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VoIP in South and Eastern Europe:

Strategy and Policy Considerations

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The views expressed in this presentation are those of the author and do not necessarily reflect the opinions of the ITU. Anna Riedel can be contacted at Anna.Riedel@itu.int or annariedel@hotmail.com.

Market Overview SEE

- Between 2003-2005 telco markets grew by ~ 11% (EU 15 3.4%)
- Strongest growth seen in Bulgaria (16.4% p.a.) and Romania (15.9% p.a.)
- Nevertheless total market value remains behind that in Western Europe

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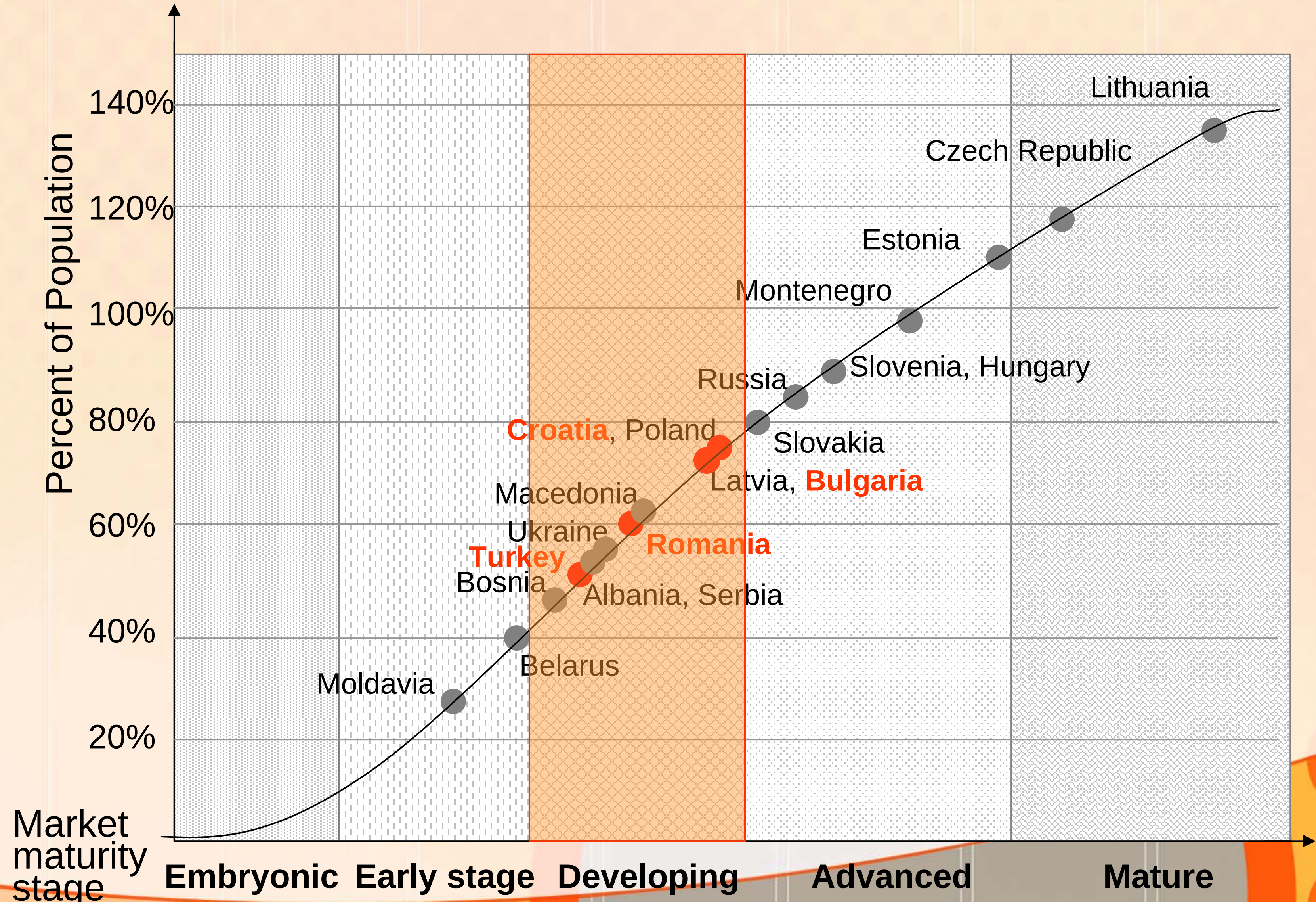
Mobile Markets in Eastern Europe



Source: A. D. Little

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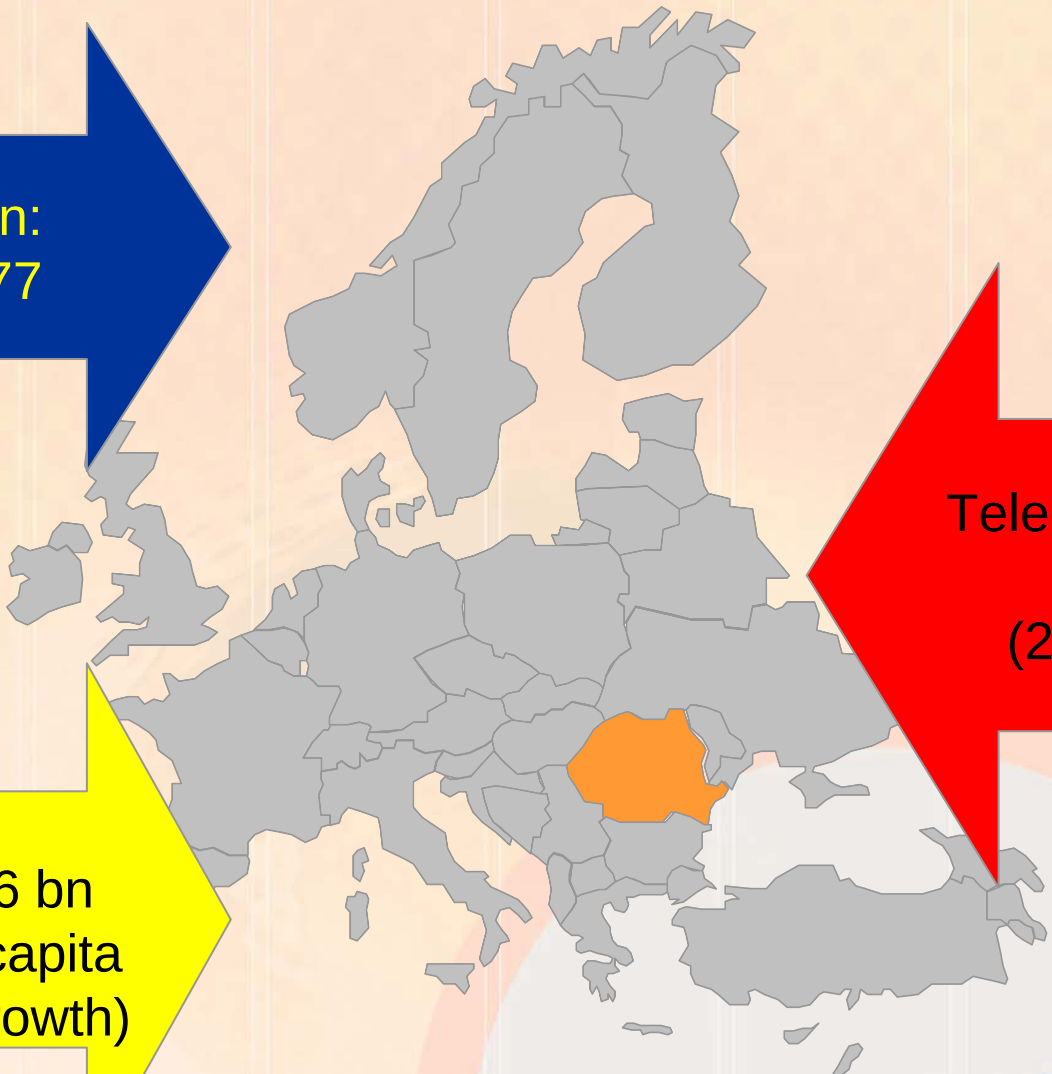
Romania in 2005



