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EUROPE and CIS REGION

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**European Commission Contribution**

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*Extracts concerning the telecommunications sector from the STRATEGY PAPER and REPORT of the EUROPEAN COMMISSION on the progress towards accession by each of the candidate countries (adopted by the Commission and published 13<sup>th</sup> November 2001)*

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**Strategy paper**

*b) Sector overview and conclusions*

Overall this year's Regular Reports again note significant progress in the adoption of legislation for alignment with the *acquis* in most candidate countries and for most areas. In a number of areas such as transport, telecommunications, energy and justice and home affairs, however, important elements of new Community legislation have been or will be adopted shortly, in most cases building on previous Community law.

Some countries still have difficulties in transposing parts of the *acquis*. Nevertheless, despite the progress made over the past year, the major need now consists of building up adequate administrative structures and strengthening of administrative capacity to implement the *acquis*.

For most or all of the candidate countries, the Regular Reports and the proposed revised Accession Partnerships identify:

- in the field of *telecommunications* the need to set-up or strengthen independent regulatory structures, especially in view of the forthcoming new *acquis*.

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The full text of this document and all the regular reports can be found at the following web site:

<http://europa.eu.int/comm/enlargement/report2001/index.htm>

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## **CHAPTERS 19 EXTRACTED FROM THE REGULAR REPORTS**

### **BULGARIA**

#### ***Chapter 19: Telecommunications and Information Technology***

Some progress has been made since the last regular report.

Concerning the **liberalisation of the telecommunication market**, Bulgaria's second GSM licence, valid for 15 years was awarded in January 2001 after a transparent international open tender.

As regards the **regulatory framework**, the Ministry of Transport and Communications holds ownership rights of the current main operator the Bulgarian Telecommunications Company (BTC), but also performs some regulatory functions. In order to achieve a more effective separation between ownership and regulatory functions, the Ministry of Transport and Communications has undertaken to transfer ownership rights to another state body if BTC has not been privatised by 1 January 2005.

The National Frequency Plan was updated in November 2000 and in May 2001. The frequency allocation for GSM is now in line with the *acquis*. Amendments to the telecommunications law were adopted in April 2001. They further transpose the Licensing Directive and update the definition of Universal Service, although this still does not include explicitly data and facsimile services in line with the *acquis*. The amendments provide the State Telecommunications Commission (STC) with the possibility *inter alia* to withdraw licenses of any mobile operator that presents a threat to national security. The regulation of Voice Over Internet Protocol was brought into line with the *acquis*.

A number of pieces of secondary legislation were adopted in 2001 thereby revising the licensing arrangements for different telecommunication activities and establishing licensing regimes for private mobile radio, fixed relay lines and VSAT services. In 2001, Bulgaria revised its sector policy in telecommunications and its National Programme for the development of the information society.

#### ***Overall assessment***

Bulgaria has achieved a reasonable degree of alignment with the *acquis* but further efforts are required on both transposition and enforcement in a number of areas.

Competition has finally been introduced into the GSM market in Bulgaria although there is probably room for more operators in the market.

However, further transposition and enforcement of the *acquis* is required particularly in the areas of cost orientation for operators with significant market power, and in carrier selection, number portability and unbundling of the local loop. Progress needs

to be made in improving the efficiency of BTC so that the company can withstand competition after liberalisation envisaged for 2003. It is still unclear how necessary investments to modernise fully BTC's fixed line network will be attracted. Consideration should be given to bringing forward the date for the introduction of UMTS services which is envisaged for 2006 at the latest. The proposed regulatory regime in Bulgaria needs to be reviewed to ensure that national security concerns do not distort the civilian market.

Further steps will be necessary to strengthen the administrative capacity of the National Regulatory Authority to enforce the *acquis*, including an upgrading of its frequency management capabilities. Several bodies share the responsibility for frequency allocation with the STC, including the National Radio Frequency Council. Their respective roles need to be clarified. In view of liberalisation on 1 January 2003 and the need to attract investments, consideration should be given to bringing the date of 1 January 2005 forward for separation of ownership from regulatory responsibilities.

Although Bulgaria attaches some importance to the development of the information society, consideration should be given to the allocation of greater financial resources to this area.

## ***THE CZECH REPUBLIC***

### ***Chapter 19: Telecommunications and information technologies***

Progress made by the regulatory body since the last report has been good but important policy issues raised in the previous report have not been addressed.

