

2006 ANNUAL REPORT

INTRODUCTION

In the Republic of Serbia, the process of liberalization and elimination of monopoly in telecom sector, as well as the beginning of harmonization with the EU legislation began with the adoption of the Telecommunications Law in 2003. The necessary condition for the implementation of this law was the establishment of the Republic Telecommunication Agency. In late May 2005, the National Parliament of the Republic of Serbia elected the Managing Board of the Republic Telecommunication Agency (RATEL), which provided, within the legal timeframe, all necessary conditions for RATEL to become operational and begin with its work on 19th December 2006. Having rapidly resolved the initial problems concerning its functioning, in our view, RATEL successfully completed the business year of 2006, that this report is pertinent to.

RATEL's main task is to create conditions for open market and to provide equal opportunities for all participants of the telecom sector. Accordingly, RATEL's principle aim is to provide conditions for further development of the telecommunications sector and satisfaction of public interests through:

- ✱ Market regulation based on acknowledged economic principles,
- ✱ Promotion of competition, introduction of new operators and new services,
- ✱ Continuous enhancement of the quality of existing services,
- ✱ User protection.

In 2006, RATEL released a publication entitled **"AN OVERVIEW OF THE TELECOM MARKET IN THE REPUBLIC OF SERBIA IN 2005"** (presented to the public at TELFOR 2006). This overview is the basic document for projecting the changes within the telecom sector in the Republic of Serbia during the following period.

RESULTS OF RATEL'S WORK IN 2006

Compared with 2005, when RATEL began its mission of telecom market regulation in RoS at the very end of the year, 2006 may be defined as the first and very successful business year for this Agency. All this is firmly confirmed by the following overview of business performance accomplished in the period from 1st January to 31st December 2006:

- Having regulation of telecom sector as its objective, RATEL adopted most of the required bylaws. So far, more than 25 Rules have been published in the *Official Gazette of RoS*. The Rules regulate: management, planning, usage, control and monitoring of frequencies, technical inspections, standards and certificates, service provision (voice services, Internet, cable distribution systems, etc.) A part of the Rules on numbering has also been adopted and the preparation of the Rules on telecom networks, interconnection and universal service is underway.
- On the initiative of the Agency and as a result of great effort of RATEL's Advisory Council, in October 2006, the Government of RoS adopted the Strategy for the Development of the Telecommunications Sector in the Republic of Serbia from 2006 until 2010.
- Frequency Allotment Plan for analogue FM and TV stations was proposed and adopted.
- Numbering Plan for telecommunications networks was proposed and adopted.
- The License for mobile network and services issued to "TELEKOM SRBIJA" Joint Stock Co. was replaced.
- Together with the Privatization Agency, RATEL participated in the sale of the company Mobi 63 and, thus, made possible the biggest foreign direct investment in the RoS not only in 2006, but in the entire period from 2000-2006.
- The License for mobile network and services was issued to Telenor ASA, Norway.
- The public bidding procedure for the issuance of the license to the third mobile operator was completed and the achieved price of 328 million euro was another foreign direct investment and the revenue to the budget of RoS. It should be noted that this is the highest price achieved for a mobile license in the whole region.
- The License for mobile network and services was issued to Mobikom Austria, Austria.
- Based upon RBA tender, licenses were issued to 5 TV and 5 radio stations with national coverage.
- Based upon RBA tender, licenses were issued to 6 TV and 14 radio stations for the area of the city of Belgrade.
- 150 Internet providers were registered in the Agency register, and 95 of them have been granted work authorization.

- ✱ 67 cable systems operators were registered in the Agency register and 47 of them were granted work authorization.
- ✱ More than 5000 radio station licenses were issued.
- ✱ More than 500 technical permits – certificates were issued.
- ✱ More than 100 technical inspections were performed.
- ✱ A comparative overview of the number of users, as well as the penetration level of public fixed telecom network, public mobile telecom network, Internet, cable systems and broadband services for 2005 and 2006 is given in the Appendix. These comparative overviews clearly indicate an increase in the number of users of all types of networks and services, which was undoubtedly aided by the establishment and great involvement of the Republic Telecommunication Agency.
- ✱ More than 800 approvals for import of goods were issued.
- ✱ A new plan for digital broadcasting was co-ordinated, enabling the coverage of the territory of Serbia with up to 48 different TV programs, and between 12 and 16 radio programs. (RRC-06 Conference in Geneva)
- ✱ Participation and work in a number of bilateral and multilateral meetings concerning international coordination for analogue and digital broadcasting.
- ✱ Contacts with other regulatory agencies from all countries in the region were established, as well as with relevant national and international institutions.
- ✱ Since late September 2006, RATEL has been officially registered with the International Telecommunication Union in Geneva, on behalf of the Republic of Serbia, as the representative for the regulatory issues.
- ✱ Today, RATEL collaborates with more than 1000 clients.
- ✱ Finally, during 2006, RATEL was very successful on the financial level as well, realizing the total revenue of almost RSD 405 million and total expenditure of RSD 275 million. Since, under the Telecommunications Law, RATEL operates as a non-profit organization, the surplus of approximately RSD 115 million will be paid into the budget of RoS once the financial statements have been audited.

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RATEL's ACTIVITIES IN THE FOLLOWING PERIOD

Pursuant to the Telecommunications Law, in performing the activities under this Law, RATEL is required to provide for the application of the Strategy, which has been adopted by the Government, thus enabling the fulfilment of the general public interest contained in the Strategy. In accordance with the Conclusion on the current state of the telecommunications development, the Strategy, inter alia, states that: "In terms of regulations governing the telecommunications sector, formal conditions have been created for de facto elimination of monopoly in telecommunications, liberalization and establishing a competitive market" and also that "...the development and regulation of the telecommunications infrastructure and services market are in the authority of RATEL." Accordingly, RATEL's Managing Board decided that the following activities will be crucial for the forthcoming period:

Pursuant to the Strategy, direct activities of RATEL in the following period will be:

- ✱ Rational usage of the frequency spectrum;
- ✱ Establishing of universal service fund and full availability of universal service.
- ✱ Interconnection. The issues concerning international interconnection, leased lines and telecommunication ducts.
- ✱ Introduction of pricing according to cost-based principles.
- ✱ Uniform development of telecom infrastructure and gradual migration to advanced packet switched networks. In particular, the development of advanced networks, as well as of broadband and wireless Internet access needs to be provided.
- ✱ Harmonization and modernization of legislation.

On this occasion, RATEL's Managing Board and management would like to emphasize once again their openness to co-operation with all relevant expert and scientific institutions and companies which can help us accomplish RATEL's defined mission in the telecom market in RoS. In this regard, RATEL will also continue to utilize the opinions and recommendations of the Advisory Council. Furthermore, we wish to present our views and results and hear the reactions of the general public and, therefore, we will initiate a series of expert discussions and, finally, through an open dialogue with all participants of telecom sector, i.e. operators, providers and end users, we will seek to continue with the decision-making such as to enable us to bring this sector of the economy closer to the experience of the economically developed countries that we need to aspire to.

Belgrade, 4th April 2007

**THE MANAGING BOARD OF THE
REPUBLIC TELECOMMUNICATION AGENCY**