

Ofcom

Business report 1999

You have before you OFCOM's first business report. The fact that a Federal Office is producing a business report is admittedly unusual, but we wanted to give an account of ourselves in this detailed and hopefully attractive form and inform the public about our activities. With this publication we wanted to tread new ground and provide information about our activities in 1999 in an easily understood way.

As you read it you will very quickly find yourself once again in a world where many things are quite different from the way they were yesterday, not to mention how different again they will be tomorrow. This dynamic of communications channels makes our work very interesting on the one hand but on the other it often places considerable restrictions on our ability to plan ahead.

Notwithstanding this dynamic and all the changes, three axioms about our activity continue to hold true: first of all the maintenance of the public service and the universal service wherever market forces neglect certain state, cultural or socio-political needs demands our intervention. Secondly, the guarantee of fair and effective competition; we ensure that there is a level playing field and that the rules are applied fairly. And thirdly, efficient management of our Office, i.e. management which makes efficient use of resources.

Since the beginning of 1998, OFCOM has been what is termed a FLAG office: we are managing (and are managed) with a performance target and a global budget. We orientate ourselves towards the clearest possible agreed goals, and our tasks are defined in terms of products and customers. So for the administration too, the concept of the customer is no stranger to us! How we perform these tasks is largely left to us. We will be measured by whether we achieve the aims we have been set. This gives us operational freedom of action. Even a Federal Office can (or indeed must) be managed according to commercial criteria. The mandate granted by the Federal Council forms the basis for this.

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"For competition to work, the base

Christian Jenny, 33, telecommunications technician

conditions must be the same for all.

OFCOM's minivan used for monitoring

is a helpful tool to look to the right

frequency in the right place".

OFCOM in the free communications market

1999 was characterised by a multiplicity of innovations which constituted a challenge to OFCOM's flexibility.

Thanks to the liberal licensing policy of the Federal Council, new private television channels were able to be launched. The tough competition for market share and sources of finance also had an effect on the supervisory activities of the Office. Thus a number of broadcasters contravened the advertising and sponsoring regulations. In the interests of fair competition, OFCOM repeatedly took action against unlawful advertising and unauthorised sponsoring.

Despite growing domestic competition, SRG was able to maintain its position. Nevertheless, the reception fees had to be adjusted because of the inflation in the industry. Collection of fees proved to be highly problematic. The failures which were recorded here can only be eliminated with the aid of better collection management. With its new mandate, Billag must meet these challenges.

The telecoms market was clearly marked by the competition between the many providers. All consumers benefited, in both urban and rural regions. Some prices fell by half. The conditions of the market, however, are not satisfactory everywhere, e.g. on the local loop side and to an extent in the leased line sector. The market for mobile communications enjoyed a boom.

The competition in infrastructure and in the mobile sector demanded by parliament and the exponential growth in the number of new users on the one hand resulted in a fall in charges but on the other hand required the installation of additional antennas. This resulted in growing opposition among the population, which was further strengthened by the discussion in connection with the draft decree on non-ionising radiation (NIS-V) and its proposed radiation limits. In the service of the operators and the population, the Office will therefore have to extend its competencies with regard to electromagnetic compatibility testing.

The Communications Commission (ComCom) decided to put additional radiocommunications licences out to tender. The licences for UMTS (Universal Mobile Telecommunications System), the replacement technology for today's GSM mobile telephones, and for WLL (Wireless Local Loop) to open up the last mile will be awarded by auction during 2000. The Office has created the infrastructure for this Internet auction, unique in Switzerland.

Preparations were also made for the introduction of the new EU directive on radio and telecommunications equipment (R&TTE directive). From 8 April 2000 Switzerland will recognise the conformity of equipment on the basis of EU standards. OFCOM's supervision of the market will be revised: equipment will no longer be checked prior to market launch (pre-market) but by means of random sampling afterwards (post-market). This new regulation will provide manufacturers and importers with faster access to the market and quicker introduction of new technologies.

The EU is carrying out a general check on its rules in the deregulated telecoms market (the Telecom 99 Review). Since Switzerland too will be affected by this, OFCOM is assuming an active role by coordinating the discussions and comments of the telecoms regulators of the EU and the Euro zone countries within the framework of the IRG (Independent Regulatory Group). This enables Switzerland to participate in the telecoms revision process in Europe from outside; this is also possible thanks to the presidency of the IRG, which OFCOM has held since summer 1999.

Management of the administrative office

As an authority with important tasks and as a centre of service and competency within the public service, OFCOM is naturally not an enterprise which can be managed on the basis of sales figures and

profits. The strategies and management depend on the substantive political criteria and rulings issued in the individual domains.

Nevertheless, within the administrative area it is possible to manage the Office similarly to a firm with a high responsibility to achieve results and extensive operational autonomy. Since 1 January 1999, OFCOM has been managed with a mission statement and a global budget. OFCOM is therefore a so-called FLAG office. Accordingly, agreed goals are elaborated at all levels. The operating business is supported by cost and performance accounting. The very expensive cost and performance accounting system is intended periodically to provide employees as well as management with transparent information on costs, investments and income.

On the basis of the periodic mandatory reporting, numerous discussions at all levels and an employee survey, the first business year with FLAG can already be evaluated rather more precisely. The most important findings are:

Among key personnel the understanding of leadership (management through content, goals and use of resources) and thereby the change in culture as a result of FLAG is clear. Thus the understanding of modern administration management with increased use of economic and marketing instruments at this level has further increased and the management process is already accepted by most.

The extra expenditure which has been incurred because of FLAG and borne by the core business, as well as the relationship between cost and benefit, continue to be problematic at all levels.

Resistance to FLAG among personnel is perceptible. However, even at this level, more cost-conscious thinking and behaviour can already be perceived.

