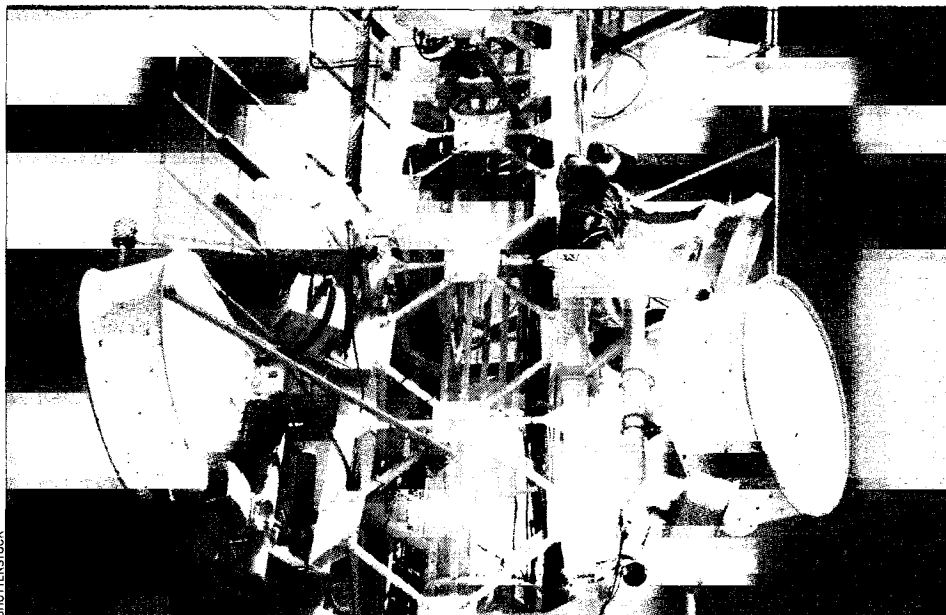


## Telecommunications

# Future talk



Poland could see 4G mobile networks rolled out within three years

## The Polish telecoms market is highly competitive and changing fast

Poland is – with few exceptions – not an early adopter of information and communication technologies. The country's mobile phone technology doesn't read bar codes or allow for "e-wallets" for example,

unlike some Asian nations, and wireless hotspots are still a luxury, even in Warsaw.

That's not to suggest that Poland is a backwater either. It has about a billion euro in EU funds to spend on building broadband networks, while telecoms are fighting tooth-and-nail for customers, lowering prices and investing in new products.

The nation may not be on the bleeding edge of ICT technology, but its telecoms market is expected to change greatly over the next five years.

### Next-gen developments

Experts describe this as an exciting era for the Polish telecoms market. "New technologies, both fixed and wireless, are on the doorstep," said Emil Konarzewski, CEO of Audytel, an ICT advisory.

"[The] 4G mobile phone technology is exciting, as it can serve as a basis for many new services, such as mobile television or video-on-demand," he commented.

The European Union is investing millions on developing Long Term Evolution (LTE) and LTE Advanced, mobile telephony systems described as 4G. According to Viviane Reding, a former EU commissioner for information society and media (and present justice commissioner), LTE Advanced wireless technology will turn mobile phones into mobile computers and will offer mobile internet

speeds up to a hundred times faster than current 3G networks.

"New fixed technologies include next-generation networking, which will consolidate several transmission networks into one," explained Mr Konarzewski. "For example, sound and multimedia will be able to be transported by a single fiber, unlike now where each fiber transports something different."

That's fine and well, but when will ordinary Poles see these developments? Some experts suggest 2013 or even 2012.

The industry is already preparing. "In the middle of the year, there is going to be a tender for fourth-generation mobile telephone frequencies," Maciej Witucki, head of Telekomunikacja Polska, Poland's largest telecom, commented in a recent interview with Radio PiN.

But Piotr Dziubak, spokesperson for the Office of Electronic Communications, the industry watchdog, clarified that the frequencies in the

terminate elsewhere – were lowered last year, costing the industry around a billion zloty, according to CMS Cameron McKenna ICT expert Ireneusz Piecuch. Although the net loss was partially offset by increased traffic, Mr Piecuch estimates it at zł.600 million.

Another reason for falling prices is the fact that telecoms are offering more product bundles, such as triple-play (fixed-line, broadband and cable television) packages.

"I see a price war coming on several fronts," said Mr Konarzewski. "First of all, services that are relatively expensive now, such as high-speed internet, will become cheaper. We are also witnessing a fixed-mobile convergence effect – internet providers are entering the cable television market and mobile operators invest in other services. All are offering package deals at competitive prices," he stated.

In early April, TP declared war on cable television-and-broadband bundlers by slashing the internet access prices of Neostroda, its internet provider arm. Other internet service providers are expected to follow suit.

On the mobile phone market, Play – a brand owned by P4, the fourth and youngest network operator in the market – is putting up an aggressive fight against its larger rivals, PTK Centertel, Polkomtel and PTC. Play expects to gain a million new customers by the end of the year. As of the end of 2009, it had 3.5 million clients, or eight percent of the market.

"Play is fighting very aggressively – it's sink or swim for this operator. But the results show that their strategy is working," said Mr Piecuch. "Their aggressive pricing policy involves not just the pre-paid market, but

## "I see a price war coming on several fronts"

tender are "technologically neutral" and can be used for different technologies, not necessarily LTE.

