# ROMANIAN ELECTRONIC COMMUNICATIONS MARKET STATUS AND REGULATORY PROCEEDINGS

## A. Romanian electronic communications market situation

### Growth and investments

The entire volume of **investments in the electronic communications sector** reached in 2005 the level of 1.8 billion Euro. As regards **direct investments**, in 2005 there were initiated three investment projects with the total value of 398 million USD, of which a project of 135 million USD has already been finalised (source: National Commission for Prognosis). As regards **foreign direct investments**, between October 2001 and April 2006, the telecommunications sector attracted 57 projects which amounted to USD 1,306 million, representing 23.54% from the total foreign direct investments (source: Romanian Agency for Foreign Investments).

The **value** of the communications market increased by 22% during 2003 – 2004, whereas for 2004 – 2005 we estimate a 20-25% rise, which is a much higher pace of development than the overall economic growth. In absolute figures, the value of the electronic communications market increased from 1.958 million Euro (in 2003) to 2.390 million Euro (in 2004). ANRC considers the value of this market to amount to more than 3 billion Euro in 2005 and approximately 4 billion Euro in 2006.

### Data on fixed telephony market (market shares, evolution of the penetration rate)

The Romanian fixed telephony access lines are on a slight upward trend. However, as regards the alternative providers of fixed telephony services, the number of subscribers who chose their services increased significantly (approximately 8 times in 2005 compared to 2004). At the same time, although the European penetration level has constantly decreased over the last years, the Romanian penetration rate maintains a constant level, around 20%, which means that the alternative providers attract more and more users, given their diversified and customer – oriented offers, substituting the loss registered by the incumbent. The main two alternative providers of fixed telephony services, based on their market shares, are S.C. Romania Data Systems S.A. and S.C. UPC Romania S.A.

| | 31.12.2003 | 30.06.2004 | 31.12.2004 | 30.06.2005 | 31.12.2005 |
|---|---|---|---|---|---|
| Total number of fixed telephony operational providers (alternative providers* + incumbent) | 37 | 50 | 61 | 65 | 75 |
| Total number of subscribers (alternative providers + incumbent) | 4,331.606 | 4,341,521 | 4,389,082 | 4,364,554 | 4,390,805 |
| Total number of subscribers to alternative providers through own networks | 2,836 | 6,895 | 51,259 | 179,096 | 432,935 |
| Market share of the alternative providers* (%) | | 0.2 | 1.2 | 4.1 | 9.9 |
| Market share of the incumbent - Romtelecom (%) | | 99.8 | 98.8 | 95.9 | 90.1 |
| Fixed telephony penetration rate per 100 inhabitants (%) | 19.98 | 20.03 | 20.24 | 20.14 | 20.31 |
| Fixed telephony penetration rate per 100 households (%) | 53.24 | 53.30 | 53.76 | 53.02 | 52.87 |

*Alternative providers owning their networks and installing telephone lines

## Mobile telephony market (players, evolution of the penetration rate)

During December 31, 2003 – December 31, 2005, the providers of mobile telephone services witnessed a significant increase of the total number of users. Currently, on the Romanian market, there are four operational providers of mobile telephony services (Orange Romania, Vodafone Romania, Cosmote Romanian Mobile Telecommunications and Telemobil). ANRC cannot disclose individual data on individual operators such as market or number of users of each mobile company. However, we are able to inform you that the total number of mobile telephone services users increased during 2004-2005 by 31%, the penetration rate of mobile telephony per 100 inhabitants reaching 61.8% by the end of 2005, compared to only 47% as of December 31, 2004.

| | 31.12.2003 | 30.06.2004 | 31.12.2004 | 30.06.2005 | 31.12.2005 |
|---|---|---|---|---|---|
| Number of users of mobile telephone services | 7,039,898 | 8,359,240 | 10,215,388 | 11,379,214 | 13,354,138 |
| Penetration rate per 100 inhabitants(%) | 32.5 | 38.6 | 47.1 | 52.5 | 61.8 |

**Internet access services market**

The market of Internet access services registered a spectacular growth, with more than 980 active providers by the end of 2005, 600 of which offered broadband Internet access. Furthermore, the total number of access connections exceeded 1.8 million – almost double, as compared to the end of 2004. 41% of these connections ensured broadband Internet access, this sector of the Internet market growing by 96% in one year.

