

## 2. THE BALTICS AND UKRAINE

### 2.1 Estonia

**Figure 2.1**

**Estonia - The Market for Cable Services**

Main Players		Ownership	
Levicom Broadband		Levi Kaabel - Levicom Broadband 100%	
		Tallin Cable TV - Levicom Broadband (65%), the City of Tallinn (5%) Telelobe International (30%),	
Starmaan Kaabeltelevisiooni		Telia Infomedi Television (60%), two Estonian investors (40%)	
STV Cable TV		privately owned	

Operator	Cable TV subscribers (000s)			Subscriber revenues end 1998 (ECUm)					Operator revenues Total (ECUm)
	Relay	Basic/Ext bas	Pay TV	Conne ction	Relay	Basic	Ext basic	Subs. billings	
Starman	3.6	14.4/6.0	-	0	0.02	0.29	0.23	0.56	0.56
STV	5.0	18.8/1.3	-	0.02	0.04	0.78	0.06	0.91	0.91
Telset	0.8	6.0/1.2	-	0	neg	0.16	0.05	0.23	0.23
Tallinn Cable TV	0.3	1.24/0.4	neg	neg	neg	0.03	0.02	0.06	0.06
Levi Kaabel	2.4	21.6/0	-	0.06	neg	0.95	0	1.03	1.03
Others (SMATV)	37.0	0/0	-	0	0.13	0	0	0.14	0.14
<b>Total</b>	<b>49.1</b>	<b>61.9/ 8.9</b>	<b>neg</b>	<b>0.09</b>	<b>0.21</b>	<b>2.24</b>	<b>0.38</b>	<b>2.92</b>	<b>2.92</b>

**Player Shares of Estonian Cable Market - Subscribers and Operator Revenues 1998**

Total: 120,000 subscribers

Total: ECU2.92 million

Figure 2.2

**Estonia - A Summary of Coverage, TV Packages and Charges**

MSOs	HIA (000s)	HP (000s)	HC (000s)	HC/ HP (%)	Cable TV packages/Tariffs (EEK)		
					Connection	Basic/Ext. basic	Premium
Levicom (Tallin Cable/ Levi Kaabel)	na	17/38	2/24	12/63	100-590 ~	Tallin CATV: Minivision 16 Plusvision 59 " Supervision 99 " Levi Kaabel: basic (13-21 channels) 60	TV1000 138- 143 #
Starman	na	61	24	39	free	Basic 12 (13ch) Russian 35 (12 ch) Euro 45 (26 ch) Youth 25 (6 ch)	TV1000 149 +
STV	na	80	25	31	150 270 495 595	Basic 10 (11 ch) Extended 20 (10 ch) Common 69 (26 ch) Elite 80 (41 ch)	napp
Others	na	146	45	31			
<b>Total</b>	<b>na</b>	<b>342</b>	<b>120</b>	<b>35</b>			

**Notes:** HIA - homes in area; HP - homes passed; HC - homes connected; ~ outside Tallinn, " Russian channels (20-30)., # launched in November 1998, available Tallinn only, + launched 02/99. decoder rental EEK39

Figure 2.3

**Estonia - Network and Service Development Plans of the Major Cable TV Operators**

	Levicom	Starman	STV
<b>Cable telephony</b> start date	Planned 2002	Planned 2002	Planned 2002, though local telephony may be offered during 1999
<b>Internet access</b> start date tariff  other comments	Commercial 1998 na  Offered through subsidiary Prism. Internet. Speeds up to 10Mbps. To be offered to Levi Cable customers in 1999	Planned na na  na	Commercial December 1998 Connection: USD400  Monthly charge: USD50  In March 1999 there were 30 cable internet subscribers and STV hopes for around 15,000 subscribers in two years
<b>Digital TV</b> start date	Planned 2001	Planned 2001	na na

n/a - not available; VOD - video on demand

### 2.1.1 Regulatory environment

After various delays, a long-awaited law which will regulate the Estonian CATV market was passed in February 1999 and is planned to be enacted by June. The Estonian National Communications Board (Eesti Sideamet) has been established as a new body responsible for licensing and regulating the cable industry. Under the new law, the country will be divided to geographic areas in which a single cable operator will be awarded an exclusive franchise valid for 10 years. This practice is already followed by Starman and STV, each of which operates exclusively within a single area of the capital. The application fee for each licence will vary depending on the location and size of the territory but cannot be less than EEK20,000.

Though cable operators are allowed to offer additional services (such as Internet), telephony services are unlikely to be opened up before the year 2002. The proposed cable law which supports exclusivity and places limits on foreign ownership would almost certainly consolidate the dominant position of Levicom, which is in favour of exclusive franchising and has limited foreign ownership. Levicom's competitor Starman, which is 60% owned by Telia of Sweden, would effectively be forced to find new backers.

In June 1997 the Estonian Cable Distribution Union and the Estonian Cable TV Operators' Association merged to form the Estonian Cable Distribution Union. This new body represents 33 cable operators whose networks served a total of 100,000 subscribers in November 1998.

