GLOBAL INFORMATION SOCIETY WATCH 2008

Focus on access to infrastructure

Global Information Society Watch
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CROATIA

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Introduction

The Croatian telecoms market has been shaped by the country's bid to join the European Union (EU), resulting in market liberalisation and the creation of a regulatory environment conducive to competition.

In most European countries, the public switched telephone network (PSTN), which has been developed over more than 100 years, is now declining in terms of the number of subscribers and revenue. However, according to a 2007 comparative report by Cullen International that looked at countries in South East Europe (SEE), Croatia still has growth in fixed telephony revenues, while the number of subscribers is more or less stable (Cullen International, 2007).

The digitalisation of fixed networks is crucial for the provision of value-added services and for increasing the quality of service for customers. Croatia has been 100% digital since January 2003. Competition is relatively strong, and alternative operators have taken more than 20% of the market share in the broadband access market (Cullen International, 2007).

The main strategic goal of the Croatian government in the area of broadband internet access is to achieve 500,000 broadband connections before the end of 2008 (a 12% penetration rate). Last year the number of broadband users rose to about 380,000 users, which means that the penetration achieved is 8% in relation to the number of residents, or more than 25% in relation to the number of households (e-Croatia, 2008).

The total number of internet users in the country in July 2007 (including broadband and other types of connections) amounted to 1,909,000, which means that internet penetration was at 43% (e-Croatia, 2008). According to the Cullen International report, in 2007 there were 1,684,600 internet users, or 37.94% of the population. There has been little change in the cost of access during this latest reporting period (2005-2007), so there is no visible correlation between lower costs and increased internet penetration rates. In fact, although Croatia has one of the highest access costs among SEE countries (second only to the former Yugoslav Republic of Macedonia) it has the highest internet penetration rate (Cullen International, 2007).

Results of a study published in 2006 showed that in terms of their availability on the internet, public services for business scored 60.41% and those for citizens scored 46.48% (e-Croatia, 2006).

The mobile market segment is growing significantly, with mobile penetration exceeding 100% of the population in 2007. Third generation (3G) and high-speed downlink packet access (HSDPA) services have been launched. Statistics suggest the mobile data market has reached critical mass and is entering a significant growth phase, an observation reinforced by news of the late 2007 launch of mobile voice over internet protocol (VoIP) services by one of the established mobile network operators.

Physical access to technology

The fact that Croatia has a very developed nationwide digital network, mainly owned or controlled by the incumbent operator T-Com, has not sped up the introduction of broadband in many rural and remote areas. In Croatia there are around 2,200 local exchange services, most of them with so few users or situated in areas so remote that installation of a digital subscriber line (DSL)/multiservice access node (MSAN) would not be profitable. They are therefore ignored by profit-driven private companies. Since even the incumbent operator is privatised, it is not realistic to expect that these remote areas and small exchange offices will become "broadband capable" anytime soon.

This creates unfavourable conditions for people and businesses in these areas where wireless solutions enabling mobile or satellite connections are the only option, because these are still very expensive in comparison to ADSL or cable broadband.

Being aware of the fact that broadband, without adequate content, is not enough to stop the depopulation of distant islands, the Ministry of Science, Education and Sports, the Central State Administrative Office for e-Croatia, the Croatian Telecommunications Agency, and the Croatian Academic and Research Network (CARNet) have developed a project which enables distance learning in regional schools on poorly inhabited islands by connecting them to schools on the mainland.[1]

In order to address the lack of physical access in rural areas, the Teleaccess Project is being implemented by the Central State Administrative Office for e-Croatia in cooperation with the business incubator Skrad-PINS d.o.o. and the local economic development agency LEDA Vinkovci. The Teleaccess Project[2] has established telecentres where citizens can use computers, access the internet and get acquainted with other modern technologies. The mission of the Telecentar, as these facilities are known, is to educate the population in local and rural regions through various interactive workshops and seminars, and to improve communication and

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1 e-hrvatska.hr/sdu/en/ProgramEHrvatska/Provedba/Broadband.html

2 www.e-croatia.hr/sdu/en/e-hrv/vijest.html?h=/en/e-hrv/newLeftBanner/0

the practical use of new technologies, which will ultimately improve their competitiveness in the labour market. Similar projects were implemented in rural areas several years ago, but as initiatives by civil society organisations.

Despite good access statistics, the rural areas are not the only ones to face real access challenges. A significant number of people living in big cities are also deprived of a broadband connection to their home. This is because T-Com allegedly has an undeclared number of so-called pulse-code modulation (PCM) lines, where a single copper pair is divided between four or eight customers, offering telephone services that cannot even get a decent dial-up connection – not to mention broadband. At the same time, if the line is shared with several users, it becomes difficult for one user to switch to another operator. The incumbent is also refusing to give access to some local exchanges, and arbitrarily decides who will be allowed to switch to an alternative provider and who will not. According to a famous blogger specialising in telecommunications, T-Zombix, this situation results in a weakening of competition and effectively forces most of the competitors to shut down operations or at least slow down development.

Easy access to information and communications technologies (ICTs) is a prerequisite for participation in an information society. E-inclusion also refers to the extent to which ICTs help to equalise and promote participation in society at all levels (i.e., social relationships, work, culture, political participation, etc.) (Karzen & Karzen, 2007).

