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Electronic Communications Market Developments and Regulatory Challenges in Albania

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INFO FEST 2018
1-2 October 2018
Budva, Montenegro

Market Trends in Albania
Mobile network

1. Significant growth of mobile broadband: users and data usage
2. Significant changes on on-net/off-net calling patterns
3. Moderate growth or decline of mobile telephony/SMS
4. 1.01.2018: Market consolidation from 4 to 3 MNOs

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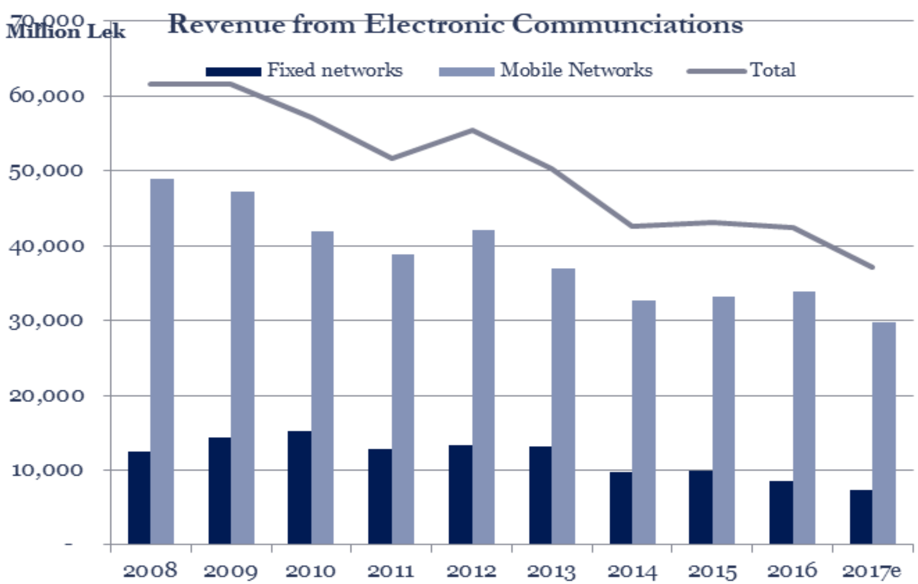
Market Trends in Albania
Fixed networks

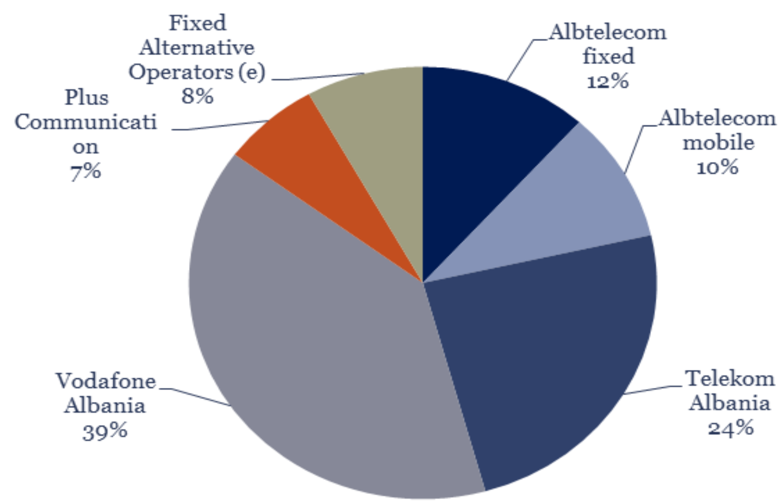
1	Fixed telephony in decline
2	But steady growth of fixed broadband
3	Fast growth of Triple Play (IPTV)
4	Significant decrease of revenues for fixed incumbent

Market TURNOVER

- Total market Turnover 2017: € 278 mil.
- 2014 - 2016 stable revenues, but 13% decline in 2017
- From 2008/9 to 2017: 40% decrease in revenues

- **Main Players:**
  - Vodafone Albania (mobile)
  - Telekom Albania (mobile)
  - Albtelecom (fixed and mobile)
- **Revenue from mobile v fixed networks: 80% v 20%**



