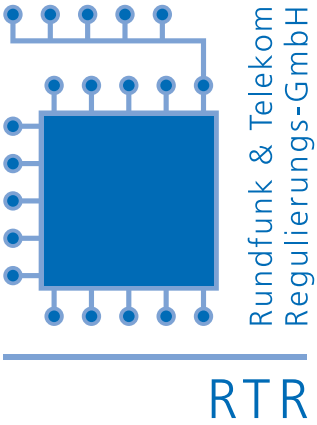
Communications Report 2014



We stand for competition and media diversity

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Preface

Dear readers,

The internet is a driver of many developments in various areas of life and fuels complex information and communications processes. As such it has become an indispensable tool that supports us in our everyday lives. There has consequently never been a greater need for the institutions of the European Union and the national governments to take decisive steps towards a prospering information society in Europe. Giving the highest priority to the digital single market, the EU Commission is currently working on a comprehensive strategy. The Austrian federal government, in its work programme for 2013 to 2018, also expressly states its intention of actively shaping the digital future.

In this context we have been working for some time on two subject areas, as described below – in addition to our daily regulatory affairs.

The 'second digital dividend', referring to frequencies in the 700 MHz band, is to be used for mobile telecommunications in Europe from 2020 onwards, according to existing plans at European level. Use of these frequencies for mobile applications by the earliest possible date is a potential major contribution to supplying broadband service to the population, especially in rural areas. Austrian television wishes to see this change no earlier than 2020: while digitisation reduces the frequency spectrum required, terrestrial television currently needs to be supplied to hundreds of thousands of households. Secure conditions for planning and investment in the media and telecom sectors are a priority concern for us. We therefore actively support an early decision by the federal minister responsible.

In this report we also discuss the topic of net neutrality, a major factor in innovation and growth. The concern in detail is the non-discriminatory access for all users to each and every service provided via the internet as well as, conversely, unlimited access to all users on the part of service providers. For years, both in national and international circles, we have been discussing this issue and the underlying need to strike a balance between the necessary investments in infrastructure, on the one hand, and the services of the information society as drivers of economic growth and employment, on the other. Our intention in presenting this report, which fulfils all statutory reporting requirements, is to document our efforts and provide insight into the broad and diverse scope of our activities.

Vienna, June 2015

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1 Net neutrality – a current and future global challenge

Previously only considered a marginal issue, net neutrality became a main topic within the professional circles of telecommunications and media regulation in 2014. This was due to developments at European level and in the US. In April 2014 the European Parliament voted to adopt the draft regulation defining a Digital Single Market, which was subsequently deliberated by the Council of the European Union. The topic of net neutrality was then taken up and discussed broadly in the media. The rules on net neutrality set forth by the Federal Communications Commission (FFC), the US regulatory authority, were partially lifted by the courts, sparking debates about the new rules to be issued and further fuelling discussions of net neutrality in the US and Europe. The issue is very hotly debated, with the FCC receiving more than 4 million responses to the consultations; what is at stake is nothing less than the future game rules applicable to the internet, which will have a substantial impact on every user, every internet service provider (ISP) and every party providing content, applications or media. A variety of business models that challenge the principle of net neutrality (e.g. 'zero-rating', where data usage for accessing certain applications is exempt from the agreed monthly volume), are fuelling the debate as much as the unclear legal framework, which has led to legal uncertainty among all stakeholders. The initiatives to regulate net neutrality at European level and in the United States should be viewed against this backdrop.

Is a free internet at risk?

Just how crucial this issue is, becomes apparent when viewing the tremendous success story known as internet, which has fundamentally and permanently changed many areas of our lives. Open to all and with a low entry threshold, the net platform has vigorously driven growth and innovation within the past 20 years, so that we can no longer envision our lives without the internet. A basic condition for this continues to be the principle of net neutrality, which states that all data packages in the net should be treated equally. Specifically, it currently makes no difference for transmission speed or quality whether an e-mail or a Skype call is transmitted via the internet. With regard to content or applications, the internet is a 'blind' network, in other words there is no differentiation as to who sends what information via the network. A departure from this principle would be to give preferential treatment to certain types of content or applications (fast-track service) or to throttle data flows to data-intensive applications in the event of a digital traffic jam. The legitimacy and impact of such potential intervention are currently being debated. In particular the question of whether specialised services should be offered and, if so, how the rules governing their use should be defined. This decision will have tremendous impact on the internet- ecosystem, considering that introducing specialised services would create much higher market entry thresholds for the internet platform and would heavily affect end users' freedom of choice. This new category of services could potentially distort the conditions of competition for content and application providers and producers of electronic media, since it must be assumed that products of higher (technical) quality will have an advantage over 'standard' offerings. The increased online consumption of media and the shift towards net-based media services (e.g. IP-TV, and video and TV streaming underscore the relevance of net neutrality for the media world. Consequently, to do justice to the dimension of convergence, the issue of net neutrality always has to be considered from the standpoint of telecommunications and media regulation.

