of inaccuracies in the amount of consumption, included in the consumer basket, and because of the presence of different time zones of the local calls as compared to the time zones for long distance calls.

In October 2006 BTC submitted for the third time a revised proposal for amendment of the prices of the fixed voice telephony service. It has taken into account the grounds and motives, based on which CRC returned the prices for revision.

Along with the prices of the basic tariff for the fixed voice telephony service were considered also the price packages for residential and business subscribers.

4.2. Interconnection prices

CRC approved a draft of Reference Interconnection Offer (RIO) of BTC. In order to promote effective competition and to protect the consumers' interests as well as due to lack of sufficient evidence for cost-orientation of the prices determined by the company, the Commission imposed price limitations for the interconnection services.

4.3. Prices for unbundled access

The Commission approved a draft of Reference Unbundling Offer (RUO) of BTC, while imposing limits on the prices of the services. The intervention is based also on the powers of the Commission to regulate the prices of the telecommunications services, for which it has been established that they are provided in abuse of dominant position on the market in the sense of the Law for protection of competition.

4.4. Mobile termination prices

CRC opened a procedure of public consultations for reduction of the prices for termination of traffic in mobile telecommunications cellular networks, generated by the networks of operators providing fixed voice telephony service. In the framework of this procedure the mobile operators, taking advantage of a vacuum in the legislation in force, did not accept the proposal for a step-by-step voluntary reduction.

4.5. Cost regulation

The Commission obliged BTC to conduct amendments in the Cost allocation system of the company in order to remove the discrepancies between the services offered by the company and the services included in the system approved in 2004.

4.6. Prices of the universal service

The prices for initial connection to the network, monthly subscription, local, long distance and international calls, are determined in the same way as the prices for fixed voice telephony service on the basis of the consumer basket. Because of this (with the exception of the price for initial connection to the network, which comprises only the residential subscribers for the provision of UTS) the prices for monthly subscription and calls (local, long distance and international calls) do not differ from the prices of the fixed voice telephony service and are part of the prices for UTS.

The prices for calls by means of public payphones are up to 20% higher than the prices of the same type telephone calls, conducted from residential or business telephone lines.

In 2006 BTC Plc did not prepare and publish a telephone directory as a printed hard copy and because of this there are no determined prices, in order to meet the obligation for access to directory services and telephone directory.

The provision of access to fixed voice telephony services under special conditions imposes on BTC obligations for provision of the price packages „limited consumption", „disabled persons group I" and „social and healthcare institutions".

5. Provision of Universal Telecommunications Service (UTS)

The provision of UTS is a license obligation of BTC Plc, imposed on the company in its capacity of operator with significant market power on the market of fixed telephone networks and provision of fixed voice telephony services and of the service „leased lines".

6. Cooperation with the Commission for Protection of Competition (CPC)

In connection with the forthcoming implementation of the Regulatory Framework 2002 after the adoption of the new Electronic Communications Act, a joint working group of CRC and CPC experts developed a draft of a Methodology on the terms and conditions for definition and analysis of the markets of electronic communications networks and/or services and designation of undertakings with significant market power on them**.** The draft Methodology shall be completed after the adoption of the ECA and adopted my the CoM.

7. Participation in international projects

CRC continued to provide information on the condition of the Bulgarian telecommunications market via a questionnaire of the International Telecommunications Union (ITU), in connection with the update of the database of indicators of the world telecommunications development and the annual preparation of the ITU report.

In October CRC experts participated in Geneva, Switzerland at the fifth consecutive meeting, organized by the Telecommunications Development Bureau (BDT) of the International Telecommunications Union (ITU), devoted to the indicators for reporting the telecommunications development and the Information and Communication Technologies sector on a global scale.

In connection with the forthcoming necessity for harmonized implementation of the new European regulatory framework a special significance is attached to a more active CRC participation in the working groups of the Independent Regulators Group (IRG). CRC experts provided information for the purposes of the projects and the prepared reports and participated actively in some of the working meetings of a series of IRG groups: Working Group "Significant Market Power" (SMP WG), Working Group "Mobile Market", Working Group "End Users" and Working Group "Fixed Networks".

CRC continued its activity in the project for monitoring the telecommunications markets of South Eastern Europe „SEE Observatory", financed by the European Commission. CRC experts, together with the colleagues from SAITC, provided information on a broad range of parameters (on the regulatory practice, the tariffs for the telecommunications services and the market development) for the elaboration of the third of the periodic reports. The second forum of the project was held in April with participation of CRC and SAITC experts in Zagreb, Croatia. At the meeting the invitation of CRC to host the third forum, to be held in Sofia in January 2007, was accepted.

