

**NATIONAL REGULATORY AUTHORITY FOR COMMUNICATIONS**

# **ANNUAL REPORT**

**2004**



Art.27 of the **Regulation for the organisation and operation of the National Regulatory Authority for Communications**, approved by Government Decision no.880/2002, published in the Romanian Official Journal, Part I, no.660 of September 5, 2002, provides the following:

*"Art.27. – (1) ANRC shall publish on its website, no later than the 31<sup>st</sup> of December each year, a detailed report regarding its activity during that year.*

*(2) ANRC shall also publish a consolidated report on the notices and information requests registered prior to the 30<sup>th</sup> of June of that year and which have not been solved."*

The National Regulatory Authority for Communications - ANRC - is the institution entrusted with the implementation of the national policy in the sector of electronic communications and postal services.

ANRC was set up in order to protect the rights and interests of the users of electronic communications services and networks and postal services, in what regards transparency of the providers in their relation with the consumers concerning tariffs and usage conditions for services, but also where the processing of personal data and the exertion by all Romanian citizens of the right to universal service are concerned.

ANRC promotes competition in every sector of the electronic communications and postal services markets, and takes all appropriate measures in order to create a favourable environment for the development of investments and innovation. ANRC manages the numbering resources, as well as the integrity and security of the public communications networks.

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## 1. Foreword

Whereas 2003 was the uncontested year of liberalisation – the cornerstone for the development of communications in Romania –, 2004 was the year that strengthened the foundations of the liberalisation process. Undoubtedly, 2004 was a fruitful year for the communications sector in Romania.

First, in 2004, the Romanian communications sector witnessed the same steadily growing trend registered in the last years. And, as we wanted to set this steadily growing trend on more solid bases, we continued the regulatory activity on the wholesale markets. Therefore, we took steps in order to promote such relationships in the communications business environment as to respect the two principles ensuring economic development in the modern world: the principle of free competition, unhindered by the *de facto* advantages of one or another competitor, and the principle of transparency in the business environment.

The novelty of the year was the initiation of retail market regulation. This is not just a natural completion of the ANRC activity, which approached the other half of the regulatory realm, but it is also an obligatory step, once the effects of the last years' developments on the level of wholesale markets became more and more obvious downstream, on the retail market, for the common end-user.

2004 was the first step on the way to implement universal service in the Romanian electronic communications sector. The significance of this action is tightly related to Romania's accession to the EU. I refer not only to the implementation of one important chapter of the EU policy in the electronic communications sector. The significance of this moment is important mainly because it is deeply rooted in the European idea. The implementation of the universal service policy is a proof that Romania adopted a series of European values. I am talking about equality of opportunities between the citizens of Europe, irrespective of the geographical location and the income level, may they be inhabitants of the big cities in the EU member countries or of the villages in the candidate countries, with modest income. The values on which the European idea was built impose the idea of common opportunities and common minimal standards. We are heading towards a world in which access to education, professional development and, therefore, participation in the benefits of the 21<sup>st</sup> century society - with its economic and social dynamism - depends directly on the capability to circulate information, ideas or opinions. That is why I do not think it is hazardous to assert that our activity in the field of universal service is one of the most important means by which we can help all the Romanians become genuine European citizens.

I herein refer to several elements sketching the outline of the year 2004. But, as a moment of retrospection makes us think about the future, I hope that these measures, together with the ones to be taken by ANRC in 2005 and in the future, should decisively contribute to the fulfilment of our most important objective: the sustained development of the sector must become a natural process in the future, part of the evolution process

itself, and communications must be a part of the Romanians' life to the same extent, and at the same high standards as in any society that thoroughly assumed modernity.

President of ANRC

## **2. Mission, objectives, priorities**

### **2.1. ANRC mission**

The National Regulatory Authority for Communications (ANRC) is the institution entrusted with the implementation of the national policy in the sector of electronic communications and postal services.

In its activity, ANRC aims to promote competition and protect the end-users' interest, as well as to stimulate effective infrastructure investment.

Promoting competition is a priority in the context of the full liberalisation of the electronic communications and postal services market in Romania. Competition acts as an incentive for the development of investments and for the improvement of the market players' effectiveness, thus ensuring service diversification, the adoption of new and efficient technologies, and triggering lower tariffs. In order to promote competition, ANRC observes the following guidelines:

- prevent the actions leading to distortion or restraint of the competition in the electronic communications sector;
- stimulate efficient investments in infrastructure and promote competition;
- promote technological neutrality.

Protecting the end-users' interest represents a highly important objective and for this reason ANRC aims to fulfilling the following goals:

- guarantee the Romanian citizens' right of access to universal service;
- ensure the protection of the users' interests in their relation with the providers, especially by making available a transparent, impartial, simple and free of charge dispute settlement procedure;
- get involved in protecting the rights of persons, especially the right to privacy, as regards the processing of personal data;
- promote transparency towards the users by urging the providers to keep them appropriately informed about tariffs and the other conditions related to the use of publicly available services;
- promote the specific interests of the users with disabilities or special needs;
- ensure the protection of the integrity and security of the public electronic communications networks.

### **2.2. Regulatory principles**

The principles grounding the whole ANRC regulatory activity are the following:

- **Transparency**
- **Proportionality**
- **Opportunity**
- **Obligatory character**
- **Non-discrimination**

- **Predictability and stability**
- **Efficient use of the ANRC resources.**

### **2.3. Highlights of 2004**

2003 marked a decisive moment – the full liberalisation of the electronic communications market -, as well as the dawn of a complex process of drawing the main directions for the ANRC activity with a view to fostering free competition on the market. In 2004, through its regulatory activity, ANRC focused on consolidating the free market of electronic communications, which has a great growth potential. Electronic communications represent approximately 10% of the GDP, ranking as one of the strategic sectors of the Romanian economy.

ANRC fulfilled its 2004 objectives for regulating the retail and wholesale markets in the electronic communications sector. Regulation of the wholesale markets was the most important ANRC priority in 2003, while - in 2004 - we advanced to regulating the relevant retail markets, following the entry into force of *Law no.304/2003 for universal service and the users' rights regarding the electronic communications networks and services (Universal Service Law)*. ANRC identified the specific relevant retail markets and conducted market analyses for determining the actual level of competition on these markets. In the second half of 2004, the provider with significant power on these markets was designated, on whom ANRC is to impose obligations, so that both the providers and the end-users could enjoy all the advantages of a competitive market.

In 2004, further wholesale market regulations were adopted regarding the cost-orientation of interconnection tariffs, i.e. ANRC completed the "bottom-up" long run incremental costing (LRIC) models for the fixed public telephone network operated by S.C. Romtelecom S.A., initiated the process of reconciliation of the "top-down" LRIC model elaborated by this company and proceeded to the development of the "bottom-up" LRIC model for mobile public telephone networks of the providers on which ANRC imposed the obligation of cost-orienting the interconnection tariffs for call termination in their own network.

ANRC granted special attention to "unbundling" the access to the local loop, elaborating the principles and prerequisites of the reference unbundling offer, which S.C. Romtelecom S.A. had the obligation to make publicly available. Thus, a significant step was taken with a view to encouraging the new entrants to provide services, despite the lack of their own access network, and to stimulating effective infrastructure investments. ANRC will continue to monitor the manner in which S.C. Romtelecom S.A. complies with the provisions of the *ANRC President's Decision no.1098/2004 on the principles and prerequisites of the reference offer for unbundled access to the local loop*.

ANRC may add up to the list of 2004 achievements the initiation of the universal service implementation process, since - beyond fostering competition on the electronic communications market - a strategic objective is reducing the gap between various walks

of life and between rural and urban areas regarding access to the communications means. Thus, as concerns the installation of telecentres, the first universal service provider designated therefor will install and commission telecentres in 5 eligible rural localities. On the electronic communications market, ANRC designated the universal service providers who granted, for 2004, subsidies for the services of access to the fixed public telephony network, at fixed locations, as well as facilities in case of non-payment of the fixed-line telephone bill to more than 500,000 families. Being aware of the need to promptly provide the public with accurate information on this action, ANRC launched an information campaign, on the radio and television and made available for the interested persons a green number in order to offer detailed information on the process of granting these subsidies.

In the postal sector, in the spring of 2004, ANRC designated the National Company Romanian Post - S.A. as a universal service provider.

#### **2.4. Objectives and priorities for 2005**

In 2005, in order to complete the process of regulating the specific relevant retail markets, ANRC will impose a series of obligations on the providers with significant power on the respective markets. An important objective is the designation of the existing providers with significant power on the market of calls to mobile public telephone networks, at a fixed location, for legal persons – the last market under analysis and the continuous monitoring of the defined markets. As well, ANRC will re-evaluate the competitive conditions on the specific relevant wholesale markets. Therefore, the access and interconnection regime will be completed and developed, simultaneously with monitoring the compliance with the obligations imposed by ANRC on the providers with significant power on the relevant wholesale markets.

ANRC will keep promoting free competition, and therefore will envisage a new rebalancing phase of the S.C. Romtelecom S.A. tariffs, correlated with the cost-orientation of interconnection tariffs, based on the LRIC model. Regarding the interconnection tariffs for the purpose of call termination in the networks of S.C. Mobifon S.A. and S. C. Orange Romania S.A., ANRC will focus on completing the cost-orientation process based on a hybrid LRIC model. Furthermore, ANRC will monitor the process of implementing the access and interconnection regime with a view to providing for its smooth development and will implement the specifications in the Management Plan for the Frequency Spectrum of the Local Loop and Sub-Loop, for ensuring the unbundled access to the local loop.

The process of implementing universal service will be directed primarily to installing telecentres and public pay telephones, while the number of users of telephone and Internet access services is expected to grow, especially in the rural areas. ANRC will monitor the compliance of the universal service providers with the obligations imposed, enforcing sanctions in case the providers fail to comply with the respective obligations. As well, ANRC will re-evaluate the obligations regarding universal service imposed on the

designated providers and will designate new universal service providers with a view to achieving the objectives in the *Policy and Strategy Paper regarding the implementation of universal service in the electronic communications sector*, approved by the *Order of the Minister of Communications and Information Technology no.184/2004*.

In the field of numbering resources, ANRC will aim to make operational the carrier pre-selection procedure and will proceed to the implementation of number portability.

### **3. Decisions with significant impact on the market, issued by ANRC in 2004**

#### **Electronic communications market**

**ANRC President's Decision no.1124/2004** on completing the ANRC President's Decision no.136/2002 for the approval of the Regulation on the identification of the relevant markets within the electronic communications sector, published in the Romanian Official Journal, Part I, no.821 of September 6, 2004.

#### **Providers with significant market power**

**ANRC President's Decision no.1331/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of providing access to a public telephone network, at a fixed location, for natural persons.

**ANRC President's Decision no.1332/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of providing access to a public telephone network, at a fixed location, for legal persons.

**ANRC President's Decision no.1333/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of local calls, at a fixed location, for natural persons.

**ANRC President's Decision no.1334/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of local calls, at a fixed location, for legal persons.

**ANRC President's Decision no.1335/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of long distance calls, at a fixed location, for natural persons.

**ANRC President's Decision no.1336/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of long distance calls, at a fixed location, for legal persons.

**ANRC President's Decision no.1337/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of international calls, at a fixed location, for natural persons.

**ANRC President's Decision no.1338/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of international calls, at a fixed location, for legal persons.

**ANRC President's Decision no.1341/2004** on the designation of S.C. "Romtelecom" S.A. as a provider with significant power on the market of calls to mobile public telephone networks, at a fixed location, for natural persons.

### **Access and interconnection**

**ANRC President's Decision no.1098/2004** on the principles and prerequisites of the reference offer for unbundled access to the local loop.

**ANRC President's Decision no.1330/2004** regarding the amendments and completion of the ANRC President's Decision no.147/2002 on the principles and prerequisites of the reference offer for interconnection with the fixed public telephone network, amended and completed by the ANRC President's Decision no.1384/2003, and of the ANRC President's Decision no.1379/2003 concerning interconnection for leased lines - terminal segments with the fixed public telephone network, as well as regarding the imposition of clauses in the Reference Interconnection Offer of S.C. "Romtelecom" S.A..

### **Universal service in the electronic communications sector**

**ANRC President's Decision no.1074/2004** on the implementation of universal service in the field of electronic communications, published in the Romanian Official Journal, Part I, no.750 of August 18, 2004.

**ANRC President's Decision no.1188/2004** on the amendment and completions of the ANRC President's Decision no.1074/2004 on the implementation of universal service in the electronic communications sector, published in the Romanian Official Journal, Part I, no.843 of September 15, 2004.

**ANRC President's Decision no.1345/2004** on the designation of S.C. "Orange Romania" S.A. as a universal service provider with a view to providing access to the public telephone network, at a fixed location, by means of telecentres.

### **Postal services**

**ANRC President's Decision no.88/2004** on the designation of the universal service provider in the postal services sector, published in the Romanian Official Journal, Part I, no.355 of April 22, 2004.

**ANRC President's Decision no.153/2004** on the amendment of the decision of the ANRC President's Decision no.88/2004 on the designation of the universal service provider in the postal services sector, published in the Romanian Official Journal, Part I, no.653 of July 20, 2004.

**ANRC President's Decision no.1301/2004** on reporting certain statistical data by the postal service providers, published in the Romanian Official Journal, Part I, no.1125 of November 30, 2004.

### **Numbering**

**ANRC President's Decision no.137/2004** on the amendment of the ANRC President's Decision no.140/2002 on the adoption of the National Numbering Plan and of the ANRC President's Decision no.141/2002 on the application and granting procedure regarding the licences for the use of the numbering resources, published in the Romanian Official Journal, Part I, no.479 of May 28, 2004.

**ANRC President's Decision no.1311/2004** regarding measures for the efficient use of the numbering resources, published in the Romanian Official Journal, Part I, no.1132 of November 30, 2004.

## **4. Regulatory activity**

### **4.1. Regulatory mechanisms for promoting competition and free market access**

#### **4.1.1. General authorisation regime for electronic communications**

In accordance with Directive 2002/20/EC on the authorisation of electronic communications networks and services, *Government Emergency Ordinance no.79/2002 on the general regulatory framework for communications*, approved, with amendments and completions, by *Law no. 591/2002*, with the subsequent amendments and completions, (the *Framework-Ordinance*) introduced the principle of providing electronic communications networks and services based on a general authorisation regime, which allows any legal or natural person to become a provider of electronic communications networks or services by transmitting a plain notification to ANRC.

The transition to the general authorisation regime represented an extremely important step towards a free and competitive market. This is a modern mechanism, implemented by the member states of the European Union at the same time as Romania, enabling a working method that prevents many of the bureaucratic obstacles faced by companies willing to enter the market.

The general authorisation regime establishes the providers' rights and obligations and refers to activities of providing electronic communications networks, i.e. fixed public networks, mobile public networks, satellite public networks, private networks using radio-electric frequencies (radio mobile professional networks – PMR, TETRA, radio paging, fixed - VSAT- and mobile satellite networks) and to activities of providing publicly available electronic communications services, i.e. telephony, leased lines, data transmission, Internet access (dial-up, coaxial cable, leased lines, radio), professional mobile radio communications, radio paging services. The authorisation procedure is free of charge. On the Authority's website, ANRC makes publicly available the Official Record of the providers of electronic communications networks and services, permanently updated.

The persons who intend to provide public electronic communications networks or publicly available electronic communications services, or who will provide electronic communications services and networks using frequencies exclusively for their own needs, must notify ANRC at least 7 days before starting the activity.

The *ANRC President's Decision no.1333/2003 on the general authorisation regime for the provision of electronic communications networks and services* comprises the authorisation procedure. The notification must be made by filling in the standard form to which the following documents must be attached, as part of the notification:

- a copy of the Trade Register certificate and of the fiscal registration certificate or of the registration certificate comprising the unique identification code;
- a copy of the constitutive act, with all the subsequent amendments and completions

and all documents that certify the legal mandate of the person specified in the notification, or an original acknowledgement certificate thereon issued by the National Office of the Trade Register, at least 15 days prior to notification, that should include the object of activity, a list of all subsidiaries and work stations, the associates and the legal representative of the applicant;

- a copy of the requester's identity card, should he be a natural person;
- the authorisation required for natural persons to independently carry out certain economic activities, as well as for creating and operating family partnerships;
- a duly filled in description sheet of the networks and services.

The form and the accompanying documents may be submitted:

- a) to the registry of the ANRC headquarters;
- b) to the territorial offices of ANRC where the requester's domicile or headquarters belong;
- c) by registered letter with confirmation receipt, sent to the ANRC headquarters or territorial offices;
- d) by electronic mail, provided that an extended electronic signature - based upon a qualified certificate that has not been invalidated or revoked at the respective moment and generated using a secured device for creating electronic signature - be included, attached or logically associated.

Where a notification is made under all the legal provisions regarding its transmission, form and content, ANRC issues, upon the provider's request or *ex officio*, a standard certificate that ascertains the fact that the requester transmitted the notification and provides their right to offer the networks and services mentioned in the notification.

Based on the data provided in the standard notification form, ANRC has created and permanently updates the *Official Record of the Providers of Electronic Communications Networks and Services*, available on the Authority's website, so that all the interested persons could find information regarding the number of providers and their contact data, as well as the types of networks and services they provide.

#### **4.1.2. Authorisation regime for postal services**

The general authorisation regime is the legal regime that allows the provision of postal services outside the scope of universal service, and does not require a specific decision issued by ANRC. An individual licence is granted by ANRC, for a 10-year period, to the companies that intend to provide postal services within the scope of universal service and grants them specific rights and obligations in addition to those under the general authorisation regime.

The *ANRC President's Decision no.118/2003 on the procedure for the authorisation of the postal services providers* establishes the authorisation procedure under the general authorisation regime, upon the issuance of the standard-certificate, as well as the procedure of granting the individual licence.

ANRC makes publicly available, on its website, the *Official Record of the Postal Services Providers*, permanently updated, so that the interested persons could obtain information regarding the current situation of the authorised providers on the Romanian market of postal services.

#### **4.1.3. Regime of the numbering resources allocation**

Among the ANRC attributions, we count the management of the numbering resources, which are considered scarce resources. This activity consists of granting licences for the use of numbering resources (LUNR), establishing and amending the conditions under which the providers of electronic communications may use the numbering resources allotted, monitoring the use of, as well as suspending and withdrawing the LUNR.

Upon the issuance of the LUNR, ANRC grants the right of use for certain numbers for a limited period (at present - 10 years).

The procedure of application for and issuance of the LUNR is established by the *ANRC President's Decision no.141/2002 on the application and granting procedure regarding the licences for the use of numbering resources*, amended by the *ANRC President's Decision no.137/2004*.

### **4.2. Regulation of wholesale markets in the electronic communications sector**

#### **4.2.1. Interconnection of public electronic communications networks**

The regime of interconnection with the fixed and mobile public telephone networks imposes on the providers designated as having significant power on the market a series of specific obligations regarding the interconnection of the networks they operate.

##### Interconnection with the network of S.C. Romtelecom S.A.

With a view to ensuring the interoperability of electronic communications networks and services, based on the principles of economic efficiency, promoting competition and maximising the benefits of the end-users, ANRC imposed on S.C. Romtelecom S.A. - a provider with significant power on the market of access to the fixed public telephony networks for the purpose of call origination, termination and transit and on the market for the provision of leased lines-terminal segments services - obligations regarding transparency, non-discrimination, accounting separation, the provision of certain services and the provision of access to certain facilities, as well as regarding the cost-orientation of the tariffs related to the interconnection of the network they operate.

##### *i) transparency and non-discrimination*

With a view to observing the obligations of transparency and non-discrimination, S.C. Romtelecom S.A. was imposed the obligation to publish on its website and to make available for every requester a Reference Interconnection Offer (RIO), which should comprise at least the minimal set of interconnection services provided in the *ANRC President's Decision no.147/2002 on the principles and prerequisites of the reference offer for interconnection with the fixed public telephone network*, with the subsequent amendments and completions, together with the conditions, including regarding tariffs, under which these services will be offered to the operators.

The *ANRC President's Decision no.1330/2004 on the amendments and completions of the ANRC President's Decision no.147/2002 on the principles and prerequisites of the reference offer for interconnection with the fixed public telephone network*, as amended and completed by the *ANRC President's Decision no.1384/2003*, and of the *ANRC President's Decision no.1379/2003 regarding interconnection for leased lines-terminal segments with the fixed public telephone network, as well as regarding the imposition of clauses in the Reference Offer for Interconnection with the fixed public telephone network of S.C. "Romtelecom" S.A.* ensures the conformity of the Reference Offer for Interconnection of S.C. Romtelecom S.A. with the regulatory measures imposed by ANRC, optimises the process of interconnection for leased lines-terminal segments and correlates certain provisions of the ANRC regulations.

Taking into account the extension, starting with the 1<sup>st</sup> of June, 2004, of the intervals when S.C. Romtelecom S.A. charges discount tariffs on the retail market, in order to provide for the development of a normal competitive environment and for fair conditions regarding the provision of telephone services by the other providers on the market, ANRC modified the tariff hours on the wholesale market, in accordance with the ones on the retail market. Thus, for the provision of interconnection services for the purpose of call termination and origination, the peak hours are comprised in the interval 08:00-20:00, Monday to Friday, while the off-peak hours are comprised in the interval 20:00-08:00, Monday to Friday and in the interval 00:00-24:00 on Saturdays, Sundays and on legal holidays.

Another important aspect revised in the process of imposing new clauses in the RIO is related to the tariff for call origination from the public pay telephones. The interconnection service for call origination from the public pay telephones triggers additional costs, apart from those for the interconnection service for the purpose of call origination from subscriber locations, which must be appropriately reflected in the tariffs for call origination from public pay telephones.

By the *ANRC Decision no.1330/2004*, the RIO provisions regarding the interconnection of leased lines-terminal segments were amended and completed so as to provide for the compliance with the secondary legislation adopted by ANRC in this field. Thus, ANRC completed the set of products to be offered based on the RIO, including - among others - the product entitled "local circuit for data transmission" (LCDT), a substitute of the unbundled access to the local loop, and modified the annex regarding the process of

forecasting the leased lines-terminal segments orders. As well, ANRC proposed a flexible encoding structure for the leased lines-terminal segments, which provides for the easy monitoring of the sub-segments used for building a leased line-terminal segment, of their technical characteristics, as well as of the tariffs for the respective product.

*ii) accounting separation*

The accounting separation system creates the premises for a checking procedure, performed by ANRC or by other providers, regarding the compliance with the transparency, non-discrimination, tariff cost-orientation obligations imposed on the operator designated as having significant power, for the markets on which these obligations were imposed. Accounting separation may offer a clear and transparent image of the costs and tariffs for the services provided on the wholesale markets, on which the provider was designated as having significant power, of the cross-subsidisation operated between the defined business units, as well as an image of their global profitability.

Following the designation of S.C. Romtelecom S.A. as a provider with significant power on the market for the provision of access to the fixed public telephony networks for the purpose of call origination, termination and transit, this provider was imposed the obligation to keep separate accounts for the activities related to the access and interconnection with its network or with the associated infrastructure. For the purpose of implementing this obligation, ANRC elaborated the *Regulation on conducting accounting separation, within the internal accounting system, by the company S.C. "Romtelecom" S.A.*, approved by the *ANRC President's Decision no.1380/2003*. The Regulation stipulates detailed rules regarding the elaboration, publishing and audit of the separate accounting statements, specifying the structure and the detailing level of the respective statements, the methodology for cost, income and invested capital allocation as well as the cross-subsidization system applied for the products and services provided between the business units and subunits.

According to this Regulation, S.C. Romtelecom S.A. will present separate accounting statements, based on the current costs, itemised by four business units: *the transport network, the access network, retail sales and other activities*. The *transport network* business unit will be presented in a further detailed report and the operator shall elaborate financial statements also for the respective business subunits, i.e.: *interconnection, leased lines-transport and other activities of the transport network*.

S.C. Romtelecom S.A. transmitted ANRC, on the 30<sup>th</sup> of June, 2004, the *Methodology for the cost, income and invested capital allocation*, detailing the separate accounting system, as well as the principles and the accounting policies based on which the separate financial statements based on current costs are to be drawn up. The first separate accounting statements will be elaborated by the operator for the financial year of 2004 and will be published within 4 months from the date of publishing the annual financial statements regulated by the financial-accounting legislation.

### *iii) cost-orientation*

For the efficient and transparent implementation of the tariff cost-orientation obligation by S.C. Romtelecom S.A., ANRC elaborated the *Regulation regarding the elaboration of the "top-down" LRIC model by S.C. "Romtelecom" - S.A.*, approved by the *ANRC President's Decision no.1381/2003*. S.C. Romtelecom S.A. transmitted ANRC, on the 1<sup>st</sup> of October, 2004, the "top-down" LRIC model and ANRC, on its turn, completed the elaboration of the "bottom-up" LRIC model.

At present, the process of reconciliation between the two costing models ("top-down" and "bottom-up") is in progress, and will result in a hybrid costing model which combines the advantages of the two types of models. The tariffs will be established in accordance with the best international practices, based on the results of the hybrid costing model.