RTR contributes a position paper to the discussion in Europe

The Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) published a paper on net neutrality back in May 2013, recognising the internet's key role in Austrian and European society and economy, and calling for an open internet that sustains the generation and growth of innovation. For several years RTR has been studying net neutrality, contributing its expertise at various levels. An example is its active participation in the BEREC working groups, in this way influencing the discussion in Europe. In early October 2014, RTR organised an event in Vienna to examine the issue in the light of convergence (refer to Section 11.3). Current local and international developments are under constant observation, and talks are held with stakeholders at regular intervals. As the negotiations relating to the draft Digital Single Market Regulation could have an extensive impact in the area of net neutrality, this topic will consequently continue to be a focus of RTR's activities in 2015.

The introduction of new business models such as zero-rating as well as the unclear legal situation have revealed the need for all European regulatory authorities to be equipped with effective options for action. Issuing regulations on net neutrality in Europe would determine most of the framework governing conditions in Austria and ensure uniform rules and powers for regulatory authorities in Europe. If such regulations are not issued in the foreseeable future, RTR proposes that thought be given to defining Austrian regulations similar to those in effect in the Netherlands and Slovenia. Such regulations would not only permanently protect the open internet as well as safeguard the freedoms enjoyed by consumers, media producers and businesses in Austria, but also establish legal certainty. Here, consideration should be given to the developments in the US, and specifically to the new FCC regulations.

RTR – expert on convergence in continued discussions

In its capacity as regulatory authority for media and telecommunications, RTR will continue to hold talks on net neutrality with stakeholders, observe and evaluate the topic from the viewpoint of convergence, and serve as a point of contact for the interested public. RTR wishes to contribute its expertise within the framework of the European legislative process or any such process in Austria. The objective of these efforts will be to maintain the internet to the best possible extent in its current role as a catalyst for innovation, growth and freedom of opinion, and to establish legal certainty for all those concerned – in keeping with the principle of net neutrality.

2 Media convergence

"Every two minutes I check to see whether there is anything new" was the headline the online newspaper derstandard.at gave an article on media usage published in early 2015. How can this statement be explained and what is its significance for the regulator's activities?

One underlying fact is that modern end-user devices are increasingly being enriched with features – television sets are becoming PCs with web access, mobile phones are used as radios, radios have a display for viewing videos, PCs are used for phone calls and the game console, reigning over all other devices, serves as the media centre. With the advent of the smartphone on the market several years ago, a device appeared that combines all of these features in one device. A seemingly 'must have' daily accessory for almost everybody – whether young or old. As a result, media content is virtually available anywhere and can be correspondingly used very intensively; this explains the statement about media usage quoted above.

What is media convergence?

Media are converging at different levels.

At the technical level, the individual types of media are increasingly becoming merged, both within one distribution mode as well as in individual reception devices that combine several modes within one device, such as the smart TV, smartphone and the game console.

At content level, conventional boundaries are becoming noticeably blurred. Solely information content is being mixed with elements of entertainment and interaction. Not only new forms of advertising are being created in addition to new forms of content but also options for cross-media strategies to market products. Such strategies are not new: when in the past a film was launched, for example, the book with the film story would be marketed at the same time. Now the channels for marketing products have multiplied, ranging from downloading a song via Bluetooth to computer games and accompanying online forums that provide users with a platform for exchanging views. This development has not only opened the flood-gate for new players to enter the market, existing media providers have already been active in this sector for a long time with products such as TV and media libraries.

At business level, various branches of the media industry are growing together causing existing media concentrations to spill over into other sectors. Cross-media marketing has already led to new multimedia corporations sprouting up along the value chain, with others ready to follow. Existing media companies have also recognised the trend and are striving to expand their offerings accordingly.

