

The Post and Telecom Administration in Iceland

# Annual Report 2008



PÓST- OG FJARSKIPTASTOFNUN

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## Address of the Managing Director

*Hrafnkell V. Gíslason*

One of the Post and Telecom Administration's principal tasks is to promote competition in the electronic communications market in Iceland. In 2008, the Administration completed analyses of the competitive position in all areas of electronic communications. The analyses revealed that Síminn and Míla have a dominant position in most areas of the electronic communications market. As a result, obligations have been imposed on both companies with the aim of facilitating enhanced competition by enabling their competitors to enter the market and compete, thus building up their operations, in part by developing their own electronic communications systems.



The economic crisis that struck Iceland in October 2008 has affected both the electronic communications and the postal markets. These markets have contracted somewhat, and the entire operating environment is affected by the limitations stemming from the crisis. Most planned investments have been shelved for the time being, and firms and consumers alike are exercising restraint and streamlining more than ever. It is clear, however, that the contraction is less pronounced in the electronic communications sector than in many others, which indicates just how important electronic communications services are to individuals and companies alike.

At the beginning of the crisis, Iceland's leading electronic communications companies were called to a meeting with the Post and Telecom Administration in order to ensure that there would be no interference or interruption in services. The preparation of emergency plans had begun somewhat earlier, following the adoption of rules on the protection and functionality of electronic communications services. These plans were completed in short order. Steps were also taken to ensure that electronic communications operators received the banking assistance they needed for their cross-border operations, so as to guarantee that foreign suppliers and business partners would retain full confidence in Icelandic electronic communications providers. There were no known interruptions in electronic communications operations as a result of the crisis.

On the other hand, the Icelandic electronic communications operators' holding companies were far too aggressive in borrowing and investing, as were many other firms. That zeal is coming back to haunt them now. These electronic communications companies provide services that are fundamental to Icelandic society, and it is vital that they be operated without the risk of interference or interruption of service.

Postal operations have been stable in recent years. PTA's involvement in the postal market has focused primarily on the Iceland Post's distribution system arrangements; that is, weekday distribution of postal mail and letter box locations in regional Iceland.

The Administration's operations are largely unchanged from previous years. A number of internal areas were improved during the year, including the introduction of project accounting in order to improve time management. This has shown that administrative matters constitute some 2/3 of the Administration's activities, while other projects comprise 1/3. Of the main segments of PTA operations, postal affairs represent roughly 6%, the electronic communications market and the introduction of competition 54%, and frequency, security, and technological matters about 40%.

2008 was an eventful and turbulent year, and work in the years to come will be shaped to some extent by the circumstances that developed then. Nonetheless, it is also apparent that, due to the fundamental importance of electronic communications and postal services as basic services, these sectors are excellently positioned to withstand the difficult market climate now facing them. Furthermore, the electronic communications sector has the potential to act as a driver of innovation and streamlining; thus it is important to recognise the possibilities lying there and make full use of the opportunities that the Icelandic nation's high level of education and technological capability provide in this area.



## The electronic communications market

The Icelandic electronic communications market underwent considerable change in 2008. As before, the largest operators in the telephone market are Vodafone and Síminn, which has significant market power (SMP) in all areas of electronic communications. At year-end 2007, however, a new company, Nova, entered the mobile phone market, and in the first half of 2008, Sko and IP fjarskipti (Hive) merged under the name Tal. Both of these companies have begun to provide Síminn and Vodafone with serious competition in the market, as is shown in the Administration's twice-yearly statistical reports, which can be found on its website: [www.pfs.is](http://www.pfs.is).

No frequency tenders were held during the year, but two consultations took place concerning frequency allocations: for the 900 MHz and the NMT 450 MHz frequency ranges. The Post and Telecom Administration revoked a few operators' frequency allocations, and others turned theirs in.

A list of registered electronic communications operators and of registered operators with frequency authorisations can be found on the [PTA's website](#).

## Regulatory amendments

In September, the Parliament of Iceland passed Act no. 118/2008 amending the Electronic Communications Act, no. 81/2003. The new Act entered into force immediately. Its main objective was to implement the provisions of Regulation (EC) no. 717/2007 of the European Parliament and of the Council of 27 June 2007 on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC. The new provisions in the Act include the following:

- Regulation (EC) no. 717/2007 of the European Parliament and of the Council of 27 June 2007 on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC, is implemented. The Regulation provides for maximum wholesale and retail prices for roaming on mobile telephone networks, among other things.
- The obligation of electronic communications undertakings to provide national roaming on public mobile networks according to Article 35 of the Act is revoked, as the provisions of Article 28 pertaining to access obligations are considered sufficient in this context.
- The Post and Telecom Administration is authorised to impose retail obligations on operators with significant market power after conducting a market analysis, if the Administration is of the opinion that wholesale obligations will not stimulate competition as intended.
- The scope of the provisions pertaining to voice call services is broadened as needed, and now extends equally to fixed-line and mobile phone services, so that users of mobile services will enjoy the same rights as fixed-line users insofar as is possible.