VI. TECHNICAL REGULATION

1. Names and addresses

CRC is responsible for the management of the National Numbering Plan (NNP), which includes analysis of the utilization of all kinds of numbers from the NNP, elaboration and implementation of a policy, which ensures the effective use of the numbering resource, possibilities for definition of numbering ranges, allocated for new services and networks etc. During the past year 166 000 geographical numbers and 155 addresses (national codes of signaling points) have been assigned to the alternative fixed telecommunications operators for provision of voice telephony service.

In the course of the year a total of 13 000 non-geographical numbers have been assigned for services of the ranges “700”, “800” и “90” as well as one code for access to national telephone directory services - 118 ХУ.

The numbering resource provided to the alternative operators confirms the trend for development of the networks and increase in the number of subscribers, which gives potential for successful introduction of number portability for fixed networks. The numbers absorbed by the alternative operators at the end of 2006 are about 15% of the assigned (113 459 numbers), which shows that despite of their development their market share of the fixed voice services market is still small.

Table 1

Year	Assigned	
	numbers	addresses
2003	145 000	12
2004	207 000	35
2005	242 000	179
2006	166 000	155
Total:	**760 000**	**381**

As a result of the digitalization of BTC’s fixed telephone network a numbering resource of 5 265 000 numbers in different geographical areas of the country has been released through the year and 2 052 000 have switched from incomplete to complete length of the nationally significant numbers. In connection with forthcoming digitalization projects of BTC Plc 426 000 numbers have been assigned to the company.

With an amendment of the NNP a range of numbers has been allocated to networks of the type „point-to-multipoint” with national coverage.

The work was initiated on the introduction of the common European emergency number „112”.

There is also increase in the number of blocks of one million numbers utilized by the mobile cellular networks operators within the assigned to them blocks of 10 000 000 nationally significant numbers per operator.

Table 2

GSM operator	Utilized numbers towards the end of 2006
„MOBILTEL” Plc	9 000 000
„COSMO BULGARIA MOBILE” Plc	10 000 000
„BTC MOBILE” Plc	5 000 000
Total:	**24 000 000**

2. Standardization

In 2006 125 standards from the published new ETSI documents have been proposed for introduction as Bulgarian standards by endorsement. Due to the forthcoming EU membership of Bulgaria a list with the titles in Bulgarian language of all harmonized ETSI standards according to Directive 99/5/EC has been prepared, coordinated with the BSI and provided to ETSI for publication in the EU Official Journal (OJ).

In connection with the change of status of the Bulgarianна Standardization Institute (BSI), CRC participated in the Founding meeting of the institute, became a member of BSI and actively participates in the work of four standardization Technical Committees (TC).

A series of standards related to number portability and interconnection have been studied during the past year and a list with the most important standards has been proposed to SAITC for financing their translation into Bulgarian.

3. Interconnection and access

During the past year the regulatory activity of CRC concerning interconnection and access was directed mainly towards:

3.1. Finalizing the public consultation procedure opened at the end of 2005 on the Reference Offer for concluding an interconnection agreement (RIO) and its approval.

Significant from a technical point of view are the mandatory instructions related to the introduction of principles for call routing and making calls to mobile networks through the service „carrier selection".

Table 3 Concluded interconnection agreements which have entered into force:

Type	2004	2005	2006	Total
BTC – mobile	0	1	2	3
BTC – alternative fixed	3	6	8	17
Mobile – mobile	0	3	0	3
Mobile – alternative fixed	6	6	12	24
fixed – fixed (without BTC)	0	1*	1+5*	1+6*

** the contract is according to H.323*

In the sense of the normative regulation connecting telecommunications networks by means of protocol H.323 is not considered interconnection and it is arranged through free commercial negotiations.

3.2. Approval of Reference Unbundling Offer

Despite of the market liberalization, the policy for promoting competition, the presence of a reference unbundling offer and concluded contracts for unbundled access (between BTC Plc and ORBITEL Plc, SPECTRUM NET and NEXCOM), there was no real provision of services to end users in 2006 using the unbundled access to the subscriber's line.

3.3. Providing opportunity to the alternative operators for access to the BTC network for provision of broadband services (specific access - bitstream).

4. Electronic document and electronic signature

No new applications were submitted to CRC for registration of Certification Service Providers (CSP). The registered up to now electronic signature providers carried out their activity and the electronic signature market was vivified which led to a lower price for this service.

There were regular meetings held during the year of the Consultative council on the electronic signature problems, where the most important issues were discussed regarding electronic documents and electronic signature in the light of the existing legislation and the execution of the e-government strategy.

