

Post and Telecom Administration in Iceland

Annual Report 2009



POST- AND TELECOM
ADMINISTRATION

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Cover photo: Óskar Sæmundsson



Address by Managing Director

Hrafnkell V. Gíslason

According to statistical information from electronic communications companies, total turnover on the electronic communications market in 2009 has increased slightly from 2008. This shows that the electronic communications market has not shrunk, despite the recession and it shows that the public and companies seem to view electronic communications as a priority.



The tasks of 2009 were characterised by the introduction of obligations and the review of cost analyses following the market analysis that was completed in 2008. Work was done on the review of cost analyses of access to mobile phone networks, lease lines, bitstream and service lines. The last-mentioned cost analysis led to an increase of about 6%, where the initial demand by Míla had been for an increase of 40%. This demonstrates that there is a clear need for surveillance of pricing of wholesale items in electronic communications services. Apart from this, work was done in the second round of market analyses with a focus on the mobile phone market, bitstream market and service line market.

During the year PTA authorised the use of GSM frequency at 900 MHz to provide 3G mobile phone services. The objective of the changes was to support greater and more cost-efficient distribution of 3G mobile phone services in this country. In coming years, major development is envisaged on high-speed mobile networks. The institution will, in consultation with stakeholders, organise the allocation of increased frequency rights for mobile phone services on the 800 MHz frequency band which is a cost-efficient frequency band, among other things for long range mobile services.

At the turn of the year 2008/2009 new provisions came into force on the Appellate Committee for Electronic Communications and Postal Affairs. Among the new provisions is one that now requires parties to the market to pay for appeals to the committee. In addition to this the committee was reappointed. In the opinion of the institution this was a successful change which strengthens and improves case procedure.

Network attacks are a growing problem and those who practise such crime on the Internet, use increasingly sophisticated methods and technology. In 2009 an attempt was made to breach the security of Icelandic on-line banking services, probably with the aim of transferring funds from depositors' accounts. This attempt was answered by changing the organisation of these banking services such that security was improved. This shows that there is every reason to significantly increase defences against crimes of this kind.



During this year, preparations were commenced for building a website which would offer calculations of costs of the most common service packages on the electronic communications market, along with an assessment of the most cost-effective options. The website will be launched in the first half of 2010.

The Icelandic authorities have decided to postpone by up to 2 years the coming into force of a new EC directive on postal matters which was to come into force at the beginning of 2011. The Directive among other things prescribes that exclusive rights for postal services shall be lifted and that a new arrangement shall be found to fund universal postal services. The volume of post diminishes with every year and revenue by the same token. It is clear for these reasons that a major review of the organisation of post services in this country is imminent.

The settlement of the economic crash

Subsequent to the economic crash in the autumn of 2008 there has been much discussion on its causes and explanations. The discussion has not least concerned the working procedures of the administration and regulatory bodies on the financial market. The report of the Special Investigation Commission which was published in April 2010 sheds some light on the background and causes of the situation that led to the crash of the banking system. In the report one can find indications of what regulatory bodies need to have as guiding principles in their daily procedures. The report of the Special Investigation Commission says that regulatory bodies should be authoritative in their work, should employ the legal measures currently at their disposal, avoid being restricted to the letter when interpreting the law and they should formally notify the authorities when a regulatory body lacks the resources to complete its tasks, e.g. because of a lack of funds or because of an inadequate legal environment. Internal operations also need to be strengthened with disciplined documentation, active quality control systems, adherence to procedural rules and last but not least by ensuring that regulatory bodies retain competent staff. One can also perceive in the report of the Special Investigation Commission, a warning to regulatory bodies and to the authorities that they should not let the herd instinct and fleeting distractions mislead them into blind faith in the genius of parties to the market. Generally, emphasis is placed on the independence of regulatory bodies and the report warns of influence exerted by market parties on politicians and on the public, e.g. by related interests through election funds or through strong involvement in the media. The Special Investigation Commission also points out that lack of respect for the law is in some respects endemic to this country and attitudes to regulatory bodies are excessively negative, both among the general public and among companies. Such negative attitudes are often manifested in expressions such as “regulatory red tape” and in negative discussion about the restrictions that may be imposed by



regulatory bodies on total freedom of company operations. It is however often forgotten that the basic condition for opening markets and for privatisation of companies is that the authorities can protect the interests of the public with robust surveillance. The bank crash and the report of the Special Investigation Commission shed light on the consequences of the failure of such surveillance.

Though the work of the Special Investigation Commission mainly focused on the financial market, it is clear that in the daily operations of the regulatory bodies in other sectors they face the same issues that contributed to the failures that occurred on financial markets. This must be taken on board by the regulatory bodies and they must adapt their operations to the appropriate lessons learned and recommendations.

It is however clear that general debate in society on the working environment and autonomy of the regulatory bodies has in fact shown little progress. The institution considers that there are clear indications in the report of the Special Investigation Commission of the need for such debate and it urges the adoption of such debate with the aim of ensuring solid foundations for the operations and autonomy of the regulatory bodies and of increasing public understanding of their importance in the open economy of today.

In PTA internal operations work is always in progress on improving procedures and administration. In 2009, special emphasis was placed on examining all information systems and updating them. Work was also done on further integrating quality control with operations, document management was reviewed and preparations were made for policy-making in human resources.

Despite the small size of the Icelandic market the goal has been achieved of providing a foundation for active competition on the electronic communications market in this country. New parties gain a foothold on the market at the cost of market share of dominant parties. The price of electronic communications services in this country is in most respects competitive with the best examples abroad. There is thus every reason to be optimistic about the future, despite all the setbacks and difficulties that hopefully will soon be behind us.



About the Post and Telecom Administration

Organisation and sphere of activities of the divisions

The Post and Telecom Administration is divided into 4 divisions in addition to the office of the director. Management is manned by the director and the managers of the Analytical Division, the Legal Division, and the Technical Division. Quality and human resources and public relations are under the office of the director which has two employees Anna Dóra Guðmundsdóttir, Human resources and quality manager and Anna Margrét Sigurðardóttir, Public relations officer. During this year a quality plan was made for the institution and preparation commenced for re-organisation of document management within this plan. Part of the quality plan was the forming of human resources policy which was made with the participation of the staff. Risk assessment was also made for the place of work, an inspection of security issues was made and an action plan for the potential influenza pandemic in cooperation with the civil defence department of the National Commissioner of Police.

The website, www.pfs.is, is the institution's main information and promotional source. During the year the website's backend was updated, electronic forms were introduced and special emphasis was placed on adding content for consumers.

The Legal Division is responsible for handling administrative communications, settling disputes, the imposition and surveillance of obligations that are not financial in nature, universal service and consumer issues. The division also handles international communications. The manager of the division is Björn Geirsson. In addition to him there are six employees, Friðrik Pétursson attorney, Óskar Hafliði Ragnarsson attorney, Inga Helga Jónsdóttir attorney, Vera Sveinbjörnsdóttir attorney, Guðmunda Ása Geirsdóttir attorney and Ari Jóhannsson political scientist who is responsible for the institution's international matters.