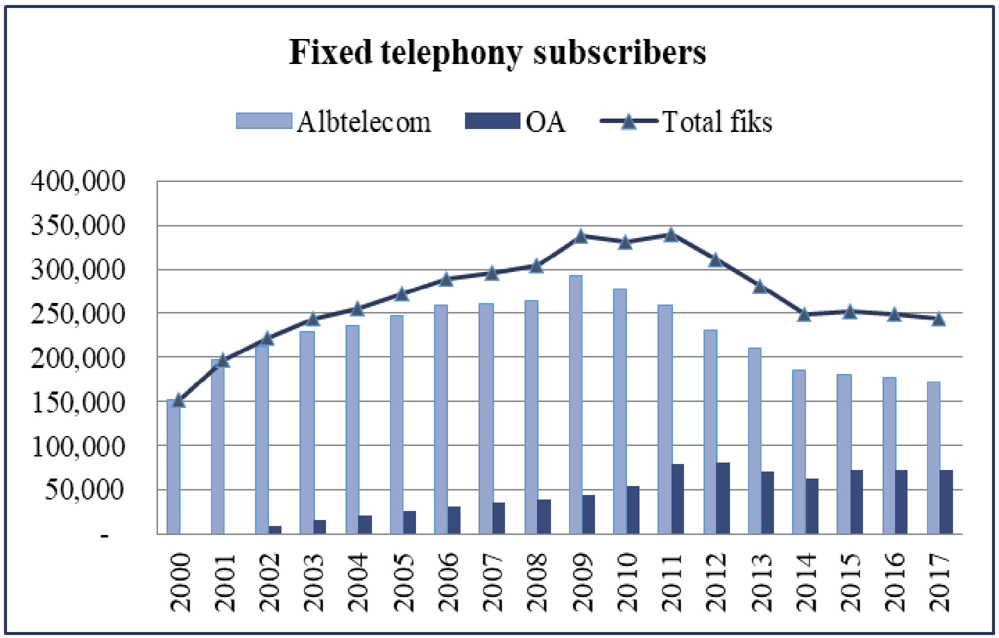


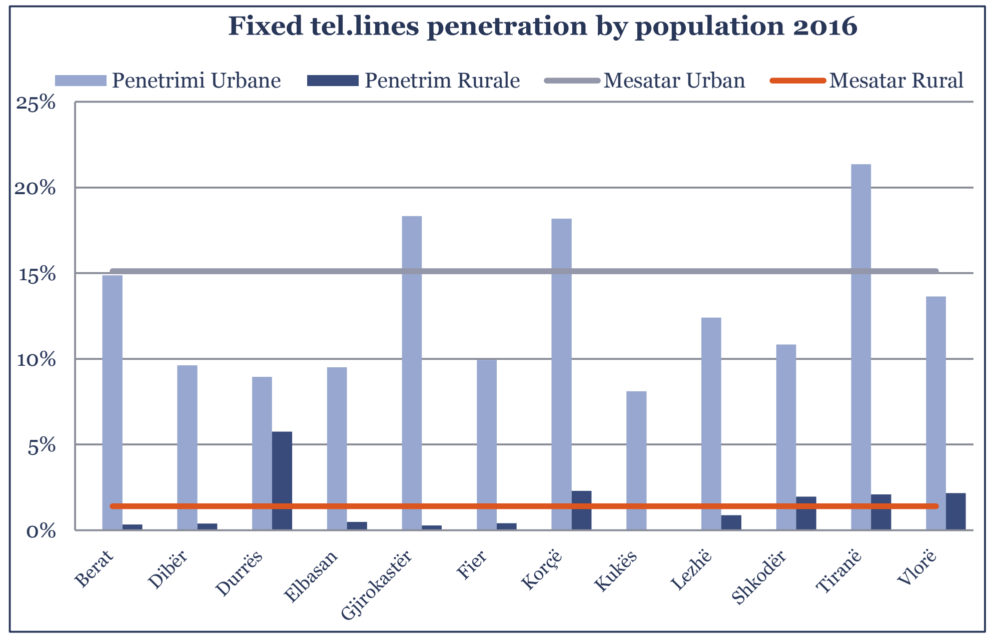
Revenues 2017

Fixed Telephony

- Approx. 80 Authorised fixed Network Operators
- Active: approx.40
- 2017: 244 thousands subscribers
- Albtelecom: 71% market share

- Historically, penetration of fixed telephony very low:
  - 8-10% nationally
  - Much lower in rural areas