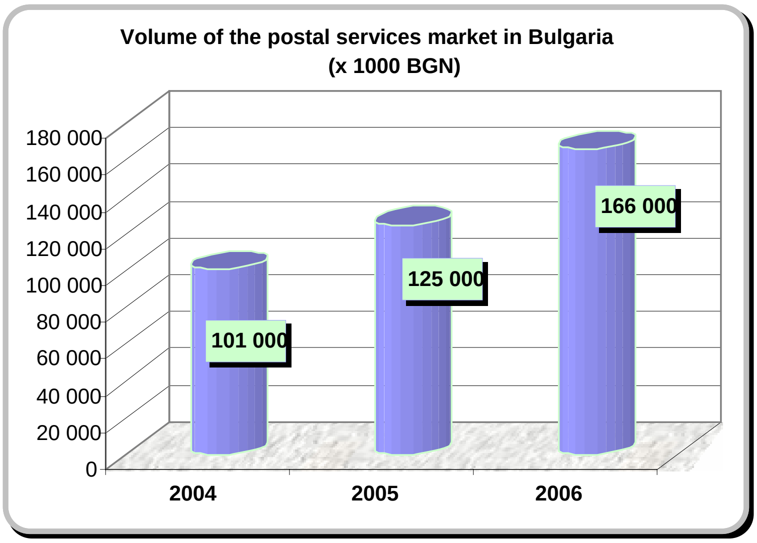
VII. POSTAL SERVICES REGULATION

In connection with the joining of Bulgaria to the European Union amendments of the PSA have been adopted in the beginning of 2006. This amendment of the PSA gave rise to the emergence of rival operators for carrying out of the universal postal service (UPS). A comprehensive media coverage was devoted to the granting of an individual license to the first private post „Tip Top Courier" Plc, followed by „Econt Express" Ltd., which has also been granted a license for the whole of the universal postal service. An individual license is also issued for part of the UPS – postal money orders. Seven operators for carrying out of non-universal postal services have been registered as well.

In 2006 the postal market in Bulgaria is estimated at nearly 166 millions BGN, which are formed by the traffic of approximately 161 millions of postal items.

Towards the end of the period 45 out of the total of 56 registered operators have actually provided non-universal postal services, four are the licensed operators for provision of part of the universal postal service - „postal money orders", one of them still not having started its activity and only the principal postal operator has been providing all services from the scope of the UPS.

The volume of the internal postal market is calculated as an expert's estimate on the basis of the data provided by 92% of the active licensed and registered postal operators towards 31.12.2006.



Source: Data submitted to CRC ***Fig. 7***

Compared to 2005 the provision of postal services during 2006 has increased with 33%.

Over the last three years a trend is observed for stable growth of the internal postal market. In order to streamline the work and to provide clear rules CRC adopted Procedure for the terms and conditions for approval of the general conditions of the contracts with the users of postal services and elaborated the following pieces of secondary legislation:

- A system for the formation of postal codes of universal service providers;
- Ordinance for the general rules for mutual access to the networks of the postal operators providing UPS or part of it;
- Procedure for the terms and conditions for approval of the systems for cost allocation according to the type of services, presented by the operators providing UPS or part of it;
- General rules for the delivery conditions of postal items, postal parcels and payment of the postal money orders.

During 2006 CRC has participated again in the CERP plenary meetings. A presentation has been held by CRC during the 34^{th} CERP plenary entitled „Hybrid post – practice and problems", posing some problems the Bulgarian regulator is facing and a short study of the European regulatory practices has been presented.

In the end of 2005 and the beginning of 2006, the European Commission has conducted a public consultation for the state and development of the postal services in connection with the new community policy in the postal sector and Bulgaria has been invited to take part in it. CRC has organized the participation in the consultation of the Bulgarian consumers of postal services – natural persons and corporate clients, consumer associations, as well as operators of postal services, which had for the first time the opportunity to express their opinion along with the citizens of united Europe.

VIII. COMMUNICATIONS CONTROL

Main priority was the reinforcement of the control activity as a regulatory mechanism for non-discrimination of the operators and for strict observance of the requirements for quality and safety of the provided services. In order to achieve these high goals special attention was devoted to the execution of the supervisory functions of the Commission for compliance with the requirements of the Telecommunications Act (TA), the Postal Services Act (PSA) and the Law on Electronic Document and Electronic Signature (LEDES). These functions are carried out by the units in the capital and by the five regional offices in the cities of Plovdiv, Burgas, Varna, Veliko Tarnovo and Vraca.