Progress since the last report has consisted of various measures that give effect to the Telecommunications Act including several important items of secondary legislation. In particular, licences for new entrants were issued in advance of the market opening date of January 2001 and, subsequently, the new regulatory body has issued a series of crucial decisions relating to the interconnection of competing networks. In consequence, the Czech market is now very active and the commercial behaviour of the incumbent has changed significantly.

The development of all basic functions of the Office for Personal Data Protection (established in June 2000) are under way. Also, an electronic public administration (e-Government) and educational institutions access to Internet are being set up in the framework of the e-Europe+ Action Plan for candidate countries.

#### ***Overall assessment***

The Czech Republic has advanced significantly in this area over the last few years, but a number of important outstanding issues remain in the telecommunications sector.

The date of 1 January 2001 for full liberalisation was fixed in 1994, but the provision of carrier selection facilities that are vital to effective competition has been unjustifiably delayed. This has undermined the market opening and has hindered new

entrants in certain respects. This is harmful to the interests of consumers and of investors in companies which compete with the incumbent operator in which the state has a financial interest. This situation should be rectified without further delay.

Also, the interconnection prices for competing networks which were determined by the regulatory process are above the equivalent prices in the EU and were not based on the appropriate costing methodology.

The Ministry of Transport and Communications retains significant powers of a regulatory nature. It is inconsistent with the principle of separation of regulatory and operational functions for Ministry officials to be involved in any way in the managerial or supervisory boards of operating companies or in their privatisation.

Despite the above defects, much progress has been made in the telecommunications sector over the last few years and the infrastructure's size and degree of modernisation is a good achievement. The new regulatory body (the Czech Telecommunications Office) has made a good start. The remaining problems regarding the alignment with the *acquis*, particularly: separation of regulatory and operational functions, cost-orientation of tariffs, asymmetric regulation and the availability of carrier selection facilities should be urgently resolved.

The Ministry will have to move quickly to implement local loop unbundling.

It will be necessary to ensure that any mechanism for assessing the cost of providing the universal service identifies the real net cost, based on independently certified audits, and allows for a transparent determination of whether the universal service obligation is an unfair burden on the designated carrier.

## ***CYPRUS***

### ***Chapter 19: Telecommunications and information technologies***

Since the last regular report good progress has been made concerning the improvement of the telecommunications infrastructure, the quality of services and the introduction of tariffs reforms. Little progress has however been made regarding liberalisation.

As regards the **liberalisation of the telecommunications market**, there have been no further developments. However, in order to prepare for future competition, a new numbering plan has been elaborated by the network operator CYTA with effect from November 2001.

As for the **regulatory framework**, in April 2001 the Parliament adopted the Law on the creation of the office of the Commissioner for Telecommunications and Postal Regulation. The Commissioner has not yet been appointed, but the budget for his office is under preparation. The functions related to radio-communications will continue to be exercised by the Directorate of Telecommunications of the Ministry of Communications and Works.

A study on the elaboration of a new numbering plan has been submitted to the Ministry of Communications and Works by CYTA. Another study is currently prepared for this Directorate, which covers issues of pricing for the frequency spectrum as well as criteria and procedures for licensing of an additional GSM operator and the Third Generation Mobile Telephony operators.

The House of Representatives approved the new tariff-rebalancing package in November 2000. The scheme will be carried out in three steps up to December 2001, gradually reducing tariffs on international and long-distance calls over the fixed network, mobile telephony and ISDN, while prices for local calls will increase.

On the initiative of the Government, all schools have been connected to the Internet since last year.

### *Overall assessment*

Whereas infrastructure and services are well advanced in Cyprus, efforts to gradually open the telecommunications and postal markets need to be maintained. In particular, Cyprus should liberalise the mobile telephony market.

In the field of telecommunications, although the current moves towards cost-orientation of tariffs are encouraging, the preparation and the adoption of legislation and secondary regulatory instruments to transpose essential parts of the *acquis* is not progressing according to the plan. The administrative procedures, and the requirement that even very detailed regulations have to be passed through Parliament, make it difficult to adapt the legal framework to the rapidly changing telecommunications technologies and markets and to promote the development of the Information Society in Cyprus.

The public network operator (CYTA) is to be transformed into a joint stock company at the end of 2001. Compared to the telecommunications sector, Internet use has developed only slowly, with a current penetration rate of about 15 %, far below the EU average (about 36 %), and a market still dominated by CYTANET.

As the appointment of the Commissioner for Telecommunications and Postal Regulations is delayed since May 2001 the new Regulatory Authority is still not operational. It is essential to ensure that the authority has sufficient staff to carry out the tasks of drafting regulations and ensuring market surveillance.