Population:
22,329,977

Telecom service market:
€ 2.71 bn
(23.3% yoy growth)

GDP:
Total: € 77.6 bn
€ 3,589 per capita
(4.1 % yoy growth)

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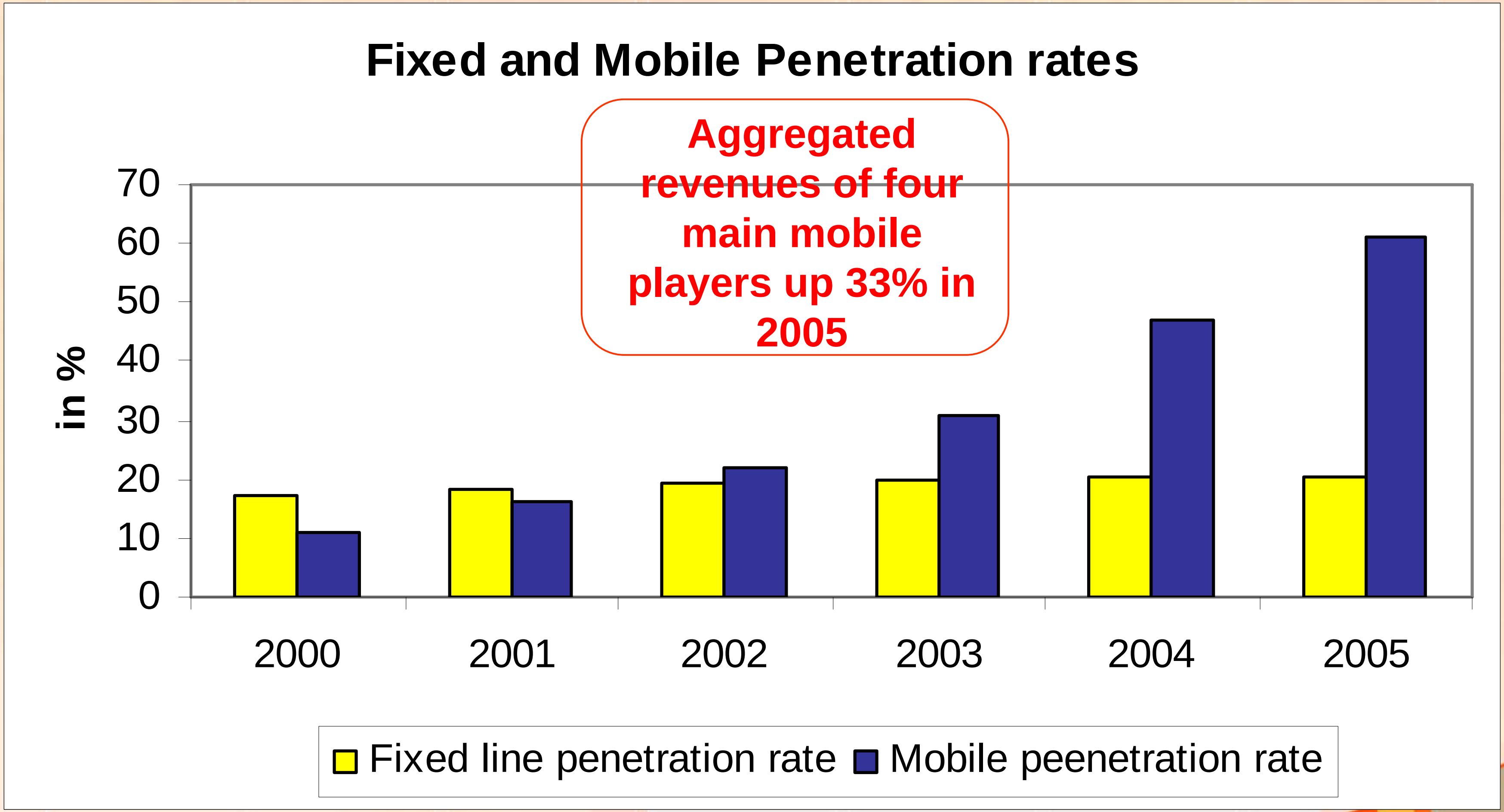
Market data (mobile & fixed)



