

**Georgian National Communications
Commission**



**Annual Report
2009**

Contents

<u>Contents.....</u>	<u>2</u>
<u>Chapter I.....</u>	<u>3</u>
<u>Georgian National Communication Commission.....</u>	<u>3</u>
<u>Obligations and Competence of the Commission under the Law.....</u>	<u>4</u>
<u>GNCC Budget and Financial Resource.....</u>	<u>7</u>
<u>Chapter II.....</u>	<u>8</u>
<u>Activities Performed.....</u>	<u>8</u>
<u>Resolutions.....</u>	<u>8</u>
<u>Decisions.....</u>	<u>9</u>
<u>Licensing.....</u>	<u>9</u>
<u>Issuance of the license.....</u>	<u>10</u>
<u>License modification.....</u>	<u>10</u>
<u>Revocation of licenses.....</u>	<u>11</u>
<u>Reassignment of License.....</u>	<u>11</u>
<u>License transfer.....</u>	<u>12</u>
<u>Extension of the license term.....</u>	<u>13</u>
<u>Cancellation of licenses.....</u>	<u>13</u>
<u>Auctions.....</u>	<u>13</u>
<u>Sanctioning.....</u>	<u>14</u>
<u>Disputes.....</u>	<u>14</u>
<u>Authorization.....</u>	<u>26</u>
<u>Radio Frequencies Management, Monitoring and Coordination.....</u>	<u>27</u>
<u>Market Research.....</u>	<u>33</u>
<u>Customers' Rights.....</u>	<u>39</u>
<u>Georgian Communication Sector was Highly Appreciated by EBRD.....</u>	<u>43</u>
<u>Chapter III.....</u>	<u>45</u>
<u>Planned Activities.....</u>	<u>45</u>
<u>Digital Broadcasting.....</u>	<u>45</u>
<u>Plan of Rapid Introduction of the Internationalized Domain Names within the Country Code Top-Level Domain.....</u>	<u>46</u>
<u>New Numbering System.....</u>	<u>48</u>

Number Portability.....	49
Chapter IV.....	51
Overview of Electronic Communication Service Market Development.....	51
Share of sector's revenues in GDP.....	52
Mobile Telephony.....	52
Fixed Telephony Services.....	56
Wholesale Services.....	58
Internet Services.....	58
Broadcasting.....	59
Chapter V.....	62
Strategic Plan 2007-2010.....	62
Strategic Goals	62
Auditor's Report.....	67

Chapter I

Georgian National Communication Commission

Mission

Drive Georgia into the new era of informational-communication technologies.

Vision

- Support the development of the electronic communications market
- Support the formation of a competitive environment
- Create an adequate response mechanism to the market changes
- Support the development of the information society
- Act as a mediator between the companies and the customers
- Support the creation of an attractive and stable business environment for investing

Values

We believe that:

- The development of electronic communications sphere supports the overall economic growth of the country;
- Open and transparent relationships support the building of confidence between the
 - market actors and customers;
 - Regulation based on transparent market principles and equality and non-discrimination in decision-making are the preconditions for the development of competition and introduction of innovations on the market;
- Establishment of a competitive market environment supports increased access to services and protection of customer rights;
- Stable and predictable market environment is the basis for attracting foreign investments and implementing new technologies and innovations;
- Efficient regulation mechanism, taking into consideration market processes, introduction of simple and understandable rules lead to effective and successful results;
- Efficient distribution of limited resources is the prerequisite for the development of competition in the electronic communications sphere.

Obligations and Competence of the Commission under the Law

The Commission is a legal entity of public law, permanent independent regulating body not subordinated to any governmental department and regulating activities in the broadcasting and electronic communication sector.

In execution of its authorities the Commission follows the major directions of the state policies in the broadcasting and electronic communication sector.

In the broadcasting sector, GNCC, taking into consideration the public opinion and broadcasting market research results, develops the proposals on key directions of the state policies and provides supervision over their implementation; develops license conditions, as

well as issues the licenses, modifies, suspend, resume and cancel the licenses; in accordance with the rules established by the law, identifies and distributes the frequency spectrum; awards the frequency bands; executes supervision over compliance of licensees with the requirements of the legislative acts on broadcasting, those, dealing with copyrights and related rights, protection of the juveniles from the harmful influence and advertising, compliance with the license conditions; in the event of non-compliance with the requirements of effective legislation and license conditions, Commission imposes the respective sanctions upon the licensees, promotes formation and development of competitive environment, the Commission also supervises fulfillment of the requirements of Georgian Law on Protection of Consumers' Rights; it sets the license fees and regulation fees and order of their payment; it resolves the disagreements between the licensees and between the licensees and consumers, within the scopes of its competence, adopts the legal acts.

In the electronic communication sector the Commission independently regulates activities of the authorized persons and use of the radio frequency spectrum and/or numbering resource, including adoption of normative and individual legal acts, monitoring and control upon their fulfillment, imposition of the sanctions provided for by the mentioned law and Administrative Code of Georgia, within its authorities as provided by the law, for identified violations. It secures formation, maintenance and development of the competitive environment in this sector; secures delivery of high quality services by the authorized persons providing electronic services to the end users; availability of wide service range and affordable tariffs; promotes effective investments in innovative technologies introduced by the authorized persons operating electronic communication networks and facilities; provides authorization in the electronic communications sector; provides management and effective usage of the non-recoverable resources; sets transparent and non-discriminative conditions and rules for gaining the right of use of the radio frequency spectrum and/or numbering resources; issues and revokes respective licenses; conducts research and analysis of respective market segments; identifies the authorized entities with significant market power; for the purpose of ensuring competition, imposes specific obligations as provided by the law and provides supervision and control upon their implementation; provides certification of the electronic communication means; regulates access to the elements of electronic communication networks and/or technical-economic and legal relations with respect of interconnection thereof; within the scopes of its authorities, resolves the disputes between the authorized entities operating in the electronic communications sector, between them and the consumers, as well as between the holders of

licenses for use of the radio frequency spectrum and/or numbering resource; supervises compliance with the authorization and radio frequency spectrum and/or numbering resource usage license conditions and takes measures provided by the law in the event of their violations; provides coordination of measures for electromagnetic compatibility of the radio-electronic equipment and measures for their international legal protection; determines the rules for making radio amateur communication and use of the radio amateur stations; represents Georgia in electronic communications sector in face of the international organizations and protect its interests within its authorities and competences delegated by Georgian government.

GNCC Budget and Financial Resource

a) Accrued revenues:

Regulation fee and other income GEL 4.547.140.42

b) Operating costs GEL 4.324.926.05

c) Fixed assets procurement costs GEL 225.417.90

(Without financial reserves)

According to the actual 2008 indicators, the GNCC revenues exceeded the expenditure by GEL 3.203.53

Chapter II

Activities Performed

Resolutions

In 2009 two public administrative proceedings were conducted with respect of amendment and addenda to the GNCC resolutions and two public administrative proceedings for the purpose of adoption of the GNCC resolutions:

1. On 30th January 2009 GNCC Resolution #1 “On Amendments and Addenda to GNCC Resolution # 3 of 17th March 2006 on Providing Services and Protection of Consumers’ Rights in Communications Sector” was adopted. In result of the amendments and addenda the Resolution provides detailed specification of the procedures of elimination of damages by the authorized persons.
2. On 12th March 2009 Resolution #2 on Approval of the Broadcasters’ Code of Conduct was adopted; obligation of adoption of the resolution was imposed on GNCC by Articles 50 and 76 of Georgian Law on Broadcasting and adoption of the resolution intended setting of minimal guiding regulations for service providing by the licensees;
3. On 30th October 2009, Resolution #3 on Placing of the Films Produced in the Language(s) Other than State Language into the Grid of the Private Broadcasting (General or Specialized) License or Public Broadcaster in the Language of its Initial Production with Subtitles in Georgian State Language, without Dubbing”. Adoption of the resolution was conditioned by changes in Georgian Law on Broadcasting. Regarding that the above law regulation provides for setting of the regulations for placing of the films produced in the language other than the state language in the initial production language(s) without dubbing, with the subtitles in the Georgian state language in the broadcaster’s grid by the Commission, preparation of the relevant draft resolution was necessary. resolution provides the regulations for placing of the films produced in the language other than the state language in the initial

production language(s) without dubbing, with the subtitles in the Georgian state language in the broadcaster's grid.

4. On 20th November 2009 the resolution #4 on Amendments to GNCC resolution #3 of 17th march 2006 on Approval of Regulation on Service Providing and Protection of the Consumers' Rights in the Electronic Communications Sector. The mentioned resolution has recovered the technical imperfection only (Subsection h² of Section 1, Article 3).

Decisions

In 2009, GNCC has adopted 714 decisions, of which:

License issuance	14
License modification	10
License Revocation	2
License reassignment (one of which was on deferring of the decision on license reassignment)	15
License transfer	6
Extension of the license term	8
On various auctions	27
On non-consideration of the application	4
Allocation of the frequency bands	297
Code allocation	1
Disputes resolution	52
Approval of agenda	59
Sanctions	60
Other administrative procedures	27
Research of certain market segments	7
Approval of GNCC budget and various statements	2
Changes to the decisions	50
Miscellaneous	73

Licensing

Issuance of the license

In 2009 GNCC has made 14 decisions on issuance of the licenses of different types. Of these, seven decisions deal with use of the numbering resource, six – radio frequency spectrum use and one – private general TV broadcasting license:

- #52 issuance of the license for use of numbering resource to Maxtel Ltd
- #142 issuance of the license for use of numbering resource to New Net (Akhali Kselebi) Ltd
- #161 issuance of the license for use of numbering resource to Vitel Georgia Ltd
- #200 issuance of the license for use of radiofrequency spectrum to Aia + Ltd
- #201 issuance of the license for use of radiofrequency spectrum to Aisi + Ltd
- #269 issuance of the license for use of numbering resource to natural person Valeri Rosna
- #285 issuance of license on private general TV broadcasting using land and orbital stations of the satellite systems to Studio Maestro Ltd
- #442 issuance of license on use of numbering resource to Railway Telecom (Rkinigzis Telekomi) Ltd
- # 501 issuance of license on use of numbering resource to Alex Development Georgia
- #519 issuance of license on use of radiofrequency spectrum to JSC Global Erti
- #520 issuance of license on use of radiofrequency spectrum to individual entrepreneur Ilo Labadze
- #541 issuance of license on use of numbering resource to Supsa Technokom Ltd
- #571 issuance of license on use of radiofrequency spectrum to Real TV Georgia
- #670 issuance of license on use of radiofrequency spectrum to JSC Global Erti

License modification

In 2009, GNCC has made 20 decisions on commencement, termination, recommencement and modification of public administrative procedures for the purpose of modification of various licenses. Ten of the decisions dealt with modification of the license conditions of various companies (most of them are TV and radio companies):

- #52 modification of license #B11 of Five Line Production Ltd

- #62 modification of license #562 of R-Radio Ltd
- #63 modification of license #502 of TV Broadcasting Company Ninth Channel
- #64 modification of license # 702 of Tv Company Aisi
- #136 modification of license # B11 of Five Line Productions Ltd
- #137 modification of license # B15 of TV Company Mze
- #163 modification of license #B24 of Kolkheti-89 Ltd
- #244 modification of license #B54 of Europe Plus Tbilisi Ltd
- #389 modification of license #B52 of Radio Art Ltd (former 23 May Ltd)
- #588 modification of licenses #144 and #127 for use of numbering resource of New Net Ltd

Revocation of licenses

In 2009, GNCC has made two decisions on revocation of the licenses on use of numbering resource (decisions #500 and # 659). In both cases the mentioned decisions were made by GNCC on the basis of requests from the companies.

Reassignment of License

In 2008, 12 companies applied to GNCC for reassignment of licenses, in particular:

- #59/5 partial reassignment of license #125 on use of numbering resource between New Net Ltd and Akhtel Ltd
- #60 partial reassignment of license #123 on use of numbering resource between Acharis Elektrokavshiri Ltd and JSC United Telecom
- #112 partial reassignment of license #130 on use of numbering resource between individual entrepreneur Konstantine Amashukeli and New Net Ltd
- #168/5 full reassignment of license #53 and partial reassignment of license #21 on use of numbering resource between Georgian Telecom Ltd and Magticom Ltd.
- #223/5 partial reassignment of license #N142 on use of numbering resource between New Net Ltd and Akhteli Ltd

- #224/5 partial reassignment of license #N149 on use of numbering resource between Georgian Telecom Ltd and Call Center Ltd.
- #238/8 direct reassignment of license #N143 on use of numbering resource between Maxtel Ltd and Myphone Ltd
- #465/5 direct reassignment of license #N12 on use of numbering resource between Sabatel Ltd and Wematel Ltd.
- #540/5 partial reassignment of license #N151 on use of numbering resource between New Net Ltd and Akhteli Ltd
- #589/5 partial reassignment of licenses #N144, #N65 and #N127 on use of numbering resource between New Net Ltd and individual entrepreneur Roman Gogiberishvili
- #590/5 direct reassignment of license #N129 on use of numbering resource between individual entrepreneur Palusha Giorgobiani and New Net Ltd.
- #591/5 direct reassignment of the license # N112 for use of numbering resource between Broadband 4 you Ltd and Mobitel Ltd
- #632 direct reassignment of the license # N152 for use of numbering resource between natural person Valeri Rosna and Telmax Ltd
- # 676/5 reassignment of the license # N153 for use of numbering resource between Railways Telecom Ltd and Georgian Railway Ltd.

License transfer

5 Decisions of GNCC dealt with transfer of licenses (including temporary transfer) by the companies. Three of these decisions dealt with transfer of the private broadcasting licenses:

- # 322 transfer of private broadcasting license # B16
- # 357 transfer of private broadcasting license # B72
- # 340 transfer of private broadcasting license # B16
- # 381 transfer of private broadcasting license # B84

By the decision # 499 the transfer of license for use of numbering resource between two companies (Goodwilcom and United Communication and Distribution Company Ltd)

was provided and by the decision # 631, on the basis of application from the company, the mentioned decision was declared invalid.