Operational controlling is still not effective enough and so the expected benefits for senior management are still too small. Because of

system problems, department-specific financial information has not yet been able to be provided on a monthly basis as planned.

_____ Discussions took place at all levels between senior managers and other employees. The performance assessment was carried out for the first time on the basis of the agreed objectives jointly drawn up in the past year. The new style of management enjoyed an extremely positive reception from the personnel.

_____ It is difficult to find measurable performance indicators. Very often, the quality of work which has been performed becomes apparent only after a considerable time (for example, legislation and implementing decrees).

_____ The quality of the data in the cost and performance accounting system was inadequate, as expected, since costs are still not adequately allocated to the originators. Financial management was therefore limited to the financial resources (credits) which had been budgeted and concentrated less on the degree to which the costs of individual products were covered.

The planned effects of individual performance cannot be measured either in this brief reporting period or within the time-frame of the existing mission mandate for 1999/2000.

Some of these shortcomings are teething troubles which had been expected. The task now will be to determine all those FLAG-related measures which can be eliminated. The goal must be to apply FLAG in a way which supports management and the work within OFCOM.

Personnel policy

_____ Various innovations in the personnel sector have been introduced in the reporting year. With FLAG, OFCOM was in principle released from the „ceiling on jobs“. Instead of budgetary items, financial criteria were applied. A culture of dialogue is to be promoted at all

levels with the aid of agreements on goals. The extraordinary performance pay component (cash and impromptu bonuses) at 0.5% of the total wage bill could be allocated more fairly and more transparently to the employees. However, this is only a very modest beginning with regard to the introduction of a performance-related salary scheme.

On average in 1999, OFCOM employed 287 people, corresponding to 269 full-time posts. At the end of 1999 the number of full-time positions was 270, a long way from the target of 308. Fortunately, because of the very efficient way in which work was carried out, fewer personnel were required than planned. To this must be added considerable recruiting difficulties, above all in the area of technical communications specialists.

OFCOM is currently successfully training one apprentice in electronics and the media; for 2000 it is planned to take on another trainee. Efforts must be intensified for the apprenticeship system.

Perspectives

_____ As already mentioned, the FLAG application is currently being reviewed. Initial improvements are still to be implemented in the first half of the year. Furthermore, the correct level has to be found with regard to the content and scope of reporting for the parliamentary commission. Major importance continues to be attached to business management training. It is a prerequisite for increased understanding of the reform, but also for the business management relations. By means of these improvements and on the basis of the financial plan, both the performance and savings goals within the framework of the 1999-2000 mission mandate will be able to be achieved.

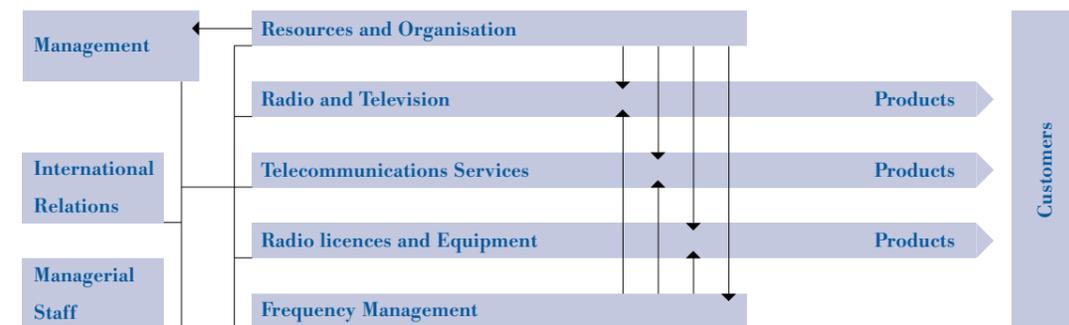
"OFCOM's delegates represent the Swiss interest with more than 30 international organizations, thus contributing to find technical and legal solutions".

Marc Furrer, directeur de l'OFCOM



Duties and organisation

OFCOM is split organisationally into three 'product departments': Radio and Television (RTV), Telecommunications Services (TC) and Radio Licences and Equipment (FA). These provide services for external customers. The International Relations (IR) and Frequency Management (FM) divisions, on the other hand, work primarily for these product departments. The Frequency Management Division, for example, covers planning, allocation and monitoring of frequencies, plus research. The International Relations Service (IR) co-ordinates international activities and Swiss representation in international organisations. The standard internal services in the areas of personnel, finance, IT and logistics are combined in the Resources and Organisation (BO) department.



Following the trend of convergence between the electronic media and telecommunications, OFCOM is one of the few organisations worldwide to unite these two domains under one roof. As a consequence, the Office is subordinated to two different authorities.

On the one hand, for the Federal Council and the Federal Department for the Environment, Transport, Energy and Communications (DETEC), the Office prepares business relating to the electronic media, makes the necessary applications and implements the decisions. On the other hand, on the telecommunications side it acts for the Federal Communications Commission (ComCom), which is competent in this domain as an independent authority.

Radio and television

In the past year, OFCOM has deliberately selectively increased its regulatory activities in the radio and television sector. The number of persons employed in the supervisory sector has been increased in order better to implement the statutory regulations and to better guarantee the equal treatment of all participants in the market. These efforts are contributing to strengthening its credibility as a regulator.

Approving additional broadcasters strongly increased the pressure in the Swiss advertising market. As a negative side-effect, activities in advertising and sponsoring moved further into a grey area, requiring more stringent regulatory activity. In the reporting year, OFCOM initiated some 40 inspection procedures against radio and television broadcasters, almost doubling the number compared with the preceding year. In particular, the orders issued against Tele 24 and TV3 because of unauthorised programme-interrupting advertising caused a great stir. As part of an action against SRG, the Office also arranged on 15 November 1999 for confiscation for the first time of illegally obtained net revenue of 500,000 francs. However, the decision had not yet come into legal force when this report was completed.