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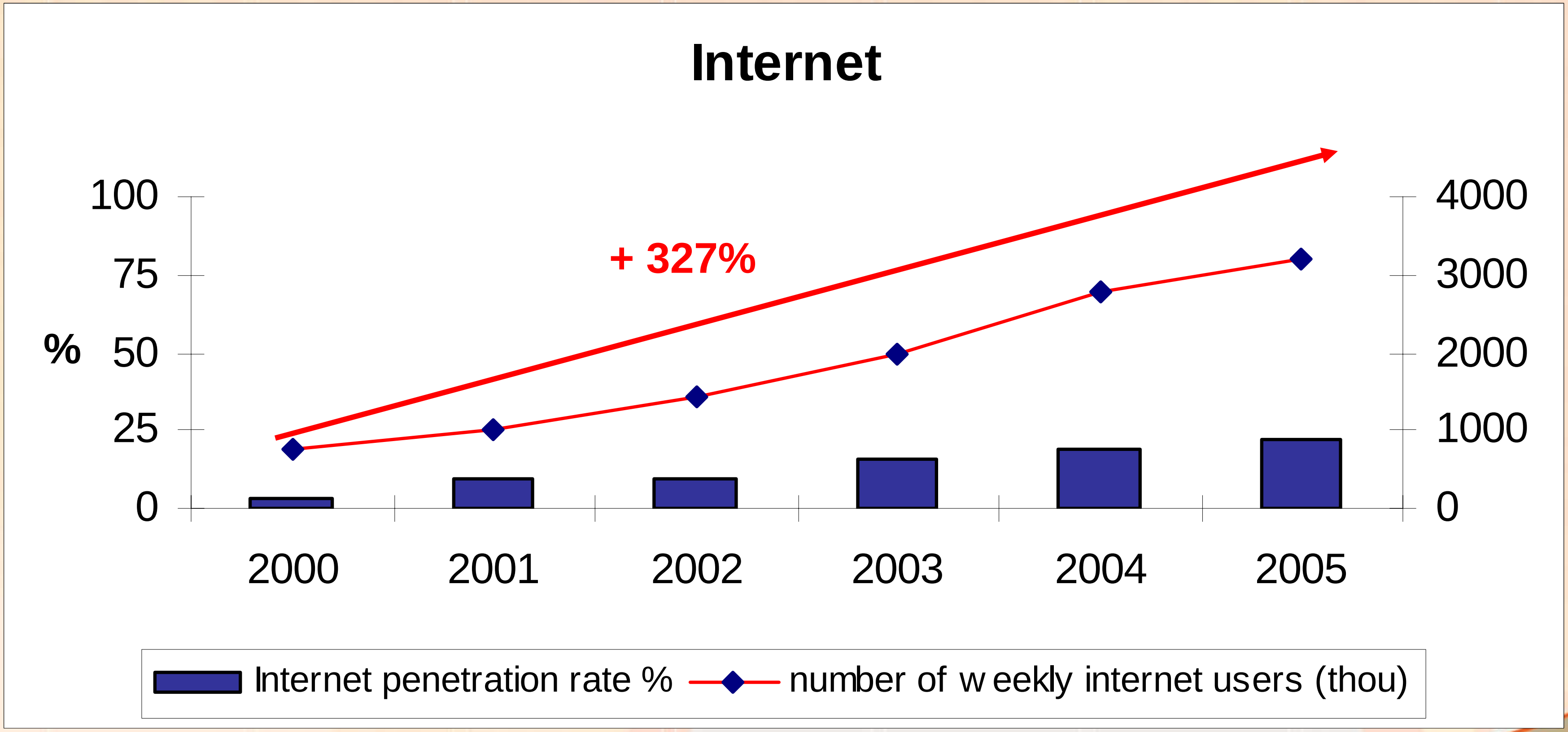
Market data II (Internet)



Source: http://rbd.doingbusiness.ro/

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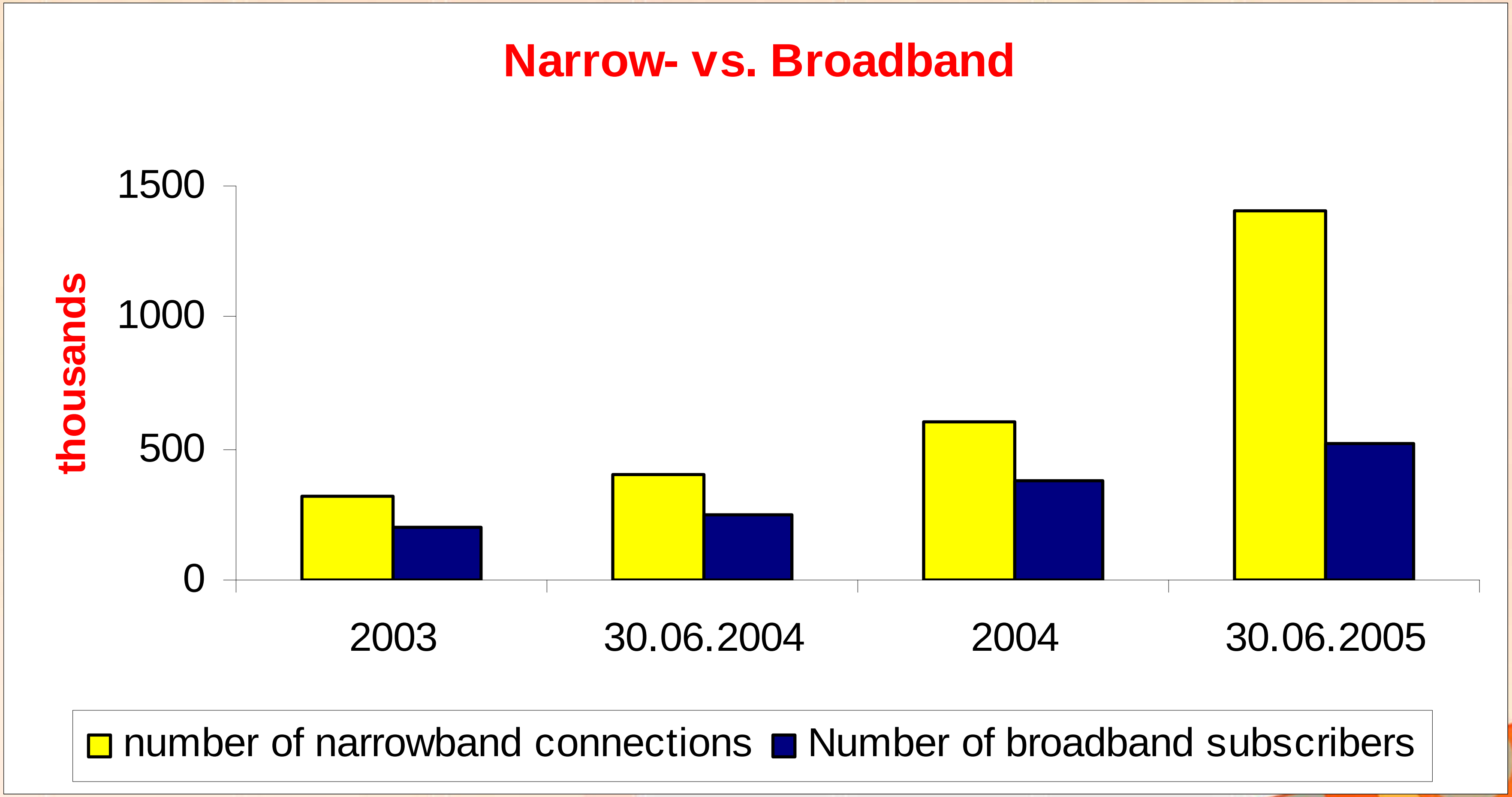
Market data III (Internet)



