

# *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

# US in Romania – Strategic Concept Outline

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

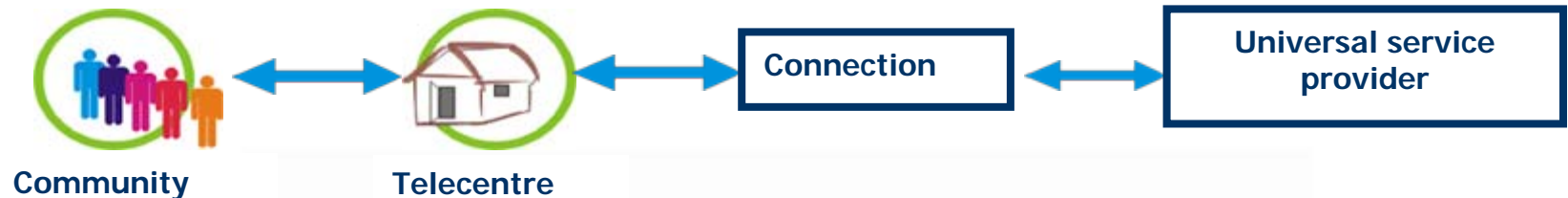
- **Short term objective** – **community access** to public telephone network by installing **telecentres** and **public pay telephones** in underserved areas:
  - Allows the economic environment to improve and market to develop naturally:
    - Population's revenues increase
    - Bottlenecks are removed & 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)

# 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**

# 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

# 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%)



# Choice of Villages for Telecentres

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

## ■ 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

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

## ■ 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

# Criteria for Tenders' Evaluation

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

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

# 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

# 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!

# 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

# Highlights

## ■ Timetable of public auctions:

**09/2004** – 1<sup>st</sup> (pilot) auction – **5** telecentres awarded to **1** USP

**09/2005** – 2<sup>nd</sup> auction – **33** telecentres awarded to **5** USPs

**12/2005** – 3<sup>rd</sup> auction – **70** telecentres awarded to **3** USPs

**04/2006** – 4<sup>th</sup> auction – **100** telecentres awarded to **4** USPs

**11/2006** – 5<sup>th</sup> auction – **123** telecentres awarded to **4** USPs

**07/2007** – 6<sup>th</sup> auction – **130** telecentres awarded to **3** USPs

**03/2008** – 7<sup>th</sup> auction – **172** telecentres awarded to **4** USPs

## ■ Results:

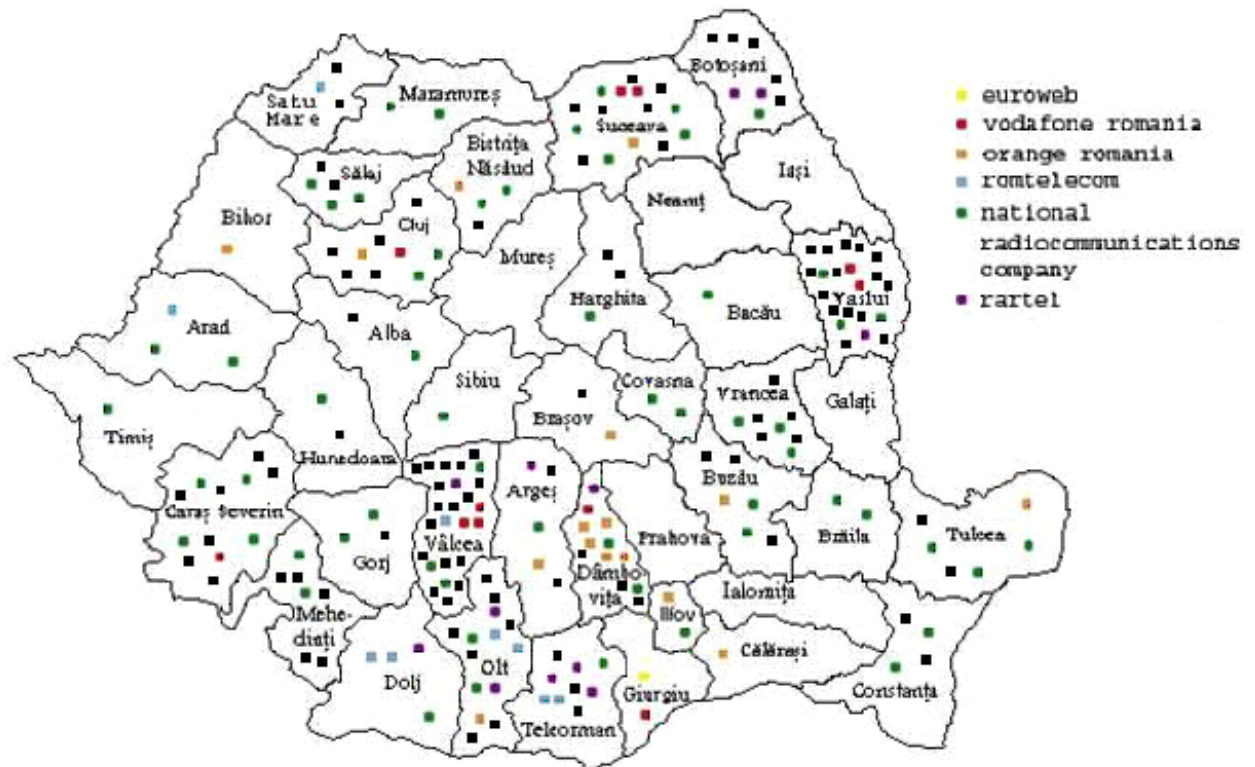
- **7 auctions** closed resulting in **633 telecentres** awarded
- over **350** telecentres operational at a national level
- **450** telecentres will become operational mid 2008

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

# Telecentres' Map



Current Status of Implementation





# Telecentres' Service Portofolio

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

## Selected Telecentre Features

	Olari	Breaza	Darza	Calinesti	Plutonita	Brezoaia	Stoenesti
<b>Services Offered</b>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> <li>• Photocopy</li> <li>• Computer Training</li> <li>• Selling accessories</li> </ul>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> </ul>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> </ul>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> <li>• Photocopy</li> </ul>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> <li>• Photocopy</li> </ul>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> <li>• Photocopy</li> <li>• Selling accessories</li> <li>• Scanning</li> </ul>	<ul style="list-style-type: none"> <li>• Making Calls</li> <li>• Receiving Calls</li> <li>• Fax</li> <li>• E-mail</li> <li>• Internet</li> <li>• Photocopy</li> </ul>
<b>No. of Rooms</b>	1	1	1	1	1	1	1
<b>m<sup>2</sup></b>	50	10	10	20	18	11	21
<b>Opening Hours</b>							
<b>Weekdays</b>	8-16	8-16	9-15	8-16	8-9; 18-23	9-17	All day
<b>Saturdays</b>	8-16	8-16	9-15	8-16	8-9; 17-22	Closed	18-24
<b>Sundays</b>	8-16	12-18	9-15	8-16	8-9; 17-22	Closed	00-04



***Thank you for your attention!***