Despite the recent reinforcement of administrative capacity it seems that the human resources in the Directorate of Telecommunications still need to be increased in order to cope with the tasks of the Directorate.

## *ESTONIA*

### *Chapter 19: Telecommunications and information technologies*

Since last year's Regular Report, Estonia achieved major progress both in terms of liberalisation of the telecommunications market and implementation of its regulatory framework.

Concerning the **liberalisation of the telecommunications market**, since 1 January 2001 the Estonian telecommunications market is fully open but, as far as local telephone calls are concerned, the market did not open in the first months of 2001, due to very high interconnection fees of the enterprise having significant market power. The Government moved quickly to remedy this situation and the Parliament adopted an Amendment to the Telecommunications Act in February including interim measures to ensure that the *acquis* requirement of cost orientation would be put fully in practice from 1 January 2002.

As regards the **regulatory framework**, following the entry into force of the Telecommunications Act in April 2000, a number of implementing regulations have been adopted between September 2000 and June 2001.

In November 2000 the *Public Information Act* was adopted by the Parliament and it entered into force in January 2001. The purpose of the Act is to ensure the access of the general public to information intended for public use and to create opportunities to obtain such information from the Internet. At the same time the Act stipulates the establishment of public Internet access points in public libraries all over Estonia. All document registers of state institutions must also be made available over the Internet to offer a cheap tool for self-service and at the same time establish an environment where everybody can monitor the performance of public functions.

The Action Plan on Information Technologies for the years 2001-2002 was approved in February 2001, in accordance with the Estonian Information Policy of 1998 and the e-Europe+ Action Plan for candidate countries.

The action plan Tiger Leap Plus (development programme for ICT education in Estonian schools in 2001-2005) was approved by the Government. It is a continuation to the action plan Tiger Leap (programme for the computerisation of Estonian schools in 1996-2000).

In May 2001 the Parliament adopted the new Cable Distribution Act. With the new Act, the cable distribution market will be fully open. The purpose of this Act is to create conditions for active competition in the telecommunications sector in Estonia and to protect consumers from substandard cable distribution services.

#### *Overall assessment*

Estonia is at a considerably advanced level of alignment and development in the **telecommunications** sector.

After a monopolistic start in 1992, Estonian policy in this area has pressed forward unwaveringly towards implementation of the *acquis* and completion of early liberalisation. This was achieved on 1 January 2001 and the authorities are now dealing with the initial wave of dispute resolution that is typically associated with effective opening of a market. The initial signs are encouraging. The National Communications Board is a full independent regulatory authority and has licensing powers. The NCB, which had a staff of 121 employees in June 2001, seems to be working well with its new responsibilities for numbering and will need to maintain staffing levels particularly for work on interconnection. The emphasis for the future must be on making a success of the implementation.

Much progress has been made in the telecommunications sector over the last few years and the infrastructure's size and degree of modernisation is a good achievement, particularly in the penetration of mobile and Internet services. Prices have been rebalanced to a considerable extent and the arrival of competition is reinforcing the process.

A credible policy to secure the availability of an affordable universal service remains to be devised. The ministry will have to move quickly to complete implementation of local loop unbundling, which has already been added to the *acquis* and also the EU new regulatory framework for telecommunications as it is adopted around the end of this year.

## ***HUNGARY***

### ***Chapter 19: Telecommunications and information technologies***

Hungary continued to make progress in this area. In particular, there has been greater emphasis on the requirement for cost orientation in telecommunications tariffs to be imposed on certain operators. The *acquis* requires this in certain limited circumstances.

Concerning the **liberalisation of the telecommunications market**, a further positive step to promote competition in the market was the recent auction of five licences for fixed wireless access (3.5 GHz). According to the government, frequency allocation for GSM is now compatible with the *acquis*.

A recently enacted telecommunications law is intended to transpose the 1999 *acquis*. The extent to which the new law aligns Hungarian legislation with the *acquis* still remains to be determined by the Commission.

As regards the **regulatory framework**, Hungary has succeeded in implementing some parts of the EU regulatory regime under existing powers, without waiting for the new law.

#### ***Overall assessment***

Hungary's legislation in this sector is already partially in line with the *acquis*. Efforts should now focus on alignment with remaining key parts of the *acquis*, such as those

related to interconnection, leased lines, competition through carrier selection and number portability and unbundling of the local loop.

