Universal service auctions in Romania: Experience with rural telecentres

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Telecenters, a solution for Universal Service in rural areas

- Universal Service Implementation Design
- Designation Mechanism
- Compensation Scheme
- The National Telecentres Programme
Particularities of Romania

- 21.7 million inhabitants
- 238,391 square kilometres
- 1/3 of territory covered by mountains and sparsely populated
- GDP per capita = 32% of the average GDP per capita in EU25 (2004)
- Low fixed penetration rate (20.3% at national level and around 10.7% in the rural areas)
- Over 1,200 villages with more than 400 inhabitants with limited or no access to the public fixed telephone network
- Incumbent’s waiting list = 274,000 (most of them in remote areas)

The net cost of installing individual fixed lines in order to meet user demand would represent an unbearable burden for the state budget or for the industry

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The Romanian strategy for the implementation of the Universal Service has established:

A short term objective which is financially feasible = increasing availability of community access to public telephone network at a fixed location

with a catalytic effect on the accomplishment of

The long term objective = countrywide availability of individual access to PTN at a fixed location
US Implementation Objectives

- **Short term objective** - **community access** to public telephone network by installing **telecentres** and **public pay telephones** in underserved areas:
  - Allows the economic environment to improve and market to develop naturally:
    - Population’s revenues increase
    - Bottlenecks are removed & competition develops
    - Rural areas get more attractive to operators and investments
  - Has a catalytic effect on the accomplishment of the long term objective:
    - Stimulate demand in the rural areas by encouraging the usage of electronic communications services
    - Stimulate offer by building self sustained POPs in rural areas (infrastructure “bridgeheads”)

- **Long term objective** - **individual access** to the public telephone network at fixed locations (one fixed line to every home)

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Telecentre - Concept Description

- placed in the vicinity of people’s homes (same village)
- provides the whole range of services which are normally provided by means of individual access
- self-sustainable business model, compatible with a competitive market
- stimulates market supply, facilitating natural rollout of telephone networks
- stimulates market demand, educating consumers to use the electronic communications services
- implementation takes utmost account of the principles of least market distortion, technological neutrality, transparency, non-discrimination and proportionality

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Telecentres - The Partners and Their Responsibilities

**Local administration**
- provide and maintain the telecentre location (including utilities and personnel)
- operate, maintain and secure the telecentre terminal equipment
- ensure end-users’ access to the telecentre services
- retail billing

**USP**
- install, operate and maintain the access link, provide services over the access link
- purchase, install and insure the equipments within the telecentre
- provide training and full time support for the telecentre personnel

**ANRCTI**
- based on tender, designate the USP and determine the net cost of building & operating the telecentre for 3 years
- monitor compliance by USP and local administrations with their contractual obligations
- finance the net cost from the Universal Service Fund

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The Public Auction Procedure

- USPs are designated to install telecenters in one or more villages
- The designation mechanism is based on a public auction, known as the most transparent and competitive procedure to allocate public funds:
  - The tenders are opened in the presence of representatives of all tenderers
  - The financial offers are presented in real time, as the tenders are opened by the Tender Committee, and listed in a comparative table (weight in the final score=70%)
  - The technical offers are rated on the basis of mathematic formulas strictly defined in the tender documentation (weight=30%)

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Choice of Villages for Telecentres

**Criteria for the eligibility of villages:**
- No public pay telephone
- Penetration rate of fixed lines does not exceed the average penetration rate at the national level

**Criteria for the selection of villages for each telecentre tender:**
- Population of at least 400 inhabitants
- Local administration concludes with ANRCTI a pre-agreement stating firm commitment
- Priority has been given to villages where local administration committed to cover 100% the telecentre management expenses

Art.3(1) b) ANRC Decision no.1074/2004:
- villages with limited/no access to telephone networks/services

Art.5 ANRC Decision no.1074/2004:
- level of PATS availability
- number of inhabitants
- economic efficiency of telecentres
- no negative effects on competition

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## Criteria for Tenders’ Evaluation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requested subsidy (net cost)</td>
<td>70%</td>
</tr>
<tr>
<td><strong>Timeline for commissioning the telecentre</strong></td>
<td>6%</td>
</tr>
<tr>
<td><strong>Level of retail tariffs in the telecentre</strong></td>
<td>6%</td>
</tr>
<tr>
<td>Manner of ensuring access to emergency calls</td>
<td>6%</td>
</tr>
<tr>
<td>Provision of additional services</td>
<td>4,5%</td>
</tr>
<tr>
<td>Provision of additional equipments</td>
<td>4,5%</td>
</tr>
<tr>
<td>Previous experience in the provision of electronic communications services</td>
<td>3%</td>
</tr>
</tbody>
</table>

- The financial offer = 70%
- The technical offer = 30%

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Post-Auction Steps

- **Designation** of auction’s winners as Universal Service Providers (USPs)

- **Conclusion of trilateral agreements** between:
  - ANRCTI
  - USPs
  - Local Administration

- **Installation of telecentres** – max. 5 months from the announcement of winners

- **Grant of subsidy** - after the telecentre becomes operational

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Telecentre Net Cost Calculation

- ANRCTI estimates a net cost representing the starting point for the auction (maximum allowed), based on the most efficient technology for installing a telecentre in a certain village.