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Regulatory Overview

- 1st of January 2003 fixed-line telephony market was liberalized and opened to private competition (all platforms)
- Has implemented the authorization directive given by the EU 2003 package
- no legal entry barriers (no charge for entry license, numbering, etc.)
- 3 GSM providers and one CDMA 2000 operator (450 MHz); two 3G licenses and two more to come
- National Regulatory Authority for Communications (ANRC) has authorized more than 2,600 companies to offer electronic communications services in 2005

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VoIP regulation

Official position on VoIP	*Date of liberalization*	*Licensing requirements*
• the principle of technological neutrality • considered telephony services if they fall within the scope of the definition of the publicly available telephony services • ANRC is currently reviewing its position on other types of VoIP services	• Jan. 1, 2003 • Article 2, par (1) (c) of Law No. 304/2003 on the universal service and users' rights relating to electronic communications networks and services	• General authorization with notification • Max. 0.5% of annual revenue

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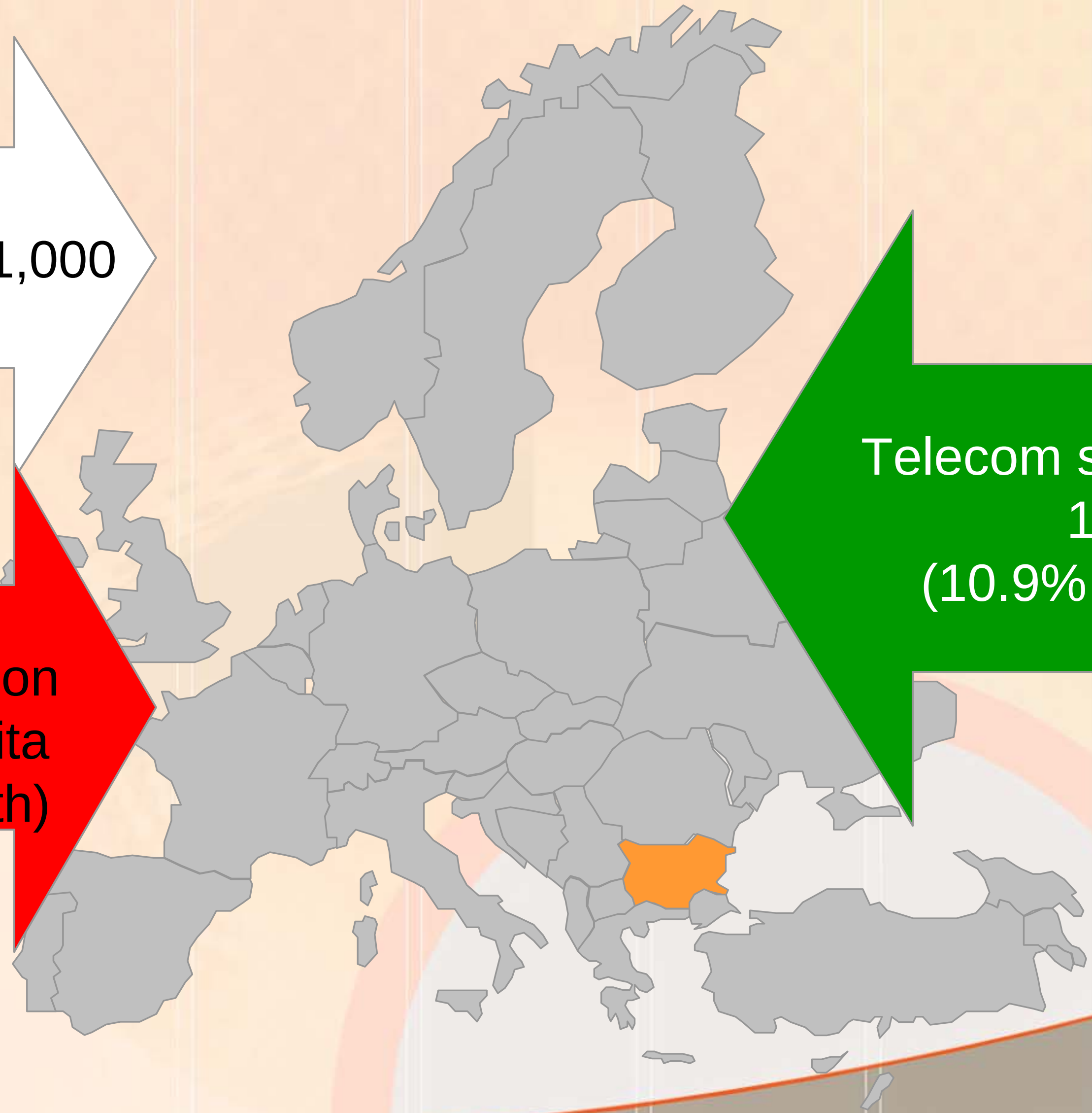
Bulgaria in 2005

Population: 7,761,000



Telecom service market:
1.2 bn
(10.9% yoy growth)

GDP:
Total: € 21.4 billion
€ 2,779 per capita
(5.2% yoy growth)