#### Interconnection with the networks of S.C. Mobifon S.A. and S.C. Orange Romania S.A. (Cost-Orientation)

The upper limit for the call termination tariffs in the mobile public networks amounted to 11 USD cents/minute until the 31<sup>st</sup> of December, 2003 and amounts to 10 USD cents/minute, since the 1<sup>st</sup> of January, 2004. This level will be maintained until the date on which the interconnection tariffs are determined based on a hybrid LRIC model.

In conformity with the best international practices, ANRC established that the tariffs for call termination in the mobile public networks of the providers on whom the tariff cost-orientation obligation was imposed will be determined based on a hybrid long run average incremental cost calculation model (LRAIC), developed upon the reconciliation of the LRIC models elaborated by the operators ("top-down" models) and, respectively, by ANRC ("bottom-up" models). Such a model will allow the investigation of the complex set of relationships between the costs and the demand levels, will ensure transparency and will reflect with increased accuracy the actual level of the operators' costs.

In 2004, ANRC started developing the "bottom-up" LRIC model, with a view to using the respective model within the process of cost-orientation of the tariffs for the services of interconnection with the mobile public networks operated by S.C. Mobifon S.A. and S.C. Orange Romania S.A. for the purpose of call termination, and this model is to be completed by the end of the first quarter of 2005.

#### **4.2.2. Unbundled access to the local loop**

By the *ANRC President's Decision no.801/2003*, S.C. Romtelecom S.A. was identified as a provider with significant power on the market for the provision of the full or shared unbundled access to the local twisted metallic pairs, for the purpose of providing broadband electronic communications services and publicly available telephone services, at fixed locations.

The ANRC President's Decision no.1098/2004 regarding the principles and prerequisites of the reference offer for the unbundled access to the local loop implements and adjusts to the conditions on the electronic communications market in Romania the provisions of Regulation no.2887/2000 of the European Parliament and of the Council regarding the unbundled access to the local loop and transposes the provisions of the Implementation Principles and Effective Solutions for Ensuring the Unbundled Access to the Local Loop, established by the Independent Regulators Group - IRG. By this Decision, S.C. Romtelecom S.A. was imposed obligations regarding the provision of the full or shared unbundled access to the local loop, consisting of a pair of twisted metallic pairs belonging to the fixed public telephony network operated by this company, for the purpose of providing broadband electronic communications services and publicly available telephone services, at fixed locations. These measures will allow the new entrants on the market to offer their own electronic communications services and will give an incentive for technological innovation and efficient investments in infrastructure.

By the ANRC President's Decision no.1098/2004 on the principles and prerequisites of the reference offer for unbundled access to the local loop, S.C. Romtelecom S.A. was imposed obligations regarding transparency, non-discrimination and cost-orientation of the tariffs related to the unbundled access to the local loop. Thus, the operators have the possibility to offer their users broadband electronic communications services and publicly available telephone services, at fixed locations, by means of the twisted metallic pairs network of Romtelecom S.A..

Therefore, the maximum tariffs based on which S.C. Romtelecom S.A. will provide the unbundled access to the local loop were established in relation to equivalent services on the market of leased lines-terminal segments and amount to the following values<sup>1</sup>:

Table 4.1.

	Monthly rent	Connection fee
Full access to the local loop	8.37 Euro	59 Euro
Shared access to the local loop	4.2 Euro	59 Euro

### **4.3. Regulation of retail markets in the electronic communications sector**

In 2003, the ANRC measures focused on the wholesale markets, thus creating the necessary framework for a competitive environment and for encouraging the market entry of the new providers of electronic communications networks and services. In 2004, most of the ANRC measures focused on the end-users, so that, among the major steps on the electronic communications market which the authority took, we count the identification and regulation of the specific relevant retail markets.

<sup>1</sup> The tariffs do not include VAT.

For the purpose of *promoting competition*, as well as for *protecting of the end-users' rights and interests, so that they could obtain maximum benefits in a competitive market environment, regarding the offer diversity, tariffs and service quality*<sup>2</sup>, ANRC identifies the specific relevant retail markets, analyses them and designates, as the case may be, the providers with significant power on the respective markets, imposing on them, correspondingly, one or several of the obligations provided under art.15, 16 and 18 of the *Universal Service Law*.

Table 4.2.

<b>Phases in the process of identifying the specific relevant retail markets</b>	<b>Deadline</b>
Public consultation regarding the objectives of the market studies to be conducted by ANRC for the purpose of identifying the specific relevant retail markets in the electronic communications sector	15.09.2003
Preliminary Public Consultation regarding the identification of retail markets in the electronic communications sector	15.04.2004
Public consultation on the Draft Decision regarding the identification of retail markets in the electronic communications sector	28.06.2004
Identification of specific relevant retail markets by adopting the <i>ANRC President's Decision no. 1124/2004 on completing the ANRC President's Decision no. 136/2002 for the approval of the Regulations regarding the identification of relevant markets in the electronic communications sector</i>	17.08.2004
Public consultation on the draft decisions of the ANRC President on the designation of the providers with significant power on the specific relevant retail markets	28.10.2004
Adoption of the ANRC President's decisions on the designation of the providers with significant market power on the specific relevant retail markets	25-26.11.2004

The process of identification of the specific relevant retail markets was initiated by launching the Preliminary Public Consultation on the identification of retail markets in the electronic communications sector. By this document<sup>3</sup>, ANRC presented and submitted to public consultation the proposals regarding the segmentation of the retail market in the electronic communications sector.

The criteria based on which these markets were defined - the demand-side substitutability and the supply-side substitutability - in conformity with the provisions of the *Regulations regarding the identification of relevant markets in the electronic communications sector*, approved by the *ANRC President's Decision no.136/2002*, with the subsequent completions, were analysed by means of qualitative and quantitative

<sup>2</sup> According to the provisions of art.1(3) of Law no.304/2003 for universal service and the users' rights regarding the electronic communications networks and services.

<sup>3</sup> <http://www.anrc.ro/DesktopDefault.aspx?tabid=269>

market studies, conducted both on the level of the end-users, and on the level of the providers of electronic communications services<sup>4</sup>. The market studies conducted on the level of the end-users<sup>5</sup> in collaboration with S.C. Daedalus Consulting S.R.L. in the period January-March 2004 are the following:

1. Study regarding the use of fixed telephony and the impact of mobile telephony on fixed telephony, for residential users (a qualitative study realised in the period January 13 – 26, 2004, on a number of 12 focus-groups in Bucharest, Constanta, Iasi, Brasov and Timisoara, and a quantitative study conducted in the period February 14 – 21, 2004, on a national sample group of 1044 residential users of telephony services, older than 18 years);
2. Study regarding the use of fixed telephony and the impact of mobile telephony on fixed telephony, for business users (quantitative study conducted in the period January 26 – 31, 2004, on a sample group of 681 business users);
3. Study regarding the use of Internet, in case of residential users (quantitative study conducted in the period February 8 – 18, 2004, on a national sample group of 1068 residential users of Internet in the urban area, aged between 15 and 50 years);
4. Study regarding the use of Internet, in case of business users (quantitative study conducted in the period January 26 – February 13, 2004, on a national sample group of 650 business users of Internet);
5. Study regarding the use of leased lines, in case of business users (quantitative study conducted in the period February 15 – 27, 2004, on a national sample group of 157 business users of leased lines services).

These analyses measured parameters such as: the impact of mobile telephony on the use of fixed telephony, the monthly average costs for the various types of electronic communications services, the users' behaviour in case of the rise of alternative providers of fixed telephony services, the number of prepaid card users and their degree of satisfaction, the users' degree of satisfaction regarding the services of fixed telephony and ISDN and dial-up Internet access, as well as the extent to which these users are prone to buying services based on new technologies.

Based on the segmentation of the electronic communications sector and on the criteria provided in the *Regulations on the identification of relevant markets in the electronic communications sector*, ANRC identified the following specific relevant retail markets,

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<sup>4</sup> In the period February 23 – March 19, 2004, ANRC realised a qualitative study on the providers and on the associations of electronic communications networks and services providers, in order to determine the characteristics of the retail market in the electronic communications sector, the supply-side substitution for various service categories and the competition degree on these segments. ANRC organised meetings with 30 providers and provider associations, included in a representative sample group on the industry level. As well, in the period January 1 – 31, 2004, ANRC collected statistical data from the providers of electronic communications networks and services, according to the provisions of the *ANRC President's Decision no.1332/2003 on reporting statistical data by the providers of electronic communications networks and services*.

<sup>5</sup> <http://www.anrc.ro/DesktopDefault.aspx?tabid=1296>

approved by the *ANRC President's Decision no.1124/2004 on the amendment of the ANRC President's Decision no.136/2002*:

1. The market of providing access at a fixed location to a public telephone network for natural persons;
2. The market of providing access at a fixed location to a public telephone network for legal persons;
3. The market of local calls at a fixed location for natural persons;
4. The market of local calls at a fixed location for legal persons;
5. The market of long distance calls at a fixed location for natural persons;
6. The market of long distance calls at a fixed location for legal persons;
7. The market of international calls at a fixed location for natural persons;
8. The market of international calls at a fixed location for legal persons;
9. The market of calls at a fixed location to mobile public telephone networks for natural persons.
10. The market of calls at a fixed location to mobile public telephone networks for legal persons.

On the identified specific relevant markets, ANRC conducted market analyses, in conformity with the *Regulations for conducting market analyses and determining significant market power*, approved by the *ANRC President's Decision no.137/2002*, which implements, on a national level, the Instructions of the European Commission on conducting market analyses and determining significant market power in the context of the new community regulatory frame for the electronic communications networks and services (2002/C 165/03). Based on the conclusions of the market analyses, in November 2004, ANRC designated S.C. Romtelecom S.A. as a provider with significant power on the markets mentioned under points 1 – 9 above. Therefore, S.C. Romtelecom S.A., will be imposed one or several of the obligations provided under arts.15 and 18 of the *Universal Service Law*. The identification of the adequate remedies and the imposition of specific obligations on this provider will be performed in 2005.

ANRC will revise the identified specific relevant retail markets - on a regular basis - in order to keep evidence of the evolution of the electronic communications sector in Romania, so that it could amend the identified markets, define new retail markets, whose characteristics may justify the imposition of specific obligations on the providers with significant power on the respective markets. If, based on the market analyses to be realised in conformity with the provisions of the regulations, ANRC establishes that there is effective competition on the relevant retail markets identified, the obligations imposed may be modified or withdrawn.

#### **4.4. Numbering**

##### **4.4.1. Regulations**

ANRC promptly answered the requirements of the electronic communications market signalled by the operators. Thus, in 2004, ANRC elaborated regulations in order to carry out the following goals:

*Implementation of the one-step carrier selection procedure*

Upon consultations with the members of the Technical and Standardization Commission in the Consultative Council, ANRC identified the necessity of finding a technical solution with a view to implementing the one-step carrier selection procedure. This solution was requested by the providers of publicly available electronic communications services, which considered that the use of the 10xyz individual carrier selection indicative (for the two-step carrier selection procedure) is dissatisfactory and creates problems in case of accessing the carrier intelligent platforms and of traffic billing.

Due to the limitations of the existing networks, ANRC had to find technical solutions agreed by the operators, and discussed these solutions during several meetings with the respective operators. As well, with a view to finding optimal solutions, ANRC conducted tests with the participation of S.C. Romtelecom S.A., the National Company for Radio-communications S.A. and S.C. Astral Telecom S.A..

The agreed technical solution consists of transmitting the carrier selection indicative by means of the address signals in the "Called Party Number" field of the "Initial Address Message" in the common channel signalling system no.7 (SS7), concatenated with the called number. This solution involves the use of new carrier selection indicatives, of the 16xy type.

From a legal point of view, the introduction of 16xy carrier selection indicatives drove to amendments in the National Numbering Plan, so that the respective indicatives could be allocated. This issue was regulated by the issuance of the *ANRC President's decision no.137/2004*. The 16xy individual carrier selection indicatives will be used simultaneously with the existing 10xyz indicatives. Therefore, each provider of electronic communications services will be able to choose the adequate alternative for its users, implementing the two-step carrier selection procedure, the one-step carrier selection procedure or both procedures. The implementation of this principle allows the rational and efficient use of the numbering resources and contributes to fostering a well-balanced competitive environment.

*The efficient use of the numbering resources*

According to the provisions of art.12(1) of the *Framework-Ordinance*, ANRC provides for the availability of adequate numbering resources for all the providers of publicly available electronic communications services. The National Numbering Plan (NNP) comprises adequate numbering resources for the market entry of the new providers of publicly available electronic communications services.

Geographic numbers are destined to locating a network terminal point within a certain geographical area. Thus, in the geographic number of the type 0ZABPQMCDU, A (for Bucharest), respectively AB (for counties), identifies the geographical area where the network terminal point is situated. Information regarding the geographical area is associated by the end-users with the different tariffs charged by the providers and are used by the providers for routing the calls, according to the network hierarchy. Geographic numbers associated with the network terminal points contributes to developing the access networks. The inefficient use of these numbering resources may limit this development.

In order to provide for the development of miscellaneous services and of the special tariff services (*Premium Rate*), ANRC provided the domains 0Z=08 and 0Z=09 in the PNN, containing national non-geographic numbers. The numbering resources used for the purpose of providing these services have been established in accordance with the European and international practices.

As well, 10xy(z) individual carrier selection indicatives were introduced, by means of which the service providers operate, without affecting the information content, the transport of the signal from the network in which it is initiated to the destination network. Subsequently, ANRC remarked that these indicatives were used only for the two-step carrier selection procedure. In order to prevent the inadequate operation of the already launched services and to ensure the implementation of the one-step carrier selection procedure, ANRC modified the NNP and introduced the 16xy individual carrier selection indicatives.

At present, the provision of international calls by means of prepaid cards is realised by using geographic numbers in the 0Z=02 and 0Z=03 domains, non-geographic numbers in the domain 0Z=07, as well as non-geographic numbers in the 0ZAB=0800, 0ZAB=0801 and 0ZAB=0808 domains. Some providers who were allotted national geographic numbers in all the counties, although they do not have their own subscribers, use one geographic number in each county for the provision of international calls by means of prepaid cards.

The above mentioned implications, as well as the measures imposed by ANRC regarding the regulation of the service of interconnection for the purpose of call origination towards the numbers used in the intelligent network services justify the imposition of strict rules as regards the use of the numbering resources. Therefore, on the 3<sup>rd</sup> of December, 2004 the *ANRC President's Decision no.1311/2004 regarding some provisional measures for the efficient use of the numbering resources* entered into force. Thus, the providers of electronic communications services will be allowed to sell prepaid and virtual cards using other numbering resources than those provided in the NNP in the 0ZAB = 0801; 0807; 0808 domains and, respectively, 10xyz, until the 3<sup>rd</sup> of March, 2005. At the end of 7 months from the entry into force of the above mentioned decision, they shall not use other numbering resources than the ones mentioned above, for the provision of services by means of virtual or prepaid cards.

Among the advantages of imposing these measures, we count:

- a) for the end-users: transparency of the tariffs charged by the providers offering the same type of service, the possibility to compare the tariffs charged by various providers;
- b) for the development of the electronic communications market: growing investments, equitable allocation of the costs between the interconnected providers, higher quality of the provided services, ensuring the development conditions for the new electronic communications services, in accordance with the European practices.

#### *Updating the National Numbering Plan*

After the full liberalisation of the electronic communications market, the range of services offered by the providers became more and more diversified. In order to ensure adequate numbering resources for the provision of all the services and, at the same time, to maintain the efficient use of these limited resources, ANRC envisages making an analysis regarding the extent to which the current plan satisfies the market needs.

In 2004, ANRC conducted, with the support of PHARE consultancy, a study on the opportunity of updating the NNP. The first step on the way to the efficient use of the numbering resources was taken by the adoption of *Decision no. 1311/2004 regarding certain measures for the efficient use of the numbering resources*. Other recommendations resulted from the study will be analysed by the Technical and Standardization Commission within the Consultative Council, which will elaborate the concrete proposals for updating the NNP with adequate resources on the Romanian market.

#### **4.4.2. Licences for the use of the numbering resources granted in 2004**

Based on the *ANRC President's Decision no.141/2002*, 15 new companies were granted the right to use certain numbering resources in 2004, while 53 other companies required amendments to the numbering licences granted in 2003.

These companies requested and received the right the right to use approximately 10,684,000 numbers. Depending on the distribution by numbering domains, the situation of the numbering resources allotted is the following<sup>6</sup>:

Table 4.3. Requested numbering resources:

Domain	2003	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TOTAL
<b>Z=2</b>	-	-	-	-	-	1B	1B	-	-	-	-	-	-	2B
<b>Z=3</b>	42B	50B	51B	41B	-	96B	81B	43B	80B	130B	1B	41B	-	656B
<b>Z=7</b>	-	-	-	1M	1M	-	-	-	1M	1M	-	-	-	4M
<b>Z=8</b>														
<b>0800</b>	2b	-	2b	1b	-	5b	1b	2b	-	2b	1b	-	-	16b
<b>0801</b>	-	-	1b	-	-	2b	-	1b	2b	-	1b	-	-	7b
<b>0805</b>	2b	-	2b	-	-	1b	-	2b	-	1b	1b	-	-	9b
<b>0807</b>	-	-	1b	-	-	3b	1b	5b	-	2b	-	-	-	12b

<sup>5</sup> Where M = 1,000,000 numbers, B = 10,000 numbers, b = 1,000 numbers.

<b>0808</b>	2b	1b	2b	-	-	2b	1b	2b	-	2b	-	1b	-	13b
<b>0870</b>	-	-	1b	-	-	5b	1b	3b	2b	-	-	-	-	12b
<b>Z=9</b>														
<b>0900</b>	1b	-	2b	1b	-	3b	-	1b	-	2b	1b	-	-	11b
<b>0903</b>	2b	-	2b	1b	-	3b	-	1b	-	2b	1b	-	-	12b
<b>0906</b>	2b	-	2b	1b	-	3b	-	1b	-	2b	1b	-	-	12b
<b>10xyz</b>	2	1	2	-	-	2	1	2	-	2	-	-	-	12
<b>16xy</b>	-	-	-	-	-	8	18	5	-	2	1	-	-	34

Table 4.4. Allotted numbering resources

Domain	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	TOTAL
<b>Z=2</b>	-	-	-	-	-	-	2B	-	-	-	-	-	2B
<b>Z=3</b>	-	42B	1B	100B	41B	96B	122B	1B	127B	84B	1B	41B	656B
<b>Z=7</b>	-	-	-	-	2M	-	-	1M	1M	-	-	-	4M
<b>Z=8</b>													
<b>0800</b>	-	2b	1b	2b	1b	3b	3b	-	2b	2b	-	-	16b
<b>0801</b>	-	-	-	1b	-	1b	1b	-	3b	1b	-	-	7b
<b>0805</b>	-	2b	1b	1b	-	1b	-	1b	2b	1b	-	-	9b
<b>0807</b>	-	-	-	1b	-	3b	4b	1b	2b	1b	-	-	12b
<b>0808</b>	-	2b	1b	2b	-	2b	2b	-	2b	1b	-	1b	13b
<b>0870</b>	-	-	-	1b	2b	2b	3b	1b	3b	-	-	-	12b
<b>Z=9</b>													
<b>0900</b>	-	1b	1b	2b	-	2b	1b	-	2b	2b	-	-	11b
<b>0903</b>	-	2b	1b	2b	-	2b	1b	-	2b	2b	-	-	12b
<b>0906</b>	-	2b	1b	2b	-	2b	1b	-	2b	2b	-	-	12b
<b>10xyz</b>	-	2	1	2	-	2	2	1	-	2	-	-	12
<b>16xy</b>	-	-	-	-	-	24	5	1	1	3	-	-	34

In 2004, the licence holders gave up 11,000 numbers, while the average delay for granting a LUNR was 11 days (the maximum term provided by the regulations in force is 3 weeks from the date of submitting the request).

#### 4.4.3. National and international signalling point codes

The *ANRC President's Decision no.1334/2003 regarding the procedure of granting the right to use the national and international signalling point codes* is the normative act by which ANRC regulated the procedure of allocating the codes for the national and international signalling points.

The allocation of national and international signalling point codes is granted for an unlimited period, by individual decision. The evaluation of a request is based on the following criteria:

- necessity to obtain the respective signalling point codes;
- structure of the network provided by the requester;
- ensuring the rational and efficient use of the signalling point codes.

National signalling point codes (NSPC) are administered and managed by ANRC and are allotted in blocks of 8 codes. International signalling point codes (ISPC) are administered by the International Telecommunications Union (UIT) and managed by ANRC, who allocates them individually.

The right to use certain national and international signalling point codes may be obtained by the providers of public electronic communications networks - authorised according to

the provisions of art.4 of the *Framework-Ordinance* and to the procedure provided in the *ANRC President's Decision no.1333/2003* - who submit a request therefor.

#### *Allocation of signalling point (SP) codes*

The signalling point codes in the internal networks of the operators are administered by the respective operators. Within an operator's internal signalling network, each SP has an associated unique code ensuring the transmission of the signalling information within the network.

A part of the signalling points of the respective network are interconnected by signalling links with signalling points from other networks on the Romanian territory. In this case, for defining the signalling link between the networks, the respective signalling points must have other associated codes (NSPC), which are unique in the national network.

National signalling point codes (NSPC) are allocated by ANRC. The necessity of a unique administrator is determined by the fact that, in order to be functional, the national network allowing the interconnection of all the operators on the territory of Romania must identify each signalling point by a unique code.

Similarly, a part of the signalling points of the national network are interconnected by signalling links with signalling points in the international network and - in this case - other signalling point codes (ISPC) will be required, unique in the international network. These codes are allocated to the national authorities by the International Telecommunications Union, in blocks of 8 codes (such a block is called SANC – Signalling Area Network Code and is of the Z-XXX type). The national authorities, on their turn, administer and distribute these codes, individually, to the operators.

So far, Romania was allotted 5 SANC blocks, i.e. 40 ISPC.

Based on the *ANRC President's Decision no.1334/2003*, in 2004, 29 individual decisions were granted, of which: 4 individual decisions - for ISPC and NSPC, 4 individual decisions - for ISPC, 21 individual decisions - for NSPC, resulting the following overall situation: 27 NSPC blocks (i.e. 216 codes) and 8 ISPC codes.

Table 4.5. Situation of the allotted national (NSPC) and international (ISPC) signalling point codes

Domain	Total no. of blocks allotted to Romania	Total no. of codes allotted to Romania	Total no. of blocks allotted by ANRC	Total no. of codes allotted by ANRC
ISPC	5	40	-	38
NSPC	-	-	259	2072

#### **4.5. Universal service in the electronic communications sector**

The right of access to universal service is the right of all the end-users on the territory of Romania to benefit from the services within the scope of universal service, at a certain quality level, irrespective of their geographical location, at accessible tariffs.

The *Order of the Minister of Communications and Information Technology no.184/2004 for the approval of the Policy and strategy paper on the implementation of universal service in the electronic communications sector* was published on the 7<sup>th</sup> of June, 2004. Having regard to the objectives established by the Ministry of Communications and Information Technology in the above mentioned order, as well as to the provisions of the *Universal Service Law*, the Authority elaborated, submitted to consultation and approved the *ANRC President's Decision no.1074/2004 on the implementation of universal service in the electronic communications sector*, subsequently amended and completed by the *ANRC President's Decision no.1188/2004*, which stipulates the first set of measures taken by ANRC with a view to implementing the mechanisms of universal service and entered into force on the 21<sup>st</sup> of August, 2004. This decision regulates the manners of implementing universal service in the electronic communications sector, by establishing the conditions and the procedure for the designation of the universal service providers, as well as by establishing the mechanism of compensation of the net cost for the provision of services within the scope of universal service.

The decision identifies two solutions for the enlargement of access of the isolated communities to electronic communications services. The first solution consists of installing telecentres – spaces made available for the public, where access to a public telephone network, at fixed locations, is provided, so that the end-users could initiate and receive local, national and international calls, facsimile and data communications at such a transfer rate that could enable functional access to the Internet. The second solution consists of installing public pay telephones, by means of which access to the telephone services will be offered.

Thus, with a view to achieving the objective of ensuring the availability, quality and affordability of the services within the scope of universal service representing reasonable means of access to the publicly available telephone service, ANRC will impose on the designated universal service providers the obligation to ensure the provision of the service of access to the public telephone network, at fixed locations, by means of telecentres or, as the case may be, the provision of the service of access to public pay telephones, in the localities established by ANRC, based on a national study, as being eligible localities following services at affordable tariffs and at a certain quality level.

The first localities where the universal service providers are to install telecentres and public pay telephones will be selected from the eligible localities, having regard to criteria such as: the degree of availability of the telephony services, the number of inhabitants and the efficiency of implementing such projects.

In the selected localities, ANRC will designate, by tender, or, under exceptional circumstances, *ex officio*, in compliance with the principles of free competition,

transparency, non-discrimination and technological neutrality, the universal service providers who will have the obligation to make publicly available telecentres and/or public pay telephones.

Thus, on the 20<sup>th</sup> of November, 2004, ANRC organised the first public open tender for the designation of the universal service providers who will provide access to the public telephone network, at fixed locations, by means of telecentres, in 50 localities in the rural area, which have a low degree of access to the public electronic communications networks.