Extension of the license term

License effectiveness term was extended for:

1. One license for use of numbering resource of Saktelcom Plus Ltd;
2. One license for use of numbering resource of Georgian Telecom Ltd;
3. Six licenses of Magticom Ltd (three licenses for use of numbering resource and three licenses for use of radiofrequency spectrum);
4. Three licenses of Geocell Ltd (two licenses for use of numbering resource and one license for use of radiofrequency spectrum);
5. One license of JSC United Telecom.

Seven drafts of GNCC decisions on extension of the license term were prepared. Fees for extension of license effectiveness term in the sphere of electronic communication for use of the exhaustible resources amounted to GEL 76.631.638.49.

Cancellation of licenses

In the electronic communication sector, on the basis of applications from the licensees four licenses for use of numbering recourse were cancelled (one license of I K of Georgia Ltd and three licenses of JSC Global One)

Auctions

For the year 2009, there were arranged thirteen auctions, among them:

- Four auctions for award of the radiofrequency spectrum usage; and
- Nine auctions for award of the licenses for usage of numbering resources.

Total amount of fees for use of the exhaustible resources provided by the auctions amounted to GEL 232.944.40.

Sanctioning

GNCC has adopted 39 decisions on sanctioning of the authorized persons and licensees for violation of Georgian laws On Broadcasting and On Electronic Communications and Georgian Administrative Code. Of the decisions made by the reason of violation of various articles of the mentioned laws thirteen dealt with warning of 140 companies operating at electronic communications market; 28 decisions dealt with the issues of imposing of fines upon 20 companies (some of the were fined several times) for the benefit of the state budget. Total amount of fines imposed on the mentioned 20 companies for the benefit of state budget was GEL 5.570.233. 7 companies of these are various TV companies of Russian Federation (GEL 4.750.000) engaged in unlawful broadcasting within the territory of Georgia.

Disputes

Disputes in GNCC

GNCC has performed administrative procedures in relation with the disputes between the authorized persons and those between the authorized persons and users. 23 decisions were made within the scopes of administrative procedures. In particular, disputes between the following authorized persons (between the authorized persons and users) were considered:

1. Dispute between Infotel Ltd and JSC United Telecom on execution of the interconnection agreement. The dispute ended with conciliation between the parties.
2. Dispute between JSC United Telecom and Caucasian Digital Networks Ltd., dealing with non-fulfillment of the obligations provided by GNCC decision #656/22 of 21st October 2005 and restriction of access to the cable vaults. Application of Caucasian Digital Networks Ltd. was not satisfied. At the same time, JSC United Telecom and Caucasian Digital Networks were offered to execute the agreement on access to electronic communication canalization channels of JSC United Telecom in a timely manner, in accordance with the regulations, terms and conditions outlined in the motivation part of the decision;
3. Dispute between Caucasian Digital Networks Ltd. and JSC United Telecom, with respect of restriction of access of technical personnel to the equipment.

- Application of Caucasian Digital Networks Ltd. was not satisfied. At the same time, JSC United Telecom and Caucasian Digital Networks were offered to execute the agreement on access to collocation areas in a timely manner, in accordance with the regulations, terms and conditions outlined in the motivation part of the decision;
4. Dispute between Caucasian Digital Networks Ltd. and JSC United Telecom, with respect of restriction of access to subscriber pairs wideband resource. Application of Caucasian Digital Networks Ltd. was not satisfied. At the same time, JSC United Telecom and Caucasian Digital Networks were offered to execute the agreement on access to subscriber pairs wideband resource in a timely manner, in accordance with the regulations, terms and conditions outlined in the motivation part of the decision;
 5. On the basis of application from GNCC Consumers' Rights Public Defender Service, with respect of local communication services, between citizen R. Nakudaidze, on one side and JSC United Telecom on the other side. Dispute ended by conciliation of parties, according to the terms and conditions specified by GNCC;
 6. Dispute between Magticom Ltd. and Maxtel Ltd, with respect of violation of the interconnection agreement by the latter. Application by Magticom Ltd on signing of the protocol decision related to settlement for April 2009 and imposing obligation of settlement; application by Magticom Ltd on consent to suspension of existing interconnection with Maxtel Ltd. was rejected as well.
 7. Dispute between Caucasus Online Ltd. and JSC United Telecom, with respect of execution of agreements on access to electronic communication canalization channels, access of subscribers' copper line-cable pairs to the wideband resource and access to collocation areas. Dispute ended with conciliation. In particular, respective agreements were made between the parties;
 8. Dispute between Caucasian Digital Network Ltd and JSC United Telecom, with respect of article 3.1 of the offer on access of subscribers' copper line-cable pairs to the wideband resource (invitation offer). With respect of consideration of the mentioned dispute, the procedures were suspended up to conducting of research and analysis of the respective market segment by GNCC;

9. Dispute between Magticom Ltd on one side and JSC United Telecom, New Net Ltd and Akhtel Ltd., with respect of the tariffs set by Magticom Ltd. With respect of consideration of the mentioned dispute, the procedures were suspended up to conducting of research and analysis of the respective market segment by GNCC;
10. On the basis of application from GNCC Consumers' Rights Public Defender Service, with respect of tariffs charged for international communication service, between subscriber E. Ramishvili and JSC United Telecom. Claim of consumer E. Ramishvili was not satisfied by the reason of lack of justification.
11. On the basis of application from GNCC Consumers' Rights Public Defender Service, between Georgian Diplomatic Academy, G. Gonashvili on one side and Caucasus online Ltd, on the other side, with respect of termination of internet services by the latter. Formal administrative procedures were terminated; on the basis of application from GNCC Consumers' Rights Public Defender Service the internet service providing to the consumer was resumed and at the same time, Caucasus Online Ltd was notified that the service of relations with the consumers should be improved and effective mechanism for complaints processing should be put in place and elimination of damages should be provided in a timely manner.

Disputes at Court

In 2009, number of pending cases at court with respect of appeal against GNCC decisions was 46.

Decisions appealed against may be categorized as follows:

- On imposition of administrative responsibility upon authorized persons and licensees – 14 cases;
- Disputes between the authorized persons – 22 cases;
- Imposition of the fine upon GNCC and implementation of actions – 3 cases;
- License cancellation – 4 cases
- On results of research and analysis conducted by GNCC – 1 case;
- On insolvency of the authorized persons – 1 case;

- Protection of minors from harmful influence – 1 case.

1. Plaintiff – Optical Fiber Telecommunication Network – Foptnet Ltd, defendant – GNCC, third person – JSC United Telecom; subject of dispute – GNCC Decision #538/16 of 19th September 2008 on Consideration of Dispute between KSC United Telecom and Optical Fiber Telecommunication Network – Foptnet Ltd. (access at Poti)

Outcome: Decision by the Supreme Court of Georgia of 02 November 2009, maintaining effectiveness of the GNCC decision.

2. Plaintiff – JSC United Telecom; defendant – GNCC, subject of dispute – Section 4 of GNCC Decision # 384/23 of 4th July 2008 imposing fine in amount of GEL 2000 upon JSC United Telecom by GNCC

Outcome: The claim was rejected and GNCC decision was maintained unchanged. In particular, by the decision of Supreme Court of Georgia of 26th October 2009, cassation claim of JSC United Telecom was deemed unacceptable.

3. Plaintiff – New Net Ltd and Foptnet Ltd.; Defendant – GNCC; subject of dispute – GNCC decision #475/9 on Determination of Cost Oriented Marginal Tariffs for JSC Georgian United Telecommunication Company at the Cables Laying in Electronic Communication Canalization Market Segment and Exact Specification of the Terms and Conditions of Specific Obligations set by Decision #656/22 of 21st October 2005 and Decision #191/9 of 17th April 2007.

Outcome: Case ended by Decision of Tbilisi City Court of 30th January 2009. The claim was rejected and the claimants appealed against the court decision to the court of appeal. The procedures were terminated by the reason of the withdrawal of their appeal.

4. Plaintiff – Sabatel Ltd., Defendant – GNCC; third person – Ajaris Elektrokavshiri Ltd; Subject of dispute – GNCC decision #716/16 of 30th November 2007 on Consent to suspension of the interconnection agreement between Ajaris Elektrokavshiri Ltd and Sabatel Ltd.

Outcome: Case was ended by the decision of Georgian Supreme Court of 01 January 2009, maintaining effectiveness of GNCC decision.

5. Plaintiff – Sabatel Ltd., Defendant – GNCC; third person – Ajaris Elektrokavshiri Ltd; Subject of dispute – GNCC decision #723/16 of 4th December 2008 and decision #737/16 of 12th December 2008 on Consent to suspension of the interconnection agreement between Ajaris Elektrokavshiri Ltd and Sabatel Ltd.

Outcome: Case was ended by the decision of Tbilisi City Court of 3rd August 2009. The claim was remained unconsidered (the claimant has withdrawn the claim).

6. Plaintiff – Radio Komersanti Ltd, defendant – GNCC; subject of dispute – GNCC decision #325/18 of 10th July 2009 on imposing fine of GEL 5000 upon Radio Komersanti Ltd.

Outcome: The case was closed. The claimant has withdrawn its claim and according to decision of 12th November 2009 of Tbilisi City Court the claim was not considered.

7. Plaintiff – Optical Fiber Telecommunication Network – Foptnet Ltd; defendant – GNCC; third person – JSC United telecom; subject of dispute – GNCC Decision #715/16 of 04 December 2008 on instruction to Optical Fiber Telecommunication Network – Foptnet Ltd on implementation of action (issue of securing execution regarding access at Poti)

Outcome: the case was considered by the courts of the first and appeal instances; GNCC decision was maintained in force. The case is not closed and it is subject to cassation claim.

8. Plaintiff – Optical Fiber Telecommunication Network – Foptnet Ltd; defendant – GNCC; third person – JSC United telecom; subject of dispute – GNCC Decision #362/22 of 31st July 2009 on sanctions against Optical Fiber Telecommunication Network – Foptnet Ltd and ensuring implementation of GNCC decision # 538/16 of 19th September 2008 and decision #715/18 of 04 December 2008 (access – execution-warning in Poti)

Outcome: by the decision of Tbilisi City Court of 17th December 2009, the claim was rejected. The case is not closed and it is subject to appeal.

9. Plaintiff – Optical Fiber Telecommunication Network – Foptnet Ltd; defendant – GNCC; third person – JSC United telecom; subject of dispute – GNCC Decision #567/16 of 30th October 2009 on imposing administrative responsibility upon Optical Fiber Telecommunication Network – Foptnet Ltd (access in Poti – non-execution-fine GEL 71.256)

Outcome: by the decision of Tbilisi City Court of 04 February 2010, the claim was rejected. The case is not closed and it is subject to further appeal.

10. Plaintiff – JSC Georgian Telecom, defendant – GNCC, third person – Magticom Ltd; subject of dispute – GNCC decision #461/16 of 1st August 2008 on consideration of the dispute between Magticom Ltd, on one side, JSC Georgian United Telecommunication Company, JSC Egrisi and Georgian Telephone Company JET on the other side.

Outcome: by the decision of Tbilisi City Court of 12th March 2009, the claim was rejected. The case is not closed and it is subject to further appeal.

11. Plaintiff – New Net Ltd; defendant – GNCC; subject of dispute – GNCC decision #385/18 of 2008 on imposing fine of New Net Ltd (fine – GEL 10.000)

Outcome: by the decision of Tbilisi City Court of 01 December 2008, the claim was rejected. The case is pending at the court of appeal and it is not closed yet.

12. Plaintiff – Caucasus Online Ltd; defendant – GNCC; subject of dispute – GNCC decision #808/22 of 27th December 2005 on research and analysis of service market segment of local telecommunication services to the subscribers.

Outcome: by the decision of Tbilisi City Court of 06 November 2008, the claim was rejected. The case is pending at the court of appeal and it is not closed yet.

13. Plaintiff – Caucasus Online Ltd; defendant – GNCC; subject of dispute – GNCC decision #522/18 of 12th September 2008 on warning of Caucasus Online Ltd.

Outcome: by the decision of Tbilisi City Court of 07 April 2009, the claim was rejected. The case is not closed and it is subject to further appeal.

14. Plaintiff – Caucasus Online Ltd; defendant – GNCC; subject of dispute – GNCC decision #637/16 of 26th October 2007 on consideration of the dispute between

Caucasus Online Ltd on one side and New Net Ltd. and Akhteli Ltd on the other side

Outcome: by the decisions of Tbilisi City Court and court of appeal the claim was rejected. Caucasus Online Ltd has submitted claim to the Supreme Court of Georgia and the case is not closed.

15. Plaintiff – Caucasus Online Ltd; defendant – GNCC; third persons – JSC United Telecom, Caucasian Digital Network Ltd., System Net Ltd; subject of dispute – invalidation of Section one of GNCC decision #469/16 of 17th August 2007 (zero balance)

Outcome: By the decision of Tbilisi City Court of 18th February 2008, the claim was accepted partially and without resolution of the disputable issue the GNCC decision was invalidated. Commission has submitted the case to court of appeal and the case is not closed.

16. Plaintiff – Caucasus Online Ltd; defendant – GNCC; subject of dispute – GNCC decision #432/9 of 3rd August 2007 on calculation of the upper limits of tariffs for access to wideband resource of the line-cable pairs by ADSL and DSL technologies.

Outcome: By the decision of Tbilisi City Court of 29th June 2009 and decision of Tbilisi Court of Appeal of 29th October 2009, the claim was rejected. Caucasus Online Ltd has submitted claim on the court decision to the Supreme Court of Georgia and the case is not closed.

