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Foreword

The telecommunications and electronic media sectors, with which OFCOM is particularly involved, were under great pressure in 2001. The performance of most companies in this sector was poor, and the euphoria in many places has given way to a kind of «morning-after feeling». Therefore, it is not unusual that different attempts were and are being made to turn back the clock of liberalisation. There are several reasons for the setback in the communications markets: excessive expectations, collapses in the financial markets and a consumer mood which is generally more cautious have all left their mark. The terrible events of 11 September have intensified the situation even further.

However, for customers, the situation is considerably better. The range of telecom services offered and radio and TV programmes broadcast is very extensive and service levels which exceed the all-important universal service are available and secure in all areas of Switzerland.

Economically ambivalent and difficult conditions also represent a challenge to OFCOM. On the one hand, it has to adapt its services to the new situation in order to suit the customer, and on the other hand, it has a duty as regulator and provider to the legislators to analyse the requirements of the market and act accordingly. If necessary, the framework conditions should also be adapted, for example if the market deviates from a level playing field. This should take place in the telecom sector regarding competition in infrastructure and in the media sector regarding the amendment of the Law on Radio and Television. However, improved competitive conditions cannot bring about miracles. If a private TV broadcaster has too few viewers, even optimum framework conditions cannot help him. You cannot

sing in praise of market forces one day, and then change your tune the next and make demands from the public purse if the market gets difficult. During 2001, some people had to be reminded of this fact from time to time. It is also a fact that although it is the job of OFCOM to create the technical and legal prerequisites for the introduction of new technologies, such as WLL and UMTS for instance, it is then up to these technologies to penetrate the market themselves. In all cases, the state and its various institutions cannot and should not compensate for poor business planning.

The setbacks of the year 2001 do not change the fact that Switzerland is developing into an information society. Therefore, it was again a key task of OFCOM in 2001 to promote the practical benefits of information technologies—familiarity with them should be the norm for every citizen. This commitment also extends beyond the borders of our country. Switzerland was delighted when the UN and the ITU decided to hold the World Summit on the Information Society in Geneva in 2003. OFCOM, with all its know-how, is in demand at local, national and international levels—now more than ever.

We see our role as an independent think-tank, working for the interests of both market participants and consumers. Our motto was and still is: «Happy to help». Not only do we supply the legal foundations, but we also advise licence-holders and potential licence-holders, so they can appraise the Swiss market accurately and stimulate it.

Since 1997, we have also made our extensive know-how available on the Internet. In 2001, we gave our website a thorough makeover to make access to documentation better and easier. This business report follows the concept of our new website. I would like to invite you to also make use of our know-how at www.bakom.ch.

Marc Furrer, director

FLAG

Using FLAG for performance-related management

In 1999, OFCOM declared its readiness to play a pioneering role in the application of the principles of New Public Management (NPM) in the Swiss Federal Administration. These pilot projects have the acronym «FLAG» (Führen mit Leistungs-Auftrag und Globalbudget-Management with a Performance Specification and Global Budget). We report below on our experiences.

Management of the administrative office

The third year as a pilot operation for the introduction of New Public Management into the Federal Administration has confirmed our previous experiences. Over the last three years, we have learnt the hard way—primarily in our own organisation. Members of the management and supervisory personnel had to invest more time than envisaged to adapt the traditional management instruments to suit the new philosophy. The regulatory system specified for financial administration was too extensive and, at the same time, not sufficiently helpful in terms of practical implementation. As OFCOM is not actually an «operator» as such but rather fulfils sovereign duties, we were only able to gain limited benefit from the experiences of other pilot departments in the Federal Administration.

The Federal Council undertook an initial evaluation in the year under review and decided on a simplified, more pragmatic process—something we had been requesting for quite some time. In the area of accountancy in particular, duplication is to be eliminated.

Above all, the introduction of cost and performance accounting proved more arduous than expected. After initial difficulties, which are also indicated in a report from financial control about inadequate internal control systems and human resources in the finance section, we were able to improve the situation rapidly and with lasting effect and restructure the finance and accounting system.

Finances

With the good financial results which have been achieved, particularly in view of the fact that the challenging savings targets of CHF 5.5 million for 2001 could clearly be achieved and even exceeded once more, it is clear that management with a performance specification and a global budget is having positive effects. Financial considerations are increasingly being given greater emphasis and have become a very important aspect of OFCOM's everyday work.

The ever-growing awareness of financial issues is also bearing fruit for our customers. In the year 2000, for example, we had drawn up a plan for reorganisation of the cost accounting and performance systems in order to improve the allocation of costs to the individual products and, in conjunction with this, to be able to calculate more appropriate administrative charges. The necessary changes to the cost accounting and performance systems were implemented in 2001 and the modified administrative charges have been effective since January.

We have also made improvements in the area of licence fees. The reduction in licence fees in the sectors of professional radio and satellite radio, which we introduced on the basis of a comparison with other European states, has also been having an effect since the beginning of 2001.

Personnel policy

With 260 full-time posts, the number of personnel remained at the level of the previous year. With a staff of 298, there were 47 new appointments and 33 people leaving. Again in 2001, we were confronted with difficulties in recruiting personnel, though, thanks to internal job rotation, we were able to overcome some bottlenecks. With the introduction of the «new personnel policy» in the Federal Administration, we are hoping for improved terms of employment in a market where suitable employees are scarce.

In the year under review, our first apprentice successfully completed his apprenticeship in mediamatics. We are currently training one apprentice who is in the second year and two apprentices who are in the first year of their apprenticeships. With effect from 2002, the training of mediamatics personnel will last four rather than the current three years, and we will adapt our support accordingly. In the legal field, we were again able to employ trainees who acquired supplementary know-how over a period of four to six months as part of their professional competence training as lawyers.

In the summer of 2001, we started extensive preparations with regard to the new Employment Law. This work was continued and consolidated up to the middle of

October for senior personnel and other staff and was both on schedule and to the appropriate level. However, in this respect, there were complications due to the legal foundations, which were lacking to a certain extent. In addition, the staff in the personnel department were working to the limits of their capacity, primarily in preparing some 300 contracts of employment. The selected procedure, which involved firstly submitting new contracts to staff in draft form and setting up a hotline, proved to be worthwhile. In this way, it was possible to clear up a lot of queries before the terms of employment were formally confirmed according to the new law. All in all, the changeover took place without any significant problems.

Outlook

OFCOM continues to adhere to the FLAG idea. The intention of running a Federal Office with management instruments and therefore to proceed with a performance-related philosophy complies with the requirements for an efficient administration. From the latest decisions of the Federal Council, we hope for further development of the project which will simplify the FLAG instruments or make them more significant. We also argue in favour of Parliament taking OFCOM's special situation into account. As an administrative office with a high proportion of sovereign duties, we are not directly comparable with a lot of other Federal departments. This necessitates a flexible and therefore complex procedure for the definition of objectives regarding performance and effectiveness as well as for the evaluation of the results.

Performance

Tasks and organisation

Organisationally, OFCOM is subdivided into three «product divisions»: Radio and Television (RTV), Telecommunications Services (TC) and Radio Licences and Equipment (Funkkonzessionen und Anlagen–FA). They provide services for external customers. The Frequency Management (FM) and the Management and Organisation (Betriebswirtschaft und Organisation–BO) divisions work primarily for the product divisions. Frequency Management, for example, handles the planning, allocation and monitoring of frequencies as well as the corresponding research work. The classic internal services in the areas of personnel, finances, IT and logistics are combined in the Management division (BO). The International Relations (IR) service coordinates international activities and Switzerland's representation in international organisations.

Following the trend towards convergence of electronic media and telecommunications, OFCOM is one of the few organisations worldwide to combine these two areas under one roof. As a consequence, the Office reports to two different authorities: On the one hand, it prepares topics concerning electronic media for the Federal Council and the Federal Department for the Environment, Transport, Energy and Communications, makes the necessary applications and implements the decisions. On the other hand, it is active in the telecommunications sector for the Federal Communications Commission (ComCom), which is competent as an independent authority in this area.

Radio and television

Two developments in the area of radio and television took centre stage in the reporting year: first, the structural consolidation in the regional television market in German-speaking Switzerland. Of the five regional television stations licensed in 1998/1999, today only Sat. 1 Schweiz (retransmission with localised advertising) and the music broadcaster Viva-Swizz are still transmitting. The euphoria which reigned as recently as three years ago has given way to a realistic disillusionment. Because of the public consultation on the new Law on Radio and Television, 2001 was also characterised by the sometimes heated debate on media policy.