At the user level as well, parallel use of content is becoming more commonplace. From the advent of the mobile phone, now substituted by the smartphone, users have become more and more independent in the way they use the media. The future developments over the next few years will show just how users have responded to this convergence: i.e. whether complementary use of the various offerings prevails or whether some offerings are substituted by others. For some time now there has been a trend to regard the user as a 'content master', in the context of either user-generated content or podcasts – a development that poses new challenges for regulation.

The potential role of media regulation in the new environment

Especially with regard to media offerings that shape political opinions, media regulation's approach has always been and will remain that of ensuring diversity. Users are finding it increasingly difficult, however, to discern the specific transmission mode through which content reaches them. Technological convergence, which is rapidly advancing, is creating problems

that relate especially to the regulation of conventional media. Specifically, laws cannot be adapted quickly enough to react to distinctions and developments, while funding systems are only partly able to reflect changes. Regulation consequently focuses on conventional media.

In view of the many new transmission options and the digitisation of distribution modes, the issue facing regulators is not as much how to manage limited resources but how to safeguard a diversity of offerings and suppliers. This is closely related to the question of access, the type of distribution and the findability of the individual offerings. These issues do not depend on any particular category of media and apply to all electronic platforms. Net neutrality represents a partial aspect of this situation.

Within the context of the new, broader means of distribution, the same questions already confronting 'analogue regulation' will soon crop up again: Are there any offerings that deserve priority distribution? The tentative response up to now in the radio and television sector has been so-called must-carry rules. Yet, with respect to media-convergent distribution of content, the question changes to become one of content findability. It likely that almost every content provider will be able to offer their content somewhere within the vast web. Whether that provider can offer the content in an easily accessible form, and whether users are able to access the content without having to overcome considerable barriers, is another question altogether. In many cases the issue concerns the notions of non-discriminatory access to individual platforms (net neutrality) and of content findability. Another aspect to be considered here is that, in addition to the distribution platforms, there are other service providers controlling access to users; examples include platforms for end-user devices and other 'over-the-top' (OTT) providers that package and provide content, even though they do not operate proprietary networks. This reveals the gaps in the current regulatory system, which focuses on conventional radio and television platforms.

Have conventional broadcasting and services become obsolete?

What place do public radio and television have within this new media structure? It was easy to define the role of public broadcasting within the conventional (analogue) media landscape. Through the ORF Act (ORF-G), the Austrian Broadcasting Corporation (ORF) was given an appropriate mandate to broadcast television and radio programmes within the conventional environment. The scope of that mandate was expanded in 2010 to include (limited) online service. Meanwhile, however, several cases – including the proceedings related to Facebook and the ORF app – have raised the question as to whether public broadcasting should become a public media house, lifting restrictions to the conventional broadcasting forms of radio and television (and supplementary online services).

Similar questions have been raised with reference to the private broadcasting sector. Some Austrian media companies have already begun broadening the scope of products and services offered. Pursuing such a strategy for years, print media companies do not limit themselves to simply offering newspapers but are also active in other sectors such as radio and, more recently, video on demand (VoD). It has become commonplace for radio broadcasters to provide video via webcam, offering a 'live' tour of their studios, or to sell recorded music or to be generally active in the VoD sector. By offering their media libraries, or pursuing innovative marketing strategies, television broadcasters are also competing with online services. The opposite trend can also be observed. An example is when an online video portal is converted to signals carried by satellite and suddenly becomes available for viewing on a smart TV, just like any conventional television channel. From the consumers' viewpoint, it is justified to ask why varying rules apply to two types of content consumed through the same means.

Changes are not restricted to the area of new media but are also occurring among conventional distribution modes. Implemented as a new television standard throughout Austria already back in 2013, DVB-T2 offers new technical options to providers broadcasting on this platform. In the cable television sector, the last stronghold of analogue technology, it was gratifying to observe the initiative launched by cable network operators in late 2014 to phase out analogue distribution systems. The cable networks correspondingly plan to terminate the wide-scale reconversion of digital data to analogue signals by 1 September 2016. The issue in the radio sector continues to be the possible introduction of DAB+. This development has already been taken into account at regulatory level by starting preliminary work on the Digitisation Plan.