On the 3<sup>rd</sup> of December, 2004 - following the analysis performed by the tender commission on the submitted offers - ANRC designated the first universal service provider with a view to providing access to the public telephone network, at fixed locations, by means of telecentres: S.C. Orange Romania S.A.. The designated provider submitted offers for the installation of telecentres in the following 5 localities:

1. Barla, commune of Barla, Arges county;
2. Breaza, commune of Negrilesti, Bistrita-Nasaud county;
3. Colacu, commune of Racari, Dambovita county;
4. Poiana Marului, commune of Malini, Suceava county;
5. Raciu, commune of Lucieni, Dambovita county.

The tender for the 5 telecentres was adjudicated for the total amount of ROL4.474 billion, which is the net cost for the provision of services within the scope of universal service. This amount will be paid, upon request, to the universal service providers, after the installation and commissioning of each telecentre, according to the compensation mechanism established by ANRC.

In order to ensure the access of the disadvantaged categories of population (families who, due to their low incomes, need additional protection) to the services offered through the public telephone network, at fixed locations, the *ANRC President's Decision no.1074/2004* provides for the subsidization of the services of access to the public telephone network, at fixed locations, as well as for granting certain facilities in case of non-payment of the telephone bill.

ANRC a designated, *ex officio*, 14 providers of services of access to the public telephone network, at fixed locations – irrespective of the network type and the technology deployed - as universal service providers that will have the obligation to grant subsidies to the end-users for the services of access to the public telephone network, at fixed locations, as well as facilities in case of non-payment of the telephone bill. These providers are the following:

Table 4.6.

No.	Company designated as a universal service provider, for granting subsidies and facilities
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1.	S.C. "ADISAM TELECOM" - S.A.
2.	S.C. "ASTRAL TELECOM" - S.A.
3.	S.C. "INES GROUP" - S.R.L.
4.	S.C. "INTERSAT" - S.R.L.
5.	S.C. "MAGIC TELECOM" - S.R.L.
6.	S.C. "MEDIA SAT" - S.R.L.
7.	S.C. "NET – CONNECT INTERNET" - S.R.L.
8.	S.C. "NEVI CONS" - S.R.L.
9.	S.C. "Romtelecom" - S.A.
10.	S.C. "TELCOR COMMUNICATIONS" - S.R.L.
11.	S.C. "ATLAS TELECOM NETWORK ROMANIA" – S.R.L.
12.	S.C. "IRISTEL ROMANIA" – S.R.L.
13.	S.C. "ROMANIA DATA SYSTEMS" – S.A.
14.	THE NATIONAL COMPANY OF RADIO-COMMUNICATIONS – S.A.

In 2004, upon the designation of these providers, a number of 507,500 families benefited from the subsidisation of access to the public telephone network, at fixed locations, by an amount of ROL399,592.

#### **4.6. Universal service in the postal services sector**

The *Government Ordinance no.31/2002 on postal services (Ordinance on Postal Services)*, approved, with amendments and completions, by *Law no.642/2002*, defines the right of access to universal service, as a person's right to benefit from the permanent provision of the postal services within the scope of universal service, at certain quality standards, at any location on the national territory, at affordable tariffs.

The postal services within the scope of universal service are: clearance, sorting, transport and delivery of the postal items, domestic or cross-border, up to 2 kilograms; clearance, sorting, transport and delivery of postal packages, domestic or cross-border, up to 10 kilograms, distribution of postal packages up to 20 kilograms, sent from outside Romania to an address located in the Romanian territory, service for registered items, either domestic or cross-border, service for insured items, either domestic or cross-border.

##### **4.6.1. Regulatory framework**

The phases of the strategy of the universal service implementation in the postal services sector consist of designating the universal service providers and of establishing the obligations to be imposed on the respective providers, followed by the monitoring of the fulfilment of these obligations. Therefore, ANRC has already completed the first two phases and initiated the third phase of this implementation process. Thus, on grounds of the provisions of the *ANRC President's Decision no.1351/2003*, the National Regulatory Authority for Communications issued the *ANRC President's Decision no.88/2004 on the designation of the universal service provider in the postal services sector*, subsequently amended and completed by the *ANRC President's Decision no.153/2004*. In the second

half of 2004, the ANRC activity focused on the effective implementation of the provisions of these decisions.

#### **4.6.2. Designation of CNPR as universal service provider in the postal sector**

On the 22<sup>nd</sup> of April, 2004, the National Company "Romanian Post" (CNPR) was designated as a universal service provider in the postal services sector of Romania, for a 5 year-period, by the *ANRC President's Decision no.88/2004*.

Therefore, CNPR has the obligation to provide the following services throughout the territory of Romania, at affordable tariffs and at certain quality standards: clearance, sorting, transport and delivery of correspondence items and printed matter, domestic or cross-border, up to 2 kilograms; clearance, sorting, transport and delivery of postal packages, domestic or cross-border, up to 10 kilograms; distribution of postal packages up to 20 kilograms, sent from outside Romania to an address located in the Romanian territory; service for registered items, either domestic or cross-border; service for insured items, either domestic or cross-border.

#### **4.6.3. Universal service tariffs and accounting in the postal sector**

According to art.22(1) of the *Ordinance on Postal Services: "The tariffs charged for the postal services within the scope of universal service must be affordable, transparent, non-discriminatory and cost-oriented"*. In order to provide for checking the compliance with the cost-orientation obligation regarding the tariffs of services within the scope of universal service, the *ANRC President's Decision no. 88/2004* established CNPR's obligation of implementing an *internal cost accounting system*, detailed enough to identify the cost of the individual provision of the services within the scope of universal service, as well as a *separate accounting system*, based on the internal cost accounting system and meant to separate the activities within the scope of universal service from the activities outside the scope of universal service, as well as the reserved from the non-reserved activities. CNPR has the obligation to provide the accounting statements elaborated based on the separate accounting system, by the 30<sup>th</sup> of November every year, for the previous year. The first accounting statements will be available until the 30<sup>th</sup> of November 2005, for the year 2004. The elaboration of these separate accounting statements will be assessed on a yearly basis by an independent body, under the terms and according to the procedure established by ANRC.

For the purpose of implementing the separate accounting system, in the second half of 2004, CNPR transmitted ANRC – according to the *ANRC President's Decision no.88/2004* - a *methodology* detailing the principles, the hypotheses and methods used for the development of the separate accounting system for the elaboration of the financial statements based thereon. The *ANRC President's Decision no.88/2004* establishes a set of principles to be observed in the elaboration of the methodology, of the separate accounting system, as well as of the accounting statements drawn up based on this system. ANRC proceeded to assessing the methodology, for the purpose of checking the

compliance with the above mentioned principles, and will subsequently communicate the conclusions to CNPR.

According to art.22(2) of the *Ordinance on Postal Services*: " *The universal service provider has the obligation to submit for approval to the regulatory authority the tariffs for the postal services provided by it under a universal service obligation and to make these tariffs public at least 30 days before the date when they enter into force, under the conditions set out by the regulatory authority.*" The *ANRC President's Decision no.88/2004* established that the tariffs charged by CNPR for the provision of postal services within the scope of the universal service obligations shall be applied uniformly on the whole territory of Romania.

On the 30<sup>th</sup> of June, 2004, ANRC approved the CNPR request for raising the tariffs of the services within the scope of universal service which the company has the obligation to provide. Thus, upon this approval, the tariffs charged for the main internal postal services within the scope of universal service are the following:

- for a plain item of correspondence, weighing up to 20 g – ROL5,000;
- for internal packages, a fixed tariff of ROL6,000 shall be charged, to which an extra tariff of ROL6,000/kg shall be added;
- for printed matter weighing up to 50 g – ROL3,000;
- for a registered item of correspondence, a fixed tariff of ROL7,000 shall be charged, to which the tariff for the plain item of correspondence up to the respective weight limit shall be added;
- for an insured item of correspondence, a tariff of 0.8% of the value insured by the sender shall be charged, plus the tariff for the postal item up to the respective weight limit.

#### **4.6.4. Terms for the provision of universal service**

##### *Availability of Universal Service*

In December 2004, ANRC elaborated and communicated CNPR the *List of localities situated in exceptional geographical conditions*, where CNPR has the obligation to perform one clearance and one delivery at least twice a week, as well as the *List of the CNPR access and contact points provided with personnel, with a short working program with the public* (at least 2 hours a day). In conformity with the *ANRC President's Decision no. 88/2004*, CNPR has the obligation to take all the necessary measures in order to rule out the short working programme, by December 31, 2006.

##### *Regulations for the Provision of Universal Service and the Frame-Agreement with the Users*

In conformity with the *ANRC President's Decision no. 88/2004*, CNPR elaborated and submitted ANRC for approval, in the second half of 2004, the *Regulations for the postal*

*services within the scope of the universal service, as well as the Frame-Agreement with the users for the provision of such services. ANRC is analysing these documents and will communicate the conclusions to CNPR in 2005.*

### *Quality objectives*

The quality objectives for the services within the scope of universal service have been imposed by ANRC by the *ANRC President's Decision no.88/2004* and concern the distribution rule for the domestic and intra-European items of correspondence of the fastest standard category.

The quality objectives imposed on the universal service provider in the postal sector have been established following a test conducted by ANRC in the first quarter of 2004, regarding the quality of the domestic postal service provided by CNPR. The test consisted of two phases: first - in Bucharest and second – in Bucharest and in several cities of Romania. The analysis envisaged the postal service provision over a limited period, counting the end-to-end transit time, i.e. it measured the time of delivery of the postal item (from the entry day, at the access point, prior to the clearance deadline, to the day of delivery to the addressee).

These tests helped ANRC establish quality objectives for the CNPR distribution rules. ANRC established these objectives according to three annual stages, so that, on December 31, 2006, the postal services in Romania could be in line with the European regulations, respectively 85% of all the domestic postal items could be delivered within D+1 days (the second day after entry).

For the year 2004, the quality objectives established by ANRC are the following:

- for internal items of correspondence: 70% of all the postal items should be delivered within D+1 days and 80% of all the postal items should reach the addressee within D+2 days;
- for items of correspondence in Europe: 75% of all the postal items should be delivered within D+3 days and 85% of all the postal items should reach the addressee within D+5 days.

## **4.7. Dispute settlement**

The legislation in force in the electronic communications and postal services sector triggered important changes regarding the manner of settling the disputes between the providers of electronic communications networks and services and between the providers or postal services, as well as between the end-users and the providers of electronic communications or of postal services, regarding the obligations imposed on them based on the legislation in the electronic communications and postal services sector.

The adoption of the new legislative framework in the sector of electronic communications and postal services, which transposes the European Community *acquis* on national level,

harmonises the Romanian legislation with the European policies in the field, with a view to providing the market players with several alternatives for disputes settlement.

A first step on this way was taken by the provisions of the *Framework-Ordinance*, a normative act which establishes, in generic terms, the ANRC function of an arbiter and decision-maker in the process for settling the disputes between the providers of electronic communications networks and services and between the postal services providers, for the purpose of ensuring free competition and of protecting the interests of the end-users on the markets of these services. To this purpose, ANRC was mandated to establish the procedures of solving the disputes in its competence area. According to the *Ordinance on Postal Services* and to the *Universal Service Law*, ANRC has attributions also in the field of settling the disputes between the users and the providers of postal services, respectively between the end-users and the providers of electronic communications services. This extension to the level of secondary legislation was performed by the adoption of the *ANRC President's Decision no.1331/2003 on establishing the procedure of settling the disputes within the competence of the National Regulatory Authority for Communications*, abrogating the *ANRC President's Decision no.139/2002*. Thus, this decision updates the norms establishing the settlement of the disputes between the providers and a mediation procedure was established for the settlement of the disputes between the end-users and the providers of electronic communications networks and services and of postal services. The methods for solving the disputes within the ANRC competence are optional and cost free.

#### **4.7.1. Disputes between providers**

According to the current regulatory framework, where a dispute rises between the providers of electronic communications networks or services or between the providers of postal services, related to the obligations imposed on them by the legislation in the communications field, the interested party may notify ANRC in order to solve the dispute.

According to the nature and the complexity of the dispute, the ANRC President designates a commission responsible for settling the respective dispute. The commission performs a preliminary analysis of the material provided by the parties and chairs the dispute settlement procedure.

In order to settle a dispute between the providers of electronic communications networks or services or between the postal services providers, ANRC established two procedures. Thus, the interested party may choose the mediation procedure, which is one of the alternatives available for the parties as a manner of dispute settlement. Mediation is a structured procedure, in which a third party, which is neutral and impartial, assists the parties in the dispute, during a face-to-face meeting, for the main purpose of reaching an agreement accepted and to the benefit of both parties. The ANRC contribution in this situation consists of the clarifications it may provide regarding the scope of the legal provisions in the electronic communications or of the postal services sectors related to the case. If the mediation results in the settlement of the dispute, the parties conclude a

transaction. The mediation procedure must respect the confidentiality principle and cannot exceed 30 days from the date of submitting the petition to ANRC. If the parties do not reach an agreement within this term, the dispute shall be settled by means of the contentious procedure.

As well, the interested party may initiate directly the contentious procedure, without coming through the mediation procedure. The contentious procedure shall be initiated *ex officio* in case the mediation procedure fails. Upon the analysis of all the information and following the hearing of all the points of view expressed in the cause, the Commission draws up a preliminary solution to be communicated to the parties together with the measures proposed with a view to settling the dispute. Within 15 days from the communication of the preliminary solution, any of the parties may address a petition to the commission with a view to re-analysing the proposed solution.

The decision by which ANRC settles the dispute must be issued within 4 months from the date of registering the petition with ANRC. Under exceptional situations, for the adequate settlement of the dispute, this term may be extended by the ANRC President's Decision. At any moment of the mediation procedure or of the contentious procedure, the parties may conclude a transaction regarding the object of the dispute. The decision may be challenged at the Court of Appeal of Bucharest – Administrative Contentious Section within 15 days from the communication date, without going through the preliminary procedure provided under art.7 of the *Administrative Contentious Law no.554/2004*.

In 2004, ANRC received 11 petitions from the providers of electronic communications networks and services, of which 7 cases appealed to the mediation procedure and 4 cases underwent directly the contentious procedure. So far, following the mediation procedure provided by ANRC, 7 disputes were amicably solved, and the parties concluded a transaction.

The petitions were submitted both by the new entrants, and by the incumbent providers on the market. Generally, the disputes were related to issues regarding the regulation of the interconnection relationships. As well, in 2 cases, the plaintiffs requested ANRC - until the settlement of the fundamental dispute - to take provisional measures, which was not accepted by ANRC.

#### **4.7.2. Disputes between users and providers**

A competitive and diversified market of electronic communications is a salient condition for satisfying the consumers' communication needs, at the highest standards. The Romanian consumers of electronic communications are the supreme instance to assess the success or the failure of the ANRC diligences.

ANRC informs the consumers regarding their rights in the electronic communications sector, so that they could require the service providers to observe these rights. As well, ANRC takes the appropriate measures to ensure that the end-users obtain maximum

benefits on a market where the providers freely compete in terms of offer diversity, tariffs and service quality, and where the specific interests of the disabled and of the persons with special needs are promoted.

According to the legislation in force, in order to protect the end-users' rights, ANRC was granted the competence to mediate both the disputes between the users and the providers of electronic communications networks and services and the disputes between the users and the postal services providers.

Thus, according to the provisions of art.36 of the *Universal Service Law*, ANRC shall establish a transparent, simple and inexpensive mediation procedure, in order to amicably, fairly and promptly settle the disputes between end-users and providers of electronic communications networks and services, occasioned by the enforcement of this Law. ANRC may establish a system, applicable in justified cases, for reimbursement of the expenses made by the end-users or for compensation for the damages undergone by them in their relations with the providers of electronic communications networks and services.

According to the provisions of art.31(6) of the *Ordinance on Postal Services*, ANRC has the obligation to shall establish a mediation procedure in view of the amicable settling of the disputes between the users and the providers of postal services. If the complaint addressed to the provider of postal services has not satisfactorily been dealt with, the user concerned may file a complaint with ANRC or may bring proceedings before the competent court of law. These proceedings may be brought even if a complaint on the same matter has been already filed with ANRC.

These legal provisions transposed the requirements imposed by the European regulations regarding the protection of the end-users in the fields of electronic communications and postal services.

The users deeming that their rights were infringed by the postal services providers or by the providers of electronic communications services, should such rights be provided in the *Ordinance on Postal Services* or in the *Universal Service Law*, may address ANRC for dispute settlement. ANRC will take all the measures, including by calling the parties for separate or joint meetings, in order to establish the exact situation and the applicable legal provisions. The parties involved in the dispute have the obligation to make all the diligences for amiably settling the dispute and to collaborate therefore with the ANRC personnel. If, within 60 days from receiving the first petition, the parties have not reached an agreement regarding the object of the dispute, ANRC will transmit the parties, as a recommendation, its opinion on the manners of solving the dispute, correspondingly motivated.

The most frequent petitions received from the users during 2004 concern the telephone and the Internet access services, the raised problems regarding the accuracy of the

invoice, the information comprised in the detailed invoice, the quality of services or the legality of the commercial terms.

#### **4.8. Surveillance and control**

The control and surveillance activities of ANRC aim at promoting competition and protecting the users' rights and interests, under transparency, impartiality and objectivity conditions and regard the legal and natural persons for whom the legislation in the electronic communications and the postal services sectors is applicable. The control of the application of the provisions under the normative acts and of the compliance with the obligations imposed on providers, set as ANRC competences, is carried out by the specialised control personnel authorised by the ANRC President.

The control actions are mainly carried out based on the *General Plan for the control of the providers of electronic communications networks and services and of postal services*, but they can also be initiated by the ANRC President, upon intimations received from the ANRC divisions or from other persons. During the control procedure, the authorised personnel of ANRC will use the standard forms for the *Control Notice*, for the *Statement of Facts* and for the *Notification on the intention to enforce sanctions*. These forms, as well as the model of their badge, are annexes of the *Instructions regarding the ANRC surveillance and control activity in the fields of electronic communications and of postal services*, which are published on the ANRC website.

Moreover, in order to promote transparency towards the players on the electronic communications and postal services market, ANRC published on its website a *Sanctioning Guide*, comprising a synthetic presentation of the obligations of the providers of electronic communications and postal services and the sanctions applicable in case of breaches, according to the legislation in force.

The control activity – conducted on a permanent basis – is carried out by means of the 47 territorial offices of ANRC grouped in 5 regional centres and resulted, in 2004, in a total number of 5169 control actions, of which 3315 control actions at the headquarters or at the work points of the providers of electronic communications networks and services, and – respectively -1854 controls at the headquarters or at the work points of the postal services providers. Following these control actions, on the level of the whole country, 863 contraventions were fined, of which 692 in the electronic communications sector and, respectively, 171 in the postal services sector. Many of these contraventions were remedied following the measures imposed by the ANRC authorised control personnel. In conformity with the legal provisions in the electronic communications sector, following the contraventions found, the ANRC President established terms and imposed conditions for the remedy of the breaches assessed for 5 providers, by means of transmitting them the *Notification on the intention to enforce sanctions*, which drove to the respective providers' recovery of their legal status.

## **4.9. Standardization**

### **4.9.1. Electronic communications services**

In the standardization issues related to the regulations in its competence field, ANRC applies the principle of technological neutrality, according to the provisions of the new European regulatory frame in the electronic communications sector. ANRC monitors on a permanent basis the interactions and the consequences of the standardization on the development rate of the electronic communications market, therefore standardization is one of the key-issues of the European Union accession process, while the regulatory tasks of the national authorities must eventually result in cohesion with the unique European market.

The ANRC activity in this respect in 2004 resulted in:

- Establishing and updating the list of standards adopted by the international standardization organisations: ETSI (European Telecommunications Standards Institute) and ITU-T (International Telecommunication Union – Telecommunication Standardization Sector);
- Proposal for the adoption of 58 ETSI standards as national standards;
- Elaborating the *List of standards and specifications for the electronic communications networks and services, as well as for the infrastructure and for the associated services*, in conformity with the recommendation of the European Commission issued in 2002; this project was submitted for consultation to the industry in December 2004;
- Observance of the provisions of the current European Framework in all the decisions regarding the technical regulations issued by ANRC.

### **4.9.2. Postal services**

ANRC conducted, in 2004, a *Study regarding the introduction of European standards on the quality of postal services* on the universal service provider in Romania, C.N. Romanian Post S.A. This action was triggered by the necessity of observing the provisions of Directive 97/67/CE of the European Parliament and of the European Council of December 15, 1997 on the community regulations for the development of the internal community market of postal services and the improvement of service quality and of Directive 2002/39/CE of the European Parliament and of the European Council on the amendment of Directive 97/67/CE on the progress of competition-opening of the community postal services.

As well, ANRC elaborated the list of CEN standards (European Committee for Standardization) proposed for adoption as national standards and forwarded to ASRO (the Romanian Association for Standardization).

## **4.10. Communication**

### **4.10.1. Communication with the industry and the consumers**

In order to maintain a permanent contact both with the industry and with the consumers, ANRC made available to them, as the main source of information and instrument of documentation, the Authority's website – **www.anrc.ro**. This website is available in Romanian and in English version and has the role of a "posting board" for all the relevant information on the institution activity and on the public consultation process. With a view to ensuring the transparency of the notification and authorisation process for the providers of electronic communications networks and services and of postal services, two special registers - permanently updated - were established to list both the name of the providers, and synthetic data on the services they intend to provide. The fact that the ANRC website was accessed by 282 unique users, on average, per day, in 2004, as compared to the approximately 190 users reported for the previous year, prove that this virtual instrument has become a reference point for the interested persons.

Conceived as a part of the process of communication with the industry and the consumers, the weekly materials transmitted by ANRC through electronic means are grouped into distinct categories, as the interested persons may choose the category that best serves their information needs, thus ensuring a two-way information flow.

Thus, the weekly newsletter drawn up both in the Romanian and in the English language is a reliable means of information for the more than 600 subscribers who benefit from the main news of the week regarding the Authority's activity. Among the subscribers, we count representatives of the regulatory authorities in the member states of the European Union and in the candidate countries, of the European Commission and of other international organisations in the field, who are thus kept up to date with the measures adopted or envisaged by ANRC during the regulatory process.

The *Newsletter* synthesizes the most important international news in the field, is drawn up in Romanian and has the role of creating a general image on the regulatory measures and on the electronic communications market on a global level, as this type of information is considered essential by the industry representatives of the profile industry, and several of these news were found, after publication on the ANRC website, in the specialty sections of the Romanian magazines in the field.

In compliance with the transparency principle, ANRC submitted for public consultation on the institutions' website, all the ANRC President's decisions to have significant impact on the market, according to the provisions of art.50 of the *Framework-Ordinance*. In addition to the 55 public consultations launched in the period October 2002 – December 2003, in 2004, ANRC submitted 16 drafts of normative acts to public consultation, which resulted in the adoption of 20 decisions with significant impact on the market. The public consultations are preliminary procedures for the sessions of the Consultative Council, which is a forum of consultation with the industry in the field, assembling representatives

of ANRC, of the providers and of their professional associations, as well as of the other public institutions interested in the regulatory activity in the electronic communications and of the postal services sectors. During these sessions, the participants debate over the amendments brought following the remarks and comments of the industry representatives, their syntheses, the suggestions of the main market players, as well as the reports of the previous sessions, all of which are then published on the ANRC website.

On the same website, [www.anrc.ro](http://www.anrc.ro), there is a list of the disputes submitted to ANRC for settlement together with the proposed solution, upon the issuance of the respective solution.

Concerning the working sessions, in 2004, 3 meetings of the Consultative Council were called, and during one of the meetings the participants discussed specialty problems of the profile industry together with representatives of the National Association of the Internet Service Providers in Romania (ANISP), while in other two meetings, the participants debated over aspects related to the unbundled access to the local loop.

As well, ANRC hosted the first meeting of the Working Group on Numbering, Naming and Addressing (WG NNA) of the Electronic Communications Committee (ECC) and one meeting of the working group on issues related to providers with significant market power (WG SMP) of the Independent Regulators Group (IRG), within which ANRC is a full member.