The country's approach to developing the telecommunications sector through the concessions granted in the early 1990s was successful in attracting large-scale foreign investment. This, and the licensing of mobile operators have contributed to a considerable improvement in the size of the infrastructure and the quality of services available. Moreover, by deciding to sell the whole of the state's shareholding in the incumbent operator, Hungary avoided the problems that often arise from lack of clear separation of the state as regulator from the state as operating company. There has been considerable activity in the liberalised part of the market, but the monopolised part is still very large.

Hungary has been relatively slow in completing transposition and implementation of key parts of the *acquis*, notably those related to interconnection, leased lines, competition through carrier selection and number portability and unbundling of local loop. This should now become the main focus of action, to ensure that the rest of the market is opened as soon as possible and is properly regulated. In addition, rapid progress will now be needed to ensure that the new law on telecommunications is implemented in time for the liberalisation of the market foreseen in January 2002. If the market opening measures are to be effective, it will be important well before this date to ensure that any necessary licences are issued, that vital facilities, such as call-by-call carrier selection, are available on demand and that effective procedures are available for the resolution of interconnection disputes. Any delay in these areas would be damaging to the market. In addition to interconnection of fixed networks, outstanding issues include alignment with the *acquis* for universal service.

The Communication Authority is legally separate from and independent of the ministries and other governmental organisations holding stakes in the operators. It has a separate budget line and full jurisdiction and nation-wide competence in licensing telecommunications equipment, networks and non-concession services, including the postal services. It carries out its activities under the supervision of the Government Commissioner. In the telecommunications area, the regulatory authority manages scarce telecommunications resources (frequencies, numbers, etc.), prepares system regulations to ensure technical and traffic integrity of the national telecommunications networks, as well as market regulations to set the rules for new entrants and promotes fair competition among service providers.

One of the important activities of the Authority is market surveillance. It monitors the market players and services, and elaborates up-to-date methods for conformity assessment of telecommunications and postal services, as well as their requirements and documentation. It collects, processes and assesses significant market data, and forwards the results of the assessment to the competent international organisations as well as informing the public.

The new institutional arrangement in form of a Government Commissioner responsible for telecommunications regulation, governmental informatics, the information society and postal services has worked well and has helped Hungary maintain its seminal role in Information Society matters. The Hungarian Communications Authority is due to be restructured to take account of the recently



enacted law. These changes are needed to ensure that regulation of the telecommunications market is fully in line with the *acquis*.

As for the incumbent telecommunication service provider (MATÁV), the State's ownership and regulatory functions are separated.

## **LATVIA**

### ***Chapter 19: Telecommunications and information technologies***

Little progress has been made since the last Regular Report in terms of alignment. The new regulatory body has begun its work.

Concerning the **liberalisation of the telecommunications market**, for the moment, further liberalisation of the fixed telecommunications market in Latvia remains uncertain. No new legislation has been adopted in this field.

As regards the **regulatory framework**, the Law on Public Services Regulators has been in force since June 2001. As foreseen, the new Public Services Regulation Commission created by the Law started operating in September 2001 and, in the field of telecommunications, took over the regulatory functions of the Telecommunications Tariff Council. The new regulatory environment is intended to ensure the independence of the regulatory body from telecommunications operators in compliance with EC requirements.

As regards information technologies, the government has approved a baseline for the socio-economic concept e-Latvia and the related Action Plan. The Action Plan generally is in line with the eEurope+ Action Plan drafted by Central and Eastern European countries (*see Chapter 3 – Freedom to provide services*).

#### *Overall assessment*

Overall, there have been no major advancements in the telecommunications sector over the last few years.

Concerning the liberalisation of the telecommunications market, Latvia should seek to ensure that all possible steps are taken to abolish Lattelekom's monopoly. The current monopoly provider, Lattelekom, is 51% state-owned and 49% foreign-owned. The timetable for the abolition of the monopoly of Lattelekom on fixed telecommunications and basic telephony services has not yet been clarified, except that according to a government policy plan, as well as commitments Latvia has made at the WTO, the telecommunications market will be fully liberalised as of January 2003, instead of 2013, as originally foreseen. A decision to privatise the remaining shares of Lattelekom was taken by the government in October 1998, and before this can happen, the contractual basis of the monopoly must be renegotiated.

The new Law on Telecommunications, intended to transpose a set of core EC telecommunications directives and to achieve alignment concerning interconnection, authorisation and licensing, telecommunications network numberings, price

regulation and universal service laws, is still pending in Parliament. The foundations laid by the new Law on Telecommunications, once adopted, will need to be built upon to resolve the remaining problems regarding alignment with the *acquis*, and particularly to ensure that those parts not temporarily blocked by continuing exclusive rights, are implemented in advance of liberalisation.