International, national and regional language broadcasting

The discontinuation of the two TV broadcasters Tele 24 and TV3 confirmed that the market potential for private television initiatives at regional language level is limited. The Prognos AG market study of 1998, commissioned by OFCOM, had already reached this conclusion, giving the new TV stations only a slight chance of survival. However, the retransmission of German TV channels with localised advertising aimed at the Swiss market are holding their own. Without providing any corresponding programme services, they are extracting well over CHF 100 million from the Swiss television market. Despite OFCOM's interventions and against contrary assurances, the CSA (Conseil Supérieur de l'Audiovisuel) has granted the French television company M6 a licence for retransmission with localised advertising directed at Switzerland.

www.bakom.ch/en/radio_tv/allgemeines/politik/prognos/index.html

In the radio sector, the licensed sectoral broadcasters Hit Radio, SwissKlassikRock, Swiss Musik Radio, Radio 105 Classic and Sunshine Gold were not able to comply with the specified period for bringing programming activity into service. The primary reasons for the delays were difficulties in connecting to the cable networks, some of which had no

free capacity. After the take-over of Belcom-Holding by Tamedia AG, Radio 24plus renounced any further exercise of its licence.

At the end of October 2001, Swiss Radio International (SRI) ceased short-wave broadcasts to North and Central America, Europe and Asia. Information on the Internet (Swissinfo) and the SRI and SRG satellite broadcasts are being offered as alternatives. OFCOM is currently investigating new technologies in order to completely replace analogue short-wave from 2004 onwards.

Local and regional radio

On 15 June 2001, the Federal Council adopted principles for adapting existing coverage areas in order to ensure more coherent future development of the local radio landscape. According to these principles, no further applications for terrestrial transmission of new programmes on FM frequencies will be approved. Moderate rationalisation of existing transmission areas is generally expected to be examined favourably and significant expansions will be approved only with reservations.

In order to reinforce media diversity in eastern Switzerland, on 7 November 2001, the Federal Council approved, for the first time, the extension of transmission areas into the core area of neighbouring stations. For example, it allowed Radio Top Wil to broadcast its programmes in St. Gallen, among other places. In exchange, the local St. Gallen radio station, Aktuell, has been able to penetrate the Wil region and the Toggenburg. Winterthur's Radio Top Eulach was authorised to serve the town of

Schaffhausen, and in exchange for this, Schaffhausen's Radio Munot was granted access to the town of Winterthur.

On 7 December 2001, the Federal Council rejected the applications from Zurich local radio stations to enlarge their transmission areas with the argument that the Zurich region had already reached its critical size. At the same time, it redefined the coverage areas in central Switzerland. In the future, the three stations Radio Pilatus, Radio Sunshine and Radio Central will mainly serve a common core area, which includes the areas around Lucerne, Zug and Schwyz. The Lucerne city broadcaster Radio 3fach was permitted to extend its broadcasting radius slightly.

On 4 October 2001, the Federal Department for the Environment, Transport, Energy and Communications (DETEC) granted the last licence which remained to be awarded according to the instructions for FM broadcasting network planning. Radio toxic.fm was licensed in St. Gallen as a station mainly operated by students at St. Gallen university.

In the Zurich area, a substantial series of reallocations took place in autumn. On 2 October 2001, the Federal Department for the Environment, Transport, Energy and Communications approved the take-over of the successful Zurich local radio station Radio 24 and the Zurich local TV station TeleZüri by Tamedia AG. To prevent over-concentration in Zurich, the Federal Department for the Environment, Transport, Energy and Communications instructed Tamedia AG to withdraw economically and editorially from Radio Zürisee AG.

With regard to regional television, the Federal Department for the Environment, Transport, Energy and Communications initiated a consolidation of existing conditions. For example, on 29 October 2001, it rejected applications for extensive expansion from the three eastern Swiss stations TeleOstschweiz, Tele Top and Schaffhauser Fernsehen. TeleOstschweiz alone was authorised to extend its range to the entire area of the canton of St. Gallen. Further overlapping of the coverage areas was rejected since they would have impeded competition in advertising and business.

Reception fees

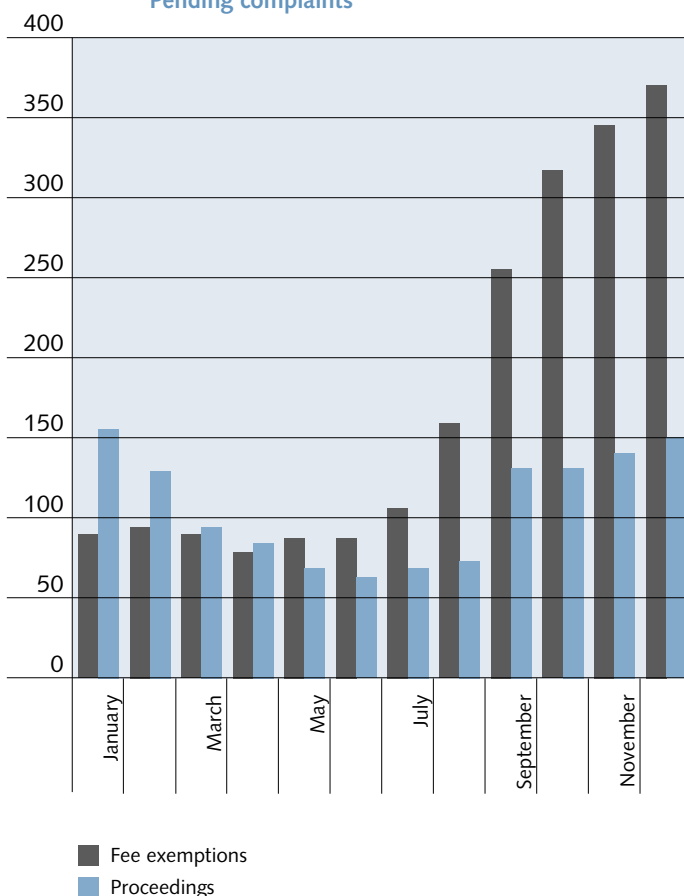
On the basis of a Federal Court decision in January 2001 by the Federal Council, by decree, exempted all recipients of supplementary benefits from the obligation to pay fees. This step triggered a flood of enquiries and exemption applications to Billag AG, which collects the fees for the Confederation. OFCOM too felt the effects of the decision: From the middle of the year in particular, complaints against decisions by Billag AG increased substantially (cf. table). The growing number of complaints received cannot be handled promptly because of a lack of personnel.

Acquiring address data for recording new persons obliged to pay fees proved to be difficult for Billag AG due to data protection issues. OFCOM is currently seeking a solution in discussion with the Federal data protection authority.

www.bakom.ch/en/radio_tv/gebuehren/index.html

(See also under «Radio Licences and Equipment, Monitoring of Radio and Television Reception Fees»).

Pending complaints



Supervision

Radio broadcasters are increasingly availing themselves of the opportunity to submit sponsor nominations and adverts to OFCOM for advance examination. In this way, costly supervisory procedures, which are unpleasant for the broadcasters, can be avoided. This assistance, together with OFCOM's consolidated and publicised legal practice, contributed to a slight fall in the number of supervisory procedures compared with the previous year. The new OFCOM Internet site explains the legal basis with regard to advertising and sponsorship and provides information on OFCOM's supervisory activities.

www.bakom.ch/en/radio_tv/werbung/index.html

Key projects

Revision of the Law on Radio and Television (LRTV)

In December 2000, the Federal Council initiated the public consultation procedure on the draft of a new Law on Radio and Television (LRTV).

www.bakom.ch/en/aktuell/revision_rtvg/entwurf/index.html

Up to the end of April, cantons, political parties, associations and other interested parties were able to express their views on the draft. A total of 206 comments were received, testifying to the great public interest in the new arrangements governing Swiss broadcasting.

www.bakom.ch/en/aktuell/revision_rtvg/vernehmlassung/index.html

In summary, the comments received express substantial agreement with the major outlines of the revision but contain many criticisms of the implementation of the goals. The most disputed areas are the regulations governing advertising and sponsorship, the position of the SRG, subsidies to private stations and the organisation of the authorities. In November 2001, the Federal Council took note of the report on the results of the consultation procedure and published the document.

www.bakom.ch/en/aktuell/revision_rtvg/vernehmlassung/vern_bericht/index.html

At the same time, the national government gave the green light for the next step in the revision of the Law on Radio and Television.

Digital Video Broadcasting (DVB)

On 17 August 2001, the Federal Department for the Environment, Transport, Energy and Communications briefed the Federal Council on the perspectives for terrestrial digital television (DVB-T) in Switzerland. According to the Department's estimates, the chances of introducing DVB-T are good. However, Switzerland will not be playing a pioneering role as the large European markets will decide on the introduction of the new technology. Regardless of the high

density of cable TV penetration in Switzerland, terrestrial distribution is expected to fulfil an important function for universal public service in terms of TV stations since DVB-T offers the possibility of transmitting a broad range of local programming. Whilst the financing of the launch of SRG into the digital era is substantially secured by reception fees, the question of finance for private providers remains open. OFCOM is working on technical migration scenarios together with SRG and the other players in the world of digital television. In the next few years, the Federal Council will take the corresponding fundamental decisions (see also under «Frequency Management, Centre of Competence for Radio Technology and Analogue-Digital Broadcasting Migration»).