#### 4.10.2. Provision of public information

Table 4.7. Requests submitted by Romanian entities

<b>Total number of requests</b>	537
Petitions	51
Requests for information	486
<b>Requests for information by domain of interest</b>	
Electronic communications	327
- <i>networks</i>	39
- <i>telephony</i>	71
- <i>Internet access services</i>	67
- <i>cable television</i>	12
- <i>authorisation (procedure, standard forms)</i>	105
- <i>tariffs</i>	17
- <i>providers</i>	11
- <i>interconnection</i>	5
Postal services (authorisation, tariffs, providers etc.)	2
Legislation	55
General data regarding ANRC (contact data, organisation etc.)	56
Other	46
<b>Favourably solved requests</b>	531
<b>Unsolved requests</b>	0
<b>Rejected requests</b>	6
<b>Re-directed requests</b>	0

<b>Requests addressed in writing</b>	400
- on paper	47
- by electronic means	353
<b>Requests addressed by telephone</b>	86
<b>Requests addressed by natural persons</b>	284
<b>Requests addressed by legal persons</b>	202
<b>Administrative requests</b>	1
<b>Complaints in front of the Court of Law</b>	0
<b>Total costs</b>	No additional resources were necessary
<b>Average interval for answering the requests</b>	5 days
<b>Minimum interval for answering</b>	24 h
<b>Maximum interval for answering</b>	30 days
<b>Answering interval for requests by telephone</b>	immediately

Table 4.8. Requests submitted by foreign entities

<b>Total number of requests</b>	86
<b>Requests for information on domains of interest</b>	
Electronic communications	47
- <i>authorisation (procedure, standard forms)</i>	15
- <i>tariffs</i>	3
- <i>providers</i>	8
- <i>interconnection</i>	9
- <i>numbering</i>	6
- <i>universal service</i>	3
- <i>VoIP technology</i>	3
Legislation	4
Market analyses	7
General data regarding ANRC (contact data, organisation etc.)	1
Others	6
<b>Favourably solved requests</b>	all
<b>Unsolved requests</b>	0
<b>Rejected requests</b>	0
<b>Re-directed requests</b>	21
<b>Requests addressed in writing</b>	85
- on paper	2
- by electronic means	83
<b>Requests addressed by telephone</b>	1
<b>Requests addressed by natural persons</b>	8
<b>Requests addressed by legal persons</b>	78
<b>Total costs</b>	No additional resources were needed
<b>Average interval for answering the requests</b>	4 days
<b>Minimum interval for answering</b>	24 h
<b>Maximum interval for answering</b>	10 days
<b>Answering interval for requests by telephone</b>	immediately

In the first quarter of 2004 ANRC registered growing interest for the information concerning neighbourhood networks, which are now widely spread in the range of Internet access services, and the interest level remained high for the rest of the year. The steps required for obtaining a standard-certificate from ANRC represented a

frequently requested set of information, especially by the legal persons. One may identify more and more numerous persons who intend to start a business in the electronic communications sector on fair grounds, and therefore they address ANRC as a source of information.

The permanent contact between ANRC, users and providers proves the fact that both our institution, and the partners in the field intend to have a direct dialogue. The permanent availability of ANRC in the dialogue with the participants in the electronic communications market proves the interest of this institution for accurately informing the public, belonging to all the segments, as well as for the correct use of information.

#### **4.10.3. Relations with mass media**

2003, the year of the full liberalisation of the electronic communications market in Romania, represented a milestone in the development of the national electronic communications market, while its information technology component generated a challenge for ANRC given the changes occurred in this sector.

ANRC was up to the challenge, giving an accessible wording to the economic and technical issues, for a more efficient flow of information to the industry and to facilitate the consumers' access to the information directly related to them. Thus, the media represented an efficient communication channel, ensuring, on one hand, transparency of the dialogue with the industry, and on the other hand, the consumers' education, given that the liberalised market of communications offers an increasingly diversified offer.

Table 4.9. Media approaches rendering the ANRC activity in 2004

Positive or neutral approaches	464
Approaches with a negative trend	35
Total	499

Table 4.10. Information requests received from the mass media, January – December, 2004

1.	Total number of requests	121
2.	Requests for information on domains of interest (most frequent)	
	- economic regulation	23
	- authorisation for electronic communications services	7
	- interconnection	1
	- statistics/market analyses	14
	- postal services	7
	- legislation/legal problems	16
	- allocation of numbering resources	10
	- universal service	19
	- cable television	4
	- others	20

3.	Favourably solved requests	121
	Unsolved requests	-
	Re-directed requests	-
	Requests addressed in writing	83
	- on paper	6
	- by electronic means	77
	Requests addressed by telephone	36
	Requests addressed personally	2
4.	Total costs	No additional resources were needed
5.	Average interval for answering the requests	20 h
	Minimum interval for answering	48 h
	Maximum interval for answering	2,3 h
	Answering interval for requests by telephone	immediately

#### **4.10.4. Communication with other bodies**

Communication with other organisations is a major priority in the ANRC activity, as the adoption of the new, modern and flexible regulatory framework and the full liberalisation of electronic communications represented a cornerstone of a market which must keep up with the development needs of the Romanian society. Thus, ANRC promotes a dynamic exchange of information and expertise with organisations which have competence in promoting an open competitive environment and a communications market harmonised on national, European and global level.

##### *National level*

On national plan, the most important outcome of this communication approach is represented by the conclusion, in the summer of 2004, of a collaboration protocol between ANRC and the Competition Council. This collaboration protocol materialises the two institutions' project of establishing a common annual action plan regarding competition in the sectors of electronic communications and of postal services, a plan which will be carried out by conducting a series of bilateral analyses on a regular basis, on common interest issues, regarding the sectors of electronic communications and of postal services.

##### *International level*

###### a. IRG and ERG

In February 2004, ANRC became a full member of the Independent Regulators Group (IRG) and an observer in the European Regulators Group for Electronic Communications Networks and Services (ERG). Starting from this date, ANRC took an active part in the

activity of these bodies, by representative experts in all the working groups, among which:

- **Regulatory Accounting Working Group** – within this working group, the ANRC specialists contributed to discussions on the distinction between cost accounting and accounting separation, adjustment of the costs in the separate accounting statements for the purpose of avoiding the effects of the providers' inefficiency, implementation principles and best practices regarding long run incremental costs and, respectively, current cost accounting.
- **Implementation Working Group** – within this working group, the participants approached issues such as: the concept of interoperability, as provided in art.5 of the Access Directive 2002/19/EC, the primacy of community law in relation with the national law, the procedure of submitting the authorities' comments on other authorities' notifications according to art.7 of the Framework Directive 2002/21/EC, the juridical and economic analysis of the obligation imposition upon several operators on the same relevant market and, respectively, of the trans-national effects and of the possible negative effects of the regulations, as well as a common approach international roaming.
- **Significant Market Power Working Group** – in 2004, the activity of this group focused on the practical methods of defining the relevant markets, on the experiences and difficulties encountered by the regulatory authorities in the process of defining the relevant markets, of conducting market analysis and identifying the providers with significant market power, as well as on the concept of significant market power and on the provisions for the regulation of the unbundled access to the local loop. On December 2<sup>nd</sup>, 2004, ANRC hosted a meeting of this working group.

#### b. Communications Committee (CoCom)

ANRC participates in the working sessions of the Communications Committee, a consultative body of the European Commission, within which Romania is an observer. Among the issues approached in the Communications Committee meetings, in 2004, we count: the implementation stage of the New Regulatory Framework in the member- and in the candidate-states, the enforcement of art.7 of the Frame-Directive 2002/21/EC (the notification procedure), the draft recommendation on cost accounting, the implementation of the unique European number for emergency calls – 112, the VoIP technology. Moreover, Romania provided the data required for the elaboration, by the European Commission, of monitoring reports on the Romanian electronic communications market.

#### c. The dialogue with the EU bodies monitoring the accession commitments

ANRC takes an active part in the sessions of two of the Association Sub-Committees established between Romania and the European Commission, for the purpose of periodically assessing our country's progress in the accession process. During the sessions of the two sub-committees (Sub-Committee no.2 – "Internal Market" and Sub-

Committee no.5 – “Innovation”), ANRC analyses, together with the European Commission experts, the development of the Romanian electronic communications and postal services sectors, with a view to harmonising with the European Union regulations.

In July 2004, a “peer review” mission in the field of postal services was organised in Romania. The mission analysed the implementation of the relevant *acquis*. The final report of this mission concluded that “the Romanian legislation thoroughly transposes the essential requirements of the postal services *acquis*”.

#### d. The European Conference for Post and Telecommunications (CEPT)

As an institution of the Romanian public administration, ANRC made important contributions in the working groups of the CEPT, as well as in the sessions of the Electronic Communications Committee (ECC) and of the European Committee for Postal Regulations (CERP), both of which are subordinated to the CEPT. Among the working groups of this organisation, in which ANRC took an active part, we count:

- the **Numbering, Naming and Addressing Working Group** – the topics approached by this working group in 2004 included: short codes for mobile networks, numbering resources for the services provided in IP networks, allocation of the numbering resources etc. In the period January 23-24, 2004, ANRC hosted a meeting of this working group.
- the **Technical Regulation and Interconnection Standards Project Team** – the most important issues debated by this project team referred to: the new standards list proposed by the European Commission; unwanted communications (SPAM), VDSL technology.

#### e. Other bodies

ANRC also participated in the activities organised by other international bodies, such as: the International Telecommunications Union (ITU), the Universal Postal Union (UPU) and the French-speaking Regulators Network (FRATEL).

#### f. Bilateral relations

Simultaneously with the activities carried out within the international organisations, ANRC developed a series of bilateral relationships with regulatory authorities in Europe. Among these, we count the regulatory authorities of: Belgium, Denmark, France, Finland, Germany, Great Britain, Greece, Ireland, Italy, Malta, Netherlands, and Spain. ANRC organised a series of study tours, in collaboration with some of the above mentioned regulatory authorities. These experience exchanges envisaged especially the adjustment of the EU regulatory practices to the Romanian market of electronic communications, as well as the improvement of the professional performance of the ANRC personnel.

#### 4.11. Transparency in decision-making

ANRC observes the principle of transparency in the process of elaborating the regulations. Therefore, all the ANRC President's decisions with significant impact on the market are published for public consultation on the Authority's website, posted at the ANRC headquarters, as well as made publicly available by means of mass media, according to art.50 of the *Framework-Ordinance* and to the provisions of *Law no.52/2003 on transparency of decision-making in public administration*.

The amendments resulted from the suggestions and comments submitted by the industry representatives were discussed within the Consultative Council.

ANRC has elaborated and observes - in all its specific activities - a public consultation procedure. The document establishing this procedure was submitted to the approval of the industry representatives within the sessions of the Consultative Council of June 23 – 25, 2004.

The documents to be debated during the meetings of the Consultative Council and in the sessions of the specialised commissions are available on the ANRC website, together with the minutes of the previous meetings. As well, the explanatory memorandum and the summary of comments are publicly available on the same website.

Table 4.11.

<b>Process of elaborating normative acts</b>	
<b>1. Number of normative drafts adopted in 2004</b>	<b>8</b>
<b>2. Number of normative drafts publicly announced:</b>	<b>7</b>
- on the Authority's website	<b>7</b>
- posted at the ANRC headquarters	<b>7</b>
- by mass media	<b>7</b>
<b>3. Number of drafts transmitted to natural persons who submitted a request for information regarding the normative draft</b>	<b>7</b>
<b>4. Number of drafts transmitted to business associations and to other legal entities</b>	<b>7</b>
<b>5. Number of people in charge of the relation with the civil society provided by law</b>	<b>1</b>
<b>6. Number of people designated for the relation with the civil society</b>	<b>1</b>
<b>7. Total number of suggestions</b>	<b>52</b>
<b>8. Total number of suggestions included in the normative drafts</b>	<b>17</b>
<b>9. Number of participants in the consultations with the industry</b>	<b>90</b>
<b>10. Consultative Council sessions</b>	<b>3</b>
<b>11. Sessions of the Consultative Council Sub-Commissions</b>	<b>5</b>
<b>12. Consultative meetings with the industry and working groups</b>	<b>4</b>
<b>13. Number of public debates organised on the normative drafts</b>	<b>0</b>
<b>14. Number of participants in the public sessions</b>	<b>0</b>
<b>15. Number of non-public sessions, by justification of the access restriction</b>	<b>0</b>
- information excepted from public access	<b>0</b>
- secret vote	<b>0</b>

- other reasons	0
<b>16. Suits filed against ANRC</b>	<b>0</b>
<b>17. Number of suits for breach of the legal provisions regarding decisional transparency, filed against the public administration</b>	<b>0</b>
- solved in favour of the petitioner	0
- rejected	0
- in progress	0

## 5. Electronic communications market

Two years after the full liberalisation of the electronic communications market in Romania, the number of active providers of electronic communications networks and services on the market witnessed considerable growth. Thus, at the end of 2004, a number of 2500 companies had the right to provide electronic communications networks or services, of which 1337 providers operated on the electronic communications market and provided the following services:

Table 5.1.

Services	Active providers on the electronic communications market in <b>2003</b>	Active providers on the electronic communications market in <b>2004</b>
Fixed telephony services		
- national calls	13	20
- fixed-to-mobile calls	8	18
- international calls	29	48
Mobile telephony services	4	4
Internet access services		
- dial-up access	145	160
- co-axial cable access	56	72
- fibre optic access	52	109
- radio access	121	219
- xDSL access	65	93
- access through other means	124	333
Leased lines services	15	17
Services of audio-visual program re-transmission	504	625

Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003

## 6. Fixed telephony sector

### 6.1. Authorised providers

By the end of 2004, there were 219 companies authorised to provide telephony services by means of fixed public networks, of which 61 companies actually provide telephony services: 25 companies - by means of their own networks and 38 companies - by means of other persons' access networks.

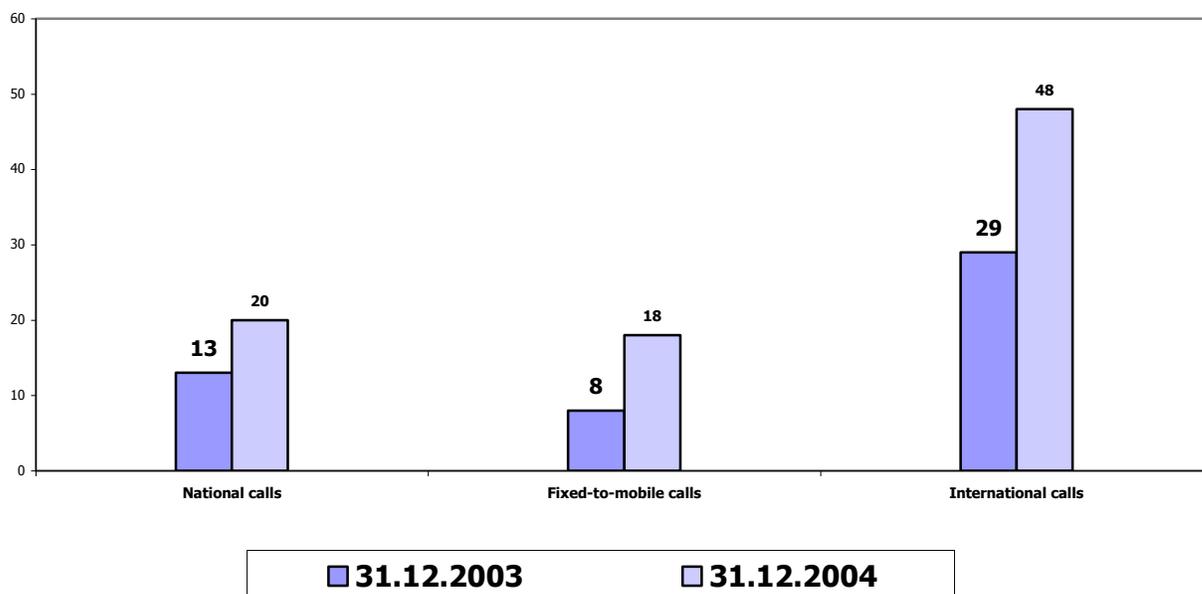
Table 6.1. Number of providers authorised to provide telephony services by means of fixed public networks and number of active providers as of December 31<sup>st</sup>, 2003 and, respectively, December 31<sup>st</sup>, 2004

	<b>2003</b>	<b>2004</b>
Authorised providers	178	219
Active providers	37	61
Providers of fixed telephony services by means of their own networks	23	25
Providers of fixed telephony services by means of other persons' access networks	19	38

*Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003*

As one can see in figure 6.1., among the companies on the market of telephony services provided by means of fixed public networks, 48 companies offered international call services, 20 companies offered national call services, while 18 companies offered services of calls at a fixed location to the mobile public telephony networks.

Chart 6.1. Number of active providers in the period 2003 – 2004, on categories of fixed telephony services



Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003. National calls consist of local and distance calls, as well as of calls to other fixed public telephone networks.

## 6.2. Number of subscribers. Penetration rate. Traffic in the fixed public telephone networks in Romania

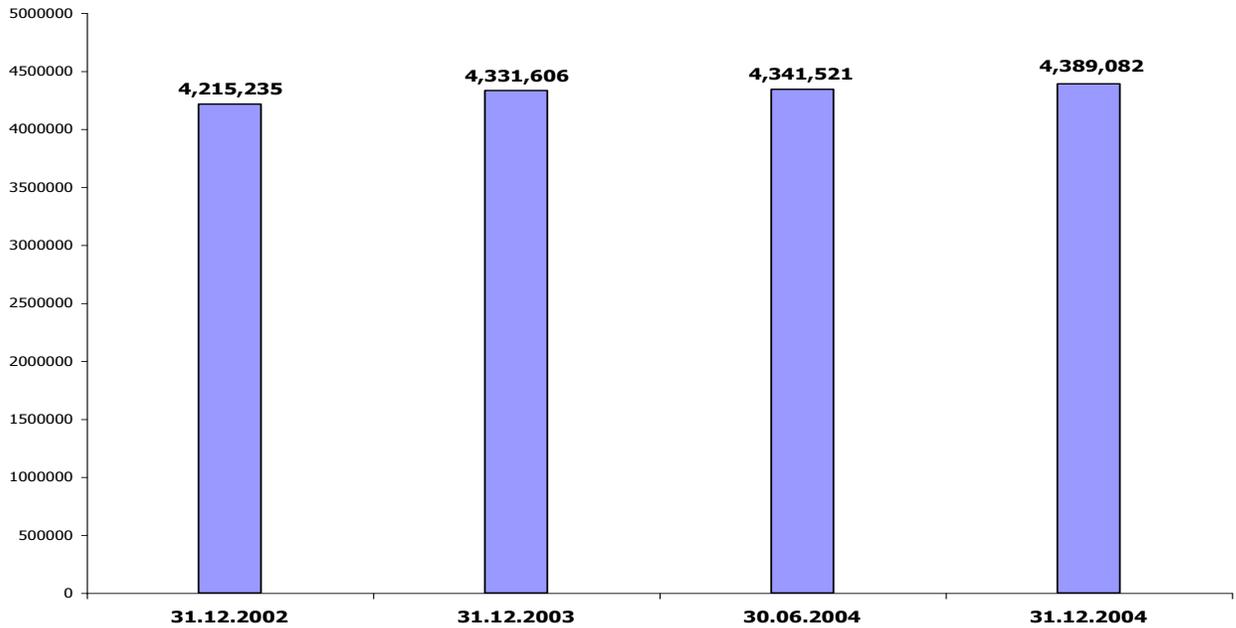
The number of fixed telephony subscribers increased slowly, from 4,215,235 subscribers by the end of 2002 (moment of the full liberalisation of the Romanian telecommunications market) to 4,389,082 subscribers in December 2004. Thus, the total number of subscribers between 2002 - 2004 increased by 4.1%.

Table 6.2. Number of fixed telephony subscribers/penetration rate per 100 inhabitants/digitalisation level of fixed telephony (2002 – 2004)

	2002	2003	2004
Subscribers to fixed telephony services	4,215,235	4,331,606	4,389,082
Penetration rate of fixed telephony per 100 inhabitants	19.43%	19.98%	20.24%
Digitalisation level of fixed telephony	71.90%	74.27%	77.15%

Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003

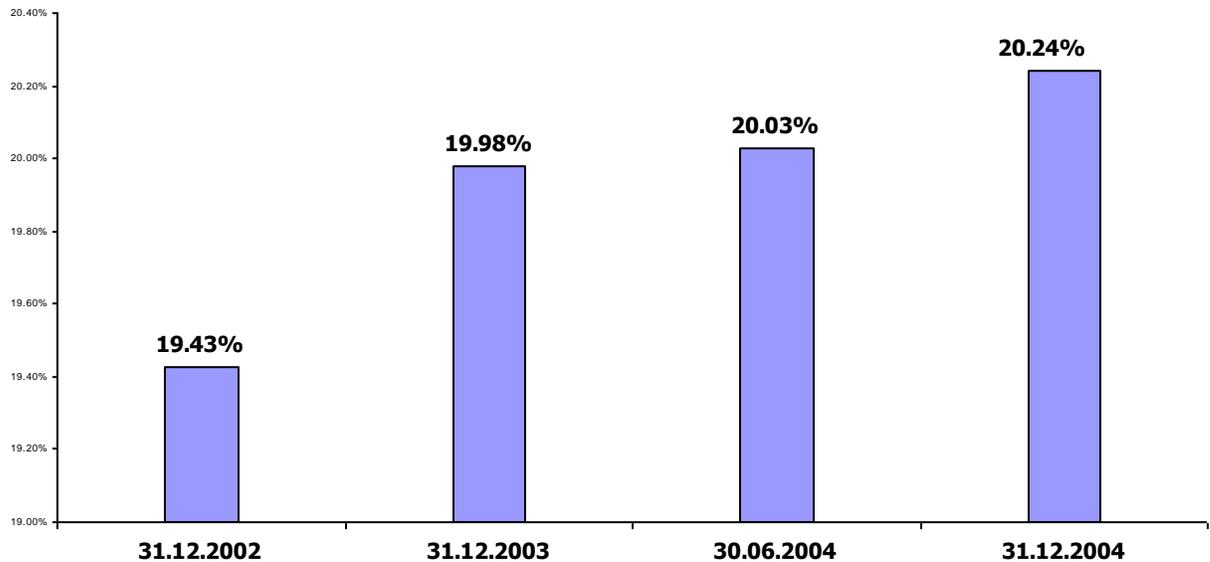
Chart 6.2. Evolution of fixed telephony subscribers (2002 – 2004)



Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003

At the same time, the growing trend of the fixed telephony penetration rate registered in the last years persists: the fixed telephony penetration rate, related to the population of Romania reached, on December 31<sup>st</sup>, 2004, the value of 20.24% as compared to 19.43% in 2002.

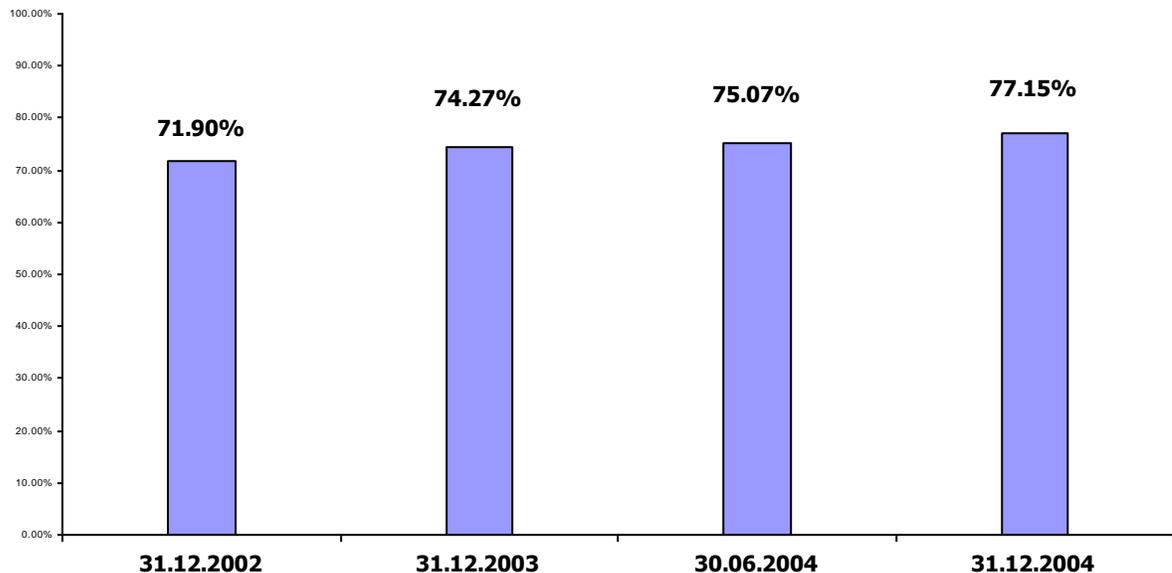
Chart 6.3. Evolution of fixed telephony penetration rate per 100 inhabitants (2002 – 2004)



Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003

Significant growth is registered in the digitalisation “chapter”: by the end of the first semester of 2004, the rate of subscribers with telephone sets connected to digital exchanges was 77.15%, as compared to 71.90%, in December 2002.

