

## Regular Press Conference

# RATEL TWO AND A HALF YEARS LATER

- INTRODUCTION
- WORK RESULTS IN THE PREVIOUS PERIOD
- 2007 TELECOM MARKET OVERVIEW
- 2008 BUSINESS PLAN

The beginning of the liberalization process and cessation of the monopoly in the telecoms sector in the Republic of Serbia (RoS):

- Adoption of Telecommunications Law in mid 2003
- Appointment of the members of the RATEL's Managing Board by the Parliament of the RoS,
- On 19 December 2005, RATEL becomes functional and officially operational – within the time limit stipulated by the Law
- 2005 & 2006 – early years
- Business 2007 was concluded rather successfully

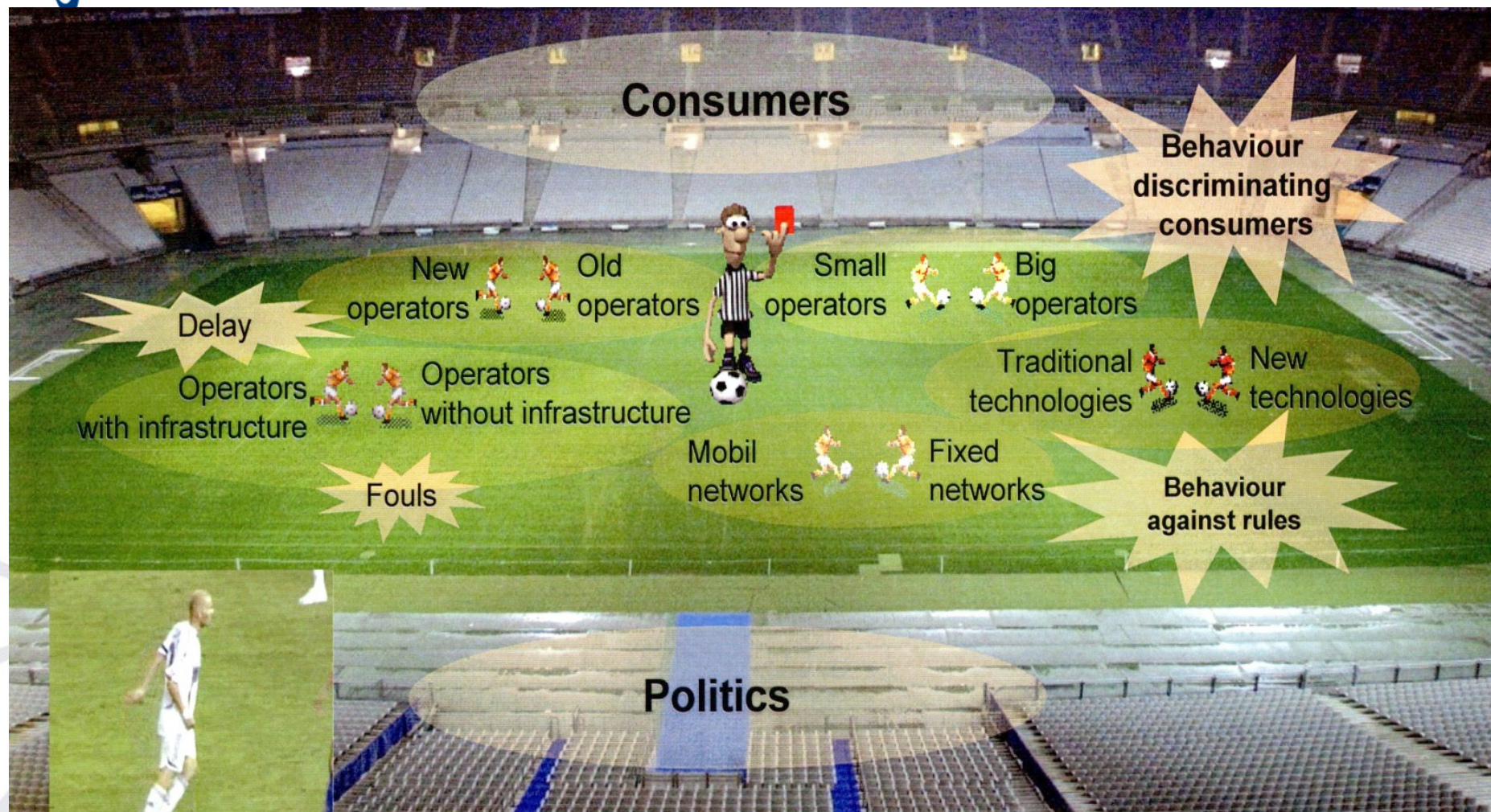
The basis for the RATEL's 2007 Framework Business Plan:

