Market Overview and Regulation in Albania

ENKELEDA POJANI
Head of Sector of Market Regulation
Electronic and Postal Communications Authority

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AKEP
AUTORITETI I KOMUNIKIMEVE ELEKTRONIKE DHE POSTARE

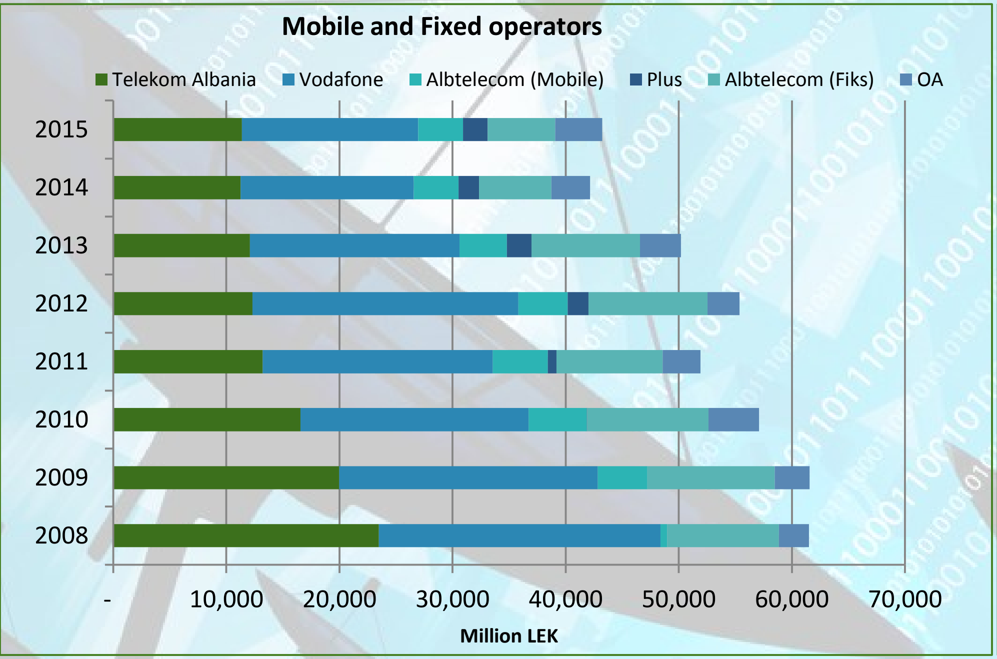
Market Trends 2015

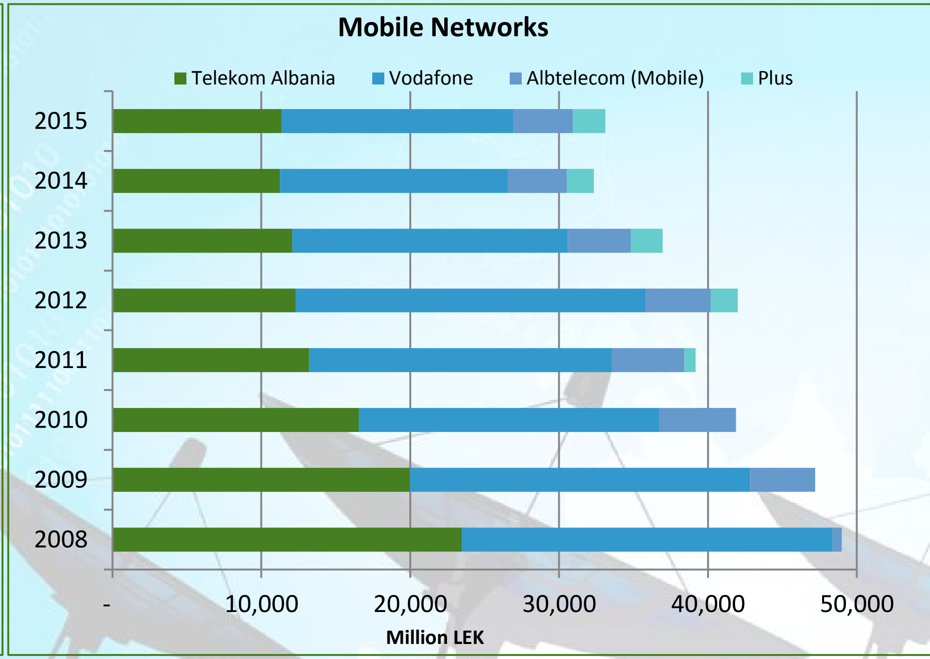
1. Revenue growth for the sector (after many years of stagnation)
2. Steady growth of fixed broadband
3. Significant growth of mobile broadband due to 4G
4. Higher substitution of mobile voice and SMS with OTT services
5. Number of subscribers to triple play bundles increased 3 times
6. IPTV important driver for increased broadband connections
7. Fixed telephony subscribers: in decline since 2009

Market TURNOVER 2015

- Total market Turnover: € 309 mil.
  - ❖ 2% annual growth
  - ❖ Growth after decline since 2009 (exc.2012)
- Main operators revenues stable
- Revenue from mobile v fixed networks: 77% v 23%

- Mobile networks: 2% growth
  - ❖ Vodafone, Telekom, EM: 0-2% increase
  - ❖ Plus: 20% growth
- Fixed networks: 2% growth
  - ❖ Albtelecom: -4%
  - ❖ AO: +22%