Rapid progress is also needed with the remaining pieces of secondary legislation that are required for the market to be opened. It will also be necessary to ensure that any mechanism for assessing the cost of providing the universal service identifies the real net cost, based on independently certified audits, and allows for a transparent determination of whether the universal service obligation is an unfair burden on the designated carrier. Further developments in this regard are to be closely monitored.

For the moment, the Public Services Regulation Commission is supervised by the Ministry of Economy. The Latvian Privatisation Agency, which owns telecommunications shares, also falls under the supervision of the Ministry of Economy. A certain risk of a potential conflict of interests may thus exist. In addition to 5 persons on the decision-making board of the Commission, this body now needs to recruit the staff that will be needed under the new Law to carry out the regulatory functions required by the *acquis*.

## ***LITHUANIA***

### ***Chapter 19: Telecommunications and information technologies***

Some progress has been made since the last Regular Report in this area.

Concerning the **liberalisation of the telecommunications market**, no development can be reported as regards the liberalisation of fixed telephony. In this sector, the incumbent operator, Lietuvos Telekomas, enjoys a *de jure* monopoly regime until 31 December 2002. Excluding fixed telephony, competition has been strengthened by the issuing of a third GSM licence.

As regards the **regulatory framework**, a number of important items of secondary legislation have been issued, relating in particular to licensing and numbering. The rules on licensing of telecommunications activities were adopted in October 2000. The licence is issued through a tendering procedure only for those activities which require scarce resources, namely, radio frequencies and telecommunications numbering. These rules do not determine the licensing procedure for UMTS.

In February 2001, the Communication Regulatory Authority became operational, following the appointment of its director by the President of the Republic.

#### ***Overall assessment***

Lithuania has achieved a fair level of alignment in this area, but important efforts remain to be done as regards the alignment in particular on fixed-line telephony and postal services as well as administrative capacity.

The telecommunications market in Lithuania has been liberalised, except for fixed line telephony communications. Work has begun building on the foundations laid by the 1998 telecommunications law to resolve the remaining problems regarding alignment with the *acquis*. However, further rapid progress is now required. Properly regulated interconnection should be a priority. Price re-balancing and affordability remain crucial issues. As concerns the status of Voice Over Internet Protocol as a liberalised service, efforts are being made to regularise it.

As regards administrative capacity, the recently established Communication Regulatory Authority is understaffed (13 vacancies out of 111 available positions) and its present staff have almost no experience in non-radio areas. Moreover, the Authority lacks the appropriate equipment to be able to monitor the communication and radio spectrum, as well as assume its market surveillance functions. Therefore, strengthening the administrative capacity of this Authority is a matter of priority.

## **MALTA**

### ***Chapter 19: Telecommunications and information technologies***

Malta continued to make good progress in this area during the period covered by this report.

As a consequence of the implementation of the National Plan for the **liberalisation of the telecommunications markets**, the second licensee for GSM mobile telephony started operating in December 2000. Following the amendment of the Telecommunications (Regulation) Act of 1997 by the Malta Communications Authority Act, last year, regulations were adopted for the gradual introduction of competition in the telecommunications markets, e.g. in the field of radio paging.

As regards the **regulatory framework**, regulations applying the Telecommunications (Regulation) Act were published to align the Maltese legislation with respect to individual licenses and general authorisations in the field of telecommunications services. Regulations were also published to align the Maltese legislation with respect to the cost orientation of tariffs, Internet and other data services and interconnection requirements, with regard to mobile and personal communications.

The numbering report was approved at the end of May 2001 and the new numbering plan is in place from November 2001. The European emergency number (112) became operational on 1 June 2001 and all operators have to provide free communications access to emergency services as of November 2001. Broadband Internet was launched by Melita Cable in October 2000. A White Paper describing a vision and strategy for the attainment of electronic Government in Malta was published in October 2000 and adopted as government policy in January 2001.

The Malta Communications Authority (MCA) regulates telecommunications, data protection, e-Commerce, and similar areas in the field of communications. After the adoption of the telecommunications and postal services law, it will also regulate the postal sector. It has recruited a technical specialist, two lawyers, a financial analyst and two project managers for electronic commerce.

