

CROATIAN POST AND ELECTRONIC COMMUNICATIONS AGENCY

Council of the Croatian Post and Electronic Communications Agency

**ANNUAL WORK PROGRAMME OF
THE CROATIAN POST AND ELECTRONIC
COMMUNICATIONS AGENCY**

FOR 2009

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1. SUMMARY

Pursuant to Article 19, paragraph 2 of the Electronic Communications Act (Official Gazette No. 73/08), and with the prior consent of the Government of the Republic of Croatia granted at its session of 22 January 2009 (Class: 344-03/08-02/03; Reg. No. 5030116-09-1), the Council of the Croatian Post and Electronic Communications Agency adopted at its session on 6 February 2009 the Annual Work Programme of the Croatian Post and Electronic Communications Agency for 2009.

The Croatian Post and Electronic Communications Agency (hereinafter: the Agency) enters 2009 as a regulatory authority competent for the electronic communications market and the market of postal and courier services. The Agency resulted from the merging of the Croatian Telecommunications Agency and the Postal Services Council. The Electronic Communications Act (Official Gazette No. 73/08, hereinafter: the Act), in addition to aligning it with the European *acquis*, strengthened the Agency's role on both markets. In 2009 the Agency will complete its reorganisation and adopt the remaining ordinances.

In the year to come, the Agency will particularly focus on creating a regulatory environment that will enable and encourage investments and innovations on the Croatian electronic communications market. In this process, particular account will be taken of promoting balanced development by making electronic communications equally accessible to all citizens of the Republic of Croatia regardless of where they live.

The Agency will encourage, in particular:

- Competition in the offer of communications services and postal and courier services;
- Constant growth and rapid implementation of modern communications technology;
- Stable, interoperable and reliable communications infrastructure;
- Affordable offer of communications services to Croatian consumers;
- Efficient use of the RF spectrum;
- Rapid growth of broadband products and services;
- Increased reliability of communications in crisis situations;
- Further development of the Croatian economy.

The Agency is aware of its role in the process of accession of the Republic of Croatia to the European Union and it will invest maximum efforts, in cooperation with the Ministry of the Sea, Transport and Infrastructure, and other ministries and state administration bodies, to fulfil the objectives laid down in this programme and in this manner contribute to accession of the Republic of Croatia to the European Union in the near future.

ELECTRONIC COMMUNICATIONS

After the analysis of the relevant market, and if the analysis establishes the lack of effective competition on the relevant market, the Agency identifies operators with significant market power on the relevant market and imposes regulatory obligations laid down in the Act. Immediately after the entry into force of the Act, the Agency started with the analysis of the relevant markets. Documents with market analyses and regulatory obligations that will be imposed on SMP operators will be subject to public consultation in the first quarter of 2009.

In 2009, the Agency will continue with the implementation of the cost accounting and accounting separation project initiated in 2008, which serves to prove that prices of electronic communications services susceptible to regulation are justified, that is, that they are related to costs. The first audited financial reports, which will be used for regulatory purposes, may be expected by mid-2010. Furthermore, the Agency will in 2009 initiate a cost model project - a tool for regulating prices of wholesale services - used to verify whether prices of SMP operators are cost-oriented, transparent and non-discriminatory.

During 2009, the Agency will develop and put into operation a system for electronic delivery, updating, archiving, analysis and publication of all the relevant data on the electronic communications market. The gradual introduction of the system will significantly speed up the processing and control of data and reduce the Agency's and operators' costs. The Agency will publish updated information about developments on the electronic communications market at least once in every three months on its website.

The Agency will continue collecting and entering data on paths and infrastructure capacities into the geo-information system thus contributing to more efficient processing of requests for sharing of electronic communications infrastructure and to resolving the existing situation related to the use of infrastructure. The process of data entry into the geo-information system is a continuous process the completion of which is planned in 2010.

The Agency will continue with activities of issuing the conditions for building and certificates of compliance of main designs with conditions for building. The completion of the initiated reorganisation of business operations due to changes in legislation is planned for 2009, including the drafting of ordinances, in particular of the ordinance on safety zones of electronic communications infrastructure and several ordinances on technical conditions of infrastructure and networks. The Agency will actively cooperate with all ministries, state administration bodies and bodies of local self-government in order to create possibilities for the construction of electronic communications infrastructure and mobile networks. For that purpose, a series of seminars for spatial planners have been envisaged.

Special attention will be dedicated by the Agency to the control of quality of universal electronic communications services. The new ordinance on the manner and conditions for providing universal services will additionally regulate the following: special measures for disabled persons, access to emergency services, directory services, the procedure for designation of universal service providers, data transfer speed which permits efficient Internet access, access to universal services at a fixed location on a mobile electronic communications network and public phone cards. The Agency will monitor the cost-orientation of prices of universal services and the fulfilment of obligations of universal service providers related to special benefits for socially disadvantaged users of electronic communications services.

In 2009 the Agency will intensify preventive and corrective activities aimed at additionally improving protection of users of electronic communications. The Consumer Protection Section will investigate the causes of complaints, study users, mediate in and resolve user complaints, and initiate the alignment of terms and conditions of providers of electronic communications services with the new Consumer Protection Act. Moreover, the Agency will complete the implementation of a comprehensive online system for complaints, advice and instructions of

end users that will additionally improve consumer protection. Special attention will be paid by the Agency to value added services which have proven to be an area without sufficient user protection.

In 2009, the Agency will continue to work intensively on further growth of broadband Internet access. In spite of significant results achieved in 2008, broadband penetration still remains unsatisfactory. The Agency will continue to promote broadband development in target geographical areas thus increasing the availability of broadband Internet access and allow a diverse offer of broadband services of all operators.

In 2009 the Agency will continue managing the radio frequency spectrum intended for public mobile, private mobile, broadcasting (radio and television), microwave and satellite networks, as well as planning and preparation of technical parameters for the issuing of licenses for radio stations. The Agency will simultaneously actively follow the European practice in spectrum regulation and apply appropriate and successful solutions in Croatian legislation. It was also envisaged that further alignment of the frequency allocation table will be continued in 2009. In managing the radio frequency spectrum, the Agency will cooperate with the Ministry of the Sea, Transport and Infrastructure.

In 2009, the Agency is planning to issue two licenses for GSM spectrum since concessions for the GSM spectrum for the two existing operators (T-Mobile Hrvatska d.o.o. and VIPnet d.o.o.) expire in 2009 and the existing concessions need to be replaced with the authorisation to provide services. It is expected that both operators will apply for a new license.

The Agency is planning to enable the use of other technologies (IMT) in GSM frequency bands. In this case, it will be necessary, in cooperation with the existing operators, to re-plan the allocated spectrum again and to internationally coordinate spectrum use. In the course of 2009 preparations will be carried out for the possible issuing of licences for the radio frequency spectrum in the 2.6 GHz band. Considering the possibility that spectrum will be used by several different technologies (technologically neutral allocation), experiences of European countries which have already implemented this system will be applied in the process.

In accordance with the Analogue to Digital Television Broadcasting Switchover Strategy in the Republic of Croatia, it is planned that the switchover to digital broadcasting will take place in all 9 technological regions (division according to the Geneva 2006 plan) of the Republic of Croatia in 2009, including the complete switch-off of analogue transmitters in 8 technological regions in the Republic of Croatia. In 2009, the Agency will continue implementing the activities envisaged in the Analogue to Digital Television Broadcasting Switchover Strategy in the Republic of Croatia. The Agency is planning to invite a public tender and grant licenses for use of the radio frequency spectrum for an operator of the network and the multiplex (for two DVB-T multiplexes, and depending on the dynamics of realisation, the Agency will prepare and implement tenders for additional multiplexes). In the procedure for the implementation of the DVB-T multiplex, the Agency will prepare technical parameters of DVB-T stations in order to ensure digital signal coverage in the Republic of Croatia in the transitional period for 95% of the population.

In 2009, the Agency will continue with the expert supervision over the provision of electronic communications services and activities on the basis of a general authorisation and over the sharing of electronic communications infrastructure with a view to ensuring equality of use by

all users and prevent prohibited actions which interfere with the development of electronic communications networks.

The Agency will carry out regular controls and measurements in the radio frequency spectrum to be able to undertake measures for protection against interference and harmful interference, where necessary, and for the purpose of coordination of use of radio frequencies, as well as inspection of holders of licenses for use of the radio frequency spectrum and owners/users of radio stations.

POSTAL AND COURIER SERVICES

In 2009 the Agency will intensify activities of further liberalisation of postal and courier services market by gradual and controlled opening of the market through the establishment of the procedures of control and regulation of the market in order to ensure further provision of universal postal services of a certain quality under equal conditions and at affordable prices and gradual integration into a single EU market of postal services.