The Analytical Division is responsible for market analysis and for imposition and surveillance of obligations subsequent to market analysis. The division handles general economic analysis in the field dealt with by the PTA, provides information on pricing and statistics and is responsible for their processing and publication. During this year, preparations were commenced for making a calculator that will enable consumers to compute electronic communications costs through the internet. It will be available on the Internet in the first part of the coming year. Cost analysis of the electronic communications market following the first stage of the market analysis according to recommendations from the EU in 2004 began this year and work was commenced on the second stage of the market analysis. In addition to Óskar Þórðarson, the manager, there were three employees doing these tasks,



Guðjón Helgi Egilsson business graduate, Guðmann Bragi Birgisson marketing expert and Snorri Þór Daðason business graduate.

The Technical division handles organisation and management of frequency matters and surveillance of use of frequencies. The department conducts market surveillance of electronic communications devices, handles network and information security and is responsible for radio equipment on ships. The Technical Division also provides other departments with consultancy on technical issues that may affect the institution's surveillance role on the competition market, now and in the future. The manager of the department is Þorleifur Jónasson. In addition to him there are five employees working in the division. Bjarni Sigurðsson, engineer, is responsible for numbers, frequencies, development and performance of electronic communications networks and he answers complaints related to interference in electronic communications. Hörður R. Harðarson, engineer, works on frequencies, Stefán Snorri Stefánsson, technician, works on network and information security and is in addition the institution's security officer. Two employees are responsible for inspections of ships' electronic communications equipment. They are Jósef Kristjánsson and Óskar Sæmundsson who are both electronics technicians.

Administration is responsible for the institution's daily operations, funding, finance and bookkeeping along with telephone answering and reception. This division provides support to other divisions and handles PTA common tasks. The manager of the Administration Division is Magnús E. Finnsson. Other members of staff are Guðríður Sveinbjörnsdóttir bookkeeper and Ingibjörg Sivertsen and Erla Linda Benediksdóttir who handle reception and telephone answering.

Information technology within PTA reviewed

Operations and work procedures within the institution are under continuous review, to ensure that it can fulfil its role in as efficient manner as possible at any given time. After the completion of a detailed review of the institution's information systems in mid 2009 it was decided to renew the main basic systems and preparations for an introduction of new systems commenced in the latter part of the year. In addition to the permanent employees, Þorsteinn Helgi Steinarsson, engineer, was appointed on a temporary basis as a consultant in the project. The institution's aim is to increase its quality, productivity and performance with efficient information systems so that the working environment will be both modern and flexible. Emphasis is placed on confidentiality, accuracy and accessibility of information.

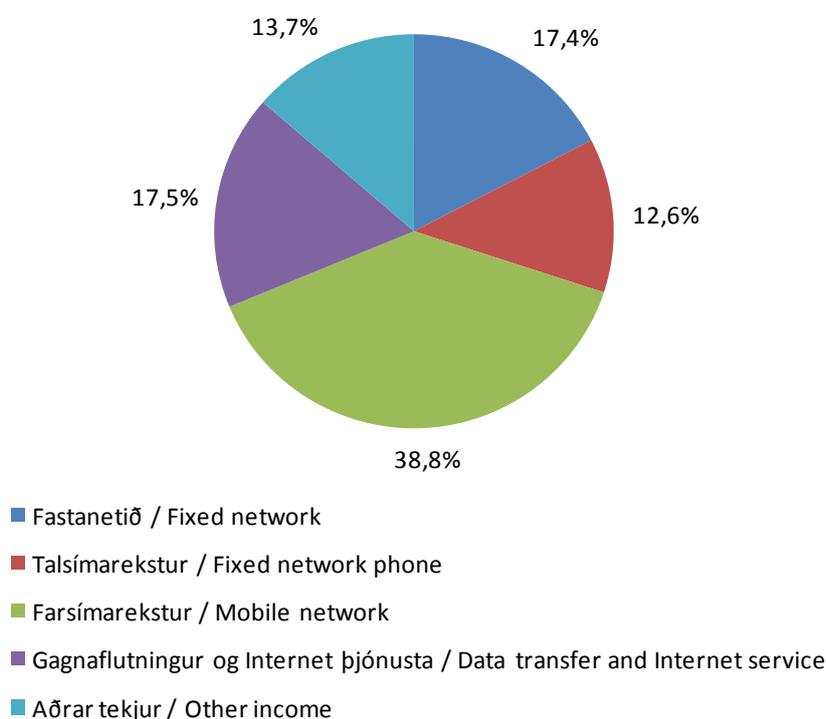


The electronic communications market

Despite the collapse of the Icelandic economy in the autumn of 2008 and the subsequent economic decline, the electronic communications market held its ground in 2009, with turnover on this market increasing slightly, by about ½ billion ISK. Total turnover on this market was over ISK 42.5 billion in 2008 and went to over ISK 43 billion in 2009.

There were no great changes to the division of revenue by type of electronic communications activities.

Proportions of total revenue by type of electronic communications activities 2009:

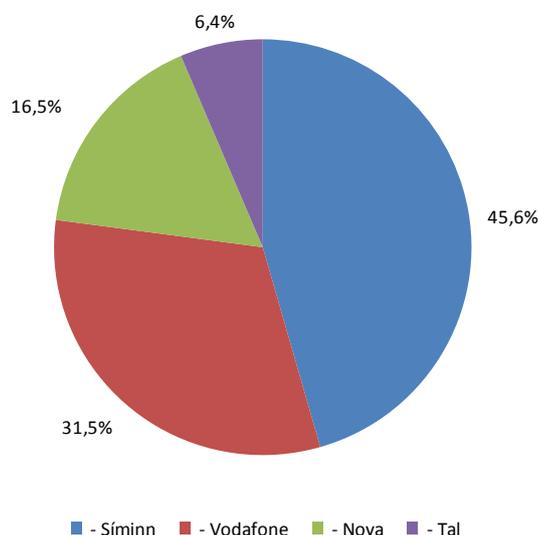


Source: [Statistics on the Icelandic electronic communications market 2009](#), Post and Telecom Administration, May 2010.

The main change was on the mobile phone market where Siminn's market share dropped for the first time below 50% when measured by number of customers. Siminn had 45.6% of customers on this market. At the same time, Nova customers doubled, from 8.2 % in 2008 to 16.5% in 2009. Vodafone number of customers dropped from 34.9% to 31.5% and Tal increased its market share by 1%.



Proportional customer share of electronic communications companies on the mobile phone market in 2009:



Source: [Statistics on the Icelandic electronic communications market 2009](#), Post and Telecom Administration, May 2010.

Further information on the electronic communications market in 2009 can be found in the statistics report published on the [PTA Web](#).

On the [PTA Web](#) one can also find a list of registered electronic communications companies and of companies registered with frequency licences.

Changes to laws and regulations

Electronic communications laws changed

In December 2009 the Alþingi passed Act no. 145/2009 amending the Electronic Communications Act no. 81/2003. The main purpose of the Act was to introduce changes to the EU Directive no. 544/2009 on roaming on public mobile telephone networks within the Community. The rules on roaming will be covered in more detail below. In addition to this the legal amendments in question lowered the charge proportion of the countervailing charge, the charge that electronic communications companies pay into the countervailing fund that reimburses electronic communications companies that bear the obligation of universal service, for the provision of universal service where such service is not profitable and run at a loss. The amendment is because Síminn hf. did not apply for further payments for the ISDN development that took place in the period 2000-2004.



