

The transformation of the telecommunications market in Poland against EU

Agnieszka Budziewicz-Guźlecka

University of Szczecin

Faculty of Management and Economics of Services

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Abstract

The purpose of this article is to present the state of development of the sector Telecommunications market in Poland. The paper will be presented the process of liberalization of the Polish telecommunications market in terms adapting to law the EU. The article aims at presenting telecommunication markets in Poland and their prospective changes. The article points to the problem of the digital divide and propose a model for the fight against digital exclusion.

Introduction

The telecom market has been attracting competitors and undergoing major changes. The most typical qualities of the market transformation include the following: on the supply side, telecommunication services are provided by new domestic companies and allied with them foreign entities, entry of global operators on domestic telecom services markets, usually by acquiring a stake in domestic companies. Such new entities at the supply side of the market can be divided into two groups competing with traditional operators, namely (companies originating from the telecom market which seek new growth opportunities in other countries based on their accumulated capital and considering exhausted growth capacity on their domestic markets, and companies from other sectors, in particular those operating based on the network infrastructure (e.g. rail, power), as well as hi-tech sector companies (e.g. IT companies).

Some of activities aimed at creating a competitive market, on the path to the single European market, include demonopolization and liberalization of the telecommunication services.

Regulatory issues of the EU telecom market

The EU regulatory framework consists of a number of laws specified below.

Directive 2002/21/EC of the European Parliament and the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive), OJ L 108, 24.04.2002.

Directive 2002/20/EC of the European Parliament and the Council of 7 March 2002 on the authorization of electronic communications networks and services (Authorisation Directive), OJ L 108, 24.04.2002.

Directive 2002/19/EC of the European Parliament and the Council of 7 March 2002 on access to, and interconnection of, electronic communications networks and associated facilities (Access Directive), OJ L 108, 24.04.2002.

Directive 2002/22/EC of the European Parliament and the Council of 7 March 2002 on universal services and users' rights relating to electronic communications networks and services (Universal Services Directive), OJ L 108, 24.04.2002.

Directive 2002/58/EC of the European Parliament and the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications), OJ L 201, 31.07.2002.

Directive 2002/77/EC of the European Parliament and the Council of 16 September 2002 on competition in the markets for electronic communications networks and services, OJ L 349, 17.09.2002

In November 2009, the regulatory framework for electronic communications was adopted, whereas its transposition to national bodies of law in member states was to take place by May 2011. The framework consisted of the following:

- Regulation of the European Parliament and of the Council no. 1211/2009 of 25 November 2009 establishing the Body of European Regulators for Electronic Communications (BEREC),

- Directive of the European Parliament and of the Council 2009/136/EC of 25 November 2009 amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in

the electronic communications sector and Regulation no. 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws,

- Directive of the European Parliament and of the Council 2009/140/EC of 25 November 2009 amending Directives 2002/21/EC on a common regulatory framework for electronic communications networks and service, 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities and 2002/20/EC on the authorisation of electronic communications networks and services.

The new pieces of EU legislation aimed at further strengthening of consumer rights. New provisions provided users with the right to change fixed line or mobile phone operators while keeping the same phone number within one working day. Now, consumers need to be informed in detail about products and services they use. According to new regulations, contracts must contain information about the minimum quality of services provided and compensation once the provider fails to meet such requirements.

Furthermore, protection against spam and data loss has been increased. Internet providers, banks, and telecom operators are required to protect personal data of users, their e-mail addresses, information about on-line banking accounts and provide information to customers and authorities about any loss or leakage of data. (Solek, Kuder 2010)

Based on new laws, the Body of European Regulators for Electronic Communications (BEREC)¹ was established. The BEREC comprises heads of national telecom regulators from all 27 member states. The BEREC is an advisory body supporting national telecom regulators, in particular regarding their regulatory decisions having cross border impact.

Regulatory issues in Poland telecom market

Regulatory authority in Poland is the Office of Electronic Communications. The President of the Office of Electronic Communications is a regulatory authority responsible for telecommunications and postal activities, frequency resources management and compliance with criteria relating to electromagnetic compatibility.

The scope of tasks performed by the President of UKE is defined by the following legal acts:

- the Act of 16 July 2004 - Telecommunications Law (Telecommunications Act),
- the Act of 23 November 2012 - Postal Law (Postal Act),
- the Act of 30 August 2002 on conformity assessment system,
- the Act of 13 April 2007 on electromagnetic compatibility,
- the Act of 14 September 2012 on obligations relating to information on energy consumption by energy-using products, and control of the labelling of office equipment programme implementation,
- the Act of 7 May 2010 on supporting the development of services and telecommunications networks,
- the Act of 30 June 2011 on the launch of digital terrestrial television.