The Agency is also planning to initiate in 2009 the project of “accounting separation of postal and courier services”, that is, the introduction of cost accounting in order to satisfy the requirements for “regulatory accounting”. The project needs to precisely define the obligations of the regulator and of the public operator and, after public consultation, lead to publishing of regulator’s decision, that will contain all the provisions that the public operator needs to apply to achieve detailed and transparent procedures of accounting, separating and reporting.

In 2009 the Agency will focus on supervision and resolution of possible disputes concerning granting access to a public postal network after agreement concerning the Ordinance on access to public postal network has been reached by the public operator, the Agency and the Ministry of the Sea, Transport and Infrastructure.

In 2009 the Agency will continue monitoring and regulating prices of reserved postal services on the market and proposing to competent authorities the undertaking of legal measures in cases when providers adopt or apply prices contrary to the Postal Act. Since it is impossible to establish with certainty the unit price for each of the reserved services, or establish the prices for reserved postal services based on real costs for each of the services, the Agency will, until the application of cost accounting, apply the comparison of prices of identical services in other European countries or other methods used in domestic or foreign practice.

The Agency will also intensify its supervision over all providers of postal and courier services, in particular over the public operator as a provider obliged to provide universal postal services of a certain quality in the Republic of Croatia.

During 2009, the Agency will participate in a project consisting of the gathering of statistical data initiated as a result of cooperation of the Statistical Office of the European Commission (EuroStat) with the European Committee for Postal Regulation (CERP) and the European Commission. As a national regulatory authority, the Agency will be the contracting authority for the project of gathering statistical data from providers of postal and courier services in the Republic of Croatia.

The Agency is also planning to introduce in 2009 a systematic gathering and analysis of data

on the market of postal and courier services in the Republic of Croatia. A special attention on the Agency's new website, the introduction of which is planned for 2009, will be paid to the publication of data on the situation on the market of postal and courier services.

In 2009, the Agency will intensify activities aimed at encouraging all providers of postal and courier services to adopt terms and conditions for the provision of services which regulate the conditions, manner and procedure for the provision of postal and courier services on the basis of the "*Instruction for the preparation of general terms and conditions of providers*", prepared by the Agency.

In 2009, the Agency will collect, unite and analyse data on the market of postal and courier services in the Republic of Croatia in 2008 and present them to the public in a brochure that will also be translated into the English language. On the basis of the results of the survey of satisfaction of users, which will be carried out in 2009, the Agency will publish the collected data on the satisfaction of users with the provided postal and courier services.

DEVELOPMENT OF THE AGENCY

In 2009, the Agency will continue with the implementation of its Strategic and Operational Development Plan up to 2012 through improvement programmes: a) convergence and b) modernisation. Furthermore, the Strategic and Operational plan will in 2009 be updated with aspects of postal and courier services.

In 2009, the Agency will continue building a business information system in order to ensure the resolution of cases under its competence within the envisaged legal time limits. For that purpose, the Agency is planning to procure new and upgrade the existing software and applications. The Agency's objective is to ensure that some elements of the exchange of data with operators, in particular the filling of various forms, can be carried out completely electronically.

In 2009 and 2010 the Agency will focus on the implementation of the *e-Agency*, a system consisting of a modern, strong portal including many electronic, web-based applications such as *e-consultations, e-complaints, e-portability, e-licenses, e-market, e-tender, e-auctions, e-advice, e-price, e-offer and the similar*. The Agency will thus satisfy the needs of the interested parties on the market of electronic communications and postal and courier services, ensure a high quality of service, easy access and prompt delivery of information, and increase its own productivity and efficiency.

In 2009, the Agency is planning to continue working on the expertise and training of its employees in order to create preconditions for the implementation of principles of regulation of the electronic communications and postal market by acquiring the necessary skills and experiences and implement the objectives laid down in the Strategic and Operational plan. A multidisciplinary post-graduate course in the regulation of the electronic communications market created by the Agency together with the Faculty of Electronic Engineering and Computing in Zagreb, the Faculty of Economics and Business in Zagreb and the Faculty of Law in Zagreb is expected to start in 2009.

In cooperation with the Faculty of Electrical Engineering and Computing in Zagreb, the Faculty

of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split and the Faculty of Economics and Business and the Faculty of Law in Zagreb, the Agency is planning to start in 2009 a multidisciplinary project "Looking to the Future" aimed at predicting the near future and preparing the Agency for this future. The dominant themes of the project include the future development of technology, new regulatory issues brought about by this new technology, their effect on the electronic communications market development, as well as economic and social aspects of a proactive, neutral and transparent market regulation, stimulating measures for investments and innovations, and fair competition conditions.

The Agency is planning to continue developing and improving public relations, in particular via its website, in order to provide to the interested subjects on the market of electronic communications and postal services (users, service providers, partners and others) timely information about its activities and about the market situation.

2. INTRODUCTION

Pursuant to Article 13, paragraph 4 of the Act, the Council of the Croatian Post and Electronic Communications Agency (hereinafter: the Agency's Council) adopts, with the prior consent of the Government of the Republic of Croatia, the Annual Work Programme of the Croatian Post and Electronic Communications Agency.

The Agency's Work Programme for 2009 (hereinafter: Programme) is one of Agency's obligations arising from the Act, the Postal Act and subordinate legislation, and the Strategic and Operational Plan of the Agency adopted by the Agency's Council, which, on the basis of the conducted analysis of strengths, weaknesses, opportunities and threats, establishes measures and activities that will help the Agency to fulfil its role of an independent regulator on the electronic communications and postal services markets in the Republic of Croatia.

The basic elements of the programme of work and development of Agency are elaborated in detail in the following chapters of this text:

3. Regulation of the electronic communications market;
4. Regulation of the market of postal and courier services;
5. Development of the Agency and publicity of its work;

The Agency's main objectives in 2009 arise from the Act, the Postal Act and the Agency's mission.

Our mission is to ensure:

- competition, stable growth and room for innovations on the electronic communications and postal services markets;
- availability of universal postal services to all users in the Republic of Croatia under equal and accessible conditions;
- protection of interests of users and the possibility to choose from among various communications and postal services at affordable prices;
- sustainable competitive conditions for operators and service providers under fair

- conditions for return on investments;
- support to economic growth, public services and quality of life in the RoC by using modern technologies.

The Agency's will, in the achievement of its objectives, cooperate with state administration bodies.

3. REGULATION OF THE ELECTRONIC COMMUNICATIONS MARKET

The Act, which is fully aligned with the 2002 European Regulatory Framework, entered into force on 1 July 2008. This Act completely changed the system of concessions, licences and notifications for the provision of electronic communications services and introduced the so-called general authorisation on the basis of which the operator or service provider acquires the right to provide all electronic communications services under additional requirements that may be prescribed for individual types of services. This means that the Agency will, in 2009, have to align the existing system of concessions, licences and notifications with the new legal framework. Conditions that must be complied with in the provision of services are laid down in the Act and the Ordinance on the manner and conditions for the provision of universal services. The change in the authorisation system for the provision of electronic communications services will also lead to changes in the billing system for the relevant fees. The individual licences system was kept only where necessary because of naturally limited resources (radio frequencies). In accordance with the transitional provisions of the Act, the Agency will, within 60 days from the entry into force of the Ordinance regulating the conditions for the provision of electronic communications services, issue a certificate to all operators thus replacing the existing concessions, licences, and notifications.

The second key amendment refers to the imposition of regulatory obligations. The Act prescribes that the Agency will impose, amend or keep all regulatory obligations on SMP operators only following the analysis of the relevant market, which permits objective and transparent market regulation.

The Agency is also authorised by law to file motions for misdemeanours committed in accordance with the provisions of the Act, which will contribute to more efficient implementation of Agency's decisions.

Pursuant to the Act, the Agency must adopt a series of ordinances (formerly under the competence of the relevant ministry) which additionally regulate individual areas important for regulation of the electronic communications market. The Agency expects that the preparation of the ordinance and precise imposition of regulatory obligations will lead to decrease in the number of requests for dispute resolution between operators in 2009.

On the basis of its authority prescribed by the law, and in accordance with legislative measures from the NPIEU 2009, the Agency must adopt the following ordinances:

- 1) Ordinance on the operation of the internal organisational unit of the Croatian Post and Electronic Communications Agency for the protection of rights of users
- 2) Ordinance on the manner and conditions for the provision of universal services
- 3) Ordinance on a comprehensive public directory of subscribers and directory inquiry

service

- 4) Ordinance on the definition of the zone of electronic communications infrastructure and associated facilities, the safety zone and the radio corridor and on obligations of investors of works or construction in such zones
- 5) Ordinance on the reference offer in electronic communications
- 6) Ordinance on number portability
- 7) Ordinance on prevention and suppression of abuse and fraud in the provision of electronic mail services
- 8) Ordinance on the certificate and the fee for the right of way
- 9) The Ordinance on payment of fees for the carrying out of tasks by the Croatian Post and Electronic Communications Agency.