The Appellate Committee for Electronic Communications and Postal Affairs

With Act no. 117/2008 on amendments to Act no. 69/2003 on the Post and Telecom Administration changes were made to the manner in which the institution's decisions would be reviewed. The objective of the changes was to make the appeal procedure more efficient and among other things to give parties to appeals the opportunity to refer cases directly to the courts, without prior proceedings through the Appellate Committee. At the same time various changes were made to the working environment of the Appellate Committee, e.g. regarding appointments to the committee and to the duration of members' tenure, changes to the duration of proceeding in cases and the period of time that could elapse before making an appeal, the adoption of charges for appeals and regarding PTA authority to refer rulings of the Appellate Committee to the courts.

Following these changes to the working environment of the Appellate Committee, a new Appellate Committee commenced operations at the beginning of 2009, with newly appointed members. Shortly after that a new regulation was introduced, no. 36/2009 on The Appellate Committee for Electronic Communications and Postal Affairs. In addition to adapting the regulation to the changes made to the law, it was endeavoured to interpret its provisions on the role and working environment of the Committee and further to make all provisions that relate to case procedure, fuller and more exact.

Increased transparency on the electronic communications market

In the latter part of 2009 the PTA worked on various projects to increase transparency on the electronic communications market, among other things with regards to the issuing of frequency licences. In the case of frequencies for providing general electronic communications services, such as mobile phone services, it is of great importance to the stakeholder that there be predictability in the manner in which the frequencies are allocated and about the possibilities of getting rights renewed. At the request of The Ministry of Transport, Communications and Local Government, the PTA assisted in writing a draft bill for amendments to legislation on electronic communications that was intended to strengthen and clarify the legal environment in this sector, particularly with respect to allocation of frequencies by auction or call for tenders. In order to further develop the regulation environment, work was also done on drafting a regulation on the organisation and allocation of frequencies that the minister was authorised to introduce on the basis of the act.

Work on the above was also part of the introduction of new directives from the EU that changed the existing electronic communications regulatory structure in the EEA. In this manner efforts were made to take into account the innovations that resulted from these directives and that relate to the sector in question. This concerned first and foremost Directive no. 2009/140/EC amending specific older directives, including what is called the authorisation directive no. 2002/20/EC.



Also, with the objective of increasing transparency on the electronic communications market, the PTA issued Rules no. 933/2009 concerning the content of a reference offer for open access to service lines. The publishing of a reference offer for such electronic communications services gives all parties to the market the opportunity to see what is on offer and ensures that they will not receive a demand for payment for services that are not necessary for them. Transparency of terms and conditions for access to service lines and related services serves the purpose of speeding up negotiations, prevents disputes and enhances belief in parties to the market that there is no discrimination in providing the services. It is necessary that technical provisions that apply to lease of service lines are clear and transparent as this can be of particular importance in ensuring interoperability.

Market analyses on the electronic communications market

In another part of the report there is discussion about the market and cost analyses that were made in 2009, specifically on pages [18 – 20](#). There are special rules about procedure and provisions for content for market analysis which is the most complex and largest of the institution's tasks. The objective of the rules is to ensure that PTA decisions in this field are made after careful and detailed procedures where the views of all stakeholders receive substantive discussion subsequent to a general consultation procedure on the issues. Provisions are also made for PTA requesting opinions, both from the Competition Authority and from ESA (EFTA Surveillance Authority) on its draft conclusions, before final decisions are made. At the end of 2008 the institution completed analysis of all the different types of electronic communications market that are specified in advance in an Annex to what is called the Framework Directive no. 2002/21/EC. The institution had then gained considerable experience in making market analysis and in the subsequent imposition of obligations on electronic communications companies with significant market power. For this reason the institution considered it appropriate that the regulation on market analysis be reviewed so that procedures could be improved in the light of experience. At the request of the Ministry of Transport, Communications and Local Government, the PTA worked on the regulation that was to become no. 741/2009 on market analysis in the electronic communications sector, which was published in the Official Gazette on 1 September 2009.

While doing the work on reviewing the regulation, the opportunity was grasped to update the PFS information brochure on market analysis. This info brochure deals with the objectives of market analysis, the division of the electronic communications market into various kinds of sub markets, case procedures in connection with analysis and the imposition of obligations and there is information on the methodology and the on the content of the main provisions of the Electronic Communications Act that apply to the institution's implementation of this task.



Introduction of regulations from the European Network and Information Security Agency (ENISA)

With the minister's regulation no. 1116/2009 for establishing the European Network and Information Security Agency, the regulation from the European Parliament and Council of Ministers no. 1007/2008/EC for amendments to older EU regulations was introduced, see regulation no. 460/2004/EC. The new regulation first and foremost extended the institution's working life by three years, as according to the initial regulation the working life of the institution was to end on 13 March 2009.

The role of ENISA is to be an advisory body for the EEA, on matters related to the security of networks and information. For this purpose the institution conducts research in this domain, makes investigations on the organisation of security and provides reports and instructions on how to improve implementation of security. It does not have cross-border jurisdiction in this field but is first and foremost intended as support for the operations of member countries. States can thus approach the institution directly for specialist assistance. Iceland is a party to ENISA and has an observer on the institution's board. Iceland has enjoyed the assistance of ENISA in various fields and domestic parties e.g. the SAFT project of *Heimili og skóli* (Home and school) and PTA, have received assistance in projects in Iceland. Among other things they had one of its representatives give a talk at a workshop on safe internet usage for children in 2006 and an ENISA specialist made a presentation at an educational meeting organised by PTA on CERT (Computer Emergency Response Team) matters in 2008. CERT.

Changes in EEA law

Roaming on public mobile telephone networks within the EEA

On 1 July 2009 the European Directive no. 544/2009/EC on amendments to the older Directive no. 717/2007/EB on international roaming on public mobile telephone networks within the Community came into force. The main changes are that a maximum price of €0.15 is set on SMS and electronic communications companies are obliged to inform consumers about their tariff for data connections and to put an automatic ceiling on roaming data services. According to the regulation it is also unauthorised to charge for receiving voice messages. In addition to this the price of calls made in roaming service within the EEA is reduced from € 0.46 to € 0.39 and the wholesale price for roaming data services in a mobile phone or with a 3G connection is reduced from € 1 to € 0.8 for each MB. Mobile phone companies are also obliged to change the time measurement of telephone calls in mobile phones between countries in such a way that it is first authorised to charge for 30 second minimum use and then to charge for each second after that. Then there are extensive requirements for increased transparency in the use of mobile services and for consumer protection in the regulation.



After the adoption of the above Amendment Regulation in the EEA Agreement late in 2009, it was adopted into Icelandic legislation at the beginning of 2010.

Comprehensive review of EU electronic communications regulatory framework

At the end of 2009 the process of review of the EU electronic communications legislation review ended with the publication of two directives that dealt with amendments to all 5 directives that form the EU regulatory framework for electronic communications. These are on the one hand the Directive of the European Parliament and Council of Ministers no. 2009/136/EC, which constitutes amendments to the Universal Service Directive no. 2002/22/EC and the Directive on privacy and electronic communications no. 2002/58/EB, and on the other hand the Directive of the European Parliament and Council of Ministers no. 2009/140/EC, which constitutes amendments to the Framework Directive no. 2002/21/EC, Access Directive no. 2002/19/EC and Authorisation Directive no. 2002/20/EC.

