

# **A wide digital divide and its challenges – addressing the lack of broadband access in the rural areas of Romania**

Bogdan DOSPINESCU  
ANCOM, Romania

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# EU context: The Amended Universal Service Directive

In the context of the EU Framework Review, Recital 8 of the Universal Service Directive has been amended to offer more flexibility to Member States seeking to expand the minimum guaranteed services to include broadband:

- **Limitation of the universal service requirement to a single narrowband network connection has been removed, same as the references to the data rate of 56 kbit/s.**
- **Data rates which are sufficient to permit functional internet access will continue to be defined by the Member States** *"taking due account of specific circumstances in national markets, for instance the prevailing bandwidth used by the majority of subscribers in that Member State or technological feasibility"*.
- **Flexibility is required to allow Member States to take measures where necessary to ensure that a data connection can offer functional internet access,** *"provided that these measures seek to minimize market distortion."*
- **Reference to alternative financing of infrastructure rollout has been introduced:** *"Alternative financing of underlying network infrastructure, involving Community funding or national measures in accordance with Community law, may also be implemented."*

# Broadband development in Romania

## ❑ Fixed **broadband penetration** rate in Romania (per 100 inhabitants):

- Overall 11.7%
- Urban areas 18.6%
- Rural areas **3.1%**

⇒ **There is a wide digital divide, since 45% of the 21 million Romanians live in rural areas**

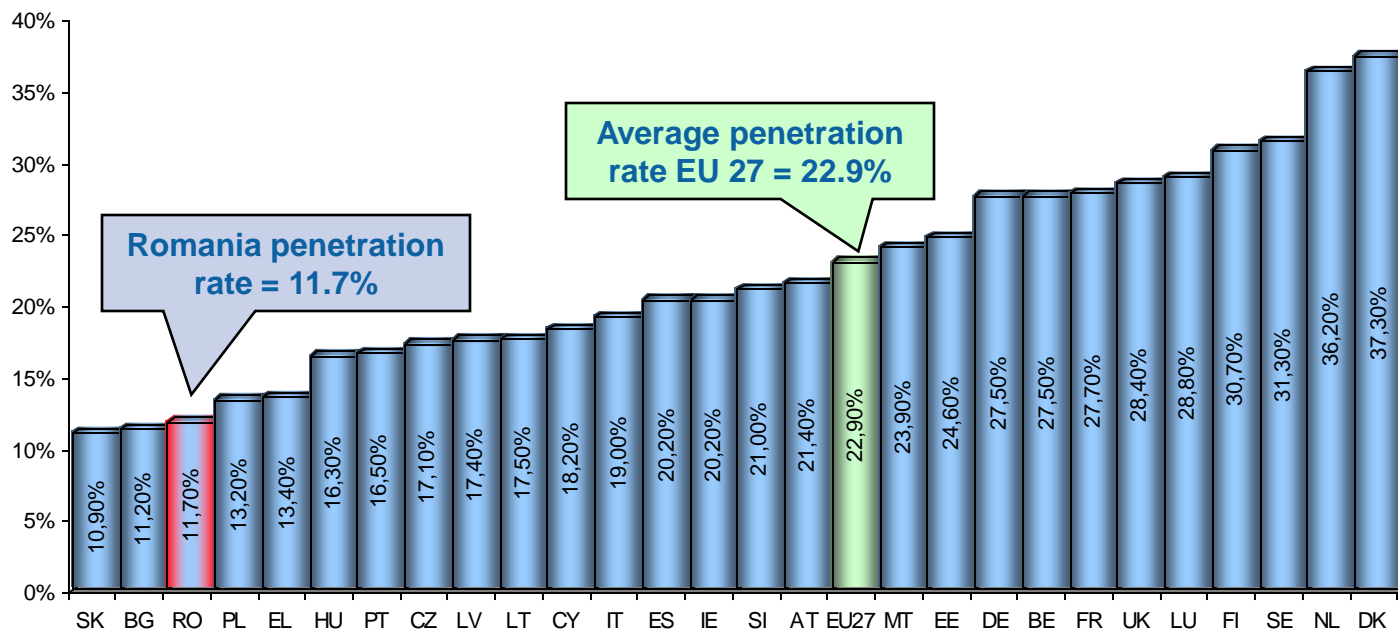
## ❑ **Broadband availability:** Fixed broadband networks cover only **58.8%** of the rural population