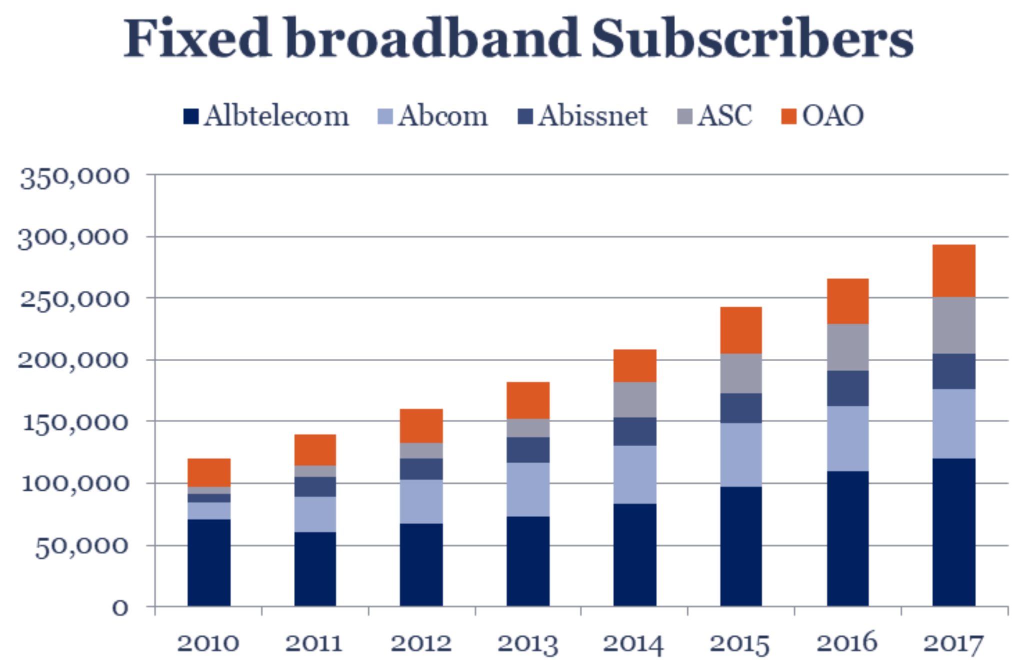


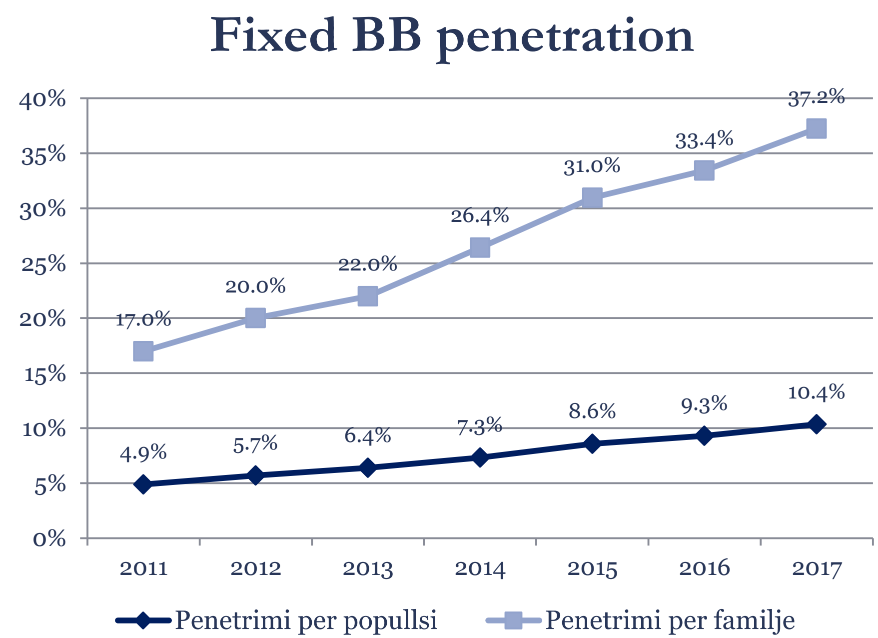


Fixed Broadband

- 2017: 294 thousands subscribers
  - **0.5% growth**
- 2010-2017: steady annual growth 10-15%.
- 10.4% population penetration
- 37% HH penetration

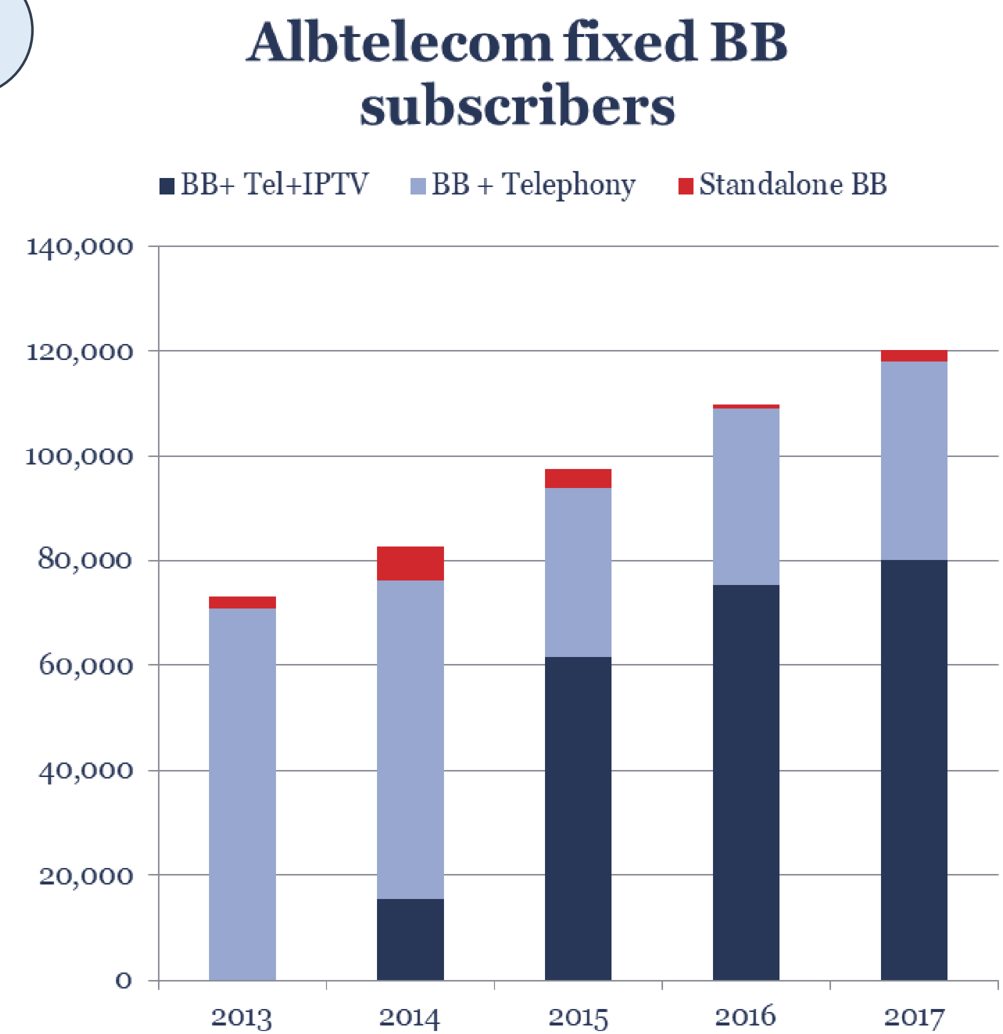
- Market shares:
  - Albtelecom 40%
  - Abcom 21%
- Four main operators:
  - 84% of the total market
  - Triple play offers (Internet, telephony, TV)





Broadband and IPTV

- Content (broadcasting/IPTV) a strong driver for fixed BB growth.
- Main alternative operators are cable operators or providing also IPTV.
- Approx 70% of fixed BB subscribres on bundles
- Triple Play (Internet, Tel, +TV (IP/CATV): 4 times higher than in 2014
- Albtelecom: increase more than 5 times of triple play subscribers (with IPTV) in 2014-2017