17. Plaintiffs – Ilia Chavchavadze Union of Teachers and George Kipiani, defendant – GNCC; subject of dispute – GNCC decision #775/22 of 16th December 2005 on public (oral) hearing of the application by the Association of Orthodox Christian Parents, Kind David the Builder Union, Ilia Chavchavadze Union of Teachers.

Outcome: by the decision of Tbilisi City Court of 15th August 2006, the claim was rejected, appeal was submitted to the court of appeal and the case is not closed.

18. Plaintiff – David Ebralidze; defendants – GNCC and Chairman of GNCC; subject of dispute – issuance of the court order on appointment of the plaintiff to the position, execution of action (compensation of the stay time).
Outcome: by the decision of Tbilisi City Court of 25th December 2009, the claim was rejected. The appeal was submitted to the court of appeal and the case is not closed.
19. Plaintiff – George Pruidze; defendant – GNCC; subject of dispute – execution of actions (unpaid benefits and other damages).
Outcome: by the decision of Tbilisi City Court of 22nd May 2009, the claim was rejected. The appeal was submitted to the court of appeal and the case is not closed.
20. Plaintiff – Mega TV, defendant – GNCC; subject of dispute – first section of the decision of GNCC #264/16 of 29th May 2009 (on warning).
Outcome: by the decision of Tbilisi City Court of 04 December 2009, the claim was rejected. The appeal was submitted to the court of appeal and the case is not closed.
21. Plaintiff – Sabatel Ltd; defendants – GNCC and Ajaris Elektrokavshiri Ltd.; subject of dispute – compensation of losses.
Outcome: Batumi City Court has suspended the procedures.
22. Plaintiff – open JSC Megaphone; defendants – GNCC; subject of dispute – GNCC decision #526/18 of 9th September 2008 on imposing fine in amount of GEL 500.000 upon open JSC Megaphone.
Outcome: by the decision of Tbilisi City Court of 12th December 2008, the claim was rejected. The appeal was submitted to the court of appeal and the case is not closed.
23. Plaintiff – Center Point Group Ltd; defendant – GNCC; subject of dispute – GNCC decision #526/18 of 9th September 2008 on imposing fine in amount of GEL 500.000 upon open JSC Megaphone.
Outcome: case is pending at Tbilisi City Court, it is not closed.

24. Plaintiff – Television Kakheti Ltd; defendant – GNCC; subject of dispute– GNCC decision #5613/18 of 18th November 2009 on imposing fine in amount of GEL 5.000 upon Television Kakheti Ltd.
Outcome: case is pending at Tbilisi City Court, it is not closed.
25. Applicant – Alkomi Ltd; creditors: GNCC, Ministry of Finance of Georgia; subject of dispute – bankruptcy of Alkomi Ltd
Outcome: case is pending at Kutaisi City Court, it is not closed.
26. Plaintiff – TV Radio Company Rioni Ltd; defendant – GNCC, Mega TV Ltd; third person: Ministry of Finance of Georgia; subject of dispute: partial invalidation of the GNCC decision #264/16 of 29th September 2009 (sanctions by the reason on violations by Mega TV Ltd.)
By the decision of 4th December 2009 of the Department of Administrative Cases of Tbilisi City Court the claim was rejected.
27. Plaintiff: TV company Obiektivi – 2; defendant: GNCC; subject of dispute: invalidation of GNCC decision #158/4 of 21st March 2008 (with respect of case 33/1233-06) (requested cancellation of license)
Outcome: by the decision of 16th July 2009 of the Department of Administrative Cases of Tbilisi City Court the claim was rejected.
28. Plaintiff: individual entrepreneur Palisha Giorgobiani and New Net Ltd; defendant: GNCC; subject of dispute: invalidation of GNCC decision #445/18 of 11th September 2009 (reassignment agreement)
Outcome: by the decision of 18th December 2009 of the Department of Administrative Cases of Tbilisi City Court the claim of New Net Ltd and individual entrepreneur Palusha Giorgobiani was rejected.
29. Plaintiff: Caucasus Online Ltd; defendant: GNCC; subject of dispute: Invalidation of Sections 2 and 4 of the GNCC decision # 503/18 of 9th October 2009
Case is pending at the Department of Administrative Cases of Tbilisi City Court.

30. Plaintiff: Caucasus Online Ltd; defendant: GNCC; subject of dispute: Invalidation of the GNCC decision # 41/16 of 28th February 2008 (organization of the 1 Gbps channel)
By the decision of Department of Administrative Cases of Tbilisi City Court the case is suspended up to consideration of the other case.
31. Plaintiff: Caucasus Online Ltd; defendant: GNCC; subject of dispute: Invalidation of Section 4 of the GNCC decision # 605/9 of 17th October 2008 (Tariff cap of GEL 5.000 for interconnection)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 17th July 2009, the claim of Georgian Online Ltd was rejected.
32. Plaintiff: Caucasus Online Ltd; defendant: GNCC; subject of dispute: Invalidation of GNCC decision # 294/16 of 30th May 2008 (Increase of interconnection capacity from 1 to 2 Mb)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 18th November 2009, the claim of Georgian Online Ltd was rejected.
33. Plaintiff: JSC Egrisi; Georgian Telephony Company GTS Ltd; defendant GNCC; third person: Georgian United Telecommunication Company; Magticom Ltd; subject of dispute: invalidation of GNCC decision # 460/16 of 1st August 2008 (effectiveness of interconnection tariff within 10 days from the date of the offer publication, no later than 15th May)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 29th January 2009, the claim of JSC Egrisi; Georgian Telephony Company GTS Ltd was rejected.
34. Plaintiff: New Net Ltd and Akhteli Ltd; defendant GNCC; third person: Magticom Ltd; subject of dispute: invalidation of GNCC decision # 646/16 of 31st October 2008 (15-tetri tariff with Magrifix subscribersm New Net Ltd 28.5)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 17th February 2009, the claim was rejected.

35. Plaintiff: Communications Consultation Group Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 466/18 of 25th September 2009 (fine in amount of GEL 10.000)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 29th January 2010, the claim was rejected.
36. Plaintiff: E. Ramishvili; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 568/16 of 30th October 2009
The case is pending at the Department of Administrative Cases of Tbilisi City Court.
37. Plaintiff: Environmental Association Human and Biosphere; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 430/22 of 27th August 2004 (case 3/2233-06) (cancellation of license)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 29th May 2008, the procedures were suspended up to consideration of the other case.
38. Plaintiff: TV Company Mze Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 15/18 of 5th January 2008 (fine)
By the decision of the Department of Administrative Cases of Tbilisi City Court of 17th November 2009, on the basis of application of TV Company Mze Ltd the procedures of appeal were terminated.
39. Plaintiff: Infotel Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 118/15 of 10th March 2008 and decision # 119/16 (case 3/886-08) (suspension of interconnection by the reason of indebtedness)
Outcome: by the decision of the Department of Administrative Cases of Tbilisi City Court of 15th April 2009, the appeal of Infotel Ltd was rejected.
40. Plaintiff: Optical Fiber Telecommunication Network – Foptnet Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 394/18 of 14th August 2009 (imposing of fine in amount of GEL 30.000 upon Foptnet Ltd)

Outcome: by the decision of the Department of Administrative Cases of Tbilisi City Court of 13th November 2009, the claim was rejected; case is pending at the court of appeal.

41. Plaintiff: New Net Ltd and Akhteli Ltd; Defendant: GNCC, third person: Magticom Ltd; subject of dispute: invalidation of GNCC decision # 725/16 of 9th December 2009 (refusal to sign the protocol decision on disclosure of non-effective tariff)

Outcome: by the decision of Tbilisi Court of appeal of 15th July 2009, the claim of New Net Ltd and Akhteli Ltd was rejected.

42. Plaintiff: New Net Ltd and Akhteli Ltd; Defendant: GNCC, third persons: Magticom Ltd, Georgian United Telecommunication Company; subject of dispute: invalidation of GNCC decision # 534/18 of 19th September 2008 (Magrifix)

Outcome: by the decision of Tbilisi Court of appeal of 13th October 2009, the claim of New Net Ltd and Akhteli Ltd was rejected.

43. Plaintiff: JSC United Telecom; Defendant: GNCC, third persons: New Net Ltd and Akhteli Ltd; subject of dispute: invalidation of GNCC decision # 122/16 of 14th March 2008 (Access for the purpose of removal of the cables)

Outcome: by the decision of Department of the Administrative and Other Cases of the Supreme Court of Georgia of 2nd November 2009, the cassation claim was rejected.

44. Plaintiff: Europe Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 462/4 of 10th September 2004 (cancellation of the license of Europe Ltd)

Outcome: by the decision of Department of the Administrative and Other Cases of the Supreme Court of Georgia of 12th October 2009, the GNCC cassation claim was accepted, the decision of Tbilisi Court of Appeal of 3rd October 2008 was invalidated and the case was returned for consideration to Tbilisi Court of Appeal.

45. Plaintiff: Sakartvelos Khma Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 96/4 of 23rd February 2008 (suspension of activities for more than 3 months)

Outcome: by the decision of Department of the Administrative and Other Cases of the Supreme Court of Georgia of 16th February 2009, the cassation claim of Sakartvelos Khma Ltd was deemed unacceptable.

46. Plaintiff: Broadcasting Company Hereti Ltd; Defendant: GNCC, subject of dispute: invalidation of GNCC decision # 757/18 of 11th December 2007 (case 3/244-08 – broadcasting without license 144¹)

Outcome: by the decision of Department of the Administrative and Other Cases of the Supreme Court of Georgia of 30th April 2009, the cassation claim of Hereti Ltd was deemed unacceptable.

Authorization

45 legal entities and physical persons got authorization in 2009 for the following services (one and the same company got authorization for several services):

1. Local communications service – 20
2. Internet service – 22
3. Cable transit TV broadcasting – 25
4. International communication service – 20
5. Mobile communication service – 10
6. Inter-city communication service – 20
7. Broadcasting service – 5
8. Cable transit radio broadcasting – 13
9. Other communication services – 9

36 legal entities and 8 individual entrepreneurs applied to the GNCC with a request to cancel the authorization. The cancelled declarations by segments are as follows:

1. Local communications service – 14
2. Internet service – 21
3. Cable transit TV broadcasting – 16

4. International communication service – 16
5. Mobile communication service – 5
6. Inter-city communication service – 12
7. Broadcasting service – 2
8. Cable transit radio broadcasting – 6
9. Other communication services – 2

Analysis of the cancelled authorizations shows that 16 companies have not commenced practical activities at all; 5 companies terminated their activities by the reason of financial crisis and one company, in particular, Techno-Media Ltd merged with Georgian Media Production Group Ltd, which took place of Techno-Media Ltd at electronic communications market.

Radio Frequencies Management, Monitoring and Coordination

Within GNCC there is a Department of Management, Monitoring and Coordination of Radiofrequencies regularly performing the respective activities, including analysis of issues related with obstructions created by usage of frequencies, broadcasting or other high-frequency equipment or electromagnetic incompatibility within the territory of Georgia and preparation of technical conclusions, drafting of appropriate documentation on the basis of monitoring and software based estimations to observe the terms of compatibility of high-frequency radiating equipment in the electromagnetic environment, technical analysis of monitoring results (spectral, quantitative, qualitative and other parameters of the radiating source), establishing and evaluation of compliance with recognized standards and preparation of appropriate technical documentation (technical conclusion, recommendations) as required for response measures, allocation of frequency bands for issuing of licenses for usage of frequencies and arrangement of radio relay lines with consideration of modern technologies and principles of channel formation.

Radiofrequency Management Department within GNCC works in three key directions:

- Radiofrequency resources management;

- Radiofrequencies coordination;
- Radio monitoring and monitoring of the conditions of radiofrequency resource usage.

List of works performed for radiofrequency spectrum coordination in 2009

- By means of the new electronic software of International Telecommunications Union (ITU), WISFAT, implementation of the coordination procedures commenced, in relation with modification of the digital broadcasting stations (10th, 50th and 58th TV channels) allocated within the scopes of Geneva 06 plan. Agreements were achieved with the administrations of Turkey, Armenia and Azerbaijan. Data should be agreed upon with the administrations of Russia (10th TV channel) and Iran (10th and 58th TV channels) and this is implemented in accordance with the procedures provided by Geneva 60 plan.
- GNCC has participated in the preparation stage of World Radio Communication Conference (WRC 2012), together with CEPT member states, for preparation of the common proposal of the European countries;
- For Wg FM meetings the data in WG FM questionnaires and consolation projects were prepared and sent. These were presented in the course of the mentioned meetings. At these meetings the agreement was achieved on conducting of meeting with WG FM in Georgia in 2012 and this will be prestigious for the country, as well as will provide great experience with respect of the issues of regulation of radiofrequency spectrum.
- Commission participated in ECA table discussion of issues of improvement of the harmonized frequency grid of United Europe, which is paid great attention from the side of WG FM.
- GNCC has considered and sent answers to the requests of Russian Federation (through ITU), Ukraine, Turkish Republic, Azerbaijan Republic in relation with the coordination procedures. Frequency coordination was provided in accordance with the procedures specified by ITU Radio Regulation (RR).
- Taking into consideration CEPT recommendations and resolutions, the work on draft amendments and addenda to the effective legislation with respect of the

radiofrequency spectrum usage issues (radio amateur communications, small radius radiation equipment etc.) commenced

- GNCC participated in the meeting of project team FM PT 45 of CEPT working group for frequency management (WG FM) at Stuttgart (Germany). Work in this team directly deals with digital broadcasting and other related issues. The software for digital broadcasting planning studied in the course of meeting will be used in the process of work on Wiesbaden (W195revCO07) and Maastricht (MA02revCO07) agreement plans.