Chart 6.4. Evolution of fixed telephony digitalisation rate (2002 – 2004)



Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003

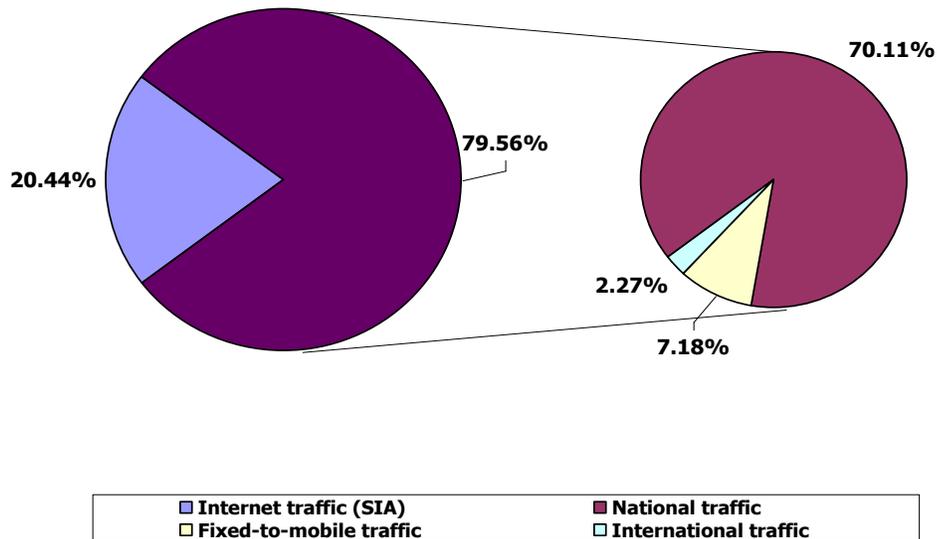
As presented in the table and chart below, in 2004, the total traffic originated in the fixed public telephony networks in Romania, including the traffic for Special Internet Access (SIA), registered a value of 11,083 million minutes, representing 90.70% of the total traffic of 2003.

Table 6.3. Traffic of minutes originated in the fixed public telephony networks in Romania (2003 – 2004)

	2003 (million minutes)	2004 (million minutes)
Total traffic (voice + Internet SIA)	12,220	11,083
Voice traffic	8,976	8,818
National traffic, of which:	7,974	7,770
- to other fixed public networks	9.7	111.5
Fixed-to-mobile traffic	818	796
Originated international traffic	184	252
Internet (SIA) traffic	3,244	2,265

Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003. National traffic consists of local and distance traffic, as well as of traffic to other fixed public telephone networks.

Chart 6.5. Voice traffic rate, per call category, of the total traffic originated in the fixed telephony public networks in 2004



Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003. National traffic consists of local and distance traffic, as well as of traffic to other fixed public telephone networks.

Although the total voice traffic originated in the fixed public networks in Romania in the period 2003-2004 decreased, the originated international traffic registered significant growth (in 2004 this growth represented 37% as compared to 2003). The same trend is registered in case of traffic originated in the fixed public telephony networks towards other fixed public telephony networks, as it registered a value 12 times higher in 2004, as compared to 2003. This rising trend represented a consequence of the market entry of numerous alternative providers, whose diversified offer, including integrated services, stimulates the use of electronic communications services.

The situation changes in the case of traffic for Special Internet Access. Thus, the number of minutes originated in 2004 decreased, mostly as a result of the users' shift from dial-up connections to dedicated Internet access connections.

### 6.3. Alternative offer of electronic communications services, 2 years after liberalisation

After two years from the full liberalisation of the electronic communications market one can actually choose from alternative offers of fixed telephony services, apart from the

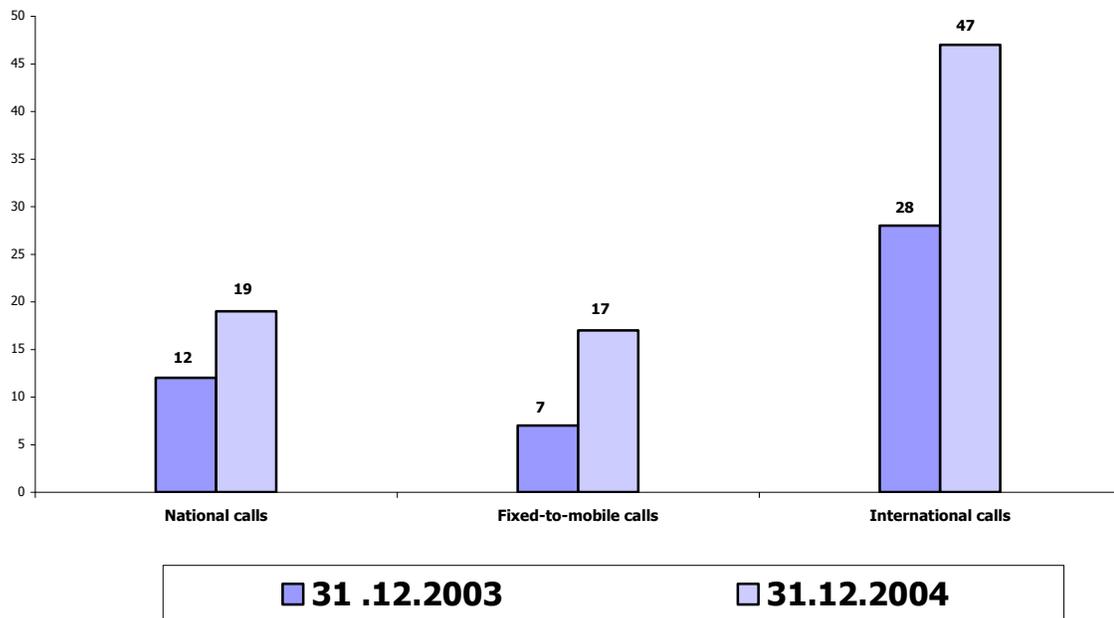
former monopolist. By the end of 2004 there were 60 active alternative providers on the market, as compared to 36 active alternative providers at the end of 2003. According to the call category provided, 19 operators actually provided national call services, 17 – fixed-to-mobile calls, and 47 – international calls.

Table 6.4. Number of alternative providers of fixed telephony services, on call categories provided

Calls	Alternative providers	
	2003	2004
National calls	12	19
Fixed-to-mobile calls	7	17
International calls	28	47

Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003. National calls consist of local and distance calls, as well as of calls to other fixed public telephone networks.

Chart 6.6. Number of alternative providers of fixed telephony services on call categories provided in 2003, as compared to 2004:



Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003. National calls consist of local and distance calls, as well as of calls to other fixed public telephone networks.

Despite the fact that the global trend is stagnating, Romania is expected to report a steady growth of the fixed telephony sector. A proof thereof is the fact that the former monopolist registered an increase of the number of subscribers, which reached 4.33 million, while the number of subscribers of the alternative provides tripled as compared to the first semester of 2004, reaching 66,990.

Table 6.5. Minute traffic realised on types of calls offered by the alternative providers (period 2003 - 2004)

Traffic / period	Alternative provider traffic		Total traffic	
	2003 (million minutes)	2004 (million minutes)	2003 (million minutes)	2004 (million minutes)
National traffic	23.8	134	7,974	7,770
Fixed-to-mobile traffic	9.6	26.4	818	796
International traffic	39.4	97.4	184	252

Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003. National traffic consists of local and distance traffic, as well as of traffic to other fixed public telephone networks.

As well, in 2004, the traffic realised by the alternative providers of alternative providers of fixed telephony services represented 2.92% of the total voice traffic, as the alternative offers have a significant impact on the market of international calls at fixed locations. Thus, by the end of 2004, the market share registered by the alternative providers on this market segment was 38.70%, and the tariffs charged for international calls dropped, on average, by up to 60%.

The table below presents the alternative providers of fixed telephony services, on call categories provided.

Table 6.6. Alternative providers of fixed telephony services on the retail market, on call categories provided as of December 31<sup>st</sup>, 2004

	<b>Access services*</b>	<b>National calls**</b>	<b>International calls</b>
COMPANIA NATIONALA "ADMINISTRATIA PORTURILOR MARITIME CONSTANTA" - S.A.	✓	✓	✓
S.C. ADISAM TELECOM S.A.	✓	✓	✓
S.C. ADVANCED BUSINESS SOLUTIONS INTERNATIONAL S.R.L.	✓	-	✓
S.C. ADVANCED COMMUNICATIONS INTERNATIONAL S.R.L.	✓	-	✓
S.C. AIETES TELECOM GALATI FILIALA TULCEA S.R.L.	✓	✓	✓
S.C. ASTRAL TELECOM S.A.	✓	✓	✓
S.C. ATLAS TELECOM NETWORK ROMANIA S.R.L.	✓	✓	✓
S.C. COMPLEX SERVICE S.R.L.	-	-	✓
S.C. CONNET-RO S.R.L.	-	-	✓
S.C. CONSEDO INTERCALLING S.R.L.	-	-	✓
S.C. CONTACT INTERNATIONAL 2000 S.R.L.	✓	-	✓
S.C. CROSSZONES S.R.L.	-	-	✓
S.C. DIAL TELECOM S.R.L.	✓	✓	✓
S.C. DIGITAL DISTRIBUTION GROUP S.R.L.	✓	-	✓
S.C. EASY COMM S.R.L.	✓	-	✓
S.C. GLOBTEL INTERNET S.A.	✓	✓	✓
S.C. INES GROUP S.R.L.	✓	✓	✓

S.C. INTERNATIONAL COMMUNICATIONS SYSTEMS S.R.L.	-	-	✓
S.C. INTERNET EXPERT 2003 S.R.L.	✓	-	✓
S.C. INTERNEXT S.R.L.	✓	-	✓
S.C. INTERPOINT S.R.L.	✓	-	✓
S.C. INTERSAT S.R.L.	✓	✓	✓
S.C. IRISTEL ROMANIA S.R.L.	✓	-	✓
S.C. MAGIC TELECOM S.R.L.	✓	-	✓
S.C. MEDIA SAT S.A.	✓	✓	✓
S.C. MONDO INTERCOM S.R.L.	-	-	✓
S.C. NET CONNECT S.R.L.	✓	✓	-
S.C. NETMASTER COMMUNICATIONS S.R.L.	✓	✓	✓
S.C. NETPOINT S.R.L.	✓	✓	✓
S.C. NEVI CONS S.R.L.	✓	✓	✓
S.C. NEXCOM ROMANIA S.R.L.	✓	-	✓
S.C. NOBEL ROMANIA S.R.L.	-	-	✓
S.C. PARLATEL S.R.L.	✓	✓	-
S.C. PC-NET DATA NETWORK S.A.	✓	-	✓
S.C. QUALITY MANAGEMENT SYSTEMS CONSULTING S.R.L.	✓	✓	✓
S.C. RAPID TELECOM S.R.L.	-	-	✓
S.C. RELIANCE CORPORATION S.R.L.	-	-	✓
S.C. ROMANIA DATA SYSTEMS S.A.	✓	✓	✓
S.C. ROMTELECOM S.A.	✓	✓	✓
S.C. TELCOR COMMUNICATIONS S.R.L.	✓	✓	✓
S.C. TELEFONET COMMTECH S.R.L.	✓	✓	✓
S.C. TELEFONET TM S.R.L.	✓	✓	✓
S.C. THOMAS HOOK COMMUNICATIONS S.R.L.	✓	✓	✓
S.C. TIM NET S.R.L.	-	-	✓
S.C. TOTAL INTER MEDIA S.R.L.	-	-	✓
S.C. TRANS TEL SERVICES S.R.L.	✓	✓	✓
S.C. VIP NET S.R.L.	✓	-	✓
S.C. VITANIC-RO S.R.L.	✓	-	✓
S.C. WORLD TELECOM NETWORK SRL	✓	✓	✓
SOCIETATEA NATIONALA DE RADIOCOMUNICATII S.A.	✓	✓	✓

**\*through own networks and/or other networks**

**\*\*local, distance and long-distance in the same fixed telephone network, towards other fixed networks, towards mobile public telephone networks**

*Source: ANRC, according to the statistical data reported by the providers of fixed telephony services based on the ANRC President's Decision no.1332/2003*

## **6.4. Regulatory activity and implementation**

### **6.4.1. Identification of relevant markets in the electronic communications sector and designation of the providers with significant power on the identified markets**

Based on the results obtained following the market analyses on the end-users, as well as on the authorised providers of electronic communications networks and services, upon public consultation, ANRC identified, by the *ANRC President's Decision no.1124/2004*, 10 specific relevant retail markets.

*S.C. Romtelecom S.A. – a provider with significant power on 9 specific relevant retail markets*

ANRC designated S.C. Romtelecom S.A. as a provider with significant power on the following specific relevant retail markets:

1. The market of providing access at a fixed location to a public telephone network for natural persons;
2. The market of providing access at a fixed location to a public telephone network for legal persons;
3. The market of local calls at a fixed location for natural persons;
4. The market of local calls at a fixed location for legal persons;
5. The market of long distance calls at a fixed location for natural persons;
6. The market of long distance calls at a fixed location for legal persons;
7. The market of international calls at a fixed location for natural persons;
8. The market of international calls at a fixed location for legal persons;
9. The market of calls at a fixed location to mobile public telephone networks for natural persons.

The designation of the provider with significant power on the market of calls to mobile public telephony networks, at fixed locations, for legal persons was postponed for 2005, with a view to obtaining additional market data, on a further detailed level. In accordance with the provisions under the *Universal Service Law*, the providers with significant power on the specific relevant retail markets will be imposed, correspondingly, one of several obligations provided under arts.15 and 18 of this law, for the purpose of promoting competition and protecting the interests of the end-users.

#### **6.4.2. Evolution of the tariffs for telephony services provided through fixed public networks in 2004**

According to the provisions of art.38 of the *Universal Service Law*, "*Until a Decision of the president of ANRC with respect to the level of tariffs for the retail provision of services is adopted on grounds of this Law, the tariffs charged by the National Telecommunications Company Romtelecom – S.A. for these services at the moment of the entry into force of this Law may only be increased with the approval of ANRC*".

On grounds of these legal provisions, on April 30<sup>th</sup>, 2004, ANRC approved the second phase in the process of rebalancing the retail tariffs of S.C. Romtelecom S.A.. This provided the following: transition from a pulse-based charging system to a minute-based charging system, the extension of the off-peak period to the interval 20-08 (from 22-08)

from Monday to Friday, as well as in the 0-24 interval on Saturdays, Sundays and on legal holidays; the reduction in the tariffs for long-distance, international and fixed-to-mobile calls and the increase in the tariffs for subscriptions, local calls, connections, Special Internet Access and public pay telephone calls.

Table 6.7.

The main tariff changes			
Increase (average)		Reduction (average)	
Subscriptions – natural persons	8%	Long-distance calls	20%
Local calls	9%	Fixed-to-fixed international calls	13%
Special Internet Access	9%	Fixed-to-mobile calls	3%

Also, ANRC approved the increase of the following tariffs: telephony line connections – by 24% (average), public payphones calls – 49% (average), subscriptions – legal persons: 22%, subscriptions and ISDN connections – 24%, directory enquiry services (931) – 140%, Evrikard cards – 10% (average).

On December 24, 2004, ANRC approved the third phase in the process of rebalancing the retail tariffs of S.C. Romtelecom S.A. upon analysing the statements and documents elaborated according to the Authority's requirements according the provisions of the *Regulation on conducting separate accounting within the internal cost accounting system by S.C. "Romtelecom" - S.A.*, approved by the ANRC President's Decision no.1380/2003, accompanied by an audited report elaborated in conformity with the International Audit Standards.

Upon the ANRC request, Romtelecom also conducted a series of sensitivity analyses, highlighting the effect of modifying the income, expenditure and average invested capital on the capital profitability. Following these analyses, in November and December 2004, ANRC agreed on the modification of the following tariff categories:

Tariff modification starting on February 1 <sup>st</sup> , 2005			
Increase (average)		Reduction (average)	
Subscriptions	34,1%	Distance calls at peak hours	10%
		Calls to mobile public networks	3,4%
		International calls	9,1%

### 6.4.3. Interconnection with the fixed public telephone network of S.C. Romtelecom S.A.

Based on the RIO, by the end of December 2004, 35 providers had concluded direct interconnection agreements with S.C. Romtelecom S.A., and other 5 providers were indirectly interconnected with this operator. By the end of 2004, 3 alternative operators

of fixed telephony were interconnected at the level of local digital exchanges, and 3 other operators intended to interconnect on local level. The new interconnection tariffs will be established based on the LRIC models.

#### **6.4.4. Unbundled access to the local loop**

S.C. Romtelecom S.A. published, on September 11, 2004, the Reference Unbundling Offer (RUO), and 15 days later published the Standard Agreement for unbundled access to the local loop. At present, ANRC is evaluating the extent to which RUO and the Standard Agreement correspond to the secondary legislation adopted by ANRC.

Thus, the providers of electronic communications services have the possibility to choose between two manners of access to the local loop:

- full access, where the operator leases from S.C. Romtelecom S.A. the local loop consisting of the twisted metallic pair, and will use it exclusively, being able to establish independently the electronic communications services to be provided to the subscribers;
- shared access, where S.C. Romtelecom S.A. uses only the low frequency channel (0-4 KHz), for the provision of telephony services, while the other frequency channels are used by the new entrant for the provision of broadband electronic communications services (by means of xDSL technologies). Regarding the level of tariffs for the unbundled access to the local loop, ANRC envisaged establishing a balance between two essential objectives: facilitating the rapid market entry of new providers and encouraging infrastructure investments (building new access networks or developing the existing ones).

#### **6.5. Surveillance and control**

The main surveillance activity carried out in 2004 on the fixed telephony market consisted of identifying the actual situation in the territory regarding the rate of access to public electronic communications networks, required for establishing the eligible localities for the implementation of universal service.

As well, at national level, the fixed telephony market witnessed 143 control actions during which 11 contraventions were reported, and for one of these contraventions, the ANRC President issued a notification. Several control actions were initiated by ANRC following the end-users' complaints or petitions, while others aimed to identify both providers and natural persons who were not authorised to provide publicly available telephony services by means of VoIP technology, consisting of international call termination in various fixed networks in Romania, without the consent of the network's operator.

## 7. Mobile telephony sector

### 7.1. Overview

The value of the market of telephony services provided through mobile public networks amounted to more than EUR550 million in the first semester of 2004, while the value of total investments over the same period (including the investments in buildings and land) amounted to more than EUR71 million<sup>7</sup>.

At the end of 2004, 73 companies were authorised to provide telephony services through mobile public networks, 4 of which actually provided these services, by means of all the important technology types. Moreover, starting with 2004, S.C. Mobifon S.A. and S.C. Orange Romania S.A. were granted the licences required for the provision of third generation mobile telephony services (3G).

Table 7.1. Coverage of mobile public telephony networks in 2004

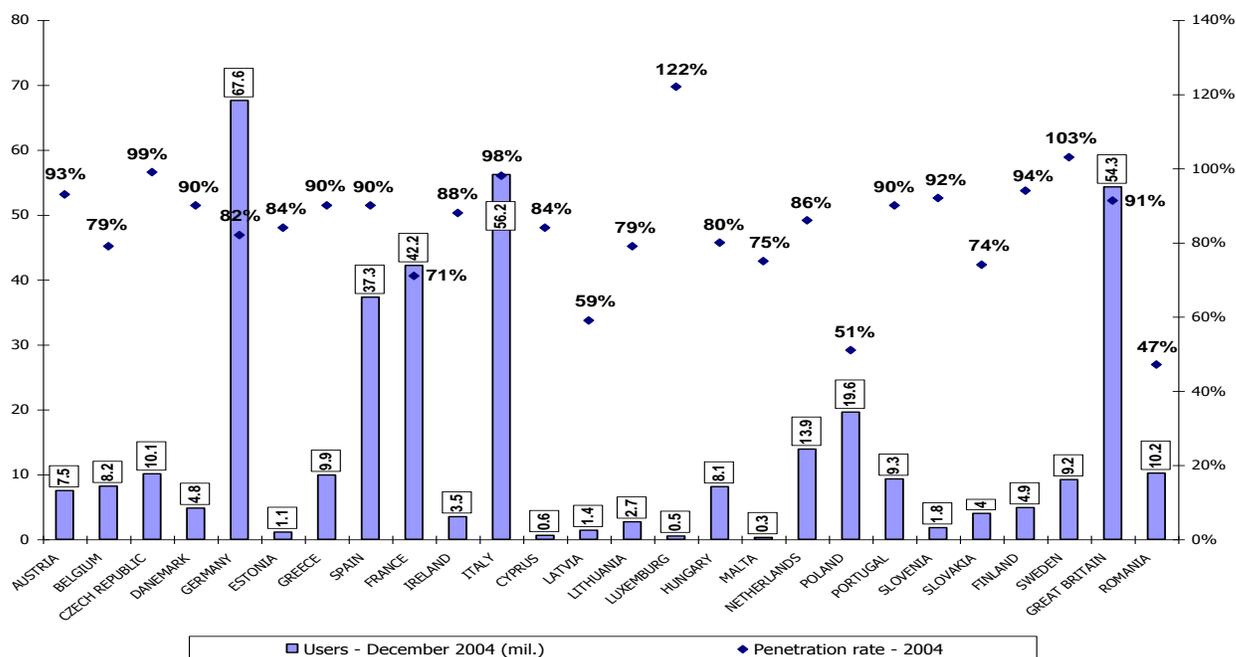
Provider	Coverage - territory -	Coverage - population -
S.C. Mobifon S.A.	74.90%	94.50%
S.C. Orange Romania S.A.	79.87%	96.57%
S.C. Telemobil S.A.	65.00%	67.00%
S.C. Cosmorom S.A.	39.01%	60.34%

*Source: ANRC, according to the statistical data reported by the providers of mobile telephony services based on the ANRC President's Decision no.1332/2003*

Chart 7.1. Number of users and penetration rate of 2G mobile telephony in 2004, in Romania and the European Union member states.

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<sup>7</sup> According to the statistical data reported as of July 31<sup>st</sup>, 2004, by the providers of services of electronic communications networks and services based on the ANRC President's Decision no.1332/2003.



Source: ANRC, according to the statistical data in the 10<sup>th</sup> Report on European Electronic Communications Regulations and Markets 2004 of the European Commission

In 2004, the number of users of services provided through mobile public networks and the network coverage registered significant growth. The penetration rate of mobile telephony in Romania reached 47% by the end of 2004.

## 7.2. Authorised providers. Number of users. Traffic volume through mobile public telephone networks in Romania

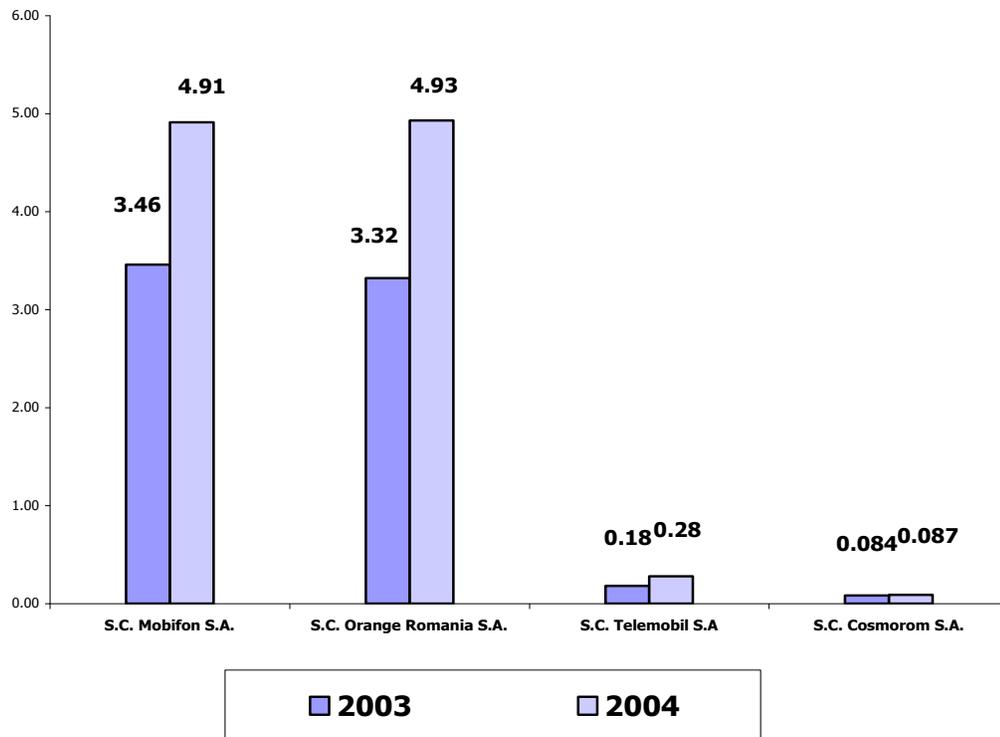
In 2004, all the providers of telephony services provided through mobile public networks registered growing numbers of users.

Table 7.2. Number of users of telephony services provided through mobile public networks as of December 31<sup>st</sup>, 2004.