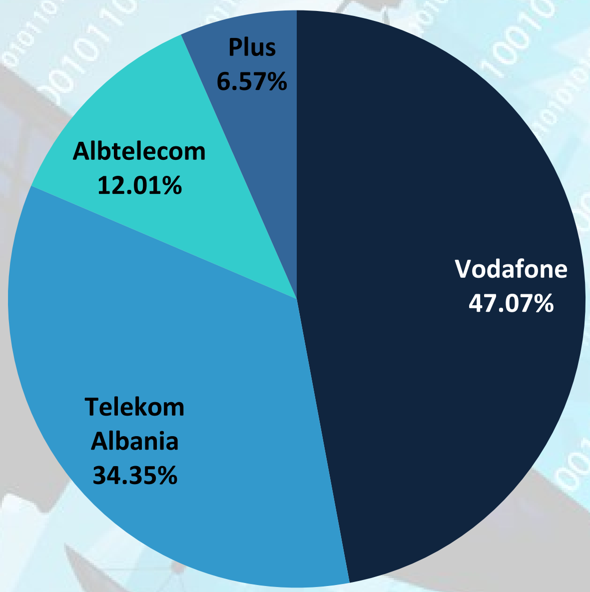


Revenue Market Shares

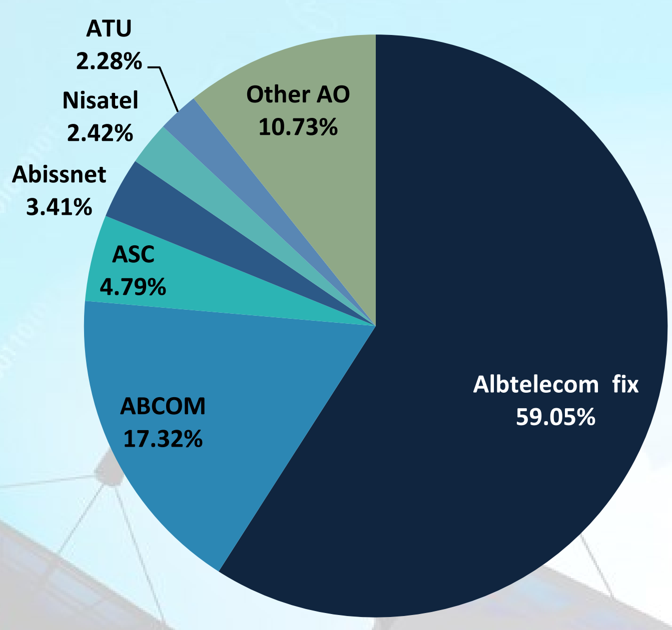
- MNO-s market shares stable in 2014-2015
- 62% of MNO investments in 2015 for broadband

- Albtelecom market share in fixed sector declined from 66% in 2014 to 59% in 2015

Mobile Networks Rev. 2015



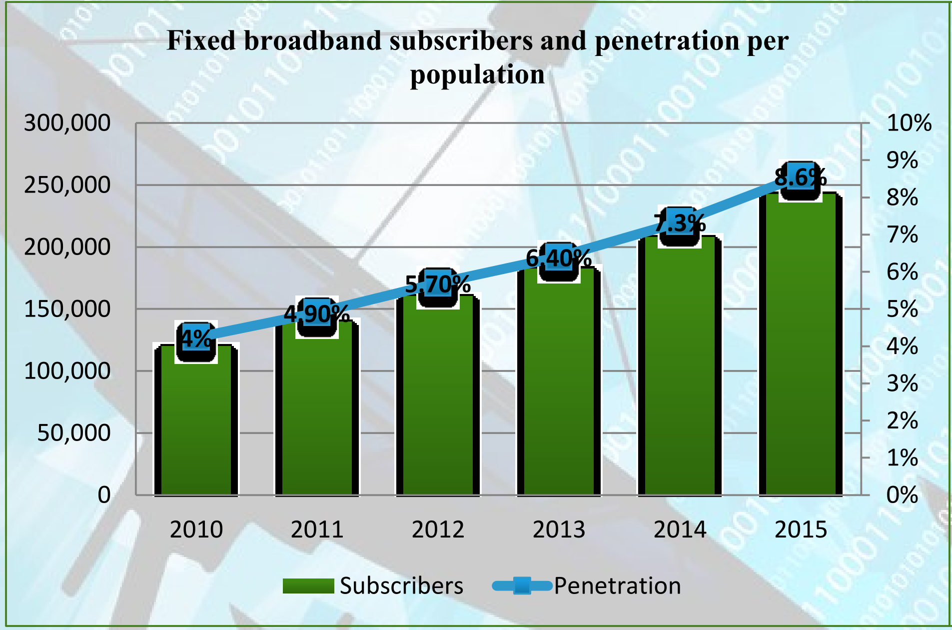
Fixed Networks Rev. 2015

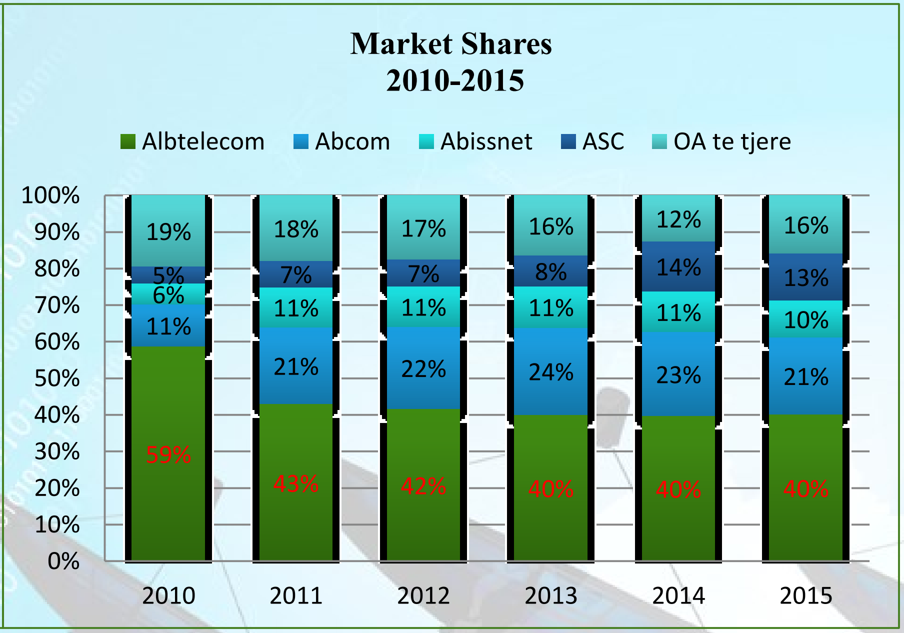


Fixed Broadband 2015

- End of 2015: 243 thousands subscribers (QII_2016: 255 thousands)
- 2010-2015: steady annual growth 14-17%.
- 8.6% subscribers per population
- 31% subscribers per Household