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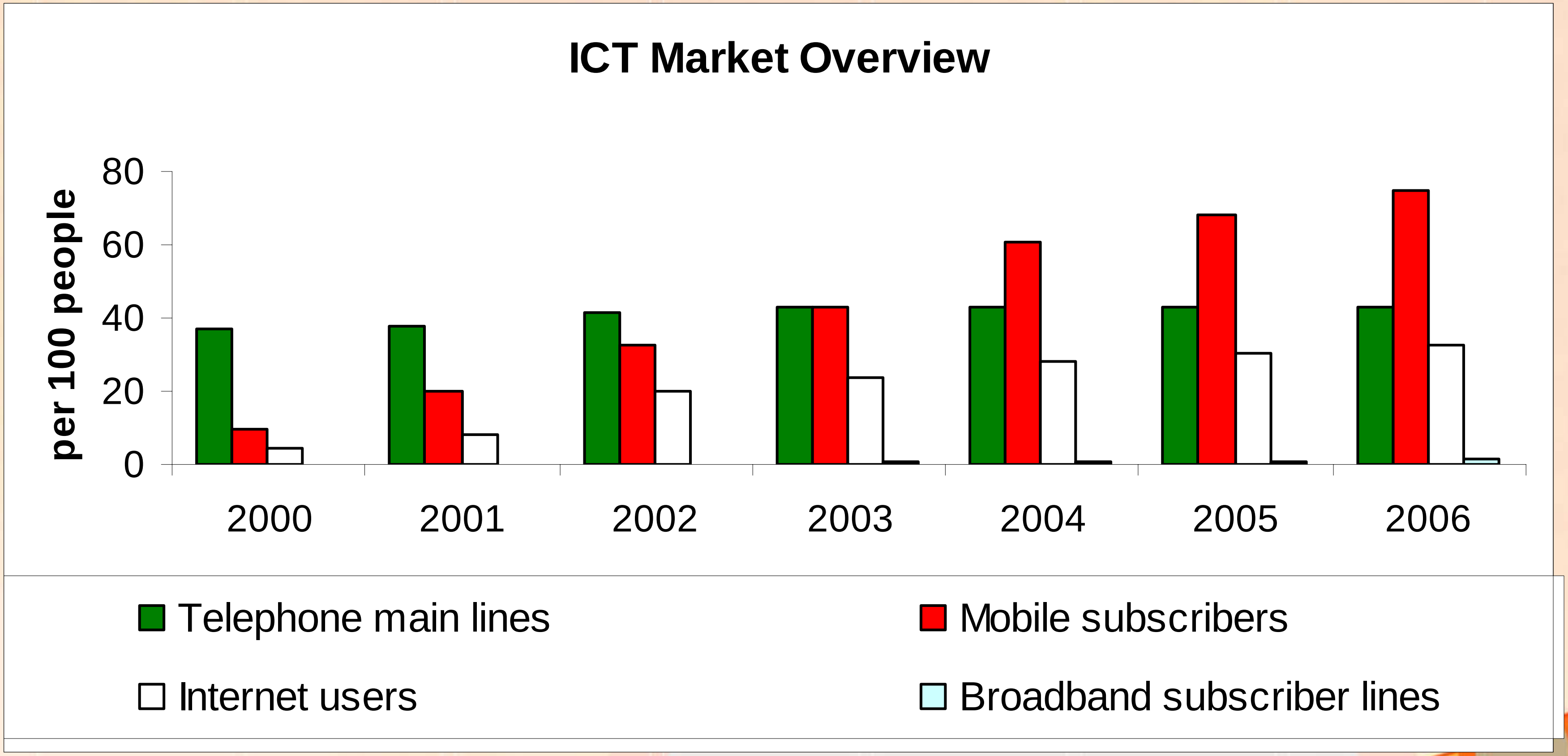
Market Data



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Regulatory Overview

- Has completely privatized the incumbent operator (except golden share) by June 2004
- BTC still holds 97% market share
- Individual licenses for fixed telephony needed (network or carrier)
- Communications Regulations Commission (CRC) has licensed 3 2G and one analogue (RTC) and 658 local cable operator

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VoIP regulation

Official position on VoIP	*Date of liberalization*	*Licensing requirements*
•No official position, if VoIP services do not meet the QoS parameters for fixed voice telephony service •they are not allowed to apply for a voice license with rights to interconnect under reference connection offer (RIO)	• not regulated • (Art. 3, all. 2 of Regulation No. 12 of May 5, 2004 for fixed voice telephony)	•No licensing/ authorization regime for VoIP as long as minimum QoS requirements for voice telephony are not met •otherwise a fixed voice telephony license is required

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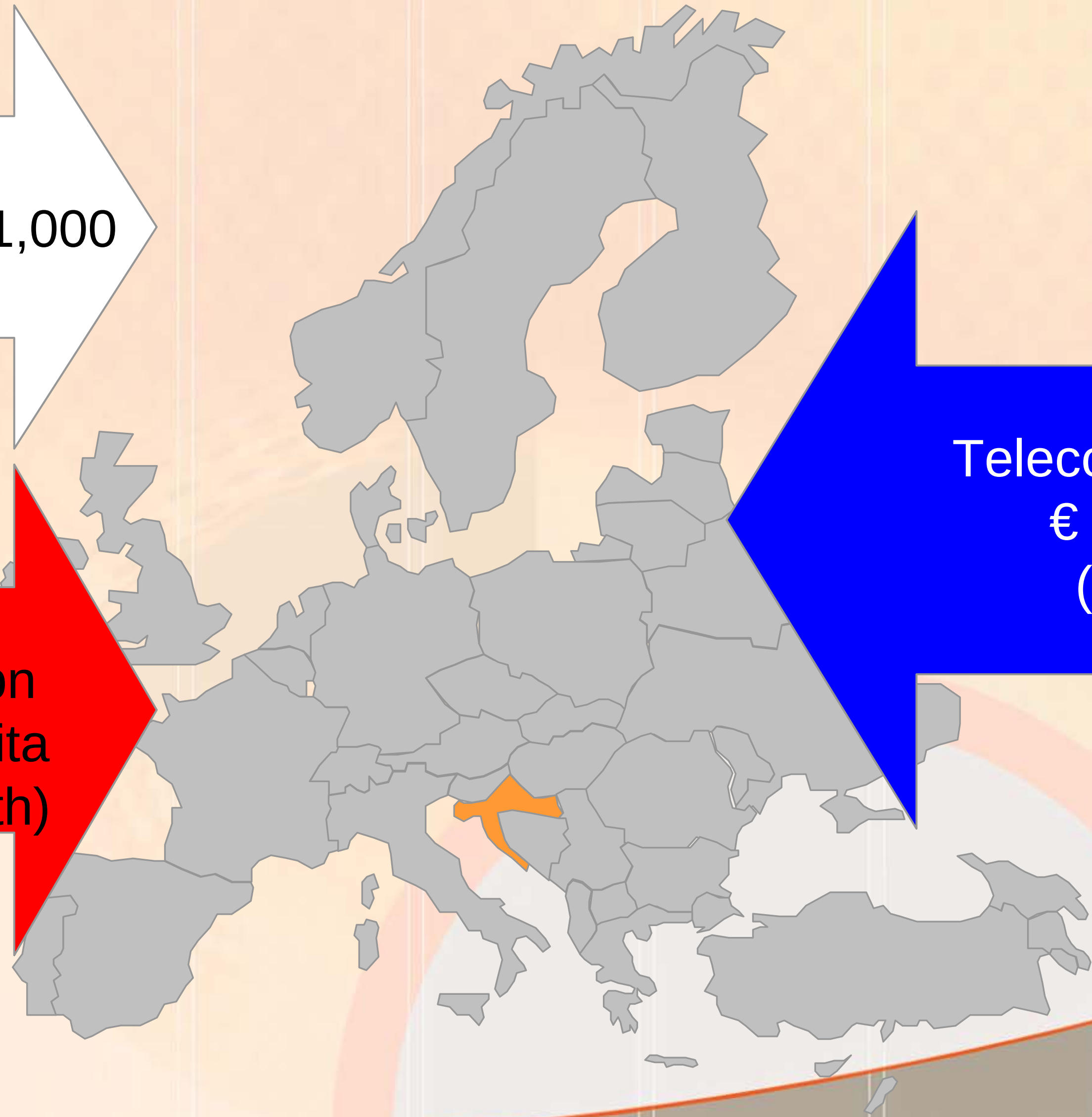
Croatia in 2005