Also in September, Parliament passed Act no. 117/2008, which amends the Act on the Post and Telecom Administration, no. 69/2003. The amendments were introduced both to expand PTA's authorisation to gather data and to make major changes in the process for review of PTA decisions at the administrative level.

The latter of these entails the following:

- The party to a decision may choose whether it refers a PTA decision to the Appellate Committee for Electronic Communications and Postal Affairs or directly to the courts.
- PTA may appeal Appellate Committee rulings to the courts.
- Structural changes were made to the Appellate Committee. The term of appointment was shortened from four years to two, and the Minister of Communications now appoints committee members without special nomination by the Supreme Court.
- A fee is now charged for appeals filed with the Appellate Committee by legal entities.
- The maximum case handling period for the Appellate Committee was lengthened from eight weeks to twelve.
- The deadline for initiation of legal proceedings before the courts was shortened from six months to three.

### **Mobile roaming within the EEA**

On 30 June 2007, EU Regulation no. 717/2007 entered into force. The Regulation aims to reduce international roaming prices within Europe. The cost of mobile voice calls between countries has been high hitherto, and it has often been difficult for consumers to keep track of pricing. In September 2008, with an amendment to the Electronic Communications Act, this EU Regulation was incorporated into Icelandic law. It was then issued as an annex to the Icelandic Regulation on International Roaming on Public Mobile Networks within the EEA, no. 1046/2008, which was issued by the Minister of Communications.

The Icelandic regulation provides for a ceiling on the wholesale prices that mobile telephone operators charge to one another for call transit on foreign networks. It also ensures that operators can recoup cost outlays by charging a reasonable margin on the cost of providing service.

As regards pricing within the framework of the wholesale and retail ceilings, mobile operators are free to compete by offering lower roaming prices in the form of special offers to their customers.

The Regulation also provides for transparency in roaming fees charged to telephone company customers. Operators are obliged to notify their customers of the pertinent roaming charges when opening a subscription, as well as providing regular information on changes to price lists.



The Regulation requires that regulatory authorities in the countries in question keep close track of trends in roaming prices for text messaging (SMS) and multimedia messaging (MMS).

## Numbers

The Post and Telecom Administration allocates number series to public electronic communications networks (telephone system number series), as well as assigning identity numbers to ships. Over 2.6 million numbers have been allocated to public telephone network systems in Iceland in the current number system, or 8.2 numbers per capita. In 2008, 80,000 public telephone system numbers and 300 identity numbers for ships were allocated.

PTA conducted a comprehensive review of numbering affairs during the year. That review involved the reissuance of rules on the structure and allocation of telephone numbers and rules on number portability, and the issuance of new rules on calling line identification. Considerable preparatory work was also done on a draft regulation on supplementary charges in fixed-line and mobile networks, but the regulation has not yet been issued.

### **Rules on the structure, allocation, and use of numbers, number series and addresses in the electronic communications field, no. 450/2008**

The purpose of revising these Rules was to hone the criteria for number allocation and to provide further explanation of various conditions for telephone number use. The clearer and more explicit provisions on these points are designed to obstruct all potential misuse of telephone numbers and to reinforce PTA measures in response to fraudulent activity in the electronic communications field. In addition, the Icelandic numbering structure was updated to coincide with the most recent developments in defined number use. The principal changes include the following:

- A more detailed definition of the requirements for number use in electronic communications services in Iceland.
- More detailed requirements for number use
- A specific provision on unauthorised number use. First, it is prohibited to use numbers for financial gain if no genuine electronic communications service is rendered to public users; and second, it is prohibited to connect numbers to automatic calling machines except in explicitly specified instances.
- A clearer authorisation to revoke numbers and codes.

### **Rules on arrangements for calling line identification, no. 629/2008**

According to Article 51 of the Electronic Communications Act, electronic communications undertakings providing publicly available telephone services must offer calling line identification service in accordance with provisions of the Act on the Protection of Privacy as





regards the Processing of Personal Data. The principal provisions in the Rules include the following:

- As a rule, electronic communications undertakings shall offer calling line identification service at no charge.
- A-users are entitled to withhold their number at no charge.
- B- and C-users are entitled to calling number identification block at no charge; that is, in instances where caller identification is offered, it shall be possible to block caller identification to A-users.
- The option of rejecting a call received from a withheld number, to the extent that this is technologically possible.
- The number of an A-user shall appear on the telephone of a C-user when a call is forwarded through a B-user.

### **Rules on number and service portability in public electronic communications networks, no. 949/2008**

These Rules were reviewed with the aim of shortening the processing time for number porting; expanding the scope of the Rules to cover other types of services on public electronic communications networks, such as Internet and IP services; and clarifying the provisions on obtaining user consent for porting and the conclusion of service agreements with users. The principal changes and new provisions include the following:

- The conditions for rejection of requests to port numbers and services were reduced in number.
- It is only permissible to initiate number and service porting upon receipt of written or electronic consent from the account owner.
- The maximum processing time for number porting was shortened from 10 days to 5 days for fixed-line networks and 3 days for mobile networks. The maximum processing time for IP service porting was set at 5 days.
- Errors in number and service porting must be corrected without delay, and such corrections shall take priority among porting requests according to rules of procedure.
- Electronic communications undertakings are obliged to set rules of procedure for number and service porting.
- Electronic communications undertakings are authorised to assign HÍN (The Icelandic Number Company) the task of setting joint rules of procedure that are subject to the approval of PTA.