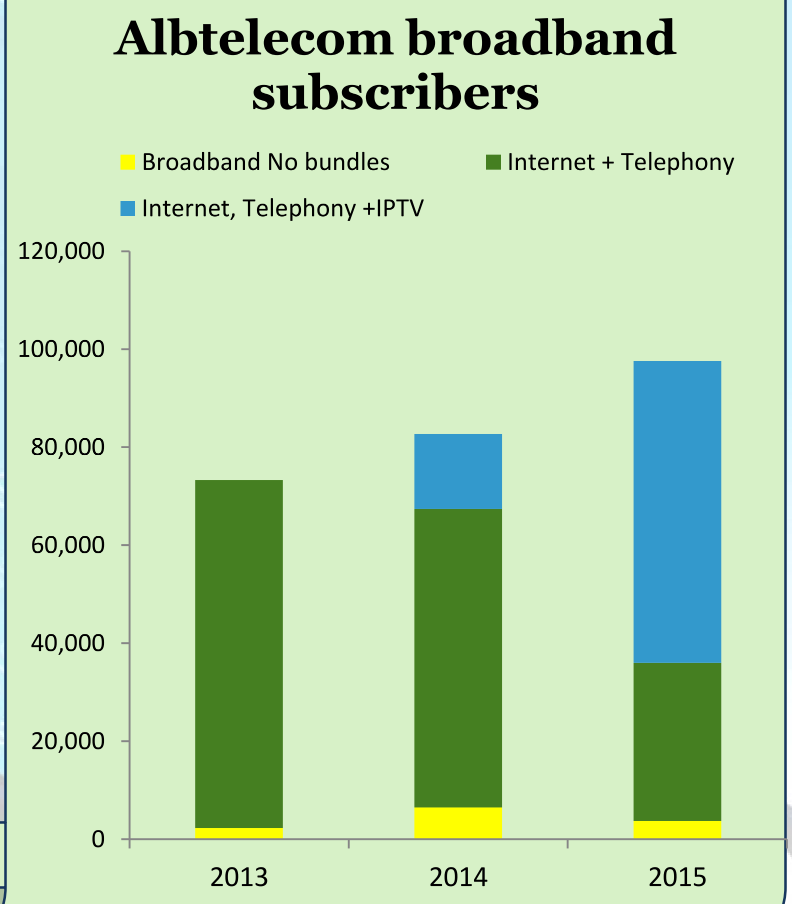
- International Connectivity: 77Gbps (61 Gbps 2014)
- Market shares:
  - Albtelecom 40%
  - Abcom 21%
- Four main operators:
  - 84% of the total market
  - Triple play offers (Internet, telephony, TV)





Fixed Broadband and IPTV

- Broadband subscribers: + 17%
- Triple Play (Internet, Tel, +TV (IP/CATV) subscribers: 3 times (from 23 thous. To 69 thous.)
- Albtelecom: increase 4 times of triple play (with IPTV), and 63% of total broadband subscribers



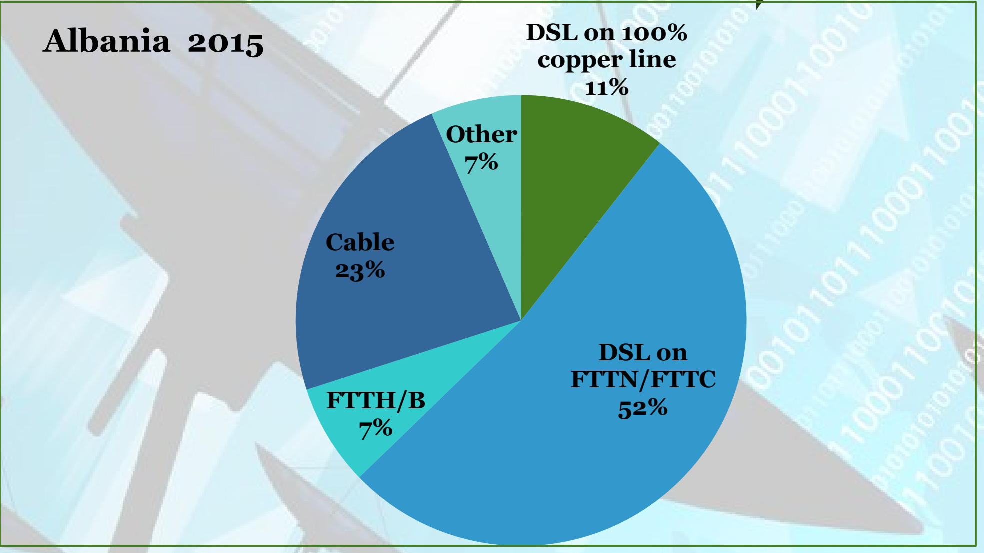
Fixed Broadband by Technology

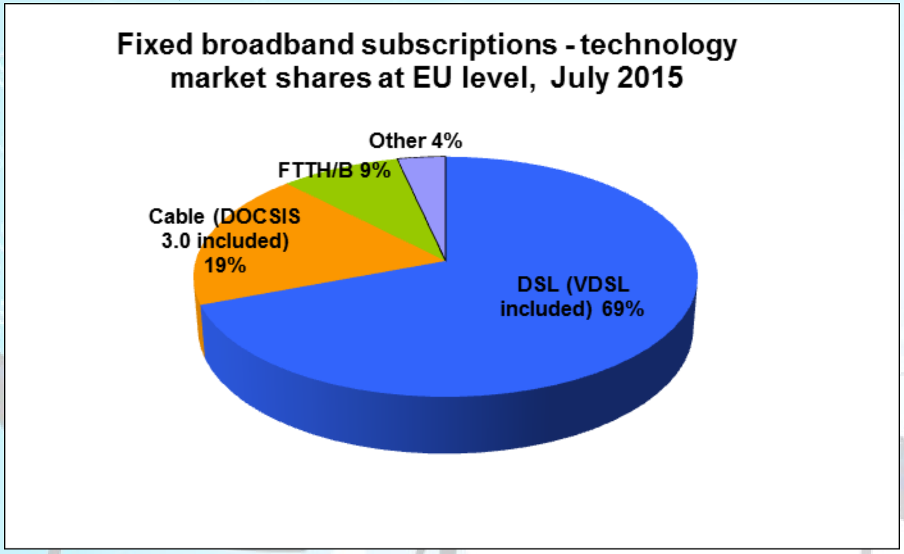
Albania

1.DSL: 63% (FTTN/C 52%)
2. Cable 23%
3. Cable DOC SIS 3.0: 14% of total cable
4. NGA Subscribers: 63% <u>mostly FTTN/C</u>

