

4. PUBLIC FIXED TELECOMMUNICATIONS NETWORKS AND SERVICES

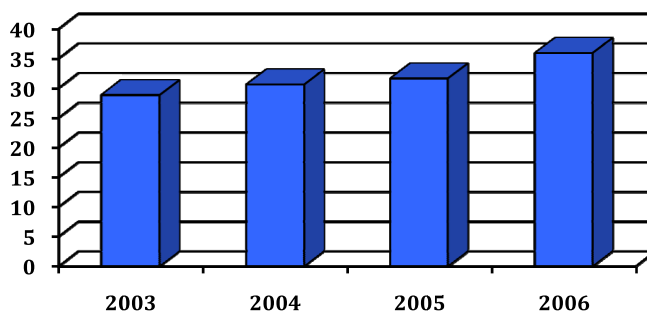
Telekom Srbija a.d. is the only public fixed telecommunication service operator. Since 2003, Telekom Srbija a.d. is in the ownership of two shareholders, Public Company of PTT traffic "Srbija" (80%) and OTE, Greece (20%).

Since Telekom Srbija is the only public fixed telecommunication service operator, on 24 March 2006, pursuant to the Telecommunications Law, the Republic Telecommunication Agency declared Telekom Srbija an SMP. In this regard, the process of drafting a cost-based accounting system for SMP operators was initiated.

Revenue from fixed telephone service – EUR 426 mil.

The revenue from fixed telephone service in 2006 was increased by 13.6% compared with 2005. In view of the fact that the growth in 2005 compared with 2004 was only 3.3%, this is a rather significant increase in revenue in the area of fixed telephony. (Figure 16.). The largest share in revenue is that of local and long distance calls, as much as 75%, while the share in revenue of international calls was 15% (Figure 17.). The annual revenue per user was RSD 13,193. Potential fixed telephony market involves over 3.2 million users. From current prospective, the expected growth rate by the end of 2010 is 5%. The planned annual investments in this area amount to EUR 350 million.

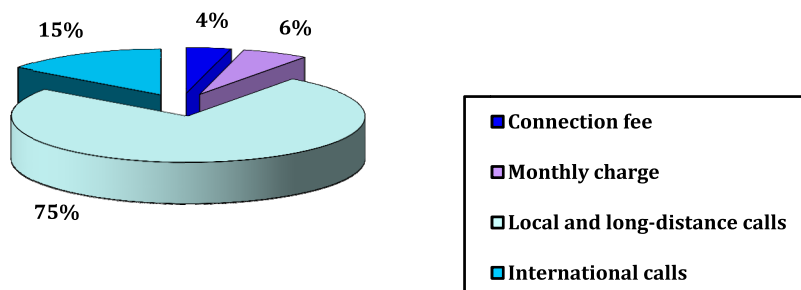
Figure 16. Growth tendency of total revenue from fixed telephone services (RSD mil)



Source: RATEL



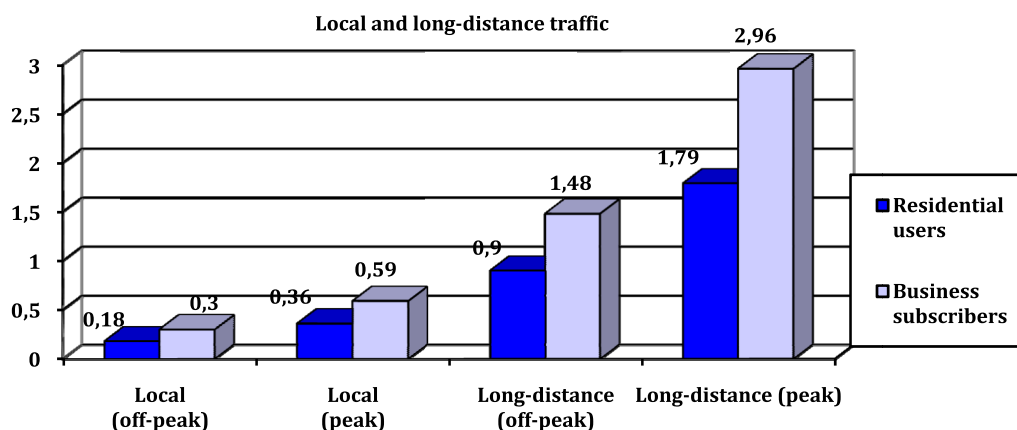
Figure 17. Distribution of revenue from fixed telephone services in 2006



Source: RATEL

For the most part of 2006, the monthly charge for analogue telephone extension was RSD 40.00 for residential users and RSD 38.39 for business users (VAT excluded). Based upon the Decision adopted by RATEL on request made by Telekom Srbija, on 1 November 2006 the monthly charge was raised to 74.75 RSD (VAT excluded) for both residential and business subscribers. Also, on 1 May 2006, the practice of free call units (150) included in the monthly charge was abandoned, except for those subscribers who spend up to 150 call units a month (they are paying only the monthly rental charge). The once-off connection fee remained unchanged, amounting to RSD 5,000.00 for residential users and RSD 10,000.00 for business users, (VAT excluded).