Provider	Number of users as of December 31 <sup>st</sup> , 2004
S.C. Mobifon S.A.	4,910,312
S.C. Orange Romania S.A.	4,938,171
S.C. Telemobil S.A.	279,408
S.C. Cosmorom S.A.	87,497

Source: ANRC, according to the statistical data reported by the providers of mobile telephony services based on the ANRC President's Decision no.1332/2003

Chart 7.2. Evolution of the number of users of telephone services provided through mobile public networks (2003 - 2004)

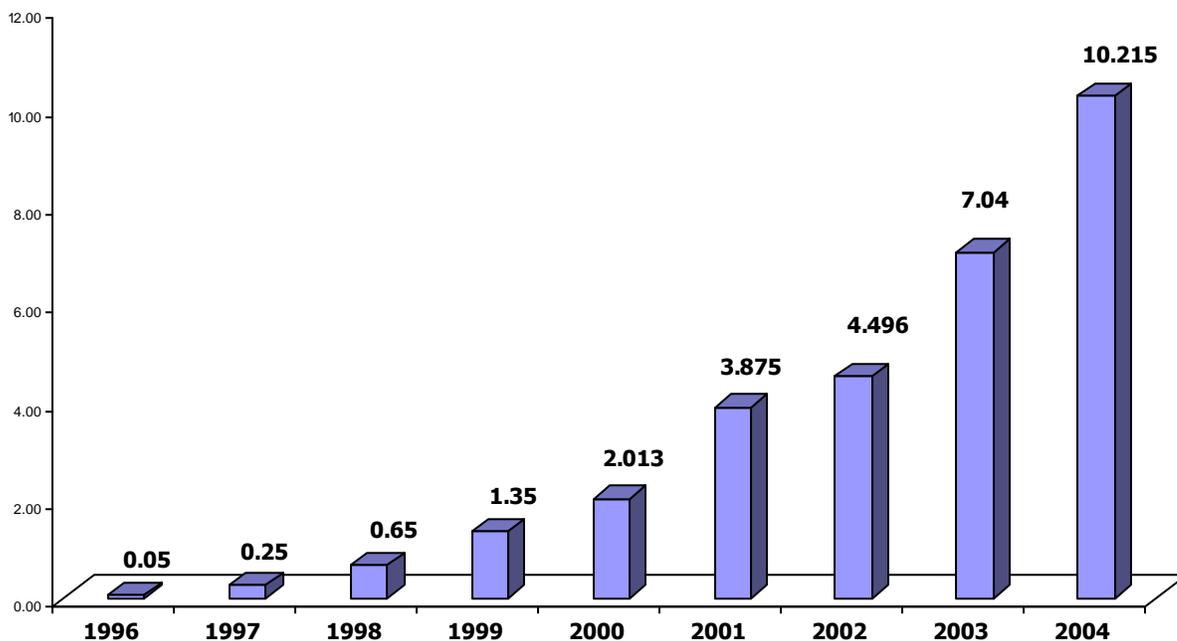


Source: ANRC, according to the statistical data reported by the providers of mobile telephony services based on the ANRC President's Decision no.1332/2003

According to the statistical data reported to ANRC by the providers of telephony services through mobile public networks, the total number of users, by the end of 2004, reached 10,215,388 (of which 36.13% paid monthly subscriptions, and 63.87% used prepaid cards), i.e. an increase by more than 45% as compared to the end of 2003. Therefore, in 2004, Romania registered an increase of the mobile telephony penetration rate, per country population, by 45% as compared to 2003, i.e. from 32% (2003), to 47% (2004).

Regarding the user distribution by the used services – upon payment of a monthly subscription and based on prepaid cards – the rate of subscribers dropped by more than 2% as compared to 2003, while the rate of prepay card users increased by 2.87%. This is due mainly to the lower expenses registered by the prepaid card users.

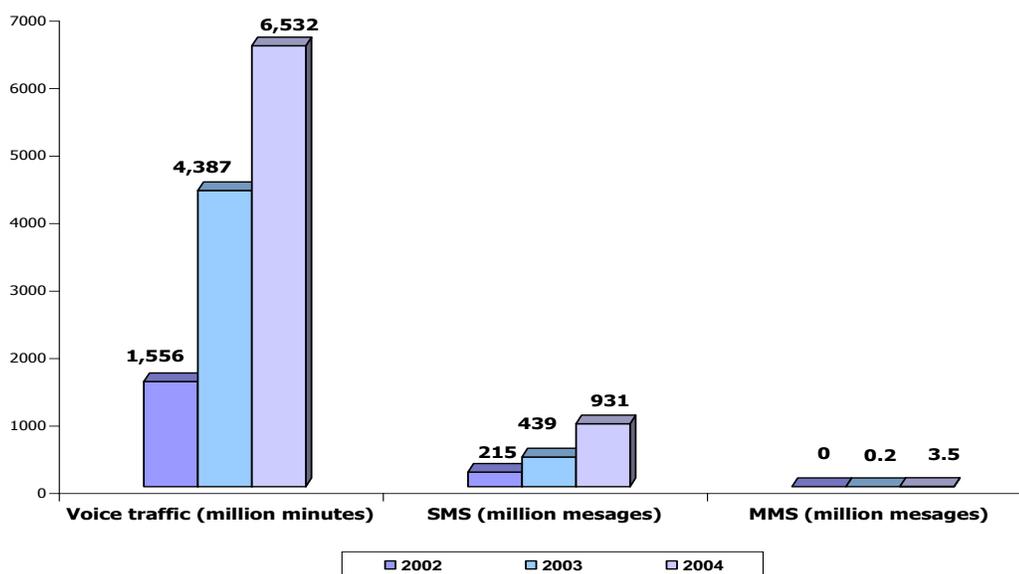
Chart 7.3. Evolution of the number of (million) users of telephony services provided through mobile public networks (1996 – 2004)



Source: ANRC, according to the statistical data reported by the providers of mobile telephony services based on the ANRC President's Decision no.1332/2003

Regarding the offers of the operators of telephony services provided through mobile public networks, there is a diversified range of services, and the demand for all types of the services in the offer increased: voice services, SMS, MMS, data services.

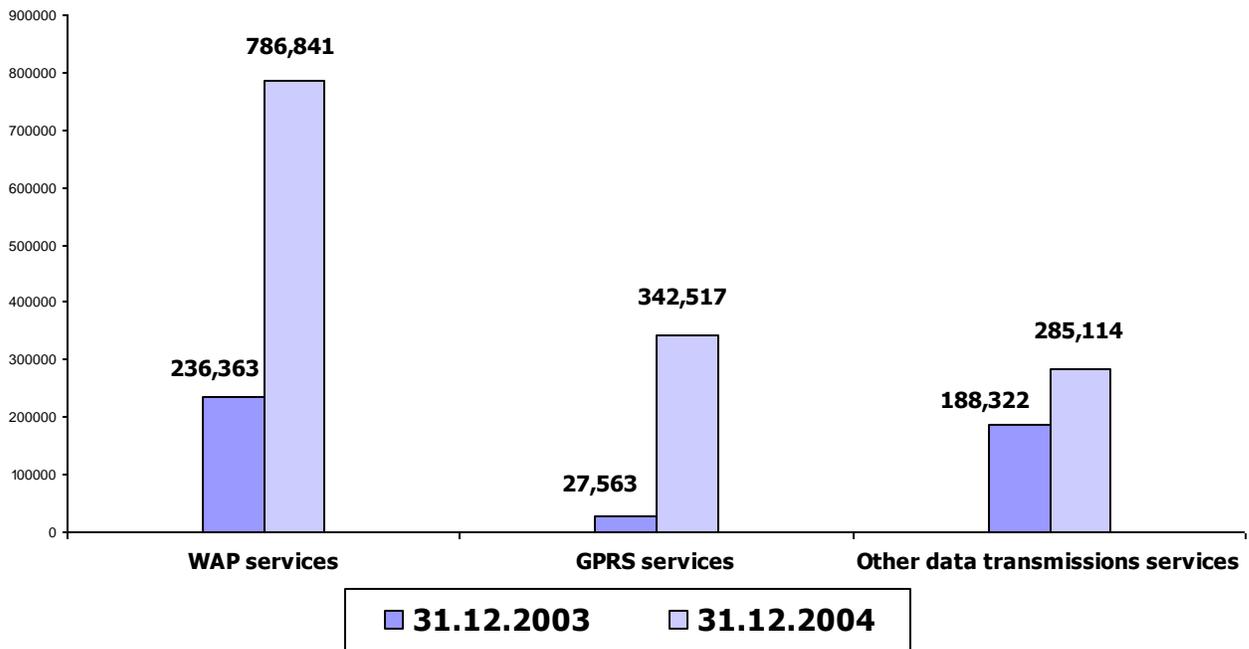
Chart 7.4. Evolution of voice, SMS and MMS traffic through mobile telephony networks (2002 – 2004)



Source: ANRC, according to the statistical data reported by the providers of mobile telephony services based on the ANRC President's Decision no.1332/2003

In 2004, total voice traffic through mobile public networks, including roaming, increased by 49% as compared to the total voice traffic in 2003, the number of SMS doubled as compared to 2003, while the number of MMS increased 17 times as compared to 2003. As well, the number of users of the data services provided through mobile public networks increased 3.12 times as compared to the number of users of such services in 2003.

Chart 7.5. Evolution of the number of users of the data transmission services provided through mobile public networks (2003 - 2004)



Source: ANRC, according to the statistical data reported by the providers of mobile telephony services based on the ANRC President's Decision no.1332/2003

### 7.3. Regulatory activity and implementation

According to the provisions of the *Regulations on the elaboration of the "top-down" LRIC model by the company "Orange Romania" - S.A. and, respectively, by the company "Mobifon" - S.A.*, approved by the ANRC President's Decision no.1383/2003 and, respectively, no.1382/2003, the two providers were imposed to develop and implement "top-down" LRIC models, by July 1<sup>st</sup>, 2004.

In 2004, ANRC initiated the "bottom-up" LRIC model, for the purpose of using this model in the process of cost-orienting the tariffs for the services of interconnection for the purpose of call termination in the mobile public telephone networks operated by S.C.

Mobifon S.A. and S.C. Orange Romania S.A., and will complete this process by the end of the first quarter of 2005.

Concerning the interconnection agreements concluded with the providers of mobile public telephone networks, 15 operators concluded interconnection agreements with S.C. Mobifon S.A., 15 operators with S.C. Orange Romania S.A., 5 operators - with S.C. Telemobil S.A. and 4 operators with S.C. Cosmorom S.A..

#### **7.4. Surveillance and control**

25 control actions were carried out on the mobile telephony providers and one contravention was assessed, and during the other control actions, the ANRC President transmitted several notifications regarding the intention of enforcing sanctions. Several of these control actions were initiated by ANRC upon receiving the complaints or petitions of the end-users, while others aimed to identify providers and, respectively, natural persons who were not authorised to provide publicly available telephony services by means of terminating international calls in the GSM networks in Romania without the respective operator's consent.

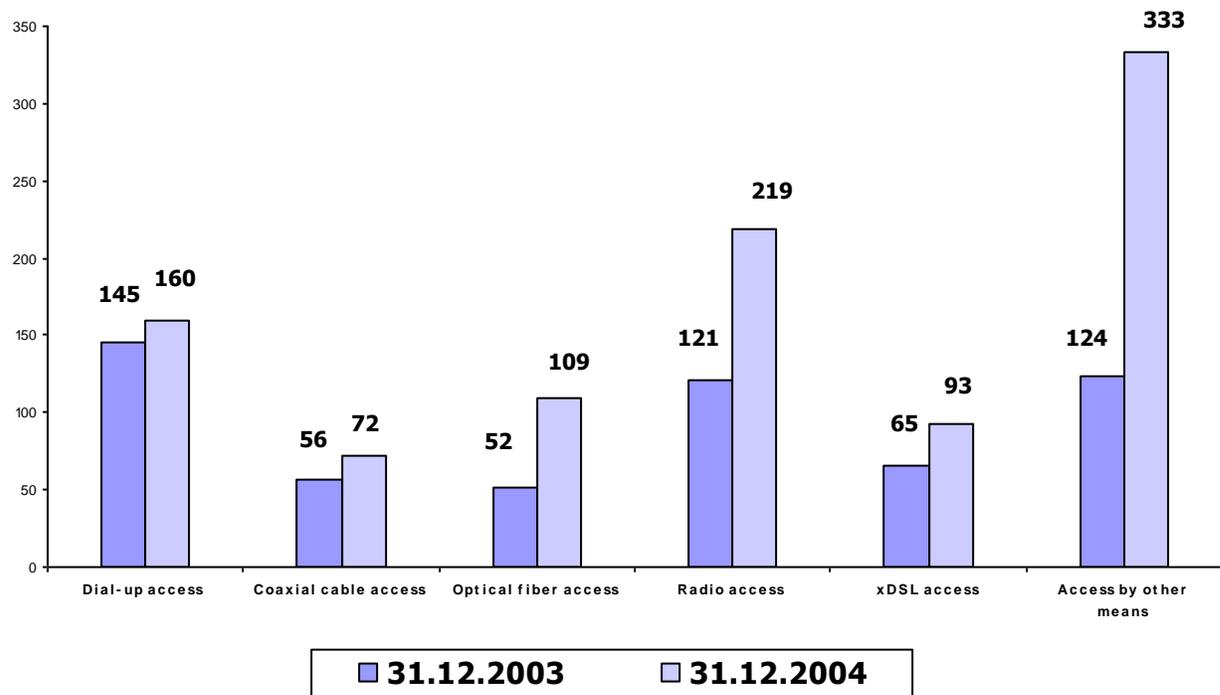
## 8. Internet access and leased line services

### 8.1. Internet access services

In December 2004, there were 680 companies authorised to provide Internet access services, among which, 515 providers actually offered services as follows:

- dial-up access: 160 providers;
- coaxial cable access: 72 providers;
- fibre optic access: 109 providers;
- radio access: 219 providers;
- xDSL access: 93 providers;
- access by other means: 333 providers.

Chart 8.1. Number of providers offering Internet access services as of December 31<sup>st</sup>, 2004, itemised by support

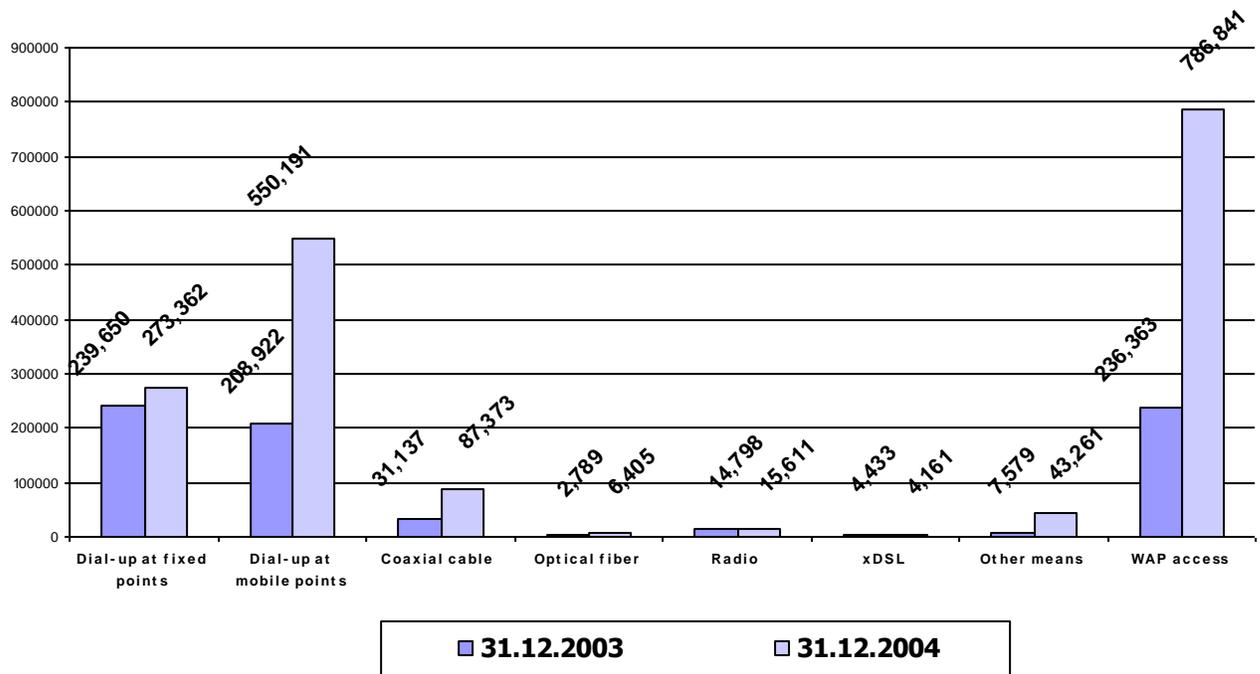


Source: ANRC, according to the statistical data reported by the providers of electronic communications and services based on the ANRC President's Decision no.1332/2003

In 2004, the number of Internet access connections registered an important growth, by 136.9%<sup>8</sup>, as compared to the number of Internet access connections at the end of 2003.

Chart 8.2. Evolution of Internet access connections, itemised by support, (2003 – 2004)

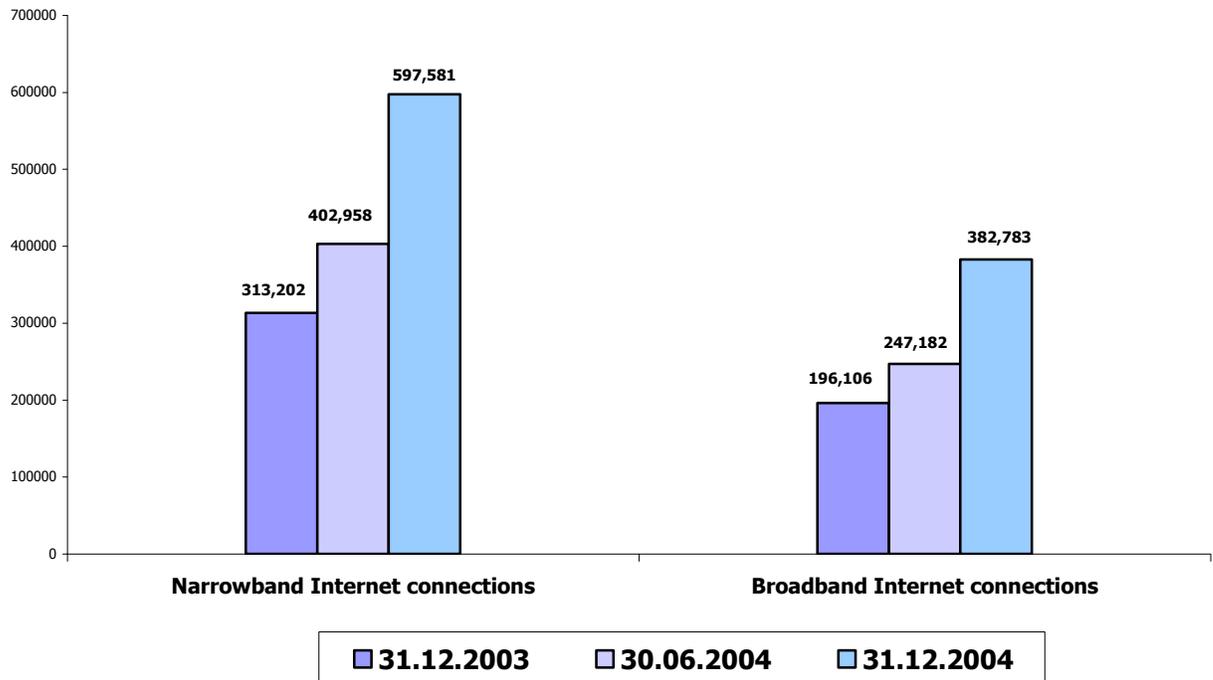
<sup>8</sup> The number of dial-up connections at fixed locations does not include the connections realised through limited and unlimited Internet access prepaid cards, and the Internet access connections using "Premium Rate" access numbers from Romtelecom.



Source: ANRC, according to the statistical data reported by the providers of electronic communications and services based on the ANRC President's Decision no.1332/2003

From the total Internet access connections, more than 46.60% are dial-up connections, at fixed and mobile locations. The users of such services may use free or paid accounts, depending on the providers' offers. Concerning paid accounts, Internet access may be realised by means of unlimited access subscriptions (unlimited access), prepaid cards, subscriptions with partially limited access and payment of additional hours and Internet access subscriptions with a limited number of hours (limited access).

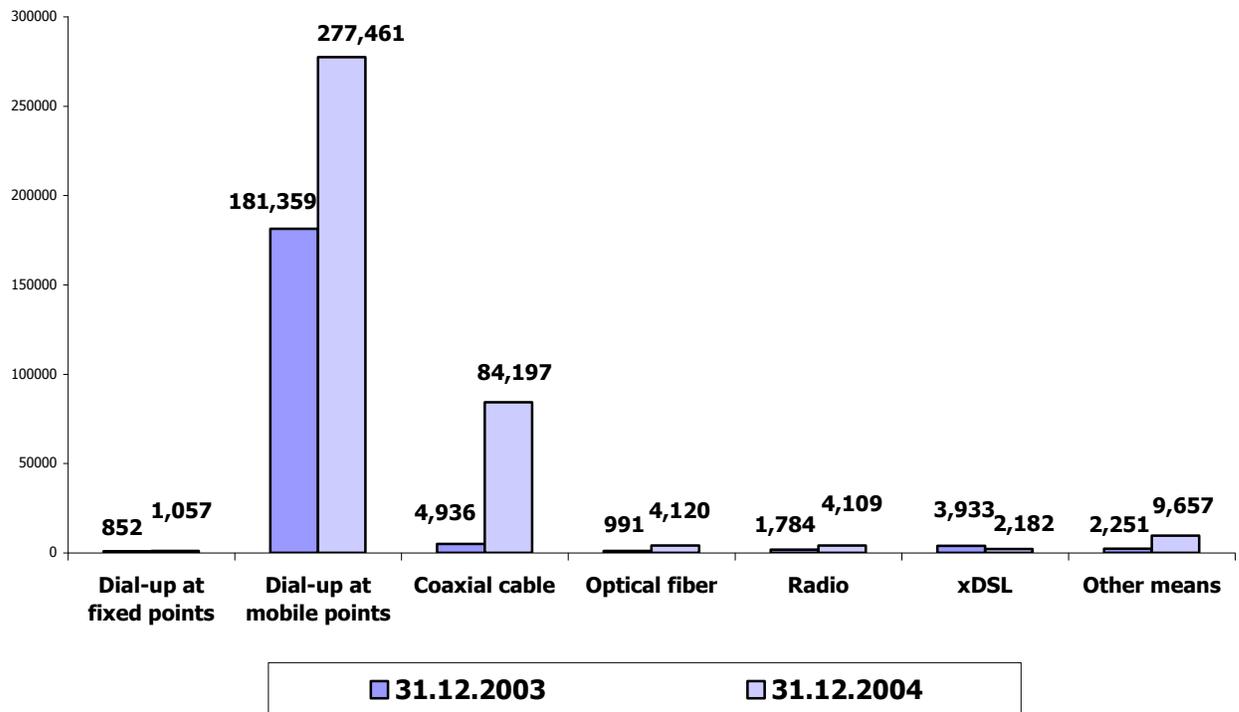
Chart 8.3. Evolution of Internet access connections according to the used bandwidth, (2003 – 2004)



*Source: ANRC, according to the statistical data reported by the providers of electronic communications and services based on the ANRC President's Decision no.1332/2003*

Concerning the bandwidth used, in 2004, as compared to 2003, broadband Internet access connections (with a speed equal with or exceeding 128 Kbps) registered a more rapidly growing trend (by 95.10%) than the narrowband Internet access connections (by 90.79%). Though, the rate of broadband Internet access connections out of the total number of Internet connections represented 21.66%, at the end of 2004.

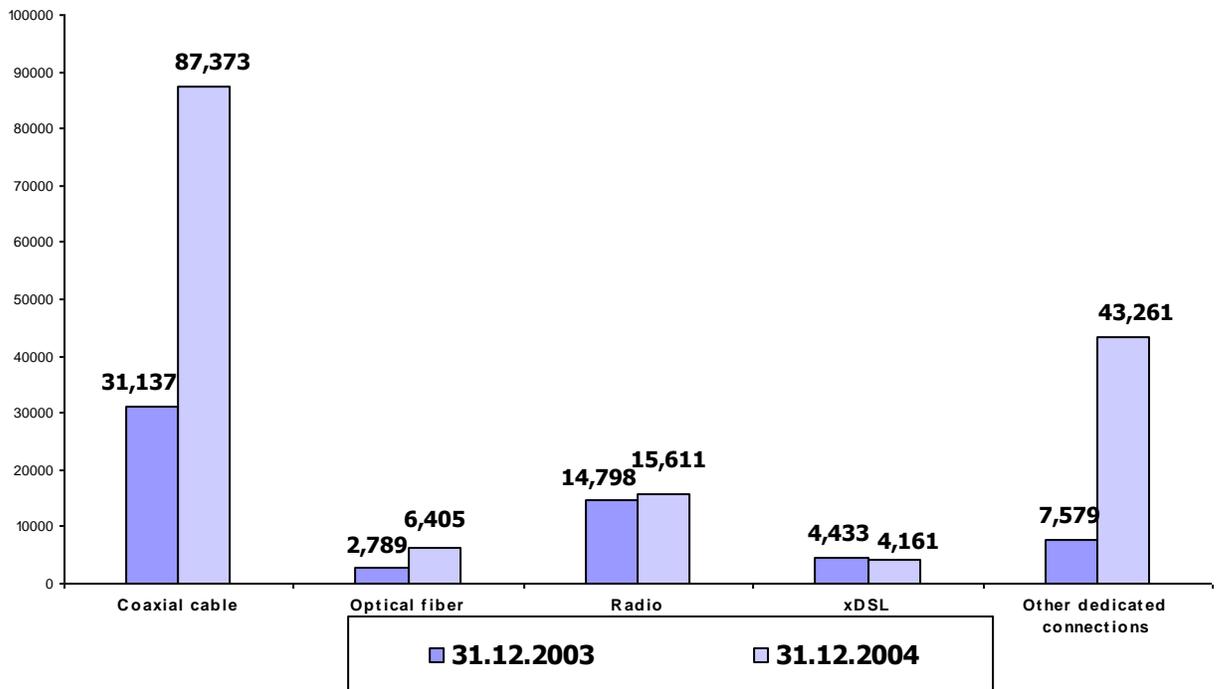
Chart 8.4. Evolution of broadband Internet access connections, itemised by the support used, (2003 - 2004)



Source: ANRC, according to the statistical data reported by the providers of electronic communications and services based on the ANRC President's Decision no.1332/2003

Out of all the broadband Internet access connections, itemised by the support used, the greatest rate (approximately 73%) is represented by dial-up connections, at mobile locations (due to the availability of Internet access services in case of using a subscription to the mobile telephony services provided by S.C. Telemobil S.A.) and the connections through coaxial cable – 22%.