Works of Radiofrequency Spectrum Resources Management and Monitoring Implemented in 2009

- Tens of frequency planning operations were implemented by means of EDX and ATDI software; taking them into consideration the free frequency resource was identified and GNCC issued the licenses through competition, from functioning of both, broadcasting and other radio networks.
- When detecting radio frequency interferences, the information provided by customers was considered and handed over to technical personnel to carry out relevant works.
- In result of consideration of submitted materials on the import of high frequency equipment to Georgia, 145 relevant documents were issued to companies for the customs clearance of cargo. A corresponding data base was also created.
- In result of the consideration of the documentation concerning the allotment of call signs and identifiers to vessels sailing under the state flag of Georgia, two decisions were drafted for 30 vessels.
- 18 decisions were drafted on assigning call sign to radio amateurs for amateur radio communication by amateur radio stations through radio electronic facilities and high frequency equipment; a personal data base on radio amateurs was also created.
- In response to the requests from the radio broadcasting companies, 3 frequency allocations were changed, with maintaining of electromagnetic compatibility, what was caused by increase of concentration of the automobile radio receivers

operating at the odd frequencies in the recent period, in the territory of the country.

- Frequency boundaries of radiofrequency bands to be used for various purposes were defined: wireless broadband networks, wireless local networks, radio relay lines, radio navigation and radio location systems, systems of data exchange with aircrafts (ground-to-air, air-to-ground); for the purpose of allocation of the frequency bands through auctions or other regulations provided for by the effective legislation according to the requirements, preparation of the technical issues and their implementation.
- In 2009, for three companies the radio relay frequencies and frequency pairs were selected on four directions (from point to point) for operation of the radio relay stations. Total initial amount of license fees was GEL 23.725.20. In accordance with the applications from two companies, for issuance of the licenses for use of frequency resource in eight cities, the frequency bands were planned for the auction for allocation through auction. Initial total amount of the license fees was GEL 93.704.
- The protection compatibility in common bands and conditions for the maintenance of technically acceptable levels were analyzed and established in cases of electromagnetically interactive radiating equipment.

Activities performed in 2009 for software for database management and monitoring:

- Radiofrequency allocations were recorded in the registry database – over 750 frequency allocations were registered;
- In the process of database completion and its further use showed necessity of its unification and effectiveness of its expression. In this respect the list of special objectives was developed and the certain mechanism was created conditioning creation of the database of new type FAMS (Frequency Allocation and Monitoring System). In this respect, the project was identified, within the scopes of which the objective of providing visualization of the existing frequencies was stated; the interface for visualization of the allocated frequency resource should be created and visual working instrument for monitoring of the allocated frequency resources should be developed. Within the scopes of the

project there was developed and launched the software with the universal tools by means of which all frequency resources, without any exclusions are visualized, including the frequencies with expired term of allocation and those, term of allocation of which would expire within 1 month. National frequency plan was integrated with FAMS system to ensure cross checking at a time of frequency allocation; integration of the detailed information of the national frequency plan into the existing system; visual and contents separation of frequencies with respect acceptance and transmission. There were developed the tools for measuring width of the free and engaged bands, mechanism for observation of the entire spectrum, integration of the existing monitoring data at a time of visualization of each frequency; integration of the organizations and licenses data into FAMS system to ensure its availability for more prompt data recording and correction, integration of the data on decisions and licenses in the registry, description of ITU recommendations and their integration into FAMS system. There was developed integration with the Google Earth maps and special tools by means of which all stations recorded into the database could be reflected on the digital map.

- The tool for linking database and digital maps was developed. By means of this tool all TV channels may be marked on the map of Georgia, allowing manipulations with the free resources and its use in the future planning process as well as adequate distribution of channels by geographical zones.
- The mechanism for mapping of the allocated frequencies and those available for allocation for radio broadcasting was developed, as well as the mechanism for recording of the radio channels incoming from the bordering regions;
- Frequencies intended for digital broadcasting were allocated by geographical regions.
- By means of the software and digital maps provided by ADTI the WiMax network was planned, the radio coverage analysis in various Georgian regions, both for cross checking of the current situation and coordination with the border regions, as well as coordination with the bordering regions, measurement of theoretical coverage and field intensity in the broadcasting regions, calculation of the GSM and CDMA stations' coverage zones were provided.

- The database was developed where there are stored visual images of each air TV-radio broadcaster's signal according to the data from analyzer in Tbilisi and stationary monitoring station in the Western Georgia; the daily monitoring (once per 4 hours), observation and data saving are provided; regarding the size of data, the back-up copying of the database is provided and after achievement of certain size, it is removed and duplicated.
- Automobile of radio monitoring mobile system was equipped with EVDO modem of CDMA type; this significantly increased the rate and volume of transmission of the data collected through location and radio monitoring to Monitoring control center (MCC). In such case, through mobile station, within the given time interval, we obtain the station of monitoring stationary site nature.
- The facts of technical damages caused by radio disturbances and interference were eliminated; for the past year there were 20 such cases, among the operators operating within the territory of the country, as well as with respect of the stations operating in the territories of the neighboring countries. Irrespective of the minimal number of the radio monitoring and location stations, the causes of the radio disturbances were effectively identified and relevant technical recommendations were provided to the operators.

Market Research

By GNCC decision #400/9 of 20th July 2007, on the Results of Wholesale and Retail Internet Service Market research and Analysis, for the purpose of regulation of the situation and retail internet service market GNCC has identified the entities with significant market power and imposed on them the specific obligations provided for by Georgian Law on Electronic Communications. Within the scopes of the mentioned decision, at the retail market of internet services, number of the subscribers of internet network services was used as the criterion of initial evaluation. The following authorized persons were regarded as those having significant market power, by respective geographical zones:

Tbilisi	Kutaisi	Poti	Rustavi	Zugdidi	Remained Georgian Territory	Adjara
Caucasus Online Ltd	Caucasus Online Ltd	Caucasus Online Ltd	Caucasus Online Ltd	Caucasus Online Ltd	Namio Ltd	Caucasus Online Ltd
New Net Ltd.	New Net Ltd.	Caucasus Online Ltd				

According to GNCC decision #605/9 of 17th October 2008, on Internet Service Wholesale Market Research and Analysis additional regulation of the wholesale wire internet service market was provided. The following legal entities were recognized as those with significant market power:

1	Caucasus Online Ltd
2	JSC Georgian United Telecommunication Company
3	KSC Egrisi
4	Railways Telecom Ltd
5	Namio Ltd
6	Wanex Ltd
7	Service Ltd
8	Grena Ltd
9	Caucasian Digital Network Ltd
10	Geonet Ltd
11	Ultracom Ltd
12	Global One Ltd

Within the above GNCC decision, the terms and conditions of the specific obligations of securing information transparency were refined and the tariff cap for extended interconnection service for specific authorized persons was defined for JSC United Telecom and Caucasus Online Ltd.

In 2009, for the purpose of internet market analysis and regulation, the certain information was requested from the authorized persons, including the information on number of the lat users of internet services. According to the analyses of both, initial and basic data, it was found that after the most recent research of retail internet service market conducted by GNCC the situation with respect of retail internet services in Tbilisi geographical zone was changed significantly. In particular, percentage of internet service revenues of JSC United Telecom, as a vertically integrated operator in local access network, through both, wire and wireless technologies, is significant in the total revenues of the company. Situation is dramatically changed in Rustavi zone as well, where operates Georgian Central Communication Corporation Ltd, being vertically integrated authorized entity.

For the purpose of monitoring and control of the terms and conditions of special obligations GNCC has examined and analyzed the circumstances directly related to analytical factors and criteria determining terms and conditions of the specific obligations imposed on the authorized entities with significant market power.

With respect of technological diversification and introduction of the new (innovative) technological solutions, the authorized entities have widely introduced the wire, fiber optical subscriber technologies. By year 2009, situation with respect of volume of local wireless access networks and facilities (through radiofrequency spectrum) has changed significantly, In such case, introduction of the state-of-art technological solutions by the operators allowed significant scale of activities in retail internet service market segment and consequently, expand service delivery area. Among the wireless radiofrequency technological solutions introduced and launched in the current period the following should be especially mentioned: so called "WiMax", "CDMA-1X", "CDMA 2000 EV-DO/DV", "3G-WCDMA", "3G-HSDPA" and other technological communication

platforms, both, for the end users and to the local fixed address; as well as for delivery of internet services to the mobile end users. As of 2009, retail internet service market segment increased with respect of geographical access as well.

In the internet service retail market segment the following service types were considered:

- a) Retail market of wire internet service to the fixed address of the end user;
- b) Retail market of wireless internet service to the fixed address of the end user;
- c) Retail market of internet service to the mobile end user.

GNCC has analyzed collected data/information and made decision, according to which:

- Geographical limits of retail market of wire internet service to the fixed address of the end user were determined according to the Georgian administrative-territorial units (municipalities), territory of Adjarian Autonomous Republic and remained Georgian territory (with the exception of the occupied Georgian territories);
- At the retail internet services to the fixed address market segment the following authorized entities with significant market power by geographical zones were identified:

Tbilisi

- JSC United Telecom
- Caucasus Online Ltd
- New Net Ltd
- Akhteli Ltd

Rustavi

- Georgian Central Communication Corporation Ltd

Kutaisi

- New Net Ltd

Poti

- JSC United Telecom

Batumi

- Ajaris Elektrokavshiri Ltd

Kobuleti

- Ajaris Elektrokavshiri Ltd

Zugdidi

- Iveria Network Ltd
- JSC United Telecom

Samtredia

- JSC United Telecom
- JSC Railways Telecom

All other geographical zones of Georgia

- JSC United Telecom

- The obligation of securing information transparency was imposed on the specific entities identified as those with significant market power at the market segments of wire internet service to the fixed address of the end user, wireless internet service to the fixed address of the end user and internet service to the mobile end user within relevant geographical limits, as well as prohibition of discrimination, with the following specific terms and conditions:

a) Entity with significant market power shall determine, publish and state in the specific agreements with the subscribers upper and lower limits of the capacities guaranteed for wideband internet service (service scopes), as well as methodology for measurement of these capacities and assessment of average quantities of these capacities (delivered services) in the accounting month.

b) Entities with significant market power shall secure, by means of the guaranteed capacities for internet services, unlimited and non-discriminative access for the end users within its network, as well as the internet resources in the networks of other operators, including the internet pages and types of internet services.

c) Specific authorized persons with the significant market power, in calculation of the fees for internet service delivered to the subscribers shall take into account, on the pro rata basis, the periods of accounting month when the allocated capacity (scopes of the delivered services) was less than the contracted capacity and state the mentioned information in the detailed report on service fees for the services delivered to the end users.

- The obligation of separate recording the costs and revenues shall be imposed on the specific entity identified as one with significant market power at the market segments of wire internet service to the fixed address of the end user, wireless internet service to the fixed address of the end user and internet service to the mobile end user within relevant geographical limits, as well as prohibition of discrimination, with the following specific terms and conditions:
 - a) Specific authorized entity with significant market power shall prevent subsidizing of the tariff benefits for some group of the subscribers on account of the other authorized entities or consumer groups;
 - b) Specific authorized entity with significant market power shall provide, in accordance with the methodological regulations approved by the Commission, recording of the costs and revenues related to the access to the relevant network elements and/or interconnection separately, in unbiased and transparent manner, by operations of the network elements and types of electronic communication services,
 - c) Specific authorized entity with significant market power shall submit to the Commission the information about number of the end users, costs distribution, tariff plans and revenues from the other authorized entities before 15th day of each following month.

- The obligation of tariff regulation and cost estimation shall be imposed on the specific entity identified as one with significant market power at the market segments of wire internet service to the fixed address of the end user, wireless internet service to the fixed address of the end user and internet service to the mobile end user within relevant geographical limits, as well as prohibition of discrimination, with the following specific terms and conditions:
 - Electronic communication network operator with significant market power shall provide delivery of the electronic communication services at cost-oriented and non-discriminative tariffs;
 - The following entities were identified as authorized entities in the market segment of wireless internet service to the end user fixed address:
 - Magticom Ltd
 - United Telecom Ltd

- Territory of entire Georgia was identified as geographical zone for market segment of retail internet service to the mobile end user and market segment of retail internet service to the fixed address of the end user;
- The following entities were recognized as the legal entities with significant market power at market segment of retail internet service to the mobile end user:
 - Magticom Ltd
 - Geiocell Ltd
- Territory of entire Georgia was identified as geographical zone for market segment of retail internet service to the mobile end user;
- Market segment of retail internet services and market segment of wholesale subscriber copper line-cable pairs' access to wideband resource were identified as closely related segments.
- Geographical area of wholesale market segment of copper line-cable subscriber pairs' access to wideband resource service was identified within the following territorial boundaries: Tbilisi, Kutaisi, Rustavi, Poti, Zugdidi, Adjarian Autonomous Republic and remained Georgian territory.
- As authorized entities with significant market power at wholesale market segment of copper line-cable subscriber pairs' access to wideband resource service were identified as follows:
 - Within Tbilisi local service zone:
 - JSC Georgian United Telecommunication Company
 - New Net Ltd
 - Akhteli Ltd
 - Within Kutaisi local service zone
 - New Net Ltd
 - Within Rustavi local service zone
 - Georgian Central Communication Corporation Ltd
 - Within Potu local service zone
 - JSC Georgian United Telecommunication Company
 - Within Zugdidi local service zone
 - JSC Georgian United Telecommunication Company

- Iveria Network Ltd
- Territory of Adjarian Autonomous republic
 - Adjaris Elektrokavshiri Ltd
- The remained Georgian territory
 - JSC Georgian United Telecommunication Company

Customers' Rights

Most complaints to the service of public defender of consumer rights deal with poor quality of the telephone service, in particular, technical inadequacy of telephone communication and its low quality, interruption of services to the subscribers by the reason of damage of the cable infrastructure, depriving of the phone numbers in breach of effective legislation and termination of services by the reason of conflicts between the companies. It should be noted that the number of claims on imposed arguable liabilities for one or another services has increased in recent period.