### **Statistical reports**

The compilation of statistics on the Icelandic electronic communications market is an important part of PTA's activities. The Administration considers it appropriate to publicise these data so as to enhance market transparency and increase operators' and consumers' access to information. In 2007, it was decided that the Administration would issue a





summary report twice yearly. The first report, which was prepared for publication at year-end 2007, covered the year 2006.

Og fjarskipti ehf. (Vodafone) appealed the Post and Telecom Administration's decision to publicise such information in January 2008. Og fjarskipti had previously requested that PTA not print any statistics not previously published, as the company considered it necessary to observe confidentiality concerning certain statistics that the Administration had previously compiled.

Og fjarskipti ehf. (Vodafone) appealed PTA's decision to the Appellate Committee for Electronic Communications and Postal Affairs, which confirmed the decision in May 2008. In its ruling, the Committee specified that PTA was entrusted with assessing which information should be published, in accordance with its statutory mandate, other legislation and international agreements, good administrative practise, and the nature of the information concerned.

The statistical report on the Icelandic electronic communications market in 2006 was published in early June 2008. The 2007 report followed in August, and the report on the first half of 2008 was published in December that year.

The Administration's statistical reports on the Icelandic electronic communications market can be found on the [statistics page](#) of the PTA website.

### **Consultancy and resolution of disputes**

Part of the Post and Telecom Administration's operations involves resolving disputes large and small, and responding to complaints related to electronic communications and postal affairs.

The Administration receives a large number of such queries each year, both from companies and from individuals. It handed down 23 formal administrative decisions on electronic communications matters during the year. In addition to these, hundreds of smaller matters were resolved without administrative decisions.

According to Article 13 of the Act on the Post and Telecom Administration, no. 69/2003, it is permissible to appeal decisions handed down by the Post and Telecom Administration to the Appellate Committee for Electronic Communications and Postal Affairs. A party with significant interests at stake may appeal either the case handling or the substance of a decision.

During the year, the Appellate Committee ruled on 9 disputes related to electronic communications.



The Post and Telecom Administration's decisions and the rulings by the Appellate Committee for Electronic Communications and Postal Affairs can be found on the Administration's website: [www.pfs.is](http://www.pfs.is).

### **Allocation of licences and surveillance of radio spectrum use**

PTA handles the allocation of licences for radio-telephones and other radio devices. The Administration allocated a total of 1,645 licences during the year.

An important aspect of the Administration's activities is the surveillance of radio spectrum use. The Administration receives a large number of complaints about electronic communications interference each year. It responds to such complaints as soon as possible and attempts to determine the cause of the interference. PTA handled 24 cases of this type in 2008.

During the year, PTA decided to reorganise market surveillance and spectrum use surveillance by expanding the staff involved in these activities and utilising new technology and methods for this important facet of the Administration's operations.

### **Frequency matters**

During the year, two consultations were held on frequency allocations: one for the 900 MHz frequency range and the other for the NMT 450 MHz frequency range.

For the 900 MHz range, it was decided to hold a consultation with market participants on the future structure of the frequency band. Following the consultation, it was decided to allocate a portion of the range to Nova ehf. without a tender, and to allocate additional frequency ranges to Og fjarskipti ehf. (Vodafone) and Síminn hf. The Administration's aim with this endeavour was to equalise the operators' competitive position in this important frequency range. Following these allocations, there will be no free space for allocation in the 900 MHz range until 2011, when all current GSM 900 MHz allocations expire.

As the year progressed, it became clear that Nordisk Mobile Ísland ehf., which had received a frequency authorisation in 2007 for a long-range mobile system that was to take over from the NMT network, would not be able to abide by its commitment. The company's licence was therefore revoked. Following a consultation and an advertisement for parties interested in setting up and operating a long-range digital mobile phone system, it was decided to extend Síminn's frequency licence until year-end 2009, as no operator expressed an interest in receiving a frequency allocation in that range for the operation of such a system.



It was also decided during the year to revoke Amitelo's GSM 1800 MHz frequency licence, which had been allocated following a tender in 2007. Amitelo had not fulfilled the network development commitments made at the time the frequency was allocated.

### **Ship inspection**

The Post and Telecom Administration carries out inspection and surveillance of electronic communications equipment on ships so as to ensure that radio equipment is in good order and will function properly in case of emergency. The two PTA employees who carry out these tasks inspected 204 ships during the year. In addition to PTA, three professionally accredited inspection agencies inspect the electronic communications equipments in ships and boats. These inspections are carried out under PTA's supervision.

The agencies inspected a total of 933 vessels during the year, bringing the total number of inspected ships and boats to 1,137 in 2008. In addition to this are pleasure boats, whose owners are authorised to inspect themselves, although they must be agency-inspected every four years. Owner-inspections totalled 126 during the year.