EU

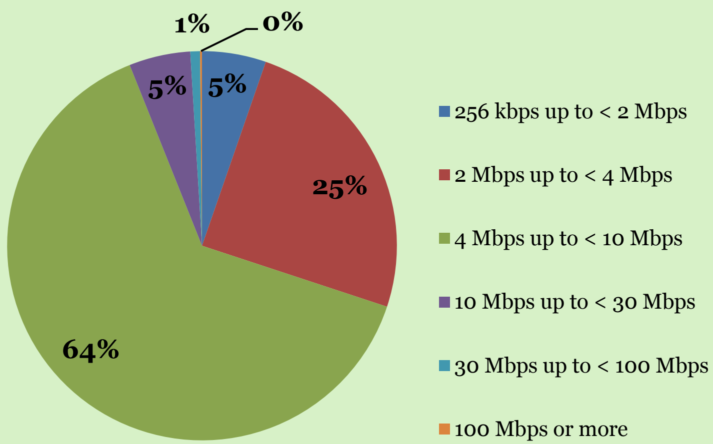
1. DSL: 69% (VDSL included)
2. Cable 19%
3. Cable DOC SIS 3.0: 80% of total cable
4. NGA: 35% <u>mostly VDSL, FTTH/B and Cable DOC SIS 3.0</u>





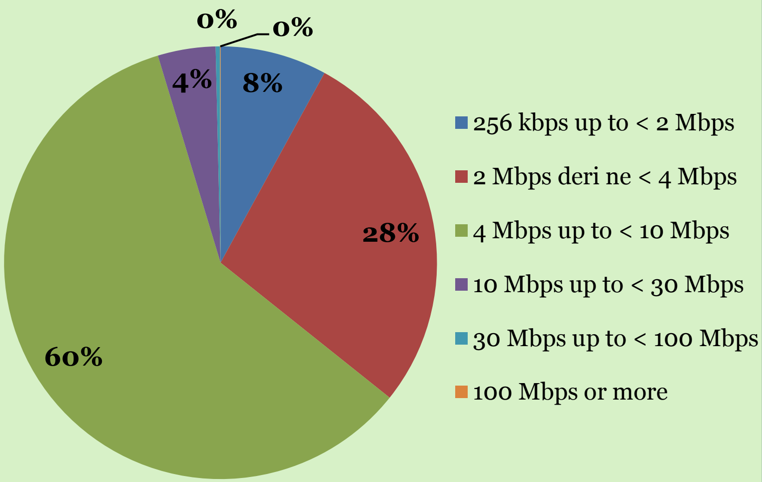
Fixed broadband by Download Speed

2015



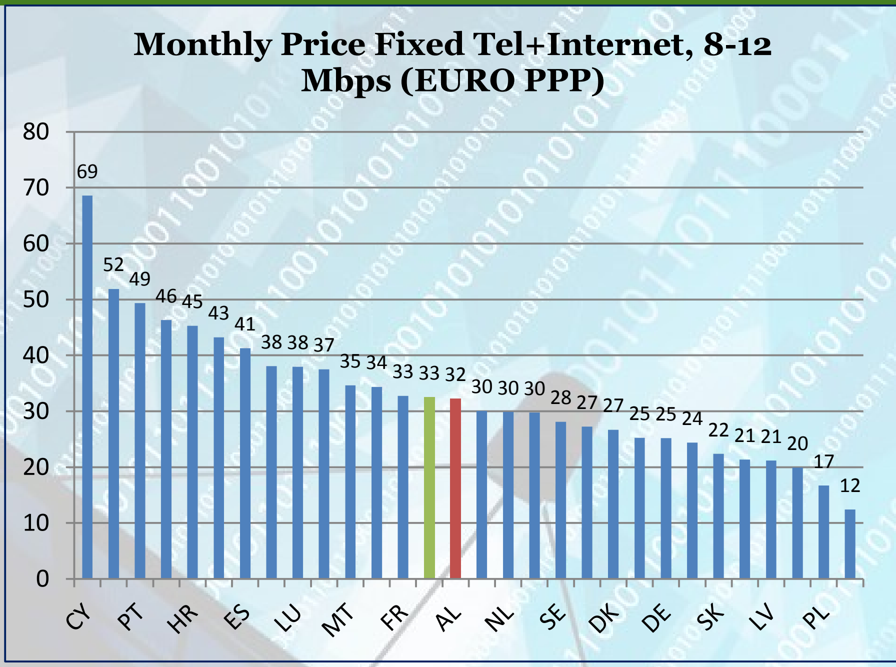
- Moving up from 1-2 Mbps to 4-10 Mbps
- 64% of subscribers on 4-10Mbps