In 2009, incompliance of the agreements made by the internet providing companies with the subscribers with the legislation dealing with the electronic communication and their ineffectiveness was especially prominent causing putting onto agenda the issue of change of such agreements.

In the conditions of rapid development of the modern technologies and extending of range of services in the sphere of electronic communication the consumers meet more and more problems with respect of lack of information on service terms and conditions or delayed notification on new types of services or change of service conditions from the side of the operating companies.

Certain part of the complaints received by the service, in addition to the above listed problems is caused by failure of the service providers to consider the complaints to them or their non-compliance with the terms of complaints processing provided for by the law.

In 2009, the public defender service has received 60 written applications and 81 oral (telephone) complaints.

Unlike the previous years, when long suspension of the telephone services was conditioned by theft of inadequately protected cables, currently, telephone service interruptions are caused by damages. It should be also noted that this problem is not so significant as in the previous years. This is conditioned by two key factors: first, extensive work of the public defender's service in this respect and second, replacement of the outdated automatic telephone stations with the digital ones.

In the most cases of damages of telephone communication, after intervention of the public defender's service, the response of operators and restoration of telephone services to the subscribers accelerated significantly.

In 2009, number of disputes between the consumers and service providing companies dealing with adequacy of the charged fees increased significantly. In number of cases, after request from the consumer rights defending service the inadequate and disputable indebtednesses of subscribers of many companies were written off. For example, the service received application from citizen Peradze stating that he doubted adequacy of the charged fee by JSC United Telecom created through his call, as a subscriber of JSC United Telecom through Maxtel Ltd international code to the subscriber of Geocell Ltd. In result of intervention of the defender's service the mentioned amount was completely written off.

In 2009, there were identified number of cases of removal of the phone number in breach of the effective legislation caused by low level of awareness of the consumers on service terms and conditions and absence of service contracts with the subscribers. In most cases, the request of public defender's service on restoration of the consumer's telephone number was satisfied by the provider company. In particular, the service received application from Citizen R. Nakudaidze disputing removal of his telephone number by JSC United Telecom and requesting GEL 140 for its restoration. Service applied to GNCC with respect of the above for commencement of the formal

administrative procedures and requesting from JSC United Telecom to restore the telephone number to the subscriber. The mentioned procedures resulted in conciliation and the consumer's request was satisfied.

In 2009, there were numerous cases of termination of the telephony and internet services to the subscribers by the reason of disagreements between the service providing companies. There were cases where the consumers were restricted in choice of the desired internet provider from the side of service companies. For example, the defender's service received application from Georgian Diplomatic Academy expressing dissatisfaction by the reason of termination of internet services. Reason for such restriction was expiry of the agreement between Caucasus Online Ltd and JSC United Telecom. The customers claimed fulfillment of its contractual obligations by Caucasus Online Ltd and resume internet services to the consumers. Defender's service applied to GNCC to commence formal administrative procedures with respect of the above, for the purpose of dealing with this issue in a timely manner. The mentioned procedures resulted in conciliation and the number of consumer's claims was satisfied. In particular, Caucasus Online Ltd was instructed to improve operation of the department of relations with the subscribers and to ensure timely consideration of the subscribers' complaints and undertake obligation with respect of relevant response. In particular, the company should eliminate the damages in accordance with the terms and conditions specified in Articles 18 and 181 of Regulation on Rules of Service Providing in Electronic Communication Sector and Protection of the Consumers' Rights and terms and conditions of the agreement between them, which, on its side, should be compliant with the requirements of Regulation on Rules of Service Providing in Electronic Communication Sector and Protection of the Consumers' Rights.

Complaints received by the defender's service show that the subscriber's claims, in many cases are conditioned by low level of their informing from the side of service providers or information related to the services is not available. This is also caused by absence of written agreements with the subscribers on service providing or by the agreements containing only general provisions.

Consumers' rights protection service has studied the agreements and found that in case of absence of disputes between the company and the consumer the latter is in the unfavorable condition, as the presented agreements, in many cases, do not reflect the issue of responsibility of the service provider to the consumers. Public defender's service for the period of its activities has studied the typical contracts of the service providers on service delivery and instructed them to update the contracts to comply with the obligatory terms and conditions provided by the effective legislation. Special attention was paid to the issue of providing maximal information to the consumers. Application by citizen I. Khakhutashvili, the subscriber of New Net Ltd dealt with the similar problem. The subscriber expressed his dissatisfaction with the services provided by New Net Ltd and Lagi Ltd. In particular, in February 2009, telephone services were cut off in both directions by the reason of indebtedness to Lagi Ltd., amounting to GEL 40. In addition to the indebtedness Lagi Ltd claimed from the subscriber GEL 5 for connecting of the telephone and this caused dissatisfaction of the subscriber. According to the presented agreement between the subscriber and New Net Ltd., the company had no right to restrict the services for the indebtedness to the other company or this should be stated in the agreement made with him. The defender's service applied with respect of the above to GNCC for commencement of formal administrative procedures and according to the decision made, Lagi Ltd was charged to provide full and adequate information on telephone service restriction and recommencement costs (amounts, payment terms, etc); Lagi Ltd was informed that the consumer shall not be imposed the obligation of payment of the costs for service recommencement of he is not informed about this in advance. Citizen I. Khakhutashvili was released from the obligation of payment of tariffs for connection and disconnection of the telephone services; New Net Ltd was instructed to improve the agreements with the consumers and provide all information to its subscribers with respect of all circumstances of service providing, restriction and termination.

In 2009, the problem of the discriminative nature of the draft agreement offered by the internet service providers to the subscribers was revealed. In particular, defender's service received application from the subscriber L. Chighladze expressing his dissatisfaction with respect of the terms and conditions of draft service agreement

offered by Caucasus Online Ltd to its subscribers. In his application the subscriber stated that the provisions of Caucasus Online Ltd agreement are discriminative to the subscribers and asked to give response to this fact. For the purpose of studying of this problem the defender's service applied to GNCC. In accordance with GNCC decision #709/18 of 25th December Caucasus Online Ltd was instructed to eliminate the violations specified in the decision and ensure compliance of the standard agreements on internet service providing with Georgian legislation.

In accordance with Section 1 of Article 28 of the Regulations on Service Providing and Protection of the Consumers' Rights, for the purpose of timely acceptance, processing and resolving of the citizens' complaints the service provider shall ensure creation of the unit for processing of the consumers' complaints. And in accordance with Section 1 of Article 29 of the same Regulation, "service provider shall consider the complaint and make relevant decision no later than within 15 days from the date of registration of the complaint. Service for processing of the consumers' complaints of the service providing complaints in the sphere of electronic communications is one of the most significant mechanisms for protection of the consumers' rights. On the basis of written and oral applications received by the public defenders' service show that there are cases where the service provider considers the consumer's complaints in breach of the terms provided by legislation or its decision does not result from adequate studying of the case and is not duly justified. Only after application to the public defender's service and intervention of the mentioned service the service providing companies deliver the relevant information to the consumers with respect of the subscribers' applications.

Georgian Communication Sector was Highly Appreciated by EBRD

In May 2009, European Bank for Reconstruction and Development (EBRD) completed studying of communications sector in 29 EU and CIS countries and Georgia among them. The project aimed to examine compliance of the communications sectors of mentioned countries with recommendation documents developed by WTO, to which our country jointed in 2000. It should be noted that according to this survey, Georgia was

highly assessed among the non-EU countries, though, this dealt with the recommendations of EBRD experts for the future.

EBRD has formulated evaluation of the countries in result of study of the following criteria: interconnection and access to the network elements, conception of the significant market power and securing competition mechanisms, access to market (in wireless and wire networks), disputes resolution and complaints procedures and independence of the regulating authority. These were the criteria, based on which Georgia received high evaluation among the CIS countries. According to EBRD statement, Georgia is at the leading place for its legislative readiness, harmonization, generally existing regulatory framework and institutional framework.

The survey identified number of problems as well, dealing with which would be useful for development of electronic communications in Georgia. One of such problems is the licensing system. In their opinion, list of the technologies subjected to licensing in the law may be regarded as a barrier for development of the other, new technologies. In the conclusion there is also mentioned the outdated infrastructure, what is used by certain operators for their own benefits. In addition, special emphasis was made on securing compliance with the laws and stated that in Georgia, the institutional framework is quite well developed and comprises independent regulating institute; the effective legislation is acceptable as well, though the key recommendation dealt with securing compliance with the law and calling to proactive nature of the regulatory authority.

Potential investors pay great attention to the opinion of EBRD. Bank regards that in investment in telecommunication sector in Georgia is interesting and profitable. In the survey Georgian telecommunication market was assessed as one with good potential for future development and growth of the incomes and investments into the infrastructure.

Chapter III

Planned Activities

Georgian National Communications Commission works on number of significant issues, part of which will be completed in 2010. Below are listed the issues subject to GNCC special attention.

Digital Broadcasting

Currently, the process of transition from analogue to digital TB broadcasting is extensive all over the world. According to GE06 plan adopted in 2006, in Geneva, at the Regional Radio Communication Conference (RRC-06), it shall be completed by 2015. Arrangement of the technical issues related to allocation of the frequency bands, process coordination and standardization was completed. According to EC requirement, in 2011 no analogue television should exist in the Europe and hence, this issue is quite significant for Georgia as well. International Telecommunication Union (ITU) has conducted number of conferences on this issue and representatives of our country have attended these conferences. GNCC works on the strategies and policies for commencement of transition to digital TV broadcasting in Georgia.

In early 2005, in result of ITU preliminary allocation, Georgia was allocated 72 digital channels. In 2007, with the efforts by GNCC, in result of negotiations with the neighboring countries and signing relevant agreements the number of mentioned channels was increased from 72 to 175 and in November of past year they were finally approved. It should be noted that ITU agreed with the number of channels and regarded status of Georgia in the region as “etalon situation”. In 2006, ITU, at Regional Radio Communication Conference (RRC-06), has developed for the 1st and 3rd regions, within 174-230 MHz and 470-862 MHz frequency ranges the land digital broadcasting plan Geneva 06, intended for effective use of radio spectrum both, at the national and international levels. According to the same plan, for Georgia 175 digital channels were planned and allocated over the entire territory of the country, in 10 broadcasting zones.

In the period of transition from analogue to digital broadcasting, it is desirable that common European standard DVB was applied and for signal compression – MPEG-4 or higher. Applying of such standards would allow placing of 6-8 TV programs of standard quality and 4 radio channels at the same time.

One of the most important advantages of digital television is high capacity of the frequency resource. While in case of analogue broadcasting only one TV channel could be broadcasted in one and the same frequency band, in case of digital broadcasting its capacity increases significantly. Capacity of such system is much higher than that of analogue one, as it is digital and the digital systems could be arranged in the adjacent bands. In two adjacent spectral frequency bands the digital signals actually do not interfere, while in case of analogue signals the situation is quite opposite: two adjacent bands could not be used. For example, if the license is issued for 24th decimeter channel, no license could be issued for 25th one, while in case of digital signals the situation is different allowing allocation of directly adjacent bands. All TV stations, currently holding the decimeter frequency (UHF) licenses can immediately arrange digital TV broadcasting and how the bands will be sold through auctions, this issue is the part of currently developed strategy. There will be only one single problem – communication with the neighboring countries and to prevent mutual interference, the frequency bands should be coordinated and respective information about frequencies allocation should be transferred to ITU.

For television two standards are developed DVB-T for on-air broadcasting and DVB-H – for mobile television. These two standards are absolutely compatible with one another. In case of transition to the digital broadcasting in Georgia mobile television will operate at the frequency of mobile communication. Regarding the users' screen dimensions, the quality will differ from the one of TV sets, though much higher, than in case of analogue TV broadcasting.

***Plan of Rapid Introduction of the Internationalized Domain Names
within the Country Code Top-Level Domain***

In 2009, Internet Corporation for Assigned Names and Numbers (ICANN) has approved the program, within the scopes of which, within the shortest period, the country code top level domain internationalization should be provided.

In other words, in result of adoption of the program registration of fully internationalized domain names is possible. In case of participation in the program, our country, similar to the other countries, will be assigned IDN ccTLD row (top level internationalized domain row).

Consequently, in result of introduction of the program in our country it will be possible to use Georgian domain names. Existing GE domain name will be maintained in any case.

Unlike ASCII ccTLD (ge domain assigned in 1992), IDN name is not assigned automatically according to ISO -3166 standard, it should be selected within the country, taking into consideration the requirements offered by ICANN. The government of country, respective structures and internet community should take part in this process.

GNCC, as official representative of Georgia at ICANN Governmental-consultation Committee made steps for introduction of the program in our country immediately upon its publication. In particular, the program was presented and discussed at GNCC, materials related to the program were posted at GNCC website (www.gncc.ge) and online questioning for selection of domain row was conducted.

Domain row should comply with the ICANN requirements and criteria. In particular, internationalized top-level domain row, with its meaning, should represent the name of respective country or part thereof, denoting the country name, or acronym of the country name.

To secure involvement of the internet community into the process of selection of new Georgian domain the information blog was created at the GNCC website. We hope that

the community would actively participate in the selection process and new domain will be selected on the basis of common opinion of Georgian internet community.

IDN Rapid Introduction Implementation Plan for Country Code Top-Level Domain is of great significance for all of us, as:

- Georgian alphabet is one of 14 ones existing in the world. By means of this program we shall have the unique opportunity to promote our language and culture all over the world.
- For the internet community this is a new alternative – registration of the second national domain would contribute to internet development in the country, improve domain registration process and provide new domain selection opportunity to the users.