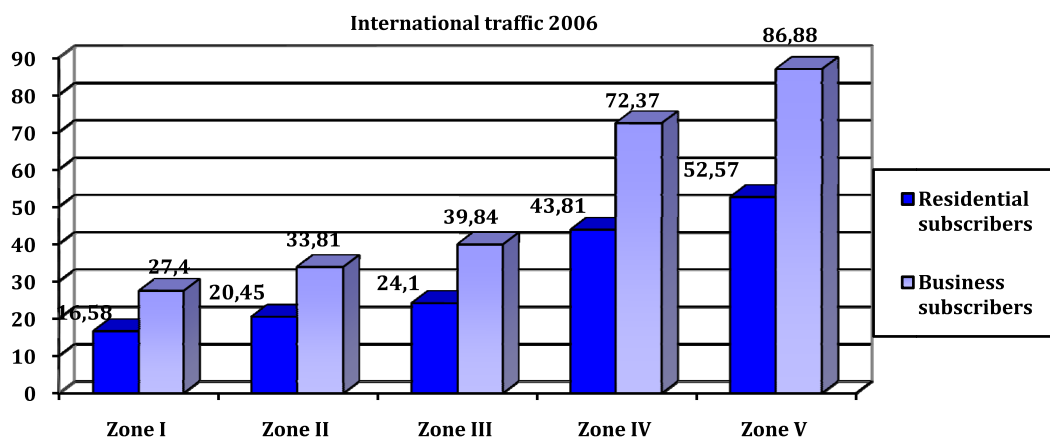
Figure 18. Prices of local and long-distance telephone services, VAT excluded (din/min)



Source: RATEL



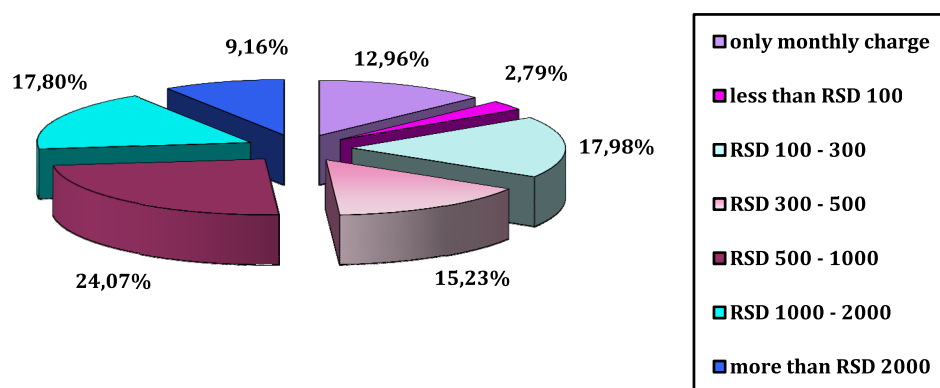
Figure 19. Prices of international telephone services, VAT excluded (din/min)



Source: RATEL

There were no major changes in the distribution of the number of users according to bills compared with the previous year. Approximately 13% of residential users are paying only monthly charges, whereas as many as 90% of users spend up to RSD 2,000 for fixed telephony services (Figure 20.). There are approximately 36% of business subscribers with a monthly bill of over RSD 2,000 (Figure 21.).