In the domain of terrestrial broadcasting, the use of the frequency spectrum was further optimised and in some points substantially improved. Further improvements were also able to be made concerning the offer of SRG radio programmes in other national languages, especially along the North-South communications axes. In addition, in co-operation with SRG, a new VHF distribution network was designed for broadcasting SRG radio programs in French-speaking Switzerland. The corresponding co-ordinating negotiations with France are proceeding positively and are expected to be concluded in the first six months of 2000.

Achievement of the objectives

The operative objectives for 1999 were to a large extent achieved. Thus the revision of the Radio and TV Law (LRTV) was able to be advanced, and for television the planned liberalisation phase was able to be introduced by means of various new licences. In addition, the aim of optimising the SRG's public service mission by the granting of a Digital Audio Broadcasting licence (DAB) and examining or rather re-examining the situation relating to fees (decision on the fee application by SRG) was achieved.

On the other hand, it was not possible to introduce a new procedure for the allocation of the shares of the revenue from reception fees to local broadcasters. Appropriate concepts were in fact drawn up, but the implementation of a new method was blocked by political delays in the revision of the Radio and TV Law. The implementation of the new method is now planned for spring 2000.

In general it can be stated that the work of the Radio and Television department consists for the most part of reacting to submitted applications and media policy problems, so it is difficult to plan ahead using operational goals. Achievement of goals therefore has to be deferred when essential new problems have to be solved.

Key projects

_____ **LRTV revision:** In 1998 an internal working group produced a report for the attention of the Department; this was used as a basis for the subsequent revision work. In the reporting year, a discussion paper on revision of the LRTV was produced; it is being submitted by the Department to the Federal Council. At the same time, OFCOM prepared a draft of the new law, which will provisionally go to consultation in autumn 2000.

_____ **Fee collection:** After a transitional phase, fee collection in the reporting year was transferred to a new, definitive system. Swisscom will be able to be released prematurely from its statutory obligation to guarantee collection until the end of 2002. After an invitation to tender from the Department, five bidders submitted an offer. OFCOM, with the support of external consultants from the German fee collection agency, then carried out an evaluation procedure. The victor was Billag AG, a Swisscom subsidiary, which had already been handling collection during the transition year from 1 January 1998. On 22 December, the Department awarded it the collection contract for the next 7 years.

_____ **Radio and television licences:** In the radio and television sector, the range of services available was extended by new participants in the market. On 6 September 1999, TV3 was the first fully private channel to begin transmission, after it had been licensed the previous March by the Federal Council. The Zürcher Tages-Anzeiger has a 50% holding in TV3. Shortly before, on 12 August 1999, the programme window RTL/ProSieben Switzerland started on the two German channels of the same name. The go-ahead for start-up was also extended to the music channel Swizz, which also began transmission on 6 September 1999, aiming at the youth audience.

In radio, a major step was taken towards digital broadcasting of programmes: on 17 February 1999, the Federal Council empowered SRG to set up a transmitter network for Digital Audio Broadcasting (DAB) on channel 12 and to broadcast 6 to 7 programmes per linguistic region. At the same time it granted approval for a youth station in German-speaking Switzerland via DAB and satellite. Furthermore, on 10 November 1999 the Government granted the licence for Radio 24 plus, an international Oldies radio project of Roger Schawinski. These licences conform to the media policy guidelines laid down by the Federal

Council in February 1998, which guarantee the private sector more space in the radio market and at the same time give SRG a guarantee of continuity and development.

Telecommunications services

_____ The Telecoms Services department (TC) is responsible for implementing the Law on Telecommunications (LTC) in the telecommunications services sector. Among other things it prepares the decisions of the Communications Commission (ComCom), particularly for the licensing of telecoms service providers, number portability, carrier selection and interconnection. The department also grants licences directly for telecoms services, registers service providers, allocates number resources and communications parameters, is responsible for supervisory and enforcement procedures and prepares decrees and laws. It observes developments in the industry and ensures that appropriate legal adjustments are made. Questions and measures promoting the information society are processed and co-ordinated by this department.

Achievement of objectives

The focus in 1999 was squarely on consolidation of the new decree on telecommunications and its application. 1998 in particular demonstrated that the new providers were able to establish themselves quickly in the framework of liberalisation of the market; the task for 1999 was to make the actors in the market more aware of the rules of the game and to apply these.

In the reporting year, 43 new licences were awarded for mobile and fixed networks (regional and national data and telephone networks, Internet access services, satellite services, etc.). These also include the Swisscom AG licences; in this context, Swisscom's universal service licence should be especially highlighted. 26 licences based on the old law

were replaced by new ones and 42 telecoms service providers eligible for registration were registered. The corresponding lists are available to the public (http://www.bakom.ch/Service_Provider_Liste/) and are updated regularly. In the mobile radio sector, the clarification of requirements concerning digital trunk radio in the 900 MHz bands revealed no corresponding demand, and the invitation to tender for a „small“ licence in the 400 MHz band using the previous Modacom frequencies was unsuccessful. The latter are currently being examined within the overall environment of digital trunk radio in the 400 MHz band, together with other frequencies which become free (termination of Speedcom).

In order to enforce the rules, various supervisory procedures had to be implemented, e.g. concerning upper price limits for the universal service, implementation of carrier selection and the service obligation in the case of the mobile radio networks.

