

Market analyses in Bulgaria according Recommendation 2014/710/EC

International Conference:
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Communications
Regulation Commission

Recommendation 2014/710/EU

Relevant markets susceptible to ex-ante regulation



Recommendation 2007



Recommendation 2014

M1 (Retail Fixed Access PSTN)
M2 (Fixed Origination PSTN)



Dropped

M3 (Fixed Termination)
M7 (Mobile Termination)



M1 (Fixed Termination)
M2 (Mobile Termination)

M4 (Physical network infrastructure)



M3a (Wholesale Local Access)

M5 (Broadband Access)

Redefined



M3b (Wholesale Central Access for mass market)

M6 (Terminating Leased Lines)



M4 (Wholesale high-quality access)

Markets 3a and 3b from Recommendation 2014/710/EU:

Retail broadband market

RELEVANT PRODUCT MARKET



Demand- and supply-side substitutability

I. Services for different types of users:

- ✓ Standardized services
- ✗ High-quality services

II. Different types of broadband access:

- ✓ FTTx, CATV, LAN и ADSL
- ✗ Wireless access, incl. mobile broadband

RELEVANT GEOGRAPHIC MARKET



Network coverage, legal and regulatory requirements for the provision of ECN/ECS

The geographical scope of the retail market is national

Criteria listed in the BEREC's Common Position on the geographical aspects of market analysis

Markets 3a and 3b from Recommendation 2014/710/EU: Analysis of the competition conditions on the retail market

1. Assessment of the current competition conditions

✓ BTC's Market share 2010-2013

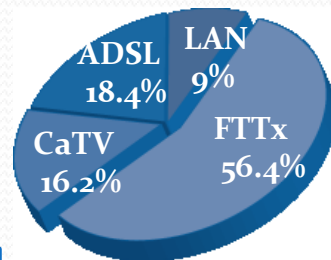


✓ Economies of scale and scope



The main competitors are active on several linked markets

✓ Market dynamics



BTC's prices are above the average → no risk for applying higher prices in order to generate higher profit.

2. Analysis of the downstream market absent wholesale regulation

- ✓ BTC is the only provider of LLU and Bitstream;
- ✓ No interest towards LLU – 1 contract;
- ✓ No interest towards Bitstream:



- ✓ The main driver for the development of the competition on the retail market is the access to the incumbent's passive infrastructure (ducts)

! The possible withdrawal of remedies on market 3b would not have negative impact on the retail market

! The possible withdrawal of remedies on market 3a could hinder the development of competition in the retail broadband access market.

Markets 3a and 3b from Recommendation 2014/710/EU

The market for Wholesale local access at a fixed location

RELEVANT PRODUCT MARKET




Demand- and supply-side substitutability

- ✓ Physical LLU access, incl. FTTC/xDSL
- ✓ Physical access – P2P FTTH based on direct optical connection and WDM technology;
- ✓ Virtual access, realized in optical fibre access networks (FTTH, FTTB, FTTC/xDSL);
- ✗ Wholesale access over CATV networks
- ✗ Wholesale access over LAN, incl. FTTC/FTTN
- ✗ Bitstream access

RELEVANT GEOGRAPHIC MARKET



Network coverage, legal and regulatory requirements for the provision of ECN/ECS



The geographical scope of the wholesale market is national

Markets 3a and 3b from Recommendation 2014/710/EU

Analysis of the market for Wholesale local access at a fixed location



I. Market shares

II. Market entry barriers

- ▶ Control of infrastructure not easily to duplicate
- ▶ Sunk costs
- ▶ Vertical integration
- ▶ Economies of scale and scope

III. Absence of or low countervailing buying power

IV. Potential competition

BTC is the SMP on the relevant market 3a

Markets 3a and 3b from Recommendation 2014/710/EU

Regulatory obligations imposed on the market for Wholesale local access at a fixed location

- ✓ **Access** – physical, virtual and to the passive infrastructure (duct);
- ✓ **Non-discrimination** - physical, virtual and to the passive infrastructure (duct);
- ✓ **Transparency:**
 - ❑ LLU – KPI – at every three months
 - ❑ VULA – KPI – six months after starting the service and after that at every three months
 - ❑ Passive infrastructure - KPI – at every three months
- ✓ **Reference offer**
 - ❑ LLU – LLU, subloop, virtual unbundling in case of reasonable request, backhaul
 - ❑ Duct
- ✓ **Accounting separation and price control**
 - **Accounting separation**
 - **Price control:**
 - ❑ LLU – price cap
 - ❑ VULA – commercial negotiation
 - ❑ Passive infrastructure – cost oriented prices based on a model approved by the regulator

Markets 3a and 3b from Recommendation 2014/710/EU

The market for Wholesale Central Access at a fixed location

RELEVANT PRODUCT MARKET



Demand- and supply-side substitutability

- ✓ Bitstream access provided over PSTN/ISDN at regional and national level through FTTC/xDSL
- ✓ FTTx bitstream provided at regional and national level
- ✗ Wholesale access over CATV networks
- ✗ Wholesale access over LANs

RELEVANT GEOGRAPHIC MARKET



BEREC Report on self-supply (BoR (10)09))

- ☞ Neither demand nor supply for wholesale access products
- ☞ Indirect competitive constraints from networks not included in the relevant retail market
- ☞ Self-supply is the only form of sales on the wholesale central access market

The market for wholesale central access =
The retail broadband market

No SMP



Markets 3a and 3b from Recommendation 2014/710/EU

EC's Comments on Cases BG/2015/1766 and BG/2015/1767

On Case BG/2015/1766:

1. The CRC shall ensure that that the resulting reference offer specifies a VULA product which meets the relevant product characteristics set out in the Explanatory Note to the Recommendation on Relevant Markets;
2. The CRC shall review the cost model for access to ducts.