## Market analysis

The objective of the Electronic Communications Act in requiring market analyses, and the Post and Telecom Administration's aim in carrying them out, is to determine the status of competition in the electronic communications market and to impose appropriate regulatory obligations in order to stimulate competition, for the benefit of consumers, if it is not deemed sufficiently effective.

As of year-end 2007, the Administration had carried out analyses of 11 markets (Markets 1-6, 8-10, 12, and 18). According to PTA's Annual Plan for 2008, the Administration's goal was to conclude all of these market analyses with an administrative decision, including the imposition of obligations if appropriate, and thereby complete the first round of market analysis. By year-end 2008, PTA had published decisions on all of the above markets, thus completing its analysis of 17 markets in all, and stipulating access obligations with binding decisions where applicable. Following consultation with the EFTA Surveillance Authority (ESA), it was decided not to analyse the domestic market for international roaming (Market 17). This concluded PTA's analysis of all 18 electronic communications markets defined in the ESA Recommendation of 14 July 2004.

On 5 November 2008, ESA issued a new Recommendation that pre-defines 7 markets instead of the previous 18. It is not possible to amend or withdraw previously imposed obligations, however, without conducting a new market analysis whose results warrant such amendment or withdrawal, even if the market concerned is not defined in the new Recommendation.

According to the Annual Plan for 2009, the Administration plans to complete an analysis for call termination on individual mobile phone networks (Market 7) with an administrative decision in 2009. PTA also plans to begin analysing the markets for access and call origination in mobile telephone networks (Market 15 under the previous Recommendation), wholesale network infrastructure access at a fixed location (Market 4), and wholesale broadband access (Market 5). The Administration anticipates concluding these market analyses with decisions in 2010.

The Appellate Committee for Electronic Communications and Postal Affairs confirmed PTA's decisions on Markets 7, 12, 13, and 14 following appeals filed by Síminn's hf. against PTA. The decisions on Markets 13 and 14 were confirmed by the Appellate Committee following appeals filed by Míla ehf. against PTA.



## Decisions taken by PTA following market analyses in 2008

18 April 2008: Decision no. 8/2008 on the designation of undertakings with significant market power and imposition of obligations in the market for wholesale broadband access (Market 12).

Based on the results of the market analysis, PTA decided to designate Síminn hf. as having significant market power in this market and imposed obligations on it in accordance with Article 27 of the Electronic Communications Act, no. 81/2003. In the opinion of PTA, these obligations are consistent with the objectives set forth in the Framework Directive and the Access Directive, as well as the provisions of the Electronic Communications Act, and are appropriate for the time horizon of the market analysis. PTA is of the opinion that the obligations are conducive to increasing competition in the relevant market. The remedies imposed on Síminn hf. include the obligation to grant bitstream access; obligations to practise non-discrimination, transparency, and accounting separation; and a price controls obligation.

4 December 2008: Decision no. 29/2008 on the designation of undertakings with significant market power and imposition of obligations in Markets 8, 9, and 10, which are the wholesale market for call origination in fixed public telephone networks (Market 8), the wholesale market for call termination in fixed public telephone networks (Market 9), and the wholesale market for call transit in fixed public telephone networks (Market 10).

Based on the results of the market analysis, PTA decided to designate Síminn hf. as having significant market power in all three markets. With the Administration's decision, Síminn was subjected to obligations concerning fixed network access, non-discrimination, transparency, accounting separation, price controls, and cost accounting. PTA also concluded that Og fjarskipti ehf. (Vodafone) had significant market power in the wholesale market for call termination on fixed public telephone networks (Market 9) and designated the company as an SMP operator in that market. With that decision, the Administration imposed obligations concerning access, non-discrimination, transparency, and price controls on Vodafone.

5 December 2008: Decision no. 30/2008 on the designation of undertakings with significant market power and imposition of obligations in Markets 1-6.

Markets 1-6 are:

1. The retail market for access to the public telephone network at a fixed location for residential customers.
2. The retail market for access to the public telephone network at a fixed location for non-residential customers.



3. The retail market for publicly available local and/or national telephone services provided at a fixed location for residential customers.
4. The retail market for publicly available international telephone services provided at a fixed location for residential customers.
5. The retail market for publicly available local and/or national telephone services provided at a fixed location for non-residential customers.
6. The retail market for publicly available international telephone services provided at a fixed location for non-residential customers.

PTA concluded that Síminn hf. had significant market power in these six markets and designated the company as an SMP operator in all of them. In Markets 1 and 2, PTA imposed wholesale obligations concerning carrier selection and pre-selection, wholesale access, non-discrimination, transparency, accounting separation, price controls, and cost accounting on Síminn.

At that time, PTA did not impose retail obligations on Síminn in the other relevant retail markets, despite the fact that it had designated Síminn as an SMP undertaking in those markets. In general, PTA believes that competition problems should be solved at the wholesale level. Pursuant to Article 27, Paragraph 2 of the Electronic Communications Act, the Administration is authorised to impose obligations at the retail level following a market analysis only if it is of the opinion that wholesale obligations or measures related to carrier selection or pre-selection will not prove successful in promoting effective competition and safeguarding consumer interests.