Chart 8.5. Evolution of dedicated connections for Internet access, itemised by the support used (2003 - 2004)



*Source: ANRC, according to the statistical data reported by the providers of electronic communications and services based on the ANRC President's Decision no.1332/2003*

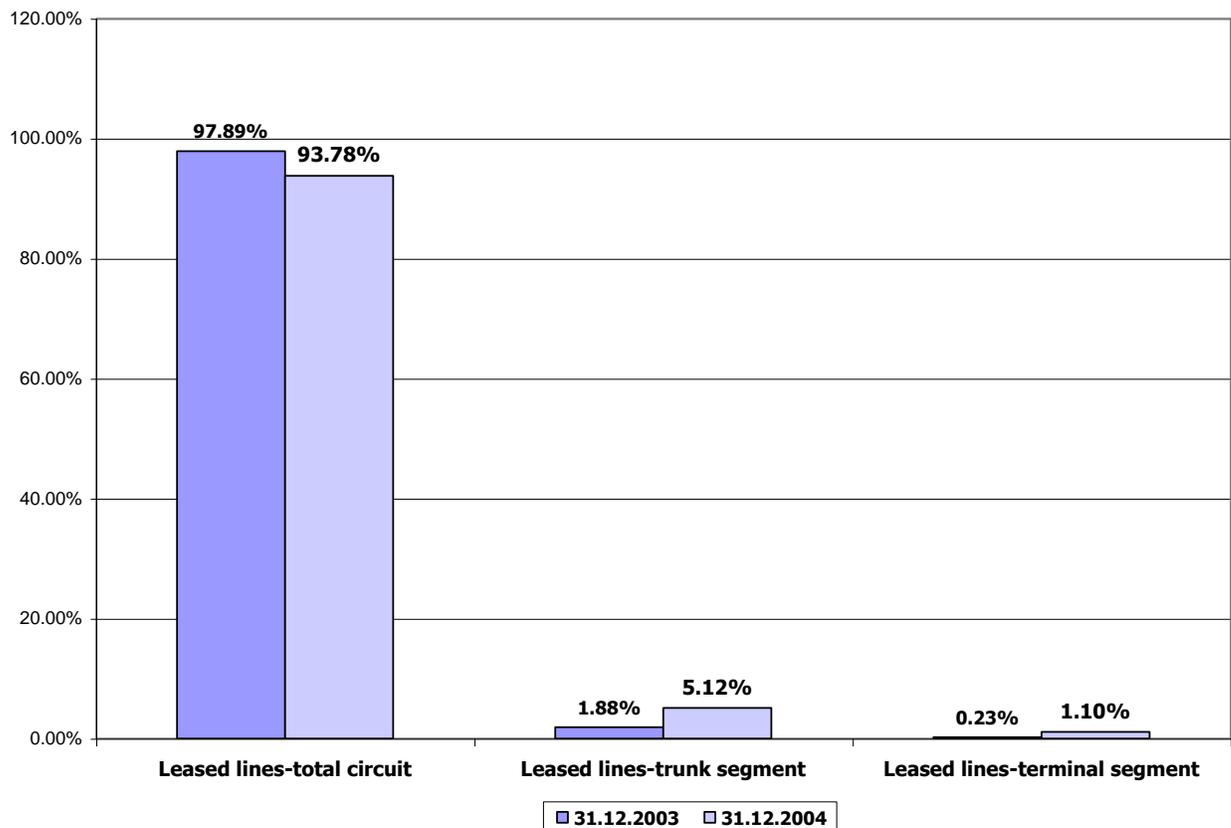
As well, in 2004, the number of dedicated Internet access connections, irrespective of the support ensuring the Internet access connection, increased by 158.15%, as compared to 2003.

## 8.2. Leased line services

At the end of 2004, 211 companies were authorised to provide leased lines services, among which 17 companies actually provided these services.

The number of users of leased lines services by the end of 2004 had reached 28,471, i.e. this number decreased by 11.57%, as compared to 2003. Among them, 93.78% used leased lines-total circuits services, 5.12% leased lines-terminal segments services, and 1.10% used leased lines-trunk segments services.

Chart 8.6. User rate itemised by types of leased lines services per total number of leased lines services users (2003 - 2004)



Source: ANRC, according to the statistical data reported by the providers of electronic communications and services based on the ANRC President's Decision no.1332/2003

By the end of 2003, S.C. Romtelecom S.A. was the most important provider of leased lines-total circuit services, thus registering more than 96% of the users of leased lines-total circuit services. This situation persisted in 2004, 99.71% of the users of such services were subscribers of S.C. Romtelecom S.A..

### 8.3. Regulatory activity and implementation

#### 8.3.1. Unbundled access to the local loop for the provision of broadband Internet access services

The unbundled access to the local loop, regulated by the *ANRC President's Decision no.1098/2004* is the legal grounds mainly for the provision of broadband electronic communications services (especially broadband Internet access services), and of publicly available telephone services at fixed locations. The Decision establishes as well the maximum tariffs which S.C. Romtelecom S.A. will be entitled to charge from the interested companies for access to the local loop. The tariffs are indicated in the table below.

Table 8.1

	Monthly lease (VAT not included)	Connection tariff (VAT not included)
Full access to the local loop	EUR 8,37	EUR 59
Shared access to the local loop	EUR 4,2	EUR 59

Following this decision, any interested company will have the possibility to offer services directly to the end-users' residence or headquarters, despite the fact that it may not have its own access network (local loop). Thus, the providers of telephone and broadband Internet access services will be able to use the same physical circuits through which the end-users are connected to the network of S.C. Romtelecom S.A..

### **8.3.2. Interconnection with the fixed public telephone network of S.C. Romtelecom S.A. for the provision of services of leased lines-terminal segments services**

The RIO, published in February 2003, should have been modified and completed by March 1<sup>st</sup>, 2004, according to the provisions of the *ANRC President's Decision no.1379/2003 on interconnection of leased lines-terminal segments with the fixed public telephone network* and to the *ANRC President's Decision no.1384/2003*. Upon receiving a notification from ANRC, stating the infringement of the transparency obligation, S.C. Romtelecom S.A. published on its website a modified and completed version of the RIO, containing provisions regarding the interconnection services for leased lines-terminal segments, direct interconnection and intelligent network services. Since part of the new RIO provisions did not comply with the provisions of the *ANRC President's Decisions no.147/2002*, ANRC drew up a decision with a view to adequately modifying and completing the RIO provisions.

Thus, regarding the leased lines-terminal segments services, the amendments of the RIO, imposed by the *ANRC President's Decision no. 1330/2004* envisages enriching the product package offered based on the RIO, by including, among others, the product "local circuit of data transmission" (CLDT), a substitute of the unbundled access to the local loop, amendments to the annex regarding the forecast process and the imposition of a flexible structure of encoding leased lines-terminal segments, which allows for easy tracking the sub-segments used to build a leased line-terminal segment, their technical characteristics and the tariff for the respective product.

Based on the RIO, at the end of 2004, 3 providers had already concluded interconnection agreements with S.C. Romtelecom S.A. for leased lines-terminal segments services, while another agreement was being negotiated.

## 8.4. Surveillance and control

On the leased lines and data transmission market, in 2004, ANRC carried out 644 control actions, during which 311 contraventions were reported, for one of which the ANRC President issued a notification.

The main breaches found at the providers on this market consist of transmission of data inconsistent with the actual on-site situation. The most important breach of the legislation was the provision of electronic communications networks or services by persons who were not authorised for this type of activity, for which the ANRC President enforced sanctions according to the legal provisions.

## 9. Postal services

### 9.1. Overview

ANRC removed the barriers at the market entry of the new players on the postal services market, requiring a plain notification from a company that intends to provide postal services within the scope of the general authorisation regime (services outside the scope of universal service). This simple notification procedure stimulated the development of the Romanian market of postal services, therefore the number of authorised postal service providers increased from 3 authorised providers in 1999, to 138 providers, at the end of 2004.

The National Company Romanian Post S.A. (CNPR) - the postal services provider with the largest distribution network in Romania is the only company that required and has been granted an individual licence for the provision of postal services within the scope of universal service.

At present, major international providers of postal services offer their services on the Romanian market, too. The most vivid competition is registered in the following markets: express domestic and cross-border courier services, direct mail and cross-border packages. Most of these providers chose to use their own postal network. Nevertheless, in 2004, more and more providers established partnerships, based on agreements of access to postal networks.

At the end of 2004, 40,803 people worked in the postal services sector. The number of postal items processed in 2004 that were the object of services within the scope of universal service is presented below:

<b>Postal items within the scope of universal service</b>	<b>2004</b>
Domestic postal items weighing up to (including) 2 kg	267,388,807
Cross-border postal items weighing up to (including) 2 kg	11,947,182
Domestic packages weighing between 2 kg and (including) 10 kg	1,182,820
Cross-border packages weighing between 2 kg and (including) 10 kg	89,040

Incoming cross-border packages weighing between 10 kg and 20 kg	68,592
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Furthermore, the number of postal items processed in 2004, which were the object of services outside the scope of universal service is itemised below:

<b>Postal items outside the scope of universal service</b>	<b>2004</b>
Domestic postal items weighing up to 2 kg	294,688,895
Cross-border postal items weighing up to 2 kg	725,480
Domestic packages weighing between 2 kg and 50 kg	2,851,871
Cross-border packages weighing between 2 kg and 50 kg	2,105,981

The experience of the countries that fully or partially liberalised the postal services market proved that, within an efficient regulatory frame, competition drives to higher quality services and lower tariffs, thus stimulating productivity and economic growth.

## **9.2. Authorised providers**

In 2004, the number of companies authorised to provide postal services under the general authorisation regime reached 138. Only one of these – CNPR – is the holder of an individual licence, thus being designated as a universal service provider.

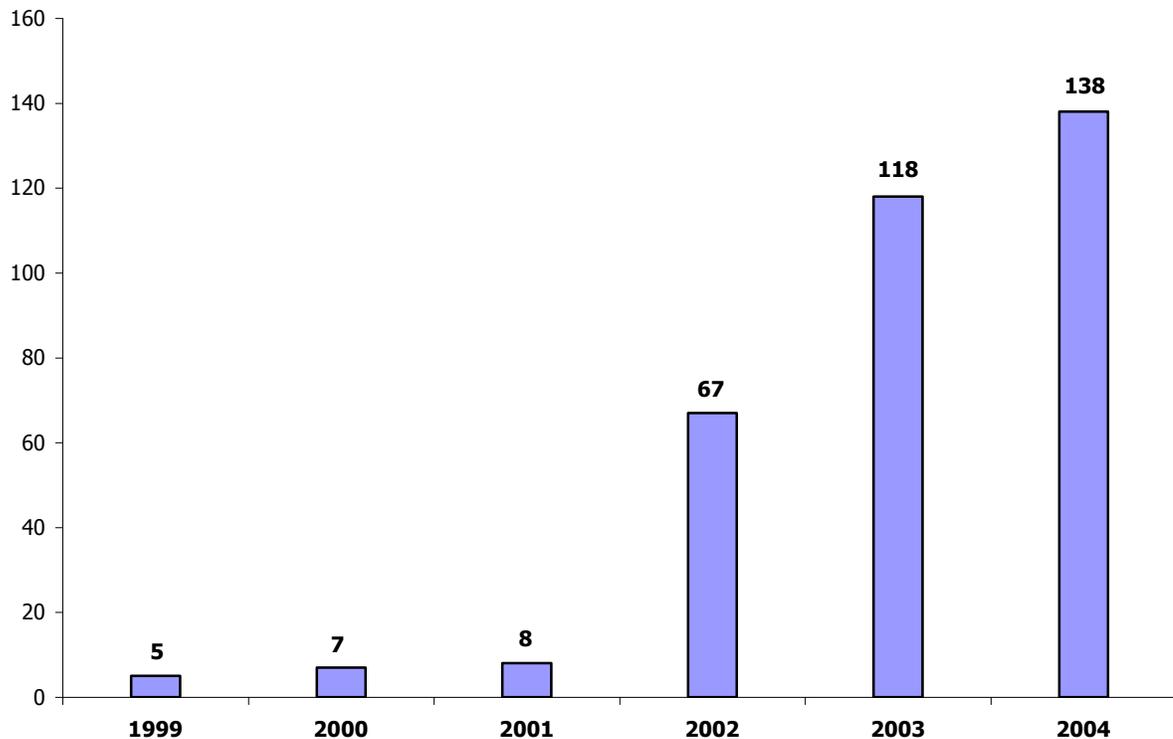
In 2004, ANRC received 30 notifications regarding the provision of postal services based on the general authorisation regime, 15 requests for amending the existing notifications on the provision of postal services and issued 42 standards certificates. As well, the Authority received 23 requests of withdrawal of the right to provide postal services, which triggered the respective companies' removal from the Official Record of the Postal Services Providers.

Evolution of the postal services market in the period 1999<sup>9</sup> - 2004, featured as numbers of authorised companies, is presented in chart 9.1. below.

Chart 9.1. Evolution of the postal services market (number of authorised companies), 1999 – 2004

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<sup>9</sup> 1999 is the year of the liberalisation of postal services market.



*Source: ANRC*

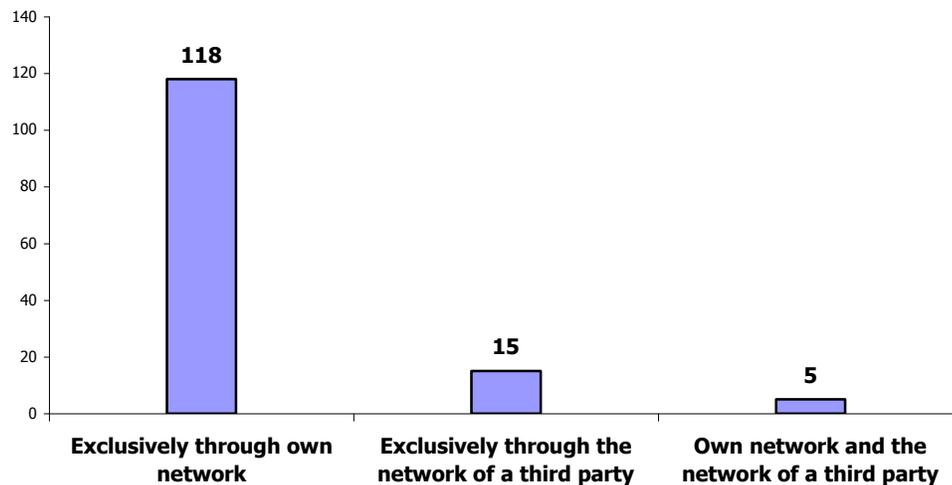
Although the postal services market continued the growing trend, CNPR is still the most important provider, with the largest turnover and the widest range of services.

Apart from CNPR, well-known providers on the international market of postal services are also present on the Romanian market: S.C. DHL International Romania S.R.L., S.C. TNT Romania S.R.L., S.C. Trans Courier Service (TCS) S.R.L., S.C. International Romexpress Service LTD S.R.L.. Romanian providers such as S.C. Pegasus Courier S.R.L., S.C. Fan Courier Express S.R.L. witnessed steady development, while the new entrants of 2004 contributed to fostering competition on the postal services market. Part of the providers chose to establish partnerships: for example, in the county of Timis, S.C. World Media Trans S.R.L collaborates with TCS - the UPS representative in Romania.

Although the activity in the postal services sector does not necessarily require a provider's own infrastructure, most of the providers prefer to provide postal services through their own postal networks. The year 2004 outstands by the increasing number of postal service providers working in partnership with other authorised providers, from 9% to 15%.

Thus, 118 authorised providers of postal services (85%) work exclusively through their own distribution network, 5 providers (4%) work both through their own network and through the network of a third authorised party's network and 15 providers (11%) chose to work exclusively through a third authorised party's network (see chart 9.2).

Chart 9.2. Networks used for the provision of postal services



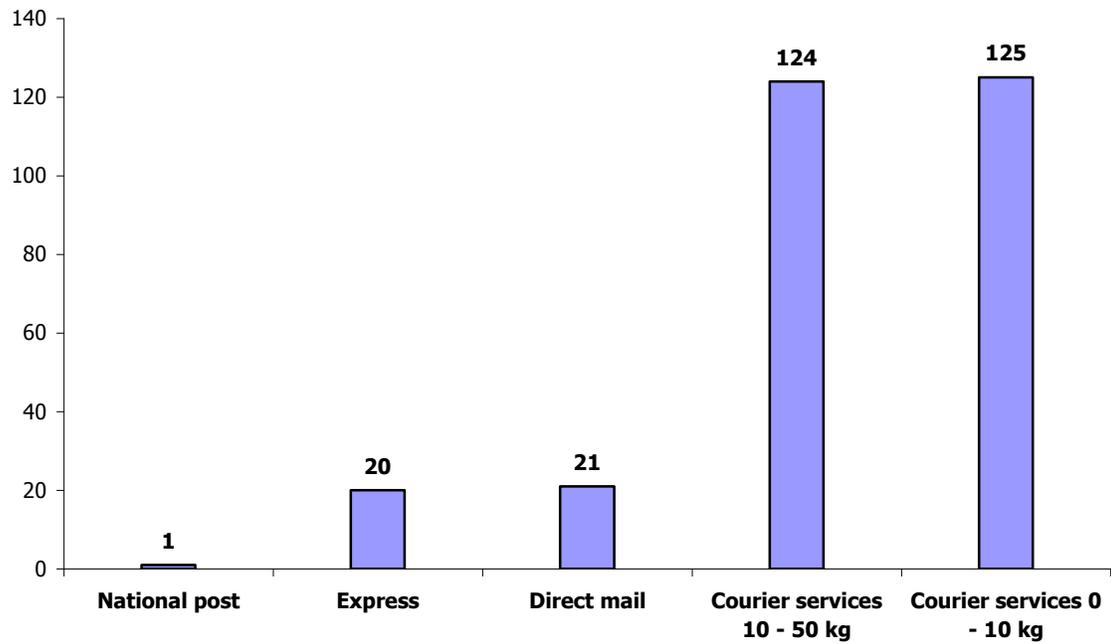
Source: ANRC

Authorised postal service providers offer the following services:

- *value-added services* (Chart 9.3.) - 133 providers (*note: each of these providers may offer one or several services*), of which:
  - 125 providers offer courier services within the weight range 0-10 Kg (of which 8 providers offer exclusively within the weight range 0-10 kg, and 117 providers also offer services within the weight range 10-50 kg);
  - 124 providers offer courier services within the weight range 10–50 Kg (of which 10 providers offer exclusively within the weight range 10-50 kg, and 114 providers also offer services within the weight range 0-10 kg);
  - 20 providers offer express services;
  - 21 offer direct mail services;
  - 1 provider offer domestic postal services;
- *non – value-added services* (Chart 9.4.) within the weight range 10-50 kg - 116 providers, of which:
  - 116 offer courier services;
  - 15 providers offer also direct mail services;
  - 1 provider offers both domestic postal services and financial-postal services.

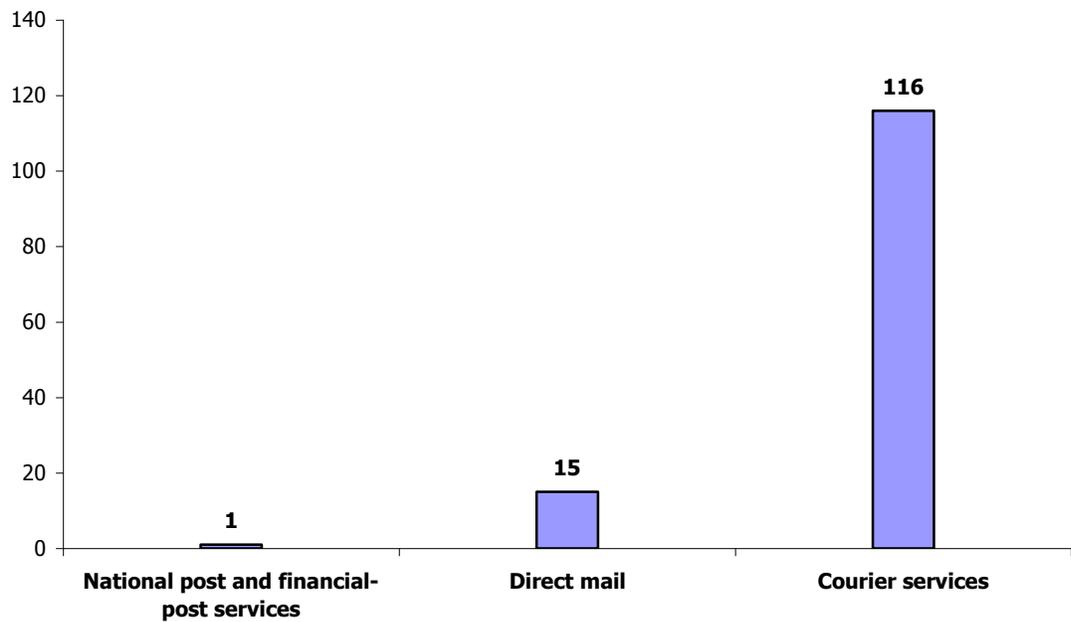
CNPR is the only provider offering the complete set of domestic value-added postal services, non – value-added postal services and financial-postal services.

Chart 9.3. Number of providers authorised to offer value-added postal services



Source: ANRC

Chart 9.4. Number of providers authorised to offer non – value-added postal services



Source: ANRC

### **9.3. Surveillance and control**

The *ANRC President's Decision no.1301/2004 on reporting certain statistical data by the providers of postal services* provides the obligation of postal services providers to communicate ANTC, on a yearly basis, for statistical purpose, certain data: volume of postal items processed for each type of service offered to the users, the applicable tariffs and discounts, number of employees. These data offer ANRC an accurate image on the structure and development of the market, and provide information for the purpose of conducting reports, studies and analyses; moreover, these data provide support-elements for the surveillance and control activities of ANRC.

On national level, ANRC carried out 1854 control actions on the postal services market in 2004 and reported 171 contraventions, most of which were remedied on the spot, following the measures enforced by the ANRC authorised personnel. Some of these control actions were initiated by ANRC upon receiving complaints or petitions from the end-users, while other control actions were aimed to identify unauthorised postal service providers.

## **10. ANRC**

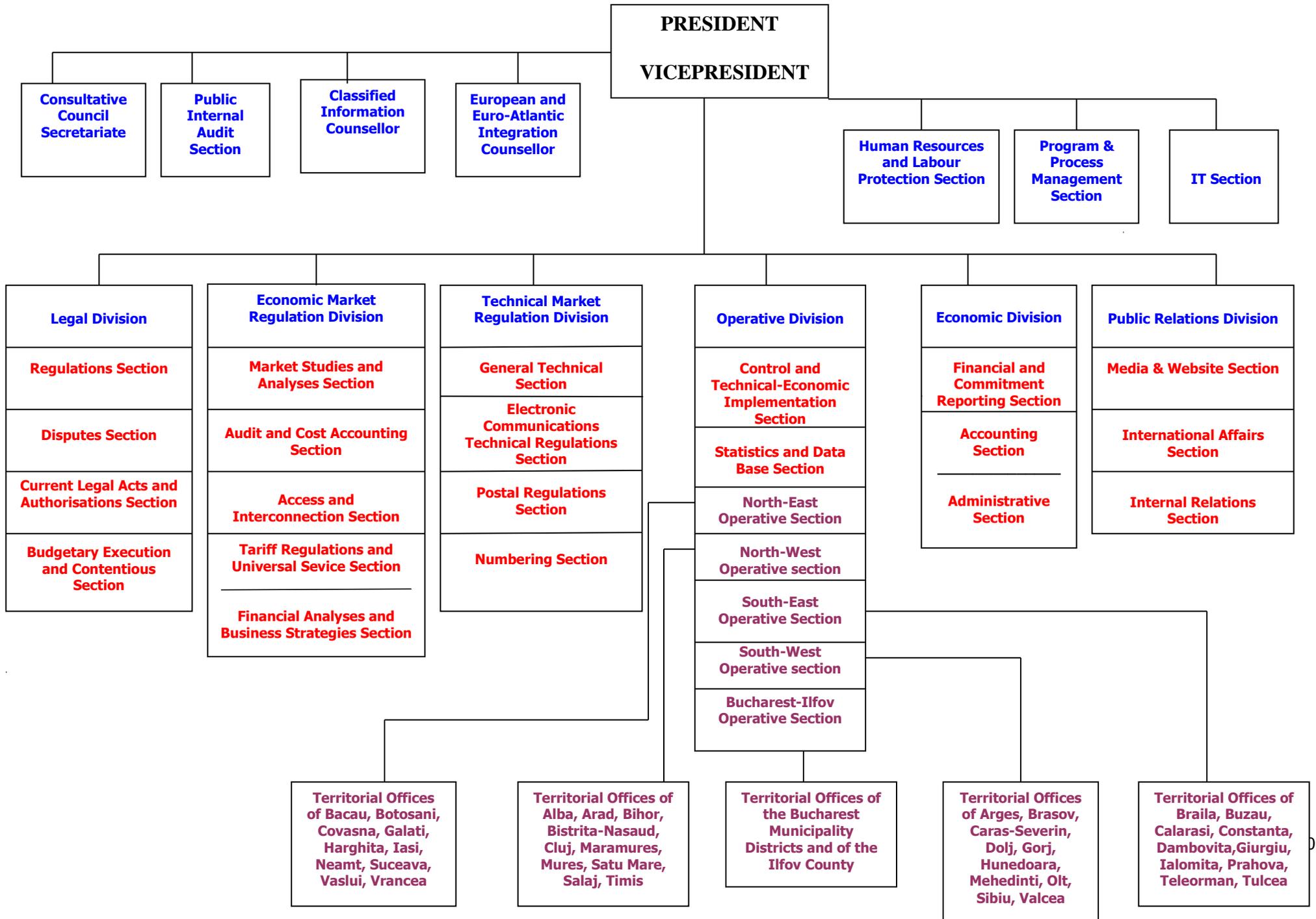
### **10.1. Structure of ANRC personnel**

The activity of ANRC is coordinated by a president and a vice-president, appointed by the prime-minister of Romania for a 5-year period.