In compliance with the above-mentioned amendments, it is obvious that the entry into force of the Act resulted in a series of new activities in the in the Agency's work which is why the Agency's activity plan for electronic communications for 2009 was prepared.

3.1 Market analyses

The Act defines the procedures that must be carried out by the Agency when imposing regulatory obligations on SMP operators. The Agency identifies relevant markets susceptible to ex ante regulation, carries out market analysis, which consists of the definition of relevant markets in the service and geographical dimensions, the assessment of effectiveness of competition on the relevant market and the assessment of the existence of one or more operators with significant market power on that market, on the basis of the criteria from the Act. If competition on a relevant market is not effective, the Agency imposes regulatory obligations on operators with significant market power or , in case of effective competition, withdraws regulatory obligations from current SMP operators.

In accordance with the Act, while carrying out the above-mentioned procedures, the Agency will pay special attention to the application of the relevant European Commission Recommendation (hereinafter: the EC) on relevant markets susceptible to ex ante regulation and the relevant EC guidelines on market analysis and assessment of significant market power. If markets are not part of the relevant EC Recommendation on relevant markets, the Agency may adopt a decision that other markets may be susceptible to ex ante regulation provided that the following three criteria have been cumulatively met on those markets: the presence of high and non-transitory market entry barriers of structural, legal or regulatory nature; market structure which does not aim towards the development of effective competition within a certain time framework, and the application of relevant competition legislation alone does not make possible the elimination of market entry failures concerned.

If there are one or more SMP operators on a relevant market, the Agency may impose on those operators regulatory obligations prescribed by the Act, including: the obligation of transparency, the obligation of non-discrimination, the obligation of accounting separation, the obligation of access to and use of specific network facilities, the obligation of price control and cost accounting, the control of retail prices of services, the minimum set of leased lines and carrier selection and pre-selection.

3.1.1 The carrying out of market analysis procedure in accordance with the provisions of the Act

After the entry into force of the Act, the Agency's Council adopted a decision identifying five relevant markets which are a part of the EC Recommendation of the relevant markets susceptible to ex-ante regulation. The Agency's Council decision on 9 July 2008 identified the following markets:

- the market of call origination on a public telephone network provided at a fixed location (market 2 from the Annex to the European Commission Recommendation on relevant markets susceptible to ex ante regulation),
- the market of call termination on individual public telephone networks provided at a fixed location (market 3 from the Annex to the European Commission Recommendation on relevant markets susceptible to ex ante regulation),
- the market of wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location.(market No. 4 from the Annex to the European Commission Recommendation on relevant markets susceptible to ex ante regulation),
- wholesale broadband access (market No. 5 from Annex to European Commission Recommendation on relevant markets susceptible to ex ante regulation.)
- the market of voice call termination on individual mobile networks (market 7 from the Annex to the European Commission Recommendation on relevant markets susceptible to ex ante regulation),

In addition to the above-mentioned markets, the Agency will try to identify two markets which are a part of the former EC Recommendation on relevant markets susceptible to ex ante regulation, including:

- the market of call transit on fixed public communications network
- the market of access to and call origination on mobile public communications networks.

The Agency will also try to identify the relevant market of public voice service in mobile networks, which arises from the Telecommunications Act which ceased to be valid after the adoption of the new Act. The Agency will try to establish whether the above-mentioned three markets are susceptible to ex ante regulation by verifying the cumulative fulfilment of the three criteria referred to in the Act on those relevant markets. The data necessary for the carrying out of market analysis and for proving the cumulative fulfilment of the three criteria from the Act was collected by means of questionnaires that were sent out to operators in mid July 2008. In accordance with the previously defined project plan, in the first quarter of 2009, the Agency is planning to complete the analysis of all five markets identified in the decision of the Agency's Council of 9 July 2009 and of other markets on which the mentioned criteria have been cumulatively met. This means that documents on market analysis, which will contain detailed definition of the markets in the dimension of services and the geographical dimension, the assessment of the existence of SMP operators, and imposed regulatory obligations on SMP operators, should be completed by early March 2009, when public consultation should start. After public consultation and the analysis of comments, in mid April 2009, the Agency's Council will adopt a decision on the designation of SMP operators and on the imposition of regulatory obligations on those operators on individual relevant markets. After the completion of the procedures which are in progress, expert services will propose analyses of further markets which are part of the current or former EC Recommendation on

relevant markets

susceptible to ex ante regulation. Obligations imposed on the designated operators with significant market power will continue to apply on all markets defined pursuant to the former Telecommunications Act until the completion of the analysis of the relevant market pursuant to the Act and until the imposition of new regulatory obligations or withdrawal of the existing ones.

3.2 Cost accounting and accounting separation

The Agency's Council adopted on 18 November 2008 a decision imposing on the operator HT -Hrvatske telekomunikacije d.d. (hereinafter: HT) the obligation of accounting separation and cost accounting in the manner and within the time limits laid down in the document *"Instructions for accounting separation and cost accounting."*

HT will deliver to the Agency the draft accounting documentation and the draft of the document on cost allocation methodology. The Agency will give its comments on these documents and order the HT to incorporate amendments if necessary. After the incorporation of the requested amendments, the Agency's Council will give its approval on both documents.

In order to develop its cost models, HT has to deliver a plan for model implementation. The Agency may request from HT to compose the plan in a different manner, if necessary, and, when the plan has been coordinated between HT and the Agency, quarterly meetings will be held where the Agency will follow the model implementation process, as well as semi-annual meetings where HT will report on the progress of the model implementation process. The monitoring of the implementation process will include the supervision of HT's activities defined in the Implementation Plan.

HT must deliver to the Agency within a certain time limit a draft report or audited regulatory reports and publish them in the agreed form.

3.3 Interconnection and network access

In accordance with the provisions of the Act, the Agency no longer grants consent on reference offers but SMP operators, who have been imposed the obligation to prepare reference offers, must publish these offers. Depending on the results of market analysis, the situation on the national electronic communications market and situation in European Union Member states, the Agency is authorised to amend reference offers of SMP operators. Depending on the results of market analysis and imposed regulatory obligations, the Agency will focus on wholesale conditions (reference offers) referring to the provision of the following services: interconnection and access (fixed and mobile network), broadband Internet access, access to the unbundled local loop, provision of leased line services and other.

The Agency will pay particular attention that amendments in reference offers are in compliance with market interests and further development of competition. The Agency's Council will adopt the Ordinance on the content of reference offers.

3.4 Monitoring of statistical indicators on the electronic communications

market

In 2009, the Agency will continue collecting, monitoring and publishing data on the electronic communications market. It will also continue to follow the prices of all services per segments of electronic communications and process them, and then publish the results and indicators.

On the basis of the concluded cooperation agreement with the Central Bureau of Statistics (hereinafter: CBS), it will continue to inform the CBS about the collected data for the purpose of data dissemination. In this manner operators will no longer be obliged to enter the same information on two different forms.

On its website, the Agency will particularly focus on the publication of intelligible data on the situation on the electronic communications market. The Agency will publish updated information about developments on the electronic communications market at least once in every three months on its website. In accordance with the Action Plan for the implementation of the broadband development strategy in the Republic of Croatia, the Agency will continue to monitor and publish statistical data about the broadband services market.

The Agency will in 2009 develop a system for the delivery and updating of information about the electronic communications market via a web interface. The gradual introduction of the system will significantly speed up the processing and control of data and reduce the Agency's and operators' costs.

In addition to monitoring the statistical indicators of the situation on the electronic communications market, the Agency will follow investments of operators and service providers into the electronic communications market. The following of investments will enable the analysis of their direct influence on market development, and thus of their influence on overall Croatian economy.

3.5 Prices of services and their regulation

Considering the direct influence on business operations of other operators and the existing obligations arising from the Telecommunications Act, the Agency will continue giving prior consent on prices of retail services of public telephone service at a fixed location (public voice services pursuant to the Telecommunications Act) to SMP operators and, in the process, it will rely on the analysis based on operator's traffic data, end user's characteristics, and prices of interconnection and other related costs.

Furthermore, the Agency will also supervise the remaining prices which do not require previous consent of the Agency's Council. This will continue until the completion of the analysis of all relevant retail markets pursuant to the provisions of the Act and until the designation of SMP operators in accordance with the results of the analysis, and also, lacking effective competition, until the imposition of regulatory obligations on SMP operators or withdrawal of all existing regulatory obligations on the relevant market, in case of existence of effective competition.

3.6 Sharing of electronic communications infrastructure

The Agency expects that, after the adoption of the Ordinance on the manner and conditions of access to and sharing of electronic communications infrastructure and associated facilities, 2009 will witness smaller number of cases of unauthorised access to electronic communications distribution ducts. The Agency will continue to resolve disputes that might be initiated in case of refusal by the infrastructure operator to conclude a lease agreement without sufficient grounds for refusal but due to lack of technical capacity.