### 2.1.2 Market developments

Estonia's cable industry has continued to develop sturdily and though reliable estimates of the country's total subscriber base are not available, more than 80% of the population is said to occupy multi-apartment buildings which are cabled. In a market which contained just 603,000 TV households at the end of 1997, the growth of the cable industry has limited the potential for the expansion of the DTH sector - there are only around 25,000 DTH homes. As of end 1998, the market for cable services in Estonia comprised an estimated 120,000 connected homes served by 48 operators, each with a minimum of 500 subscribers. Around 30% of these subscribers were connected to SMATV networks while 12% or so were charged EEK12 to EEK15 per month for what is effectively little more than a relay service.

The dominant player is Levicom, generally regarded as the largest privately-owned multimedia communications company in the Baltic states. Levicom's cable operations in Estonia are split into those serving the capital, Tallinn, (**Tallinn CATV**) and other parts of the country (**Levi Kaabel**). Tallinn CATV plans to pass 240,000 homes by its 60-channel capacity network by 2001. In order to finance its ambitious expansion plans, both in Estonia and Lithuania, Levicom plans a USD30 million share issue in 1999. Outside Tallinn, Levi Kaabel operates older networks which offer between 11 and 23 channels provided in a single package. **Starman Kaabeltelevisiooni** and **STV** together hold around 40% of Estonia's cable market. Both Levicom and Starman are also involved in the provision of mobile telecommunications services in Estonia. Telia-owned Starman plans to invest around EEK20 million in a new broadband cable network passing 100,000 homes in the capital. The network rollout began in November 1997.

As Levicom's competitors have gained ground, a 'cable war' has developed, with operators such as STV, which substantially undercuts its rivals on subscription charges, being accused of piracy. In 1996, Starman was alleged to have interfered with cables and stolen equipment belonging to the local networks of the Levicom subsidiary, Tallinn CATV. In December 1996, Tallinn CATV began to cut off the lines

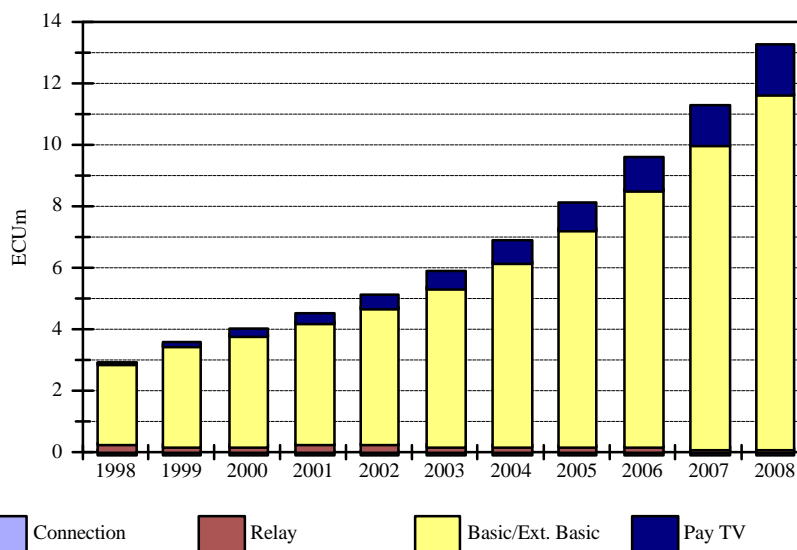
of STV, claiming that the latter was an illegal competitor and that the outdated equipment used by its network was causing broadcasting jams. Tallinn CATV offered to connect STV customers to its own uniform network, at the expense of its parent, Levicom. Meanwhile, Tallinn CATV, which has exclusive rights from the Tallinn municipal government to provide cable services in the capital, has reportedly made two separate attempts to purchase STV. An offer of EEK7 million (USD0.5 million) made in 1995 for all of STV's shares was turned down. Then, in Spring 1997, there were rumours of a merger agreement between the two companies, though Tallinn CATV denied that any concrete decision had been reached.

Piracy is still a problem in Estonia as a number of operators do not pay for content distributed over their networks. This enables them to offer more channels at unrealistically low charges. In many instances, the problem can be put down to the illegal distribution of movie channels and the NTV Plus Russian language package, which is popular with Estonia's Russian population.

**Figure 2.4****Estonia - 10-year Projections for Cable Services**

	1998	1999	2000	2002	2004	2006	2008
<b>INSTALLED BASE (000s)</b>							
Total TV households	603						
Total cable subscribers	120						
Relay service subscribers	49						
Basic subscribers (analogue)	62						
Basic subscribers (digital)	0						
Extended basic (analogue)	8						
Extended Basic (digital)	0						
Cable penetration (HC/TVHH)	20%						
Pay TV penetration (pay/HC)	0%						
Digital penetration (digital HC/ total HC)	0%						

<b>REVENUES (ECUm)</b>							
Operator revenue (excluding carriage)	2.9						
Subscriber billings	2.9						
Connection	0.09						
Relay	0.21						
Analogue basic/ ext basic	2/0.3						
Digital basic/ext basic	0/0						
Analogue pay TV	0						
Digital pay TV	0						

**AVERAGE REVENUE ASSUMPTIONS (ECU per annum)**

average relay	4.5
per basic analogue subscriber	37.6
per basic digital subscriber	0
per pay TV subscriber	0