Telecommunications market in Poland

The Polish telecom market is **mature and** competitive. However, contrary to the Danish market, it is young. In the past, the regulator had to intervene and reduce rates on the cellular phone market, whereas in the years to come, market factors and competition between operators will come into play.

In order to meet the growing expectations of customers, operators need to invest in the development of their infrastructure. They seek alliances and new market segments that could improve their competitive position in the future.

In the coming years, the largest operators will continue implementing their current strategies of building telecom conglomerates offering a wide range of services from virtually every market segment. Of course, in the case of individual companies, benefits of their mainstream activity are going to be highlighted (e.g. cheaper IP based calls, mobility, digital quality of communication channel, etc.). The more services, the more sales opportunities and thus the greater loyalty of customers. The latter becomes very important when the market becomes highly saturated.

In the case of the fixed line phone segment, still several years ago, based on the analysis of the Danish market (as of 2014 Denmark 44% and Poland 30%) with relatively higher saturation as regards the fixed line phone than in Poland, we could assume that after a downturn period the increase in the income generated by households may have a positive influence on the growth of the fixed line phone market. At the moment, such an assumption seems little plausible, since the number of households that do not need fixed line phone is growing and it is not only because of reducing unnecessary additional cost. In this particular context, the

¹ BEREC - Body of European Regulators for Electronic Communications.

current forecast for the fixed line phone market should consider further erosion in terms of lines, subscribers and reduced income for operators.

Internet access in Poland and compare with the EU countries

The value of the Internet market in 2014 amounted to PLN 5.1 billion, which is by 11.5% more than in the preceding year. In the case of households Internet access penetration rate was at the level of 90%. In comparison to 2013 the value increased by almost 7 percentage points.

In 2014 there were over 13 million of Internet users in Poland. Most frequently subscribers used fixed-line Internet access. Over 7.2 million people were connected to the Internet with the use of this technology. Almost 6 million people used mobile access.

In 2014, 45% of Internet users used mobile modems to connect to the network. Compared to the preceding year, it is a result by over 5 percentage points higher. xDSL technology was in 2014 used by 22.5% of subscribers. Connecting to the Internet through cable modem was a little less popular. This type of Internet access technology was used by 19% of subscribers.

In the European Union on average 30.9 of residents had access to the fixed-line Internet. Denmark and the Netherlands have the highest percentage of citizens who use this kind of service. Penetration rate in these countries reached over 41% in 2014. In the case of Poland penetration was at the level of 22.7%.

In Poland consumers use mobile Internet access more intensively than in other European Union countries. It is, among others, an effect of the lack of network investment in the previous years.

In 2014 Poland was among the five European Union member states with the highest percentage of people using mobile Internet. Over 80% of the citizens of our country had mobile Internet access. This number is by 14 percentage points higher than the European average, which was at the level of 66.7%.

The price for fixed-line Internet in Poland slightly exceeded the European average. In the range from 1 Mb/s to 4 Mb/s the average European price was EUR 28.02. The price in Poland was at the level of EUR 28.68.

In 2014, total value of the telecommunications market amounted to PLN 39.21 billion². This means that once again total value of the market decreased, this time by 2.4% compared to the end of 2013. Decreases concerned especially the mobile telephony sector where entrepreneurs notified 5.1% loss and fixed-line telephony - loss by 12.7%.

Decreases in the mobile telephony segment were mainly caused by decreases in the roaming prices and fierce competition on the retail market. In the fixed-line telephony market year to year decrease of revenues was mainly a result of constantly falling popularity of this service and decreasing number of subscribers. The highest increase of revenues was noted by Internet service suppliers, it was higher by 11.5% than in 2013.

A trend of growing availability of services connected with decreasing prices is visible on the Polish telecommunications market. Increasing service bundling that allows for using many services at a lower price than in the case of buying them separately is a noticeable trend. Each year the number of fixed-line telephony users is declining while the number of persons using VoIP service grows.

The digital divide as a negative aspect of the development of the information society

Social exclusion means the lack or reduced possibility to participate, influence and use basic public institutions and markets that should be otherwise available to everyone.