Digital Audio Broadcasting (DAB)

At the end of 2002, the licence which the Federal Council granted in 1999 to the SRG to introduce digital terrestrial radio (Digital Audio Broadcasting–DAB) in Switzerland expired. Although the SRG's DAB network now enables 55% of the population to receive DAB broadcasts, market penetration is slow—not only in Switzerland but also throughout Europe. The number of DAB receivers continues to be infinitesimally small. Against this background, in the autumn of 2001, OFCOM conducted a survey of the key players in the world of Swiss radio broadcasting. The opinion was unanimously expressed that the putting-out to tender of programming space, which was originally intended to allow private providers to gain a foothold in DAB technology, should be provisionally delayed until DAB has achieved higher penetration of the radio market. In cooperation with interested parties, OFCOM is continuing to pursue the development of the DAB market. Until further notice, the SRG will continue to provide its current range of DAB programmes (see also under «Frequency Management, Analogue-Digital Broadcasting Migration»).

Telecom services

In the reporting year, the telecom market was characterised by a cooling-down in the financial markets and disillusionment in the entire hi-tech sector. Despite a clear consolidation in the market, over the year as a whole, there was still a slight increase in the number of providers. Nonetheless, liquidations due to the withdrawal of companies, acquisitions, bankruptcies and statistical adjustments assumed significant importance. The process of opening up the market stabilised in several segments of the market (particularly international and national telephone calls, mobile telephony and, to a certain extent, Internet services).

Long-term telecommunications statistics Telecommunications Services Providers (TSPs) and interconnection agreements

Date	31/03/98	30/06/98	30/09/98	31/12/98	31/03/99	30/06/99	30/09/99	31/12/99	30/03/00	23/10/00	31/12/00	30/03/01	30/06/01	30/09/01	31/12/01
Fixed network services, subject to registration	44	68	86	92	109	115	127	135	144	147	154	155	137	150	156
Fixed network services, subject to licensing	2	3	27	43	60	70	78	83	96	108	116	107	112	118	131
Fixed satellite services	11	12	12	12	14	14	14	16	16	17	19	23	26	26	26
Satellite services				1	1	1	2	3	3	3	4	4	3	3	5
Mobile GSM		3	3	3	3	3	3	3	3	3	3	3	3	3	3
Mobile UMTS												4	4	4	4
Mobile, other	2	2	2	2	7	8	11	14	16	19	19	19	21	21	23
Interconnection agreement	7	19	29	35	41	43	50	50	55	66	71	69	70	74	77
Liquidated (all categories)				25	25	25	30	32	32	34	36	54	79	82	95

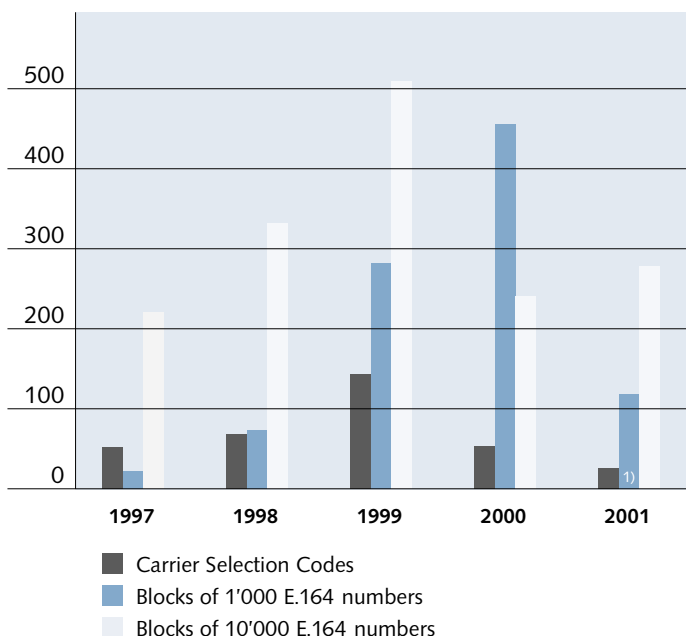
Number and addressing resources

In 2001, providers again demanded new telephone numbers and Carrier Selection Codes (CSC), but growth slowed considerably. As a result of individual number allocation in the business numbers sector (particularly from the 0800 and 0900 ranges of numbers), demand additionally shifted partially from service providers to large consumers.

In the reporting year, the first directory enquiries services with their own short number were launched, after OFCOM had allotted 18XY short numbers at the start of the year. However, it became apparent to operator-independent providers that the market for directory services is very difficult for new entrants. For example, one of the most innovative providers was forced to lay off staff after only a few months because of the disappointingly low number of customers. It is an open question whether, as the provider maintains, this is primarily due to the easily remembered 111 number, which can be used by access network operators for directory enquiries services. Essentially, though, it is difficult for any new entrant to compete against the Swisscom directory enquiries service (111), which has been established for many years.

www.bakom.ch/en/telekommunikation/nummerierung/index.html

Number of CSCs and blocks of 1'000 and 10'000 E.164 numbers assigned by OFCOM



1) Up to 31/8/2001. Since 1/9/2001, these numbers have been assigned directly to end users.

Telephone connections

In the market for local telephone calls, there is still little perceptible competition, and in the case of telephone connections, there is still none whatsoever. Here Swisscom's market position has been virtually unaffected to date. Opening up the market for the last mile (the local loop) is therefore highly topical. Even cable TV providers still have relatively few customers for broadband Internet access and none at all for telephony. All in all, the broadband market—probably precisely because of the lack of competition—is still relatively undeveloped.

The Federal Court's decision in the interconnection dispute between Comcare and Swisscom, delivered in the reporting year, is expected to have negative effects on the opening-up of the market. Since the Federal Court does not seem to allow ComCom the possibility of a technologically neutral application of the interconnection regime, contrary to the intention of the legislature, there is a risk that the liberalisation of the telecommunications market will be frozen at its existing stage of evolution (a telephone service based on carrier preselection). In connection with technological changes, a trend towards monopolisation might even emerge. The Federal Court has put the ball back into the court of the lawmakers and the makers of decrees respectively. This relates in particular to access to the local loop for competitors as well as further wholesale service offerings in markets in which one provider dominates the market.

Legislation

On the legislation side, the revision of two decrees took centre stage. In connection with the redefinition of the universal service, the Decree on Telecommunications Services (DTS) was completely revised. By amending various provisions of the DTS, the Federal Council took into account the consequences of the auction of UMTS frequencies, after the auction conditions and procedures had been examined in detailed reports from ComCom and OFCOM. In the future, achieving an appropriate revenue will be specified as an objective of an auction. In addition, the prerequisites for interrupting or aborting an auction in the event of particular occurrences were laid down.

A decree on addressing resources in the telecommunications sector redefined the administration of Internet domain names in the «.ch» zone, which will continue to be handled in Switzerland by the Switch foundation due to a lack of interest from other providers.

In terms of supervisory activities, the key areas were again the fulfilment of obligations with regard to statistics, number portability and the decommissioning of a service. In so far as they were contested, the supervisory measures taken by OFCOM were endorsed without exception by the Appeals Commission of the Federal Department for the Environment, Transport, Energy and Communications.

In this connection, it is also worth mentioning the slight increase in the number of complaints from consumers, e.g. against excessively aggressive marketing by providers or against excessive telecommunications bills. In the first case, the office takes moderating action against providers in the event of repetition. Complaints about bills were frequently attributable to problems with 0906 numbers, in many cases in connection with access to pay-to-view Internet sites. In order to create more possibilities for consumers to prevent misuse, OFCOM has tightened up the conditions for the allocation of 0906 numbers.

Satellite communication

The satellite communications market has recently undergone a crisis. Examples include such high-profile names as Iridium and Global Star. It is all the more pleasing that Switzerland continues to be an attractive location for international satellite communications providers and that corresponding stations are even expanding. In the year 2001, a number of international telecommunications services providers were licensed.

OFCOM was subject to internal federal supervision in relation to the privatisation of the former international telecommunications satellite organisations «EUTELSAT» and «INTELSAT». As with the previously privatised «Inmarsat», the member states of «EUTELSAT» and «INTELSAT» have withdrawn from commercial satellite operations and have left the operation of the corresponding telecommunications infrastructure to private companies. However, in order that specific public service provisions in the European media context and in worldwide telecommunications can continue to be guaranteed, international organisations will be taking over supervision. OFCOM will also be following up the corresponding work in this area. With regard to the World Summit on the Information Society, which will take place in 2003, this already constitutes a concrete contribution to ensuring that access to low-cost information technologies is available to people in remote regions of the world.

Protecting communications infrastructures in crises

Within the framework of an interdepartmental working group under OFCOM's leadership, a report was drawn up on protecting important national electronic communications infrastructures during major crises. The group came to the conclusion that the infrastructures are not especially at risk at present, but that, on the one hand, there is a large, hardly avoidable dependency on foreign technologies (frequently in the hands of individual companies) and related knowledge, and that, on the other hand, the situation can still be improved via organisational measures and the conditions imposed on operators.

www.bakom.ch/en/medieninfo/medienmitteilungen/uvek/artikel/00623/index.html

International Regulatory Group (IRG)

Work within the IRG framework is becoming ever more important. Outside the plenary events, various working groups are dealing in detail with topical regulatory themes such as ONP (Open Network Provision), ULL (Unbundling of the Local Loop), SMP (Significant Market Power), mobile radio, market analyses and tariff transparency.