1. Telecommunications Law (*Official Gazette* nos. 44/03 and 36/06)
2. Strategy for the Development of Telecommunications in the Republic of Serbia from 2006 until 2010 (*Official Gazette* no. 99/06)
3. Strategy for the Development of Information Society in the Republic of Serbia (*Official Gazette* no. 87/06),
4. National Strategy for the Economic Development in the Republic of Serbia 2006-2012 (adopted by the Government of the Republic of Serbia).

RATEL's prime objective: to provide conditions for the further enhancement of the telecoms sector and fulfillment of the public interest. Necessary activities:

- market regulation based on the generally acknowledged economic principles,
- competition fostering by introducing new operators and new services
- constant improvement of the QoS for the existing services
- user protection





Source: Austrian Regulatory Authority - RTR

The publication:

## **An Overview of the Telecom Market in the Republic of Serbia in 2006**

(presented to the public at TELFOR 2007)

Basic document for projections of changes  
in the telecom market in the Republic of Serbia  
in the following period





### Successful business year 2007

01.01. - 31.12. 2007 Business performance  
overview by segments:

- Telecom networks and services
- Broadcasting
- Telecom market regulation



## TELECOM NETWORKS AND SERVICES

Promotion of competition in the telecoms sector:

- Drafted regulations and initiated procedures for the introduction of the new technologies and services
- Stimulation of competition in the areas of the telecom sector which have been closed by now
- Additional development of competition in the areas where it is already present

## TELECOM NETWORKS AND SERVICES

### Mobile:

- All necessary regulations in place
- Conditions fulfilled for introducing 3G mobile telephony, which enables high rate internet transmission and TV signal transmission
- Significant cut down in prices for mobile services, plus new services for end-users – direct consequence of competition
- Result of the open market – as of 17.04.2008 the forth player in mobile telecom market.

## TELECOM NETWORKS AND SERVICES

Opening of fixed and mobile telecoms markets – regulations adopted:

- Numbering Plan for Telecommunications Networks
- Rules on Managing the Numbering Plan for Telecommunications Networks
- Decision on the amount of the annual fee for usage of the assigned numbers and addresses from the Numbering Plan (numbering is a limited resource)
- Rules on general terms and conditions for interconnection of the public telecom networks – sent to the Ministry of Telecommunications and Information Society for the opinion on compliance thereof with the Constitution and Law

## TELECOM NETWORKS AND SERVICES

Creating the conditions for competition in fixed telephony:

- Draft Frequency Allotment Plan for Fixed Wireless Access (FWA) systems in the frequency bands 3400-3600 MHz and 3600-3800 MHz – ensuring the development of broadband access
- Registration of those interested in providing services in these bands – large interest among the operators for introducing this technology

## TELECOM NETWORKS AND SERVICES

Stimulate competition through regulation and by launching the procedures for introducing new technologies and services (2):

1. Universal service (public voice service and low quality internet)
  - draft Frequency Allotment Plan for CDMA – PAMR radio stations in the frequency bands 411-416/421-426MHz,
  - registration of those interested in providing services in these bands completed.
2. Possibility of free provision of telecom services of non-guaranteed quality
  - Rules on types of radio stations for which license is not required (*Official Gazette of RoS* 26/07), in frequency bands 2.4 and 5.5 GHz,
  - 133 providers registered for this type of internet service provision.



## TELECOM NETWORKS AND SERVICES

Introducing competition in wholesale services:

1.Principles on cable ducts sharing - adopted and published

2.Adoption underway:

- draft Rules on conditions and procedure for the issuance of authorization to a public telecom operator to interconnect national telecom network with a telecom network in another country

- draft Rules on conditions for the issuance of authorization for public telecom networks and the contents of the authorization

- draft Rules on conditions for VoIP service provision – defining the conditions for VoIP communication without using the numbers from the Numbering Plan

## TELECOM NETWORKS AND SERVICES

With purpose of adopting necessary regulations for the application of new technologies in cable distribution systems, a public call was launched to register those interested in applying satellite telecommunications for TV signal transmission:

- DTH (Direct-To-Home television),
- MMDS (Multichannel multipoint distribution service),
- LMDS (Local multipoint distribution system).

