

The free telecommunications market

The dynamic telecommunications market development in Poland is the result of market liberalisation. There have been three times as many telephone lines (fixed telephony) installed during the last decade than during the previous 45 years, and mobile telephony appeared 11 years after its world premiere: the first standard analogue network NMT (Nordic Mobile Telephone) was launched in 1981 and in Poland in 1992.

The free market means the end of the monopoly era. Naturally, subscribers who can pick and choose between the offers of the operators take advantage of this, though most often it relates to mobile (cellular) telephony.

According to the "Report on the state of the telecommunications market in Poland in 2009" published by the Office of Electronic Communications (UKE), the value of the Polish telecommunications services market, measured by the amount of revenues from the sales of services of the three major segments (fixed telephony, mobile telephony and Internet access) has been decreasing for several years. In 2009 they amounted to over PLN42 billion (by 4% lower than in 2008, and by 45% less than in the years 2005-2009). This trend is the result of a significant decrease in the value of the fixed telephony market. An exception are services provided in the VoIP (Voice over Internet Protocol) technology, from which the revenue (PLN119 million) increased by almost 35% in 2009 as compared to 2008.

However, the trend of an increasing market share of alternative operators has not changed - at the end of 2009 they had almost 29% share in total revenues derived from the provision of fixed telephony services.

Fixed telephony

The shortest description of the sector: total revenue - PLN6.4 billion (a 15% decrease compared to 2008), 9.1 million subscribers and 1.1 million subscribers using the services of the operator as part of Wholesale Line Rental (WLR) (Source: UKE).

In terms of revenues from the sales of voice services in the fixed-telephony sector, Telekomunikacja Polska SA (TP), which is the so-called incumbent, is still the market leader. It dominates because its share in this sector is over 40%. In 2009, it also owned over 73% of subscriber lines. From among alternative operators Netia had the largest share in the revenues from fixed telephony services, Telefonía Dialog had almost by a half less, and Polska Telefonía Cyfrowa and UPC Polska had more than 1%.

In the analysis of the fixed telephony market, cable television operators must also be taken into account, but not only these who offer a service called Triple Play, that is, cable TV, the Internet and telephone, and even quadro play, because mobile telephony is also provided. Of course, they do not operate throughout the country but in selected locations, but the number of their subscribers is growing, because the offer is competitive, and for all the services they pay a single invoice. They include Aster, Multimedia Polska, Sferia (the first in Poland and one of Europe's first mobile fixed telephony networks), UPC Polska and Vectra. For example, in 2010, the number of

Multimedia Polska users increased from 108,800 to 114,800. A major player is also Telekomunikacja Kolejowa (TK Telekom), which - due to the size and network bandwidth - is one of the largest backbone network operators in Poland (over 6,000 km of fibre optic cables and 22,000 km of copper cables).

Mobile telephony

The Polish mobile market can be defined - according to UKE - as a mature market, and therefore its development, measured by the growth of penetration, is not proceeding as rapidly as in previous years. Operators are more interested in the maintenance and maximum management of the existing customer base by introducing new services and promotional price reductions.

Infrastructure (Mobile Network Operator, MNO) and virtual (Mobile Virtual Network Operator, MVNO) providers operate on this market, offering services to their customers based on the ICT infrastructure owned by the MNO.

Poland's first digital mobile telephony network was Era, which was operated by Polska Telefonia Cyfrowa. The first test (non-commercial) base stations were launched during the Poznań International Fair in June 1996 (antennas in pavilion 23 and a platform car with a mast and antenna) and several base stations in Warsaw. The commercial launch of the network took place on 16 September 1996. In October 2006, PTC Era, as the first in Poland, commercially launched the HSDPA service. In the second quarter of 2011 its name will probably be changed to T-Mobile. The key MNO players include Plus (operator: Polkomtel) operating from October 1996, Orange Polska (operator: PTK Centertel, earlier, from 1998 as Idea) and Play (operator: P4, earlier, from 2007 as Netia Mobile), which is developing its own network.

In 2009, the value of the mobile telephony market, measured by the revenues of retail services operators, amounted to about PLN18.66 billion and was only by 1.6% higher than a year earlier. Virtually all of these revenues (99.84%) were earned by infrastructure operators. However, the market value, measured by revenues achieved by telecommunications companies from telecommunications activities at the end of 2009, amounted to approximately PLN42.2 billion (in 2005 - PLN37.7 billion). It is worth noting that in 2009 revenues from mobile telephony accounted for more than 44% of the revenues of the entire telecommunications market.

