

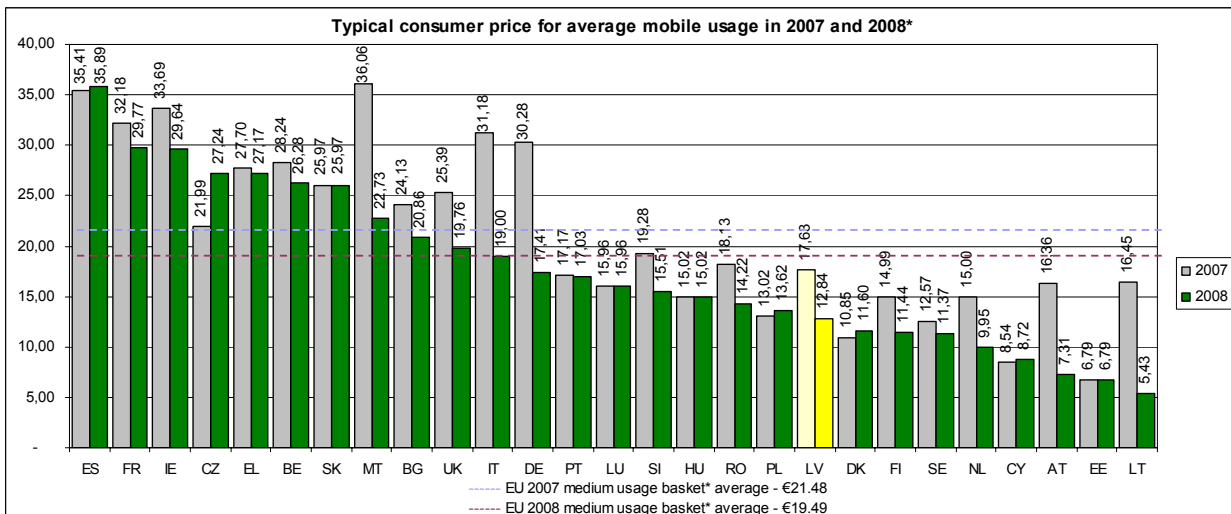


Towards a Single European Telecoms Market:

Focus on Latvia



Competition in Latvian mobile market remained strong and consumer prices continued to fall in 2008, with the monthly price for average phone usage falling by up to €5 to €12.84. Mobile number portability grew sharply after it also became available for pre-paid consumers. Take up of broadband internet slowed during 2008, widening Latvia's gap with the EU average. The implementation of the new rules governing the acquisition of rights of way was causing confusion and delays for operators. Moreover, the Commission launched an infringement proceeding against Latvia regarding its failure to ensure that national authorities exercising regulatory functions in the telecoms sector do not at the same time control state-owned companies providing telecoms services.



*The above table relates to the cheapest offer in the medium usage basket using OECD methodology as of 2006. It consists of 65 outgoing calls per month + 50 SMS messages + 2-3 MMS. 21% of calls are to fixed line phones, 72% to mobile phones, 7% to voicemail. Where appropriate, it includes monthly rental, and any registration charges (post-paid offers, in particular).

Progress

Increased competition in the mobile sector

Competition in the market for mobile phone and mobile data services remained strong and consumer prices continued to fall in 2008, particularly for businesses. The voluntary reduction of the fees that an operator charges to other operators for connecting calls from other networks to its subscribers (termination rates) by the new entrant mobile operator to the level of other Latvian mobile operators

also helped reduce consumer prices. The use of mobile data services (such as email) rose sharply, especially after introduction of flat rates. The amount of numbers ported between mobile operators by consumers more than doubled during 2008. Pre-paid mobile customers became able to change operators while keeping the same number in February 2008, and were more active in seeking the best available deals.

'112' caller location fully available

At the end of 2007 authorities implemented an automatic system for delivery to emergency

services of caller location information also in case of mobile emergency calls. In February 2008, the Commission therefore closed the legal case it had opened for infringement of EU 112 rules.

Better implementation of EU rules

The update of the Latvian Electronic Communications Law in July 2008 allowed the Commission to close an infringement proceeding on the introduction into the national law of EU rules concerning the consultation mechanism provided in EU telecoms law to ensure that decisions at national level do not negatively affect the single European market.

Areas for Improvement

Lack of separation of regulatory and ownership functions

In October 2008, the Commission launched an infringement case against Latvia because the Latvian Ministry of Transport appears to be exercising regulatory functions at the same time as it controls state-owned operators in



the telecoms market. This is contrary to the principle of 'structural separation' provided in EU legislation

Implementation of the new rules on rights of way

As of 2007, there are new rules governing the procedures under which operators get authorisation to install telecoms networks and network equipment ('rights of way'). However, these rules appear to be causing confusion and additional delays for the operators.

Regulation of Universal Service still incomplete

The Latvian authorities have still not implemented a long-discussed mechanism for compensating the unfair burden placed on the operators designated for providing Universal Service in telecoms (including, for example, phone directories and public phone booths). In 2008, this was used as a reason not to call for a new expression of interest to provide Universal Service but to simply extend the existing designation of the fixed incumbent.

TELECOMS SECTOR'S KEY FIGURES	 EU	 Latvia
Total value of sector (2007)	€356.85 billion	€730 million
Nominal growth of sector (2007)	2%	9.28%
Total capital investment(2007)	€52 billion	€120 million
Fixed broadband penetration rate January 2009	22.9%	17.4%
Mobile broadband (data cards) penetration rate January 2009	2.8%	0.4%
Mobile penetration rate	119%	95.6%
Average mobile termination rates	€0.0855	€0.0874
Incumbent's fixed broadband market share January 2009	45.6%	46.4%
Incumbent's market share in direct fixed access	81.4%	N/A
Total mobile ported numbers in 2008 only	14 million	34 847
Total fixed ported numbers in 2008 only	6.5 million	2 552
Average/typical broadband consumer price*	€36.89/month	€33.34/month
Average/typical mobile communication consumer price**	€19.49/month	€12.84/month
Average/typical fixed telephony communication consumer price***	€36.13/month	€25.02/month

* Median basket price for broadband (2-4Mbps offers) using purchasing power parity (PPP)

** Average "medium usage pre&post-paid 2006 OECD basket" price for mobile communications. The figure for Latvia refers to the cheapest available offer of the two largest operators on the market

*** Average "medium usage residential 2006 OECD basket" price for fixed voice communications

For further information

Full report on the Internet: http://ec.europa.eu/information_society/policy/ecommlibrary/communications_reports/annualreports/14th/index_en.htm

More information on telecoms: <http://ec.europa.eu/ecommlibrary/>

Europe's Information Society Thematic Portal: http://ec.europa.eu/information_society

Information Society and Media DG Information Desk: Email: info-desk@ec.europa.eu