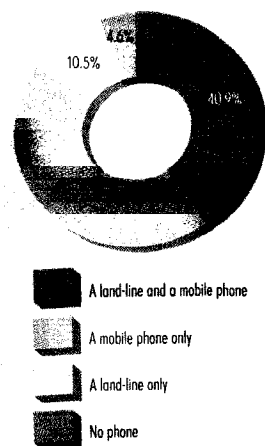
### Competitive pricing

While new technologies are in the pipeline, prices for existing services continue to fall, partly because of UKE.

Mobile termination rates – the fees which mobile network operators pay each other when calls from their own networks

### A mobile market

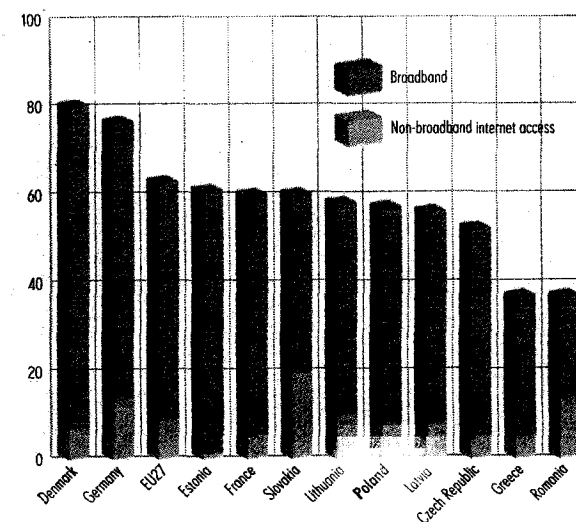
Phones owned by respondents of UKE's 2009 survey



Source: PBS for UKE

### Online but under par

Percentage of households with internet access or broadband connections in 2009, selected countries



Source: Eurostat

has also spilled over to the post-paid market.”

In areas with dense telecommunication networks, competition is especially fierce. “The competition in agglomerations is cut-throat,” said Jarosław Roszkowski, president of alternative telecommunications operator Crowley Data Poland. “But the market in areas that are scarcely urbanized is still not what it should be. Building infrastructure is the answer.”

#### Growing the network

Poland still falls below the EU average when it comes to broadband access (see graph). Substantial EU funding for ICT infrastructure will help, but the actual process of installing thousands of kilometers of fiber optics will take time.

A bill on supporting the development of telecommunication services and networks, legislation which aims to make this process easier, was unanimously passed by the Sejm on April 8.

“The most important element of the bill is support for local governments in telecommunications investments,” UKE president Anna Streżyńska recently told *Gazeta Wyborcza*.

“So far, villages have had to bend over backwards to justify spending public money on wires instead of roads. Now investing in the [telecommunications] network will be one of their tasks,” she explained.

Jacek Wilczewski a specialist in telecommunications law at Grynhoff Woźny Maliński, elaborated: “Presently there are no laws regulating developing telecommunications infra-

structure by local governments – not only are they cautious about spending money on those projects, but they are not controlled by anyone.

“A positive aspect of the bill is that it sets a legal framework for local governments and puts them under the supervision of UKE,” he continued.

However, some analysts point to flaws within the legislation. The biggest bone of contention is the recent scrapping of a regulation obliging developers to incorporate fiber optic infrastructure into new buildings.

“I am baffled by this decision and I think it’s an obvious mistake,” said Mr Konarzewski. “The price difference between putting in glass or copper during construction is really small.”

The Infrastructure Ministry has defended its decision to remove the regulation, stating that specifying optic fibers as the required technology violates the rule of technical neutrality.

“The Sejm passed the bill with a provision that access to new internet technologies in newly constructed buildings have to be provided, but the technical details were not specified, so this can be optic fiber or copper wire,” explained Mr Wilczewski.

However, the Senate – where the bill currently sits – could amend it so that optic fiber is at least mentioned specifically.

#### The hand behind the market

In addition to legislative changes and natural market forces, UKE itself is shaping the market. Since taking office



Ms Streżyńska has won praise for tackling anti-competitive practices in the market

in 2006, Ms Streżyńska has proven herself unafraid to clamp down on ready practices, levying heavy fines and forcing telecoms to lower prices.

“Although lowering prices is not what we like most, when it comes to progress and the pace of change – hats off! She has the vision and the ability to use effective means,” said Mr Roszkowski.

Last year, Ms Streżyńska struck an agreement with TP under which the incumbent telecom is to facilitate competitors’ access to its infrastructure and make major investments in broadband infrastructure. TP is also to invest around zł.3 billion in the broadband network by 2012. If it fails to live up to its end of the bargain, the firm risks being split into retail and wholesale arms.

“The UKE-TP agreement will speed up TP’s invest-

ments,” commented Mr Konarzewski. “We can already see positive effects – the ‘co-opetition’ between TP and independent operators is already better – TP is more willing to give independent operators access to its infrastructure.”

UKE was also behind last year’s mobile termination rate cuts, but has postponed further cuts until next year to help offset the effects of the financial crisis.

“UKE has conducted a proper analysis of what is happening on the market – for the first time in history, the value of the market shrank, which

means that last year’s [rate] cuts were so large that additional traffic was unable to make up for them,” said Mr Piecuch. “That is why UKE wanted to give the telecoms a break and time to prepare for further cuts.”

With falling prices, cut-throat competition and new technologies influencing the market, the evolution of Polish telecommunications is visible almost daily and experts are excited by the prospects.

“We definitely haven’t seen everything yet,” said Mr Piecuch.

Martyna Olik