PTA believes that the wholesale obligations imposed on Síminn in the wholesale markets for interconnection (Markets 8, 9, and 10), together with the wholesale obligations imposed on Síminn and Míla in the local loop market (Market 11) and broadband market (Market 12), will be successful in promoting effective competition and protecting consumer interests. In addition, Síminn, as an undertaking with significant market power, is under an explicit statutory obligation to provide other electronic communications undertakings carrier selection and pre-selection. The new access obligations in Markets 1 and 2, which are described above, strengthen carrier selection and pre-selection as options that electronic communications undertakings can use to gain a foothold in the relevant wholesale markets for telephone services. PTA intends to follow developments in the relevant retail markets closely and is authorised, according to Article 20, Paragraph 2 of the Electronic Communications Act, to determine maximum prices for universal services, including voice call services, if prices develop in an abnormal manner.

8 December 2008: Decision no. 31/2008 on the designation of undertakings with significant market power in the wholesale market for broadcasting transmission services to deliver broadcast content to end users (Market 18) on the basis of a market analysis. PTA



considered it appropriate to define five distinct service markets for broadcasting transmission services to deliver broadcast content to end users, as follows:

1. Broadcasting transmission services for analogue radio via wireless networks.
2. Broadcasting transmission services for analogue television via wireless networks.
3. Broadcasting transmission services for digital radio and television via wireless networks.
4. Broadcasting transmission services for digital radio and television via fixed-line networks.
5. Broadcasting transmission services for digital radio and television via satellite.

PTA considered the last of these, the market for broadcasting transmission services for digital radio and television via satellite, a transnational market, which is beyond its scope to analyse unilaterally. PTA examined the other four service markets with the aim of determining whether they met the criteria for the possible imposition of *ex ante* obligations on undertakings in those markets. In order for PTA to impose obligations, the relevant market must pass the three-criteria test. The criteria are as follows:

- There are barriers restricting entry into the market.
- The characteristics of the market are such that it will not tend sufficiently towards effective competition.
- The general principles of competition do not suffice to eliminate barriers or promote competition.

PTA concluded that these four markets for broadcasting transmission services did not meet the three criteria for the imposition of *ex ante* obligations. As a result, it did not designate any undertaking as having significant market power in them. Because no undertaking was designated as having significant market power in the relevant markets, no obligations were imposed.



## Summary of market analyses at year-end 2008

Markets	Market analysis - national consultation	EEA notification	PTA's decision	Appellate Committee
<b>Fixed network - retail</b>				
1. Access telephony - residential		3.11.2008	5.12.2008	Not referred
2. Access telephony - non-residential		3.11.2008	5.12.2008	Not referred
3. National or local telephone services - residential		3.11.2008	5.12.2008	Not referred
4. International telephone services - residential		3.11.2008	5.12.2008	Not referred
5. Telephone services - non-residential		3.11.2008	5.12.2008	Not referred
6. International telephone services - non-residential		3.11.2008	5.12.2008	Not referred
7. The minimum set of leased lines	15.06.2006	23.2.2007	28.9.2007	1.7.2008
<b>Fixed network - wholesale</b>				
8. Call origination		31.10.2008	4.12.2008	Not referred
9. Call termination		31.10.2008	4.12.2008	Not referred
10. Transit services		31.10.2008	4.12.2008	Referred
11. Unbundled access	28.9.2006	9.11.2007	21.12.2007	Not referred
12. Broadband access (bit-stream)	20.8.2007	13.3..2008	18.4.2008	17.10.2008
13. Wholesale terminating segments of leased lines	15.6.2006	23.2.2007	28.9.2007	1.7.2008
14. Wholesale trunk segments of leased lines	15.6.2006	23.2.2007	28.9.2007	1.7.2008
<b>Mobile network - wholesale</b>				
15. Access and call origination	10.11.2006	9.11.2006	<u>5.2.2007</u>	3.7.2007
16. Call termination	8.7.2005	6.6.2006	<u>20.7.2006</u>	22.12.2006
17. International roaming				
<b>Broadcasting - wholesale</b>				
18. Broadcasting transmission services	25.6.2008	4.11.2008		Not referred

## Follow-up on obligations

Concurrent with the publication of decisions following market analyses, PTA has placed increased emphasis on follow-up of obligations based on the relevant market analyses. Systematic measures are taken to ensure that obligations are fulfilled by the parties concerned. For example, the Administration followed up on the reduction of wholesale prices for call termination in mobile networks and other obligations in Market 16. In Market 15, the reference offer for roaming was reviewed by PTA following consultation with stakeholders. The Administration also ensured that Síminn published a reference offer for resale and virtual networks in its mobile network in 2008. Furthermore, a temporary obligation concerning wholesale access to ADSL connections was imposed on Síminn. At PTA's demand, Míla submitted a cost analysis for local loop leasing (Market 11), and Síminn provided cost-oriented prices for access in Market 15 (resale and virtual networks). In addition to the above-specified cost analyses, the foundation was laid for an analysis of various other markets during the year. It is intended that all principal wholesale prices be cost-oriented in 2009, in accordance with PTA-imposed obligations to this effect.

