



7. RADIO AND TELEVISION PROGRAMME DISTRIBUTION

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AN OVERVIEW OF

TELECOM MARKET IN THE

REPUBLIC OF SERBIA

IN 2008

In the Republic of Serbia the following services of radio and television programme distribution are offered, depending on different platforms:

- Radio and TV programme distribution via cable network (coaxial, hybrid and optical) - CATV
- Radio and TV programme distribution via satellite (Direct to Home – DTH) Radio and TV programme distribution via MMDS (Multichannel Multipoint Distribution System) and LMDS (Local Multipoint Distribution System)
- IPTV radio and TV programme distribution via IP protocols
- Radio and TV programme distribution via broadcasting systems.

There were 79 operators registered for providing these services, the leading operator in radio and TV programme distribution in terms of the number of subscribers being the company Serbia Broadband – Srpske kablovske mreže (SBB), with the market share of 54%. Consequently, pursuant to the Law on Telecommunications and the Statutes of the Republic Telecommunication Agency (*Official Gazette of RS*, no 78/05), RATEL's Managing Board, in its session of 16 February 2007, passed the Decision on Designating the Public Telecommunication Operator with Significant Market Power for the Radio and Television Distribution via Cable Distribution Network, declaring the company SBB as the operator with significant market power. Accordingly, a special tariff regime is applied to radio and television programme distribution services and there is the obligation to apply the cost-based model in forming the prices of telecommunications services, meaning that SBB is required to observe the rules and conditions set out in the Rules on the application of the cost-accounting principle, separate accounts and reporting of a telecommunications operator with significant market power (*Official Gazette of RS*, no. 103/08) and the Telecommunications Law.

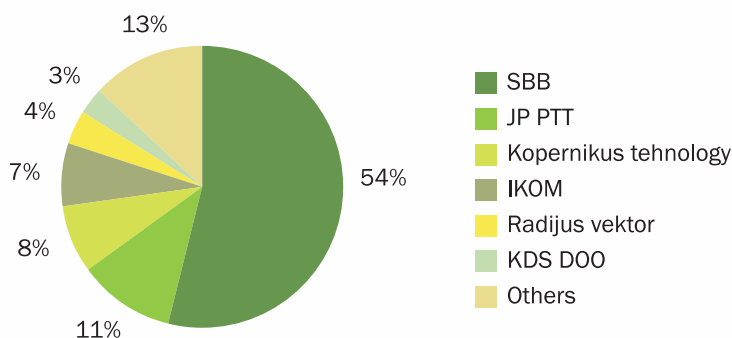


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Figure 64. Market Shares of the Leading Operators in 2008

Source: RATEL



**922 thousand
subscribers**

Beside SBB, significant players in the radio and television distribution market are companies Public Enterprise PTT – RJ KDS, Kopernikus tehnology doo, IKOM D00, Radijus vektor doo and KDS D00 Novi Sad. In terms of the number of subscribers, the share of these operators together in 2008 was around 86%.

The total number of subscribers continues to grow, exceeding 922 thousand in 2008 (including DTH subscribers), which is 37% more compared with 2007. Most subscribers are still connected to the hybrid (HFC) network, making available broadband Internet access in addition to radio and television programme distribution. Penetration was 12%, or 37% in terms of the number of households. According to the data of the Statistical Office of the Republic of Serbia the average household has three members, so that the number of potential users of CATV is estimated to 2.7 million.

In 2008, the total revenues from radio and television programme distribution increased by 49%, amounting to approximately 5.6 billion dinars. This increase was partly the result of the growth in the number of users, and partly of the rise in the prices of radio and television programme distribution by some providers. The biggest share in the revenues from the distribution service provision goes to the revenues from monthly subscriptions.