It would require too much space to itemise all the new provisions in the directives. On the other hand one can list in a few words the most significant changes that will affect the current regulatory framework in the next two years:

- *Number portability between electronic communications companies shall be implemented within one day.* Transfer of numbers and services is being made more efficient which enhances mobility for consumers on the electronic communications market.
- *Improved provision of information to consumers.* Requirements will be made for improved provision of information for consumers so that they can better appreciate the nature of the services they are buying. Stricter requirements will be made for terms of business with electronic communications companies, e.g. such that they specify a given minimum quality of service and that they provide information on compensation to consumers in the event of non-compliance.
- *Protection of civil rights regarding access to the Internet.* Access to the Internet will be defined as a civil right such that all limitations to such access must be in accordance with the European Human Rights Convention and with the main principles of EU law on this issue.
- *Conditions for open access to networks and for technical neutrality of networks.* Requirements in this connection have the objective of increasing the offer of services on networks, of making services more accessible to users and of preventing technical solutions from stopping competition between networks.
- *Increased consumer protection against breaches of privacy.* The protection of personal data related to use of electronic communications will be increased with respect to unlawful access to such information or to its misuse. The responsibilities of electronic communications companies regarding the documentation of such



information and its storing will be increased. The increased requirements will introduce a duty for electronic communications companies to notify the regulatory authority of all security events.

- *Better access to the emergency number 112.* The requirement will be made that consumer access to the emergency number 112 will not be restricted to traditional voice and mobile phone telephony services but also to newer electronic communications technology as appropriate, and in addition to this the obligation of electronic communications companies to provide the emergency line with positioning information will be more explicit.
- *Increased autonomy for electronic communications regulatory institutions.* The new regulatory framework will increase the autonomy of regulatory institutions with the objective of preventing political interference with their daily operations, and in addition limitations will be imposed on the unilateral dismissal of directors of such institutions.
- *Increased options for the Commission and for ESA to influence imposition of remedies on the electronic communications market.* Increased power for ESA is provided for, to influence the elaboration of remedies imposed on companies with significant market power on the electronic communications market in order to ensure active competition.
- *Authority to impose functional separation.* This obligation is intended to deal with competition problems that may result from vertical integration in electronic communications operations. This means authority for regulatory authorities to impose obligations on electronic communications companies with significant market power to separate in their operations the activities that are classified as operation of an electronic communications network from activities related to the provision of services on that network.
- *Increased public access to broadband connections* With better organisation of frequencies and emphasis on efficiency in allocation of frequencies that can be used for the introduction of high speed networks in rural areas it is hoped that the distribution of high speed connections can be widened. In addition to this, states are given the option of extending what is called the universal service obligation with relation to this kind of development.
- *More active competition with an incentive to invest in the next generation of access networks.* Electronic communications networks comprised of fibre optic and wireless access networks are little by little replacing older and less efficient electronic communications technology based on copper lines. To encourage investment by electronic communications companies in new technology one must create predictability in the rules that will apply on access and competition on these new networks. As soon as conditions have been established that ensure active



competition on these new networks one must ensure that electronic communications companies that invest in development of these new networks enjoy appropriate profits from the networks.

The above items have not yet been included in the EEA Agreement. When this has been done then the relevant amendments will be made to Icelandic laws and regulations.

PTA statistical reports

The collection of statistical information about the Icelandic electronic communications market is an important part of PTA activities. PTA considers it appropriate that this information should be published in order to increase market transparency and to improve access to information for parties to the market and for the public. In 2007 it was decided that the institution publish such a review report twice a year. At the end of this year the first report, for the year 2006, was ready for publishing.

PTA statistical reports on the Icelandic electronic communications market can be accessed on [statistics pages of the PTA website](#).

Advisory services and disputes

Part of the work of the PTA is to resolve large and small disputes and to handle complaints sent to the institution concerning electronic communications and postal matters. Many such matters were submitted to the institution during this year, both from companies and from individuals. Twenty three formal administrative decisions were made on matters relating to electronic communications and postal services during the year. In addition to this there were hundreds of smaller cases that were handled with the need for administrative decisions. According to Article 13 of Act 69/2003 on the Post and Telecom Administration it is authorised to appeal the decisions of the Post and Telecom Administration to the Appellate Committee for Electronic Communications and Postal Affairs. A party that has significant interests can appeal either the procedure or the substance of the decision. During the year the Appellate Committee ruled on 9 disputes on electronic communications.

Decisions of the Appellate Committee for Electronic Communications and Postal Affairs can be found on the institution's website, www.pfs.is.

Allocation of licences and surveillance of frequencies

PTA handles allocation of electronic communications licences for transceivers and other radio devices. A total of 1,083 electronic communications licences were allocated during the year.



An important part of the institution's operations is surveillance of the use of frequencies. PTA receives a large number of complaints every year about interference in electronic communications. Such complaints are dealt with as quickly as possible and a search for the source of the problem is made. In 2009 there were 29 call-outs dealt with for problems of this nature.

During the year work was continued on reorganising market analysis and surveillance of frequencies. Investments were made in newer and more sophisticated equipment which among other things enabled PTA to conduct remote measurements and simplified all processing of information from the measurements. In parallel with the introduction of new equipment, employees who conduct surveillance on frequencies were trained in the use of the equipment.

Frequency issues

A national consultation with stakeholders was held on future arrangements for the 1800 MHz frequency range. The institution's main objectives with the consultation were to get the opinions of stakeholders on the market about the following:

1. Allocation of 1800 MHz licence to Nova ehf. without a specific call for tenders
2. New methods of allocation, e.g. auctions

Following the consultation it was decided to allocate from the frequency range to Nova ehf., without a call for tenders and to continue using the consultation methodology. It was considered that the time was not yet right to adopt the auction methodology. Siminn's NMT services were, at the end of 2008, extended to the end of 2009 and at the time of this extension it had been decided that the electronic communications companies should submit detailed data about development and distribution of GSM and 3G mobile phone systems by 1 September 2009. On the basis of this data from the electronic communications companies that show that substantial development had taken place on long range mobile phone services, a decision would subsequently be made on the continuing operation of the NMT 450 mobile phone system. Despite the substantial development of long range mobile phone services (GSM/UMTS/3G) it was clear that it did not yet fully cover the whole country and there was uncertainty about its performance in specific highland regions and in coastal waters. With this in mind and taking into account public interests and security at sea it was decided to extend Siminn's frequency licence to 1 September 2010. As long range mobile phone services reached more areas, NMT transmitters should be turned off in those areas. A Siminn schedule was submitted for closures in these areas.



Numbers

The Post and Telecom Administration allocates numbers to general electronic communications networks (number sequences in telephone systems) and identity numbers for ships. A total of 2.6 million numbers have been allocated for general telephone systems in Iceland in existing number systems which is equivalent to 8.2 numbers for each inhabitant of the country. In 2009 70,000 numbers were allocated for general telephone systems. There were also 2,000 identity numbers allocated for ships.