Issued in 2007:

- 64 authorizations for the internet service provision
- 32 authorizations for the radio and TV programs distribution service provision via cable distribution network

Data in late 2007:

- 159 ISPs
- 79 cable operators

which are holders of authorisations issued by RATEL

## TELECOM NETWORKS AND SERVICES

1. In 2007 RATEL became a full member of the European Telecommunications Standards Institute (ETSI) – direct implementation of ETSI standards in RATEL's work enabled.

2. Standardization:

- Design instructions and the set of technical requirements for fixed and mobile telecom systems and facilities was adopted

- Over 1600 technical permits – certificates were issued technical (cf. around 500 issued in 2006).

3. Radiation protection:

- over 1000 approvals for import of goods granted, following the verification, mostly mobile phones, radio stations, broadcasting transmitters, receiving antennas and GPS devices (cf. around 800 approvals for import of goods granted in 2006)

## BROADCASTING

### 1.Objectives:

- Resolving the issue of the limited number of broadcasters
- Significant increase of broadcasters

### 2.Initiative: joint work of the following institutions:

- Ministry of Culture
- Ministry of Telecommunications and Information Society
- Republic Broadcasting Agency
- Republic Telecommunication Agency.

### 3.Activity:

- Prepare bylaws necessary for the operation of digital television (DTV) and regulations for using IPTV technology (digital TV transmission via internet)



## BROADCASTING

At RATEL's initiative, in August 2007 the Republic of Serbia signed:

- Final Acts of the CEPT multilateral MA02revCO07 meeting,
  - Final Acts of the CEPT T-DAB planning WI95revCO07 meeting,
- thereby joining the European agreements pertaining to digital broadcasting, enabling the usage of 1452-1492 MHz frequency bands for digital radio.

## BROADCASTING

Following the Public Tender carried out by the Republic Broadcasting Agency for regional radio and TV broadcasters, licenses were issued to:

- 24 TV broadcaster with regional coverage
- 21 radio broadcasters in FM band with regional coverage

Total number of issued licenses for radio stations in all frequency bands is over 10 000 (cf. around 5 000 issued in 2006).

## BROADCASTING

Spectrum monitoring:

- daily spectrum monitoring of radio stations from fixed locations in the spectrum monitoring centres “Beograd” and “Nis”
- periodical measuring on the territory of the RoS from the spectrum monitoring vehicles
- number of performed measurings in 2007 was: 8386
- total number of files processed by telecommunications controllers: over 800.

## TELECOM MARKET REGULATION

1. Telecom market regulation = prevention of anticompetitive practices
2. Price control using cost oriented model - the implementation requires time.

In 2007 RATEL published:

- Platform for drawing up the Rules on the application of the cost-accounting principle to a telecommunications operator designated as having significant market power

3. Prevention of anticompetitive practices – declared SMP operators:

- Telekom Srbija for public voice service
- SBB for cable distribution service
- tariff rebalance performed with the two operators, not fully based on the cost accounting principle, but on a benchmarking analysis.

## RATEL's FINANCIAL PERFORMANCE IN 2007

2007- a very successful financial year

–total revenues: around RSD 723 million

–total expenditure: RSD 490 million

–surplus: RSD 232 million

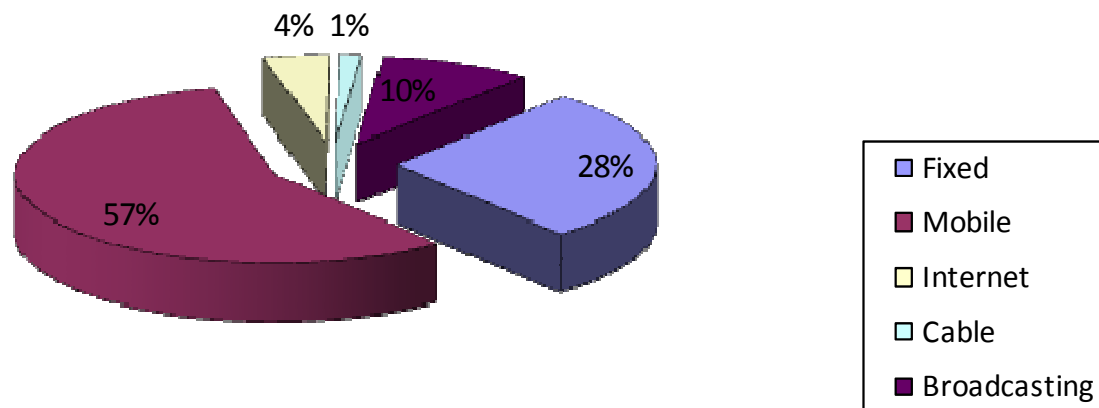
Pursuant to the Telecommunications Law, RATEL is a non-profit organization and its surplus goes to the Budget of the Republic of Serbia and the Autonomous Province of Vojvodina once the financial statements are audited.