The demand for addressing elements (telephone numbers in particular) persisted throughout the reporting year. It was able to be met without problems in each case within a suitable period. 511 blocks of 10,000 numbers (geographical codes) and 286 blocks of 1,000 numbers, as well as 333 other addressing elements were allocated. In future, customers should be able to complete these procedures entirely by electronic means. In this way, OFCOM wishes to implement an example of official electronic transactions which is concrete and beneficial to customers, as part of the Federal Council's strategy for the information society.

Two major interconnection disputes were settled and therefore ended, after time-consuming examination of the procedure and more detailed cost analysis at Swisscom AG. This allowed OFCOM to stabilise standard interconnection prices for 1998 and 1999. Two further interconnection procedures (CommCare and DiAx in the „mobile“ sector) continued to progress. In the year 2000, the Office will attempt to settle

them, on conclusion of the instruction. If applicable, it will ask for a decision from the Communications Commission. From 1.1.2000 interconnection prices are to be calculated on the basis of the long-run incremental cost (LRIC). Partly in co-operation with interested telecoms service providers, the Office has analysed possible models for this method of calculation and provided a platform within a working group in order to prepare for the negotiation process between the interconnection partners and in particular to strengthen transparency and mutual understanding and trust. It is now up to the telecoms providers to find binding interconnection tariffs, in negotiation with Swisscom – otherwise the regulator will have to intervene.

Otherwise, OFCOM dealt with numerous queries from service providers and customers, prepared responses to parliamentary initiatives for the Department and drew up an initial revision of the implementing decrees relating to the Law on Telecommunications (LTC). The requirements for recognition of providers of certification services in connection with the digital signature were presented in the form of a corresponding draft decree, discussed with the interested parties; a corresponding application was prepared for the Federal Council. The telecommunications statistics suffered a delay, on the one hand because of inadequate resources and on the other because of the absence or inadequacy of data from the service providers. A first edition is to be published in the first quarter of the year 2000.

In the information society, OFCOM is providing co-ordination of the measures to implement the Federal Council's strategy within the Federal administration. The Federal Council has noted the first interim report and the action plan. Twenty-five of the total of approximately 75 proposed measures were recommended as a top priority for implementation. They concern changes to the framework conditions (particularly the legal parameters), the use of information technologies by the Federal

administration (e-government) and supporting measures (awareness-raising, financial support, particularly with training, etc.).

Key projects

_____ **NUM2002:** From 29 March 2002 there will be a larger selection of numbers available in the liberalised telecommunications market. OFCOM wishes to contribute to a successful implementation of this major challenge for the Swiss telecoms market. It has therefore assumed management of the NUM2002 project with a view to co-ordinating the technical and communications measures. Service providers, associations, safety organisations and consumers' organisations are all involved.

_____ **Digital signature:** Together with other federal offices, work on the digital signature has continued. A draft decree on a Public Key Infrastructure in Switzerland was prepared for the attention of the Federal Council. This decree is intended to increase users' confidence in electronic commerce. Providers of certification services who meet specific basic requirements will be able to obtain official recognition in the future. The decree will provisionally come into force in spring 2000.

_____ **UMTS:** As part of the preparatory work for the granting of third-generation mobile radiocommunications licences (Universal Mobile Telecommunication System: UMTS) OFCOM carried out a public consultation exercise. The findings were a part of an application to the Communications Commission, which decided on 20 August 1999 to grant four national UMTS licences by auction. OFCOM is currently preparing the invitation to tender and the auction. It is planned to put the UMTS licences out to tender in the first quarter of 2000 and to hold the auction in the third quarter.

_____ **WLL invitation to tender:** In November 1997 OFCOM had set itself the ambitious goal of issuing a tender for the wireless local loop (WLL) by 1999. WLL allows a user to connect directly to a telecommunications network using microwave technology. Within a mere eighteen months, the Office determined the availability of frequencies and the demand from potential providers and prepared the tender documents. In August 1999 the Communications Commission decided to allocate the frequencies by means of an Internet auction. By the end of 2000, this should provide customers, particularly small and medium-sized companies in conurbations, with the first alternatives to Swisscom's hard-wired terminations.

Radio licences and equipment

_____ The Radio Licences and Equipment department (FA) is responsible for implementing the regulations of the Law on Telecommunications (LTC) in this area of competence. It lays down the corresponding technical and juridical principles, regulates the market access procedures for telecommunications equipment, grants radio licences (professional mobile radio, CB radio, etc.), carries out radio examinations (amateur radio, yacht radio, etc.) and monitors compliance with the regulations in these areas. In addition, it performs supervisory tasks in the area of radio and television reception fees.

Achievement of objectives

_____ **Telecommunications equipment sector:** In 1999, 650 (750 in the preceding year) new type approvals were granted for telecommunications equipment. The reasons for the reduced number of approvals was attributable to the increasing harmonisation of technical regulations in Europe and in the recognition by Switzerland of the conformity assess-

ment procedure of European certification authorities. In the course of the year 2000 a further reduction is expected with the introduction of the new European regulations on terminals (the RTTE directive). The reduction in favour of other conformity evaluation procedures, which no longer require prior checking of telecommunications equipment, has as a result a more stringent monitoring of the market. In the reporting year, 1392 market monitoring operations in the areas of radio licences and telecommunications equipment were carried out, resulting in 648 administrative penalty procedures. 60 orders for checking the conformity of telecommunications equipment were issued, resulting in 15 administrative penalty procedures. In the future the trend will be for administrative penalty procedures to be replaced by conformity checks.

—— **Radio licences sector:** Since 1 January 1998 all radio licences have been granted by OFCOM. Licences which do not require an individual frequency allocation can as a rule be granted within 10 days, and the remainder within 30 days. In the case of frequency agreements with other countries, longer processing periods are possible.