It is difficult to define social exclusion as a phenomenon, since it comprises different dimensions of marginalization. The idea of social exclusion refers to incomplete participation or a lack of it for various reasons in the social life, as well as the economy and culture.

Social exclusion applies to people who:

Live in unfavorable economic conditions, i.e. material poverty,

Do not have suitable life capital to provide them with access to a normal social position, relevant qualifications, and entry to the labor market,

have personal traits that prevent them from using common social resources due to disability, addiction, long-term illness or other factors, and

Are subjected to destructive influence of others, e.g. violence, bullying, and indoctrination.

Since social exclusion may apply to various spheres of life and people, it is possible to distinguish its different forms. One of the forms of social exclusion is the digital exclusion. Digital exclusion expressed as limited or lack of participation in the life of the information society (Budziewicz-Guźlecka 2013), namely inability to use computers and the Internet. Digital exclusion is not only a shortage of access to services. It is also the lack of ability to use such services.

The digital divide in Poland, especially for mainly elderly people - over 55 years of age.

The percentage of people who do not use the Internet every year steadily decreasing. However, among the elderly changes are much slower. This indicates that about 80% of people aged 55+ do not use the Internet.

An important issue, which was included in the study, are the reasons for not using the Internet - Figure 1. The reason for not using the Internet by people over the age of 55 are: no requirement (87%), security (58%), mental aversion to modernity (46%), too high equipment costs, the price of access to the network (56%), lack of skills, health reasons for example: poor eyesight, back pain (37%).

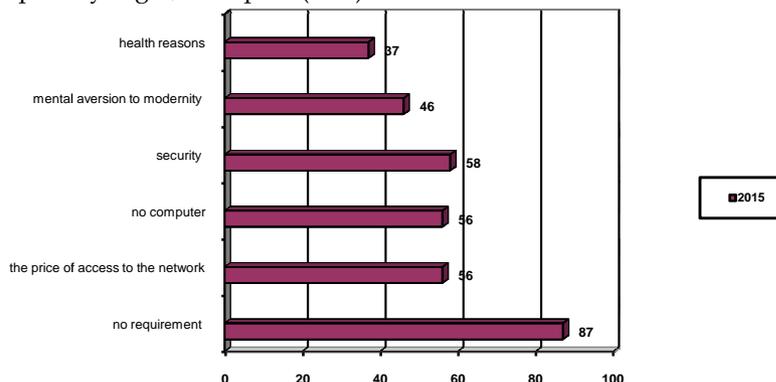


Fig. 1. Reasons for not using the Internet for people over 55+ years of age
Source: Own study based on interviews.

Another chart - Figure 2 presents proposals that would entice people who use the network to use the Internet.

Respondents indicated whether they are interested or not, or if no opinion. It proposed the following possibilities of using the Internet:

- The ability to shop online,
- The ability to see the Mass of their parish,
- The opportunity to talk to children and / or grandchildren, eg. By Skype
- The opportunity to arrange a visit to the doctor,
- The possibility of contact with the doctor during the treatment,
- The ability to take advantage of social networking sites
- To get information on topics related to culture,
- Reducing loneliness,
- Realization of their passion.