On Case BG/2015/1767 :

No Comments



CRC's Final Decision N° 372/13.08.2015

Markets 1 and 2 from Recommendation 2014/710/EU

Definition of the relevant wholesale termination markets

RELEVANT PRODUCT MARKET







Demand- and supply-side substitutability

RELEVANT GEOGRAPHIC MARKET



Network coverage, legal and regulatory requirements for the provision of ECN/ECS

Fixed networks	Mobile networks
 All networks providing voice services at fixed location	 2G, 3G, 4G
 Termination of calls regardless of the origin	 Termination of calls regardless of the origin



Fixed networks	Mobile networks
21 relevant markets	4 relevant markets

Markets 1 and 2 from Recommendation 2014/710/EU

Regulatory obligations imposed on the relevant wholesale termination markets

- ✓ Access
- ✓ Non-discrimination
- ✓ Transparency
- ✓ Reference offer – for the fixed network to BTC
- ✓ Accounting separation and price control
 - Accounting separation

Fixed networks	Mobile networks
BTC	BTC, Mobitel, Telenor

- **Price control:**
 - ☞ Until the adoption of the adapted BU-LRIC model the following prices shall be applied: for termination at fixed location – 0,05 lv./min. and for termination at mobile networks – 0,019 lv./min.
 - ☞ The remedy is applicable only to calls originated in national networks and originated in EU/EEA countries

Markets 1 and 2 from Recommendation 2014/710/EU



EC's Comments on Cases BG/2016/1862; BG/2016/11863 and BG/2016/1864

On Case BG/2016/1863:

The Commission urges CRC to effectively deregulate the market without unnecessary delay and to notify the decision on the related retail markets no later than 30 November 2016 to the Commission.

On case BG/2016/1862 and BG/2016/1864:

No Comments



CRC's Final Decision N° 356/23.06.2016

CRC's Final Decision N° 357/23.06.2016

Market 4 from Recommendation 2014/710/EU

Definition of the retail market for high-quality access at a fixed location

RELEVANT PRODUCT MARKET

RELEVANT GEOGRAPHIC MARKET



Demand- and supply-side
substitutability

Network coverage

I. Different types of services for retail high-quality access

- ✓ Traditional
- ✓ Alternative
- ✓ P2MP MAN
- ✗ IP VPN

II. Different speeds:

- ✓ Chain substitutability



Legal and regulatory requirements
for the provision of ECN/ECS

Market 4 from Recommendation 2014/710/EU: Analysis of the competition conditions on the retail market

1. Assessment of the current competition conditions

Market participants



Market share of the incumbent 2013-2015

lines

66,4%

8 p.p.

revenues

58,5%

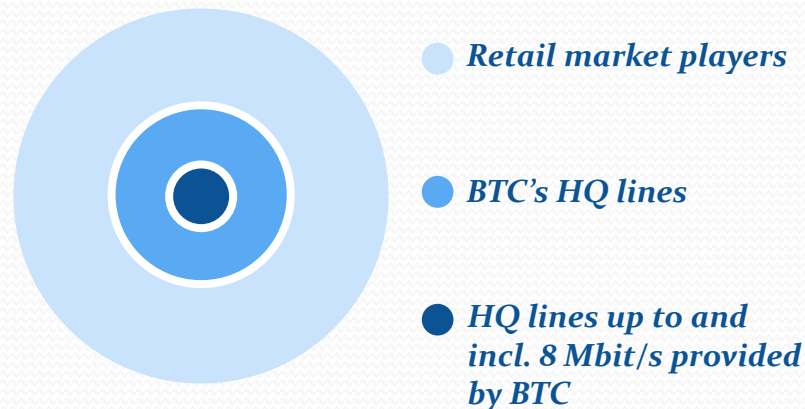
24 p.p.

0 20 40 60 80 100

Prices – adapting to the changing market conditions

2. Analysis of the downstream market absent wholesale regulation

The traditional infrastructure loses its importance



Wholesale HQ lines provided by BTC 8%

Wholesale HQ lines up to and incl. 8 Mbit/s provided by BTC

SUSTAINABLE COMPETITION

Market 4 from Recommendation 2014/710/EU

Definition of the market for Wholesale high-quality access at a fixed location

RELEVANT PRODUCT MARKET

RELEVANT GEOGRAPHIC MARKET



Demand- and supply-side substitutability

Network coverage

I. Between wholesale terminating segments of leased lines and:

-  P2MP MAN
-  LLU
-  Bitstream

II. Between different speeds:

-  Chain substitutability between lines with speeds up to and incl. 8 Mbit/s and above 8 Mbit/s



Legal and regulatory requirements for the provision of ECN/ECS

Market 4 from Recommendation 2014/710/EU

Analysis of the Market for Wholesale high-quality access at a fixed location

- I. Market shares
- II. Market entry barriers
 - ▶ Control of infrastructure not easily duplicated
 - ▶ Sunk costs
 - ▶ Vertical integration
 - ▶ Economies of scale and scope
- III. Absence of or low countervailing buying power

No SMP



No Comments

Thank you!



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