The mobile radio working group in particular had to deal with a large number of questions following the UMTS auctions in Europe (MVNOs, international roaming, roll-out-problems, infrastructure sharing). It also provided an opportunity for a comprehensive exchange of views between the members.

One other key topic was the monitoring and future implementation of the revision of the legal framework for telecommunications in the EU, above all the interpretation and determination of SMP, plus a definition of the relevant markets in this context. The IRG is an informal group of 19 European telecommunications regulators, which has been in existence since 1997. It gives Switzerland the opportunity to actively monitor the development of telecommunications in the EU from close up.

ICANN

At international level, the ICANN organisation is responsible for managing the Internet addressing system. ICANN (the Internet Corporation for Assigned Names and Numbers) was established in October 1998 on the initiative of the US government. Its tasks were laid down in a «white book». This process is not yet complete. OFCOM represents Switzerland in the GAC (Government Advisory Committee) of ICANN, and Switch takes part in the work of the DNSO (Domain Name Supporting Organisation).

This year, the Federal Council adopted the revised decree on addressing resources in the telecommunications sector (Verordnung über Adressierungselemente im Fernmeldebereich–AEFV). The new provisions on management of «ch.» domain names (see above) are based on the principles elaborated and recommended by the GAC and are described in the document entitled «Principles for the Delegation and Administration of Country Code Top Level Domains».

www.icann.org/committees/gac/gac-cctldprinciples-23feb00.htm

OFCOM and the Switch foundation work very closely together. At present, they are in negotiations with ICANN to determine the conditions for future cooperation between Switzerland (OFCOM and Switch) and ICANN. The aim is to ensure the smooth operation of the Internet addressing system (DNS Domain Name System) in the new international environment for all sites with «ch» domain names.

Key projects

Universal service

In the autumn of 2001, the Federal Council updated the content of the universal service obligation: from 1 January 2003, consumers throughout Switzerland will have an additional entitlement to a digital connection. The upper price limits for the analogue connection were retained and those for national calls were reduced in line with market developments. The number of public callboxes is being reduced somewhat, and the remaining universal service obligations remain unchanged. OFCOM performed the preparatory work, carried out a public consultation and prepared the ComCom call for tenders for the new universal service licence. The new licence will come into force on 1 January 2003.

www.bakom.ch/en/telekommunikation/anbieter/grundversorgung/index.html

Assignment of alphanumeric numbers and the OFCOM one-stop shop

Since the beginning of September 2001, OFCOM has been assigning individual service numbers from the 0800, 084x, 0878 and 090x ranges directly to end users. For the last six digits, the applicant can apply for a sequence of letters as they are arranged on the keys of a telephone keypad (these are known as alphanumeric or vanity numbers, e.g. 0900 TICKET). Numbers which were in service prior to 1 September 2001 are deemed to have been assigned to their current end users.

These numbers can be ordered from and assigned by OFCOM via the new one-stop shop. This was one of the Confederation's first comprehensive e-government applications to be implemented with full transaction services (including the complete production processes). The website can be accessed at www.e-ofcom.ch and also allows querying of assigned and free numbers as well as numbers in «quarantine», which will become free after a qualifying

period. From 1 September 2001 to the end of the year, more than 10,000 new numbers were assigned, including more than 3,600 with an alphanumeric designation.

www.e-ofcom.ch

«From 29 March onward, use the area code»

From 29 March 2002, the area code must be used even for local calls (www.num2002.ch). As part of the preparatory work for the introduction of the New Numbering Plan 2002, OFCOM organised a series of communication measures in 2001: informing service providers and the most important associations, mailing a brochure together with the telephone bill to all subscribers in May plus a reminder in the form of stickers in December. In November, a campaign was launched using advertisements in the press to provide the public with a broad range of information. The campaign will become even more intensive in early 2002. OFCOM's technical and administrative regulations for the introduction of the New Numbering Plan 2002 came into force on 1 January 2001.

www.num2002.ch

Antenna coordination for mobile radio

The construction of mobile telephone networks requires more transmission installations. In order to be able to reconcile requirements for reliable provision of communications services as needed by the market with planning and national heritage concerns, OFCOM monitored the implementation of the recommendations for coordinating new mobile radio installations. The recommendations were drawn up in the year 2000 together with the Swiss Conference of Building, Planning and Environment Directors (Bau-, Planungs- und Umweltdirektorenkonferenz–BPUK) as well as other Federal authorities and the network operators. Discussions, information and common procedures are intended to ensure that sites are coordinated and, if possible, co-used. In conjunction with the specialist offices of the Federal administration, OFCOM will monitor implementation and cooperate actively in the search for practical solutions.

www.bakom.ch/en/funk/antennenkoordination/index.html

Interconnection

In the reporting year, interconnection was affected above all by several decisions of the Federal Court in procedures initiated by OFCOM. The Court rescinded two ComCom decisions concerning precautionary measures related to unbundling of the local loop and the termination of calls from abroad in a mobile radio network. In a decision on the merits of the case relating to interconnection conditions, the Federal Court rejected application of the interconnection regime to leased lines—in contrast to the EU—and did not support ComCom's decision in favour of lower prices. This judgement has repercussions on the evolution of the market. After an agreement between the parties, it was possible, at the end of October 2001, to terminate an interconnection procedure concerning mobile termination which had been outstanding for three years. The agreement was reached just before publication of the decision by ComCom.

www.bakom.ch/en/telekommunikation/interkonnektion/index.html

Information Society Coordination Group (ISCG)

On 29 August 2001, the Federal Council took note of the 3rd report of the Information Society Coordination Group (ISCG) and its practical recommendations regarding implementation of its strategy. In its report, the ISCG emphasises the need for standardisation and norms in the e-government arena. Furthermore, work on the campaign entitled «Public Private Partnership—Schools on the Net» by the Confederation is to be pursued in order to specifically promote the use of information and communications technology in schools. The report also recommends the continuation of the already started work on recognition of the digital signature and on other general legal conditions for e-commerce. In November 2001, the ISCG began a comprehensive evaluation of its work, calling on foreign and Swiss experts on all relevant specialist topics.

Within the framework of activities promoting full digital integration, the Confederation's president, Moritz Leuenberger, honoured the first winners of the «Knights of Communication» competition. Moreover, this theme was also reflected in the ISCG seminar in December 2001 on «Women in the Information Society». As an international follow-on to the Swiss strategy for an information society, OFCOM is strongly committed to the 2003 World Summit on the Information Society in Geneva (see also «International Affairs, ITU»).

www.isps.ch

www.comknight.ch

Radio licences and equipment

In the reporting year, the telecommunications equipment, radio licences and radio operator examinations division dealt above all with regulatory developments at European level (bilateral agreements with the European Union, the R&TTE directive, powerline communications, etc.).

Year	1998	1999	2000	2001
Professional radio licences	13'318	13'017	12'312	12'191
Ship licences	1'252	1'302	1'342	1'479
Mobile flight radio licences	4'507	4'414	4'342	4'330
Amateur radio licences	4'592	4'508	4'465	4'468
CB licences	18'059	15'172	12'325	10'211

Radio licences

In most categories, the number of radio licences fell again slightly in 2001. The most seriously affected was CB radio, which is available for leisure-time communication. In many cases, other means of communication such as GSM and the Internet are taking the place of radio equipment.

www.bakom.ch/en/geraete/allgemeines/tipps/index.html

In accordance with an international trend, October 2001 saw the introduction of a new radiotelephony certificate for ocean-going leisure sailing, the Long Range Certificate (LRC). It allows operation of all equipment conforming to the Global Maritime Distress and Safety System (GMDSS). The conditions of the examination are harmonised at European level and the certificate is recognised internationally.

Radio operators' examinations

Radiotelephonist's and radiotelegraphist's certificate for amateur radio operators	141 candidates
Restricted radiotelephonist's certificate, mobile marine radio service (valid on yachts)	57 candidates
Restricted operator's certificate	288 candidates
FM radiotelephony certificate for inland navigation radio	47 candidates
Long Range Certificate (LRC)	24 candidates

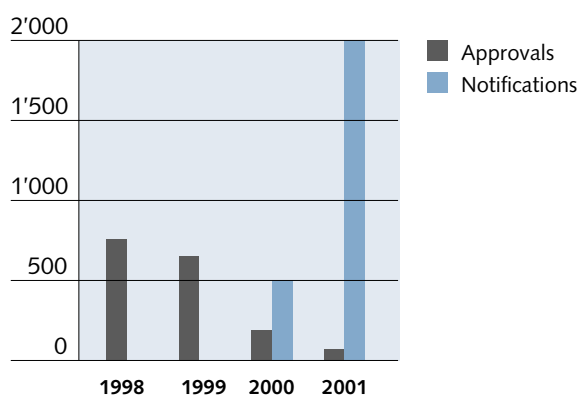
Telecommunications equipment

In the market for telecommunications equipment, the year 2001 marked the end of the transitional period for the implementation of the European Directive on Radio and Telecommunications Terminal Equipment (the R&TTE Directive) in Swiss law. To respond to the numerous questions from various players in the market, OFCOM organised several information seminars with around 170 participants in total.