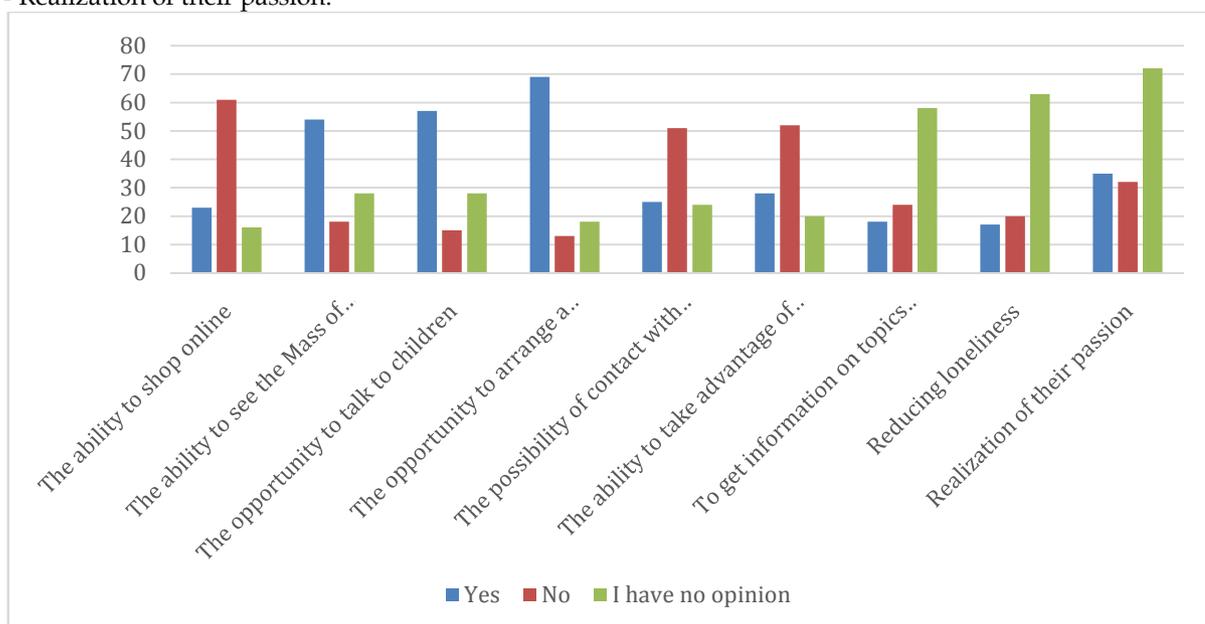


Fig. 2. Proposal that would entice people to use the network to use the Internet.
Source: Own study based on interviews.

The graph shows that the respondents do not have an opinion on the possible use internet. Should be made aware of the needs and opportunities.

Psychological barrier -psychological barriers a larger problem for the Digitally excluded than just mastering the computer and network use.

Psychosocial programs must take into account the element which causes that more than 80 percent. People in the group 55+ is not choosing to do this, to take part in any activities related to learning the use of the digital world. It should be a meeting, during which they learn first about what their daily necessities can be implemented via the internet, for example. Shopping, access to culture, contact with loved ones.

Integration of excluded people requires their active participation. Research on reasons of exclusion and then integration should focus on social groups that require integration. In other words, there is a need to study group measures in terms of methodology as well as patterns used to assign weights to character traits and other indices determining sense of belonging to a group. Moreover, social rules and convention determine the system of opportunities to integrate for people in need of special care (referred to as 'recipients of special support to meet their special needs').

Figure 3 shows the model to combat exclusion by integrating.

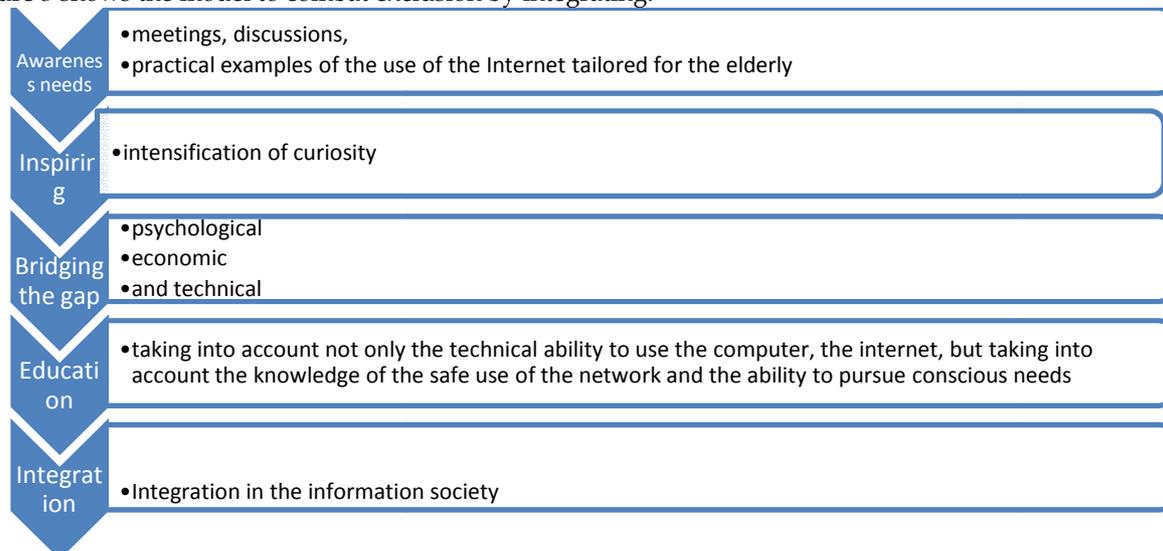


Fig.3. Model to combat exclusion by integrating

Source: own work

It should be excluded encourage, motivate and inspire and educate. For the inclusion of adults in the digital world of work, volunteers, local animators.