Population: 4,551,000



Telecom service
€ 1.5 bn
(2004)

GDP:
Total: € 28.07 bn
€ 6,079 per capita
(4.3% yoy growth)

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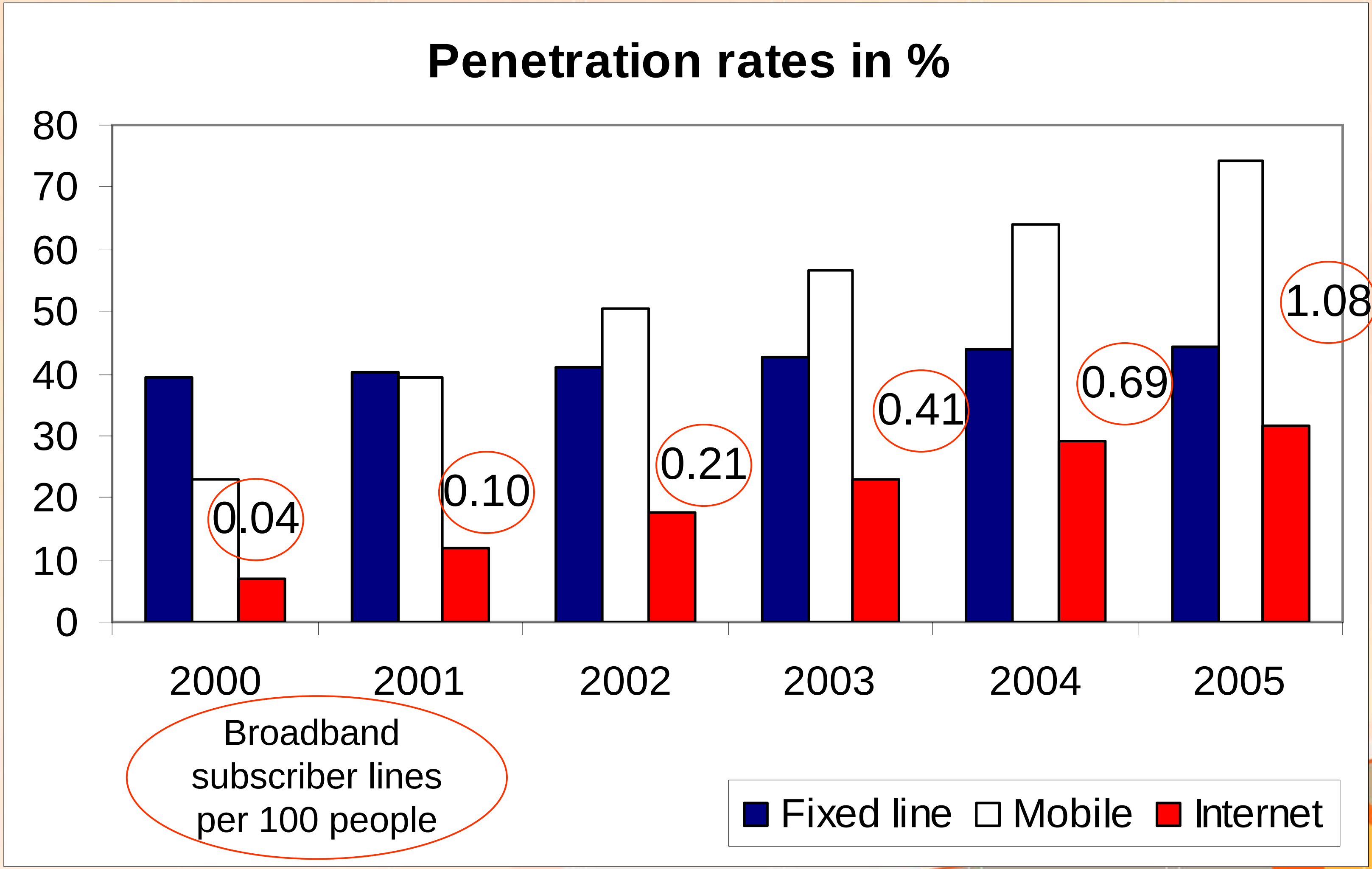
Market Data



Source 2005: GI

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Regulatory Overview

- Liberalized from Jan 2003
- Incumbent is held by Deutsche Telekom (51%)
- Various cable operators licensed and 3 2G operators (active)

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VoIP regulation

Official position on VoIP	*Date of liberalization*	*Licensing requirements*
• The right to provide VoIP telecommunications services is acquired by a legal or natural person by submitting a written notification to the Agency	• June 30, 1999	• General authorization with notification • € 670 one-off fee plus 0.1% of annual revenue