### *Overall assessment*

Malta has advanced considerably in the telecommunications sector over the last few years. The liberalisation of its telecommunications markets is going ahead and its regulatory framework is now largely in line with the *acquis*. Attention should be given now to the completion of legislative alignment before full liberalisation in 2003.

As regards the liberalisation of the telecommunications markets, attention should now focus on the actual application of regulations and Government decisions. As regards the development of Internet, there is a need for better co-operation between the infrastructure providers Maltacom and Melita Cable on one hand and the Internet Service Providers (ISPs) and the other hand in order to promote cheap access. The MCA has improved its capability to draft regulation and to monitor competition in the markets, e.g. by initiating regular consultations with the ISPs. The MCA is also actively participating in the eMalta Commission and the preparation of the eEurope + Action Plan of the candidate countries. However, the MCA needs to be strengthened through training and transfer of expertise in order to cope with all these responsibilities.

As regards the regulatory framework, regulations on data protection in the field of electronic communications networks and services and on carrier selection and number portability have to be adopted, as well as the necessary legislation to align with the *acquis* on postal services. The actual implementation of this legislation may require a further strengthening of the Malta Communications Authority.

## ***POLAND***

### ***Chapter 19: Telecommunications and information technologies***

Progress made since the last report has been relatively limited, considering the considerable strides made during the previous reporting period.

Concerning the **liberalisation of the telecommunications market**, the National Regulating Authority (NRA) is now fully functioning as a separate independent legal body with wide powers to regulate the sector, and by mid-2001 the new body had succeeded in ensuring that the competing long distance services for which licences had been granted in 2000 were able to operate in practice. TPSA (Polish Telecommunications SA), the former monopoly, has been issued with a licence. The designating of TPSA as having significant market power was severely delayed and this delayed the imposition of appropriate regulatory provisions but such decision was finally taken by the President of the Telecommunications Regulatory Authority in September 2001.

The privatisation process of TPSA has advanced and strategic private investors are in place. UMTS licences have been issued to the three existing mobile operators.

### *Overall assessment*

Poland has advanced considerably in the telecommunications sector over the last few years in respect of regulation and privatisation. The speed of implementation has not, to date, matched this progress. The decision to delay opening up the international telephony market for competition and low internet penetration are symptomatic of this. The promising beginnings have yet to result in satisfactory arrangements that are equitable between operators in which the state has a financial interest and other operators.

Since 1998 Polish telecommunications policy has developed strongly along the lines of EC practice but the fixed communications sector still shows a legacy from earlier years of relative under-achievement, particularly in rural areas - where the implications of Universal Service represent a significant challenge. The mobile sector has been more successful. The growth potential of the sector in Poland remains very high.

The foundations laid by the Telecommunications Act now need to be built on to secure complete compliance with the *acquis*, particularly regarding cost-orientation, local interconnection, affordability, universal service and the availability of carrier selection and number portability facilities. Further progress is now needed with the remaining pieces of secondary legislation that are necessary for the market to be regulated properly and fully opened. Much of the success of the reform of the telecommunications sector will depend upon the NRA continuing to improve its capacity to oversee and regulate the sector in an efficient and independent manner.

The positive effect of administrative stability played an important role in taking the sector forward in the past, and this needs to be maintained as the sector is currently entering a new evolutionary phase.

## **ROMANIA**

### ***Chapter 19: Telecommunications and information technologies***

Progress since the last Regular Report has been limited. The main development in this sector was the abolition in January 2001 of the National Agency for Communications and Informatics and its replacement by the Ministry of Information Technology and Communications. The Ministry of Information Technology and Communications has taken over all the responsibilities of the former Agency, including policy and strategy formulation and regulatory functions.

Concerning the **liberalisation of the telecommunications market**, steps announced last year to introduce competition in the 1800Mhz band for mobile telephony became the subject of a court dispute between two private operators and the incumbent, Romtelecom, which currently has the monopoly on fixed line telephony. In the end, the parties reached an agreement stipulating that the private mobile telephony companies would not use frequencies allocated in the 1800Mhz band before the end of 2002. The date foreseen for the liberalisation of the fixed line telephony market remains the end of 2002. Until that date, the incumbent maintains a monopoly on

these services. However, liberalisation has already taken place in other markets, such as cellular mobile telephony, data transmission, and the provision of Internet services, cable television, and satellite networks.

As regards the **regulatory framework**, a law on the processing of personal data and the protection of privacy in the telecommunications sector, transposing the Directive concerning the processing of personal data and the protection of privacy in the telecommunications sector, has been passed. As stated above, the new ministry has taken over the regulatory functions of the former National Agency for Communications and Informatics. It will continue to exercise these functions until the creation of the independent national regulatory authority in the course of 2002.