Animation is a skill of encouraging others and involving and motivating them to act for the benefit of the local community. Education of the local community is particularly important, since it is necessary to reach people, institutions and organizations and involve them in supporting others, as well as organizing a local support network facilitating goals and activities planned. An animator stimulates, encourages and inspires various organizations and sectors (public, economy and society) to develop a partnership cooperation in order to implement sustainable development initiatives. [Budziewicz 2015].

EU regulatory framework for the future

The digital single market strategy defines 16 major activities in 3 policy pillars, which the Commission intends to implement by the end of 2016.

Pillar 1 Providing consumers and companies with better online access to digital goods and services all over the EU by:

Regulations facilitating cross border e-commerce,

More effective and cohesive enforcement of regulations on cross border protection of consumers,

Improved and affordable parcel delivery,

Putting an end to geo-blocking which discriminates consumers,
 Identifying competition issues that may have impact on EU e-commerce markets,
 Modernizing and Europeanizing copyright law,
 Reviewing the Satellite and Cable Directive,
 Reducing tax burden due to different VAT regimes,
 Pillar 2 Creating relevant environment and level playing field for digital networks and innovative services to promote their development through:

Reform of EU telecoms rules,
 Reviewing legal framework for services to reflect the digital reality,
 Comprehensive analysis of the role of online platforms (search engines, social media, online shops with applications, etc.) on e-commerce and solving the issue of illegal content in the Internet;

Strengthening trust in online services, in particular regarding personal data processing;
 Partnership with the industry regarding cybersecurity in terms of technology and web based security solutions.

Pillar 3 Digital potential as a driver for growth in the European economy:
 proposing and promoting free flow of data in the EU, encouraging innovative solutions, and initiating actions by cloud computing, certification of cloud services, changing suppliers in the cloud and establishing a 'research cloud';

Defining priorities for developing standards and interoperability in areas crucial for the digital single market, such as e-health,

Ensuring digital support for citizens aimed at developing skills necessary for the efficient use of the Internet,

Initiative of e-administration to link registers of companies all over the EU and ensuring interoperability.

Summary

Looking forward, one should first of all bear in mind a significant growth of the Internet access segment, both fixed-line and mobile.

Elderly people should be included into processes of active creation and development of the information society, organization and support of trainings that improve professional and non-professional computer skills of the elderly should be focused on.

An ageing population and low level of professional activity of elderly people is important for the future development of a country and should become one of the major issues in socio-economic policy of Poland. In this context we should also consider the social aspects of the development of knowledge-based economy and building the information society. In the current conditions, the level of professional competence required for the use of information technology (IT) becomes crucial for professional development and improving the quality of life. For this reason, the problem of participation of elderly people in the information society requires special attention of the state and regional authorities. Especially that insufficient skills in the use of information technology and computer and e-administration and e-business cannot only lead to the exclusion of large part of society from the labor market, but also to the digital exclusion of elderly people.

Exclusion is a highly complex issue, and as such requires focused and coordinated activities at various levels and spheres. One of methods to combat social exclusion is integration. Social integration is a process involving integration of individuals or social groups with the rest of the society. Social integration includes secondary socialization of individuals and groups, for instance disabled people. The integration is linked with ideology and politics. The integration is best construed as goals or objectives based on an ideology of democracy, provided we include in the notion of democracy the following: the value of each man and the right of an individual to participate in the functioning of the society. Exclusion and integration are based on the recognition of diversity. It is assumed that every citizen is equal in their value, and thus (s) he is an important member of the society. (Budziewicz 2016)

Combating exclusion in Europe has been coordinated under the Europe 2020 Strategy. Europe 2020 aims at promoting development supporting social integration based on two leading initiatives:

1. Developing a skilled workforce and promoting job quality.
2. The European Programme for Combating Poverty.

Since the social policy is an integral part of the Europe 2020 Strategy, the Commission supports EU member states in dealing with social challenges. The support is provided through initiatives within the

European platform for combating poverty and social exclusion, and a social investment, as well as EU funds, in particular the Social Fund.

Development and investment in particular regions (Drab-Kurowska 2008) also contribute to growth that facilitates social integration, since they reduce disparities between regions and guarantee common benefits resulting from the development of the entire EU.

Digitization is to improve the quality of life of society. Instead, connect (from the point of view of the state) to build infrastructure supporting digital literacy. The digitization of the country is not limited to investments in infrastructure, but should be seen by a social process.

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