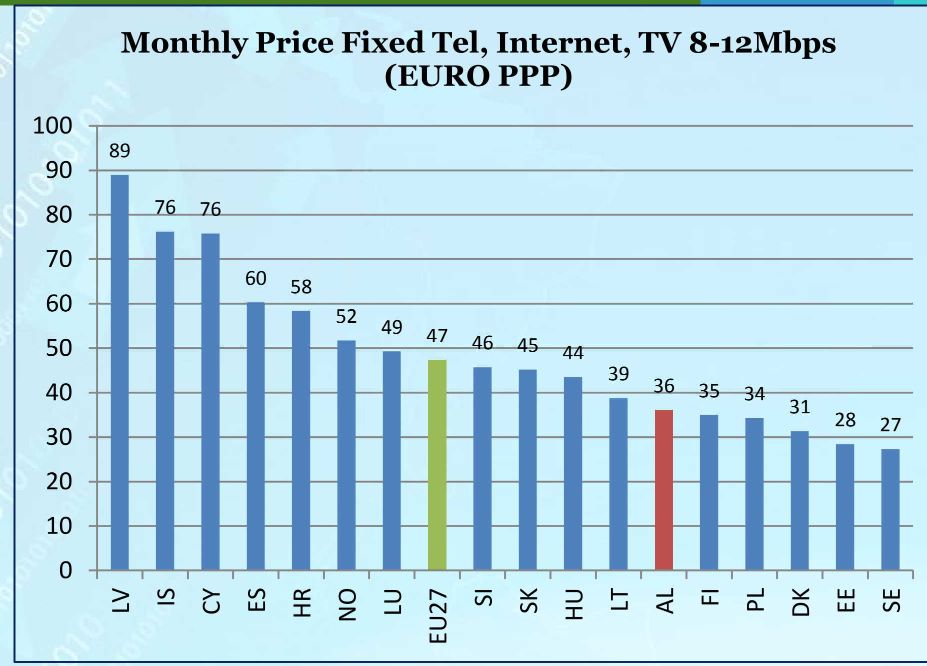
2014



- 256kbps-4Mbps: from 36% in 2014 to 30% in 2015
- Fast (30 Mbps) and ultra fast (100 Mbps): 1% of total connections

Broadband Prices (PPP adjusted)



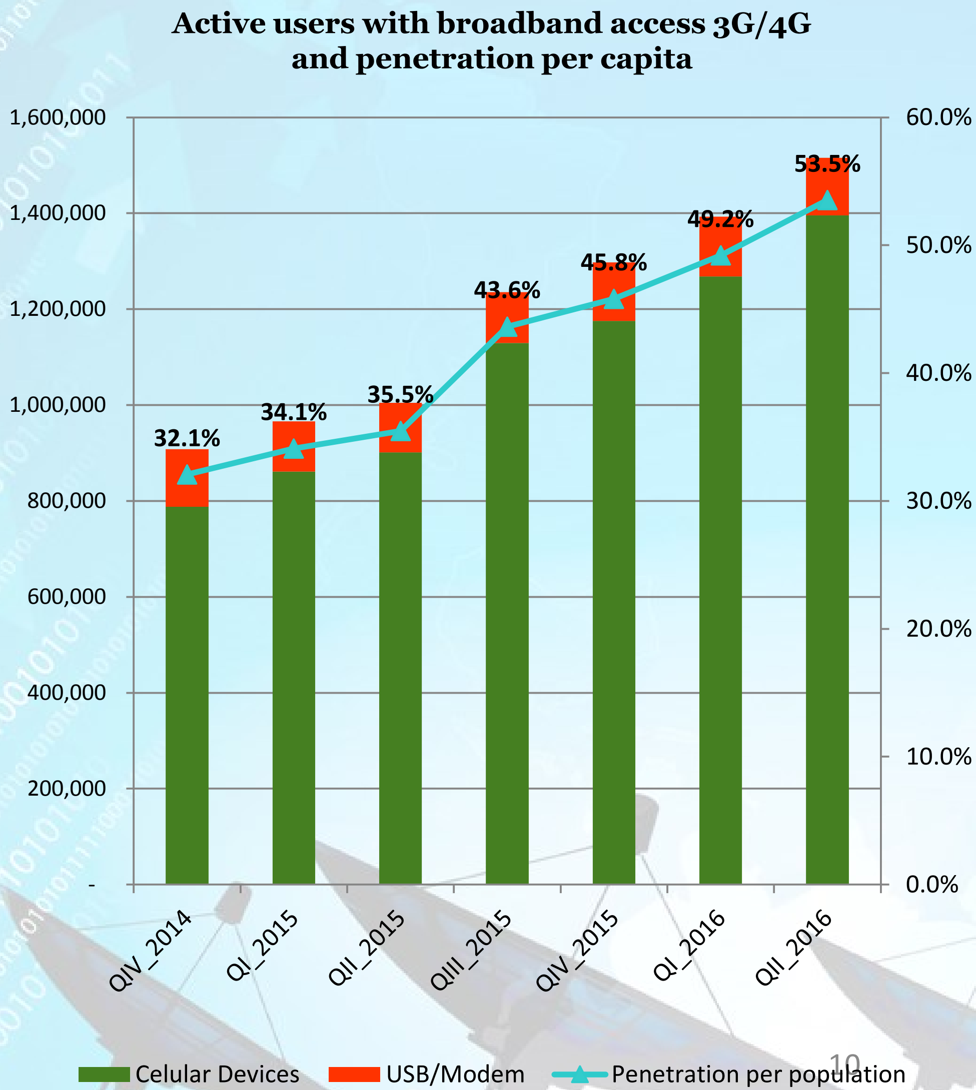


- Bundles of Telephony+Broadband access
  - comparable to EU average for 8-12Mbps
  - Affordable at 5Euro/Month for 1Mbps

- Prices for triple play comparable or lower than EU average

Mobile Broadband 2015

- 4 MNO-s with 3G services
- 3 MNO-s launched 4G services in July-September 2015
- 2 million users of mobile broadband
- 1.4 million active users(1.5 milion Q2 2016)
  - **43% Annual Growth: mostly access from mobile phones**
  - **QIII 2015: 23% growth Impact of 4G**
- 46% penetration per population for active mobile broadband users(53.3% Q2 2016)
- 550 MB average download per user