- It was estimated that intangible benefits would have a low impact on revenues, therefore they were not considered when calculating the estimated net cost.

- The estimated net cost is reviewed each time a new auction is launched.

- The final net cost of the Universal Service provision is determined through the public auction mechanism and is equal with the net cost required by the winner.

- The net cost covers:
  - Costs with installation and operation of the access link.
  - Costs with procurement and installation of the equipments.
  - Possible amounts requested by local authorities for operating the telecentre (these amounts are to be transferred monthly by the USP).
The Universal Service Fund (1)

- ANRCTI has set up the Universal Service Fund, exclusively financed from contributions paid by market players = providers of public electronic communications networks and providers of publicly available telephone services.

- Contributors to the Fund pay a percentage of their turnover (max. 0.5%, but not higher than 3 million Euro per undertaking).

- Only undertakings with a turnover of more than EUR 3 million are contributing to the Fund.

- It is unlikely that new entrants will exceed EUR 3 million during the first year of their activity, therefore they are exempt from contributing to the Fund!

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The Universal Service Fund (2)

- ANRCTI is required by law to publish a yearly report stating the amounts collected and the amounts spent for Universal Service implementation.
- The cost efficiency of the scheme is ensured by the public tender process.
- The Romanian law represents the exact transposition of the Universal Service Directive.
- ANRCTI tried to find the most appropriate solution within the limits of the law in order to give access to the public telephone network to a large number of citizens, without placing unbearable burdens on the industry and without affecting competition.
- Although the Fund is collected in advance, the amount is established based on estimations made by ANRCTI over the number of telecenters and public pay telephones which are to be installed during the next year.

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Highlights

**Timetable of public auctions:**

- **09/2004** – 1st (pilot) auction – 5 telecentres awarded to 1 USP
- **09/2005** – 2nd auction – 33 telecentres awarded to 5 USPs
- **12/2005** – 3rd auction – 70 telecentres awarded to 3 USPs
- **04/2006** – 4th auction – 100 telecentres awarded to 4 USPs
- **11/2006** – 5th auction – 123 telecentres awarded to 4 USPs
- **07/2007** – 6th auction – 130 telecentres awarded to 3 USPs
- **03/2008** – 7th auction – 172 telecentres awarded to 4 USPs

**Results:**

- 7 auctions closed resulting in 633 telecentres awarded
- over 350 telecentres operational at a national level
- 450 telecentres will become operational mid 2008

**Target:** over 600 telecentres before end-2008

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Telecentres’ Map

Current Status of Implementation

- euroweb
- vodafone romania
- orange romania
- rontelecom
- national
radio communications
company
- rartel

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Telecentres’ Service Portofolio

Service portfolio basically includes ANRCTI’s minimum requirements for telecentres. However, first service diversification point in a promising direction.

<table>
<thead>
<tr>
<th>Selected Telecentre Features</th>
<th>Olari</th>
<th>Breaza</th>
<th>Darza</th>
<th>Calinesti</th>
<th>Plutonita</th>
<th>Brezoaia</th>
<th>Stoenesti</th>
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</table>
| **Services Offered** | • Making Calls  
• Receiving Calls  
• Fax  
• E-mail  
• Internet  
• Computer Training  
• Selling accessories | • Making Calls  
• Receiving Calls  
• Fax  
• E-mail  
• Internet | • Making Calls  
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• Receiving Calls  
• Fax  
• E-mail  
• Internet  
• Photocopy |
| **No. of Rooms** | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **m²** | 50 | 10 | 10 | 20 | 18 | 11 | 21 |
| **Opening Hours** | **Weekdays**  
8-16  
8-16  
8-16 | **Saturdays**  
8-16  
9-15 | **Sundays**  
9-15 | **Weekdays**  
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9-15 | **Weekdays**  
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8-9; 17-22 | **Weekdays**  
8-9; 17-22 | **Weekdays**  
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| **Weekdays**  
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9-15 | **Saturdays**  
9-15 | **Sundays**  
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8-9; 17-22 | **Weekdays**  
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Thank you for your attention!