The Agency will supervise the implementation of provisions of the Ordinance and continue to monitor the development of technologies that encourage sharing, and it will also collect information on paths and infrastructure capacity in geo-information system. The process of the entry of data into the geo-information system is a continuous process that will not be completed in 2009. However, it is expected that the already collected data will significantly contribute to faster resolution of requests for sharing of electronic communications infrastructure and for resolution of current situation concerning the use of infrastructure. The Agency will verify technical ability for use of electronic communications infrastructure, the calculation of the actual costs of use, the drafting of technical solutions and decisions which serve to replace the contract for use of electronic communications infrastructure and associated facilities.

A new task for the Agency will be the issuing of right-of-way certificates and related procedures concerning the right of way. For that reason, the Agency will increase the number of employees working on tasks related to sharing of the existing electronic communications infrastructure. It will also participate in the work of commissions in case of public tenders when the level of available free space in electronic communications infrastructure is exceeded.

3.7 Conditions for building

The Agency will continue gathering and entering data on paths and infrastructure capacities into the geo-information system thus contributing to more efficient processing of requests for sharing of electronic communications infrastructure and to resolving the existing situation related to the use of infrastructure. The process of the entry of data into the geo-information system is a continuous process the completion of which is planned in 2010, and it will be used for the granting of opinions and in case of participation in preliminary and public consultations for the drafting and adoption of spatial planning documents. For spatial interventions within the zone of electronic communications infrastructure and other associated facilities and the protection zone and the radio corridor of certain radio stations, the Agency shall, in accordance with a special law regulating spatial planning and construction, establish and issue the following:

- requests, opinions and consents in the process of drafting and adoption of spatial planning documents,
- special requirements in the procedure for the adoption of location licenses related to the compliance with the provisions of this Act and regulations adopted on the basis of the Act.

The Agency will continue issuing special conditions for building in the procedure for the

granting of location permits and it will give opinions and confirmations of designs. Participation at conferences of competent administrative bodies is also planned for the purpose of adoption of spatial planning documents, as well as participation at conferences in the procedure for the granting of location and building permits by the Ministry of Environmental Protection, Physical Planning and Construction. The Agency is also planning to participate in the work of commissions for technical inspection of facilities in relation to which the Agency participates in the granting of location licences, approvals of main designs and building permits. The completion of the initiated reorganisation of business operations due to changes in legislation is planned for 2009, including the drafting of ordinances, in particular of the ordinance on safety zones of electronic communications infrastructure and several ordinances on technical conditions of infrastructure and networks. The Agency will actively cooperate with all ministries, state administration bodies and bodies of local self-government in order to ensure the possibilities for the construction of electronic communications infrastructure of fixed and mobile networks. For that purpose, a series of seminars for spatial planners have been envisaged.

The Agency will evaluate the compliance of radio equipment and telecommunications terminal equipment (R&TT) and grant approvals for import and/or placing on the market of R&TT equipment. Due to accession negotiations between the Republic of Croatia and the European Union, there will be certain changes related to the above-mentioned activities. The Agency will regularly monitor amendments to regulations and notify thereof the users of its services related to R&TT equipment and it will determine a fee for the granting of certificates of compliance.

3.8 Universal services

In October 2005, the Agency's Council adopted a decision designating the company HT-Hrvatske telekomunikacije d.d. as the provider of universal electronic communications services subject to obligations laid down in the Ordinance on universal telecommunications services (Official Gazette, No. 123/05) The Agency pays special attention to the control of quality of universal electronic communications services in compliance with the defined quality indicators. The Agency adopted a decision accepting the proposal of the provider of universal services to amend the quality of services to the extent to which they are not in compliance with the provisions of the ordinance, and it will continue to monitor whether the operator complies with the prescribed quality of services conditions and whether it implements the proposed measures aimed at improving the indicators that were not complied with in the previous period.

Pursuant to the Act, the Agency's Council will adopt the Ordinance on the manner and conditions for the provision of universal services where it will prescribe in more detail the manner and conditions for the provision of services and quality standards for universal services, as well as the content, form and manner of publication of information and data. The existing Ordinance on universal telecommunications services will serve as a basis for the new ordinance on the manner and conditions for the provision of universal services with certain changes related to:

- special measures for disabled users including access to emergency services, directory

- enquiry services and directories, equivalent to that enjoyed by other end-users, and an adequate choice of operators available to the majority of end-users;
- the procedure for the designation of universal service operators - the Agency must pay special attention to the non-distortion of competition and take into account the principles of objectivity, transparency and non-discrimination without excluding any operators from the possibility to impose the obligation to provide universal services. In this manner, the existing provision on the designation of providers of public voice services on the basis of a market share exceeding 80% on the relevant market is withdrawn.
 - data transfer speed which permits efficient Internet access. The Agency will try to determine the dynamics of removal of PCM devices from the access network.
 - access to universal services at a fixed location made over mobile electronic communications network, over fixed wireless access (FGSM) with the definition of an appropriate deadline for the connection of subscribers' terminal equipment to the fixed network,
 - pay phone cards.

The Agency will also define in the Ordinance on the subscriber directory the manner and conditions for the preparation of a printed and electronic edition of at least one comprehensive public directory of all subscribers and at least one directory inquiry service for numbers of all subscribers of publicly available telephone services in the Republic of Croatia.

The Agency will monitor the cost orientation of prices of universal services and the fulfilment of obligations of universal service providers related to special benefits for socially disadvantaged users of electronic communications services.

3.9 Protection of users of public communications services

3.9.1 Protection of users of public communications services

The ECA changed the legal framework which significantly increased the area of consumer protection. With a view to protecting users, the Act regulated in particular the provision of value added services which is an area in which users were not sufficiently protected, it prescribed for all operators an obligatory procedure for the resolution of bill and quality complaints in compliance with the Consumer Protection Act, and it laid down the main elements of dispute resolution procedures between subscribers and operators of public communications services and it authorised the Croatian Post and Electronic Communications Agency for the resolution of such complaints.

The Ordinance on the manner and conditions for the provision of electronic communications networks and services regulates in more detail the above-mentioned issues.

HAKOM pays special attention to preventive protection of children from services with content inappropriate for children. The above-mentioned ordinance imposes the obligation on operators of public communications services to enable the barring of access to contents which are not appropriate for children (provided that this is technically feasible). When concluding a

contract with the operator, users may also chose the possibility of barring access to contents not appropriate for children.

Operators must keep records of access numbers and addresses the contents of which are not appropriate for children, and update and exchange information thereof.

The Agency prepared an e-mail address to which inappropriate contents may be notified, including websites. Where necessary, the Agency will notify and coordinate with operators measures aimed at prohibiting access to inappropriate contents.

3.9.2 Internal organisational unit for the protection of rights of users

The manner of work and organisation of the internal organisational unit for the protection of rights of users are laid down in the Ordinance on the functioning of the internal organisational unit and in the Agency's bylaw.

Activities concerning user protection are defined in two basic groups of tasks that will be carried out by the Agency through this organisational unit.

1. Dispute resolution between subscribers and operators of public communication services,
 - processing of cases received in the form of requests for dispute resolution between subscribers and operators of public communications services;
 - issuing of opinions on the basis of which the Agency resolves disputes;
 - education and assistance to subscribers in dispute resolution proceedings;
 - enabling users to receive daily updates on the status of their requests over the phone or on Agency's website;

2. Preventive activities for user protection:
 - processing, controlling and proposing to the Agency amendments of operators' bylaws adopted in accordance with the Act and various ordinances;
 - research and control of services provided on the market, together with active control over operators, on the basis of reports or ex officio;
 - education of users over the customer service telephone line, Agency's website, and participation in radio and television programmes dealing with user protection;
 - participating in various activities of other state institutions and associations dealing with user protection;

3.10 Numbering and addressing

The Agency will pay special attention to the number portability service and adjust the functionality of CADPN to simplify the number portability procedure and carrier selection and pre-selection.

The Agency plans to shorten the deadlines in the number portability procedure, in particular in

relation to mobile electronic communications networks.

The Agency particularly stresses the need for and it will encourage prompt introduction of the single European emergency service number into the Republic of Croatia. It will also make sure that the existing emergency services numbers may be dialled from all electronic communications devices, both mobile and fixed.

3.11 Radio frequency spectrum management

In 2009 the Agency will continue with the managing of the radio frequency spectrum intended for public mobile, private mobile, broadcasting (radio and television), microwave and satellite networks, and with the planning and preparation of technical parameters for the issuing of licenses for radio stations.

In the process, the Agency will actively follow the European practice in spectrum regulation and apply appropriate and successful solutions in Croatian legislation. It was also envisaged that further alignment of the frequency allocation table will be continued in 2009. In the management of the radio-frequency spectrum, the Agency will cooperate with MSTI.