Year	Professional mobile radio Licences	Ships Licences	Mobile aircraft radio Licences	Amateur radio Licences	CB radio Licences
1995	15 175	1218	4759	4651	26 975
1996	14 971	1232	4669	4661	24 036
1997	15 382	1262	4594	4653	20 698
1998	13 318	1252	4507	4592	18 059
1999	13 017	1302	4414	4508	15 172

The list shows the development in the number of licences over the last five years. The downward trend in CB radio licences was continued in the reporting year. A slight reduction was also apparent for professional mobile radio licences.

—— Radio operator examinations sector

Radiotelephonist and radio telegraphist certificate for amateur radio operators	122 candidates
Restricted radiotelephonist certificate of the mobile maritime radio service (valid on yachts)	101 candidates
Restricted validity operating certificate for operators (Restricted Operators Certificate)	194 candidates
VHF voice radio certificate for inland navigation radio	36 candidates

—— **Monitoring radio and television reception fees (unlicensed viewers and listeners):** In 1999, 4464 orders in the unlicensed viewer and listener sector were able to be processed, resulting in 2409 administrative penalty procedures. Since the assumption of this repressive task by OFCOM on 1 January 1998, the number of administrative penalty procedures initiated has never been so high.

Key project

——— **Introduction of the R&TTE directive:** In April 2000, OFCOM will implement the new European directive on radio and telecommunications equipment (the R&TTE directive). The main aim is to facilitate market access for telecommunications equipment, particularly for new technologies. Accordingly, equipment will no longer be checked prior to introduction onto the market, but only afterwards. This has effects on the legislation and on the Office's working practices. The interested parties (manufacturers, importers, network operators, etc.) were informed about the changes and involved in the revision of the decree. Further information measures are planned for the year 2000.

Frequency management

——— Radio broadcasting and mobile communications are assigned frequencies. The Frequency Management department (FM), as the centre of competency for frequencies, radio technologies and electromagnetic compatibility/environmental compatibility provides the RTV, FA and TC departments with the „frequencies“ element for their products.

Licence-related frequency allocations

A noteworthy number of frequencies were able to be made available to radio broadcasters and telecommunications service providers in 1999:

——— In the course of implementation of the VHF transmitter network plan, approximately 60 new technical additions (frequencies for broadcast radio stations) were planned, some two-thirds for SRG and one third for local broadcasters. Thirty-nine radiation tests by contractors or by the OFCOM measurement team served to verify the theoretical calculations relating to coverage.

——— With the adoption of the transmitter network plan for the SRG's DAB (Digital Audio Broadcasting) network, department FM made an essential contribution to the introduction of digital audio radio in Switzer-

land. In close co-operation with and on behalf of OFCOM, the DAB pilot test in the Bernese Oberland was concluded. More details on this topic are available on the Internet at www.dab.ch.

——— For the three GSM mobile radio operators, the technical network specifications for a total of approx. 3000 base stations were able to be drawn up. For signal feeds to these stations using microwave, the department designed 1370 sections, allocated the corresponding frequencies and provided co-ordination with the neighbouring administrations. In this way it made a substantial contribution to rapid construction of the network for the new mobile radio providers.

——— In addition, appropriate frequencies were allocated in good time for various small and large radio networks.

Economic considerations led a number of radio network operators to shut down their networks, to convert them to GSM or optical fibre, or to move to 1000 microwave transmission lines. Department FM is constantly regrouping these frequency resources, either to open up additional frequency ranges or to create additional capacity in intensively used ranges.

Frequency spectrum quality assurance

In the reporting year, the Radio Monitoring section received more than 530 interference reports, 25 percent more than in the previous year. This increase was attributable mainly to the forwarding of numerous interference reports to OFCOM by Swisscom. OFCOM will also be receiving such interference reports from Swisscom in the year 2000.

International activities

In view of the European or indeed global dimensions of frequency management, considerable departmental resources are used for international activities. At the European level, there is the CEPT (European Confer-

ence of Post and Telecommunications administrations) and at the international level the ITU (International Telecommunications Union, especially the radiocommunications sector).

Within the CEPT framework, mention must be made of the preparation and approval of numerous decisions of the ERC for an optimal launch of the third-generation mobile radio systems (UMTS).

In 1999, in particular, the ITU prepared the 2000 World Radio Conference, which will be held in Istanbul in May 2000. The subjects include, among others, a new plan for satellite radio and the definition of the extended bands for IMT2000 (third-generation mobile radio system).

Discussions were able to be held and in some cases successfully concluded with neighbouring countries on frequency utilisation for various services, e.g. for GSM mobile telephony, the planned emergency radio network in Switzerland and the wireless local loop (WLL).

With the establishment of an independent telecommunications authority in the principality of Liechtenstein, relations in the border regions with Austria and Germany are changing fundamentally. The department is pursuing the goal of achieving an optimal and efficient distribution of the spectrum in intensive discussions.

In the analogue audio sector, a partial redistribution of the VHF spectrum was agreed with the French administration. As a result, in the Lake Geneva basin, coverage of SRG/SSR and local radio stations was able to be optimised.

National frequency allocation plan

One of the main tasks of the FM department is the management and updating of the national frequency plan. Its most recent revision was approved on 1 July 1999 by the Communications Commission. The presentation will be adapted in the coming year to that of the international plans of the ITU and CEPT.

Centre of competency for radio technology

The centre of competency provides technical support for the introduction of new radio technologies in the Swiss market. It comprises two areas:

Systems technology

The centre laid down the technical foundations for the SRG/SSR DAB licence, for the preparation of the award of licences for the third-generation mobile radio systems (UMTS) and for the wireless local loop (WLL). In addition, it provided technical support during the continuing work on revision of the Law on Radio and Television.