The communications control activity is performed in the following directions:

- Monitoring and control of the RFS for civil purposes
- Communications inspection
- Logistics of the control activity

1. Monitoring and control of the radio frequency spectrum for civil purposes

The control of the RFS for civil purposes in 2006 was aimed at ensuring non-discrimination of the legal users of RFS and guaranteeing specified quality of the telecommunications services provided to the end users through execution of the following more important activities:

- Control for the observance of the **rules for use of the radio frequencies and the radio frequency bands** for civil purposes; implementation of the policy for management of the radio frequency spectrum and the clauses of the individual licenses;

- Monitoring for evaluation of the actual **occupancy of radio frequency spectrum** and estimation of the available capacity for assigning new frequencies;
- Monitoring and measurements for evaluation of **trans-border interference** in the radio frequency ranges for terrestrial broadcasting of radio and television signals;
- Assessment of the **electromagnetic compatibility** of the broadcasting transmitting stations in the band 87.5–108.0 MHz with the radio navigation and communication equipment of the aeronautical services;
- Control of the **radio transmitting equipment** in order to inspect the observance of certain technical and operational characteristics of the transmitted signals;
- Control measurements of the coverage and the quality of the services provided by the public telecommunications **mobile cellular networks under the GSM standard**;
- Inspections for **compliance** of the constructed transmitting stations for broadcasting of radio and television signals **with the approved technical projects.**

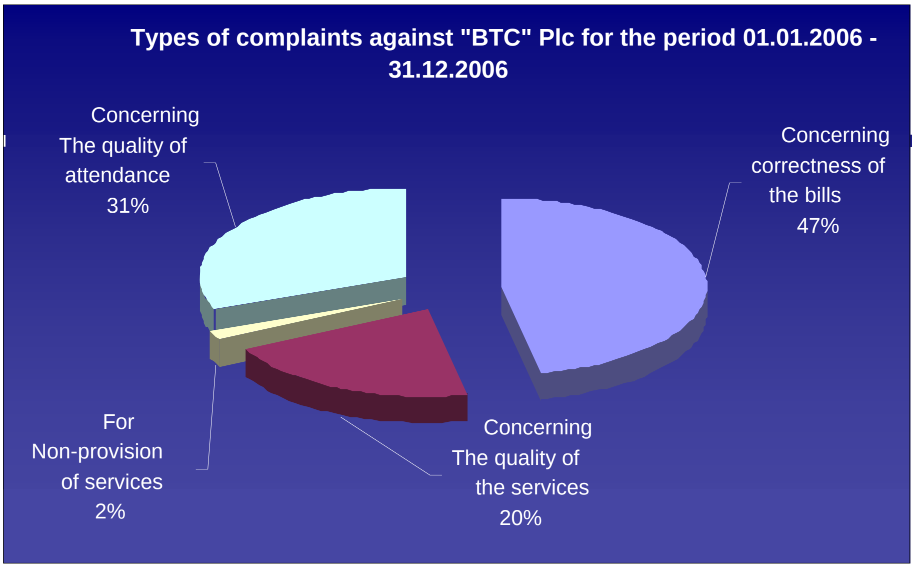
2. **Inspection activity**

In connection with the functions of the Commission related to the control over the provision of telecommunications according to stipulations of the TA, the control over the supply of postal services according to the provisions of the PSA as well as the control over the compliance with the requirements of LEDES the following variety of activities was executed in 2006:

- The telecommunications **networks for terrestrial broadcasting** are brought into compliance with the provisions of the law.
- 88 inspections of the telecommunications **networks for terrestrial television broadcasting** have been performed**.**
- A total of 297 inspections of public **cable telecommunications networks** for distribution of radio and television signals and provision of telecommunications services through them have been conducted during the year, which have been closed with drawing up of 53 statements for administrative violation.
- 468 inspections have been conducted for fulfillment of the terms of the individual licenses for construction, maintenance and use of **private mobile networks -** PMR. 21 statements of violation of the TA have been drawn up for established violations.
- 15 inspections have been carried out of operators performing telecommunications through **networks of the fixed satellite service**.
- 117 inspections of public telecommunications **data transfer networks without use of scarce resource** have been realized.
- 36 inspections have been performed of telecommunications networks in the **fixed service of the type "point-to-point".**
- 6 inspections have been performed of operators providing **access to voice telephony service through public pay-phones**. During 16 inspections of

public **networks of the mobile service - RLAN** have been drawn up 10 statements for violation of the TA.

- The inspectors of the Commission have performed 52 inspections for the observance of the license terms by the operators of **fixed voice telephony service**. At the moment of the inspections 50% of the licensed alternative operators have not started their telecommunications activity yet.
- 64 complaints against BTC have been received in the Commission for the period from 01.01.2006 to 31.12.2006 concerning the provision of UTS. In comparison with the last four years we have a greater number of complaints against the dominant operator on the fixed voice service market although 84% of the complaints for the present period are groundless.