Figure 20. Distribution of residential subscribers according to monthly bill



Source: RATEL

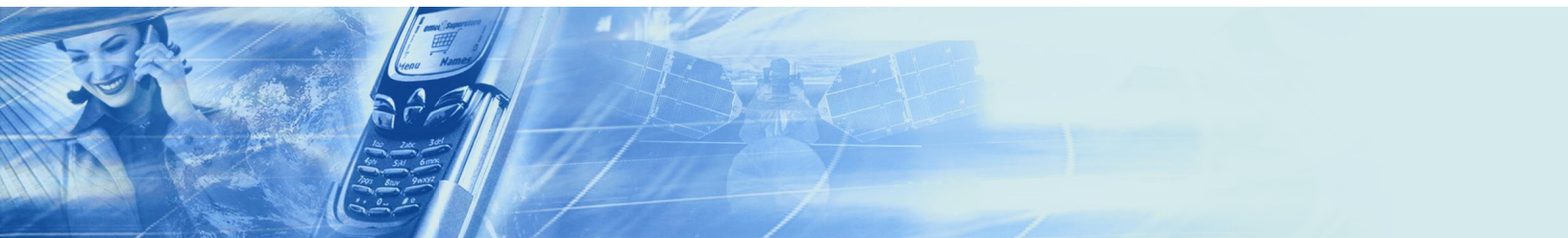
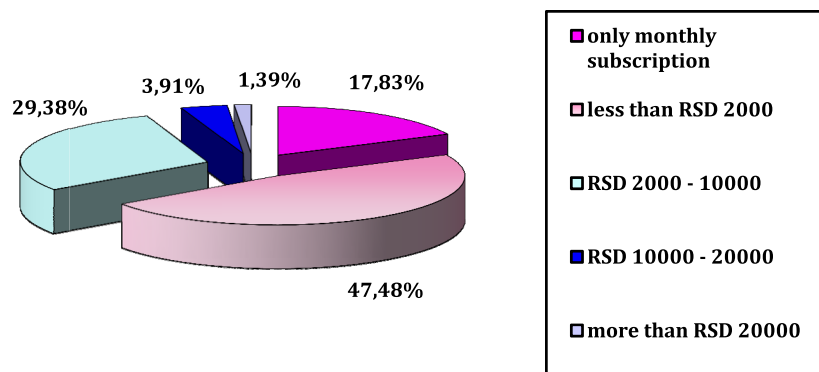


Figure 21. Distribution of business subscribers according to monthly bill

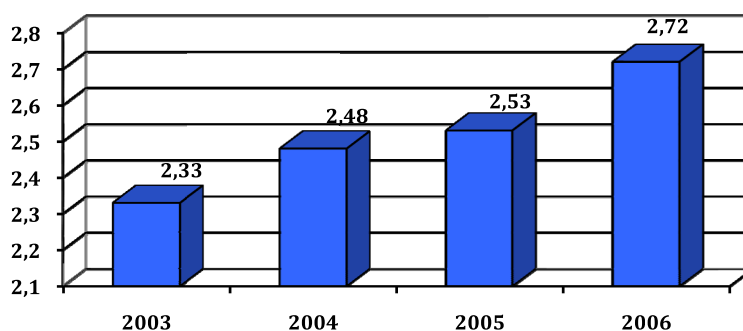


Source: RATEL

The number of subscribers increased by 7.5% compared with 2005 and amounted to 2.72 million, and the number of party lines was reduced by 23.66%. Almost 90% of the total number of subscribers are natural persons. Digitalization rate achieved the amount of 88.90%. Mean value of direct line percentage in towns was 86.87%.

2.72 million subscribers

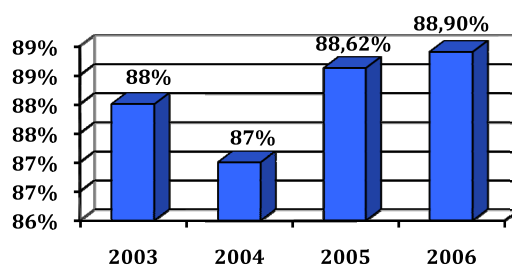
Figure 22. Number of subscribers (mil.)



Source: RATEL



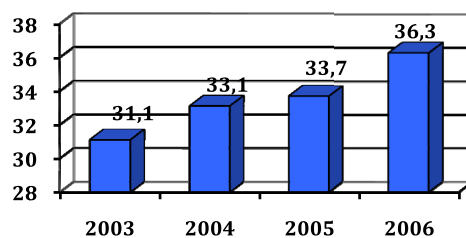
Figure 23. The share of natural persons in the total number of subscribers



Source: RATEL

Fixed network penetration reached 36,3, which corresponds to the average in the region.

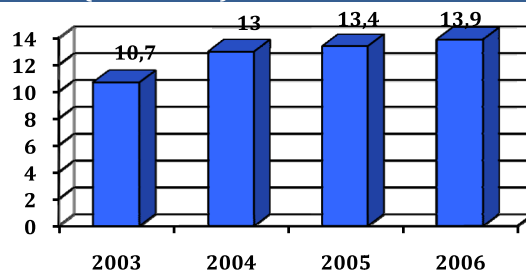
Figure 24. Fixed network penetration



Source: RATEL

Figure 25. indicates that the number of payphones in 2006 increased from 13.4 to 13.9 thousands. However, the share in total telephone service revenue is only 0.92%.