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Turkey

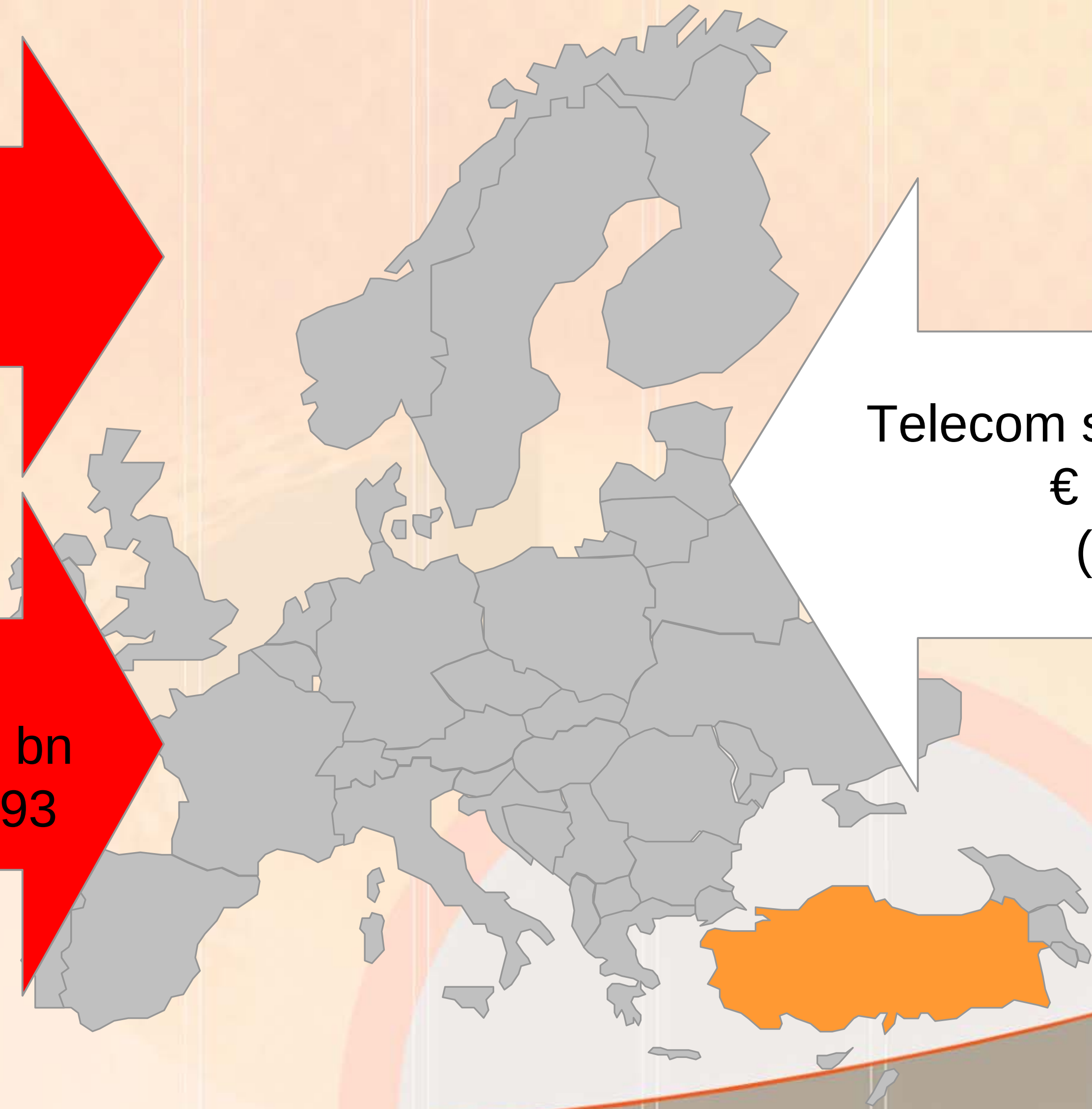
Population:

70,413,958

GDP (2004):

Total: € 242.598 bn

per capita € 3,393



Telecom service market:

€ 8.4 bn

(2004)

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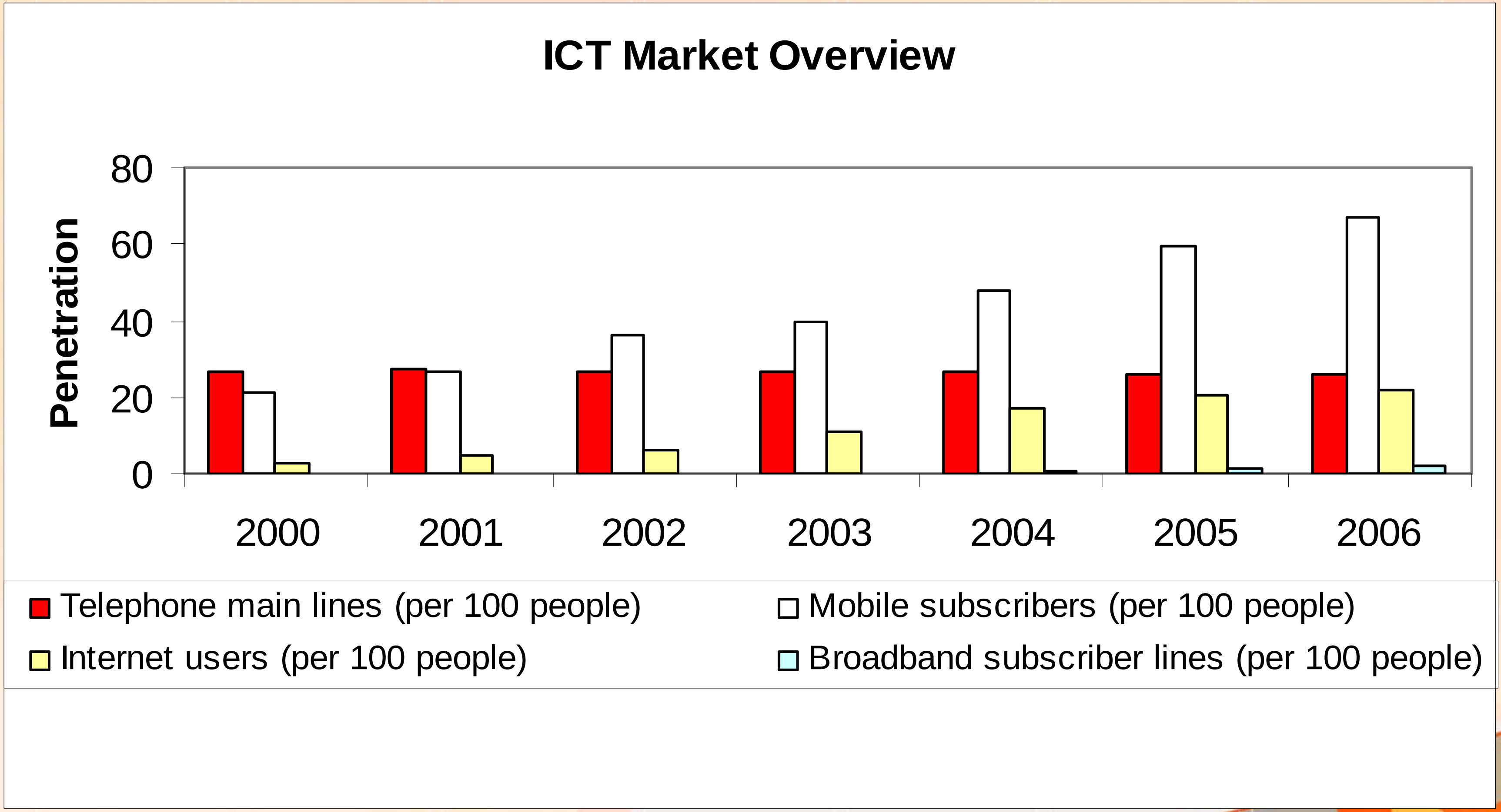
Market Data