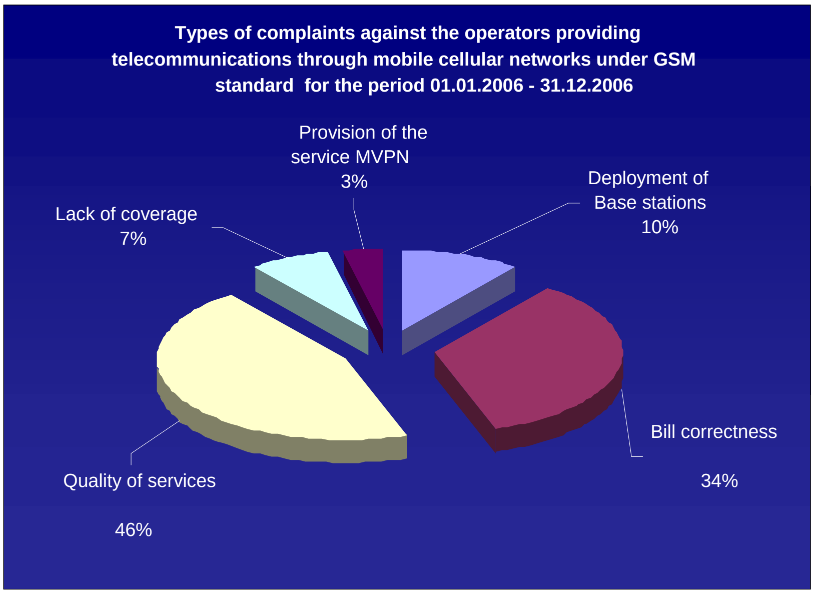


Source: *CRC data* **Fig. 8**

A series of requests has been addressed to CRC by telecommunications operators with the plea to impose on BTC Plc the envisaged by the law obligations for shared use of ducts from the duct network of the former state monopolist. These requests are concerning 104 cable routes. The Commission has given mandatory instructions to BTC to provide 20 cable routes for shared use.

- Three operators provide telecommunications on the territory of our country through public **mobile cellular networks under the GSM standard** – „MOBILTEL" Plc, „COSMO BULGARIA MOBILE" Plc and „BTC MOBILE" Ltd as well as one under the **NMT standard** – "RADIO TELECOMMUNICATION COMPANY" Ltd. A total of 29 complaints have been received through the year in the Communications Regulation Commission against these operators. There has been no complaint received in 2006 against „RADIO TELECOMMUNICATION COMPANY" Ltd.

The biggest percentage of the submitted complaints is about the correctness of the bills followed on the second place by the quality of services and least are the complaints concerning the coverage of the networks. The reasons for these complaints are different such as for example restriction of the outgoing calls of subscribers with prepaid services cards, delay of connecting to the network, not received monthly invoices etc.



Source: *CRC data* **Fig. 9**

- In connection with submitted signals and complaints for the provision of **universal postal service** by the principal postal operator "BULGARIAN POSTS" Plc 13 inspections have been conducted. An inspection is also executed of „FACTOR I.N." Plc, the second licensed operator for provision of part of the universal postal service.
- 33 statement records have been drawn up during 28 inspections concerning compliance with PSA of operators, **registered for provision of non-universal postal services**. 3 SEAV have been drawn up for violations of the PSA.
- In compliance with the approved timetable for executing inspections of the certification services providers (CSP), registered according to the **Law on Electronic Document and Electronic Signature** (LEDES) and in compliance with the approved by CRC Methodology for control of CSP inspections have been conducted during 2006 of the work of „BANKSERVICE" Plc and „INFORMATION SERVICES" Plc.

3. **Logistics of the control activity**.

The logistics of the control activity developed in the following main aspects:

- Construction in stages of the National monitoring system;
- Analysis of the available and necessary hardware and software equipping in order to perform the control activities;
- Technical support for the specialized technological equipment: configuring, adjustments, administration.

Towards the end of 2006 CRC utilizes in executing its control functions the following operational technological measurement systems:

- 7 Fixed Stations (4 attended and 3 unattended), connected to the network of the National Monitoring System;
- 9 Mobile Stations (8 for monitoring up to 3 GHz and 1 for measurements of GSM networks/digital television DVB-T);
- 2 Portable Stations for the frequency range from 1 to 26.5 GHz;
- 19 portable measurement devices for RFS monitoring.