ANRC is assisted in its activity by the Consultative Council, a body which assembles representatives of ANRC, of other state institutions, of the industry and of civil society.

As the necessity of redrawing the organisation chart according to the current modernisation tendencies in the public administration arose, in (mid- and end-) 2004, ANRC underwent a process of renewal and re-organisation of its internal structure and a new distribution of its attributions on divisions. Thus, at present, ANRC is organised in 6 divisions structured on 26 specialised sections, as well as 4 specialised services in the direct subordination of the ANRC management. For a better representation in the country and for a more effective control activity, ANRC comprises 4 operative services, each coordinating the activity of 10 territorial offices, grouped by geographical areas, as well as an operative section coordinating the activity of the territorial offices of Ilfov and of the 6 districts of Bucharest. The ANRC territorial offices do not have their own legal status as legal persons, are located in each municipality that is a county capital and in each district of the Bucharest municipality. Each of these offices is assigned one inspector and one expert, who have the role of ensuring the exercise of the ANRC attributions in the territory. The ANRC organisation, at the end of 2004, is presented in Diagram 10.1..

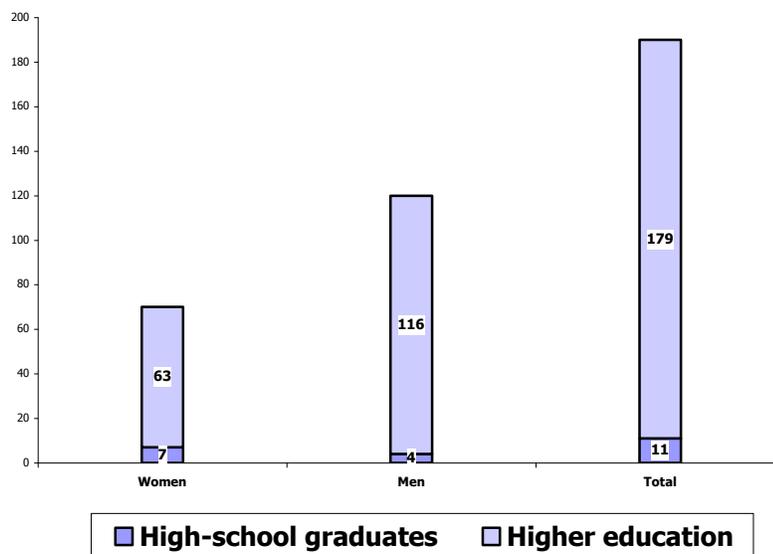
Diagram 10.1. ANRC Organisation Chart, End of 2004



As a result of the interviews held until the end of 2004, 98 of the 120 positions of the ANRC Bucharest-based headquarters were occupied, while 92 of the 94 positions in the organisation chart of the 47 ANRC territorial offices were occupied, therefore the degree of occupancy of the ANRC positions reached 88.79%. For the interviews and the selection procedures carried out in this period, the most modern and efficient methods and specific techniques were used, so as to employ the best specialists on the employment market in Romania.

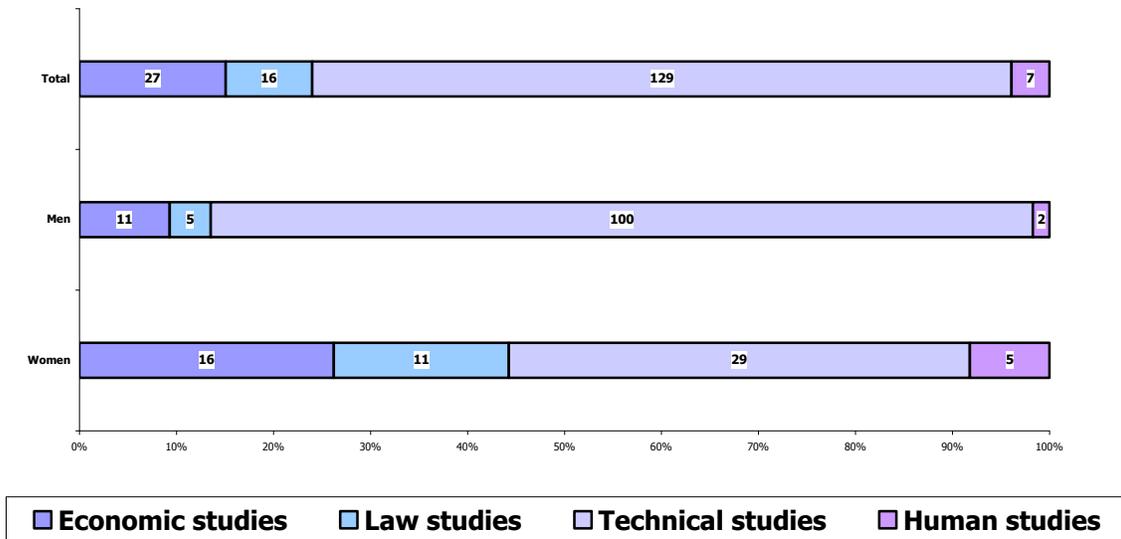
The realisation of an adequate institutional capacity was fostered by the human resources strategy, which followed certain fundamental guidelines: the existence of well-trained and sufficient personnel, capable of facing the specific requirements of this field (see Chart 10.2.); strengthening the team spirit and the group cohesion; appropriate endowment of the working spaces; creating the operational and legal support for ensuring the employees' health; financial independence and sufficient resources for an optimum operation of the institution.

Chart 10.2. Personnel structure, by education degree



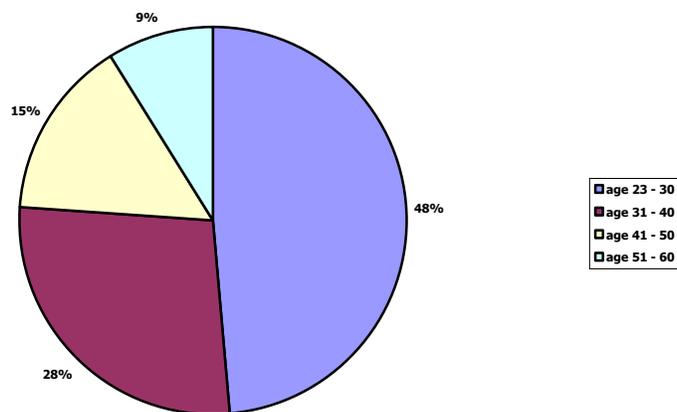
94.2% of the 190 ANRC employees hold a higher education degree, most of them in technical disciplines (129), followed by economists (27), Law School graduates (16) and humanities majors (7) (see chart 10.3).

Chart 10.3. Personnel structure, by background



In order to fulfil its mission, ANRC needs young and dynamic employees who are ready to answer the challenges of the Romanian electronic communications market. This is reflected by the very strong representation of the 20 to 30 years segment within ANRC (more than 55% of all the employees).

Chart 10.4. Personnel structure, by age segments



## 10.2. Strengthening institutional capacity

In 2004, ANRC benefited from the support of the European Union, by the implementation of a complex program of strengthening institutional capacity enhancement of the effort of transition to a competitive market electronic communications and postal services, Phare RO 0107.01 “*Strengthening the National Regulatory Authority for Communications (ANRC/NRAC)*”. This program was mainly focused on strengthening the regulatory capacity of ANRC for the purpose of elaborating, promoting and implementing the specific

regulatory measures according to the *acquis communautaire* and of the best European practices in the field, increasing the public awareness of the new regulatory regime, improving the professional training level of the employees, as well as the implementation of the ANRC portal as an on-line instrument of interaction with the public and with the service providers.

These activities aimed to foster operational homogeneity on the level of the ANRC organisation structure by the addition of new processes, the re-organisation of the existing ones and the integration of the processes and of the information they use, for the purpose of the efficient use of the organisational resources especially for the support of the processes in the main value chain: market analyses, regulation, surveillance and control, market regulation and development. The guidelines followed regarded the integration of information and of the knowledge basis of the organisation and introduction of a management system for the processes allowing a dynamic allocation and follow up of these. A concrete result of this process is the implementation, at the middle of 2004, of a new organisational structure, according to the *ANRC President's Decision no.1093/2004*.

In order to ensure an adequate institutional capacity, ANRC envisaged employing the best professionals on the labour market, following the optimisation of the personnel selection process, as well as the management of professional performance and of the personnel incentives by the implementation of a modern process of management of the ANRC employees' performances.

ANRC granted special attention to the sustained professional training activities of its employees by organising seminaries, debates and specialty courses, on topics such as interconnection, cost accounting and universal service. These courses will continue in 2005, accompanied by study tours to the similar organisations in the member states of the European Union. As well, the ANRC personnel benefited from dedicated training programmes for the improvement of internal and external communication process, of presentation skills, of the team spirit, by means of organising personal development sessions.

### **10.3. ANRC financing resources**

In order to finance its operational costs and the capital expenditures, ANRC benefits from the following sources, according to the provisions of art.41(1) of the *Framework-Ordinance*:

a) the annual monitoring tariff due in accordance with arts.47 and 48 of the *Framework-Ordinance*;

b) the annual monitoring tariff due by the providers of postal services in accordance with art.51 of the *Ordinance on Postal Services*;

c) the tariff for the use of numbering resources due in accordance with art.19(2) of the *Framework-Ordinance*;

d) other incomes ANRC may obtain in accordance with the provisions of the legislation in force.

As well, ANRC may accept donations, inheritances and sponsorships, in accordance with the legal provisions.

The above mentioned incomes shall fully retained as extra-budgetary incomes, on a permanent basis, at the ANRC disposal, and shall be used according to the provisions of the income and expenditure budget, approved in accordance with the legal provisions.

### **10.3.1. Monitoring tariff**

The main income source of ANRC is the monitoring tariff.

In the electronic communications sector, according to the provisions of art.47(1) of *the Framework-Ordinance*, "The providers of electronic communications networks and services authorised hereunder shall pay ANRC an annual monitoring tariff, calculated as a percentage from the turnover of each provider." As an exception, art.47(8) states that, "The persons authorised under art.4 who provide exclusively for their own needs electronic communications networks and services that are using radio-electric frequencies shall be exempted from paying the annual monitoring tariff."

For 2004, the persons obliged to pay a monitoring tariff were those persons who notified ANRC regarding their intention to start providing public electronic communications networks or publicly available electronic communications services prior to the deadline for the registration of annual balance sheets to the territorial units of the Ministry for Public Finances, according to the legislation in force in the field of finances and accounting.

According to art.47(2) of the *Framework-Ordinance* applicable to the turnover for 2003 for the purpose of establishing the monitoring tariff for 2004 was: 0.220089077269679%.

In the field of postal services, according to art.51 of the *Ordinance on Postal Services*, the tariff for the providers of postal services represents 0.1% of the turnover for the previous year of each postal services provider.

For 2004, the persons obliged to pay a monitoring tariff were obliged to pay a monitoring tariff those persons who notified ANRC regarding their intention to start providing postal services prior to the deadline for the registration of annual balance sheets to the territorial units of the Ministry for Public Finances, according to the legislation in force in the field of finances and accounting.

Both the providers of electronic communications and the postal services providers, upon ceasing activity in the fields of electronic communications or of postal services, owe a monitoring tariff calculated according to the provisions of art.48 of the *Framework-Ordinance*, respectively arts.51(6) and (7) of the *Ordinance on Postal Services*.

### **10.3.2. ANRC-managed financial receivables**

The categories of budgetary receivables due to ANRC are the following:

- a) the annual monitoring tariff due by the providers of electronic communications networks and services in accordance with arts.47 and 48 of the *Framework-Ordinance*;
- b) the annual monitoring tariff due by the providers of postal services in accordance with art.51 of the *Ordinance on Postal Services*;
- c) the tariff for the use of numbering resources<sup>10</sup> due by the holders of the individual licences for the use of numbering resources in accordance with art.19(2) of the *Framework-Ordinance*;
- d) the administrative fines applied on grounds of art.60(1) of the *Ordinance on Postal Services*, of art.19(1) of *Government Ordinance no.34/2002* and of art.56(1) of the *Framework-Ordinance*;
- e) the contributions owed by the providers of electronic communications networks and services for the compensation of the net cost of the provision of services within the scope of universal service, on grounds of point 3.4.3.3. of the *Policy and Strategy Paper on the implementation of universal service in the field of electronic communications* and of art.32(1) letter a) of the *ANRC President's Decision no.1074/2004*;
- f) interests and delay penalties due to ANRC in accordance with the legislation in the fiscal domain.

The management of the ANRC budgetary receivables shall be made in accordance with the provisions of the new Code for Fiscal Procedure, approved by *Government Ordinance no.92/2003*, republished.

#### **10.4. Financing universal service in the electronic communications sector**

The contributions owed by the providers of electronic communications networks and services, though they are incomes which are part of the ANRC budget, will be used exclusively for the compensation of the net cost of the provision of services within the scope of universal service.

Therefore, on grounds of the provisions of art.13(2) of the *Universal Service Law* and having regard to the provisions of point 4.3.3. of the *Policy and Strategy Paper on the implementation of universal service in the electronic communications sector*, as well as to the provisions of art.33(1) letter a), of art.34(1) and (2) and of art.39 of the *ANRC President's Decision no.1074/2004 on the implementation of universal service in the electronic communications sector*, amended and completed by the *ANRC President's Decision no.1188/2004*, the Authority issued decisions by which the providers of public networks of electronic communications or publicly available telephone services, with a turnover for the year 2003 exceeding or equal to EUR3 million, were imposed the payment of a contribution for compensating the net cost of the provision of services within the scope of universal service.

According to the provisions of art.33(1) letter a) of the *ANRC President's Decision no.1074/2004*, this contribution represented 0.8% of the respective providers' turnover, minus the revenues obtained from the interconnection and roaming services provided on

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<sup>10</sup> So far, ANRC has not charged a tariff for the use of the numbering resources.

the wholesale market to the mobile telephony operators from outside Romania for their users who are in Romania.

## 10.5. 2004 financial statements

Table 10.5.1. Balance sheet closed on December 31<sup>st</sup>, 2004

- ROL thousand -		
No. row	Indicators	Final value – end of year
	<b>A</b>	<b>1</b>
	<b>ASSETS</b>	
<b>A.</b>	<b>FIXED ASSETS, LAND, TECHNICAL EQUIPMENT AND OTHER ASSETS</b>	<b>55,576,266</b>
	Fixed assets and land	47,263,802
	Technical equipment a.s.o.	6,469,396
	Intangible assets	1,843,068
<b>B.</b>	<b>SOURCE OF FINANCE, PAYABLES, EXPENDITURES AND MATERIALS</b>	<b>922,090,461</b>
<b>3.</b>	<b>Budget of public institutions</b>	<b>922,090,461</b>
<b>3.1.</b>	<b>Liquidities</b>	<b>614,874,625</b>
	Liquidities of the public institution from extra budgetary revenues	614,803,599
	Special destination liquidities	71,026
<b>3.2</b>	<b>Source of finance and other values</b>	<b>234,951</b>
	Other values	234,951
<b>3.3</b>	<b>Payables and debtors</b>	<b>303,048,189</b>
	Other receivables	138,820,500
	Debtors	28,629
	Customers	164,199,060
<b>3.4</b>	<b>Expenditures</b>	<b>0</b>
<b>3.5</b>	<b>Materials</b>	<b>3,932,696</b>
	TOTAL ASSETS	977,666,727
<b>A.</b>	<b>FUNDS</b>	<b>24,646,146</b>
	Assets in public state property	425,879
	Assets in private state property	18,262,152
	Technical equipment fund	5,958,115
<b>B.</b>	<b>BUDGET FINANCING, OWN REVENUES, PAYABLES AND OTHER SOURCES</b>	<b>953,020,581</b>
<b>3.</b>	<b>Budgets of the public institution</b>	<b>953,020,581</b>
<b>3.1</b>	<b>Financing of the public institution</b>	<b>0</b>
<b>3.2</b>	<b>Extra-budgeting revenues</b>	<b>155,424,607</b>
	Extra-budgeting and carried over revenues of the public institution	155,424,607
<b>3.3</b>	<b>Payables, creditors and other sources</b>	<b>797,595,974</b>
	Staff costs	2,328,531
	Creditors	630,822,882
	Payables to the state budget	4,234,410
	Payables to the state social security budget	4,140,896
	Suppliers	108,847
	Payables to the unemployment contributions	454,054
	Accrued income	155,506,354
	<b>TOTAL FUNDS</b>	<b>977,666,727</b>

Table 10.5.2. Details of expenses as of December 31<sup>st</sup>, 2004

<b>No. row</b>	<b>Indicators</b>	<b>Code</b>	<b>Provisions initially approved</b>	<b>Definitive provisions</b>	<b>Payments</b>	<b>Expenditure</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>01</b>	<b>Expenses (code 01 + 69 + 78)</b>		<b>305,000,000</b>	<b>884,409,197</b>	<b>186,414,698</b>	<b>674,280,352</b>
<b>02</b>	<b>A. OPERATING EXPENDITURES (code 02+ 20 + 34 + 36 + 38 + 49)</b>	<b>01</b>	<b>194,330,000</b>	<b>773,739,197</b>	<b>143,187,324</b>	<b>631,052,978</b>
<b>03</b>	<b>TITLE I. STAFF COSTS (code 10 + 11 + 12 + 13 + 14 + 15 + 16)</b>	<b>02</b>	<b>110,180,000</b>	<b>110,180,000</b>	<b>96,818,884</b>	<b>101,616,286</b>
04	Salaries	10	67,000,000	67,000,000	62,893,842	66,969,006
05	Contributions to the social security fund	11	14,740,001	14,740,001	13,168,368	13,167,598
06	Contributions to the unemployment fund	12	2,010,000	2,010,000	1,813,673	1,997,060
07	Contributions to the health social insurance	13	4,690,000	4,690,000	4,156,096	4,659,806
08	Travels, missions and transfers expenditures	14	17,404,999	17,404,999	12,252,123	12,252,123
09	Internal travels, missions and transfers expenditures	14.01	7,404,999	7,404,999	3,420,570	3,420,570
10	External travels expenditures	14.02	10,000,000	10,000,000	8,831,553	8,831,553
11	Lunch tickets	15	4,000,000	4,000,000	2,206,751	2,206,751
12	Contributions to the insurance fund for labour accidents and professional diseases	16	335,000	335,000	328,031	363,942

<b>13</b>	<b>TITLE II. MATERIALS AND SERVICES EXPENDITURES</b>					
	<b>(code 24 + 25 + 26 + 27 + 28 + 29 + 30)</b>	<b>20</b>	<b>84,150,000</b>	<b>460,765,978</b>	<b>46,368,440</b>	<b>326,643,473</b>
14	Administrative expenditures	24	33,950,000	33,950,000	26,217,406	25,968,905
15	Central heating	24.01	800,000	800,000	404,678	404,678
16	Power and motion expenses	24.02	1,000,000	1,000,000	579,970	579,970
17	Utilities	24.03	800,000	800,000	89,386	89,386
18	Post, telephone, telex, radio, television, fax, Internet	24.04	15,505,000	15,505,000	11,559,022	11,513,795
19	Office furniture	24.05	3,595,000	3,595,000	2,708,556	2,708,556
A	B	C	1	2	3	4
20	Cleaning materials	24.06	900,000	900,000	518,986	518,986
21	Other materials and services	24.07	11,350,000	11,350,000	10,356,808	10,153,534
22	Operational materials and services	25	33,000,000	33,000,000	11,390,375	11,390,375
23	Other operational materials and services	25.09	33,000,000	33,000,000	11,390,375	11,390,375
24	Technical equipment with limited lifetime and value	26	2,000,000	4,000,000	1,559,428	1,559,428
25	Other technical equipments with limited lifetime and value	26.03	2,000,000	4,000,000	1,559,428	1,559,428
26	Current Repairs	27	2,000,000	2,000,000	542,993	542,993
27	General overhauling	28	1,000,000	1,000,000	0	0

28	Books, published works	29	1,000,000	1,000,000	2,402	0
29	Other expenditures (code 30.01 – 30.07)	30	11,200,000	387,815,978	6,655,836	287,181,772
30	Professional qualification, specialisation and training	30.01	3,820,000	3,820,000	3,318,758	3,318,758
31	Protocol	30.02	6,000,000	6,000,000	3,082,660	3,191,507
32	Labour protection	30.03	200,000	200,000	141,186	141,186
33	Other expenses authorised by legal provisions	30.07	1,180,000	377,795,978	113,232	280,530,321
34	<b>TITLE V. TRANSFERS (code 40)</b>	<b>38</b>	<b>0</b>	<b>202,793,219</b>	<b>0</b>	<b>202,793,219</b>
35	Unconsolidated transfers (code 40.98)	40	0	202,793,219	0	202,793,219
36	Other transfers	40.80	0	202,793,219	0	202,793,219
<b>37</b>	<b>B. CAPITAL EXPENDITURES (code 70)</b>	<b>69</b>	<b>85,670,000</b>	<b>85,670,000</b>	<b>26,871,874</b>	<b>26,871,874</b>
<b>38</b>	<b>TITLE VII. CAPITAL EXPENDITURES (code 74)</b>	<b>70</b>	<b>85,670,000</b>	<b>85,670,000</b>	<b>26,871,874</b>	<b>26,871,874</b>
39	Capital investment of public institutions and self financing	74	85,670,000	85,670,000	26,871,874	26,871,874
<b>40</b>	<b>C. FINANCIAL OPERATIONS (code 84)</b>	<b>78</b>	<b>25,000,000</b>	<b>25,000,000</b>	<b>16,355,500</b>	<b>16,355,500</b>
<b>41</b>	<b>TITLE IX. CREDIT REIMBURSEMENT, INTEREST PAYMENTS AND CREDIT COMMISSIONS (code 88)</b>	<b>84</b>	<b>25,000,000</b>	<b>25,000,000</b>	<b>16,355,500</b>	<b>16,355,500</b>
42	Reimbursement of internal credits, interest and commission payments	88	25,000,000	25,000,000	16,355,500	16,355,500
43	Reimbursement of internal credits	88.01	25,000,000	25,000,000	16,355,500	16,355,500

Table 10.5.3 ANRC budgeting as of December 31<sup>st</sup>, 2004

No. row	Indicators	Code	Provisions initially approved	Definitive provisions	Collected
A	B	C	1	2	3
I	REVENUES - TOTAL, out of which:	23.03	305,000,000	884,409,197	801,673,430
1	Collection of the annual monitoring tariff	23.03.78	218,000,000	218,000,000	190,214,411
2	Revenues from the electronic communications turnover share	17.20	0	579,409,197	483,210,308
3	Revenues from other sources				
No. row	Indicators	23.03.00 Code	87,000,000 Provisions initially approved	87,000,000 Definitive provisions	128,248,711 Collected
A	B	C	1	2	3
II	EXPENDITURES (1+2+3)	68.03.50	305,000,000	884,409,197	186,414,698
1	Staff costs	02	110,180,000	110,180,000	96,818,884
2	Material and services expenditures + transfers	20	84,150,000	663,559,197	46,368,440
3	Capital expenditure	70	85,670,000	85,670,000	26,871,874
4	Credit reimbursement	84	25,000,000	25,000,000	16,355,500
III	BUDGET SURPLUS	98.03	0	0	615,258,732

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