

INTERVIEW - Newcomers Unlikely To Bid in Bulgaria's Upcoming Mobile Permit Auction

SOFIA (Bulgaria), November 10 (SeeNews) - There is no sound business case for a newcomer to try to enter Bulgaria's wireless services market by fielding a bid for the frequency spectrum that will be auctioned next month, an associate director at Raiffeisen Investment's technology, media and telecommunications team said.

At the same time, the existing mobile carriers would do their utmost to protect their margin business, Armin Sterle told SeeNews over the phone.

"There is intrinsic motivation for all three to try to prevent the arrival of a new challenger."

In September, Bulgaria's telecoms operator said it will hold an auction on December 7 for a 15-year permit to operate an UMTS network with national coverage using individually assigned spectrum of 2x15 MHz (FDD) in the 2 GHz range. Bidding will start at 49.5 million levs (\$34.5 million/25.3 million euro).

Bulgaria, a country of 7.4 million, currently has three providers of mobile services - Mobiltel, part of Telekom Austria Group, Greek-owned Globul and incumbent telco BTC which operates on the segment under the VIVACOM brand.

Mobiltel is the clearcut leader with 5.3 million customers although its market share has been falling, edging down to 49.3% at the end of June from 50.2% a year earlier. Globul's customer base exceeded 4.0 million at the end of June, up 2.1% on the year. BTC's mobile arm entered the fray in late 2005.

According to Telekom Austria data, the mobile penetration in Bulgaria stood at 143.2% at the end of June.

Sterle said he would be very surprised if telecom groups like France Telecom or Telekom Slovenije [LJE:TLSG] - both already present in several countries in Southeast Europe (SEE) - make a play for a greenfield operation in Bulgaria where the market concentration is quite significant. Instead, he expects all three existing operators to participate in the tender in a bid to secure additional frequency spectrum.

"One very long shot is [Sweden's] Tele2 which would go for a greenfield operation as there have been some examples of this in the past. However, the Bulgarian market is not in their typical investment focus because it is already very mature, very penetrated."

Tele2 is present on one SEE market, Croatia.

Sterle said the starting price for the spectrum on offer in Bulgaria is otherwise not a huge entry barrier for potential investors but doubts the frequency allocation would fetch anywhere close to prices that are being paid on other markets like Serbia, for instance.

"Splitting the frequency spectrum on offer between the three existing operators would be an alternative to selling it to a single buyer although that would not be the desired outcome as far as the Bulgarian government is concerned."

The expert believes Mobiltel could be most motivated among the three to bid for the spectrum because of its commitment to launch a Long-term Evolution network but also because it would be a preventive measure to

avoid the loss of further ground to Globul.

(1 euro = 1.95583 Bulgarian levs)

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