Strategy in Communications

The State Secretariat for Communications has the mission **to secure the necessary framework for a real, fair and transparent competition on the Romanian communications market so as to offer the Romanian public the highest quality of services at the lowest possible prices.**

Current situation of telecommunications in Romania

Currently, the activities in the telecommunications sector are regulated by the Law of the telecommunications (Law 74 of June, 1996) and the Governmental Decision 1/98, which ratifies the protocol 4 to GATS over the liberalization of services and the implementation of the international practices in the field. These no longer matches the present situation.
The fast pace of the telecommunication development could not, up to now, be sustained by an adequate legal frame, which now deprives us of the necessary implements for an efficient regulation of market in continuous changing.
Limited resources (bandwidth and numbers allocation) have been inadequately managed up to the moment. As the authorizing of new operators claims disbursement of further resources, a difficult operation which should be repeated whenever it is necessary, it is imperative to design a new number allocation plan and harmonize the National Bandwidth Allocation Tale with the European table and apply a good management policy afterwards.

A. Fixed telephony

As of 1990, the fixed telephony in Romania has stayed behind the other European countries. By the end of the year 2000, a 17.8% telephonic density and a 57.4% in digital lines could only offer a poor quality of the fixed telephone services.
This situation originates in the monopoly position Romtelecom will hold till the end of the year 2002.
The fixed telephony is largely an industry losing ground around the world, where the national operators have already expanded to new markets: mobile telephony, data transmission, the Internet, television cable.
Romtelecom's reaction to the changes on the communications market has been weak. Though the development strategy planned by Romtelecom made possible the reconstruction of the main network based on fiber optics and the digital exchanges began replacing the old-type ones, the expected results are yet to show up.
To diversify the portfolio of activities, the Cosmorom subsidiary came to life. It is the first DCS-1800 mobile telephony operator in Romania. Originally, the launching of the new mobile telephony operator was scheduled for the end of the year 1999, but it was postponed until May 2000. Now, the degree of population coverage is of 45% and the number of users of only 49,000 (on March 20, 2001).
The attempts to develop and diversify the range of services have failed to bring essential changes in the market success of the national telecommunication company and demonstrate that the company was not ready yet to operate in a truly competitive environment.
Therefore the privatization became necessary, in order to attract fresh financial sources for development.

B. Mobile telephony

The mobile telephony evolution in Romania can be divided in two periods. The first period belongs to the Telefonica, a NMT-450 operator which failed to develop its market.
The second period was marked by the launching of the GSM services (Connex - offered by Mobifon since April15, 1997, and Dialog - offered by MobilRom since June 6, 1997) and experienced a rapid growth. Both GSM operators attached a great importance to the area coverage. First, they focused on the big urban areas, covering approximately 80% of the population in the first year and 90% of the population in the second year, in striking contrast with the initial NMT 450 coverage. The results of strong investments in infrastructure, personnel and advertising were bigger than expected: by the end of the year 2000, Mobifon and MobilRom had 1.7 million subscribers and 1.22 million subscribers respectively.
In May 2000, Cosmorom launched a new mobile telephone service, fully owned by Romtelecom. By the end of that year, there were 36,000 subscribers and the coverage degree was of 40%. In 2001, Cosmorom wants to cover 90% of the population, an objective which is hard to achieve from lack of a strategic partner who has finance resources and experience in operating on a competitive market.

The fast growing number of the subscribers brought the telephonic density in late 2000 to 10.8%. The mobile telephony has already entered the consumption stage, where the operators can benefit from a large-scale economy. With a diminishing marginal cost and a rising competition, we can expect significant cuts in tariffs.

C. Data transmission and Internet services

The data transmission segment is highly dynamic. By the end of the year 2000 Romania had issued operation licenses for 16 national data transmission operators. Concurrently, 111 licenses were issued for the setting in place of a point-multipoint digital radio-communication network.
The development of the data transmission is linked to the implementation of new services, such as the Internet. The commercial success of the data operators suggests the transition of the Romanian enterprises to the developed industrial models, which are characteristic for the Information Society.

Trends in telecommunications evolution

The telecommunication market is undergoing fast growing changes. Therefore the designing of strategies must be done by identifying the general trends and subsequently by permanently analyzing the environment (social, technological, political and economic factors, as well as the competition environment) for the completion and correlation of the strategy with the changes that have occurred.

At present, the fixed telephony is losing ground to the mobile one. In many European countries, the mobile telephony density has exceeded the density of the fixed telephony. Though the number of households accounts for the market of the fixed telephony, the potential for mobile telephony is larger.
However, the fact that Romtelecom has 0.66 million people awaiting for a fixed telephone line to be installed in their home indicates that the fixed telephony can still offer development opportunities. This determined us to make the arrangements for the licensing of new fixed telephone operators so that by early 2003 we can assist at a sharp competition in the field.

