



BULGARIA: Telecommunications Services and Equipment

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Summary

Bulgaria is a preferred location for international ICT firms who have launched software development and services activities in this Balkan country due to low-cost, talented, multilingual tech professionals, a stable macroeconomic environment, and favorable government policies. Bulgaria has a long tradition of excellence in IT skills - being known as the "Silicon Valley" of the former Soviet Bloc. Currently, there are over 4,000 actively operating ICT companies in Bulgaria. Most major U.S. IT firms are present, and new technologies and Bulgaria's EU membership are increasing market opportunities.

According to the latest report of the Communications Regulation Commission, the telecommunication market in Bulgaria in 2006 amounts to \$2,277 billion. The telecom market in 2007 value amounts to 12.5% of Bulgaria's GDP which is an increase of 5% compared to 2006. According to ISI Emerging Markets, the market of wireless telecom services will grow by nearly 20% in nominal value terms this year to more than \$1.23 billion despite the high usage base accumulated in the previous 4 years. The market of telecommunications technologies retained the pace of expanding in 2007 driven by cell-phone operators and Internet services mainly. Bulgaria's fixed penetration is the 2nd highest fixed penetration rate in Central and Eastern Europe. The decline in the fixed line business has been offset by the strong growth in the mobile and broadband segments. The telecom market in Bulgaria is dominated by the former state monopolist Bulgarian Telecom Company (BTC) and three mobile operators – alternative operators are also emerging. Bulgaria's market is developing towards the advanced stage with already 117.4 percent mobile penetration according to ISI Emerging markets. Internet market remains below average but outstrips neighboring markets.

The new opportunities in the Bulgarian ICT sector are based on talented human resources, mature software organizations and the direct access to global markets through the NATO membership (2004) and the European Union accession in 2007.

Market Overview

Bulgaria has one of the highest penetrations of telephone service in Eastern Europe, with around 38 subscribers per 100 inhabitants. The Bulgarian Telecommunications Company (BTC) owns Bulgaria's largest fixed telecommunications network. AIG Capital Partners, part of AIG Global Investment Group, officially acquired 90% of the country's main landline telecom BTC in block deals on the local stock exchange endorsed in mid-August 2007. BTC has launched Internet television services stationed on triple play technologies for transfer of voice, data, and video. The BTC will invest \$19.93 million in the digitalization of its fixed-line network. Digitalization must reach 75-81% by the end of 2008.

It is expected that the alternative telecoms will take 50% of the BTC traffic in the next few years. Twenty Bulgarian operators have been licensed to install and operate a network for fixed-line voice telephony. Despite the license, only a few operators have their own fixed infrastructure. The rest of the companies primarily offer VoIP services and have signed interconnectivity agreements. PC-PC telephony is becoming popular in Bulgaria as well. The move has led to lowering the tariffs for international and long-distance calls while having only a marginal effect on BTC's market penetration. 97.5% of the fixed line revenues are still generated by BTC. In 2005, Bulgaria has introduced the service of choosing different telecom operators to deliver domestic and international telephony. Four operators have initiated this service (Gold Telecom Bulgaria, Nexcom Bulgaria, Orbitel and Spectrum Net). Only 0.2% of the overall fixed-line service revenues are generated for these four operators.

The mobile penetration rate in Bulgaria is 117.4% of the population at end-June 2007. The mobile market in Bulgaria is still growing faster than any other telecommunications sectors. In 2007, three telecommunications

operators operate on the Bulgarian mobile cellular networks and services market - three GSM operators: MOBILTEL EAD with a trade name - MTEL, COSMO BULGARIA MOBILE PLC with a trade name GLOBUL and the BULGARIAN TELECOM COMPANY with a trade name VIVATEL.

Mobitel services almost 5 million SIM cards as of November 2007. The Austrian telecommunications operator TELECOM AUSTRIA AG paid \$1.95 billion to acquire 100 % of the Mobitel in June 2005. Mobitel uses the Pan-European digital GSM standard (900 MHz). Mobitel was launched in 1995. The second GSM operator, COSMO Bulgaria Mobile, launched operations in 2002. Globul services more than 3.5 million SIM cards as of June 2007. In 2004, BTC was granted a license for Vivatel, the third GSM operator. Vivatel launched operations in November 2005. Vivatel services about 873,000 SIM cards as of June 2007.

Bulgaria held tenders for 3G mobile network licenses and WiMAX Class A and Class B point-to-multipoint wireless license in 2005. The 3G licenses went to Mobitel (class A), BTC (class B) and Globul (class B). Bulgaria is likely to outrun Europe in development of third generation mobile services, the so-called UMTS, according to experts. One of the local 3G operators, Mobitel, launched its UMTS network in less than 6 months after receiving the license. Globul and Vivatel also launched 3G networks. However, it is expected that the 3G-service market will develop in three to five years.