The implementation plan for the e-Croatia programme in 2008 is a key government document. The most significant part of this year's plan is the creation of a development strategy for e-management, with the aim of creating conditions for building a common platform for public administration. This will enable central authorisation and authentication services based on the electronic identity of citizens.

Generally, however, ICTs for inclusion in Croatia is still at its pre-infancy stages. One reason for this is the lack of capacity, particularly in the educational community. There is also a lack of awareness amongst policy-makers within the relevant ministries on e-inclusion issues and related best practices.

In June 2007, the Croatian Parliament passed a new strategy for people with disabilities for 2007-2015. Specifically, the document states: "For the full integration of disabled persons, it is necessary to ensure equal access to services, which indicates better accessibility to orthopaedic aid equipment, modern technologies and universal design."

However, most of the websites for public bodies are not completely accessible to persons with visual impairments. Also, e-learning systems that have been developed at universities in Croatia mostly neglect students with special needs.

An exception is the central governmental portal (www.mojauprava.hr) which is compliant with the standards set by the World Accessibility Initiative (WAI). It is also encouraging that key stakeholders, including non-governmental organisations (NGOs), private information technology (IT) companies and the state company for IT support (APIS-IT), as well as representatives of several university faculties, have expressed their interest in participating in activities related to e-inclusion, particularly e-accessibility, initiated by civil society. For example, the Croatian Association for the Blind has cooperated with the University of Zagreb's Faculty of Electrical Engineering and Computing to develop a "talking" software programme for the blind (currently being used by the University of Zagreb's School of Philosophy and the city of Velika Gorica's libraries) (Karzen & Karzen, 2007).

Legislation

SMP regulations

The concept of significant market power (SMP) is one of the central elements of the EU regulatory regime for electronic communications. Once an operator has been deemed as having SMP in a specific telecommunications market, it may subsequently be subject to asymmetric regulatory obligations.

In the 2003 acquis, an operator is presumed to be dominant in a relevant market only when its market share exceeds 40%. However, any final determination of SMP must take other factors into consideration, such as the control of "essential facilities" and the absence of potential competition. Furthermore, regulatory obligations on operators with SMP are not pre-defined in the legislation, but imposed by the national regulatory agency (NRA) after analysing the market (Cullen International, 2007).

In practice the regulator has no discretionary powers for imposing regulatory obligations on the relevant markets defined in accordance with the new EU regulatory framework. The primary law still defines a fixed set of regulatory obligations for SMP operators, in line with the rules of the open network provision (ONP) interconnection directive. Therefore, the new procedures will not be applied before the adoption of a new law based on the EU 2003 acquis, which was expected in early 2008 (Cullen International, 2007).

At a session held on 29 May 2008, the government accepted a draft proposal for the Electronic Communications Act. The new act provides further alignment with the EU legal acquirement.

According to T-Zombix, since nothing crucial has changed in the draft, the fact remains that the incumbent is still controlling all of the infrastructure.

On 14 September 2006 the NRA designated T-Com and its 100%-owned subsidiary, Iskon Internet, as jointly having SMP in the national market for fixed public telephony networks and services, and in the national market for transmission of voice, sound, data, documents, pictures and other media over fixed networks (Cullen International, 2007).

Access costs

Low-income tariff options for fixed-line telephony typically have monthly rental prices that are much cheaper than normal tariffs. The package also typically includes a limited

number of free or cheap call units. Once this quota has been exhausted, the user has to pay tariffs that are significantly more expensive than the normal tariff. The low-income tariff package is therefore unattractive for normal consumers, but may meet the basic communications needs of a low-income family (Cullen International, 2007).

T-Com has a tariff scheme whereby all national calls are charged at the same rate as a local call. This means that while a three-minute local call in Croatia has a relatively high price, the price for a three-minute national long-distance call is relatively low – less than half of the European average (Cullen International, 2007).

A straight comparison shows that mobile tariffs for Croatia are below the EU median. However, a comparison that includes PPP (purchasing power parity) shows that the local tariffs are well above the EU average. International tariffs in Croatia are moderately higher than the EU average. Amongst SEE countries, the only country that has more expensive dial-up access than Croatia is Macedonia (Cullen International, 2007).

Action steps

At this stage, policy initiatives are required in order to ensure accessibility to all public e-services for persons with disabilities and the elderly. Relevant ministries should:

- Improve the capacity of public administrations for planning and implementing e-inclusion measures. In particular, this refers to the capacity to integrate accessibility requirements into the technical specifications of public procurement procedures.

- Ensure sufficient funding for civil society initiatives in the area of e-inclusion.

- In collaboration with all stakeholders, establish a continuous monitoring mechanism that focuses on the accessibility of public e-services.

- In addition, actions to raise awareness on data storage and privacy issues should be conducted by civil society organisations in collaboration with stakeholders from the business sector and relevant state agencies. ■

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GLOBAL INFORMATION SOCIETY WATCH or **GISWatch** has three interrelated goals:

- **Surveying** the state of information and communication technology (ICT) policy at the local and global levels

- **Encouraging** critical debate

- **Strengthening** networking and advocacy for a just, inclusive information society.

Each year the report focuses on a particular theme. **GISWatch 2008** *focuses on access to infrastructure* and includes several thematic reports dealing with key access issues, an analysis of where global institutions stand on the access debate, a report looking at the state of indicators and access, six regional reports and 38 country reports.

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