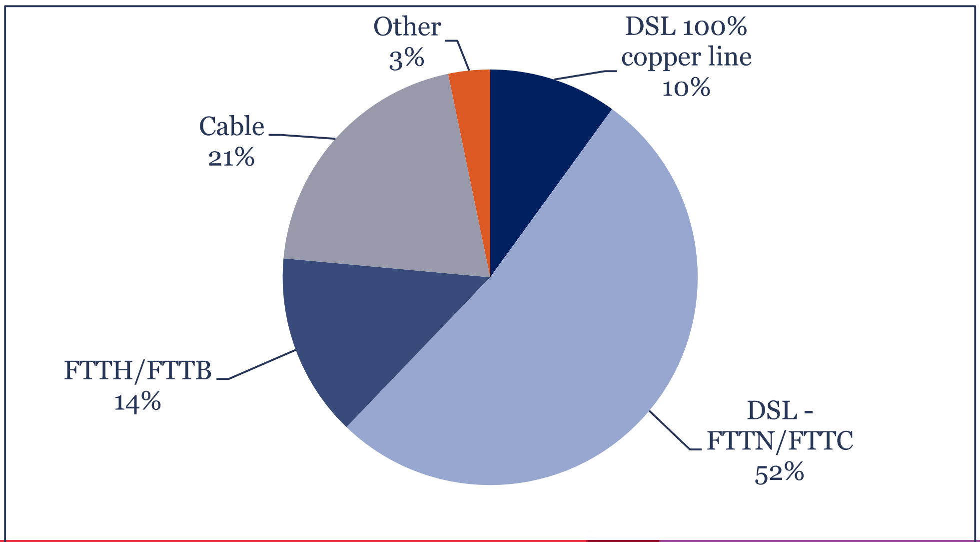
Fixed broadband by technology

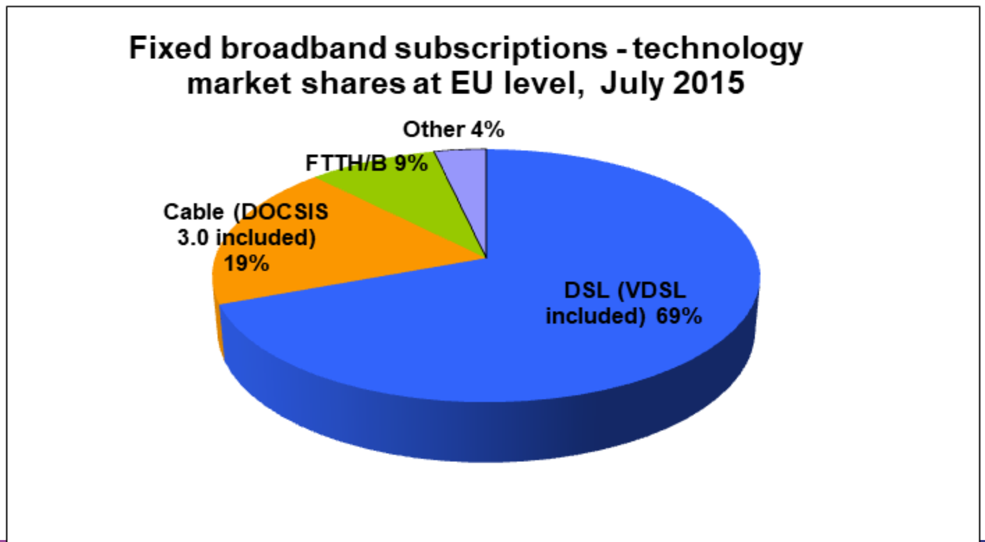
Albania 2017

- DSL: 62%
  - ➢ FTTN/C 52%
- FTTH/B: 14%
- Cable 21%
- Cable DOC SIS 3.0: 14% of total cable
- NGA Subscribers: 66% **mostly FTTN/C**

EU 2015

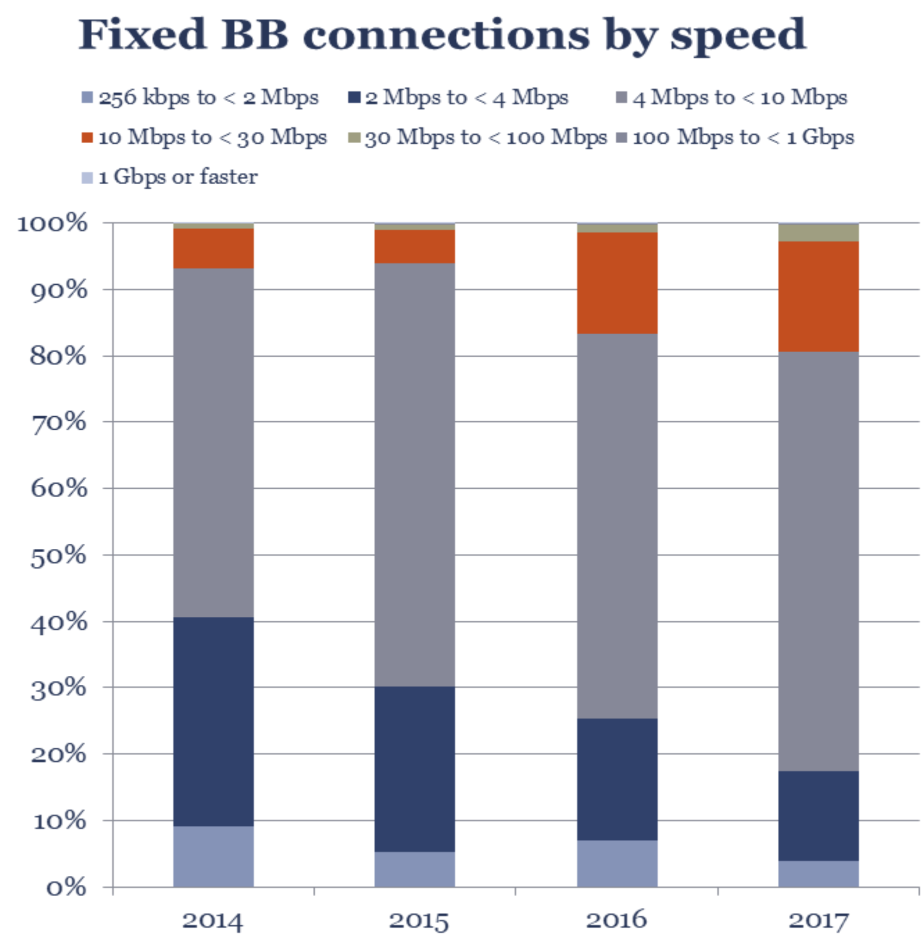
- DSL: 69% (VDSL included)
- Cable 19%
- Cable DOC SIS 3.0: 80% of total cable
- NGA: 35% mostly VDSL, FTTH/B and Cable DOC SIS 3.0