Impact of OTT

Number of active mobile broadband users: +43%

Voice calls:
+ 1% 2016/2015
-15% Q12016/Q12015

SMS: -12%

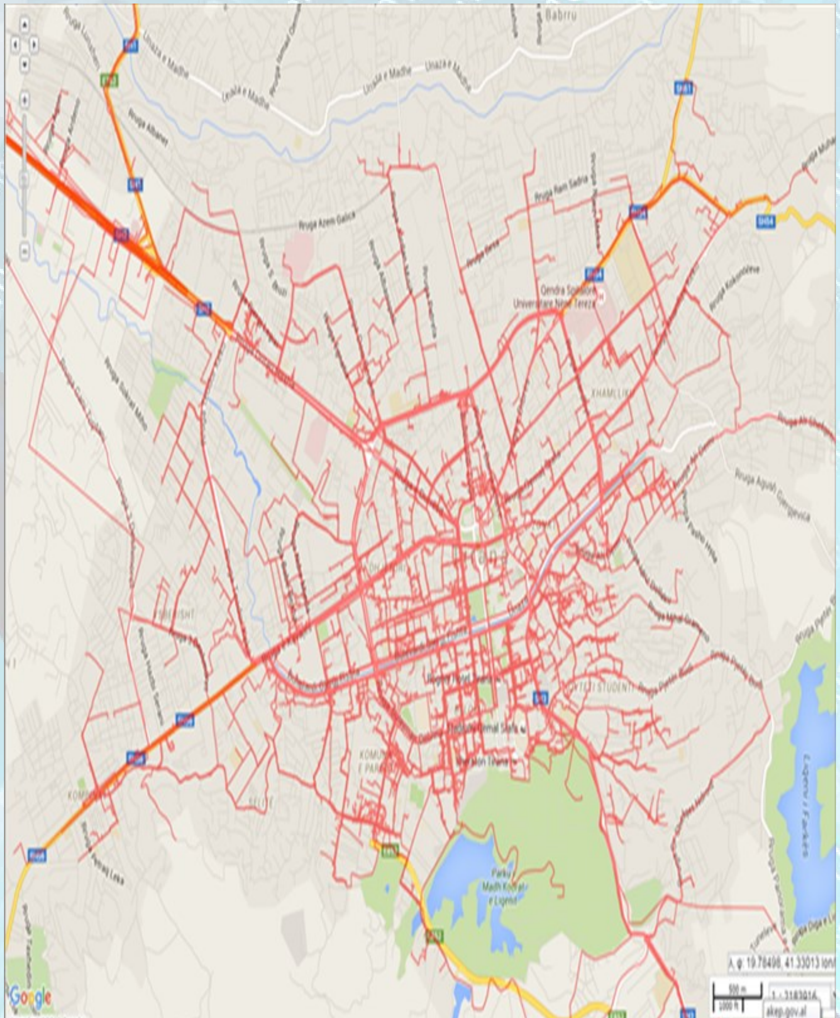
DATA downloaded:
+148% 2014/2013
+103% 2015/2014

Number of GSM users(active/SIM): +1%/-3%

Albanian MNO-s are experiencing the decrease in voice/SMS traffic and surge in data traffic

Infrastructure

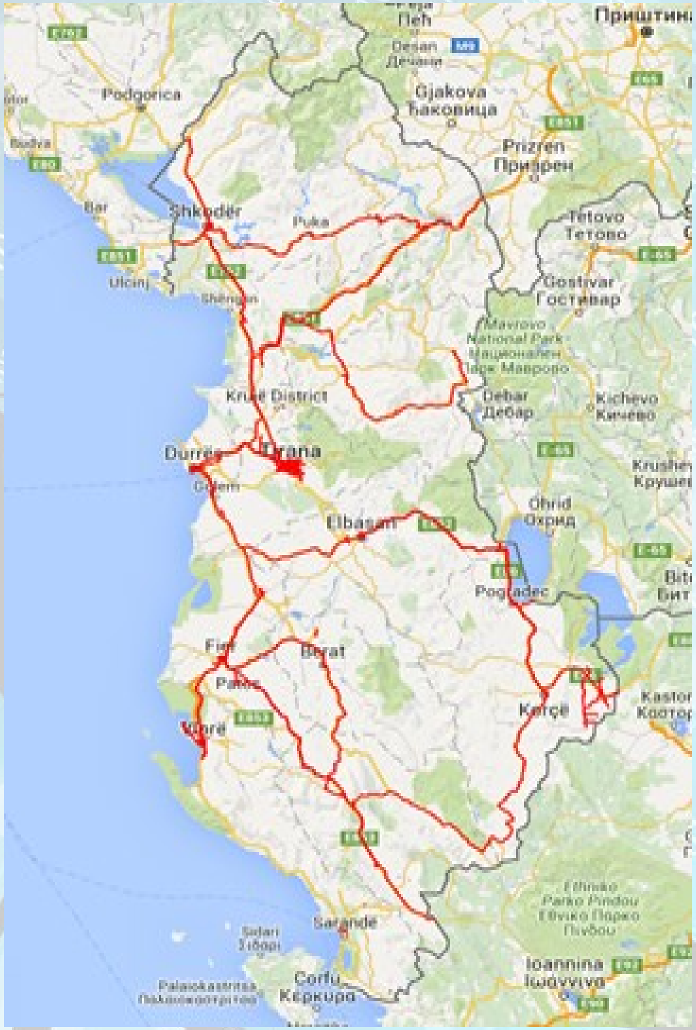
Optical Fiber in Tirana



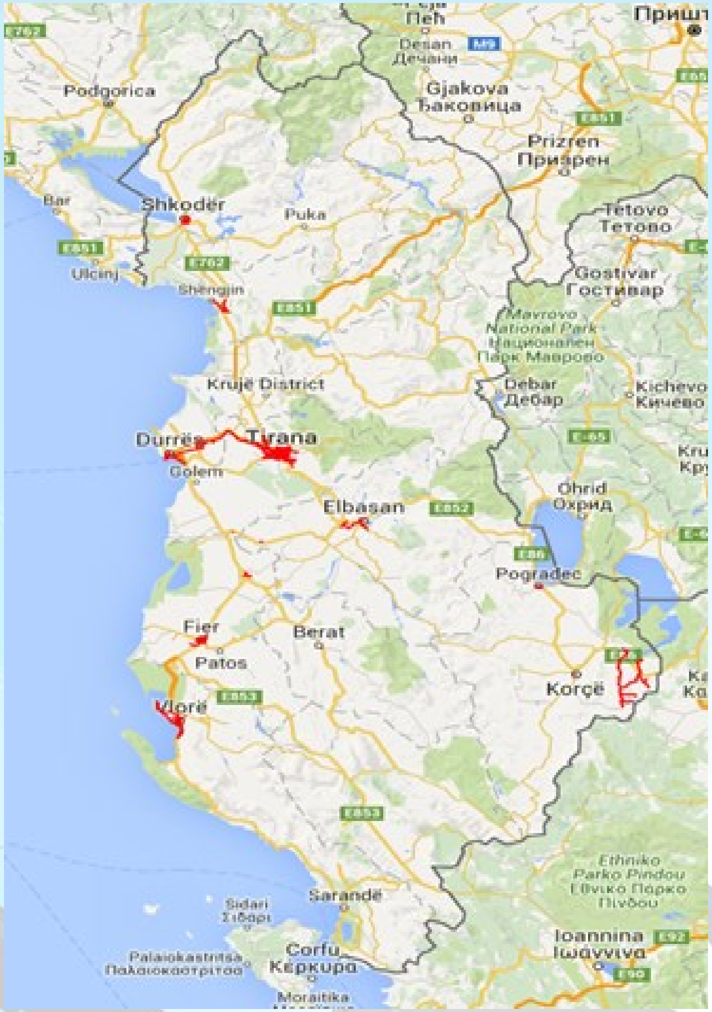
- Good coverage in main urban areas with optical fibers: Tirane, Durres, Vlore, Shkoder etc
- Many operators have their own urban/local FO infrastructure
- Inter-urban area only Albtelcom and ATU present