The report of the certified auditor – positive evaluation of business.



## ALLOCATION OF REVENUE

Total revenue ca. €1,47 bn. (10% more than in 2006)



Source: RATEL  
data on 31.12.2007

## FIXED TELEPHONE NETWORK

|  | <b>2005</b>      | <b>2006</b>      | <b>2007</b>      |
|--|------------------|------------------|------------------|
| <b>Number of users</b>                                   | <b>2 527 300</b> | <b>2 719 400</b> | <b>2 854 550</b> |
| <b>Penetration (%)</b>                                   | <b>3.70</b>      | <b>36.30</b>     | <b>38.01</b>     |
| <b>Digitalization rate(%)</b>                            | <b>83.60</b>     | <b>88.60</b>     | <b>93.31</b>     |
| <b>Revenue from telephone services<br/>(EUR million)</b> | <b>370</b>       | <b>426</b>       | <b>414.10</b>    |
| <b>Investments (EUR million)</b>                         | <b>83.90</b>     | <b>62.50</b>     | <b>165.90</b>    |

Source: RATEL  
data on 31.12.2007

## MOBILE NETWORKS

|                                  | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|----------------------------------|-------------|-------------|-------------|
| Number of subscribers            | 5 510 690   | 6 643 700   | 8 452 642   |
| Penetration (%)                  | 73.50       | 88.60       | 112.73      |
| Number of postpaid subscribers   | 705 734     | 938 036     | 1 689 193   |
| Number of prepaid subscribers    | 4 804 956   | 5 563 251   | 6 763 449   |
| Number of 3G network subscribers | /           | /           | 257 379     |
| Revenues (EUR million)           | 400         | 581.50      | 839.60      |
| Investments (EUR million)        | 0.445       | 103.90      | 210.00      |

Source: RATEL  
data on 31.12.2007

## INTERNET (1)

|   | 2005    | 2006      | 2007      |
|---|---------|-----------|-----------|
| Number of subscribers                   | 758 680 | 1 005 200 | 1 268 506 |
| Penetration (%)                         | 10.12   | 13.28     | 16.92     |
| Number of ISPs                          | 66      | 150       | 159       |
| Revenue from the internet (EUR million) | 19.30   | 26.60     | 59.30     |

Source: RATEL  
data on 31.12.2007

## INTERNET(2)

| Number of subscribers by access technology    | 2005    | 2006    | 2007    |
|---|---------|---------|---------|
| Dial-up                                       | 708 226 | 882 611 | 685 397 |
| ADSL  | 9 530   | 26 126  | 199 664 |
| Cable modem                                   | 23 956  | 54 598  | 87 731  |
| Wireless access                               | 1 049   | 21 968  | 36 059  |
| Mobile access                                 | /       | 9 687   | 257 379 |
| Other (ISDN, direct access, Ethernet LAN ...) | 13 914  | 10 210  | 2 276   |

| Broadband services                      | 2005   | 2006    | 2007    |
|---|--------|---------|---------|
| ADSL                                    | 9 530  | 26 126  | 199 664 |
| Cable modem                             | 23 956 | 54 598  | 87 731  |
| Wireless access                         | 1 049  | 21 968  | 36 059  |
| Other (direct access, Ethernet LAN ...) | 13 914 | 10 210  | 2 276   |
| UMTS (3G)                               | /      | /       | 257 379 |
| Number of subscribers                   | 40 500 | 121 600 | 583 109 |
| Penetration (%)                         | 0.54   | 1.62    | 7.78    |