New Numbering System

In Georgia the process of introduction of the European numbering system commences. GNCC and the Ministry of Economic Development perform joint efforts in this sphere. Change of numbering has two key goals: harmonization of Georgian numbering system with the system of EU countries and expansion of the available resource. Existing system is practically attached to the old infrastructure made of the outdated technologies and actually is some kind of obstacle. It simply does not allow development of the same operator service market; apply same dial-up order for intercity and international calls etc. We plan to change six-digit subscriber numbers with the seven-digit ones and in the provinces there will be six- or five-digit numbers. The project has divided Georgia into the geographical zones and each zone has its own code. Basically, there will be used three- or four-digit codes and only for Tbilisi there will be two-digit code. First number in Tbilisi will be 2 and hence it will not be 32 any more. One more change is related to the emergency service numbers: ambulance, fire station, police station etc. In the Europe numbers like 01, 02 etc. are not used any more. They basically use the numbers of emergency services: 112, 116, 118. Change will be made with the special cases of one and two zeroes, which does not operate in our country yet: dialing two zeroes one can contact the subscriber abroad and through dialing single zero one can call to the

subscriber within the country, or to various service centers or with the subscriber of mobile network or subscriber of the other city subscriber.

Changes will be made with the mobile numbers as well. Currently 899, 877 etc. are assigned to the operators and further it assigns the numbers to subscribers within the network. In new numbering system the mentioned will be changed and the codes will commence from 6: 699, 677 etc. In this case number of digits will be again nine, but the difference is that this will be the identification code of the subscriber and not of the operator and 6 in numbering will be allocated for this.

Number Portability

Since 2002, in the electronic communication sector, the countries with European harmonized legislation, shall (Universal Service Directive (2002/22/EC), Article 30) secure the right of the subscribers of fixed and mobile telephone services on maintaining their subscribers' numbers in case of change of their providing operator upon the following conditions:

- In case of geographical subscriber numbers – within the specific geographical zone;
- In case of non-geographical subscriber numbers – at any place;
- This does not imply porting of the subscriber numbers between the fixed and mobile networks.

Regarding the above, in Georgia, the fixed and mobile service operators will be obliged to secure subscriber number portability, what, on its side, would ensure:

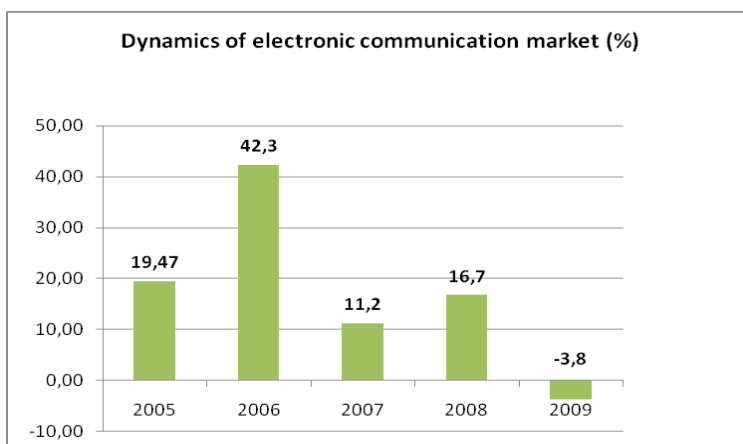
- Benefits to the users – receive services from the desired operator without changing the number
- Competition development
- Promotion of entry of new operators to the market
- Networks development

In 2008, GNCC has developed and posted for public discussion at the GNCC website the consultation document on introduction of number portability setting all technical, administrative and financial issues related to portability of the subscriber numbers. Consultation document also includes GNCC recommendations on the technical and administrative options providing best long-term solution for successful introduction and providing number portability.

Currently, GNCC works on the document on number portability outlining regulations and conditions for implementing and securing numbers portability by common use telephony operators.

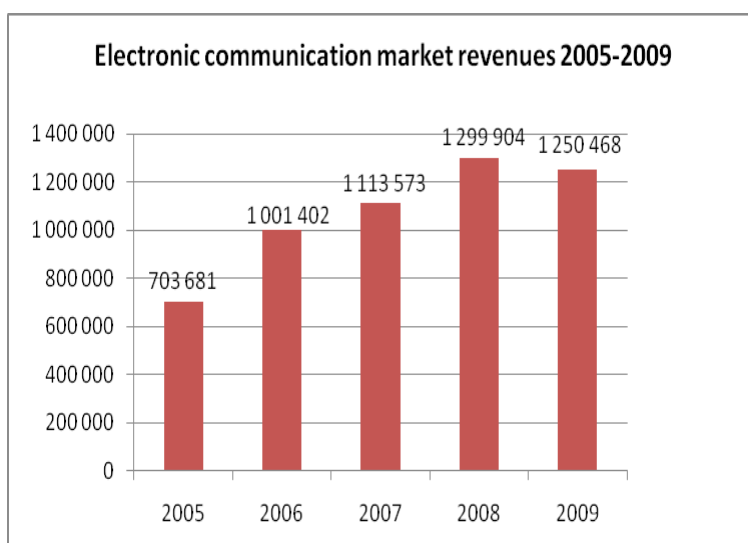
Chapter IV

Overview of Electronic Communication Service Market Development



Fall of the revenues in different sectors caused by world economic crisis was reflected on Georgian electronic communications market as well. In 2009, the gross revenues of electronic communications market

showed decrease and amounted to 1 billion and 250 million GEL (VAT inclusive), what is less by GEL 49 million compared with the previous year.



The peak rate of annual growth of the communication industry gross revenues was in 2006 and achieved 42.3%. As it could be seen from the diagram, in 2007, the rate was 11.2%, in 2008 – 16.7% and in 2009 the market fall by 3.8% was

detected.

Below are provided revenues generated by different segments of the electronic communication market:

Electronic Communication Market revenues			
	2008	2009	Change
Fixed wire network	250 293 147	254 268 582	3 975 434
Fixed wireless network	16 410 863	43 332 408	26 921 545
Mobile communication network 2G/3G	885 518 377	811 153 139	- 74 365 238
Mobile communication CDMA	-	26 754	26 754
Broadcasting	100 523 326	89 674 480	- 10 848 846
Lease of communication canalization channels	3 462 727	3 855 447	392 720
Lease of collocation area	2 513 324	1 697 912	- 815 412
Lease of the masts	638 480	735 670	97 190
One-time connection fees for arrangement of DSL service from the accepted operators	47 110	50 089	2 980
Lease of main communication channels	21 804 998	28 042 641	6 237 643
Lease of the line facilities of fiber optic communication system	548 438	490 085	- 58 353
Other communication services	2 057 491	8 986 783	6 929 293
Total revenues	16 085 869	8 154 627	- 7 931 242

It should be noted that the figures provided in report for 2008 are adjusted. Hence, there are some differences with the data of previous years.

Share of sector's revenues in GDP

Since 2000, the share of revenues of the electronic communications service in the GDP was marked with a sustained increase. It grew from 3.76 percent in 2001 to 7.49 percent in 2006. In 2007, however, this indicator decreased against an unprecedented GDP increase (which can be explained by the development of other sectors of the national economy). This indicator increased in 2008. The trend was similar in 2009 as well, though against the background of GDP decrease.

	2005	2006	2007	2008	2009
Revenues of communication sector (Gel million)	703				
	681	1 001	1 113	1 299	1 250
GDP (GEL million)		13	16	19	
	11 621	370	999	070	17 949
Share of communication sector in GDP	6.06%	7.49%	6.54%	6.8%	6.9%

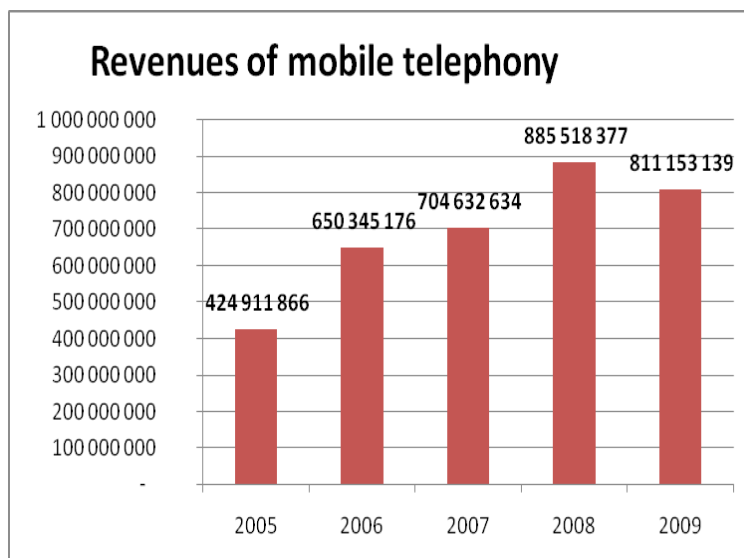
Mobile Telephony

In 2009, for the first time in Georgia, after impressive growth of mobile telephone service, fall by GEL 74 million was detected. Rate of growth of the revenues of mobile telephony sector was 53.05% in 2006; 8.35% in 2007; 25.67% in 2008.

In the table below there are provided the revenues by various services of mobile communication network (2G/3G). As it could be clearly seen, the revenues are decreased in actually all directions with the exception of internet and roaming services. Internet services become gradually available to the population of the regions of Georgia and hence this figure would further grow in the future.

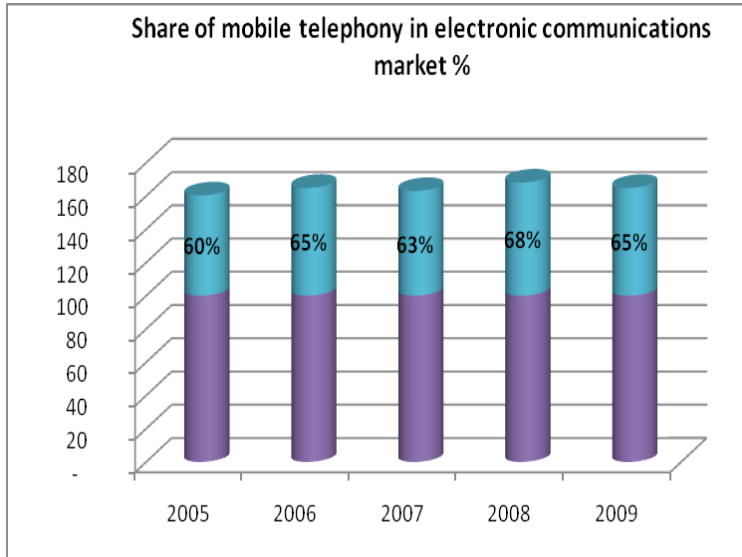
Below are provided revenues from various types of mobile telephone network

Mobile network	2008	2009	Difference
Fee for connection with network	2 476 898	1 966 977	-509 921
Subscriber fees	4 496 036	6 878 567	2 382 532
Other service types	30 313 898	25 390 727	-4 923 172
Other additional service types	20 497 938	19 551 963	-945 976
Internet services	14 334 846	18 890 499	4 555 653
Retail telephone voice service types			-57 069
	532 894 804	475 825 733	072
SMS service	78 207 480	72 142 770	-6 064 709
MMS services	1 726 673	1 087 400	-639 273
Mobile television	26 413	8 918	-17 495
Video call	159 141	78 478	-80 663
Roaming service	14 689 826	19 177 592	4 487 766
Interconnection service types			-15 565
	185 689 585	170 124 132	453
Revenues from collection of the fees from the users for service of the other international operator code	4 837	29 382	24 546
Total			-74 365
	885 518 377	811 153 139	238

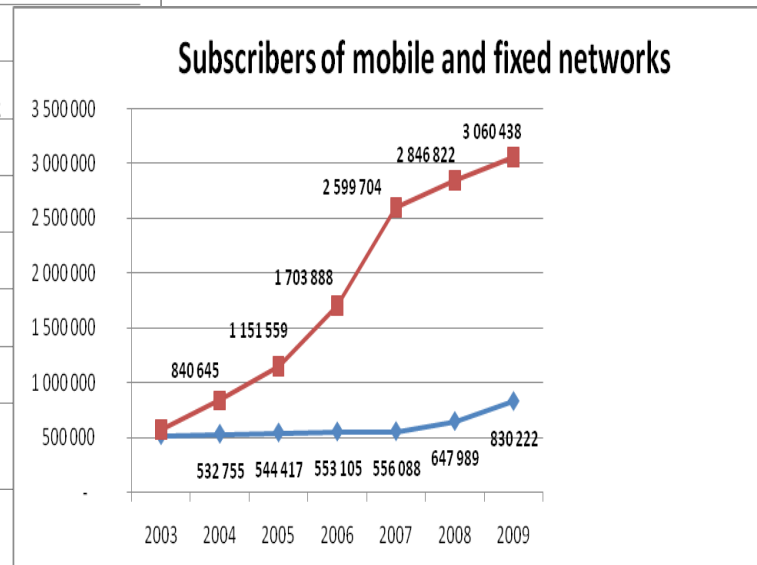
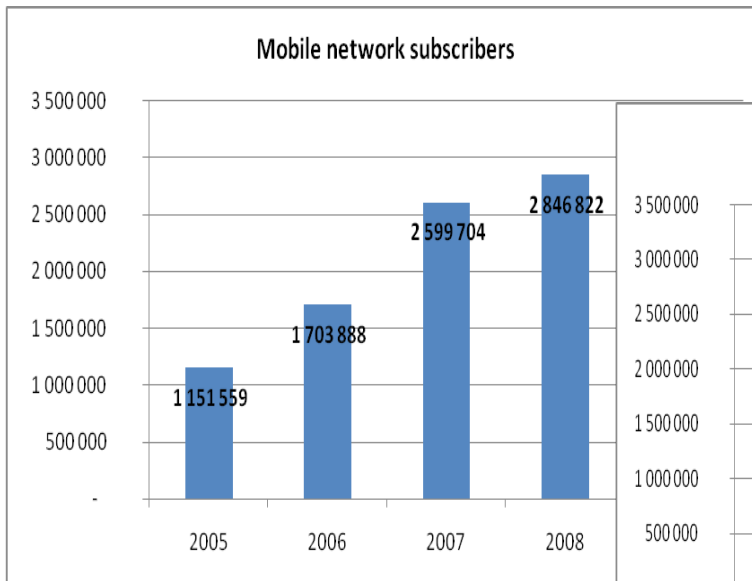