This creates the preconditions for new operators to enter the market at minimum initial expense. PTA's actions aim, among other things, to lower the threshold for new operators' entry into the market, which will promote enhanced competition in the long run, for the benefit of consumers. PTA's objective for 2009 is for all obligations in all markets to be fully implemented by the relevant parties during the year.



## The postal market

At the beginning of the year, Directive 2008/06/EC was approved in Europe, amending Directive 97/67/EC on postal services. The main amendment revokes the exclusive right to distribute letters under 50g no later than 31 December 2010, thus fully opening that market for competition. The Icelandic Government is obliged, on the basis of the EEA Agreement, to incorporate the Directive into Icelandic legislation by the specified deadline. The new Directive maintains the obligations imposed on Member States in current directives; that is, to guarantee high-quality universal service to all citizens of Member States, including year-round postal service at least five days per week. The recommendations also attempt to strengthen the foundation for consumer protection. The provisions pertaining to regulatory authorities are clarified, and the authorities' role is expanded. In instances necessitating external financing of the cost of providing universal service, Member States have several options, including State aid, public procurement, and division of net costs between licence holders. The selection of the financing option most suitable for a given State is in the hands of the authorities in that State.

If it is deemed necessary for competition and protection of consumer interests, Member States are to ensure that conditions are set concerning new operators' access to the market and that existing entry barriers are removed. The following points are specifically mentioned as requiring examination: postal code system, address database, post office boxes, delivery boxes, information on change of address, re-direction service, and return to sender service. In Iceland, it is also necessary to determine whether Iceland Post should be obliged to provide downstream access agreements. Licensing issues will be as before; at least one universal service provider will be designated.

## Five-day service

In February, the Post and Telecom Administration took two decisions authorising Iceland Post to reduce postal delivery days from five to three per week on two postal routes from Patreksfjörður and Króksfjarðarnes. The decisions affected 45 households in these areas.

According to Iceland Post's address database, households and businesses in Iceland numbered 126,806 in 2008. Households that do not receive five-day postal service now total 166, or 0.131% of all postal delivery locations in the country.

The Appellate Committee for Electronic Communications and Postal Affairs upheld both of PTA's decisions with Rulings no. 3/2008 and 4/2008.



## Access to service centres

One of the aspects of universal service is access to service centres. Rules no. 504/2003 are currently in effect. Article 5 of the Rules assumes that the current number of service centres (that is, as of 2003) is sufficient to render the service Iceland Post is required to provide by law. If the company plans to close a service centre, however, it must submit a request to that effect to the Post and Telecom Administration for its approval. In evaluating such a request, the Post and Telecom Administration considers the following factors:

- The population of the area that the service centre is intended to serve.
- The size of the geographical area served by the service centre.
- Residents' possibility of seeking service elsewhere.
- Transportation in the area.
- The number of services rendered per year at the service centre.
- Other factors that could affect residents' ability to seek postal service classified as universal service.

During the year, five decisions were taken wherein the Administration approved Iceland Post's requests to close postal service centres at Flúðir, Varmahlíð, Reykholt, Króksfjarðarnes, and Laugar. In its grounds for closing the postal service centres in these locations, Iceland Post stated that it considered it unnecessary to operate special postal service centres in such small communities, as it could easily provide postal services via "postmobile." Postmobiles are "travelling post offices" that deliver and collect postal mail as needed.

PTA concluded that the service Iceland Post intended to offer residents in the communities concerned fulfilled the requirements for quality of service. One of the decisions was appealed to the Appellate Committee for Electronic Communications and Postal Affairs, which confirmed PTA's decision with Ruling no. 7/2008.

## Monitoring of price lists

The Post and Telecom Administration is required to approve Iceland Post's price lists for exclusive services. With Decision no. 19/2008, Iceland Post was authorised to raise its prices for exclusive delivery of letters. The price for letters weighing 20 grams or less rose from 65 kr. to 70 kr., and the price for letters weighing from 20 to 50 grams rose from 75 kr. to 80 kr.

## Consumer affairs at PTA

The Post and Telecom Administration plays an important role vis-à-vis consumers. The Electronic Communications Act stipulates that the Administration shall contribute to consumer protection and shall safeguard consumer interests in postal service and electronic communications. The Administration carries out this task in various ways and works constantly towards strengthening this aspect of its operations. To that end, PTA established a consumer team during the year, began reorganising the consumer affairs pages on its website, and took the first steps towards strengthening its collaboration with other consumer affairs bodies, such as the Consumer Agency, the Consumer Spokesman, and the Consumers' Association of Iceland.

The PTA website contains important consumer information on postal and electronic communications affairs, including electronic communications price information that is updated monthly.

During the year, the Administration began publishing accessible statistical reports on developments, competition, and prices in the electronic communications market, and it publishes these reports twice a year. Although they are intended primarily for use by market agents, the reports provide a clear and concise summary of the market and are useful for consumers as well.