More and more users prefer dedicated Internet access, the number of dedicated access connections rising 3.3 times in 2005, thus exceeding the growth rate of dial-up connections (1.6 times). Out of the total number of 500,000 dedicated access connections, 75% are broadband connections.

| | 31.12.2003 | 30.06.2004 | 31.12.2004 | 30.06.2005 | 31.12.2005 |
|---|---|---|---|---|---|
| Internet penetration rate per 100 inhabitants (%) | 2.3 | 2.9 | 4.5 | 5.5 | 8.5 |
| Total number of Internet access connections | 498,534 | 624,508 | 973,265 | 1,199,337 | 1,829,484 |
| Broadband connections | 196,106 | 247,182 | 382,783 | 522,796 | 751,060 |
| Narrowband connections | 302,428 | 377,326 | 590,482 | 676,541 | 1,078,424 |

ANRC publishes semestrial reports regarding the status of the electronic communications market - available on our website (www.anrc.ro) under the section Electronic Communications/Market Analyses and Studies. For additional information on the electronic communications market, please consult here the English version of the latest statistical data report covering the evolution of market indicators up to December 31, 2005. The information presented in these regular reports is extracted from the statistical data reported twice a year by the electronic communications networks and services providers according to *ANRC President's Decision no.1332/2003 on reporting several statistical data by the electronic communications networks and services providers*.

## B. Regulatory proceedings

### Level of competition

**After only three years from the full liberalisation the results of competition** have become visible on the Romanian electronic communications markets (fixed telephony, mobile telephony, Internet access)**.**

Romanian users of fixed telephony services can choose from a wide range of quality services. Each user has specific needs and corresponding consumer behaviour and the offers available at this moment on the market show that the providers are more and more attentive to the needs of the users. The fixed interconnection regime, in place in Romania since 2003, has been giving the alternative providers the chance to operate on this market and the fact that they now offer telephony services to 432.935 consumers through their own network – a market share of almost 10% – is proof that in Romania we have infrastructure-based competition, which has always been the ideal objective of the regulatory activity.

As regards the mobile telephony services, in terms of the subscribers number, this market increases by approximately 15% every six months. There are 4 mobile networks operators on the market, which qualifies the competition on the Romanian market as more than "vibrant", the term used for markets with at least 3 players. We estimate that, by 2009, penetration rate will reach 90% – and the operators will compete for existing clients instead of uncovered segments of the market.

Another segment which has evolved significantly is that of broadband Internet. In the past year (2005), broadband Internet access services increased by 96%, reaching a penetration rate of 3.5%. Broadband Internet is needed especially at home, since 84% of the dedicated broadband Internet access connections belong to residential users. This evolution was partly the natural effect of the process of opening the local loop. For additional information on the electronic communications market, please consult here the dedicated page on the ANRC website.

### Regulatory framework

*Authorisation regime*

According to the ANRC general authorisation regime, the providers of VoIP services fall into the category of providers of "other electronic communications services" - meaning data transmission services – and they need to comply with the general authorization regime under circumstances equal to any other provider of electronic communications. The VoIP network is not considered as a separate category of networks and therefore there is no dedicated regulation of VoIP networks.

However, there has been made a distinction between the VoIP service providers and private enterprise network. The difference is that the company that provides services only for its internal use by using its own networks (private enterprise network) does not need the ANRC authorisation. As regards the other type, any company that intends to provide electronic communications networks or services (including VoIP networks) must send a notification to ANRC. The notification shall be made under the provisions of the ANRC President's Decision no.1333/2003 on the general authorisation regime for the provision of electronic communications networks and services. For more information about the ANRC's notification procedure please access the following address:
http://www.anrc.ro/DesktopDefault.aspx?tabid=130.

*Numbering*

As regards the allocation of numbering resources, ANRC uses the two-step assignment of numbering resources, via an administrative procedure. According to Romanian regulations, the numbering resources are allocated only to public electronic communications service providers through a license. The interested providers have to send a request to ANRC to be granted the right to use certain numbering resources included in the National Numbering Plan. For more information about the ANRC's numbering allocation procedure please access the following address: http://www.anrc.ro/DesktopDefault.aspx?tabid=134

*Universal service*

For the annual financing requirements for the universal service, the providers of public electronic communications networks and the providers of publicly available telephone services, with a turnover for the previous year equal to or higher than EUR3 million have the obligation to pay an annual contribution to ANRC. ANRC regulation of fixed telecom services is based on technological neutrality, i.e. phone to phone VoIP calls were included within the relevant retail market of calls originated at fixed locations. Therefore, the providers of fixed telephone services using VoIP technology have also the obligation to pay an annual contribution to the universal service fund.

*Quality of service*

ANRC imposed a series of obligations as regards the list of standards and technical specifications for the electronic communications networks and services which apply to all electronic communications providers irrespective of the technology used. For more information about these minimum quality service requirements please consul here the ANRC President's Decision no.138/2002 on the imposition of some minimum requirements for the provision of the publicly available electronic communications services.