Though total revenues from mobile telephony reduced in 2009, its share ion the total revenues of electronic communication market decreased only slightly. In 2008, the share of mobile

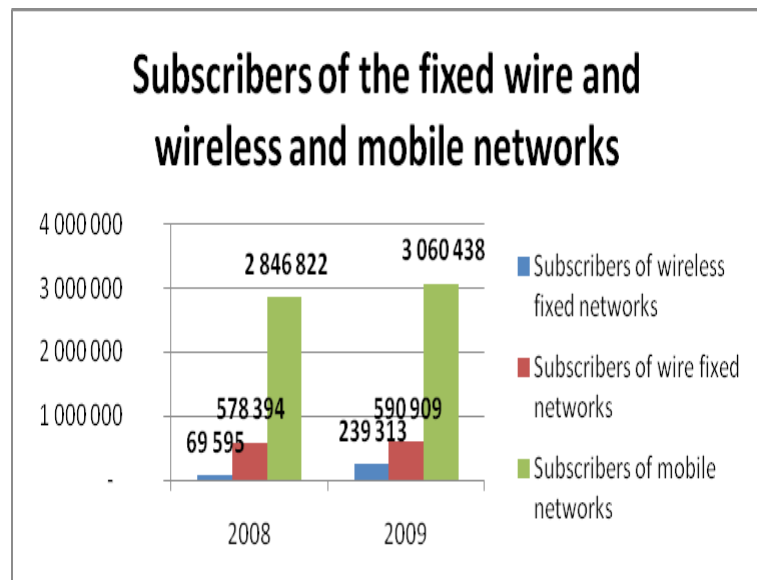
telephony in total sector revenues was 68% and in 2009, this figure decreased by 3% and comprised 35%



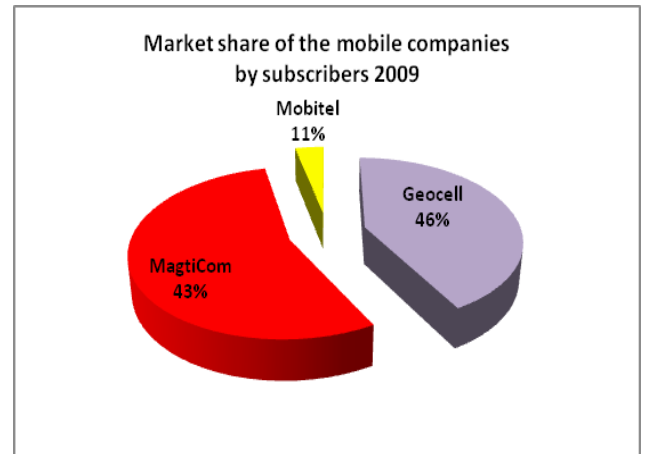
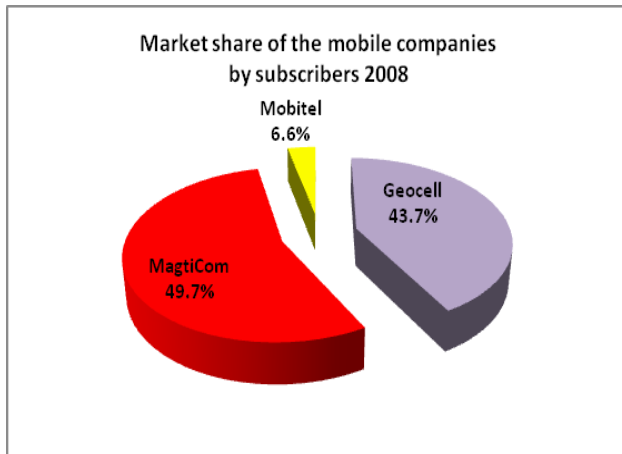
Simultaneously with decrease of mobile telephony decrease, in 2009 the number of subscribers was increasing. In 2009, compared with the previous year, 213616 subscribers were connected and their total number exceeded 3 millions.



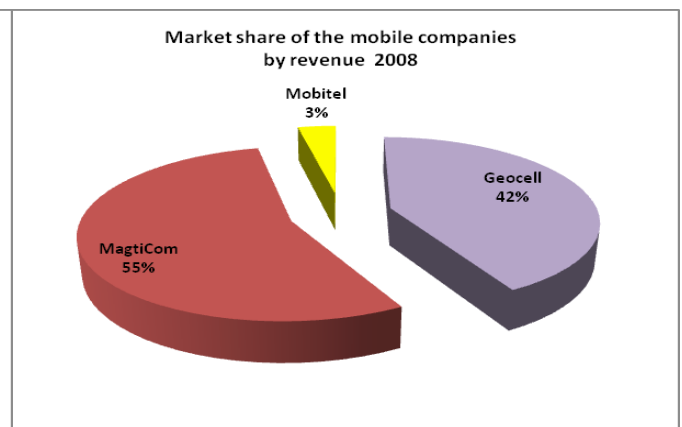
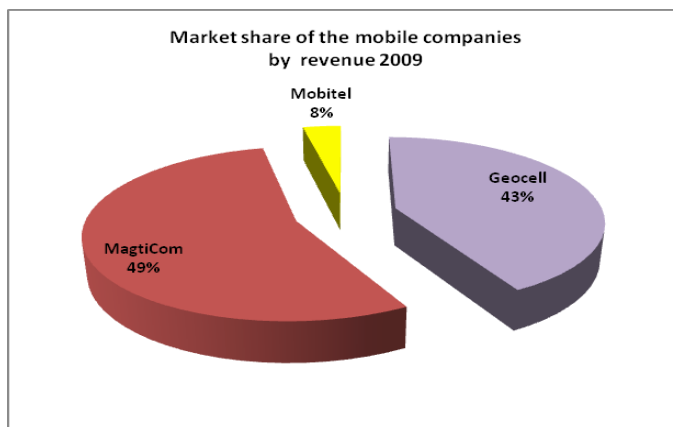
Number of the mobile network subscribers exceeded the number of those of fixed networks as early as in 2003. Difference between them is great. Though, against the background of development and extension of the wireless fixed technologies, the number of the wireless fixed network subscribers



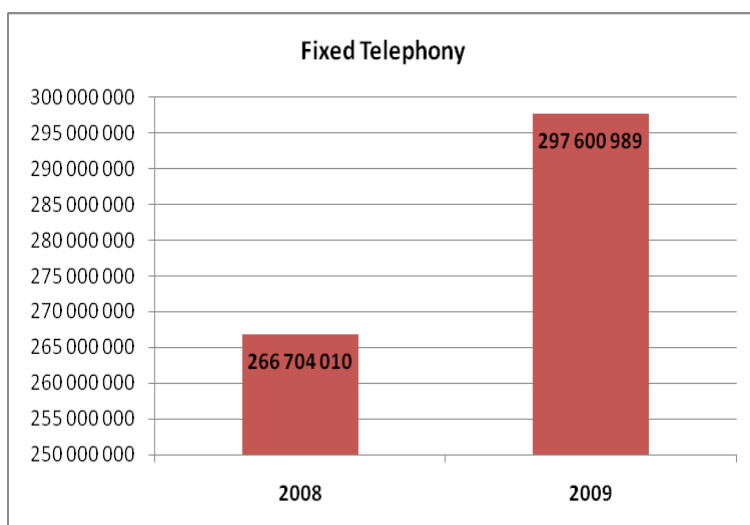
grew, leading to increase of total number of the fixed networks subscribers. Monthly revenues of mobile communication service, per subscriber was GEL 57.74 in 2000, GEL 31.8 in 2006; GEL 22.6 in 2007, GEL 25.9 in 2008 and GEL 22.1 in 2009. These figures show that the subscribers slightly limited the duration of the calls and costs on mobile phones.



At the mobile telephony market, currently, in Georgia operate three companies – Magticom Ltd, Geocell Ltd and Mobitel Ltd (trademark Beeline). Mobitel Ltd is relatively new operator at Georgian market. It commenced operation in 2007 and in result of active and aggressive campaign in the recent period, attracted great number of subscribers. For one year period it has attracted 140.2714 new subscribers. Number of subscribers of Magticom Ltd decreased for the first time in the period of its operation by 78.817 subscribers. Simultaneously with decrease of the subscribers’ number Magticom Ltd suffered decrease of revenues through mobile telephony services. Though, it should be noted that Magticom Ltd entered the foxed telephony market and gained some revenues (and new subscribers) from this segment. There are slight differences between the mobile companies’ shares with respect of the subscribers and generated revenues.



Fixed Telephony Services



Up to 2008 (inclusive), in the data of GNCC reports the revenues of fixed telephony services included those gained from the wholesale and retail services. From 2009, data obtained by GNCC are more detailed allowing separation of the retail and

wholesale revenues. Hence, the comparison will be made only with the data for year 2008. revenues of the fixed telephony services show sustainable growth (at the low rate though). In 2009, compared with the previous year, growth rate was 11%. Fixed telephony services may be classified as fixed wire telephony and fixed wireless networks.

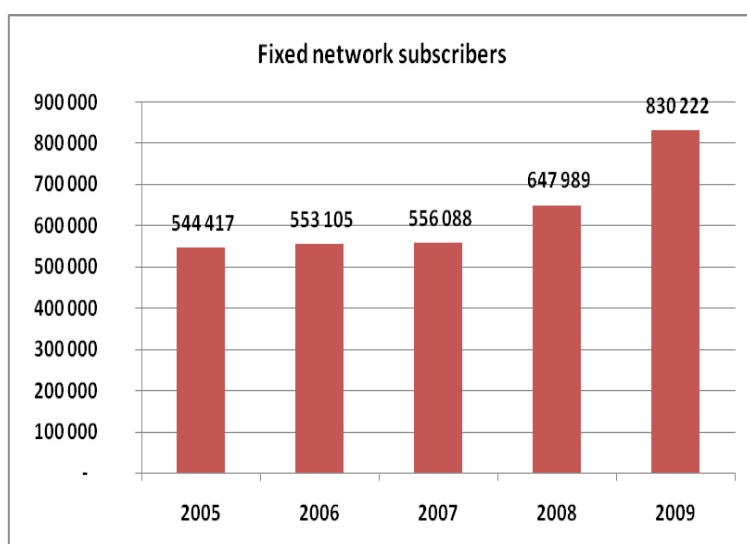
	2008	2009
Fixed wire networks	250 293	
	147	254 268 582
Fixed wireless networks	16 410 863	43 332 408
Total revenues of fixed telephony services	266 704 010	297 600 989

From the table it could be seen that the revenues of fixed wire networks increased slightly, while increase of revenues from the fixed wireless networks was significant. Revenues of Magticom Ltd from fixed wireless services amounted to GEL 2.5 mln in 2008 and in 2009 this figure almost achieved GEL 16 millions. Regarding the trend of decrease at the electronic communication market, it should be noted that no type of fixed telephony services showed decrease (see table below)

Fixed wireless network	2008	2009	Difference
Total revenues	16 410 863	43 332 408	26 921 545
Network connection fees	5 850 516	9 125 555	3 275 039
telephone subscriber fees	971 475	3 353 237	2 381 763
Other service types	54 457	159 305	104 847
other additional service types	399 758	1 784 567	1 384 810
Internet services to the subscribers	326 181	1 985 788	1 659 608
Interconnection service types	4 219 582	14 600 044	10 380 462
Revenues from collection of the fees from the users for service of the other international operator code	4 488 462	12 180 648	7 692 185

Revenues from the wire network services and differences compared with the previous year are provided in the table below

Fixed wire network	2008	2009	Difference
Fixed wire network	250 293 147	254 268 582	3 975 434
Telephone installation	3 284 441	2 561 113	-723 329
Subscriber fees	25 394 426	27 447 636	2 053 209
Other service types	12 693 765	13 201 194	507 429
Other additional service types	4 588 516	3 263 160	-1 325 356
lease of copper line-cable subscriber pairs	5 305 363	4 284 850	-1 020 514
Internet services	56 068 333	73 948 674	17 880 341
Types of retail voice telephony services	82 571 535	70 218 439	-12 353 096
Interconnection service types	58 885 797	55 367 852	-3 517 944
Revenues from collection of the fees from the users for service of the other international operator code	1 500 971	3 975 664	2 474 693



In 2009, the number of the fixed network subscribers increased by 28% (182.233 subscribers), what, naturally, is on account of increase of the number of wireless network subscribers.

Table below shows that in 2009, almost 170.000 new

subscribers were connected to the fixed wireless network

	2008	2009
Subscribers of the fixed wire network	578 394	590 909
Subscribers of the fixed wireless network	69 595	239 313
Total number of subscribers of the fixed networks	647 989	830 222

Wholesale Services

Operators at the electronic communications market (in case of availability of the relevant infrastructure) gain revenues from the various wholesale services. Table below shows the revenues generated by the companies in 2008-2009.