During the past few years the PTA has made a general review of matters relating to numbers. Subsequent to this work, revised rules were published in 2008 about the organisation and allocation of telephone numbers, rules for number transfer and new rules for number display. In 2009 work was done on preparing a regulation for value-added services in fixed line and mobile phone networks. It is planned to publish this regulation in 2010.

Ship inspections

The Post and Telecom Administration manages inspection and surveillance of electronic communications equipment on ships. The objective of the surveillance is to ensure that radio equipment is working properly and active in case of an emergency. The two PTA employees who carry out these tasks inspected 211 ships during the year. In addition to the PTA there are three accredited inspection agencies that conduct inspections of electronic communications equipment in ships and boats. These inspections are carried out under PTA's supervision.

The agencies inspected a total of 1,057 ships and boats during the year, so the total number of ships and boats inspected in 2009 was 1,268. In addition to this there were inspections of sport boats where the owners are authorised to make their own inspections. However, an inspection office must inspect these boats at four year intervals. There were 104 such inspections by owners during the year.



Market analysis

The objective of the electronic communications legislators and of the Post and Telecom Administration with market analysis is to analyse the status of competition on the electronic communications market and to impose appropriate obligations in order to strengthen competition, where it is considered to be not sufficiently active, for the benefit of consumers.

ESA (EFTA Surveillance) issued a new recommendation on 5 November 2008 where 7 markets are specified in advance instead of the 18 that were specified in the recommendation from 2004. It is however not possible to change obligations or to withdraw them without conducting a new market analysis and without its conclusions giving reason for change, even where the market is no longer in the new recommendation.

On the basis of the conclusions of the market analysis, the PTA decided in its Decision no. 29/2008, on 4 December 2008 among other things to designate Siminn hf. as having significant market power on the wholesale market for transferring calls in general fixed line networks (*market 10 according to the old recommendation*). Siminn appealed the conclusion of PTA to the Appellate Committee for Electronic Communications and Postal Affairs and the committee confirmed the PTA decision on 22 March 2009.

At the end of 2009 there were market analysis in progress on two markets, the market for termination of telephone calls in specific mobile networks (Market 7) and the market for access and origination of calls in mobile phone networks (Market 15 according to the old recommendation).

In the PTA year plan for 2010 it is intended to complete analysis of the above-mentioned markets with decisions in 2010. It is also planned to commence analysis of markets for access to fixed access networks (Market 4) and for broadband access (Market 5) where it is expected that these analyses will be completed with a decision in 2011.

Follow-up of obligations

The PTA has usually imposed on companies with significant market power, obligations on access, non-discrimination, separation of accounting, supervision of tariffs and cost accounting. While publishing obligations subsequent to market analysis, the PTA has placed increased emphasis on following-up obligations based on market analyses. There is organised surveillance to ensure that the obligations are met by the parties on whom they have been imposed. To give a few examples, the institution followed up on the reduction in wholesale price for termination in mobile phone networks and on other obligations in Market 16. On Market 15 the reference offer for resale and virtual network access was reviewed by the PTA after consultation with stakeholders. At the demand of the institution,



Míla submitted a cost analysis on service line lease (Market 11) and Siminn made a cost analysis of access prices in Market 15 (resale and virtual network). In addition to the above-mentioned market analyses, the foundations were laid for analyses in various other markets during the year and the aim is that all main wholesale prices will be based on cost analysis in accordance with obligations imposed by the PTA to this effect.

This creates conditions for new operators to enter the market with a minimum of start-up cost. The measures taken by the PTA have among other things the purpose of lowering the threshold for new entrants to the market, which in the long term encourages increased competition which benefits consumers. The aim of the PTA is that in 2010 all obligations will be fully implemented by the parties in question on markets 1-16 according to the old recommendation.

Cost analysis subsequent to obligations on supervision of tariffs

In 2009 work was done on the following cost analyses on the basis of obligations for supervision of tariffs of companies with significant market power on the markets in question.

On 17 July 2009 the PTA published Decision no. 13/2009 regarding cost analysis for open access to copper service lines (Market 11 according to the old recommendation). The PTA endorsed the updated cost analysis from Míla in June 2009, with certain changes that are prescribed in the Decision. The PTA decided a 6.18% increase in tariff for the company. Míla appealed the decision to the Appellate Committee for Electronic Communications and Postal Affairs, which confirmed the PTA decision no. 4/2009 in most respects on 15 January 2010. In its appeal, Míla demanded that the Appellate Committee reject the PTA criteria and allow a 42% increase in tariff for service line lease. The Appellate Committee confirmed the PTA criteria with its ruling on the appealed decision, with the exception of the criterion that relates to the need to take into account the capital tied up in stocks. The PTA accepted the updated cost analysis from Míla with the changes prescribed in the ruling of the Appellate Committee for Electronic Communications and Postal Affairs. Prices rose by 0.45% from current prices, or by about 6.63% instead of 6.18% as the PTA had decided in July 2009.

In a letter dated 9 October 2009, the PTA sent Míla its conclusions after examining the quick cost analysis by Míla ehf. on tariff for lease of facilities. The PTA conclusion was that the existing tariff for lease of facilities (January 2008) should remain unchanged until a new and full cost analysis had been made. The PTA also made the requirement that Míla submit such a cost analysis for all its leasing of facilities no later than 30 April 2010.

Work was done in this year on examining the Siminn cost analysis for bitstream access in accordance with the obligation for supervision of tariff on the wholesale market for broadband (Market 12 according to the old recommendation). The PTA examination will be completed with a decision in early 2010.



Work was done on examining the Siminn cost analysis on termination of calls in the company's mobile phone network. At the same time work was done on examining the Siminn cost analysis for access and origination of telephone calls in the company's mobile phone network. The PTA examination will be completed with a decision in early 2010.

In 2009 work was commenced on examining the cost analyses of Siminn and Míla for the lease line markets (Markets 7-13-14 according to the old recommendation) and the intention is to complete then with a decision in 2010.



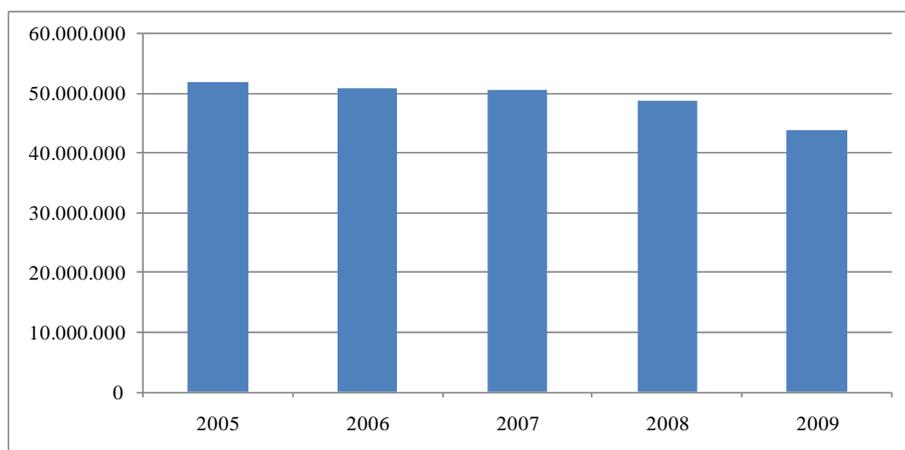
The Postal Market

There were no major changes on the postal market in Iceland in 2009. Íslandspóstur hf. has held the exclusive rights services since the state institution Póstur og sími was divided at the beginning of 1998. In addition to Íslandspóstur, the company Pósthúsið ehf. has an operating licence and is authorised to deliver post that is over 50g in weight.