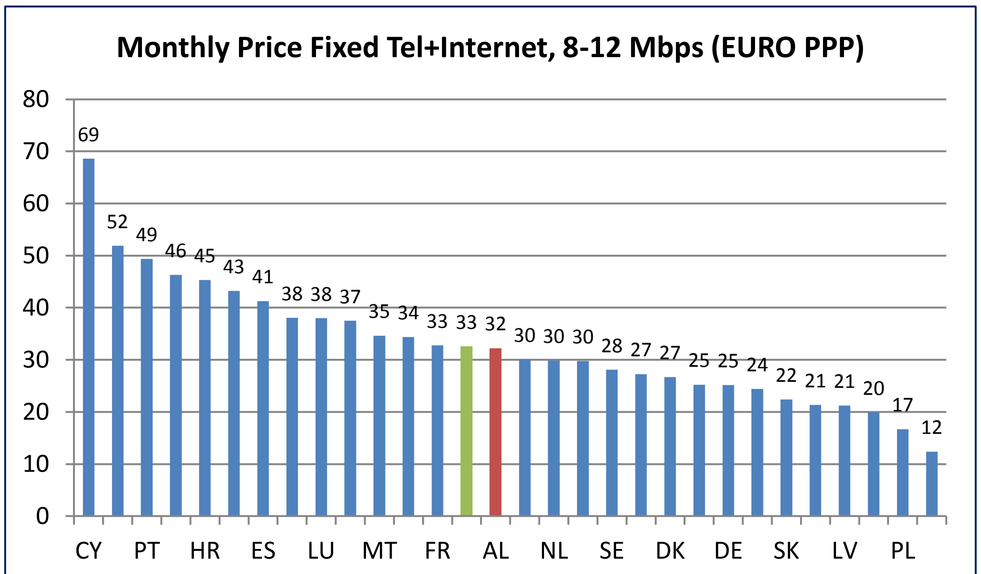
Fixed broadband by Download Speed

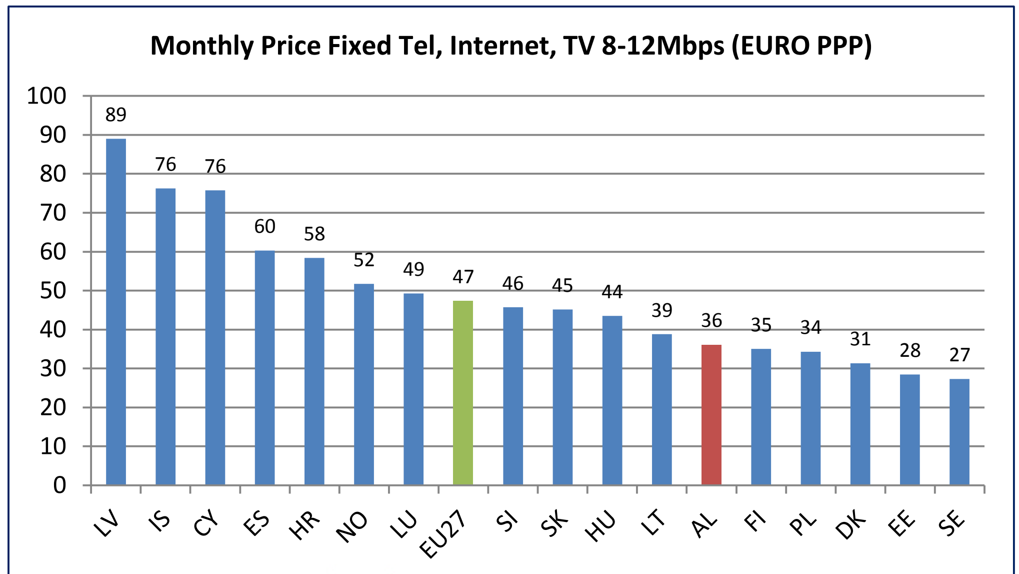
- Low speed (< 4Mbps) in decline: from 40% in 2014 to 18% in 2017
- 63% of subscribers on 4-10Mbps and 17% on 10-30 MBps
- Fast and ultra fast BB speed (>30 MBps) more than doubled in 2017, but still very low proportion (2% of total connections)



Broadband prices (PPP adjusted)

- Bundles of Telephony+Broadband access
  - comparable to EU average for 8-12Mbps
  - Affordable at 5Euro/Month for 1Mbps
- Pices for triple play comparable or lower than EU average





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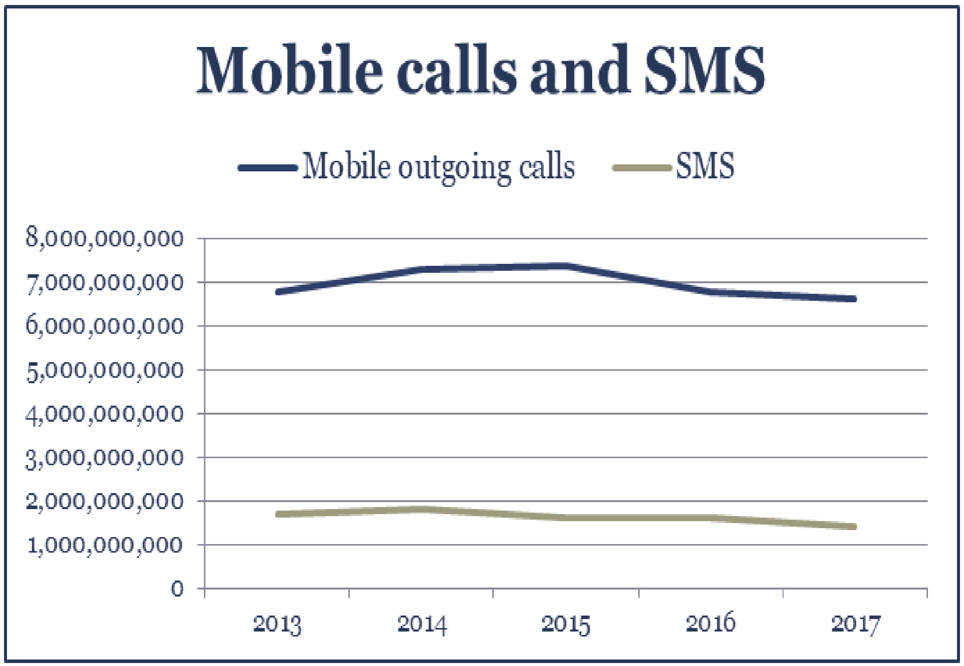
Mobile Services