#### *Overall assessment*

While the overall development in the telecommunications sector has been limited, there has been extensive preparatory work through the identification of key personnel and arranging assistance with the transposition of the *acquis*.

In terms of administrative capacity, only a short time after its creation the Ministry of Information Technology and Communications has given considerable indications of a new impetus in preparing for the liberalisation of the communications and postal markets. In order to achieve the objectives of liberalisation of fixed line telephony by the start of 2003 and postal services by the same date, considerable legislative work remains to be done. Furthermore, administrative weaknesses in the exercise of regulatory functions as regards telecommunications remain. Although these functions are scheduled to be transferred in 2002 to the new National Regulatory Authority, considerable training will be necessary to ensure adequate administrative capacity in this area for the new body.

## **SLOVENIA**

### ***Chapter 19: Telecommunications and information technologies***

Substantial progress has been achieved in the telecommunications sector since the 2000 Regular Report.

Regarding the **liberalisation of the telecommunications markets**, all special and exclusive rights have been removed as from 1 January 2001 including those of the fixed line incumbent Telekom Slovenije. However, the new Telecommunication Act of 2001 foresees some transitional measures, namely for cost-oriented leased lines, cost accounting of operators with significant market power, number portability for non-geographical numbers and unbundling of the local loop. These measures will expire in July 2002. Following a public tender in January 2001, three licences were granted for the provision of mobile services at 1800 MHz radio frequencies for mobile telephony services. The same three operators are now licensed to operate at 900 MHz and 1800 MHz. A new numbering system was introduced in November 2000. Progress towards the rebalancing of tariffs was made through two Government decrees in March 2001. Tariff reductions for Internet access were introduced in March

2001 as a means of promoting Internet access. A tender for UMTS licences was launched in September 2001.

As regards the **regulatory framework**, the new Telecommunication Act entered into force in May 2001. This Law transposes a substantial part of the *acquis*, including the Directive concerning the processing of personal data and the protection of privacy in the telecommunications sector. However, additional secondary legislative measures are still required. The Agency for Telecommunications and Broadcasting was established in July 2001.

Concerning the e-Europe + Action Plan, a strategy for electronic operation of public administration was adopted in February 2001.

### *Overall assessment*

Legislative alignment in the telecommunications sector is well advanced and enforcement has started. Important practical measures have been adopted to build on the initial commitment made in the Telecommunications Act of 1997 to remove all special and exclusive rights in the telecommunications sector on 1 January 2001. Licences have been awarded in the mobile GSM market, and these should lead to effective competition once networks have been rolled out in 2002. Measures have been introduced to regulate the dominance of the incumbent in both the fixed line and Internet markets. Effective competition can be anticipated in all parts of the market as soon as the transition periods have expired except for the UMTS services where it appears that as a result of the modalities of the recent tender, only one company has submitted a bid. This would effectively create a UMTS monopoly and the result would be inconsistent with Community policy in this sector.

Slovenia should now continue with the preparation of secondary legislation in order to complete it by the end of 2002, in accordance with the timetable set. Further progress is needed in establishing cost models for significant market-power operators, as these would enhance moving towards cost orientation of prices as soon as possible. The speeding up of the schedule for unbundling of the local loop and for providing full number portability for non-geographical numbers in 2002 is a welcome development.

In view of the substantial liberalisation of the markets in January 2001 and the many measures which need to be taken, especially the application of asymmetric regulation as foreseen in the *acquis*, the Agency for Telecommunications and Broadcasting should as a priority be provided with adequate financial and human resources, including training of its staff.

## **SLOVAKIA**

### ***Chapter 19: Telecommunications and information technologies***

Since the last regular report, some progress can be reported in the **telecommunication sector**.

As regards the **liberalisation of the telecommunications market**, Slovakia has advanced in implementing the relevant *acquis*. The Ministry of Transport, Telecommunications and Postal Services issued a number of pieces of secondary legislation, based on the Act on Telecommunication, which entered into force last year.

Fixed network penetration now appears to have stabilised at around 32 per 100 inhabitants which may partly explain the relatively low penetration of Internet access. The mobile sector has maintained its quick growth to reach a market penetration of 29% of inhabitants (as compared to 20% in the last reporting period). The government's plan for the release of the GSM and UMTS spectrum has been published. The process of price re-balancing has continued, with the incumbent becoming more commercial in its approach.