The number of approvals fell again (14 new items of equipment approved in 2001 compared with 185 in 2000). In the reporting year, approximately 2'000 notifications of radio equipment operated in frequency bands where utilisation is not harmonised at international level were counted (500 for the period from May to December 2000). The new rules according to the R&TTE Directive, and therefore simplified procedures, already applied to the introduction of this radio equipment onto the market. The figures cited for 2001 indicate a clear increase in new radio equipment.

Certain devices, however, can neither be brought onto the market nor approved. This applies, for example, to mobile telephone jamming transmitters intended to prevent communication using mobile telephones in theatres, restaurants, etc. They are counter to freedom of communication and to the legislation on telecommunications and are therefore forbidden in Switzerland and the European Union.

www.bakom.ch/en/geraete/marktzugang/zulassung/merkblatt_zulassung/index.html



Market control for telecommunications equipment and radio licences

In view of the growing demand for utilisation of the frequency spectrum and because of the broader and more diversified supply of telecommunications equipment, market control continues to be an essential instrument. At the beginning of 2001, the emphasis was on prevention and providing information for the various players in the market. In addition, employees of the Office were offered training which applied to the different phases of the new procedure for verifying the conformity of telecommunications equipment. At the end of the year, a systematic on-the-spot check took place in order to test the efficiency of the preventive measures.

1,128 control orders were issued. As a result of these, 546 administrative penalty procedures were initiated for infringements against the regulations governing telecommunications equipment and radio licences.

www.bakom.ch/en/geraete/marktueberwachung/index.html

Monitoring of radio and television reception fees

In the reporting year, there was a change in the composition of the management of the collection office for radio and television reception fees (Billag), associated with a closer cooperation with OFCOM. In addition, new criteria were drawn up for case handling; these came into force on 1 January 2002. As in the preceding business year, in 2001 the number of cases treated—2'757—was considerable. In addition, 1'197 administrative penalty procedures were initiated for non-compliance with the obligation to register.

(See also under «Radio and Television, Reception Fees»).

Key projects

Bilateral agreements between Switzerland and the European Union

The area of telecommunications equipment is covered within the framework of Switzerland's bilateral agreements with the European Union (EU) in an appendix on the conditions for reciprocal recognition. These agreements, signed on 21 June 1999, will come into force in 2002. They correspond to the legislation of the individual states at the time of the negotiations. As the legal framework of this sector has changed since 1999 (adoption of the R&TTE Directive and its integration into Swiss legislation), this appendix will have to be completely revised, but this cannot happen until the agreements have been ratified and have come into force. OFCOM and the relevant departments of the European Union have already begun preparatory work. The final adoption of the revised documents falls within the competence of the joint Swiss-EU committee which will be set up in the months following the coming into force of the agreements. As a result of this adaptation, commerce in the still growing telecommunications sector will be promoted. OFCOM is therefore reinforcing its activities in the telecommunications equipment area both in the committees for harmonisation and in the competent bodies of the European Commission.

Powerline Communications (PLC)

PLC is a new broadband access technology (e.g. for Internet data communications), which allows telecommunications services to be provided via the powerline network.

As far as the application of PLC technology in Switzerland is concerned, the past two years have been a trial period. OFCOM granted operators authorisation for trials to enable them to clarify, for example, the technical feasibility and acceptance of various, but above all broadband, telecommunications services using PLC. In the meantime, OFCOM has drawn up an approval procedure which envisages regulation in two stages:

- The first stage—effective from September 2001—represents a transitional solution until the standardisation for

broadband PLC technology is concluded at European level. It includes a technical manual based on regulations in other countries and on experience from field trials. Among other things, it contains legal and technical condition, recommendations for manufacturers, vendors and resellers of PLC equipment as well as measures and responsibilities in case of interference. The first licence under which commercial use of PLC technology is possible was granted in September 2001 to an electricity company.

- The second stage of Swiss PLC regulation depends on the progress of the standardisation work in the relevant European committees; the definitive solution, which is intended to supersede provisional national regulations at the appropriate time, will be based on harmonised standards. To this end, the standardisation bodies—CEN/CENELEC, CEPT/ERC and ETSI—still have to deal fundamentally with criteria such as electromagnetic compatibility (EMS), questions related to the frequency spectrum and general system aspects. Completion of the second regulatory stage can therefore not be foreseen at present (see also under «Frequency Management, Decree on Protection from Non-Ionising Radiation»).

www.bakom.ch/en/geraete/technik/plc/index.html

New KOS-FUNK information technology system

A major part of OFCOM's IT architecture is to be converted using the KOS-FUNK system. The administration of radio licences and telecommunications equipment will be changed and the old applications will be replaced. This will provide the Office with professional IT support for business management. Its flexibility means that new expansions will be simple to integrate. The new system will be rolled out in early January 2002.

Frequency management

The reporting year was characterised by the various tasks which arose out of the implementation of the decree on protection from non-ionising radiation (Verordnung über nichtionisierende Strahlung–NISV). Themes related to broadcasting were another central issue. Additionally, there were the first steps into the digital future and optimisation of existing FM coverage. Within the division, key points were increasing efficiency by reorganisations within the Radio Monitoring and Broadcasting services.

Centre of competence for radio technology

With regard to the transition from analogue to digital broadcasting, CovCAD software was developed in cooperation with Biel's Institute of Applied Sciences and Architecture; CovCAD makes it possible to test the effects of migration scenarios (see also under «Radio and Television, Digital Video Broadcasting (DVB)»).

OFCOM continued to collaborate in the international committees of the ITU, CEPT and EBU. Its contributions included the following:

- a scientific investigation of the new ITU wave propagation model
- cooperation in the CEPT's SEAMCAT development team (statistical tool for interference calculation)
- contributions to the CEPT compatibility studies on Bluetooth and UWB (Ultra-Wide-Band) systems below 6 GHz in cooperation with the EPFL
- framework conditions and recommendations for the coordination of UMTS mobile telephony networks at national frontiers using the «codesharing» method plus contributions on the linking of UMTS/GSM base stations using microwave for the CEPT

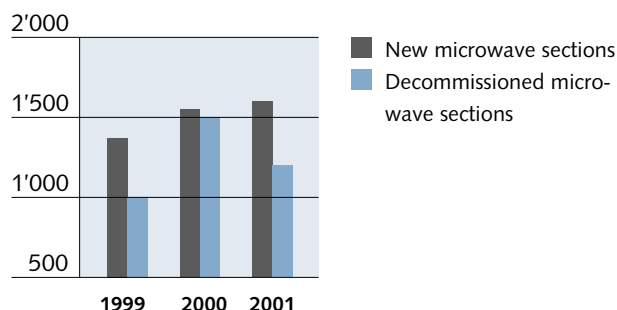
Frequency assignment

With neighbouring administrations, we have negotiated the rules for the use of the UMTS spectrum for mobile radio. Supplementary accords, allowing direct agreements between operators, are leading to greater flexibility in the use of frequencies. The expansion of the GSM networks is pro-

ceeding apace. By the end of November 2001, OFCOM had been notified of 82'018 base stations at 6'724 sites.

FM broadcasting continues to be attractive. With the issuing of 17 new licences for the SRG and private stations respectively, the licensing of 54 short-term events and the improvement in the coverage situation for existing radio stations in western, central and eastern Switzerland and in the Zurich area, the task set by the Federal Council could be completed. In addition, in December 2001, western Switzerland saw a major frequency changeover which involved substantial changes in the area from Geneva to Berne. In collaboration with the broadcasters, a new method of measurement was developed for evaluating reception. In addition, a group of experts drew up recommendations for optimising the utilisation of FM frequencies (see also under «Radio and Television, Local and Regional Broadcasting»).

For the time being, the boom in fixed wireless access failed to materialise. The demand for classic microwave frequencies, particularly for feeding mobile radio base stations, on the other hand, remains very high. A new assignment procedure was applied for the 28 GHz range. This allows operators to carry out frequency assignment independently. The requirements relating to frequency assignment have increased substantially because of the high density of microwave radio networks. In 2001, the classic method of individual frequency assignment was used to assign 1'600 new microwave sections. To protect these sections, 1'066 sections were coordinated with other countries and 575 foreign coordination queries were dealt with. 1'200 microwave sections were taken out of service by operators.