Source: ITU/ 2005 EIU est./ 2006 forecast

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Regulatory Overview

- the Ministry of Transportation is responsible for operational activities of Turk Telekom (45% state owned)
- Independent NRA: Telecommunications Authority
- Fixed wholly liberalized in July 2005
- Neither call termination nor call origination model is used for interconnection agreem. between ISP and incumbent

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VoIP regulation

Official position on VoIP	*Date of liberalization*	*Licensing requirements*
• No specific position on VoIP • VoIP requires a long distance telephony service license	• Jan. 1, 2004	• Individual license •fee: same as long distance tel. plus 0.5% of net annual sales

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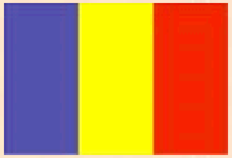
Obligations

	Univ. Services	USO cost compens.	USO elig. for mob. operators	QoS measure
	Yes	Yes	Yes	Yes**
	Yes	Yes	No	Yes
	Yes	Yes*	Yes	Yes**
	Yes (No: NA, DIS)	Yes*	No	Yes**

NA: Network Access DIS: Directory Inquiry Service

* Not in practice ** not yet published

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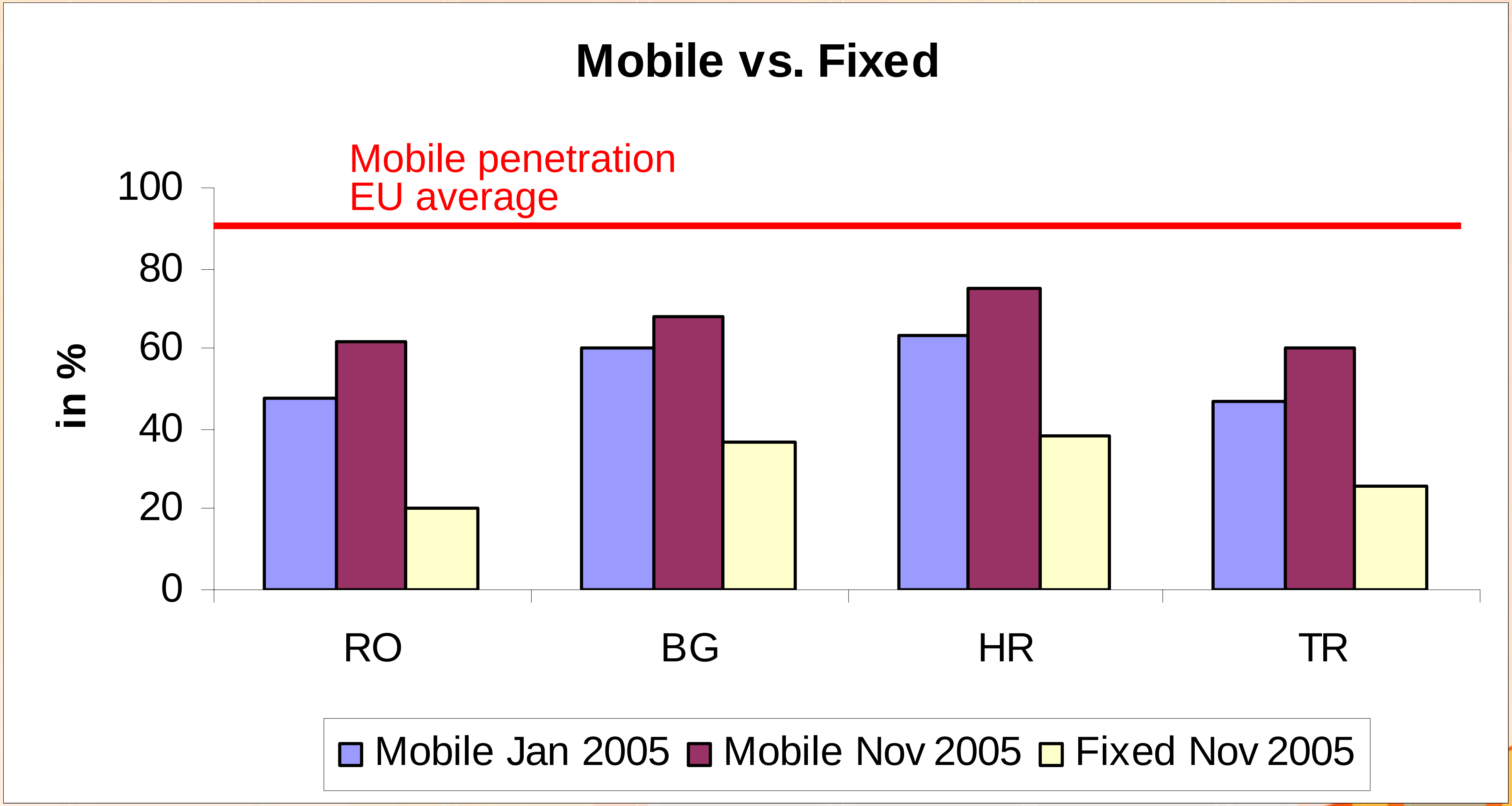
Considerations



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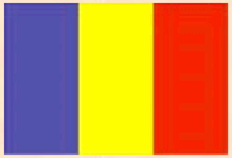
Considerations

What is the future of voice in SEE?



- Difficult to foresee
- Depends also on EU accessions
- Very tight regulation with VoIP seen as substitution for fixed => many obligations, higher market barriers to entry, less competition
- Or: laisser-faire => QoS, interconnection, USOs, numbering?
- Esp. in SEE: low broadband penetration => mobile VoIP (3G or WiMAX)
- NRAs have to focus on universal access

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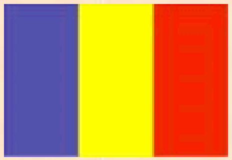
Considerations



1. Universal access approach
2. Regulatory holidays in order to give incumbent the chance to deploy the infrastructure, therefore broadband and possibility for VoIP

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Thank you very much for your attention.

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This presentation was held in the framework of the project “The Future of Voice”.

http://www.itu.int/osg/spu/ni/voice/meeting.phtml