Concerning the application of the existing European legislation, the Agency will in 2009 include data related to radio frequency spectrum management (in particular, the Radio Frequency Spectrum Allocation Table and the internationally signed contracts) into the European Frequency Information System (EFIS). The Agency will also regularly update its own radio frequency spectrum management database.

3.11.1 Public mobile networks

The Agency will continue maintaining the existing database of base stations of public mobile networks and conduct international coordination of use of uncoordinated frequency bands.

The following are planned within the framework of regular Agency's activities:

- receive in electronic form data about notifications for base stations of public networks (GSM, DCS and UMTS) from operators and keep the corresponding databases;
- issue certificates of compliance for base stations of public networks (GSM, UMTS), where it is expected that about 1000 certificates will be issued;
- measure the intensity of electromagnetic fields in order to verify the results obtained by computer measurements and situation on the field, for the purpose of granting certificates of compliance.

The validity of concessions for the provision of services with use of the radio frequency spectrum intended for the GSM system for the two existing operators (T-Mobile and VIPnet) expires in 2009. Pursuant to the Act, the existing concession will be substituted by the authorisation for the provision of services. According to the transitional provisions of the Act, the Agency will issue new licences for use of the radio frequency spectrum on the basis of an application submitted by the existing operator. It is expected that both operators will apply for a new license.

The Agency is planning to enable the use of other technologies (IMT) in the GSM frequency bands. In this case, it will be necessary, in cooperation with the existing operators, to re-plan the allocated spectrum and to internationally coordinate spectrum use.

In the course of 2009, preparations will be carried out for the possible issuing of licences for the radio frequency spectrum in the 2.6 GHz band. Spectrum allocation must be carefully planned. Since there is a possibility that spectrum will be used by several different technologies (technologically neutral allocation), experiences of European countries which have already implemented these systems will be taken into account. Furthermore, prior to the allocation of this spectrum, the Agency will agree upon and sign the relevant agreements with the neighbouring countries. Since this spectrum will be allocated on the basis of a public auction (in accordance with Article 90 of the Act), which is a novelty in the Republic of Croatia, the Agency will prepare the appropriate auction documentation and elaborate the procedure itself.

3.11.2 Private mobile networks

The Agency will continue with the maintenance and upgrading of the existing databases. The following activities are planned for 2009:

- the preparation of technical parameters for the granting of licences to users of private mobile services;
- the maintenance and upgrading of databases of future stations and base stations coordinated with the neighbouring countries;
- coordination of the radio frequency spectrum in accordance with ECC decisions and recommendations.

3.11.3 Microwave and satellite networks

The Agency is planning the following activities for 2009:

- the analysis of applications for licences and the associated projects, interference analyses as part of frequency planning of microwave P-t-P (point-to-point) and satellite links;
- the granting of licences and the analysis of the realisation of P-t-MP systems of new operators (point-to-multipoint) in the 2.5GHz frequency band;
- the invitation of a public tender for licences for the radio frequency spectrum in frequency bands intended for P-t-MP systems where available spectrum exists, if the number of interested parties exceeds the number of available frequency bands;
- the updating of the database (two to three times a month) and the adjustment of data for the interference analysis;
- the entry of data for antennae diagrams, filter masks and other parameters used in the existing links.

3.11.4 Radio and television broadcasting

3.11.4.1 Radio broadcasting

The Agency will continue keeping electronic data on radio stations and correspondence with domestic and foreign, legal and natural persons, and state administration bodies. The following activities will be carried out as part of regular activities:

- the identification of coordinated stations and recording of differences on the field in comparison with planned and coordinated parameters for the purpose of adjusting the situation on the field (issued licences and coordinated parameters);
- the preparation of technical parameters, as part of tender documentation, for the extension of concessions for the provision of radio services for the Agency for Electronic Media, and the preparation of replies to questions from legal and natural persons forwarded by the Agency for Electronic Media in relation to the granting of new radio concessions or expansion of the existing ones;
- the support and enabling of introduction of new services and technologies (T-DAB, DRM) by ensuring radio frequencies, and promotion of projects for testing of new technologies;
- the resolution of problems related to radio signal coverage in cases of insufficient coverage of a concession area or in case of interferences;
- activities focused on optimisation of FM spectrum use, and the resolution of questions, proposals from holders of radio concessions and the public radio service of the Republic of Croatia.

3.11.4.2 Television broadcasting

In accordance with the Analogue to Digital Television Broadcasting Switchover Strategy in the Republic of Croatia, it is planned that the switchover to digital broadcasting will take place in all 9 technological regions (division according to the Geneva 2006 plan) of the Republic of Croatia in 2009, including the complete switch-off of analogue transmitters in 8 technological regions in the Republic of Croatia.

In 2009, the Agency is planning to continue with the activities from the Strategy under its competence. The granting of licences for use of the radio frequency spectrum for the network and multiplex operator is planned, for 2 DVB-T multiplexes in accordance with a public tender carried out by the Agency. In the procedure for the implementation of the DVB-T multiplex, the Agency will prepare technical parameters of DVB-T stations in order to ensure digital signal coverage in the Republic of Croatia in the transitional period for 95% of the population.

Depending on further dynamics in 2009, the Agency will prepare and conduct public tenders for additional multiplexes.

The following are planned within the framework of regular Agency's activities:

- international coordination of radio stations in accordance with procedures from the 2006 Geneva Agreement and international agreements. In case of necessary substitution of analogue television frequencies because of interference with new digital broadcasting stations, new frequencies for radio stations of analogue television will be coordinated.

- monitoring and participation in the work of relevant working groups and ITU, CEPT, EBU and ERO expert groups for the purpose of learning about issues related to the implementation of digital broadcasting;
- cooperation with operators of broadcasting network in the process of implementation of the Croatian digital plan and the empirical verification of parameters for planning through measurements on the field;
- cooperation with influential interest groups and monitoring of activities related to the implementation of digital television networks in accordance with the action plan from the Digital Television Switchover Strategy for radio and television programmes in the Republic of Croatia.

In addition to the above-mentioned activities, the Agency will carry out other activities related to television radio frequency spectrum management:

- the keeping of the existing TV databases as an actual image of the situation on the field;
- the keeping of a single radio-coordinating database with all relevant data necessary for efficient work of the department;
- the identification of coordinated stations and recording of differences on the field in accordance with planned and coordinated parameters for the purpose of coordinating the situation on the field (issued licences and coordinated parameters);
- the assignment of technical parameters of radio stations and technical processing of applications for the granting of licences for radio stations in cooperation with the Agency for Electronic Media: the preparation of tender documentation for concessions for the provision of television services, the resolution of questions of legal and natural persons related to tenders for the granting of new concessions or the extension of the existing ones;
- the preparation of the plan for the development of networks and new services in broadcasting on the basis of a reference status of our stations, in the first place DVB-T and DVB-H;
- the support to and enabling of introduction of new services and technologies (DMB, DVB) by ensuring radio frequencies, granting of appropriate licences for radio stations, and launching of projects for testing new technologies;
- the resolution of problems related to television signal coverage in cases of poorer coverage of a concession area or in case of interferences caused by the putting into operation of digital transmitters.

3.11.5 Radio frequency spectrum control

The Agency will carry out regular control and measurements in the radio frequency spectrum with a view to undertaking the prescribed measures for protection against interference and for the purpose of coordination of use of radio frequencies and frequency planning. Furthermore, expert supervision will be carried out over holders of licences for use of the radio frequency spectrum and owners/users of radio stations.

Activities that will be carried out in the process are the following:

- radio measurement and control of use of the radio frequency spectrum in the Republic of Croatia;
- radio measurement and control of conditions of work of radio stations in accordance

with prescribed licences for use of the radio frequency spectrum and technical regulations;

- radio measurements of frequencies and identification of radio stations from neighbouring countries with a view to protecting the radio frequency spectrum of the Republic of Croatia;
- the analyses and processing of measurements in the radio frequency spectrum with a view to planning more efficient control and measurement on the field;
- the measurement of causes of radio frequency interferences on the basis of reports from state administration bodies of neighbouring countries, the undertaking of the prescribed measures and replies to parties who submitted the reports;
- measurements of electromagnetic field values and verification of satisfaction of prescribed levels;
- international reports of interference in accordance with processed measurements of the radio frequency spectrum (protection of domestic users of the radio frequency spectrum);
- expert supervision and measurements with holders of licences of use of the radio frequency spectrum;
- expert supervision and measurements in case of reports of harmful interference;
- expert supervision of radio equipment owned by natural and legal persons;
- technical checks of radio stations in accordance with the granted licences;
- measurements and testing of joint antennae systems and cable televisions;
- technical inspections carried out by the Agency's Commission for the purpose of satisfaction of conditions from the concession and the fulfilment of conditions from the licence for use of the radio frequency spectrum.