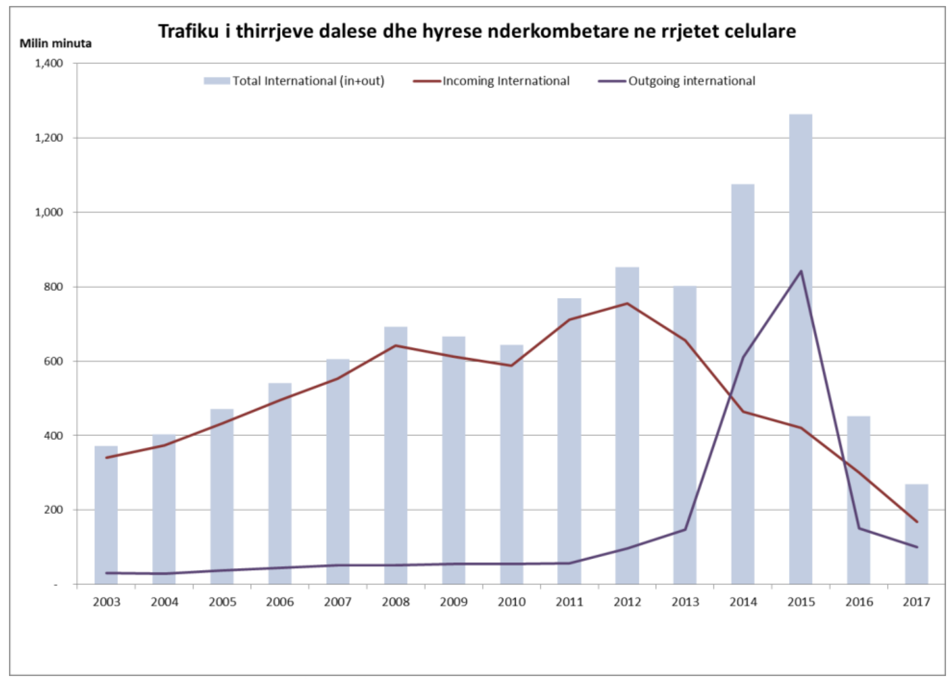
- Usage of traditional mobile services in decline
- Huge increase of number of mobile BB users and data usage
- As mobile BB gets faster, substitution mobile voice and SMS with data gets larger
- Biggest impact on voice for international calls: incoming and outgoing
- ARPU very low at approx. 4 euro/month (4 times lower than EU average)
- Revenues of MNOs in decline in 2017
- Net profits in decline and in 2017, for the first time since 2001, 2 biggest MNO have reported huge negative net profits.

Traditional Mobile Services

- Decline or moderate growth of mobile telephony and SMS
- Significant positive changes in on-net/off-net calls structure

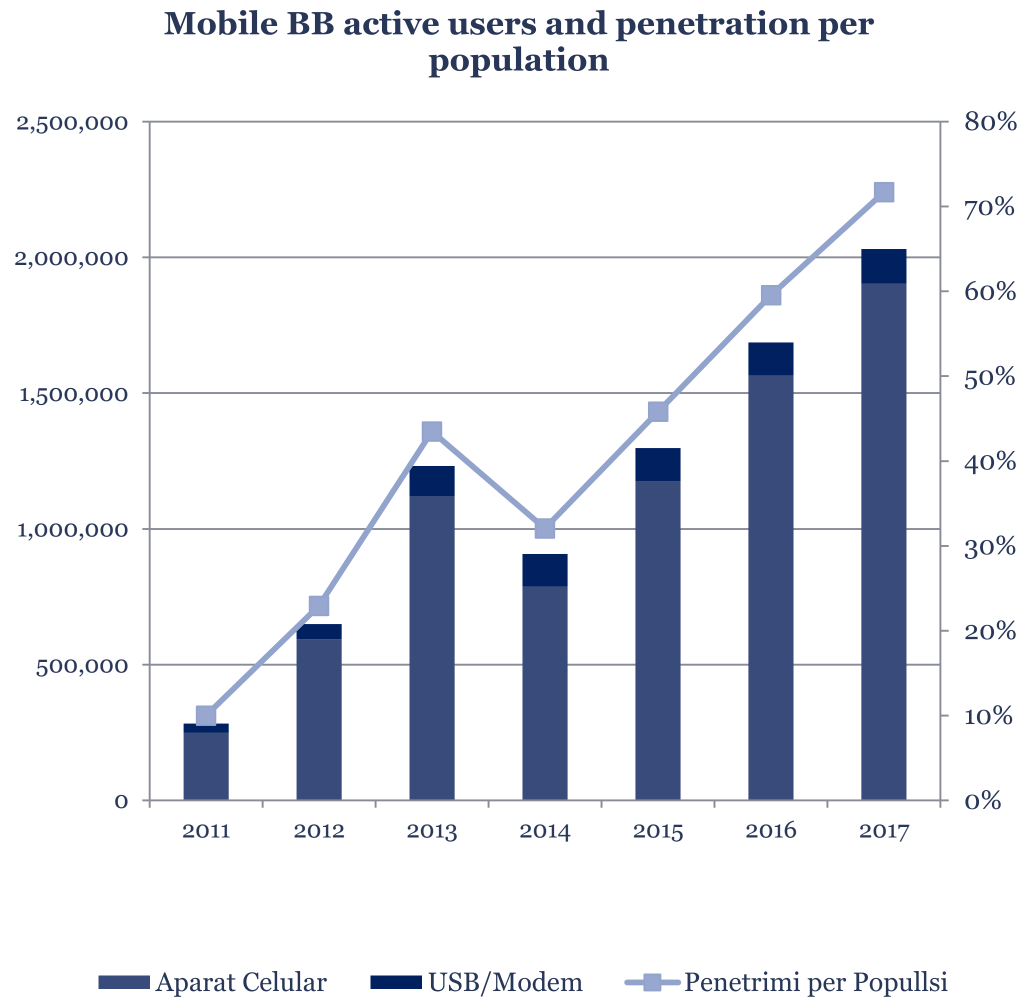
- International traffic (incoming and outgoing) in huge decline:
  - ➢2017 levels lower than 2003