The already existing companies, which build their own infrastructure with the intention to offer service packages are indicative for a future market of the communications characterized by a strong competition:
- The CFR Telecommunications agency - operates a telecommunications network for the Railway Company. A main 4000 kilometer fiber optics network made of five rings has been installed and is expected to be extended by another 2000 km to provide nationwide coverage. Contracts were signed for equipment delivery. The meaning of all these is that ATCFR can become a powerful competitor on the telecommunications market.
- The National Radio-broadcasting Company operates a nationwide relay network. The investments in this field allowed for the building of a main SDH 662 Mbits/s network to carry audio, video, data and Internet signals.
- Conel - the national electrical power supplier - owns a national network and announced a project for a main link based on fiber optics.
- The Romanian cable television industry grew rapidly since the liberalization. At present, there are 250 companies on the market. Most of the operators are modernizing the networks (the fiber optics is gradually replacing the coaxial cables) to offer service packages: TV channels, Internet access, data transmission and telephony. Over the past years, six companies have won over two thirds of the market. With a good national coverage, a high density and the ability of offering service packages, cable television operators will play an important role in telecommunications.

The third generation telecommunications (UMTS) will provide wide bandwidth telecommunications and broad-scale services in accordance with the user's position. These services, which are expected to be launched commercially around the world over the course of this year, stir up the users' and investors' interest. The MCTI has already started the necessary study ahead of implementing these services and will release licenses insofar as the market and the range availability will allow for.

Convergence is under increasing consideration in the market regulation activity. The released licenses and the authorizations are technologically neutral, allowing, for example, the offering of data on the CATV networks or the creation of hybrid networks, with mixed utilization for voice, data and video distribution.

Tactical objectives

On the background of the present situation and the future trends, one can identify the following tactical objectives:

1. Legislation

The conception of regulations and normative acts in a coherent and unitary system, in line with the European legislation, which must secure:
- the creation of a stimulating environment for the development of the communications system;
- the gradual liberalization of the communications market;
- the guarantee of free and non-discriminatory access to the universal postal and telecommunications services;
- completion of the privatization of public operators;
- designing rules and normative acts in order to secure the optimal management of certain resources which are limited and of national concern.

2. The institutional level

The clear definition and separation of the main functions of the national communications system:
- strategic;
- representative;
- regulative;
- for arbitration;
- for supervision;
- operative.

3. The technological level
- Reduction of the gap between Romania and the developed countries by implementing new technologies and services as well as a homogenous, non-discriminatory and competition oriented treatment of the consumers and the operators;
- Interwoven information technologies and communications.

4. The commercial and market relations level

- Creation of a normative and institutional framework indispensable for determining operators to behave in a balanced way.
- Promotion of support of a competition-oriented market, to secure low-cost high quality tariffs.

Actions deriving from the objectives

1. Legislation

- Finalization of the legal framework for the opening of the competition on the market of the telecommunications services in conformity with the obligations assumed under the Plan for the Adoption of the European Community acquis.
- Setting up a legal framework for the licensing and functioning of the post operators and the opening of the competition on the post office market in conformity with the obligations assumed under the Plan for Adoption of the community acquis.
- Revision of the regulations in the audio-visual domain.
- Adoption and implementation of a unitary procedure for the issuance of licensing and authorizations
- Modification of the telecommunications Law in conformity with the obligations assumed under the Plan for the Adoption of the community acquis.
- Creation of the legal frame for the right of access to buildings, precincts and other properties of the telecommunications operators.
- Creation of the legal frame for the protection of personal data confidentiality in telecommunications
- Creation of the legal frame for the via-satellite telecommunication services
- Creation of the unified system of emergency calls and the implementation of the unique European number 112

- Privatization of the National Radiocommunications Company
- Completion of the privatization of the National Telecommunications Company Romtelecom.

2. The Institutional level

- Establishment of the National Inspectorate for the Monitoring and Control in Communications and Information Technology
- Establishment of the National Authority for Communications Regulation

3. The technological level

- Conception and implementation of a new plan for number allocation and a new table for bandwidth distribution
- Increasing of the efficiency of the national range of radio frequencies
- Harmonization of the FM the TV (VHF and UHF) bandwidths
- Issuance of UMTS licenses.

4. The commercial and market relations level

- Strengthening of the control and monitoring of the communications market
- Stimulation of the improvement of the quality of domestic products and services in the field of the Communications and Information Technology, with a view to obtain the ISO-type certificates consistent with the international practices.
- Definition of a coherent tariff policy and the elimination of crossed subsidies in the field of communications.
- Stimulation of the development of rural communications by introduction of telephone lines to villages inhabited by more than 1000 people.
- Building of a special fund for the communications development (the financing will be done with money derived under international agreements and from the privatization proceeds).
- Securing the universal service after the expiration of the monopoly term for the telecommunications and postal operations.