During this year preparation was commenced for the adoption of the EU Directive no. 2008/06/EC which among other things prescribes that monopoly for letters less than 50g in weight be lifted and the market thus fully opened for competition.

Reduction of post covered by exclusive rights.

Between the years 2008 and 2009 the volume of post covered by exclusive rights decreased from 48.7 letters to 43.9 which is about 10% and it is expected that they will continue to decrease in 2010. The main reasons for this are decline in the economy and an increase in electronic transactions. The table below shows the development from 2005 in the number of letters covered by exclusive rights.



Overview of number of letters covered by exclusive rights, 2005 – 2009.

Audit of the bookkeeping of Íslandspóstur hf.

In 2009 an examination was started on whether the bookkeeping of Íslandspóstur was entered in accordance with the main principles of Article 18 of the Act on postal services no. 19/2002. It was to be investigated whether the criteria and methods used by Íslandspóstur for division of revenue and services into different operations accounts were in accordance with the provisions of the law. Then it was also to be investigated what Íslandspóstur's costs were from providing universal services and how the division of costs between exclusive rights services and competitive operations was organised, to mention some of the checks that were done.



Formal decisions related to postal services in 2009

The Post and Telecom Administration published four formal decisions on postal matters in 2009. Three of them concerned disputes between Íslandspóstur and recipients of postal services about where post boxes for receiving mail should be located. In PTA decision no. 4/2009 the circumstances were that Íslandspóstur had not come to an agreement with the residents at a farm on the positioning of the post box that was to serve the farm in question. The company considered it to be important for its operations that post boxes in rural areas should be properly positioned and referred among other things to the fact that deliveries in rural areas were very expensive, to the way the deliveries were made and to the necessity that the company be allowed to deliver mail in as efficient manner as possible within the constraints of the rules set by law.

The residents referred among other things to the view that post boxes should be close to their dwelling and to the fact that there had been no consultation by Íslandspóstur about the positioning. Reference was also made to the rule of non-discrimination and to the danger that is created if a post box is located at a place where there people do not often go.

In the decision of the PTA it is stated among other things that it has long been the practice to position post boxes in rural areas at the junction of the road to the farm and the public road. In Article 16 of the regulation on universal service no. 364/2003, several main principles are prescribed as the basis for positioning of post boxes, for the definition of built up area, for specific distances that reference should be made to and there are specific exceptions such as proportionality should there be no road to a house or if it is located at a great distance from other dwellings. In the decision, general views are examined and the location for the post box for each house is decided with reference to the main principles of Article 16 of the regulation on universal services.

The PTA decision no. 6/2009 tested among other things, the question of how to define the boundary between built up and rural areas in the context of location of post boxes.

One decision was made during the year on authority for Íslandspóstur to close a post office, Decision no. 15/2009, on closing Hellisandur post office.

All PTA decisions on matters related to the postal market can be found on the [PTA](#) website.

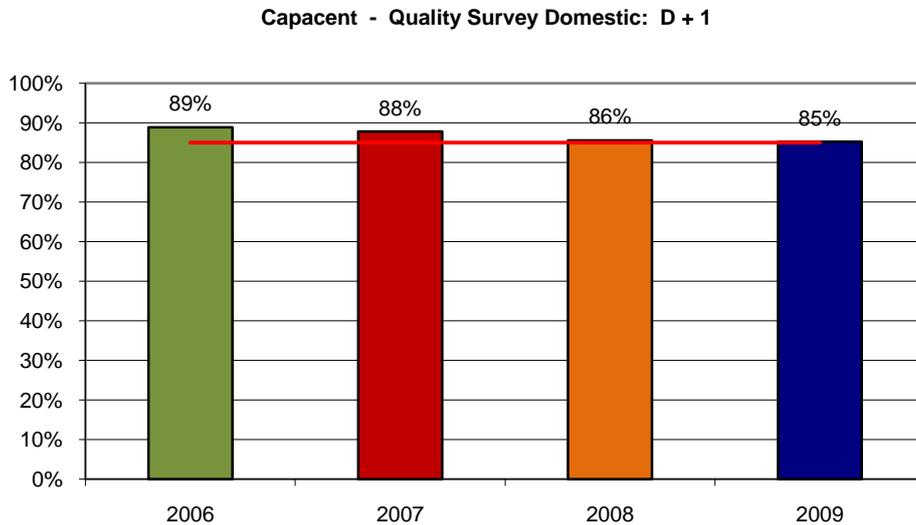
Quality in postal services

Each year, quality surveys are made concerning delivery of post within the country and to foreign countries in order to ascertain whether minimum requirements for delivery times are fulfilled. On the following pages one can see quality tables on delivery times for 2006 – 2009 (domestic) and 2005 – 2009 (foreign).



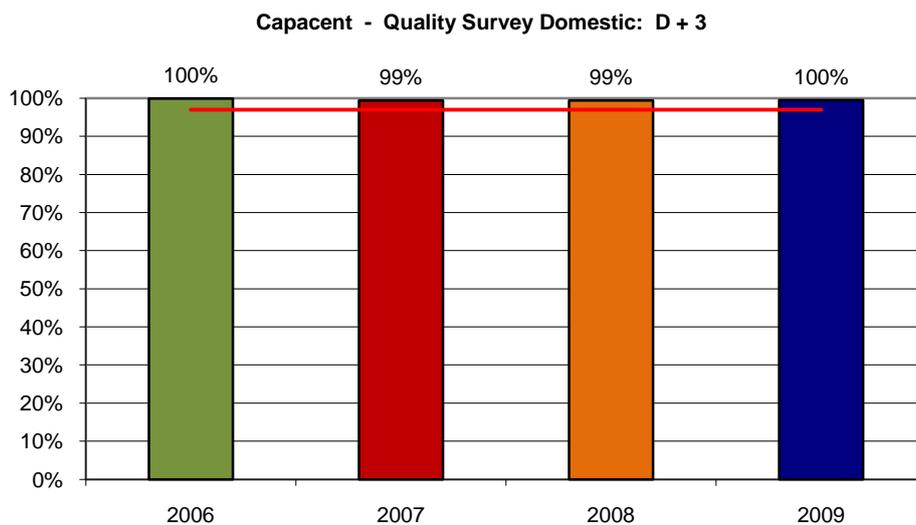
Domestic, within one day from date of posting

According to the regulation a minimum of 85% of first class post shall be delivered the day after it has been posted (D + 1). As can be seen on the bar chart below, 85% of this mail achieved this minimum in 2009 and 86% the year before.