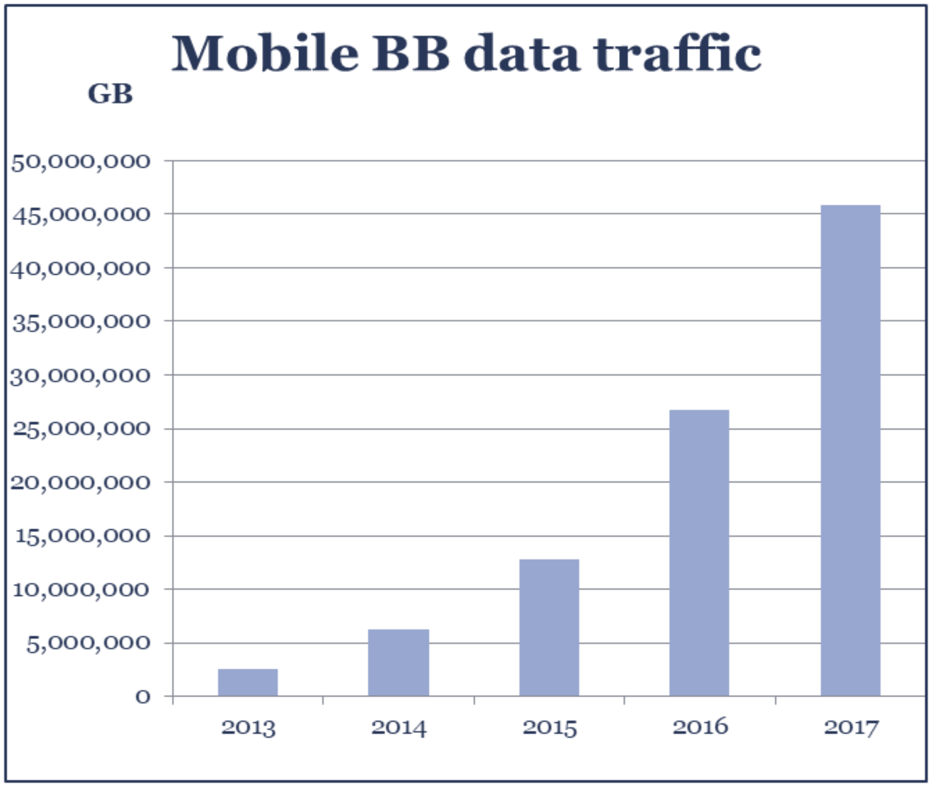
Mobile Broadband

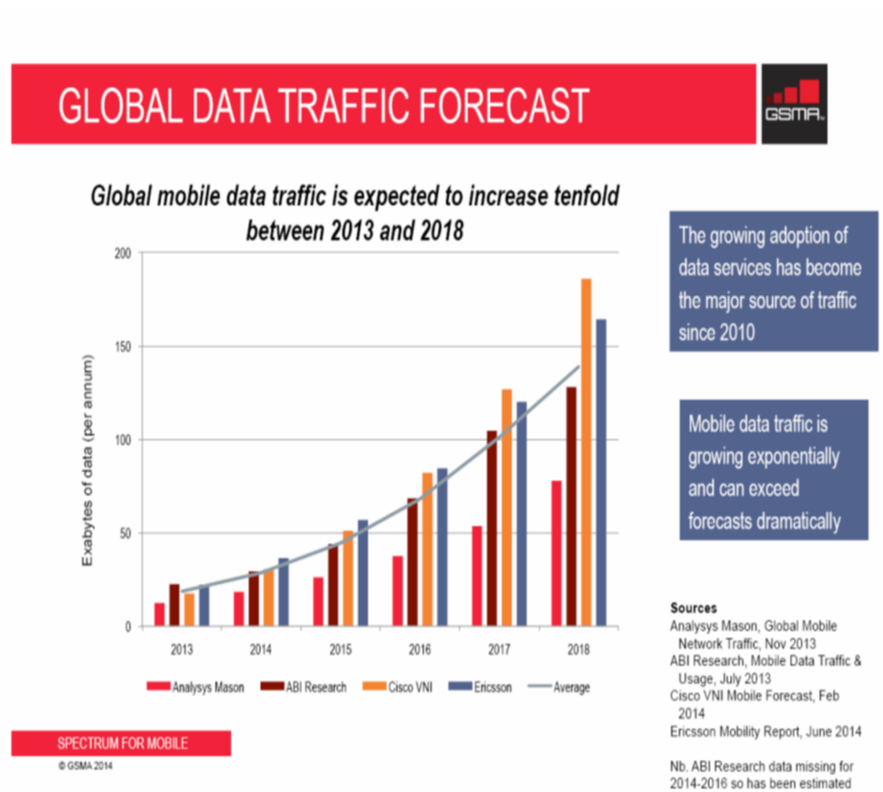
- 3 MNO-s with 3G services
- 3 MNO-s launched 4G services in July-September 2015 using 18MHz band
- Mobile BB users
  - 2015: 2 million
  - 2017: 3.3 million
- Active mobile BB Users:
  - 2015: 1.4 million
  - 2017: 2 million
- penetration per population of active users:
  - 46% in 2015
  - 72% in 2016
- BB traffic:
  - 2013-2017: 18 times increase