Spectrum engineering

The task here is the optimisation of frequency spectrum utilisation; in 1999, in conjunction with the Army, a study was carried out which allows planning of introduction of the UMTS system in a part of the frequency spectrum which is currently used for military applications .

Centre of competency for electromagnetic compatibility/environmental compatibility

The population's awareness of the problem of non-ionising radiation continued to increase in the reporting year. The centre of competency for electromagnetic compatibility and environmental compatibility answered numerous questions from citizens, who were concerned, for example, about the effects of newly constructed antennas in their neighbourhoods. Our specialists advised federal authorities on approval procedures for GSM antennas. In view of the shortcomings of the legal framework, activity in this area was particularly delicate.

International Relations

_____ The International Relations (IR) department represents Switzerland's interests in the areas of the media, telecommunications and new technologies. It represents Switzerland – or co-ordinates representation – in numerous international organisations, such as the International Telecommunications Union (ITU). The IR department works closely with the Federal Department of External Affairs and other federal offices such as the State Secretariat for the Economy (seco).

_____ In the reporting year, OFCOM worked on important reform processes within international organisations, for example on efficient organisation of the CEPT. The starting signal for this was given in Oslo at the end of September 1999. By mid-2000, five working groups are to present their proposals relating to the organisation, financing and goals of the CEPT. The presidency of the CEPT committee for telecommunications regulatory questions (ECTRA) was surrendered.

_____ OFCOM successfully advocated Switzerland's attractive, well-funded candidacy for organisation of the next world telecommunications exposition (Telecom 2003) in Geneva. Other candidates included Berlin, Paris, Milan and Barcelona, in particular.

_____ In the audio-visual sector, in May 1999, Switzerland took over the presidency of the TV-5 conference of ministers. In this context, deli-

cate questions of financing could not be solved in the reporting year. The presidency of the standing committee for agreement on trans-frontier television was handed over. Work on amending the convention on teleshopping, abuse of rights and exclusive rights was carried on under Swiss leadership.

_____ Thanks to an employee based in Brussels, good contacts were able to be established with the various commissions of the European Union. This allowed a lack of information on the policy of the Union, resulting from Switzerland's non-participation in the EU organisations, to be partially offset.



"To be mobile and reachable, and be able to call whenever you feel like it. In our country, 2.5 million people use a mobile phone, just like me. It's OFCOM who lays the foundations for this".

Steve Maeder, 39, commercial agent

Perspectives

In the year 2000, OFCOM will continue to ensure optimal conditions for communications in Switzerland. We also wish to be perceived as a credible regulator in the communications market. We shall present here a few outstanding projects which OFCOM will be carrying out, in addition to the activities and services which have already been mentioned.

Within the telecommunications services framework, in 2000 the Office will be holding two important auctions. In spring 2000, 48 licences for Wireless Local Loop (WLL), opening up the last mile, will be granted. This auction will take place over the Internet on the website www.ofcomauction.ch. This will allow the public to follow the individual steps. In the autumn, four licences for the latest mobile telephony (UMTS) will be auctioned, provisionally also over the Internet.

For opening up the last mile (unbundling the subscriber's local loop) decisions of principle will be worked out inside or outside concrete procedures.

OFCOM will furthermore indicate the possibilities of e-commerce. To this end, electronic OFCOM addressing elements will be granted and administered by means of a pilot project.

The Law on Radio and Television will undergo fundamental revision. Technological developments will have to be taken into account, as will the changes in the media landscape which have occurred in the last few years. The revision of the Law will be prepared for the attention of the Department, so that a broad discussion can be initiated in the autumn within the framework of a public consultation process.

Since the number of broadcasters has increased considerably over the last two years, licence applications, particularly in the television sector, should not increase further in the year 2000.

In order to make the supervisory procedures in the areas of advertising and sponsorship transparent and to develop preventive actions, supervisory decisions against radio or TV stations taken in the future will be published in each case on the OFCOM website.

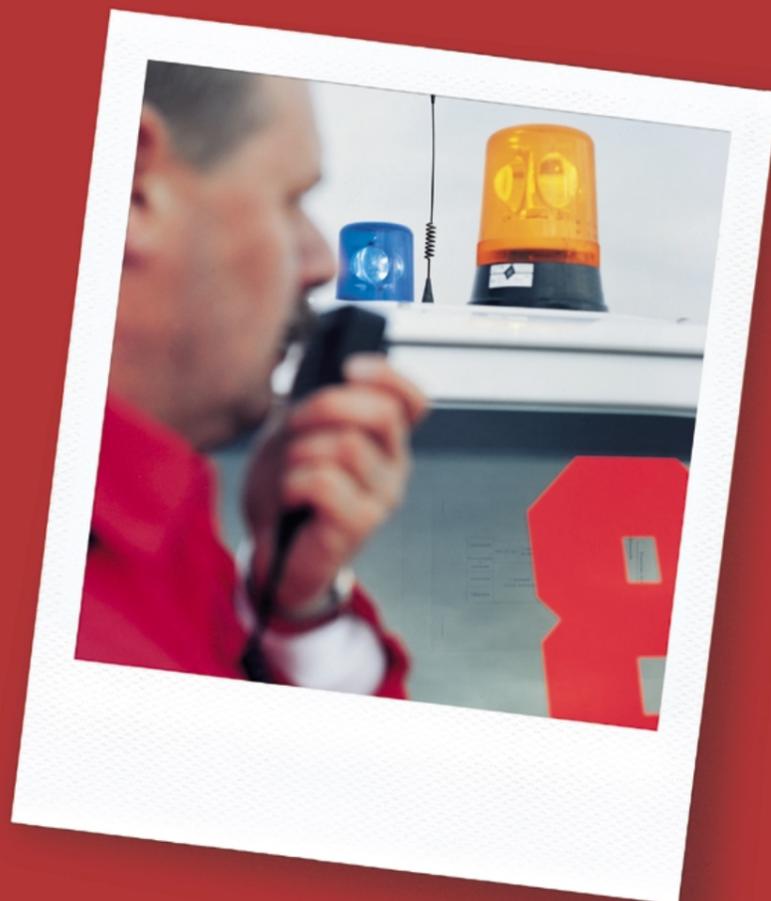
On the radio licensing and equipment side, the introduction of the EU directive on radio equipment and telecommunications equipment (the R&TTE directive) will deregulate this area and constitute a new focus for activities, especially in relation to provision of information to interested parties and our market monitoring.