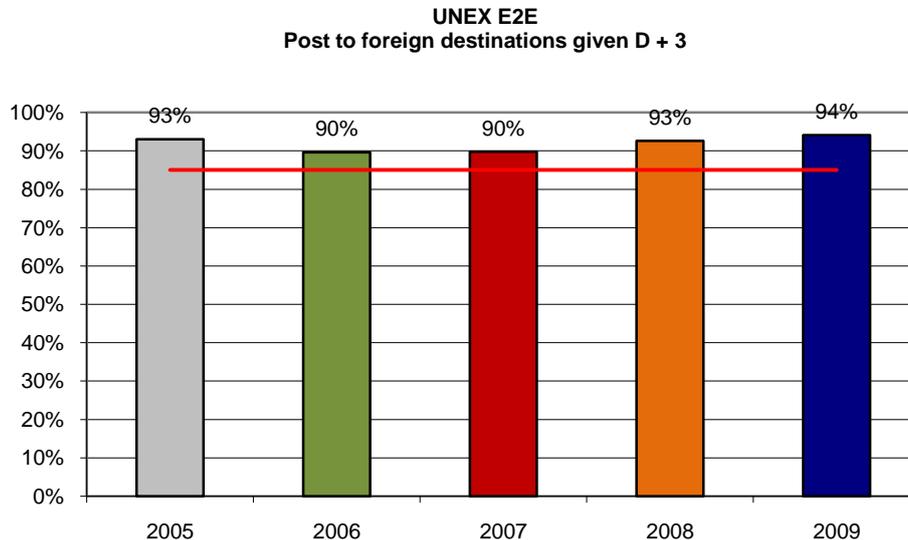
Domestic, within three days from date of posting

According to the regulation a minimum of 97% of first class post shall be delivered within 3 days (D + 3) of the day of posting. 100% of mail deliveries met this requirement in 2009 as can be seen on the bar chart below.



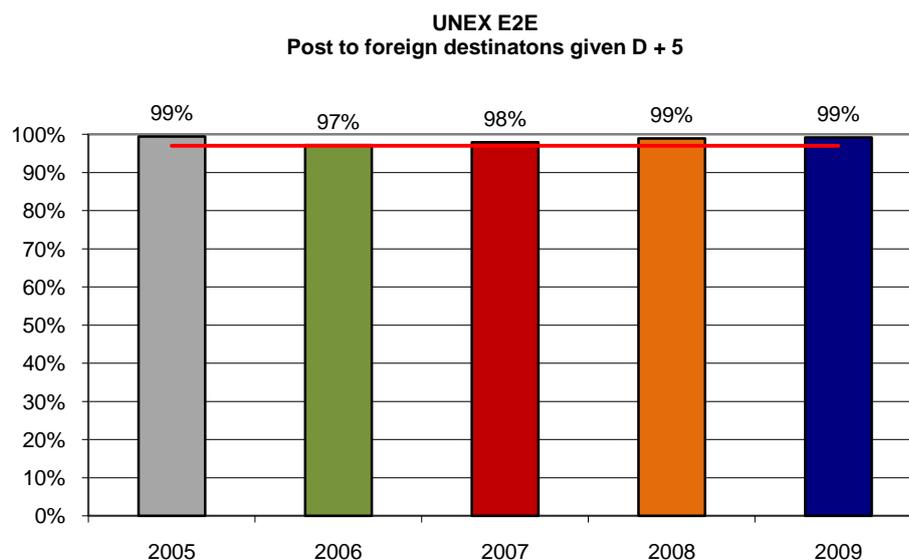
Foreign, within three days from date of posting

According to the regulation a minimum of 85% of first class post (A post Prioritaire) to countries within the EEA shall be delivered within 3 days of the day of posting (D + 3). In 2009 this was fulfilled for 94% of mail as is seen on the bar chart below.



Foreign, within five days from date of posting

According to the regulation a minimum of 97% of first class post (A post Prioritaire) to countries within the EEA shall be delivered within 5 days of the day of posting (D + 5). Here below one can see the results of measurements of the speed of delivery from this country to a recipient abroad. As can be seen on the bar chart this minimum was achieved with 99% of mail in 2009.



Consumer affairs at PTA

The Post and Telecom Administration plays an important role for consumers. In electronic communications legislation it is prescribed that the institution support consumer protection and assure the interests of consumers in postal services and electronic communications. The institution plays its role in various ways and continuously strives to strengthen this part of its operations. During this year preparation was started for the publishing of an on-line calculator where consumers can compare prices of electronic communications services. The intention is to provide access to the PTA calculator in the first half of 2010. Work was also done on reorganising the part of the website that is intended for consumers. During this year cooperation with other parties involved in consumer affairs, such as with The Consumer Agency, The Consumer Spokesman and The Consumers' Association of Iceland has been strengthened. On the [PTA website](#) one can find important information for consumers about postal services and electronic communications. There one can mention among other things, price information on electronic communications services that is updated on a monthly basis, information on using mobile phones abroad, information on CE marking and the purchase of devices and various information on electronic communications technology and on the electronic communications market. This year there was also an initiative to provide electronic forms on the PTA web.

The PTA publishes accessible statistical reports twice a year ([see page 15](#)) on development, competition and on the electronic communications market. These reports give a clear overview of this market and there is good general information for consumers, though the information the presentation of the material is first and foremost directed to parties to the market.

The Post and Telecom Administration receives complaints from consumers should they consider that a post company or an electronic communications company is breaching its duties as prescribed by law, by general authority or by its operating licence. Access for consumers to this service was significantly strengthened this year with the introduction of the electronic complaints form on the PTA website. A great number of complaints were received by the institution and more than one hundred such cases were treated.

Price surveillance – consumer service

The PTA is working towards having prices for electronic communications services in Iceland as advantageous as the best in our neighbouring countries. This objective is measured by comparing the prices of electronic communications services with the prices in OECD countries. For this comparison, data is used from the European research company Teligen. In the table below the 30 countries covered by data from OECD are split into 4 groups: A, B, C



and D. Group A contains the countries that are in the top 7 places i.e. they have the least expensive services, group B has countries in places 8 – 14, and group C has countries in places 15 – 21 and group D in places 22 – 30.

Iceland's position within the OECD

Year	2009	2008	2007	2006	2005	2004	2003
Broadband	C	D	D
Home telephone	A	A	A	A	A	A	A
Company telephone	A	A	A	A	A	A	A
Mobile-subscriptions	B	A	A	B	B	A	A
Mobile-pre-paid	A	A	B	B	A	A	A

Source: Teligen.

Explanation: There are 30 countries with OECD data. A means that Iceland is in the group of countries that has the least expensive service of countries measured within OECD for electronic communications. Generated from electronic communications companies' tariffs. Teligen updated the call pattern behind its price baskets at the beginning of 2006, both for mobile phones and fixed line phones.

The PTA also makes price comparisons between the services of electronic communications companies every month and publishes the results on its website. Retail pricing of electronic communications services is in the hands of the parties to the market but the PTA can intervene in wholesale pricing and can among other things prescribe that the same wholesale price apply across the country. The institution has this objective in mind when it imposes obligations subsequent to market analysis.



Network and information security

Network and information security is one of the main concerns of PTA. The institution's main objectives in this field are as follows:

- To improve network security such that the public can rely on it in e-business and in daily life.
- To encourage improved public awareness of network and information security.
- To promote resilience of public electronic communications networks, including connections to other countries. To define security requirements and actively supervise that access to electronic communications is according to, or better, than the requirements.

