Liberalization of Mobile Communications Market in Turkey

"OECD Global Conference on Telecommunications Policy for the Digital Economy", 21-22 January 2002, Dubai, UAE"

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Agenda

- Introduction
- Phase I: Mobile Market before licence
- Phase II: Mobile Market after licence
- Phase III: Mobile Market after new 1800 licences
- Implementation

Introductory Figures

- Liberalization
  - Voice telephony and infrastucture: end of 2003 or >50% sale of TT
  - Other services: liberalized
- Market
  - The Turkish telecommunications market revenues reached to $ 7.4 billion in 2000
- Regulation
  - Telecommunications Authority fully independent and empowered for licencing, tariffs & interconnection regulation, spectrum allocation & monitoring
- Privatization
  - Due to weak market conditions, the sale of TT shares not expected in the near future

Telecommunications Authority

- 1st sector specific regulator
- Sole regulator in telecommunications and radiocommunications (*)
- Operational by August 2000
- Independent agency in terms of management & finance
- "Collegial Commission" type management
- Inherited former Radiocomms Agency

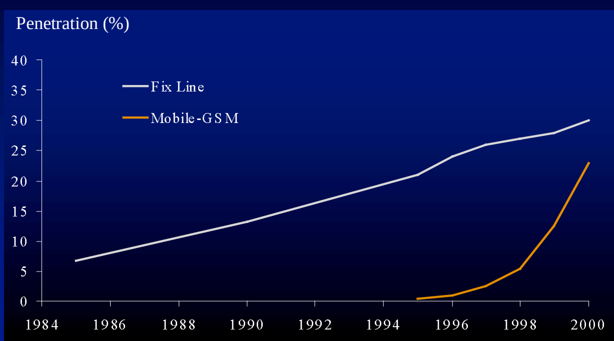
(*) Except for broadcast content regulation and licence

Regulatory Authority and Ministry

	Licencing	Tariffs and Inter-connection	Numbering	Spectrum Planning & Allocation	Universal Service	Policy Setting
TRA	Π	Π	Π	Π	O	O
MoT	O	O	O	O	Π	Π

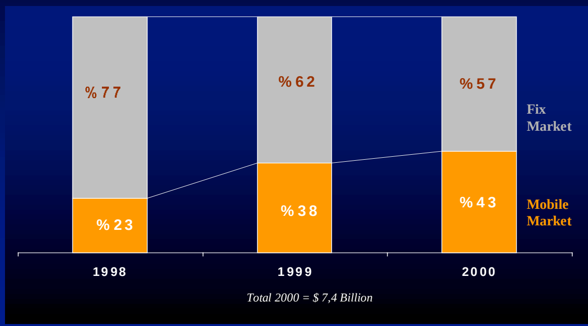
Turkish Telecommunications Market

Unprecedented growth in both markets: 17 millions new fix line subscribers added between 1985-2000 means 23 percent added tele-density



Total Telecom Market

- The market is experiencing major shift from fix to mobile. The share of mobile revenues jumped from 23% in 1998 to 43 % in 2000. Total market reached to $ 7.4 billions.



Source: TA, International Data Corporation (IDC), Turkey, 2001

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The RSA Model

- GSM business launched under RSA model with the former PTT.

The former PTT

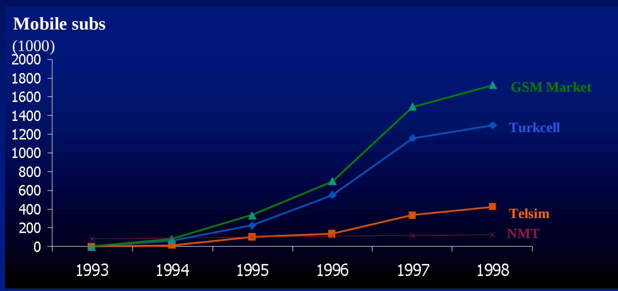
- Auctioned and signed contract in 3Q1993
- Used RSA model
- Retained 2/3 of the revenues in return for renting monopoly right
- Approved tariffs and not allowed price differentiation

The GSM Operators

- Two consortia, Turkcell and Telsim, selected
- Launched in 2Q1994
- Both accepted to pay pre-determined lump-sum fee as specified in these aggreements
- Prevented from new entrance through licence transfer

Market growth – 1st Phase

- Before conversion, subscriber base reached to 1.7 millions. In 5 years, added penetration was only about 3 percent. NMT density was only 0.2 %.



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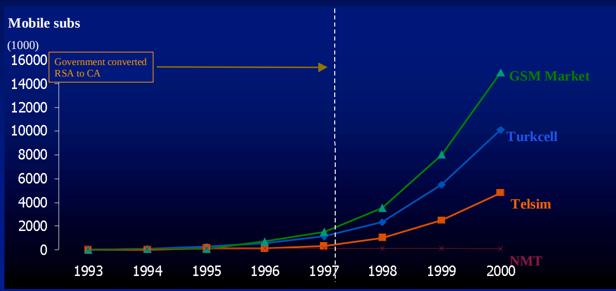
Licenced Operators

- The new amending Law enabled Government to convert RSA to licence
- Concession Aggreements signed between MoT and the operators in 2Q1998
- Interconnection aggreements signed between TT and GSM operators
- Licence fee $500 M each and pays 15 % of the revenues

Market growth –2nd Phase

- 1st Phase “1993-1998”, 5 years, added penetration: 3%
- 2nd Phase “1998-2000”, 3 years, added penetration: 20%



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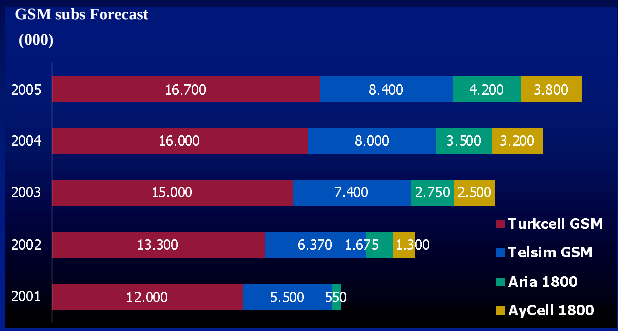
Recent Mobile Licences

- 2 new GSM 1800 licences issued in 2000
- Licence fees reached to $ 6 billions (including VAT)
- One operator, Aria, launched in 1Q2001 and the other, Aycell, in 4Q2001
- National roaming is the main issue needs to be resolved

Forecasts

- Moderate growth is expected:average “added penetration “ may down to 5 percent in next 5 years,
- Market volume may reach to 33 millions subscribers equivalent to 48% penetration by 2005.



Source: Deutsche Bank

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Implementation

- Legislation
  - The amending Law (No.4502) enacted, on Jan 29, 2000
    - TA created
    - Operation and regulation functions seperated
    - TT subjected to commercial law
  - The second amending Law (No.4673) enacted, on May 23, 2001
    - TA granted the right to issue all licences in the sector

Implementation

- Regulation
  - New Licence (Authorization) Regulation issued
  - Tariffs and Price Cap regulations issued
  - National Roaming: TA intervened and gets public consultation for national roaming

Implementation

- Liberalization
  - TA made recommendation to Government for faster liberalization including voice telephony
  - 1Q02 :General authorization for internet, satellite, GMPCS, infrastructure, mobile messaging
  - 2Q02 : FWA, cable, data
  - 2H03 : UMTS

Challenges

- Delayed liberalization
  - Monopoly rights of TT until 2004
- Everlasting privatization story of the incumbent
- Appeals of Board Decisions at low level courts
  - National Roaming dispute

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