In 2000 an important frequency planning conference will take place, the World Radio Conference (WRC 2000). It will be organised in Istanbul by the International Telecommunications Union (ITU). OFCOM will represent the interests of Switzerland and the increased needs of Swiss "frequency users".

In the course of the year, further FLAG experiences will be collected. In a constructive dialogue within the Office but also with parliament, the specifications will be optimised. Important findings are expected from the further evolution of the cost and performance accounting system, as well as from the newly introduced service level agreements between the Frequency Management department and the three product departments.

"Thanks to one of the 13,000 radio licences for professional use managed by OFCOM, I can work as a professional".

Eric Hoffmann, 45, senior consultant TPM



Management

OFCOM is managed by: the Director Marc Furrer and the departmental managers Peter Fischer (TC), Martin Dumermuth (RTV), Véronique Gigon (FA), Peter Pauli (FM), Arturo Merlo (BO), the Manager of the International Relations Service Frédéric Riehl, the Personnel Manager Georg Caprez, the Chief of Staff Andreas Sutter and the Communications Manager Roberto Rivola.



Statistics

In 1999, OFCOM employed 292 people. 85 of them are women which corresponds to 29%.

OFCOM is multilingual. Approximately 64% of employees are of German mother tongue, 31% speak French and 4% Italian. Other languages such as English, for example, are represented by approximately 1%.

42% of OFCOM employees come from the private sector. About 40% were formerly employed by Telecom PTT and 17% by the general federal administration.

About one third of OFCOM employees live in the Biel region or in the Jura. The other two thirds live outside these regions.

At the end of 1999, the average age of OFCOM employees was 40.

Personnel turnover was approximately 3.2%.



"My radio-controlled plane flies just

Aurel Weissberg, 12, schoolboy

fine... it's because OFCOM makes

sure that nobody messes around with

frequencies".

Most important results

OFCEM ends 1999 in a much better situation than had been budgeted. The goals set in the performance agreement were met. The financial result for 1999 at 5.8 million francs (9.6%) considerably surpasses the saving set by the Federal Council (2.5% = 1.5 million francs).

The most important results for 1999 can be summarised as follows:

— The revenue of 47.5 million francs was significantly below the budgeted sums (56.6 million francs). The shortfall of 9.1 million francs (-16%) consists mainly of 5.9 million francs in the radio and television sector and 3 million francs for products of the Telecommunications Services department. This is explained by the fact that unlike in previous years only the receipts which occurred in the reporting year were taken into consideration.

— The expenditure of 48.5 million francs was substantially (10.2 million francs: (-17.4%)), below the set sums in the performance agreement and state account for 1999 (58.7 million francs).

Of the 10.2 million francs less expenditure, 3.1 million francs originated from operating activity. They are above all the result of smaller investments, lower personnel costs and more cost-conscious behaviour in connection with FLAG. A further saving of 1.2 million francs was made by reduced contributions to international organisations.

The remaining 5.9 million francs concern expenditure in the frequency management sector for radio and television, which turned out to be less than budgeted. They are earmarked for specific purposes and do not therefore affect the state account.

— The planned degree of total cost coverage (91%) was not able quite to be achieved, at 87%. Since 1 January 1999 OFCEM has been operating a cost and performance accounting system on a full-cost basis. It

will indicate the success or degree of cost coverage for the first time at the end of 1999 according to performance areas (product groups), and so is not yet a very reliable indicator. The depreciations specific to product groups are estimated, and calculated interest was deliberately not included. A comparison with the preceding year is not possible for obvious reasons.

Federal contributions in the media sector (transfer payments) or commercial activities are taken into account neither in the performance mission nor in the FLAG annual account.

Result according to product groups

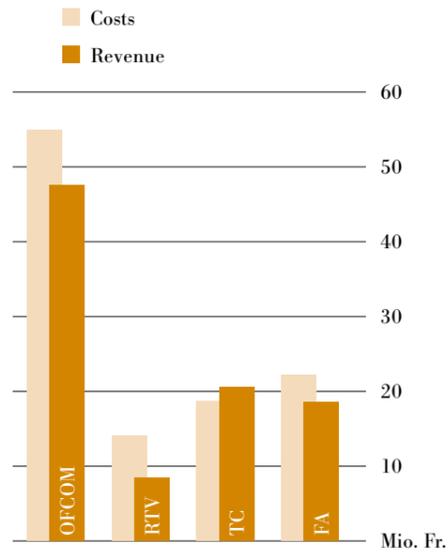
Cost account

	99 budget Fr.	99 account Fr.	Deviation Fr.	%
OFCOM				
Costs	62 373 899	54 869 651	-7 504 248	-12
Revenue	56 639 800	47 535 145	-9 104 655	-16
Cost coverage	91%	87%	-4%	-4

Radio and television				
Costs	14 337 617	14 026 355	-311 262	-2
Revenue	13 944 000	8 434 801	-5 509 199	-40
Cost coverage	97%	60%	-37%	-38