Key projects

Implementation of the decree on protection from non-ionising radiation

The year 2001 also brought considerable confusion concerning the implementation of the decree on protection from non-ionising radiation (Verordnung über die nichtionisierende Strahlung–NISV). One additional difficulty was that various interest groups are already demanding revisions to the decree. The EMV/EMVU centre of competence had the difficult and politically sensitive role, in conjunction with the Federal Office of the Environment, Forests and the Countryside, of demarcating questions of fact and wishful thinking with reference to the technical and economic realities and of rectifying mistakes. Thus, the so-called Salzburg model was investigated and its content verified by calculation and measurement. Recalculations or measurements were carried out on individual items at the request of cantonal and municipal authorities. In this way, it was possible to resolve many conflicts. The national map which gives the population clear and transparent information on antenna sites in Switzerland via the Internet was completed successfully.

www.bakom.ch/en/funk/freq_nutzung/standorte/index.html

PLC technology proved to be a new challenge; here, in fact, there are still no generally recognised and reliable methods of measurement and calculation (see also under «Radio Licences and Equipment, Powerline Communications (PLC)»).

Radio monitoring

The reorganisation of the radio monitoring service, associated with the reduction in field offices and centralisation in Biel in the year 2004, is proceeding according to plan. The possibility of exploiting synergies has already been realised in Ticino. In Gudo, Radio Monitoring and Market Monitoring for southern Switzerland were amalgamated. Management of Radio Monitoring for French-speaking Switzerland was also concentrated in Châtonnaye (FR).

Satellite monitoring

The importance of satellite communication is constantly growing, as is the danger of interference and piracy. However, the financial and personnel resources required for effective quality control of the satellite sector far exceed Switzerland's capabilities. In the reporting year, Frequency Management therefore established close cooperation with the German regulatory authority and at the same time worked towards institutionalising cooperation in the future throughout Europe.

Notifications of interference, Radio Monitoring

Year	1999	2000	2001
Notifications of interference	530	511	585

Hours spent in 2001 on eliminating interference: 7'580 (55% FA, 40% RTV, 5% TC).

Analogue-digital broadcasting migration

The deadline for replacing analogue broadcasting by digital broadcasting technologies has not been set yet; the only sure thing is that it will happen. We produced a thorough plan of requirements, technical models and realistic migration scenarios for the envisaged planning conferences within the CEPT/ITU framework. Within the framework of a special project organisation, Frequency Management applied itself to this extensive technical work in close cooperation with experts in media policy and players in the market. It was necessary to take legal aspects into account in such a way that the margin for strategic and tactical action, the complex procedures and the formalities could be evaluated reliably.

We have submitted Switzerland's and Liechtenstein's requirements to the planning meeting on digital broadcasting (DAB-T in the L band) which will take place in 2002.

We are already working intensively on the preparation of the European planning conferences in 2004 and 2005 (or possibly 2006) for the changeover from analogue to digital television. Frequency Management has to determine the planning parameters which are relevant to Switzerland in this context and to work out possible migration scenarios (see also under «Radio and Television, Digital Video Broadcasting (DVB) and Digital Audio Broadcasting (DAB)»).

Reorganisation of the CEPT

The CEPT is of critical importance for Switzerland, especially in the area of frequency management. This is why we played an active part in 2001 in the determined reorganisation of the CEPT. The process of reform will be concluded in 2002. The ERO council has to approve the revised ERO agreement and submit it for signature. In addition, the content and structure of the future activities of the ECC have to be redefined. Switzerland was entrusted with the mandate of managing the working group set up for this purpose.

(See also under «International Affairs, CEPT»)

www.bakom.ch/en/funk/freq_nutzung/itu_cept/index.html

World Radio Conference, WRC-2000

The results achieved at WRC-2000 in Istanbul were analysed for their effects on Switzerland and taken into consideration in Switzerland in the revision of the national frequency allocation plan in July 2000. Ratification of the final act of the conference was prepared. The application for ratification will be submitted to the Federal Council in early 2002.

International affairs

At international level, in 2001, OFCOM worked intensively –and successfully–to host the ITU World Summit on the Information Society. In addition, attempts to reform the individual international organisations such as the ITU and the CEPT were actively supported and were in some cases brought to a conclusion.

www.bakom.ch/en/amt/internationales/willkommen/index.html

CEPT

In the reporting year, OFCOM's international activity within the CEPT centred on the reform of this organisation. The CEPT decided to merge two committees (ERC and ECTRA) into the new Electronic Communications Committee (ECC) and to replace the existing structure, currently with two offices (ERO and ETO), by a new permanent bureau. This requires an amendment to the ERO agreement. In connection with the revision of the agreement, a heated exchange took place with the Directorate of International Law (DIL) of the Federal Department of Foreign Affairs. Particular attention was paid to the modalities of amending the agreement and its effects on the CEPT.

(See also under «Frequency Management, Reorganisation of the CEPT»)

www.bakom.ch/en/amt/internationales/taetigkeit/cept/index.html

WTO

Together with the SECO, the Federal Office of Culture and representatives of television broadcasting companies, we drew up a Swiss paper which was submitted at the beginning of the year on the occasion of the WTO negotiations in Geneva.

With this document, we wanted to defuse the situation in order to conduct a relaxed and considered discussion regarding the area of audio-visual services in the WTO. The document generated different reactions. At present, the relevant Federal Offices are assessing the question of submitting a paper on the Swiss position.

Council of Europe

The agreement on legal protection of access-controlled services and access control services was submitted for signature on 24 January 2001 and signed by Switzerland on 15 June 2001. OFCOM is currently preparing the ratification procedure for this agreement.

The agreement on protection of the audio-visual heritage and its protocol were submitted on 8 November 2001 for signature at the 109th session of the Council of Ministers in Strasbourg. Together with the Federal Office of Culture, OFCOM is looking at the issue of signing and ratifying this agreement.

The steering committee for means of mass communication was reorganised in the reporting year. The number of expert groups and committees was reduced to three respectively. In 2001, an OFCOM representative was chosen for a two-year mandate in the steering committee. This will enable Switzerland to contribute actively to the orientation and work of the committee.

www.bakom.ch/en/amt/internationales/taetigkeit/europarat/index.html

ITU

In June 2001, the administrative board of the International Telecommunications Union (ITU) decided to hold a World Summit on the Information Society (WSIS). The ITU will organise this Summit in two phases. At the first world conference in December 2003 in Geneva, the heads of government will adopt a political declaration and a plan of action. At the follow-on conference planned for two years later in Tunis, the implementation of the results achieved in Geneva will be discussed and possible further measures will be decided upon.

The WSIS will be held under the patronage of the General Secretariat of the UN and will include all major themes of the information society. The goal of the WSIS is to harmonise the many different strategies and activities in the sphere of the information society throughout the world, to allow the developing countries to benefit from the advantages of new technology and, in the long term, to bridge the «digital divide». OFCOM was instructed by the Federal Council to coordinate Swiss support work within and without the Federal administration. OFCOM will provide the Swiss secretariat in Geneva with logistical support for ITU's preparations for WSIS03.

www.bakom.ch/en/amt/internationales/taetigkeit/uit/index.html

TV5

The five ministers responsible for TV5 decided to combine the administration of worldwide distribution of TV5 programmes in the TV5 Monde unit. One exception is Canada, where the «Consortium de télévision Québec Canada» continues to be responsible for transmission. As a result of this reorganisation, initiated at the Vevey conference of ministers in 2000, the multilateral francophone broadcasting company was revitalised and its structure was made more flexible. In the reporting year, Switzerland maintained its intention to examine further ways of simplifying TV5's organisational and decision-making structures. In particular, these include a reduction in the number of ministerial meetings.

www.bakom.ch/en/amt/internationales/taetigkeit/tv5/index.html

M6

In the reporting year, OFCOM argued for preventing the French TV company M6 from retransmitting with localised advertising in French-speaking Switzerland without corresponding programme offerings. Together with the Department of Foreign Affairs (DFA), we intervened strongly several times with the Conseil Supérieur de l'Audiovisuel (CSA) and with the French political authorities. Such retransmission would threaten the western Swiss market, with its limited economic potential, and would lead to a reduction in cultural diversity.

Mission in Brussels

The stationing of OFCOM employees in the Swiss mission to the European Communities in Brussels also proved to be very valuable in the reporting year. Our colleague who has been employed in Brussels since September 1998 was replaced in the middle of the year by another employee from the International Relations department as part of a job rotation programme. Our colleagues were able to improve their good contacts with the various departments of the EU Commission and did important work with regard to coordination and gathering information. Their activity in the regulation of the Swiss telecommunications market as well as in preparing negotiations between Switzerland and the EU Commission regarding Switzerland's continued participation in the MEDIA programme was particularly valuable.

OECD

At the beginning of the year, the OFCOM director took part in an international conference on e-commerce held in Dubai under the auspices of the OECD. He spoke on the theme of opening up the telecommunications market in the developing countries with regard to better access to the services of the information society.

OFCOM took part in several studies conducted by the organisation in Paris, e.g. on the status of liberalisation or the development of the broadband market in the member states. Although Switzerland ranks relatively high in comparative terms, there is still a need for action in our country, especially in the area of competition in the access network.