Optical Fiber: Interurban

- **Optical Fiber: all operators**



- **Optical Fiber: All operators except Albtelecom and ATU**



Broadband/Infrastructure Market

- Most fixed operators with their own networks Infrastructure based competition
- LLU not effective
- Bitstream Access:
  - Albtelecom has signed agreements with 4 operators
  - End of QII_2016 approx.2400 connection
- Passive infrastructure sharing:
  - 924 km access to dark fiber (no change from 2014)
  - 61 km: access to ducts (19 km in 2014)
- AKEP approved a Regulation for passive infrastructure sharing in 2015
- MOU for co-investing was signed between three mobile operators and AKEP on December 2015.

Market Analysis 2014-2016

Market 3 and 4/2014

Wholesal
e local
access
(WLA)

Wholesale
central
access
(WCA)

Wholesale
high quality
access
(WHQA)

Wholesale access
to passive
infrastructure
network in
national level

Wholesale Local Access – 3a

- Non discrimination
- Transparency
- Local loop access unbundling on MSAN level
- Access in physic infrastructure (duct/pole for connection POI - MSAN
- Price control of LLU and duct access
- Vectoring for VDSL (if it is applicable)

Wholesale Central Access – 3b

- Non discrimination
- Transparency of tariffs and services (their publication)
- Obligation for Bitstream access (Continuance of obligation of 2014 market`s analysis)
- Obligation for access in duct/optic fiber in urban level
- Price control of Bitstream and duct access

Wholesale High Quality Access - 4

- Non discrimination
- Transparency of tariffs and services (their publication)
- Obligation for leased lines access access

  (Continuance of obligation of 2014 market`s analysis)
- Obligation for leased lines access in national/interurban connection and local level

  (termination segment)
- Price control of leased lines access

Wholesale Access in Passive Infrastructure Network in National Level

Non discrimination

Albtelecom & ATU

Symmetric regulation

Price control of duct/optic fiber access

Transparency of tariffs and services (their publication)

Access on duct and optic fiber in national/interurban connection level

Market analysis (1/2014)

AKEP on October 2015 approved the final document of the "Analysis of the fixed telephony market: retail markets and wholesale markets of termination, transit and origination". AKEP decided :

- **Wholesale fixed call termination market**
  - Designation of Albtelecom and all AO as SMP
  - FTRs:
    - from 1.01.2016 symmetric rates between Incumbent and AO and one segment (from two);
    - glide path in three stages 2016-2018.

- **Retail market of Access (market 1/2007) and wholesale Call origination on fixed networks (market 2/2007)**:
  - no longer susceptible to ex-ante regulation (do not meet the 3 criteria test) and no SMP operators.
  - fixed and mobile calls in the same market (fixed calls high degree of substitution from mobile calls).

Market analysis(2/2014)