There were many projects carried out within the PTA in 2009 that aimed at increasing network and information security. Of these can be mentioned:

- According to regulations on security of network systems in electronic communications coming into force in mid 2008, procedures were formed for visits to supervise electronic communications companies and first inspections were made in the form of a questionnaire.
- A project was started concerning risk analysis in domestic Internet exchange points and Iceland's international exchange points. This project continues in 2010.
- Raising public awareness of network and information security. The PTA has an awareness website www.netöryggi.is where advice is provided for the public and for small and medium enterprises on network- and information security. The institute is also cooperating with others that are involved in network and information security, such as the SAFT project of *Heimili og skóli* (Home and school) and *Barnaheill* (Save the Children). The helpline website www.netsvar.is is a cooperative project of these three parties. There one can find, or send in, questions and get answers on the safe use of the internet and new technology, not least for children and teenagers.
- Work was done on development of an index to assess the state of network and information security and the level of public awareness in this field. The project was carried on partly in cooperation with our neighbouring Scandinavian countries and with reference to analogous criteria used in Europe. Following this work a survey was made among the public on this issue in cooperation with Statistics Iceland. The survey will be carried out in the first part of 2010.
- Work was continued on forming a response team against security incidents in electronic communications and information technology, what is known as a CERT Team



(Computer Emergency Response Team) – often called CSIRT (*Computer Security and Incident Response Team*). In 2008 a report was made internally at the PTA about the feasibility of forming such a team here in Iceland. The conclusion was that it is critical for Iceland's national security that such a team will be formed. Such teams, or coordination centres, exist in many countries abroad, in one form or another.

- The PTA cooperated with the Icelandic Financial Services Association in the banks' fight against damaging trojans that compromised computers of on-line bank users. Others participated in this work through the mediation of the institution, including CERT teams in other countries.
- An initiative was launched to remove a variety of malicious softwares from Icelandic web sites. This work is done in cooperation with the financial undertakings and has returned positive results. The work on this project will continue.
- The institution requested a response and action plan against the potential influenza pandemic from telecommunication undertakings and advised them on how to prepare such a plan.

International Cooperation

In 2009 the PTA cooperated with various international institutions and with sister institutions in Scandinavia and Europe. Foreign relations cover among other things, answering international queries and participation in statistical analyses. It also covers work on reports on a variety of subjects and memos on debatable issues abroad. The work of the PTA is also related to the ministries of communication and foreign affairs, e.g. ratification of international agreements.

Cooperation with the EU Commission on a review of rules governing electronic communications was the most notable aspect of work concerning European National Regulatory Authorities (NRA).

Market development for the benefit of consumers and normal competition between parties to the market were also the focus of attention this year. Increased effort was put into specification of NGN (Next Generation Networks) and NGA (Next Generation Access Networks). Increased emphasis has been placed on further elaboration of regulations that will deal with obligations for universal services.



Registered providers of electronic communications networks and service at year-end 2009

Nr	Licence holder	Issued/ registered	Services
1	Ábótinn ehf.	28.03.2003	Data transmission and service
2	Bloomberg Finance L.P.	19.07.2007	Leased line and network
3	Brimrún ehf.	3.04.2008	Data transmission via satellite
4	DVD-Margmiðlun ehf.	6.2.2004	Broadcast cable network
5	EJS hf.	4.06.2007	Voice telephony, data transmission and network
6	Emerald Network Computing Inc.	3.09.2009	Submarine cable and data transmission service
7	Equant á Islandi ehf.	7.7.04	Data transmission service
8	Farice hf.	2.09.2003	Submarine cable
9	Fjarski ehf.	24.01.2001	Leased line and network
10	Fjölnet ehf.	26.10.2001	Voice telephony, data transmission and network
11	Flugfjarskipti ehf.	7.07.2004	Voice transmission service for aircrafts
12	Fónn ehf.	26.05.2009	Voice telephony, data transmission and network
13	Gagnaveita Reykjavíkur ehf.	23.03.2007	Data transmission and service
14	Gagnaveita Skagafjarðar ehf.	30.11.2006	Data transmission service
15	GlobalCall ehf.	4.09.2008	Voice telephony
16	Háspennugarður ehf.	4.11.2008	Data transmission
17	Hátíðni hf.	24.1.2001	Voice telephony, data transmission and network
18	Hringiðan ehf./Vortex Inc.	3.12.1998	Voice telephony, data transmission and network
19	IceCell ehf.	28.6.07	Mobile DSC 1800 and VOIP service
20	IMC Ísland ehf.	27.06.2000	Mobile DSC 1800
21	Internet á Íslandi hf.	3.02.1998	Network, voice telephony and data transmission
22	IP fjarskipti ehf. (TAL)	15.09.2004	Voice telephony, mobile and data transmission
23	Já upplýsingaveitur ehf.	21.11.2007	Publication of directories, directory enquiry service
24	Kukl ehf.	20.03.2009	Voice telephony, data transmission and network
25	Ljós og gagnaleiðari ehf.	10.08.2009	Data transmission network
26	Magnavík ehf.	1.04.2004	Data transmission service
27	Martölvan ehf.	26.11.2007	Voice telephony, data transmission and network
28	Material ehf.	6.10.2008	Data transmission service
29	Míla ehf.	4.04.2007	Network
30	Nepal hugbúnaður	21.02.2005	Data transmission service and wireless data transmission
31	Netsamskipti ehf.	4.12.2002	Voice telephony, data transmission and network
32	Neyðarlínan hf.	6.10.1999	Voice telephony - emergency service
33	Nova ehf.	12.07.2006	Voice telephony and data transmission
34	Og fjarskipti ehf.	27.03.2007	Voice telephony, mobile, data transmission and network
35	OnAir S.A.R.L.	29.04.2008	Mobile communication services on aircraft (MCA)
36	Radiovík ehf.	14.05.2004	Cable network
37	Radíó ehf. - Íslensk fjarskipti	22.08.2006	Telecommunication service
38	Ríkisútvarpið ohf.	29.07.1997	Transmission of radio and television signals
39	SIP ehf.	15.10.2008	Voice telephony and network
40	Síminn hf.	30.07.1998	Voice telephony, mobile, data transmission and network
41	Sjónvarpsmiðstöðin ehf.	8.10.2009	Data transmission service
42	Skyggirnir hf.	14.10.2002	Data transmission service
43	Skýrr hf.	17.04.2002	Resale data transmission



44	Snerpa ehf.	17.08.2000	Network, voice telephony and data transmission
45	Softverk ehf.	20.03.2009	Voice telephony, data transmission and network
46	Stykkishólmsbær	2.05.2002	Data transmission network
47	Svar tækni ehf.	21.12.2007	Telecommunication service
48	TELE Greenland A/S	24.06.2008	Submarine cable
49	Tengir ehf.	20.09.2002	Fiber optical network
50	TSC ehf.	18.01.2002	Voice telephony, data transmission and network
51	Tölvu- og rafeindþjónusta Suðurlands ehf.	29.03.2004	Data transmission service
52	Tölvun ehf.	25.04.2003	Data transmission and service
53	Tölvustoð ehf.	15.04.2009	Data transmission service
54	Þekking - Tristan hf.	16.01.2004	Data transmission and service
55	Öryggisfjarskipti ehf.	6.10.2008	Telecommunication service and network / TETRA

