

Makedonski Telekom

Pioneering Macedonia's gigabit society

Incumbent takes the lead in Fibre-to-the-Home

The transition from a planned economy to a free market economy presented some challenges to the Republic of Macedonia. In 2001, its economy shrank 4.5 percent, but economic growth averaged 4 percent per year during 2003-06 and 5 percent per year during 2007-08. In 2007, Macedonia's IT market increased by a stunning 63.8% year-on-year.



Fibre has an important role to play in the country's fast-moving economic recovery. "Today, around half of the households in Macedonia have broadband Internet, one of the highest penetration rates in the region," explains Boro Petkoski, who leads the development team for new

FTTH products at incumbent Makedonski Telekom, a subsidiary of Deutsche Telekom. "At present, rollout mainly takes place in higher-density urban areas: the capital Skopje and the cities Ohrid, Tetovo, Kumanovo, Stip, Gostivar and Strumica, with more planned. FTTH roll-out began with a pilot project in 2008, followed by GPON technology deployment and the start of commercial sales in 2009."

GROWING DEMAND

"About half of the cost of rolling-out FTTH is related to civil works, thereby creating new jobs and supporting the local economy, especially the construction industry," explains Boro Petkoski. "However, the implications for the country go far beyond this. FTTH supports the development of an information society and digital economy. Given the higher bandwidth capacity of FTTH, and its inherent capability for symmetrical download and upload speeds, customers can complete activities more quickly, and they can do things often not possible over other access technologies. This increases productivity and stimulates the economy



as a whole. Fibre is also opening opportunities for communication, education and entertainment for residential customers. Demand for FTTH-based services and higher bandwidth is set to grow, stimulated mostly by the increasing usage of high-definition video. If all mobile phones have a built-in HD video camera – and it's just a matter of time until this is the case – all video will be in HD, which

Residential Customer Packages

Triple-play: high-speed Internet, IPTV & voice at EUR 29 per month

Double-play: high-speed Internet & voice starting at EUR 24 per month

Stand-alone high-speed Internet packages starting at EUR 29 per month (up to 40 Mbps symmetrical)

Incremental monthly fee for the residential packages is EUR 5 above the ADSL-based packages (up to 10 Mbps / 768 Kbps)

Packages include twice the monthly Internet traffic included with ADSL-based packages.

Most popular: 3 Max Optic triple-play. Customers appreciate the high access speeds, unique in the market and the HDTV content, especially sports. Makedonski Telekom is the first company in Macedonia to provide the UEFA Champions League, the 2010 FIFA World Cup and the Spanish soccer league in high-definition.

is a lot more bandwidth-hungry than standard-definition video.”

IN THE LEAD

Makedonski Telekom is a fully integrated operator that builds and operates the network, provides services and finances the FTTH rollout on its own. Public subsidies are not available, and customers are not asked to pay up front. Depending on the location, obtaining construction permits to deploy fibre can sometimes be a challenge. That's why the incumbent considers it vital to plan ahead and start as early as possible, to avoid rollout delays.

Business Customer Packages

Double-play: high-speed Internet & voice starting at EUR 49 per month

Stand-alone high-speed Internet packages starting at EUR 36 per month (up to 60 Mbps symmetrical)

Incremental monthly fee for the business Optic packages is EUR 11 above the ADSL-based packages (up to 16 Mbps / 1 Mbps)

Packages include twice the monthly Internet traffic included with ADSL-based packages.

Most popular: Office Complete Optic double-play, consisting of voice and high-speed Internet (up to 60 Mbps symmetrical).

Customers in Macedonia can now choose from a wide range of operators using ADSL2+ and cable TV service providers. These offer

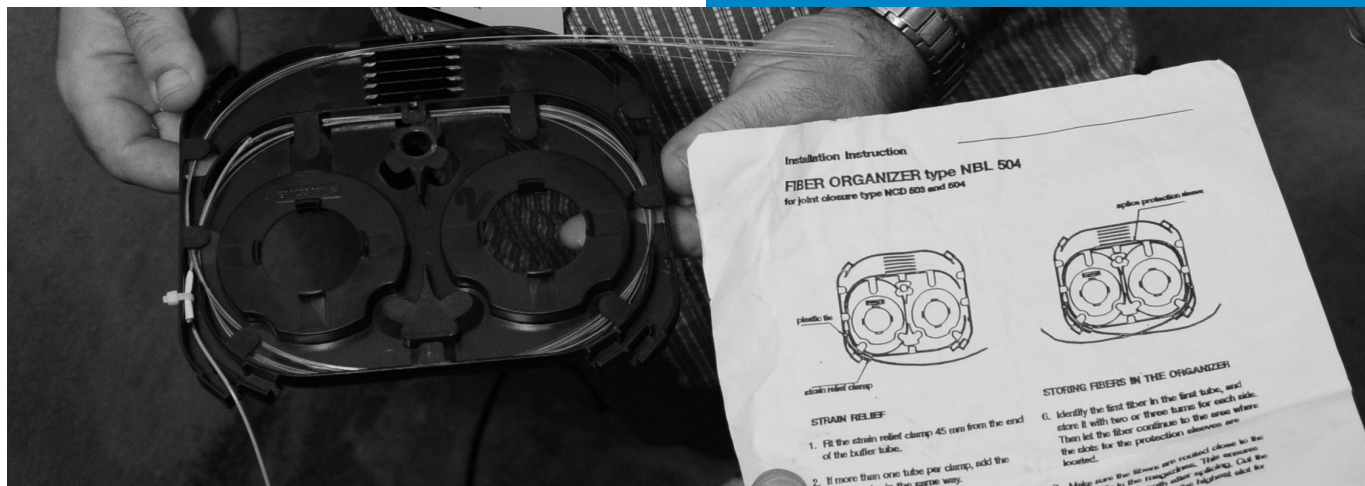


broadband services at competitive rates within double-play, triple-play, and some within quad-play, packages. But user feedback shows consumers and professionals are more satisfied with high-speed Internet and IPTV services over FTTH than other access technologies. In fact, they are prepared to pay a premium for FTTH services, despite the very price-sensitive nature of the market.

Innovative New Services

In 2010, a 'three-screen TV' offer was introduced, allowing customers to watch HD quality TV via IPTV, on the Web through their FTTH or ADSL connection, and on their mobile phone.

In 2011, over 300 high-speed Wi-Fi HotSpots were introduced in restaurants, shopping malls, buses, taxi cabs and other well-visited locations. FTTH, three-screen TV and HotSpots in buses and taxi cabs were all firsts in the Macedonian market introduced by Makedonski Telekom.



Written in June 2011
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