The activities of measurement and control of the RF spectrum will be carried out in accordance with the weekly, monthly and semi-annual plan throughout the year, and their planning will depend on priorities. Priority for radio frequency spectrum control is determined in the following manner:

1. research and measurement of interferences and the undertaking of measures for their removal (including expert supervision);
2. measurement of borderline values of the electromagnetic fields and regular measurements aimed at control of the radio frequency spectrum;
3. expert supervision and control of operation of radio stations, measurements for the purpose of frequency planning and technical inspection;
4. all other activities related to control and supervision of the radio frequency spectrum.

Supervision activities will be carried out, where necessary, together with technical inspection of radio stations.

The above-mentioned activities will in 2009 include the following:

- measurements for the purpose of establishment and removal of harmful interferences: 100;
- regular measurements and control of the radio frequency spectrum: 1000;
- technical inspections of radio stations and/or expert supervision over the work of radio stations: 300;

- technical inspections for the purpose of establishment of conditions for the carrying out of activities and the fulfilment of conditions from the licence for use of the radio frequency spectrum: 30;
- other measurements in the radio frequency spectrum: 200.

The Agency will in 2009 also carry out activities related to building, modernisation and maintenance of the establishment control and measurement system and the development of competences of employees carrying out supervision, control and measurement in the radio frequency spectrum.

3.12 Expert supervision

Liberalisation of the electronic communications market requires monitoring and, where necessary, expert supervisions. The Agency will carry out expert supervision over the provision of electronic communications services and activities carried out on the basis of a general authorisation and over sharing of electronic communications infrastructure for the purpose of equal use by all users and prevention of prohibited activities interfering with the development of electronic communications.

While carrying out expert supervision over the provision of electronic communications services and use of electronic communications infrastructure, the Agency will, in particular, supervise the following:

- the fulfilment of conditions for the provision of electronic communications services enclosed with the general authorisation and compliance with the Act, subordinate legislation and Agency's decisions;
- the fulfilment of conditions for interconnection and network access;
- the fulfilment of conditions for co-location and access to the unbundled local loop;
- the provision of electronic communications services related to the protection of users of electronic communications services (where necessary the supervision of procedures for the resolution of bill or quality complaints of users, and the number portability procedure);
- the use of the electronic communications infrastructure in accordance with the Act and subordinate legislation;
- expert supervision of legal persons providing other electronic communications services.

It must be mentioned that in cases related to protection of users of electronic communications services, expert supervision will be used to solve only cases which may not be solved in regular procedures within an organisational unit of the Agency and which refer to the procedure for the resolution of bill or quality complaints of users carried out by the operator/service provider.

Priorities in expert supervision will be determined in accordance with the weekly, monthly and semi-annual plan. Considering the provisions of the Act providing for authority of the electronic communications supervisor who is in charge of expert supervision procedures carried out by the Agency, the Agency empowered one or two employees in each of its offices (Osijek, Rijeka, Split), and seven employees in the Agency's headquarters. Electronic

communications supervisors will be given, where necessary, support by other Agency's employees and, where necessary, their number will be increased.

3.13 International cooperation in electronic communications

Participation in the work of the WG NNA (Work Group Numbering, Naming and Addressing) is planned, as well as in the project group ECC pT2 TRIS (technical regulation and standards of interconnection) Furthermore, the Agency will continue with its participation in the work of COCOM (Communication Committee), ERG (European Regulatory Group) and IRG (Independent Regulatory Group). The Agency will organise a series of bilateral meetings and workshops with regulators from EU Member States for the purpose of exchange of experiences about certain topics of interest for the development of the electronic communications market. Cooperation with the European Network Information Security Agency (ENISA) will be established.

The Agency will participate in the work of ITU, CEPT and ERO expert working groups, and cooperation with bodies in neighbouring countries dealing with measurement and control of the radio frequency spectrum will be continued for the purpose of more efficient protection from interference and shorter time for elimination of interferences.

In the period between 4 and 8 May 2009, the Agency will organise in Hvar a meeting of the ECC working group WGSE (Working Group Spectrum Engineering) which deals with the development of technical guidelines, compatibility criteria and sharing for the purpose of achieving more efficient use of the radio frequency spectrum by different radio-communications systems and services.

The Agency will organise a series of bilateral meetings with administrations of neighbouring countries where the following topics will be dealt with:

- the signature of an agreement with the neighbouring countries about the distribution of preferential channels and blocks in the 410-430 and 440-470 MHz frequency band;
- the preparation for possible granting of licences for the radio frequency spectrum in the 410-430 MHz band;
- the signature of the preferential allocation of frequencies for GSM/DCS- 1800 system with Hungary, Serbia, Bosnia and Herzegovina and Montenegro;
- the signature of the preferential allocation of frequencies for E-GSM and GSM-R system with Hungary, Serbia, Bosnia and Herzegovina and Montenegro;
- the agreement and possible signing of an agreement with the neighbouring countries concerning the switchover to IMT technology GSM bands (900 MHz, 1800 MHz);
- the coordination with countries signatories of the HCM agreement and participation in the HCM working subgroup for mobile service;
- the exchange of the existing frequency registers with countries signatories of the HCM agreement;
- the continuation of alignment of the process of international coordination (as part of HCM agreement) and participation in the HCM working group for fixed service;
- the evaluation of requests for coordination by other countries and sending of our new links for coordination with the neighbouring countries (international coordination of

- microwave links is carried out with Austria, Hungary, Slovenia and Italy, while the B&H and Serbia do not align their microwave frequencies because they are not signatories of the HCM agreement);
- the alignment of terrestrial satellite stations, in particular for the purpose of protection of our microwave links, and the analysis of satellite systems for the purpose of protection of the existing fixed services and satellite orbital position;
 - the signature of preferential allocation of blocks for frequency bands 3.5., 26 and 28 GHz with Serbia, Montenegro and Bosnia and Herzegovina;
 - the searching for new free frequencies for broadcasting and their international coordination;
 - the resolution of coordination requests of neighbouring administrations for the broadcasting band and their records;
 - the control of the notified radio stations of neighbouring administrations for the purpose of protecting the radio spectrum of the Republic of Croatia;
 - the notification of coordinated radio stations into the ITU's international register of radio stations.

3.14 Granting of licences for radio stations

The Licences Section will continue in 2009 to carry out all activities related to the resolution of administrative procedures concerning the issuing of licences for use of the radio frequency spectrum. The total of 5030 applications for the granting of licence for use of the radio frequency spectrum is planned:

- for a mobile radio station (MS) - 500 applications;
- for a fixed radio station (FS) - 1200 applications;
- for the microwave link (MV) - 1000 applications;
- in broadcasting (BR) - 610 applications;
- in satellite service (SA) - 50 applications;
- in amateur service (AR) - 200 applications;
- in amateur service - CEPT licence (ARC) - 50 applications;
- on a vessel (VS) - 1400 applications;
- on a plane (PL) - 20 applications;

The decrease in the envisaged number of applications in 2009 compared to 2008 results from the entry into force of the Ordinance on the conditions for allocation and use of the radio frequency spectrum pursuant to which the manner of granting of licences was changed, that is, the granting of one licence for the use of several devices was made possible for individual services.

As part of verification of radio frequency spectrum management, the Agency will keep records and keep track of validity of the granted licences and calculate and charge fees for use of the radio frequency spectrum. Furthermore, the Agency will ensure to users the provision of information and instructions concerning the granting of licences for radio stations.

3.15 Radio equipment and telecommunications terminal equipment (R&TT)

The Agency is in charge of planning the evaluation of compliance of radio equipment and telecommunications terminal equipment (R&TT) and granting approvals for import and/or placing on the market of R&TT equipment. The Agency will regularly keep track of amendments to legislation and adjust the organisation of business operations and notify the users of its services related to R&TT equipment accordingly. The Agency will monitor the compliance of operators with the obligation to publish accurate and appropriate technical specifications of interfaces of their electronic communications networks even before electronic communications services provided over those interfaces become publicly available and to regularly publish the amendments to those technical specifications of interfaces.

4. REGULATION OF THE POSTAL AND COURIER SERVICES MARKET

4.1 Introduction

Before the entry into force of the Act, regulatory activities concerning the provision of postal and courier services were performed by the Postal Services Council.

The setting up of a regulatory body which is legally autonomous and operationally independent from postal and courier service providers is one of the key elements of a regulatory framework laid down in Postal Directives of the European Union. The objective of the above-mentioned EU regulatory framework is to achieve a single market of postal services by means of a gradual and controlled opening of the market. Complete liberalisation of the postal services market in the European Union, in accordance with the so-called third Postal Directive, adopted in 2008, was envisaged for the end of 2010, that is, 2012. The new directive stresses the importance of and strengthens the role of regulatory authorities on the postal services market. A special task of regulatory authorities is to meet the obligations arising from the Postal Act and Postal Directives, in particular by establishing procedures for market regulation and supervision with the aim of ensuring further provision of universal postal services of a certain quality under the same conditions and at affordable prices on the entire territory of the EU Member States.