In 2005, four point-to-multipoint licenses went to Max Telecom (class A), Transtelecom (class A), Nexcom (class B) and Mobitel (class B). Currently, they all are in the process of launching their services throughout Bulgaria. The fifth WiMAX telecom operator in Bulgaria Carrier BG will start offering its services during the next spring. Carrier BG alone will invest over \$140 millions in the next three years. Until 2009 the company will offer services in ten big Bulgarian cities, including the capital Sofia, Varna and Plovdiv. The demand for WiMAX equipment is substantial. It is expected that 20% of all Internet users will move into mobile WiMAX. WiMAX in Bulgaria will substitute the last mile segment and provide services in areas that do not have Internet access.

Bulgaria has about 12 Internet service providers who have their own networks. Cable and DSL broadband are now largely available and affordable. Since the Bulgarian Telecommunications Company provides affordable ADSL access, both business and private ADSL users increased. The market is certainly growing at very high speed in 2007 as practically all-new web users get broadband packages.

Current dial-up access speeds over regular lines generally offer a reliable but very slow connection up to 54,600 bps. LAN and cable Internet access are very popular in Bulgaria. Orbitel, TPN, Digital Systems, SpectrumNet, are some of the top Internet service providers. A recent survey of GfK shows that about 52% of all Bulgarians have access to Internet. 75% of Internet users are between 15 to 40 years old. Internet penetration in the capital city reaches nearly 50%. The Internet access market in Bulgaria amounts to \$74 million.

Bulgaria's broadcast and cable media are also expanding. There are 500 cable TV providers with more than 1.1 million subscribers or 53.6% of the households. Cable TV operators are upgrading their networks in order to be able to provide interactive services such as Pay Per View TV, Video on Demand, triple play, cable Internet and telephony services. These companies have entered the telecommunications services market. A number of companies are providing phone services using VoIP technology. Some of the bigger operators such as Cabletel) offer digital TV. There are two companies offering satellite television. In Bulgaria only the satellite television is fully digitalized at present. The Sector Policy in Communications foresees full digitalization of the cable television till 2010, full covering of the country with digital land television till 2015, inculcating of the digital broadcast system DAB till 2015 and digital broadcast fewer than 30 MHz (DRM) till 2020.

Best Products/Services

There is an expanded demand for U.S. providers of advanced telephone service solutions, as well as value-added telecommunications services. Other best prospect subsectors include Internet services, wireless and broadband Internet access technologies, cable television, and voice-over-Internet, routers, switches, access servers, equipment for mobile telephony, cable operators' equipment for transmission and fixed wireless equipment, equipment for WiMAX networks.

The full digitalization of the State's fixed-line network and the completion of the national 112 urgent number system are among the top-priorities of the Bulgarian government.

In 2008 the Nordic Investment Bank will finance a project for Development of telecommunication infrastructure for voice, data and video transfer for the Ministry of Interior. The loan is in the amount of \$51,45 million. The goal is to increase the institutional capacity of the Ministry of Interior.

Key Suppliers

Various firms from the US, Germany, France, UK, Sweden, China, Taiwan and Japan are represented on the Bulgarian market. The following companies are doing business on the telecom market: Cisco, Alcatel, Siemens, Nortel Networks, Huawei Technologies, Lucent Technologies, Ericson, Motorola, Microwave Networks, Transition Networks, ICONICS, Avaya, Harris Corporation, Sony, etc.

Trade Events

Sector-related exhibitions and conferences attended by Bulgarian ICT business
ICT Investment Roundtable, Sofia, Bulgaria - March/April - Annual www.ictalent.org
BAIT EXPO, Sofia, Bulgaria – November - Annual www.bait.bg
SYSTEMS, Munich - October - Annual www.systems-world.de
CeBIT, Hannover - March - Annual www.cebit.de
3GSM World Congress, Barcelona - February - Annual www.3gsmworldcongress.com
INFOTECH, Plovdiv, Bulgaria - September - Annual www.fair.bg
(International Exhibition of Information Technologies)

Resources

Communications Regulation Commission
www.crc.bg
State Agency for Information Technology and Communications <http://www.daits.government.bg/>
Bulgarian Telecommunications Company
www.btc.bg
Bulgarian ICT Cluster
<http://www.ictalent.org/>
Invest Bulgaria Agency
<http://investbg.government.bg/>
Internet World Stats. Usages and Population Statistics
www.internetworldstats.com/europa2.htm
ISI Emerging Markets
www.securities.com

For More Information

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