	2008	2009
Lease of communication canalization channels	3 462 727	3 855 447
lease of collocation areas	2 513 324	1 697 912
Lease of masts	638 480	735 670
One time connection fees for arrangement of DSL service by the accepted operators	47 110	50 089
Lease of the main communication channels	21 804 998	28 042 641
Lease of the line facilities of optic fiber communication systems	548 438	490 085
Other types of the communication systems	2 057 491	8 986 783
Types of non-communication services	16 085 869	8 154 627
Total revenues	47 158 437	52 013 256

Internet Services

According to the legislation, the companies intending providing of the internet services specifically, shall be subject to authorization before commencement of their activities. Authorization is provided for the unlimited term. GNCC provided authorization for internet services to 113 companies in 2005-2009. In total, there are received 115 declarations for authorization. Numbers of the authorized companies by years are as follows:

2005	2006	2007	2008	2009
13	42	21	35	4

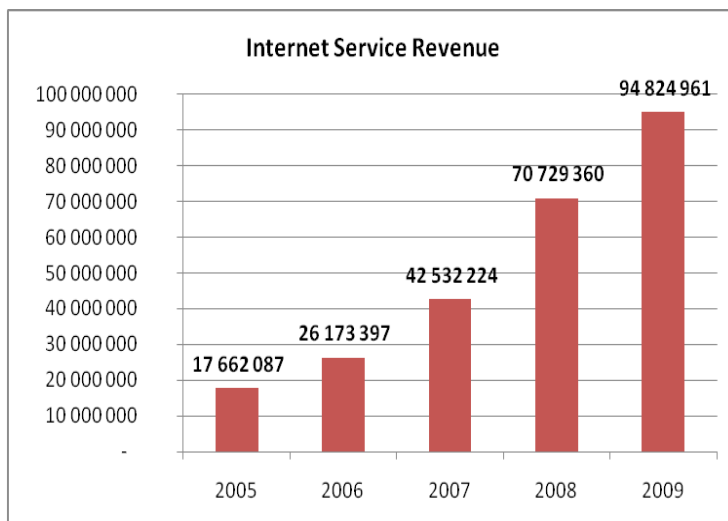
Authorization for internet services does not oblige the company to commence activities. Hence, there are many companies authorized for this type of services do not perform the mentioned activities.

71 of the mentioned 113 companies do not provide internet service; 42 of them do not hold any other licenses in the electronic communication sector. Eleven of them are TV companies and 8 of the remained 18 companies have the numbering resource and conduct the relevant activities. Licenses of 2 companies are revoked and hence they do

not conduct any activities in electronic communication sector. The remained 8 companies hold the licenses on use of the radiofrequency and/or radio relay frequencies. The major and the largest holder of internet resources at the national level are Egrisi Ltd, Railway telecom Ltd, Caucasus Online Ltd, and JSC United Georgian Telecom. Number of the companies use their resources and provide internet to their subscribers. Unfortunately, currently it is impossible to calculate the number of internet users.

Internet services are provided through all of fixed wire networks (DSL, fiber optical cables and dial-up) and wireless fixed network (CDMA 1x, Ev-Do, Wimax) and mobile communication network (GPRS, WAP/GPRS, Wimax, HSDPA). The revenues from various internet services generated in 2009 are provided in the table below.

Revenues from internet services	2008	2009
Fixed wire networks	56 068 333	73 948 674
Fixed wireless networks	326 181	1 985 788
Mobile communication network (G2/G3)	14 334 846	18 890 499
Total	70 729 360	94 824 961



The table shows that the revenues grow in services through types of technologies and in year 2009, this is the single segment of electronic communications market where 34% growth was detected.

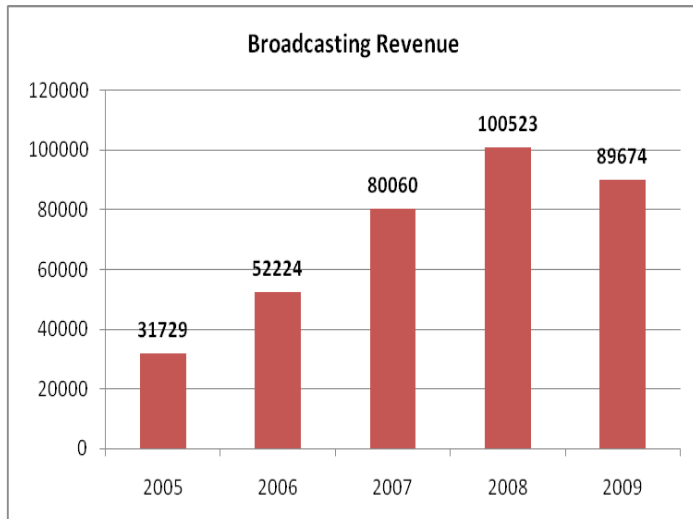
Broadcasting

GNCC, in accordance with Article 4 of Georgian Law on Broadcasting, to identify the TV and radio broadcasting priorities, made contract on the state procurement of telemetric electronic system with BCG Research in 2008, according to which BCG-Research was charged with research of the public opinion of Georgian population in 25 broadcasting zones of Georgia determined by GNCC resolution #10 of 5th December 2006 on Local Broadcasting Zoning, with the exception of the 24th broadcasting zone.

Research of public opinion implied questioning of the population – 6500 people in total, irrespective of their sex, age, social status and ethnicity and submission of full analysis of the poll results separately for each zone, as well as entire broadcasting zone of Georgia, specifying the program priorities, which should provide at least the following information:

- a) Attitude to and demand for community TV and radio broadcasting and thematic contents;
- b) Attitude to and demand for special private TV and radio broadcasting and thematic contents;
- c) Attitude to and demand for general private TV and radio broadcasting;
- d) Broadcasting priorities by technological facilities of broadcasting (on-air, cable, satellite, digital etc.)

First stage of the mentioned works completed on 8 January 2009 and GNCC has accepted the first stage work. In 2009 BCG Research Ltd failed to complete the contracted work and therefore, GNCC had no opportunity to identify the priorities of the broadcasting sphere based on the research results.



According to Georgian Law on Broadcasting, GNCC may issue two types of private broadcasting licenses – the general and specialized ones. To date, 106 licenses were issued to 78 companies, 84 of which are for private and 22 – for specialized broadcasting. 50 of private broadcasting licenses are for

general TV broadcasting and 34 – for radio broadcasting; 10 of the specialized broadcasting licenses are for special radio broadcasting and 12 for specialized TV broadcasting. Telecommunication activities related to broadcasting, according to Georgian legislation, do not require licensing; in particular, broadcasting transit – unchanged transmission via cable. Those who desire to deliver such services to the consumers are subject to authorization by GNCC. By the end of year 2009 the following authorization was provided to:

- broadcasting services – 16;
- Cable transit TV broadcasting – 121 and
- Cable transit radio broadcasting - 30 companies

In 2009, the revenues of TV and radio broadcasting reduced by GEL 10 millions. Since 2005, the revenues of broadcasting sector were characterized with slow but stable growth trend. Year 2009 is the first year when the decrease of revenues was detected. Total revenues from various types of broadcasting amount to GEL 89.674.480.

Revenues from broadcasting for 2009	
Specialized radio broadcasting	213 882
Specialized TV broadcasting	3 329 945
General TV broadcasting	73 759 309
General radio broadcasting	6 656 852
Cable TV and radio broadcasting	5 714 492
Total	89 674 480

Chapter V

Strategic Plan 2007-2010

Strategic plan aims at scheduling the Commission's works and activities, defining goals and short and long term objectives. Strategic plan makes it easier to conduct internal control thus enhancing effectiveness and efficiency of management of human, technical and financial resources. Strategic plan is also vital in identifying needs, whether informational, expertise or technical needs.

Georgian legislation grants certain rights and obligations to the Georgian National Communications Commission thus directing it in the course of development of action plans.

After the commission has studied and analyzed electronic communication market and possibilities and prospects for further development on a global scale it decided to support and develop certain directions. Taking into consideration these directions it worked out relevant strategic goals.

Strategic Goals

Goal 1: Broadband and LLU, DLL Development

The Commission stated that its strategic goal is to expand market of broadband communications service due to increasing demands for this type of service and consequently, ensure competition in local access network by providing operators with relevant conditions. Development of the market is conditioned by process of convergence which in this case stipulates use of broadband communications service not only for bandwidth rates but also for VoIP technologies (voice transmission through the Internet protocol) which has recently become quite popular in the European countries.

Goal 2: Promotion of competition

Promoting competition on the market ensures providing customers with broader choice and stimulates enhancing quality of service. Regulation of competition policy in advance aims at developing effective, competitive, long-term and open market environment which in its turn gives a boost to investments in electronic communications and facilities and motivates introduction of modern technologies. Competition policy is regulated by the principles of objectivity, technological neutrality, functional equivalence, necessary minimal regulation requirements, and by observing rules of transparency and non-discrimination as well as by a principle of imposing proportionately equal specific obligations.

Introduction of objective and effective competition regime requires development of methodological rules for identifying relevant segments of the market and carrying out research on competitiveness.

In order to prevent abuse of power by an authorized undertaking with significant market power it is necessary to carry out research of relevant market and impose obligations. This requires development of methodology and on how to identify market and criteria for identifying an operator with significant market power.

Goal 3: Frequency resource management

Frequency resources are one of the most profitable resources of the country. If closely observed, we can see that revenues received through their use exceed those brought in by other resources.

Methods and approaches of frequency spectrum management must be in non-stop process of renovating and improving. Constant and rapid advancement of technologies and relevant demands should be taken into account while managing frequency resources. Non-existence of adequate mechanisms for management hinders introduction and further development of new technologies and in addition it will lead to limited competition and failure of the state to bring its society in global information cycles. Besides the country's budget will not get due revenues. Georgia's interests should be

taken into account while allocating and coordinating frequency resources, otherwise it will be impossible to present Georgia as successful state on global communications arena and it will fail to get high quality technological service.

Goal 4: Reforms in numbering

Numbering is one of the limited and exhaustible resources of the country and its system is an instrument for identifying Georgia on a global scale. Poor maintenance of the system damages competitive environment and consumers do not get services which should correspond increasing demands.

Current numbering system has become obsolete and fails to satisfy latest requirements. With competitiveness increasing day by day demands on numbering resources mount. Moreover new technologies and expansion of areas require use of numbering resources. When working on modern numbering scheme advances in technologies and fresh demands are to be taken into account. Transition to a new system of numbering requires big efforts and well thought out measures including conducting comprehensive research on demand and selecting suitable strategy. After a new numbering system has been developed the works related to country's transition to it should be carried out and afterwards population's demand on portability of numbers should be satisfied.

Goal 5: Development of Broadcasting Market

Development and expansion of electric communications year by year has had a great impact on broadcasting market. It changed previously worked out directions for development of the latter. Today rules for activities in electronic media and its policy requires changes to enable us meet new challenges and needs.

The Commission should study whether current regulations and legislative norms meet requirements of convergence both existing and future; study should be carried out also for preparing a fixed-mobile convergence base and corresponding platform should be prepared. After studies have been conducted regulations and legislative norms should be harmonized. The Commission should focus its efforts on improvement of competitive environment, introduction of digital technologies and support of convergence.

Goal 6: Tariff rebalancing

The Commission has been working on rebalancing tariffs in telecommunication service for several years. Solving tariff rebalancing problem means redistribution of expenses on retail as well as interconnection services rendered by operators in compliance with requirements set by current legislation and elimination of subsidizing as well as establishment of effective and competitive tariff system in telecommunication industry. Tariffs are cost oriented in tariff rebalancing thus ensuring growth of competitiveness of the market.

Goal 7: Enhancing regulatory effectiveness

In order to enhance regulatory effectiveness the unified automatic information system should be introduced. The system's main goal is to maintain departmental register of authorized undertakings and license holders, make more effective the process of granting authority to interested persons and increase effectiveness of provision of required statistical data (generalized indicators) on their functions, objectives and regulatory authorities as defined and granted by current legislation and regulatory acts issued by the Commission. Regulatory effectiveness should be enhanced in three stages: on the first stage departmental register data base and methods of its maintenance should be developed and consumer interface module should be worked out and introduced. On the second stage automatic format of authorization should be developed. It means identification of authorization and its types according to current legislation, and automatization of authorization procedures. The third stage should be dedicated to development of the forms for automatic statistical report.

Goal 8: Modernization of the Georgian National Communications Commission

Georgian National Communications Commission is well aware of its great responsibility in regulating electronic communications sphere. Inasmuch as jurisdiction of the Commission covers electronic communications the sphere which is the most rapidly changing and developing sector of economy and because the Commission ought to be effective and innovative, result oriented and efficient agency, it should be committed to regularly making changes to be capable of facing new challenges. The

Commission should not only response to market demands but it should also encourage consumers to create demands.

The Commission should become more effective, efficient, flexible and analytical; it should be more open for discussions and be ready for providing interested persons with all information they need under its competence.

RATING

“Rating” Audit Firm

The Audit Council under the
Parliament of Georgia

10-2/02

07 April 2010

Auditor’s Report

From March 27 to April 07 2010 (on the basis of Agreement of 26 March 2010), the audit firm Rating conducted the audit of the accounting and financial statements for the year 2009 of the Georgian National Communications Commission

Pursuant to Article 14 of the Law of Georgia on Auditing Activities, the management of the Georgian National Communications Commission is responsible for adequacy of the statements. Our responsibility is to express, based on the audit results, our opinion regarding the financial status of the company and issue auditor’s report in compliance with IAS 700.

We conducted our audit in accordance with the universally accepted international audit standards requiring planning and conducting audit so that to ensure adequate basis to state that the balance sheet contains no incorrect data. Audit includes examination of the data supporting totals in the balance sheet, assessing the accounting principles applied, the results of estimates made by the management as well as the study of the balance sheet.

We believe that the balance sheet is drawn up in conformity with the requirements of those legal and normative acts regulating the accounting in Georgia.

The accounting and financial documents for the year 2009 were mainly drawn up in compliance with international auditing standards, international accounting standards and the requirements of the Tax Code and generally accepted principles. In all material respects they disclose financial status of the Georgian National Communications Commission as of 01 January, 2010.

Irakli Jalalishvili,
Director of Rating Audit Firm
/Sealed and signed/

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