The Agency's work programme for 2009 represents in the postal and courier services sector a continuation of former operations of the regulatory authority in the previous years and the Agency will in 2009 carry out activities and tasks laid down in the Postal Act and regulations adopted pursuant to this Act. However, since the strategic objective of the Republic of Croatia is the accession to the European Union and the alignment of legislation with the EU acquis, the Agency will continue to bear in mind awareness about the original role of regulatory authorities in European Union Member States.

4.2 Determination of the manner of separation of business activities of the public operator in relation to their billing and the establishment of the amount of funds from the State Budget pursuant to the Postal Act

The Postal Act (Official Gazette No. 172/03, 15/04, 92/05 and 63/08) prescribes the public

operator's obligation to ensure the accounting of reserved postal services separately from non-reserved postal services, and within the framework of non-reserved postal services to ensure separate accounting of universal postal services from those which are not universal and courier services.

Bearing in mind that the so-called accounting separation, that is, cost accounting, is an extremely demanding task, the Agency is planning to employ external consultants in 2009 to prepare, together with the Agency's project team, a document that will define and precisely determine the principles of the so-called accounting separation, and the principles related to the systems of cost accounting in order to fulfil the requirements of the so-called regulatory accounting. The project needs to precisely define the obligations of the regulator and the public operator with the objective to publish, after public consultation, the regulator's decision that will contain all the provisions that the public operator needs to apply for the purpose of detailed and transparent procedures of accounting, separating and reporting. The objective of this document, that is, of the laying down of more detailed and transparent accounting procedures, separation and reporting is to assist the public operator in the fulfilment of its regulatory obligations, and to assist the regulatory authority in the appropriate monitoring and supervision of such compliance.

It is clear from the above that the fulfilment of obligations from the Postal Act is necessary for the fulfilment of other obligations and tasks and it is, therefore, of great importance and highest priority both for the regulatory authority and for the public operator.

4.3 Granting of consent to the public operator's bylaw and resolution of disputes related to the granting of access to the public postal network

The Postal Act obliges the public operator, under conditions laid down in the Act, to grant to providers of universal postal services access to its postal network and to adopt a bylaw regulating the conditions and price of such access. The Agency shall grant consent to the bylaw.

In 2009 the Agency will resolve possible disputes related to the granting of access to the public postal network in compliance with the Postal Act.

4.4 Determination of prices of reserved postal services upon proposal of the public operator, notification of prices of postal and courier services and monitoring of prices

The Agency's task is to determine prices of reserved postal services, to follow the application of prices on the free market and to purpose to competent authorities the undertaking of lawful measures in cases when operators adopt or apply prices contrary to the provisions of the Postal Act.

4.5 Expert supervision and ensuring compliance with the right to a reserved area

The 2008 Act on Amendments to the Postal Act expands the authority of the regulatory body in

relation to expert supervision. Since 1 July 2008, the Agency has been competent for expert supervision of the implementation of provisions of the Postal Act and regulations adopted pursuant to this Act. A special task will consist in ensuring the compliance with public operator's rights to provide reserved postal services.

Expert supervision over all providers of postal and courier services will be carried out in 2009 in accordance with the Supervision Plan. Supervision will also be carried out over service providers who will, in 2009, apply for the provision of postal services, which are not universal, and of courier services, and over providers to whom the Agency will grant a licence for the provision of universal services.

The Agency will increasingly supervise the public operator in 2009, as a provider obliged to provide universal postal services of a certain quality in the Republic of Croatia.

4.6 Monitoring the development of the postal activity and the analysis of the market of postal and courier services

Pursuant to the Postal Act, the Agency is in charge of monitoring the development of postal activity and of the market of postal and courier services.

During 2009, the Agency will participate in the project aimed at the gathering of statistical data initiated as a result of cooperation of the Statistical Office of the European Commission (EuroStat) with the European Committee for Postal Regulation (CERP) and the European Commission. As a national regulatory authority, the Agency will be the contracting authority for the project of gathering of statistical data from providers of postal and courier services in the Republic of Croatia.

The Agency's intention in 2009 is to present to the public a brochure containing gathered data on the market of postal and courier services in the Republic of Croatia for 2008. The publication and public presentation of data will enable all market participants, and all interested institutions, to follow the situation and developments on the market, that is, to follow the processes and effects of partial and gradual opening of the market of postal and courier services. On the Agency's website, the introduction of which is planned for 2009, special attention will be paid to the publication of data on the situation on the market of postal and courier services.

The Agency will continue with the implementation of the project of research and assessment of the satisfaction of users with the offer of postal and courier services, and with the provided services on the market. After the survey conducted in 2008, the target group of which were the citizens, that is, natural persons, the second stage of the survey, to be conducted in 2009, will be focused on legal persons, that is, business users. The subject of the survey will be their awareness of the right to universal services and about the scope of universal services (which the state is obliged to ensure to all users in the entire territory of the Republic of Croatia under affordable prices and under equal conditions), the satisfaction with the scope of the offered services, the quality of the provision of services, prices of services, and the ratio between price and quality of provided services.

Considering the importance of the public operator and its obligation to provide universal services of a certain quality in the entire territory of the Republic of Croatia, as well as the distribution of postal offices, a special emphasis will be placed in the survey on public operator's services (primarily universal postal services, but also other types of services provided by the public operator on the free market, such as financial and other services).

Collected, analysed and processed results of the survey will be published and presented by the Agency on its website and thus made available to the public.

4.7 Ensuring fair and effective competition on the market of postal and courier services

The Postal Act imposed on the Agency the task of following the development of postal activities and the postal and courier services market, and of undertaking measures necessary to ensure fair and effective competition in the postal and courier services market.

The Croatian Competition Agency and the Agency share authority related to the protection of competition in the postal services sector. In 2009, the Agency will closely cooperate with the Croatian Competition Agency with a view to promoting integral competition protection on the market of postal and courier services in accordance with the Agreement on cooperation in the area of competition protection concluded in 2006.

4.8 Consent on general terms and conditions of providers of postal and courier services

Providers of postal and courier services must adopt general terms and conditions for the provision of services which regulate the manner, conditions and procedure for the provision of postal and courier services. General terms and conditions are adopted with the prior consent from the Agency.

General terms and conditions of service providers are very important for users of services and must be aligned with the provisions of the Postal Act and the Ordinance on general terms and conditions for the provision of postal services.

In 2008, the Agency prepared the *"Instructions for the preparation of general terms and conditions of providers"*, which contain instructions about all the necessary elements that must be contained in general terms and conditions of service providers. The Agency will, in 2009, deliver the above-mentioned instructions to all newly notified providers, including those whose general terms and conditions still have not been approved, and provide other necessary information in order to facilitate to providers the preparation of lawful and quality general terms and conditions.

4.9 Cooperation with organisations and institutions in the country and abroad

During 2009, the Agency will continue with active participation in the work of and cooperation

with organisations and institutions involved in the operation of the postal system at the European and international level.

HAKOM will cooperate, in particular, with:

- the European Committee for Postal Regulation (CERP), and in particular with the CEPT's working group for economic issues, which deals with accounting, that is, cost allocation and the price control system, and with universal services, the manner of calculating net costs for the provision of universal services and the financing thereof;
- The Good Regulatory Practices Committee of CERP, which deals with all possible quality practical solutions for individual problems arising from national legislation and monitors the work in the area of postal sector regulation of all Member States;
- the European Commission, Directorate General for Internal Market and Services, in relation to the adjustment and alignment of the RoC postal system with the EU postal system and the accurate transposition, that is, application of the EU *acquis* in the postal sector, as well as through participation at meetings of the Postal Directive Committee;
- the Universal Postal Union and its specialised parts in relation to the exchange of information collected by the regulatory authorities, the introduction of standards into the postal system, the system of costs of postal traffic and other current issues concerning postal legislation.

It must be stressed in particular that the Agency will cooperate bilaterally and multilaterally with regulatory authorities of other Member States, in particular regulatory authorities in the region, in relation to the exchange of experiences on the market of postal and courier services. Such cooperation and direct communication will allow the Agency to compare different methods for regulation of postal markets.

5. ADMINISTRATIVE CAPACITY AND PUBLICITY OF AGENCY'S WORK

In late 2007, the Agency adopted the strategic and operational development plan up to 2012. The adopted strategic and operational plan is implemented by HAKOM through two improvement programmes:

- a) Convergence – oriented towards the outside and focused on the development of the market, competition and regulatory frameworks.
- b) Modernisation - oriented towards the inside and focused on increasing capacity and own regulatory ability and market development through:
 - implementation of the e-Agency project and
 - development of regulatory competences.