The Administration also receives complaints from consumers who believe that postal and electronic communications companies are in violation of their regulatory obligations or operating licences. Numerous complaints were submitted to PTA during the year, and over 100 received substantive consideration.

## Pricing surveillance – service to consumers

PTA's aim is that prices for electronic communications services in Iceland be on a par with the best in neighbouring countries. This is measured by comparing electronic communications services prices in Iceland with those in other OECD countries. Data from Teligen are used as a basis for the comparison.

In the table on the following page, the 30 countries covered by OECD data are divided into four groups: A, B, C, and D. Group A includes the countries in the top 7 places – that is, with the lowest prices – while Group B countries are in 8<sup>th</sup>-14<sup>th</sup> place, Group C includes 15<sup>th</sup>-21<sup>st</sup> place, and Group D contains 22<sup>nd</sup>-30<sup>th</sup> place.

As the table illustrates, Iceland is in Group A – that with the lowest prices – for telephone service to households and firms, as well as mobile phone service. However, Iceland is in Group D – that is, 22<sup>nd</sup>-30<sup>th</sup> place – in terms of Internet service prices.



## Iceland's position within OECD

Service/year	2008	2007	2006	2005	2004	2003
Broadband	D	D	...	...	...	...
Home telephone	A	A	A	A	A	A
Company telephone	A	A	A	A	A	A
Mobile-subscriptions	A	A	B	B	A	A
Mobile-pre-paid	A	B	B	A	A	A

**Source:** Teligen.

**Explanatory note:** OECD data include 30 nations. A means that Iceland's electronic communications services are least expensive among OECD nations measured. Prepared from the electronic communications undertakings' price lists. Teligen updated the calling pattern underlying its price baskets at the beginning of 2006, for both mobile and fixed-line phone service.

PTA also carries out monthly price comparisons on the service of electronic communications undertakings and publishes the results on its website. Retail pricing for electronic communications services is in the hands of market participants, but PTA may intervene in wholesale pricing and can, among other things, stipulate that the same wholesale price must apply nationwide. The Administration bears this objective in mind when imposing obligations following its market analyses.

## Network and information security

Network and information security are one of PTA's primary concerns. The Administration's chief objectives in this area are as follows:

- To enhance Internet security so that the public can trust the Internet in their daily business and personal activities.
- To promote heightened public awareness concerning network and information security.
- To contribute to operational security of electronic communications networks, including cross-border connections, define security requirements, and maintain active monitoring to ensure that electronic communications access is always at least in compliance with minimum requirements.

In 2008, PTA worked on a number of projects aimed at enhancing network and information security. Among them are the following:

- The Post and Telecom Administration completed a long-term project timetable for network and information security.
- The Administration's regulations on network security for electronic communications undertakings took effect on 1 July 2008. The implementation process commenced, and PTA began preparing its methods for monitoring compliance with regulations.
- Enhanced public awareness concerning network and information security: PTA maintains a website called [www.netöryggi.is](http://www.netöryggi.is), which provides practical technical information on secure Internet use for individuals and small and medium-sized companies. The Administration also collaborates with other organisations involved in network and information security, such as the SAFT project, operated under the auspices of the National Parents' Association, and Save the Children Iceland. The informational website [www.netsvar.is](http://www.netsvar.is) is the collaborative endeavour of these three entities. It contains questions and answers on safe Internet use, with particular emphasis on children and teenagers.
- The development of metrics to assess network and information security and Icelanders' general awareness on this topic. Work on this project will continue in 2009, in co-operation with other Nordic countries.
- A report was prepared on the possible establishment of a "CERT group," a support group to handle security incidents in electronic communications and information technology. Such groups, or co-ordination centres, are operated in many locations abroad in some form or another. The report was completed in August, and the ideas presented in it are currently under discussion. The report can be found on the websites of PTA and the Ministry of Communications.
- Work was done towards defining the electronic communications networks most important for national security.
- Electronic communications companies were asked for and assisted in making business continuity plans against possible security threats, such as a financial crisis or a global influenza pandemic. This work will continue in 2009.





## **International collaboration in 2008**

In 2008, the Post and Telecom Administration participated actively in co-operative endeavours with various international agencies, its Nordic and European sister organisations, the International Telecommunication Union (ITU), and the Universal Postal Union (UPU).

The Administration also worked on projects administered by other international organisations, such as the European Telecommunications Standards Institute (ETSI), agencies supervising satellite companies – the International Telecommunications Satellite Organization (ITSO), the International Mobile Satellite Organization (IMSO), and Eutelsat – and the European Conference of Postal and Telecommunications Administrations (CEPT).

PTA is also an active member of the European Network and Information Security Agency (ENISA) and engages in extensive communication and consultation with various domestic and foreign entities in this field.