Source: RATEL, data on 31.12.2007



## CABLE SYSTEMS

|  | <b>2005</b>        | <b>2006</b>    | <b>2007</b>    |
|--|--------------------|----------------|----------------|
| <b>Number of subscribers</b>                                     | <b>530<br/>500</b> | <b>541 900</b> | <b>774 012</b> |
| <b>Penetration</b>   | <b>7.00</b>        | <b>7.20</b>    | <b>10.32</b>   |
| <b>Number of cable operators</b>                                 | <b>/</b>           | <b>58</b>      | <b>72</b>      |
| <b>Revenue from cable distribution service<br/>(EUR million)</b> | <b>21.40</b>       | <b>22.70</b>   | <b>20.30</b>   |
| <b>Coaxial networks in cable distribution<br/>systems (%)</b>    | <b>/</b>           | <b>80.00</b>   | <b>10.60</b>   |
| <b>HFC network (%)</b>   | <b>/</b>           | <b>/</b>       | <b>75.60</b>   |

Source: RATEL, data on 31.12.2007

## TELECOM BASKET

| Service                           | Average bill * |           |
|-----------------------------------|----------------|-----------|
|                                   | 2006           | 2007      |
| Fixed telephone                   | 907.32         | 928.88    |
| Mobile telephone (prepaid)        | 488.63         | 351.92    |
| ADSL                              | 1 567.40       | 1 309.89  |
| Television (RTS subscription fee) | 300            | 350       |
| Cable                             | 404.73         | 563.04    |
| Average net income                | 21 705.00      | 34 471.00 |

*\*monthly*

Source: RATEL, data on 31.12.2007

## TELECOM SECTOR ENHANCEMENT

Coordination with relevant authorities – objectives:

- detailed elaboration of implementation dynamics for the Action Plan of the Strategy with special reference to the development of broadband networks
- prepare and carry out the public tender for license issuance for service provision using FWA
- prepare and carry out the public tender for license issuance for service provision using CDMA,
- prepare and carry out the public tender for license issuance for service provision using MMDS,
- cooperation in preparing the Strategy for introduction of digital TV

Development of telecom infrastructure and promotion of new services:

- consider regulatory measures and conditions such as to ensure investments in the development of modern telecommunications infrastructure in the underdeveloped areas,
- consider regulatory measures and conditions such as to ensure a speedy development of broadband networks
- enhance the work on creation of conditions and adoption of regulatory framework for the usage of the latest technologies and new services. Ensure the conditions for the application of VoIP, 3Play, IPTV, DTV, e-government services...
- consider the possibilities for number portability and carrier pre-selection for mobile operators, prepare relevant regulations
- study the effects of local loop unbundling on the business and telecoms development

# TELECOM MARKET MONITORING AND ANALYSIS

## Objectives:

- timely identification and prevention of anti-competitive behaviour
- promotion of competition

## Activities:

1. Systematic analysis and continuous monitoring of defined markets (pursuant to 1998 Regulatory Framework):
  - Fixed telephony markets,
  - Mobile telephony markets,
  - Leased lines markets and
  - Interconnection markets
2. Identification and monitoring of new markets according to the EU experience, within capacities
3. Adoption of a set of measures and bylaws to regulate markets with SMP operators

## TELECOM MARKET CONTROL

Tariff policy control, introduction of cost-based model and benchmarking analysis:

- Introduction of cost-based model according to historic costs, accompanied by adoption of relevant regulations (Rules), definition of dynamics and manner of application and definition of control procedures for the selected model
- Collection of information on cost allocation, calculations of cost price and selling price for single products and services according to the historic cost based model
- Benchmarking analysis of operators and tariffs in the defined markets and the markets of the surrounding countries
- Creation of tariff regime and control of its application, in particular for SMP operators
- Further elaboration of cost based principle in order to follow the experience of developed countries concerning competitive and non-discriminatory policy

## TELECOM MARKET CONTROL

### Introduction of the Universal Service (US):

- definition of collection mechanisms for the US Fund and USF management
- consideration of compensation mechanisms
- establishment of the USF
- definition and adoption of the set of basic US services.



## USER PROTECTION

- provide for the possibility of QoS control on behalf of users
- adopt principles and legal framework for user protection
- prepare adequate regulations within the Agency (quality protection, personal data protection, definition of user-operator agreement form, call centre)

## CO-OPERATION WITH OTHER INSTITUTIONS AND ORGANIZATIONS

Necessary activities for creating necessary conditions for an unhindered development of telecom market in the Republic of Serbia, providing the development of the information society, this being RATEL's principle role.

- co-operation with relevant government authorities, operators, providers, distributors, industry, scientific and educational institutions and consumer associations
- regular contacts and consultations with all participants of the telecom sector
- organization of public discussions, panel discussions and roundtables, in order to obtain expert and impartial conclusions on particular current issues.

# Thank you for your attention



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