Mobile Data Usage

- Albania:
  - 18 fold increase 2013-2017
- Global mobile data forecast:
  - 10 fold increase in 2013-2018





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Territorial/Population Coverage

AKEP has started the procedures to allocate the 800 MHz to mobile operators. The tender will take place on 3 December 2018

4G coverage has reached 56% of the territory and 85% of population

3 MNOs started providing 4G services in 2015 using 1800 MHz band (after removal of restrictions from AKEP)

Allocation of 800 MHz

	Telekom Albania	Vodafone Albania	Albtelecom
Territorial Coverage (%)			
GSM	92.50	96.40	93.80
3G	88.00	89.00	86.80
4G	55.60	35.00	21.20
Population Coverage (%)			
GSM	99.80	99.86	99.40
3G	96.50	99.20	90.40
4G	85.30	70.70	65.00

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Lagging behind EU in digital transformation

According to a study from EIZ (Institute of economics of Zagreb) "*The Impact of Digital Transformation on the Western Balkans – Tackling the Challenges towards Political Stability and Economic Prosperity*", Albania, among others:

- Lags very behind EU average in terms of fixed BB penetration and HH with internet access
- A major impeding factor for deployement of BB infrastructure is length of time required to get a permit for civil works
- is one the leading countries in Balkans for use of social networks (especially facebook) and not far behind EU average

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Main Issues/challenges

- AKEP in its Strategy and Action Plan for 2018 has identified 4 main pillars to focus its activity and also several strategic priorities for each pillar.
- Improve end users benefits and better consumer protection
- Mobile consolidation from 4 to 3 MNOs:
  - Adequate and proportionate regulatory measures to promote sustainable long term competition and end users benefits
  - Addressing very low/aggressive retail tariffs
- Fixed networks
  - Increase Shared usage of active/passive infrastructure
  - Increasing fixed BB usage/penetration
- Investments incentives for fixed and mobile networks
- Proportionate and effective SMP remedies
- Improving institutional cooperation/regulation of ec.market

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Incentives for Infrastructure sharing

- Main focus of AKEP in recent years work through:
  - Regulation for infrastructure sharing
  - SMP remedies for wholesale BB markets, including access to ducts and passive infrastructure of the fixed incumbent operator
  - Improving ATLAS information for electronic communications networks
  - Coordinating with power sector to provide information on power infrastructure to be used for BB
- Cooperation with the Ministry/Government to prepare the secondary legislation for Law on promotion of fast and ultra fats BB
  - One of the main aims is to facilitate the granting process of permits for civil works
- Cooperation with local authorities to grant permits for operators to deploy BB infrastructure, especially in undeserved areas with mobile services

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Mobile Number Portability

- AKEP recently approved major changes to the regulation of Number portability regulation
- The changes aim to improve significantly the porting process for mobile numbers:
    - ➢ Porting to be completed within 24 hours from the request
    - ➢ Using only the Personal ID number to identify the user (removing misspelling of names/surnames as a reject reason)
    - ➢ Full automatization of porting request verifications
- AKEP is also upgrading the CRDB system (hardware and software) to facilitate the number portability process

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International Roaming

- AKEP is cooperating with the Ministry to make the required law amendments to allow AKEP to regulate international roaming (under reciprocal biltareal or multilateral agreements)
- AKEP has participated in all the meetings with Balkan countries, EC and RCC to further increase the cooperation under the digital pillar of the Berlin Process for the Balkan countries

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Favorable conditions for Investors

1. Clear and sustainable rules for open development of broadband infrastructure. Promotion of investment in fiber optic infrastructures.
2. Acceleration of procedures for allocation to operators of suitable spectrum for broadband services.
3. Acceleration of procedures to launch the Universal Service scheme.
4. Support of broadband development initiatives in commercially unattractive areas.

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Promotion of fair competition

1. Acceleration of the process for completing the respective round of Market Analyzes and determination of proportionate remedies. Conducting market analyses only with verified operators' data that reflect the real market situation.
2. Timely and clear identification of strategic behavior of SMP operators in the relevant markets
3. Assessment of the compensation situation between operators and review of the relevant regulatory measures
4. Special analysis of unjustifiably low prices as an element of strategic behaviors
5. Ensuring the integrity of data submitted by operators to AKEP. Data collection from alternative sources and comparison with the best industry practice.

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Increasing Consumer Benefits

1. Number porting within 24 hours
2. Supporting government activities for zero roaming with neighboring countries and a significant reduction of roaming tariffs with European Union countries
3. Special protection for users with very low incomes.
4. Concentration of efforts to achieve broadband targets (30mbit sec for 100% of the population and 100 mbit/sec for 50% of the population).
5. Integrity of subscriber data; review the existing situation and ensure full accuracy of subscribers data.

Improving AKEP efficiency and national and international cooperation

1. Guaranteeing the legal and institutional functioning of AKEP. Assessment of the need for legislation amendments.
2. Further increase of strategic, managerial and technical capacities of AKEP staff.
3. Open and transparent operation in accordance with the best regulatory practice of BEREC and EU countries
4. Close co-operation and achievement of full coherence with the ex-post regulator, CAA (Competition Authority of Albania)
5. Strengthen the Cooperation with other regulatory bodies.

Thank you

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