

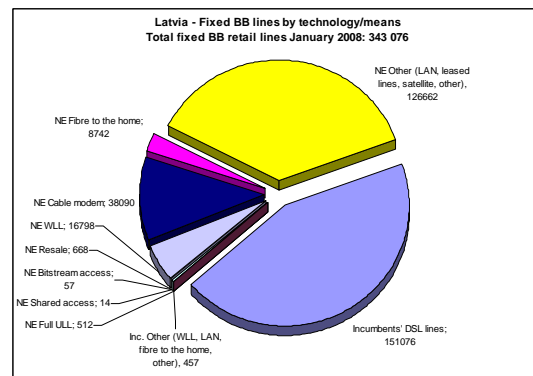
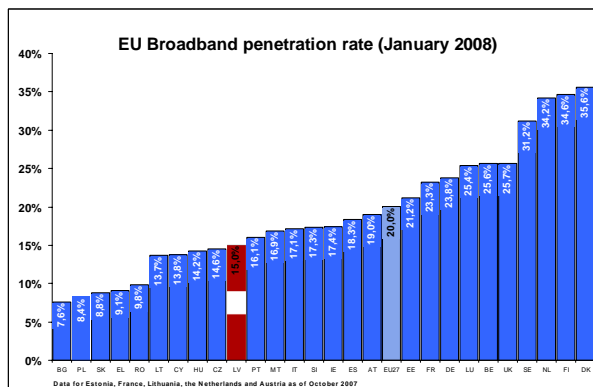


Towards a Single European Telecoms Market:

Focus on Latvia



Competition intensified in the Latvian Telecoms sector, and consumer prices dropped in 2007, despite strong general inflation above 14%. The broadband market experienced another year of strong growth (up 4.5 percentage points) to reach 15% in January 2008. There were major developments concerning number portability, universal service and implementation of caller location for calls to the European emergency number 112. Discussions were launched on the privatisation of the remaining government stakes in the fixed incumbent and in one of the two established mobile network operators that could lead to decisions in future with strong impact on the Telecoms market.



Progress

Continuing strong growth in broadband access

In 2007, Latvia's broadband market continued to demonstrate stronger growth than average growth in the EU. However, Latvia is still five percentage points below the EU average (20%).

This progress in broadband may in particular be attributed to the significant infrastructure-based competition in the capital region and urban areas where Ethernet and cable operators have a strong market presence.

First market analysis process completed

Last year, the national regulator, the Public Utilities Commission (PUC), completed the

first round of market analysis, as required by EU

Telecoms rules, and imposed remedies in a number of retail and wholesale markets that it had previously reviewed in 2006.

The market analysis process should now be properly followed-up by the Regulator in order to ensure that it brings the expected benefits for competition and consumers.

112 caller location in progress

Active work was underway in Latvia regarding caller location for calls to the European emergency number 112.

A new system for the transmission of caller location information from operators to emergency services was first made operational for fixed 112 calls, followed by its launch in respect of 112 calls from mobile phones at the end of the year.

Areas for Improvement

Number portability yet to take off

Despite reduction or elimination of inter-operator and consumers charges for the take-up of number portability, it has so far been among the weakest in the EU (0.8% of all mobile numbers ported compared to 9.3% in the EU).

Decisions taken in 2007 to ensure availability of number portability for pre-paid mobile users as of early 2008 are therefore significant and should result in a stronger take-up. This in turn should contribute to further increasing competition between mobile operators and consumer benefits.

Broadband gap in rural areas

Although Latvia's broadband penetration is rising rapidly, there is a serious gap between broadband availability in urban and rural areas. While urban areas benefit from strong infrastructure-based competition, this does

not appear to be the case in rural areas. Moreover, with the fixed incumbent's wholesale access business negligible, competition in this market segment remains limited.

Universal service

The issue of compensation for operators fulfilling Universal Service (US) obligations is still pressing. In this context, the regulator experienced difficulty with the designation of the US provider for the following year. Meanwhile, the current US provider submitted the first request for compensation of net costs incurred for providing the US in the previous year.

According to the new legal requirements, a specific compensation mechanism for the US obligations should be set up. Its introduction will be a significant test for Government's and Regulator's capacity to provide an appropriate solution for the Telecoms sector.



European Telecoms sector in Figures

Total value of sector	€300 billion
Total capital investment	€50 billion
Average broadband penetration rate	20.04%
Average mobile penetration rate	111.8%
Average 3G penetration	20%
Average mobile termination rates	€9.67 cents
Average incumbent's broadband market share	46.8%
Average decrease of mobile voice prices between 2006 and 2007	14%
Total Ported numbers in 2007	12 million

For further information

Information Desk:

Information Society and Media DG

Email: info-desk@ec.europa.eu

Tel: +32 2 299 93 99

Fax: +32 2 299 94 99

Europe's Information Society Thematic Portal:

http://ec.europa.eu/information_society

More information on telecoms:

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