[www.bakom.ch/en/amt/internationales/news/
version8/unterseite6/index.html](http://www.bakom.ch/en/amt/internationales/news/version8/unterseite6/index.html)

Future prospects

In economically difficult times, even greater demands are being placed on OFCOM both as a regulator and a Federal Office. It has to ensure that the market continues to perform, in other words, that competition exists for the benefit of Switzerland as a commercial location as well as for the consumer. In this regard the Office is under particular pressure. Our duties include keeping a careful eye on the market, predicting trends and critically evaluating them. We must keep asking ourselves the question, «What does the consumer want?»

However, we must also prevent «cherry-picking». Wherever the market is failing to perform, the central issue is guaranteeing a universal or public service.

In the electronic media sector, with the message on the Law on Radio and Television, we will put in place the requirements which enable a strong public service to efficiently counter competition from abroad.

As far as possible, the services supplied by the private television broadcasters must be maintained. However, the fact remains that, when compared with similar markets abroad, our regional language markets are only the equivalent of local markets. The broadcasters will have to improve co-operation here in order to be able to finance programme production, which is an expensive business. Private (FM) radio broadcasters can count on a certain guarantee of continued existence. Until the new Law on Radio and Television comes into force, the Federal Council will only approve specific territorial adaptations.

In the field of telecommunications, the Federal Communications Commission (ComCom) will award the licence for the universal service. Consumers will continue to be able to count on a universal service with telecom services that are outstanding in comparison with those abroad.

In order to be able to meet the rising demand for telephone numbers, with effect from Easter, it will be necessary to include the national destination code (NDC area code) when dialling local numbers in Switzerland. Existing telephone numbers will not change. This represents a simple solution in the interests of all. In this way, several million numbers will become available for use by existing and new

telecommunications services providers. As a result of this, new services which will benefit both business and private persons will hopefully also be possible.

We will be critically examining our work within the context of the information society. We will report to the Federal Council on our activities to date and seek a decision on our future role as a coordinator.

OFCOM, however, is also busy with the information society at global level. We will actively support the International Telecommunications Union (ITU) so that the 2003 World Summit on the Information Society in Geneva will be a success.

The EU is currently amending the whole telecom legal framework. In this context, on 12 December 2001, the European Parliament passed four new directives (Framework, Universal Service, Interconnection and Approval Directives). The Unbundling Decree, which is already in force, is also included in this package. The Law on Telecommunications (LTC) must be adapted to suit these developments and the preparations for an amendment are already in progress. It is planned to submit a draft amendment in the summer of 2002 and to evaluate the responses in the autumn.

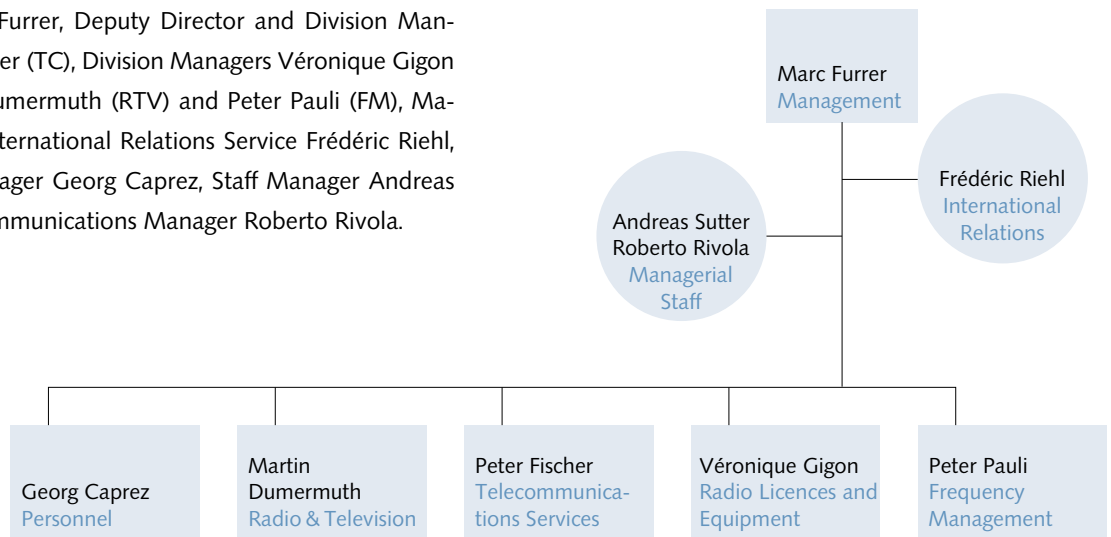
Business and the general public require mobile communications. This means programmed conflicts when establishing the infrastructure. We intend to continue to exercise our role as an arbitrator between the various players involved. In this respect, the emphasis will be on the desire to make solutions possible rather than preventing them.

In the interests of commerce and industry as well as general consumers, telecommunications equipment should be introduced into the market in a simple manner. We will continue to inform those involved in the market of the recently simplified market access procedures, but we will also carry out initial certification checks.

Personnel

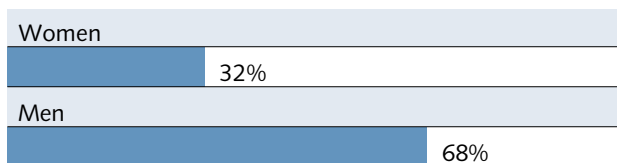
Commercial management

OFCOM's commercial management is performed by: Director Marc Furrer, Deputy Director and Division Manager Peter Fischer (TC), Division Managers Véronique Gigon (FA), Martin Dumermuth (RTV) and Peter Pauli (FM), Manager of the International Relations Service Frédéric Riehl, Personnel Manager Georg Caprez, Staff Manager Andreas Sutter, and Communications Manager Roberto Rivola.



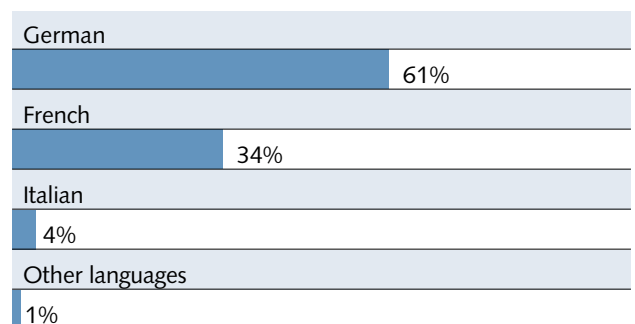
Percentage of women

In the reporting year, we employed 298 people, of whom 94 were women. This corresponds to 32%.



Languages

Approximately 61% of the employees are of German mother tongue, 34% speak French and 4% Italian. Other languages such as Arabic, English, Laotian, Portuguese and Spanish are spoken by approximately 1% as their mother tongue.



Education

37% of the employees have various trainings (including academic training), 23% have technical training, 18% have been commercially trained, 15% have completed legal studies and 4% have a degree in business studies (university/college or higher education) (see table for details).

Other training (including academic training)	37%
Technical training	23%
Commercial training	18%
Legal training	15%
Degree in business studies (university / college of higher educ.)	4%
Various	3%

In 2001, we employed 3 media/IT trainees. Since 2001, 2 young people are trained every year in media and IT. In 2003, therefore, there will be six trainees.

You will find comments on personnel policy in the management report.

Study year	2001	2002	2003
1	2	2	2
2	1	2	2
3	0	1	2
Total	3	5	6

Financial report

Within the framework of the performance specification for 2001 to 2003, in addition to the savings of CHF 4.5 million prescribed by parliament, OFCOM had committed itself to further cost-cutting measures amounting to CHF 1 million, increasing the savings target to CHF 5.5 million in all. We clearly achieved this challenging target, even undercutting it by CHF 0.2 million (including a carried-over residual credit of CHF 1.9 million).

Expenditure

Since OFCOM has been operating with a performance specification and a global budget, cost-awareness has grown constantly. Thus, we were again able to provide our services in 2001 with substantially less personnel. The increase in personnel costs of CHF 2.2 million compared with the year 2000 was primarily a result of the general wage inflation. Material expenditure, moreover, was CHF 0.9 million down on the previous year.

We were able to take advantage of another positive aspect of global budgeting—the possibility of carrying over residual credit—for the first time in 2001. Thus, we carried forward the CHF 1.9 million which we were unable to spend on projects which were delayed (e.g. as the result of a WTO tender) or deferred.

Revenue

Administrative receipts (OFCOM revenue) fell by about one third in comparison with the previous year; this is attributable to the fact that the tariff reform of the year 2000 has been having an effect since the coming into force of the new administrative fees on 1 January 2001.

On the basis of the data from the cost and performance accounting system, it had become apparent that some administrative charges no longer met the principle of covering costs, causing us to optimise cost allocation with regard to the individual products. In addition, services which are not in a direct relationship with the three product divisions and which are provided on behalf of the Confederation were separated out. The adaptation of the administrative charges on this basis means that since 2001 OFCOM customers have been paying fees which are based on the costs they actually caused. This fact is also apparent in the changed degrees of cost recovery of the individual product divisions.

The large deviations under transfer revenue (revenue for the Confederation) are mainly attributable to the very different results of the two auctions conducted in 2000 and 2001 (2000 WLL auction and 2001 UMTS auction). In this context, it must also be borne in mind that these auctions were one-off events which will not recur in forthcoming years.