Telecommunications services				
Costs	21 795 748	18 650 665	-3 145 083	-14
Revenue	23 477 800	20 525 948	-2 951 852	-13
Cost coverage	108%	110%	2%	2

Radio licences and equipment				
Costs	26 240 534	22 192 631	-4 047 903	-15
Revenue	19 218 000	18 574 396	-643 604	-3
Cost coverage	73%	84%	11%	15

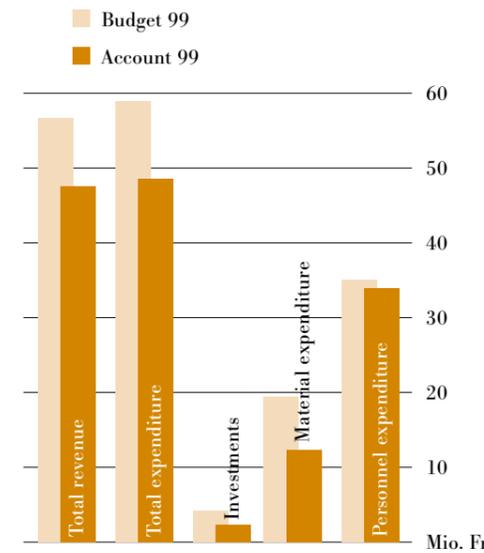


Results according to headings

State account

	99 budget Fr.	99 account Fr.	Deviation Fr.	
Total expenditure	58 721 839	48 532 853	-10 188 986	-17
of which decentralised credit elements	5 747 000	3 082 775	-2 664 225	-46

Expenditure according to main categories				
Personnel expenditure	35 071 136	33 979 055	-1 092 081	-3
Material expenditure	19 408 703	12 291 481	-7 117 222	-37
Investments	4 242 000	2 262 317	-1 979 683	-47
Total revenue	56 639 800	47 535 145	-9 104 655	-16
Balance	-2 082 039	-997 708	1 084 331	-52



Fulfilment of 1999 savings target

Expenditure according to finance plan dated 29.9.97	60,2	Mio Fr.
expenditure according to end-of-year account 1999	48,5	
Reduced expenditure compared with finance plan	11,7	
reduced revenue from RTV reception fees	5,9	
Effective expenditure reduction	5,8	(9,6%)



"With 98 TV programmes and 50 local radio programmes in Switzerland, we've reached a fair level of regional specificity. OFCOM makes it possible for the needs of all the population spectrum to be considered".

John Heisch, 40, dental technician

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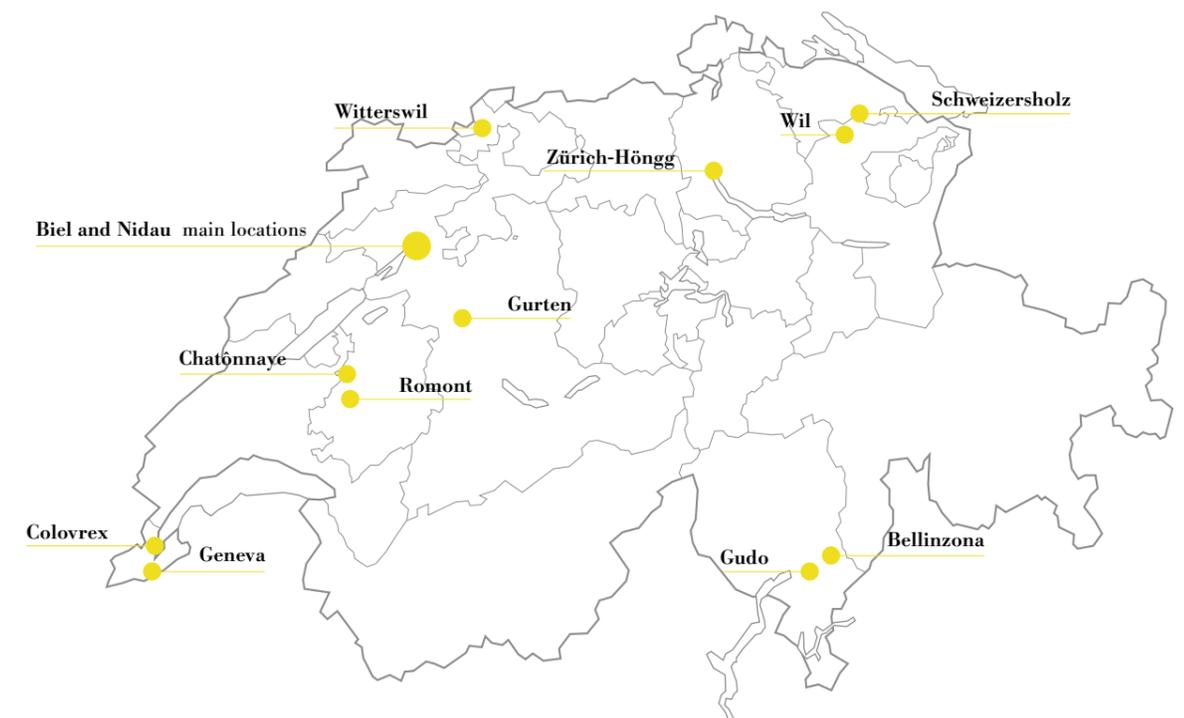
www.bakom.ch

Visit us on the web at www.bakom.ch.

You will find there a description of how to reach us and a map showing both our sites at Zukunftstrasse 44 in Biel and Ipsachstrasse 10 in Nidau as well as external sites. (Button «Contact»)

<http://www.bakom.ch/e/>

OFCOM has decentralised sites in all of Switzerland. This allows us to perform our control functions and to ensure that the telecommunications market works flawlessly.



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