- 33.9% of the rural population is covered by 1 network
- 15.5% of the rural population is covered by 2 networks
- 5.8% of the rural population is covered by 3 networks
- 2.3% of the rural population is covered by 4 networks
- 1.3% of the rural population is covered by 5 networks or more

⇒ **Less than 25% of the rural population is covered by at least 2 broadband networks**

# Broadband penetration rates in the EU

(December 2008)



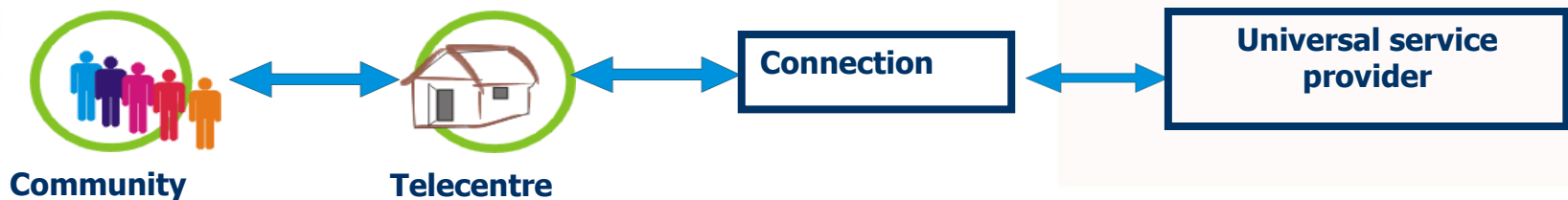
Source: EC 14<sup>th</sup> Report

# Particularities of the Romanian market

- ❑ The low rate of broadband penetration in Romania, and in particular in the rural areas, is not an effect of a lack of competition in the market, but results from a combination of:
  - A **low PC penetration rate** (35% vs. 57% EU27, Dec. 2007)
  - A **low average income *per capita*** (among the lowest in the EU)
  - A late launch of DSL services by the incumbent
- ❑ Romania has the **highest level of infrastructure-based competition and one of the lowest market share of the incumbent in the EU**. At end-2008:
  - DSL connections had a share of 26.1%
  - Coaxial cable + Other access technologies (particularly UTP/FTP cable) had a share of 73.9%, higher than in all other EU Member States
- ❑ **Broadband prices for speeds up to 3Mbps are among the lowest in the EU.**

# Telecenters – the starting point

- 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 (telephone, fax, Internet services and non-stop access to free emergency calls)
- 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**
- Telecenters are installed in 633 villages with limited or no connectivity** (remote/underdeveloped communities)
- 7 universal service providers** using different technologies (fixed, mobile, satellite etc.) have been designated

# Reflections for the future:

## Specific measures to address the broadband gap

### *Implement an appropriate Universal Service policy*

- Introduce broadband in the scope of the Universal Service based on the revised Universal Service Directive (*following Framework Review*)
- Designate one or more Universal Service Providers to provide a connection supporting telephony (incl. emergency calls) and broadband (*e.g. up to 1Mbps*)
- Observe the principles of efficiency, non-discrimination, technological neutrality and least market distortion:
  - designate universal service providers based on transparent public tenders
  - focus on results irrespective of the technology – choose the best solution in terms of cost-effectiveness
  - rely on industry driven investments – take advantage of the fact that, with over 100% mobile penetration, mobile operators target broadband as a way of developing their business and increasing profits

### *Use Spectrum policies to address undersupply and competition problems*

- Spectrum policies should be used to:
  - Increase connectivity in rural areas – award licenses with rollout obligations giving priority to rural areas (as happened in case of WiMAX, 410-415/420-425 MHz band)
  - Boost competition – introduce technology and service neutrality in 900/1800 MHz bands
  - use the potential of the digital dividend and foster the introduction of new services

### *Rely on complementary public policies*

- Governmental Broadband Strategy 2009-2015 – targets the increase of broadband penetration and access rates and the development of offer in on-line services
- The Knowledge Based Economy Project 2006-2010 – is focused on increasing access to IT&C, improving computer literacy, developing e-government and e-commerce services
- Projects of the local administrations financed from structural funds



Thank you for your attention

*bogdan.dospinescu@ancom.org.ro*

[www.ancom.org.ro](http://www.ancom.org.ro)