The convergence programme has been dealt with in the chapters on the regulation of the electronic communications and postal and courier services markets.

5.1 Modernisation programme

5.1.1 Implementation of the *e-Agency* project

The primary goal of the *e-Agency* project is to increase Agency's capacities by boosting productivity and efficiency, and by expanding and making more accessible Agency's regulatory services, which will be achieved through IT introduction into processes and services.

The purpose of the project is to modernize the Agency by making use of information and communication technology to ensure timely and quality information of all actors on the electronic communications market in a timely manner.

In spite of the fact that the existing Agency's information system has served its purpose in the past, there is no doubt that it is a system with limited possibilities which does not easily adjust to technological and business changes. Furthermore, the architecture of the existing system does not permit the incorporation of the *e-Government* applications and services.

In order to eliminate the weaknesses and ensure adaptability to quick technological changes and growing demands for excellence in the provision of services, the Agency implemented the *e-Agency*- a strong, *e-Government* based integrated information system. The first stage of the project included the definition of conceptual architecture, while the next stage consisted in gradual implementation in order to ensure full integration of all components in the system.

The basis of the *e-Agency* is the so-called "Back Office" which has a layered architecture consisting of IT infrastructure (local network, servers, clients and the basic software), the Document Management System (DMS), the Human Resource Management System (HRM) and Enterprise Resource Planning (ERP). The implementation of the "Back Office" is currently under way and the deadline for its completion is the end of 2008. For the time being, the sub-projects IT infrastructure and Document Management System have been completed, while the Human Resource management System and the Enterprise Resource Planning are being implemented at this moment.

In 2009 and 2010, the Agency will focus on the implementation of the *e-Agency*, or the so-called "Front Office", which consists of a modern, strong portal including numerous electronic, Internet-based applications such as *e-consultations*, *e-complaints*, *e-portability*, *e-licenses*, *e-market*, *e-tender*, *e-auctions*, *e-advice*, *e-price*, *e-offer* and the similar.

The above-mentioned *e-applications* make a central part of the integrated information system and the *raison d'être* of the Agency. Moreover, the Agency is trying to satisfy needs of all interested parties on the electronic communications market, ensure high quality of services, easy access and prompt delivery of information. Our services, productivity, efficiency and flexibility depend on implementation of strong electronic applications.

With the implementation of the *e-Agency* project, the Agency supports Croatia's integration into the single European market of electronic communications and future pan-European **e-Government** services.

The implementation of the *e-Agency* started already in 2008. A sub-project for the building of a modern Portal which should be completed by the end of the year is in progress. Furthermore, a sub-project for the development of three *e-applications* has been initiated: *e-*

complaints (following registration, users will be able to file a complaint by electronic means and to check the progress of the complaint), *e-portability* (following registration, users will be able to follow the status i.e. progress of number porting, check the price of call with a ported number etc.), and *e-market* (following registration, users will be able to observe the situation of the electronic communications market - every quarter, updated: mobile, fixed, Internet etc.). These three applications will be put into operation in the first quarter of 2009. This will be followed by the development of another group of applications will be developed: e-consultations, e-advice and e-licences, which should be installed by the end of 2009, according to the plan. The remaining applications will be implemented in 2010.

5.1.2 Development of regulatory competences

Work and activities of the regulatory authority are closely related to an adequate number and qualifications of employees and require sufficient funds for monitoring and assessment of very important professional (electronic communications and postal), legal and economic issues. Market changes demand constant in-service training of all of Agency's employees. Agency's employees will be trained in conferences, seminars, working groups, workshops and courses.

The total of 18 new persons will be employed to ensure that the Agency is able to fulfil its lawfully prescribed duties and realise its objectives set for 2009. Out of this number, 3 employees would be in charge of activities in the postal and courier services sector. They will be employed in line with the current needs in individual Agency's departments, in order for each department to be able to provide a high quality performance in carrying out the activities falling within its scope. The employments will be carried out in the period between January and December 2009 in accordance with the Ordinance on the classification of jobs within the Agency.

As part of the "modernisation" programme HAKOM initiated a number of projects for the development of regulatory competences the most important being:

- a) multidisciplinary postgraduate studies,
 - b) "Looking to the Future" project,
- and all aimed at increasing organisational and individual capacities.

a) Multidisciplinary postgraduate studies

In cooperation with the Faculty of Electrical Engineering and Computing, the Faculty of Economics and Business and the Faculty of Law in Zagreb, Agency is preparing an interdisciplinary specialist post-graduate university course in electronic communications market regulation. The course is supposed to start in the spring of 2009. The duration of the course is three semesters and it brings 60 ECTS points. The first semester covers the basics of electronic communications, regulatory law and economics. The objective is that lawyers should acquire basic knowledge about communications and regulatory economics, the economists about communications and regulatory law, and engineers about regulatory law and economics. The second semester will include specialisation according to communications, economy and law-related aspects of regulation on the electronic communications market. The third semester will include the drafting of a thesis that would focus on actual problems of market regulation.

Upon completion of the course, students will acquire the title of a specialist of electronic

communications market regulation. The Agency is planning to offer scholarships to fifty of its employees by the end of 2012. Operators have also shown interest in this course. Since this is, to our knowledge, the first such course in Europe, it is possible that regulatory authorities and operators from the neighbouring countries might show interest.

b) The “Looking to the Future” project

In 2009 the Agency will initiate a multidisciplinary project “Looking to the Future” with the aim to predicting future trends and preparing the Agency for them. The main themes of the project are future development of technology, new regulatory matters brought about by this new technology, their effect on the electronic communications market development, and economic and social aspects of a proactive, neutral and transparent market regulation, the promotion of measures for investments and innovations and fair competition conditions, including the monitoring of investments into the electronic communications market.

In that sense, the Agency started negotiating with the Faculty of Electrical Engineering and Computing in Zagreb, the Faculty of Electrical Engineering, Mechanical Engineering and Naval Architecture in Split and the Faculty of Economics and Business in Zagreb.

5.2 Publicity of Work

The work of the Agency is public. The Agency will, in accordance with the Act and the Postal Act, regularly keep and publish databases about operators and providers of electronic communications and postal and courier services. Furthermore, it will also regularly publish statistical data about markets of electronic communications and postal and courier services and total investments into the electronic communications market.

Furthermore, the Agency will continue to carry out online public consultations on decision-making procedures and adoption of other administrative acts which have a significant influence on the relevant market and in procedures of adoption of subordinate legislation, work programmes and the Agency's financial plan.

In September 2008 the Agency initiated a project for the preparation of a new Agency's website that will be completed by the end of January 2009, and on which the Agency will publish the majority of the content in English. A special part on the new Agency's website was intended for users of electronic communications and postal services.

The Agency will continue to develop and improve public relations and in 2009 it will timely notify all interested subjects on the postal market (users, operators and providers of electronic communications and postal and courier services, social partners and others) about its activities and market situation. Furthermore, the Agency will, from time to time, organise meetings with all interested market participants, as well as workshops and seminars.

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CHAIRMAN OF THE AGENCY'S
COUNCIL
Gašper Gačina

LIST OF ABBREVIATIONS

AM - Amplitude Modulation

BRIFIC - Bureau Radio International Frequency Information Circular

BSS - Broadcasting Satellite Service

CARDS - Community Assistance for Reconstruction, Development and Stabilization

CEPT - Conference Europeene des Administrations des Postes et des Telecommunications

CERP - European Committee for Postal Regulation

DCS - Digital Communications System, DMB - Digital Multimedia Broadcasting, DVB - Digital Video Broadcasting

DVB-T - Digital Video Broadcasting Terrestrial

EBU - European Broadcasting Union

ECC - Electronic Communication Committee

EMC- Electromagnetic Compatibility

ERG- European Regulatory Group

ERO - European Radiocommunications office

EuroStat - Statistical office of the European Union

FM - Frequency Modulation, GSM - Global System for Mobile Telecommunications

HCM - Harmonised Calculation Method Agreement - International Agreement for the Harmonisation of Frequencies for Mobile and Fixed Terrestrial Systems

IMT - International mobile Telecommunications

ITU - International Telecommunication Union

CMS - Control and Measurement Station

CMC - Control and Measurement Centre

MSTI - Ministry of the Sea, Transport and Infrastructure OIV-
Odašiljači i veze (transmitters and links)

PIN- Personal identification number

PM - Phase Modulation

P-t-P - Point to Point

P-t-MP - Point to Multipoint

R&TT - Radio equipment and telecommunications terminal equipment

RRC-06 - Regional Radiocommunications Conference - 2006;

T - DAB - Terrestrial Digital Audio Broadcasting

UMTS - Universal Mobile Telecommunications System

WGFM - Working Group for Frequency Management

WGFM - Working Group for Spectrum Engineering