Figure 25. Number of payphones (thousands)

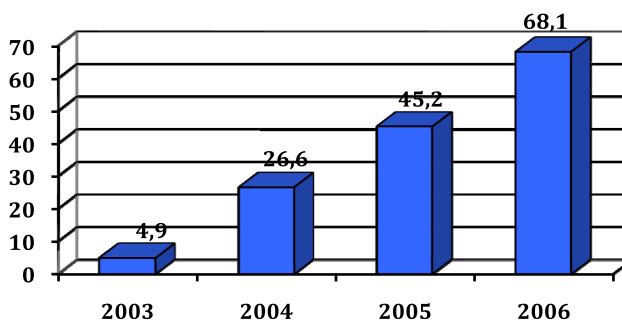


Source: RATEL



Figure 26. shows a growth trend in ISDN connections in the last four years. At the end of 2006 there were 68 thousand subscribers, which is an increase of over 50%. More than 97% of subscribers have a basic rate access, whereas the other users have primary rate access.

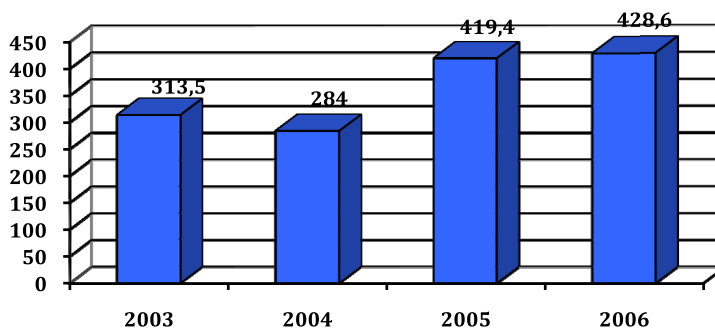
Figure 26. Total number of ISDN subscribers (thousands)



Source: RATEL

As for the quality of service, the number of unsolved requests for new fixed lines was more than 429 thousand, which is an increase compared with 2005. This problem is attributed to the fact that the capacity of analogue telephone exchanges cannot be increased and, in addition to this, in some localities new telephone exchanges need to be set up. The number of malfunctions on 100 lines was 52, and the percentage of malfunctions repaired within 24 hours was 34.8%.

Figure 27. Number of requests for new telephone lines (thousands)

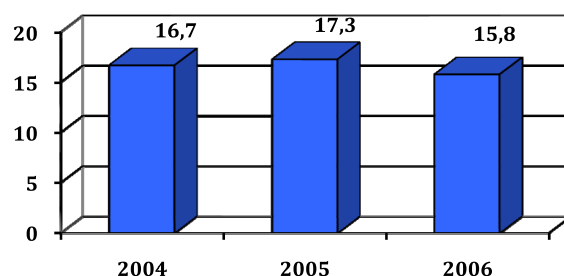


Source: RATEL



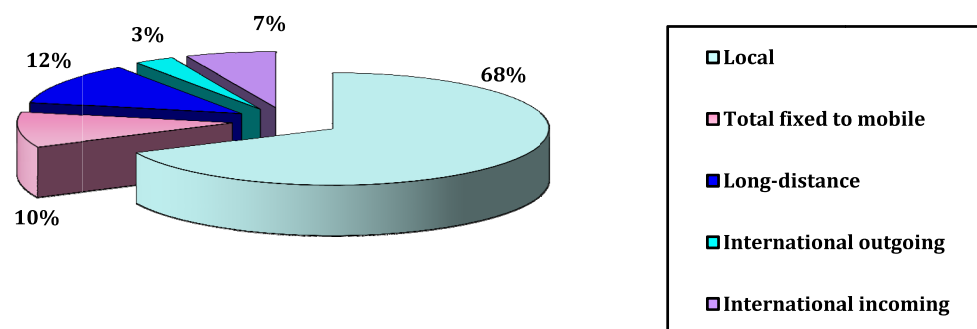
The total fixed network traffic in 2006 is estimated to 15.8 billion minutes, which is a decrease of 38% compared with the previous year (Figure 28.). The total number of minutes of fixed network traffic is estimated on the basis of data from the exchanges where it is possible to register the consumed call units or minutes. Such data are extrapolated according to the total number of users in the network. A new tariff system was introduced in 2006, which resulted in a different distribution of call units (local/long-distance) and therefore in approximation of consumed minutes. In addition, there was a significant decrease in the number of consumed call units/minutes from fixed to mobile network due to a reduction in prices of calls in mobile networks. Because of modified conditions of traffic measuring/recording compared with the previous year, the data are not comparable (without a detailed analysis). 68% of total traffic goes to local telephone traffic, and only 3% to international outgoing traffic (Figure 29.).

Figure 28. Total traffic (billions of minutes)



Source: RATEL

Figure 29. Distribution of fixed network traffic in 2006



Source: RATEL