In June 2001, the Government approved the Country Informational Policy and decided to join the e-Europe + initiative.

As regards the **regulatory framework**, the Telecommunications Office, established last year, is now functioning as a separate legal body with wide regulatory powers. A large number of existing telecommunications licences have been reissued under the new Act on Telecommunication. Three licences for the provision of wireless local loops (26 GHz) have recently been issued. The Office has also moved quickly to establish its new authority in relation to the pricing of telecommunications services.

### *Overall assessment*

In the telecommunications sector Slovakia is considerably advanced in transposing and implementing the relevant *acquis*.

These efforts should begin to show results well before the expiry of the Slovak Telecom monopoly at the end of 2002. The new Telecommunications Act needs to be built on to secure complete compliance with the *acquis*, particularly regarding cost-orientation, interconnection, affordability, universal service and the availability of carrier selection facilities. The Ministry for Transport, Post and Telecommunication is in the process of preparing the necessary amendment to bring the law fully into line with the *acquis*.

Action to secure compliant procedures for regulating interconnection between public networks should now be a priority so that the market can be regulated properly. Fair competition and proper functioning of the market have to be ensured. The independence of the regulatory body needs to be safeguarded and close co-operation established with the competition authority, which has also been working in the field of telecommunications. In order to achieve a proper separation of regulatory from operational functions, the Ministry of Transport, Post and Telecommunication should no longer exercise the state's property rights in the incumbent sector.

The number of staff in the Ministry of Transport, Post and Telecommunication working on telecommunications (11) remains relatively low. The Telecommunication Office currently employs 180 people and needs to ensure that it can attract and retain the services of suitable staff.



## ***TURKEY***

### ***Chapter 19: Telecommunications and information technologies***

Turkey has made progress since the last Regular Report.

There have been a number of developments in the **liberalisation of the telecommunications market**, some of which were made as part of the new economic reform plan. The Telecommunication Law of May 2001 provides the legal basis for the privatisation of Türk Telekom (it provides for 100% privatisation of the capital of the incumbent operator, Türk Telekom, with the exception of a nominal “golden share” retained by the State) and stipulates that the full liberalisation date of 1 January 2004 will be brought forward to the date when the state's ownership in the operator's capital falls below 50%. There has also been progress in introducing further competition in mobile telephony, which has resulted in a considerable decrease in GSM tariffs.

In addition to the two existing GSM licences, another two licences have been issued to ARIA (owned by Telecom Italia and Turkish IS-Bank) which has been operational since March 2001 and AYCELL (a subsidiary of Türk Telekom) which has been operational since August 2001.

As regards the **regulatory framework**, following the establishment of the Telecommunications Authority in August 2000, a regulation on the procedures and tasks of this authority was issued in February 2001. A concession agreement between the Ministry of Transport and Telecommunications and Türk Telekom was signed in February 2001. A regulation on the licensing of telecommunications networks and services was issued in March 2001. In the meantime, based on the new telecommunications law, the licensing tasks have been transferred from the Ministry of Transport and Telecommunications to the Telecommunications Authority. In September 2001, a regulation has been adopted on a price cap mechanism for tariffs reform.

#### ***Overall assessment***

While steps have been taken to liberalise the telecommunications market, further efforts are needed to bring Turkey's telecommunications regulatory framework fully in line with the *acquis*.

The liberalisation of the markets needs to be accompanied by a comprehensive and transparent regulatory framework. Substantial progress in this area will require amending the Telecommunications Law of February 2000 and issuing regulations on key subjects such as numbering, interconnection, universal service and data protection.

Based on the new tariffs regulation, the principle of cost orientation of tariffs needs to be implemented. This requires Türk Telekom to introduce cost accounting methods, leading to a subsequent re-balancing of tariffs.

Strengthening the administrative capacity of the Telecommunications Authority is a key priority. Staff needs to be recruited and trained to ensure that it is able to carry out its full range of tasks, including preparing legislation and handling its new responsibility for licensing. At present, the majority of staff is dealing with technical tasks, e.g. frequencies and equipment type approval.

The Telecommunications Authority has started to monitor actively fair competition in the markets by preparing a decision on the general technical and financial conditions for national roaming between the GSM operators. Further progress also needs to be made to ensure that the Telecommunications Authority is fully independent from the Ministry of Transport and Telecommunications. A comprehensive enlargement project for regulatory assistance for the Telecommunications Authority is under preparation.

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DG Information Society  
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