Currently, there are 6 MNOs, because in 2009, CenterNet (CenterNet Mobile wRodzinie) and Mobyland became MNOs. These companies signed a letter of intent for the mutual provision of infrastructure, and possible network connections and the creation of a single telecommunications operator. According to UKE the entry of CenterNet into the market has created a realistic chance of improving the competitiveness of the mobile market as a result of the planned expansion of its network by next base stations.

In December 2006, mBank mobile, the first MVNO network, debuted on the market, which was operated by emFinanse (now Aspiro).

MVNOs can be divided into entities operating on the telecommunications market and treating this business as a form of extension of their activities (e.g. Aster - bought by UPC Polska, Cyfrowy

Polsat and Netia), not connected with the telecommunications market, which activities in this area are merely a supplement, a kind of a loyalty programme (e.g. Carrefour) treated as their basic operations (e.g. Mobilking).

Before a business start-up it is necessary to make an entry into the register of telecommunications companies, kept by the president of the Office of Electronic Communications. Therefore, any special licences, permits or concessions are not needed to obtain professional rights. It is not surprising that the list of MVNOs, as reported in the registry on 2 February 2011, included... 312 entities!

A necessary condition for the actual commencement of providing services is primarily the conclusion of an agreement on cooperation and network availability with a mobile network operator with adequate telecommunications infrastructure.

On the market there are 14 MVNOs who - using the MNO networks - provide pre-paid, post-paid and business services (in Poland, as in the EU, the number of pre-paid services users is decreasing in favour of subscription users: from 58.2% in 2008 to 55.3% in 2009 - the highest share of pre-paid services users due to the strategies adopted by the operators occur in Italy and Malta). They include Aspiro, MNI Mobile (Ezo mobile, Snickers mobile), MNI Telecom (Simfonia), Mobile Entertainment Company (Mobilking), CP Telecom (Carrefour Mova), Cyfrowy Polsat, ASTER, Crowley Data Poland (CROWLEY TeleMobile), Netia (Netia Mobile) GG Network (GaduAIR), Telefonía DIALOG (diablo), INEA, FM GROUP Mobile and Hyperion (Hyperfonia). Avon Mobile (myAvon), Wirtualna Polska (Wp mobi) and Mediatel S.A. (telepin mobi) have resigned from the provision of MVNO services.

The share of MVNOs on the mobile telephony market, measured by the number of SIM cards, still remains marginal (in 2009 - 0.4%). The top positions are taken by the Mobile Entertainment Company and Aster, of which each achieved over a 20% share in the segment at the end of 2009. Aspiro and Cyfrowy Polsat (96,000 mobile service users at the end of 2010, an increase by 67,000) have a share of about 15% and CP Telecom- nearly 10%.

Infrastructure development

The total capital (including intangible assets, such as computer software) outlays (expenditure) incurred by telecommunications companies, excluding expenditure on R&D, licence fees and fees for frequencies in the telecommunications sector at the end of 2009, amounted to PLN7.5 billion, which is an increase of about 26% compared to 2005 and just 2% compared to 2008.

In 2009, the capital outlays of Telekomunikacja Polska, as well as the three largest mobile operators (PTC, PTK Centertel and Polkomtel), decreased (compared to 2005) - by more than 29% and nearly 6% respectively, and of Telefonía Dialog by 41%. However, at the same time Netia recorded as high as a 120% increase in investment compared to 2005, and UPC Poland - 118%.

The state of the telecommunications infrastructure in Poland, as well as its availability and coverage, is still very low, especially compared to other EU Member States. Legislative intervention

was necessary, resulting in the Act on supporting the development of telecommunications networks and services, passed by the Parliament on 7 May 2010. However, we will have to wait for its results.

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In 2009, TP had a 78% share in the revenues from local and zone calls, Netia - 9%, Telefonia Dialog - 4.7%.

TP had a 67.4% share in the revenues from long-distance calls, Netia - 15%, Telefonia Dialog - 5.7%, GTS Energis - 1.8% and Exatel - 1.1%. As for the revenues from international services, TP had a 58% share, Netia - 17.5%, Telefonia Dialog - 5.7%, GTS Energis - 3.1%, Exatel - 2.3%, Polkomtel - 1.4 % and Crowley Data Poland - 1.1%.

In the fourth quarter of 2010, there were 47.15 million active SIM cards (44.8 million in 2009) in Poland, representing a penetration level of 123.5%, and the continuing trend of the user having more than one active phone number. 14.33 million SIM cards had the PTK Centertel (Orange) logo, 13.74 million - Polkomtel (Plus, Simplus, Sami Swoi, 36,6), 13.26 million - Polska Telefonia Cyfrowa (Era, Tak Tak, Heyah), 5.16 million - Play (Play, Play Fresk). The other players had 0.66 million telephone numbers (less than 1%).