## **UPU Congress 2008**

PTA representatives attended the 24<sup>th</sup> UPU Congress, which was held in Geneva, Switzerland, from 23 July – 12 August 2008. The Congress is held every four years. The 2008 event was attended by over 2,000 representatives from 191 member nations. By the time the Congress convened, over 800 proposed amendments to UPU agreements had been presented. The proposals fell into two broad categories: those concerning operations and internal administration of UPU, and those concerning the technical aspects of the operations of postal entities – in Iceland's case, Iceland Post.



## Registered providers of electronic communications networks and service at year-end 2008

No.	Licence holder	Issued/ registered	Services
1	Amitelo AG	3.03.2008	Mobile GSM 1800 network
2	Atlassími ehf.	20.02.2003	Voice telephony, data transmission and network
3	Ábótinn ehf.	28.03.2003	Data transmission and service
4	Bloomberg Finance L.P.	19.7.2007	Leased lines and network
5	Bloomberg L.P.	28.07.2004	Data Transmission and leased lines
6	Brimrún ehf.	3.04.2008	Data transmission via satellite
7	Corice ehf.	8.11.06	Voice telephony, data transmission and network
8	DVD-Margmiðlun ehf.	6.02.2004	Broadcast cable network
9	EJS hf.	4.06.2007	Voice telephony, data transmission and network
10	Equant á Íslandi ehf.	7.07.2004	Data transmission service
11	Farice hf.	2.09.2003	Submarine cable
12	Fjarski ehf.	24.01.2001	Leased line and network
13	Fjölnet ehf.	26.10.2001	Voice telephony, data transmission and network
14	Flugfjarskipti ehf.	7.07.2004	Voice transmission service for aircrafts
15	Gagnaveita Reykjavíkur ehf.	23.03.2007	Data transmission and service
16	Gagnaveita Skagafjarðar ehf.	30.11.2006	Data transmission service
17	GlobalCall ehf.	4.9.2008	Voice telephony
18	Háspennugarður ehf.	4.11.2008	Data transmission
19	Hátíðni hf.	24.1.01	Voice telephony, data transmission and network
20	Hringiðan ehf./Vortex Inc.	3.12.1998	Voice telephony, data transmission and network
21	IceCell ehf.	1.07.2007	Mobile DSC 1800 and VOIP service
22	IMC Ísland ehf.	27.06.2000	Mobile DSC 1800
23	Internet á Íslandi hf.	3.02.1998	Network, voice telephony and data transmission
24	IP fjarskipti ehf. (TAL)	15.09.2004	Voice telephony, mobile and data transmission
25	IPnet ehf.	24.09.2007	Calling cards and VOIP service
26	Já upplýsingaveitur ehf.	21.11.2007	Publication of directories, directory enquiry service
27	Ljóshraði ehf.	12.08.2003	Data transmission and service
28	Magnavík ehf.	1.04.2004	Data transmission service
29	Martel ehf.	14.10.1999	Satellite service
30	Martölvan ehf.	26.11.2007	Voice telephony, data transmission and network
31	Material ehf.	6.10.2008	Data transmission service
32	MetNet ehf.	24.09.2004	Data transmission service and network
33	Míla ehf.	4.04.2007	Network
34	Nepal hugbúnaður	21.02.2005	Data transmission service and wireless data transmission
35	Netsamskipti ehf.	4.12.2002	Voice telephony, data transmission and network
36	Neyðarlínan hf.	6.10.1999	Voice telephony - emergency service
37	Nova ehf.	12.07.2006	Voice telephony and data transmission
38	Núll-Níu ehf	12.03.2002	Mobile service
39	Og fjarskipti ehf.	27.03.2007	Voice telephony, mobile, data transmission and network
40	OnAir S.A.R.L.	29.04.2008	Mobile communication services on aircraft (MCA)
41	Radiovik ehf.	14.05.2004	Cable network
42	Radíó ehf. - Íslensk fjarskipti	22.08.2006	Telecommunication service
43	Ríkisútvarpið	29.07.1997	Transmission of radio and television signals
44	SIP ehf.	15.10.2008	Voice telephony and network
45	Sími og net fjarskipti ehf.	19.05.2005	Data transmission, voice telephony and calling cards
46	Síminn hf.	30.07.1998	Voice telephony, mobile, data transmission and network



47	Skyggnir hf.	14.10.2002	Data transmission service
48	Skýrr hf.	17.04.2002	Resale data transmission
49	Snerpa ehf.	17.08.2000	Network, voice telephony and data transmission
50	Stykkishólmsbær	2.05.2002	Data transmission network
51	Svar tækni ehf.	21.12.2007	Telecommunication service
52	TELE Greenland A/S	24.06.2008	Submarine cable
53	Tengir ehf.	20.09.2002	Fiber optical network
54	TSC ehf.	18.01.2002	Voice telephony, data transmission and network
55	Tölvu- og rafeindþjónusta Suðurlands ehf.	29.03.2004	Data transmission service
56	Tölvun ehf.	25.04.2003	Data transmission and service
57	Tölvusmiðjan ehf.	21.08.2002	Data transmission service and wireless data transmission
58	Þekking - Tristan hf.	16.01.2004	Data transmission and service
59	Öryggisfjarskipti ehf.	6.10.2008	Telecommunication service and network / TETRA