Figure 65. Total Number of Users (Thousands)/Number of Users per 100 Inhabitants

Source: RATEL

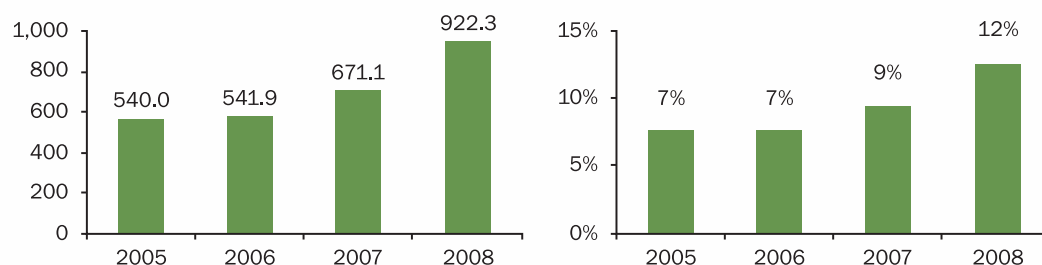
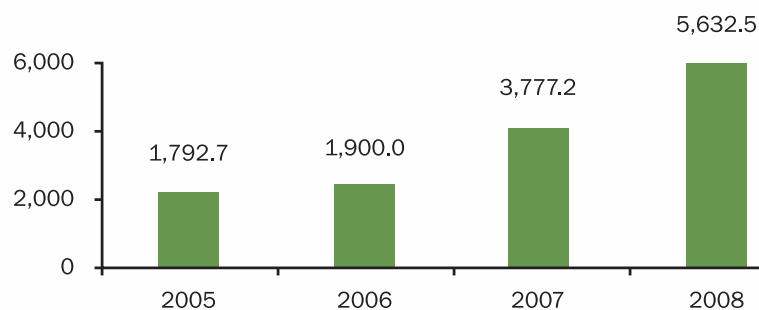


Figure 66. Increase in Cable Operators Revenue (RSD mn)

Source: RATEL

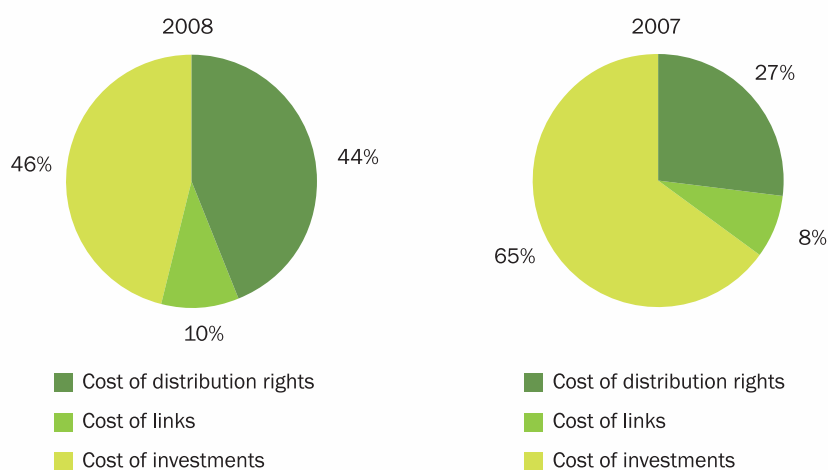


In 2008, the total costs of copyright and related rights and redistribution rights amounted to approximately 1.53 billion euros, which is an increase of 80% compared with the previous year, whereas the rights for links increased by 50%, amounting to 4.5 million euros. The total investments in the radio and television programme distribution were reduced by around 20%, amounting to approximately 19.7 million euros.

Modern cable distribution system enables the providing of services other than radio and television programme distribution. The Strategy for the Development of Telecommunications in the Republic of Serbia envisages defining technical conditions for network building and operators' work. Particular attention is given to the importance these networks have for the enhancement of competition in the area of access networks, since cable distribution system is a realistic alternative for voice transmission and the Internet access.

Figure 67. Costs Allocation (%)

Source: RATEL



Until two years ago, networks for television and radio signal transmission were using only coaxial cable technology. However, hybrid networks have become dominant in the past two years and the fact that optical cables are used for signal transmission is particularly important, since they have technical characteristics which are on a considerably higher level in respect to those of coaxial cable.

The investments of the operators in the existing networks contributed to rise in the quality of service and the number of users. It is estimated that the number of subscribers in the radio and television programme distribution market in the Republic of Serbia could grow significantly if the current investment dynamics continues. The investments would contribute to the enhancement of networks and a wider set of services offered to subscribers (cable Internet, but also the possibility for some of the cable operators to begin with the voice service provision).

The development of satellite distribution (DTH) promotes competition within the radio and television programme distribution market, since there is interest for such service not only among the users in the areas without cable ducts, but also with the users in urban areas. During 2008, draft Rules regulating the provision of this service were prepared and the adoption procedure was initiated.