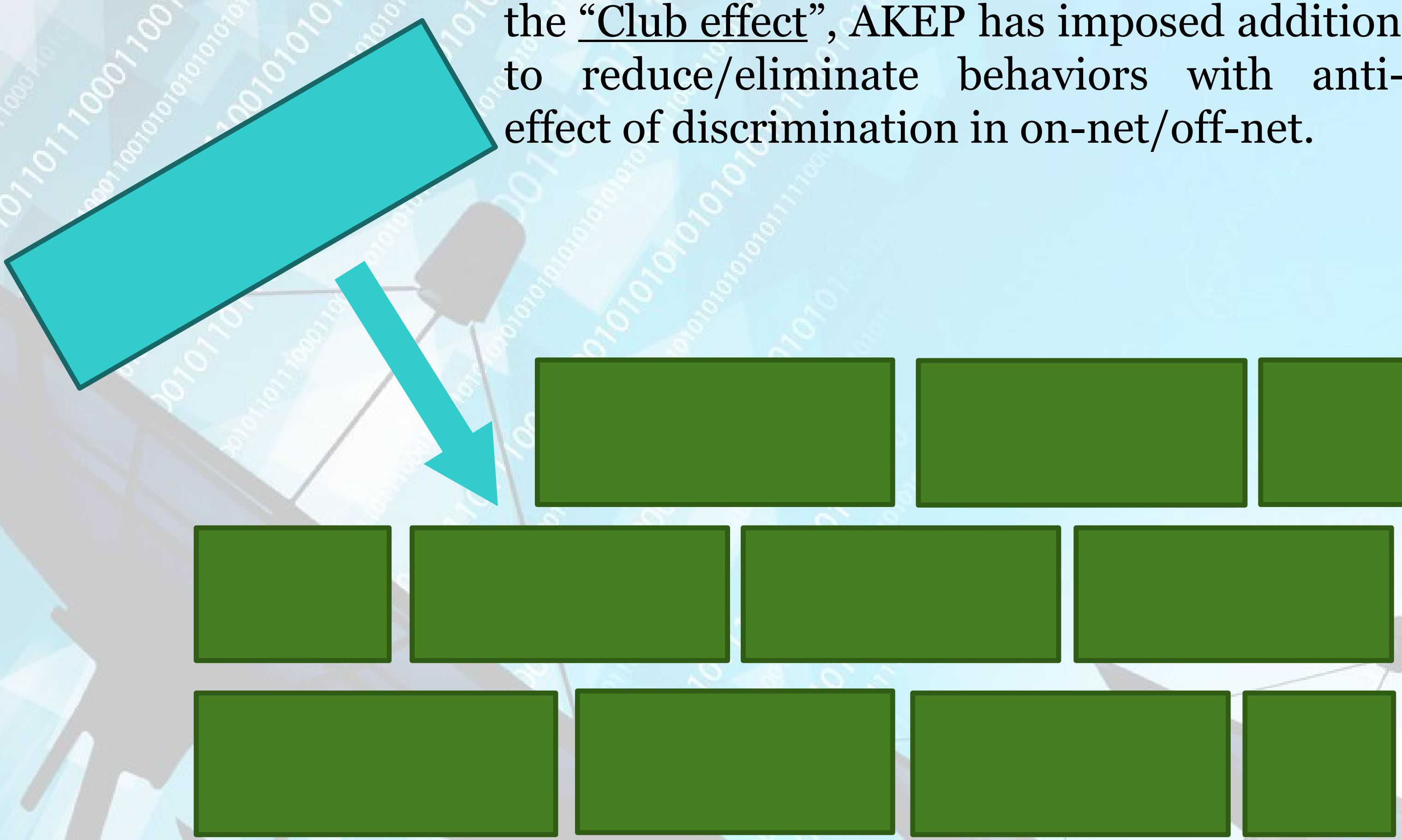
4 MNOs SMP

Wholesale Mobile Call Termination

• Transparency (RIO publication)	• Non-discrimination • Access	• Tariff regulation • Cost orientation

Market analysis(2/2014)

Based on the market analysis, in the recommendation of Competition Authority and the best practices to address the <u>“Club effect”</u>, AKEP has imposed additional measures to reduce/eliminate behaviors with anti-competitive effect of discrimination in on-net/off-net.



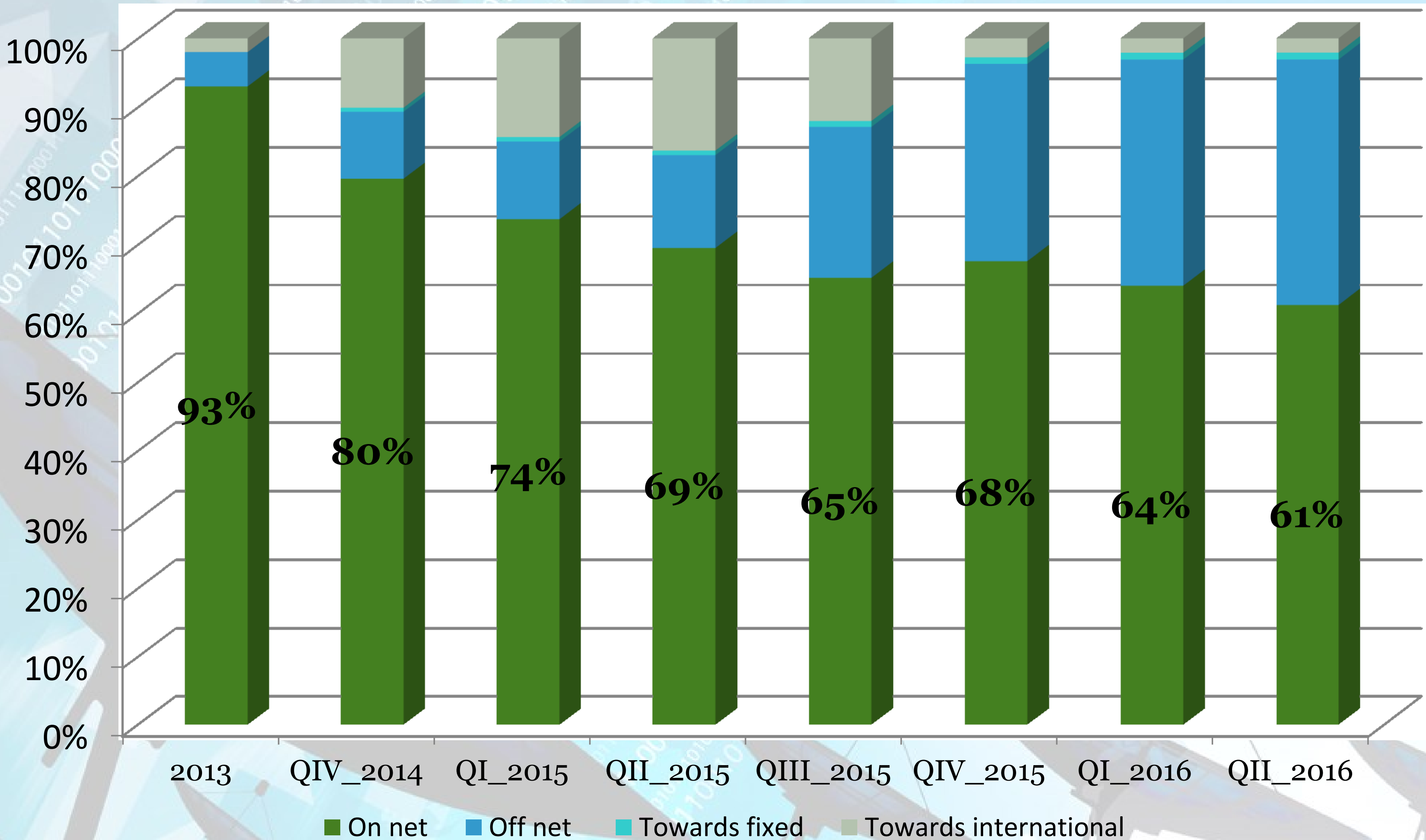
Market analysis(2/2014)

1. Further reduction of MTRs according to the benchmark method, using the average MTRs in BEREC countries that have applied the ‘pure LRIC’ method;

2. Internal non-discrimination in MTRs: prices for retail on-net calls not lower than off-net retail prices.

1. Further reduction of MTRs
2. Internal non-discrimination

Structure of Calls Originating From Mobile Phones 2013-QII 2016




THANK YOU