The drop in other licence fees for radio networks and satellite radio networks is another result of the tariff reform of the year 2000. Since licence fees were very high in comparison with the rest of Europe in the areas of professional radio and satellite radio, these were greatly reduced, likewise with effect from 2001.

OFCOM account

Financial development in the period 1999-2001

Year	1999	2000	2001	Deviation/previous	%
	(mil. CHF)	(mil. CHF)	(mil. CHF)	year (mil. CHF)	
I. Financial account expenditure (incl. ComCom)					
Personnel costs	34,0	33,0	35,2	2,2	7,0
Expenditure fixed assets	14,5	20,4	19,5	-0,9	-4,0
Credit transfer on year 2002			1,9		
Total	48,5	53,4	56,6	3,2	6,0
II. Services in relation to the Fed. administration					
	5,9	5,4	4,4	-1,0	-19,0
III. Imputations					
	4,8	3,4	3,6	0,2	6,0
./. Investments incl. in the financial expenditure	-4,3	-4,5	-5,9	-1,4	31,0
./. Credit transfer			-1,9	-1,9	
OFCOM costs Total I-III	54,9	57,7	56,8	-0,9	-2,0
Administration revenue (incl. ComCom)					
Administration fees	49,6	52,5	30,3	-22,2	-42,0
Administrative part of the RTV reception fees	7,5	8,5	10,9	2,4	28,0
Total	57,1	61,0	41,2	-19,8	-32,0
Marginal cost contribution in %	104,0	105,7	72,5		

Achievement of specified savings according to the performance specification

Year	1999	2000	2001
	(mil. CHF)	(mil. CHF)	(mil. CHF)
Original financial plan (29/09/1997)	60,2	64,3	64,8
./. Expenditure reduction / specified savings	-1,5	-3,1	-4,5
./. Extra measures for cost reduction	0	0	-1,0
./. Other corrections	0	0	-2,5
Financial framework / specified savings	58,7	61,2	56,8
./. Expenditure according to annual accounts	48,5	53,4	56,6
Reduced expenditure according to specified savings	10,2	7,8	0,2

Results per product group

	Year	1999	2000	2001	Deviation/previous	%
		(mil. CHF)	(mil. CHF)	(mil. CHF)	year (mil. CHF)	
Telecom services						
	Costs	18,7	21,4	19,3	-2,1	-10,0
	Revenue	30,1	33,7	16,7	-17,0	-50,0
	Marginal cost contribution in %	161,0	157,0	87,0		
Radio and television						
	Costs	14,0	14,4	16,9	2,5	17,0
	Revenue	8,4	9,5	10,9	1,4	15,0
	Marginal cost contribution in %	60,0	66,0	64,0		
Radio licences and equipment						
	Costs	22,2	21,8	20,5	-1,3	-6,0
	Revenue	18,6	17,8	13,5	-4,3	-24,0
	Marginal cost contribution in %	84,0	82,0	66,0		

Revenue transferred to the DFF

	Year	1999	2000	2001	Deviation/previous	%
		(mil. CHF)	(mil. CHF)	(mil. CHF)	year (mil. CHF)	
Licence fees from auctions (WLL, UMTS)		0	581,1	205,0	-376,1	-65,0
Other licence fees for radiocommunication networks and satellite networks		22,8	28,7	12,2	-16,5	-57,0
Licence fees from broadcasters and rebroadcasters of radio and TV programmes		2,9	4,8	4,5	-0,3	-6,0
Revenue from administrative penalty procedures		0,7	1,3	0,1	-1,2	-1,3
Total		26,4	615,9	221,8	-394,1	-615,9

Appendix

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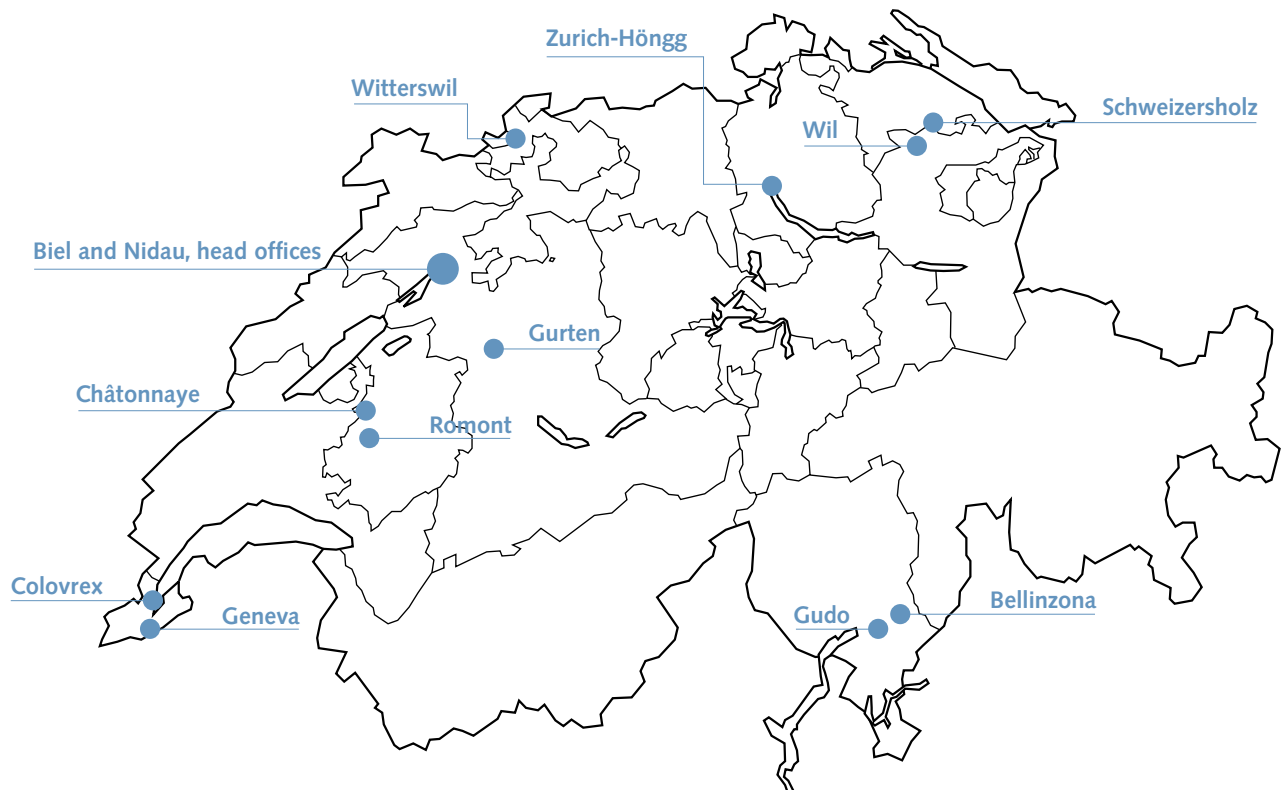
www.ofcom.ch

Visit our website. It also features details on how to find us
and a map with the two offices: Zukunftstrasse 44 in Biel
and Ipsachstrasse 10 in Nidau plus the branch offices.

www.bakom.ch/en/amt/kontaktadressen/index.html

Locations

OFCOM has bases throughout Switzerland. They enable us
to perform our monitoring function in the interest of a
telecommunications market which functions effectively. In
order to optimise activities in the frequency management
sector, the centralisation of certain tasks in Biel is being
tested. One branch office from the Italian-, French- and Ger-
man-speaking part of Switzerland respectively is intended
to ensure speedy reactions throughout Switzerland.



Glossary

CDMM

Comité Directeur des Moyens de Communications
de Masse

CENELEC

European Committee for Electrotechnical Standardization

CEPT

Conférence Européenne des Administrations des Postes
et Télécommunications

CSA

Conseil Supérieur de l'Audiovisuel (France)

DAB

Digital Audio Broadcasting

DNS

Domain Name Service

DNSO

Domain Name Supporting Organisation

DVB

Digital Video Broadcasting

EBU

European Broadcasting Union

ERC

European Radiocommunications Committee

ERO

European Radiocommunications Office

ETO

European Telecommunications Office

ETSI

European Telecommunications Standardisation Institute

GAC

Government Advisory Committee

GDMSS

Global Maritime Distress and Safety System

GSM

Global System for Mobile Communications

ICANN

Internet Corporation for Assigned Names and Numbers

IRG

International Regulatory Group

ITU

International Telecommunications Union

LRC

Long Range Certificate

ONP

Open Network Provision

PLC

Powerline Communications

R&TTE

Radio Equipment & Telecommunications Terminal
Equipment

ROC

Restricted Operators Certificate

SMP

Significant Market Power

UER

Union Européenne de Radiodiffusion

UIT

Union Internationale des Télécommunications

ULL

Unbundling of the Local Loop

UMTS

Universal Mobile Telecommunications System

WLL

Wireless Local Loop

WRC

World Radio Conference

WSIS

World Summit on the Information Society

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