Mention should finally be made of computer games, an area providing a prime example of convergence. In any case, computer games represent an important economic asset. Game consoles are increasingly becoming a link between the conventional television set and the internet as well as between other kinds of audio and video content (via CD, DVD and Blu Ray disc) and the local home network. Console providers are also striving to offer a wider range of products, for example by enabling consoles to access VoD portals and their content. The games themselves are changing, with progressively complex structures and the inclusion of content variety that supports brand and product placement. Considering that children are very much a part of user groups, it seems appropriate to also consider this area, previously not included within the scope of conventional media regulation, to ensure that children, as a target group at risk, develop an appropriate degree of sensitivity to the content.

The media landscape is complex and rapidly changing as the lines separating personal communication and mass communication, so far defined mainly by technology, become ever more blurred. This faces users with a tremendous challenge. They must adapt to this new environment, while first having to acquire the necessary competences. More focus should be put on the media competence of user groups. Only in this way will it be possible to raise awareness of the underlying issues among users who have come to take the net for granted; these questions include: “Where is the line between the private and the public sphere?”, “What information do I wish to disclose?” and “What price am I willing to pay to participate in the public sphere?”

Media providers are also facing challenges: “How can we survive in an increasingly globalized environment dominated by multi-national corporations?”, “Is regional content the cure-all?”, “How should we respond to new (unregulated) content providers such as bloggers”; and not least important: “How will the relationship between the various media categories be structured?”

The media sector will in any case continue to be a dynamic, innovative and creative market, driven by the fascination which providers are able to inspire in users.

3 2014 – a turning point in the Austrian mobile services market

Within the Austrian mobile telecommunications market, there was more competition in the past 15 years than in most other European countries. The market was characterised by very low prices in comparison with other countries, very widespread network coverage and very heavy use, with the use of mobile telecommunications representing a large share of telecommunications use; regulatory decisions were responsible in part for the latter. Whereas the prices for mobile services had dropped continuously until 2013, the tide has turned since approval of the Hutchison-Orange merger, and an upward trend in mobile services rates can be observed for the first time.

All network operators also changed their tariff structures for mobile services in 2013, so that unlimited volumes of voice call minutes and text messages are offered as services to supplement a 'data tariff' (data service plan), apparently in response to changed patterns of consumer use and to technological developments in the end-user device sector. The trends towards rising rates and data services as the main component of rates continued in 2014.

The price increases especially affected basic monthly fees. Specifically, network operators successively raised the rates charged to new customers of cheaper services and 'no-frills brands'. Examples include A1 Telekom Austria AG (A1 Telekom), which raised the Smartbob XL rate by EUR 10. Hutchison also increased the price of the 3Single product, which under the Orange brand name had been called All in one 15 and was relaunched as Hallo SIM only M; the rate jumped from EUR 7.50 to EUR 10. A1 Telekom actually discontinued completely the SIM-only rates for their main brand.

The network operators also pushed-up one-time charges, thereby significantly raising the threshold for customers to change providers. Beginning with A1 Telekom, all mobile telecommunications network operators increased their activation fees from EUR 50 to EUR 70. The reduced subsidisation of end-user devices also affected the frequency with which users changed networks. Depending on the rate and the device, such incentives were reduced by more than EUR 100.

Yet price increases in 2014 not only affected new customers. Existing customers were also hit by price hikes. An example is monthly fees, which every network operator without exception raised, citing in some cases contract terms providing for inflation adjustment. Not least to be mentioned is the SIM flat fee (SIM-Pauschale), which for certain existing customers was increased from EUR 10.00 to EUR 19.90.

Mobile telecommunications price index – developed by RTR

The Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) uses the mobile telecommunications price index to calculate the impact that the new-customer tariff changes described above have on the price levels for mobile services in Austria.[1] To determine the RTR mobile telecommunications price index, up to the five cheapest rates are selected from all of the rate plans offered by each brand to newly registering customers, for each of the four pre-defined user categories. Additional rate components besides monthly fees are included in the price calculation, i.e. activation fees, SIM flat fee or end-user device subsidies.

[1] Due to a lack of data, RTR is unable to determine the magnitude of price increases for existing customers.

From the results of the calculations, it can be seen that the rates dropped considerably between January 2011 and the end of 2012. Since the end of 2013, however, a clear tendency towards rising prices can be observed in Austria. In late 2013 the overall index was at its lowest level ever since the start of the time series, even though by that time rates had initially begun to rise and rate scheme restructuring had already taken place. Thereafter, in the following twelve months, prices increased considerably (by 25 index points to 104.6 since September 2013); refer to Table 1.

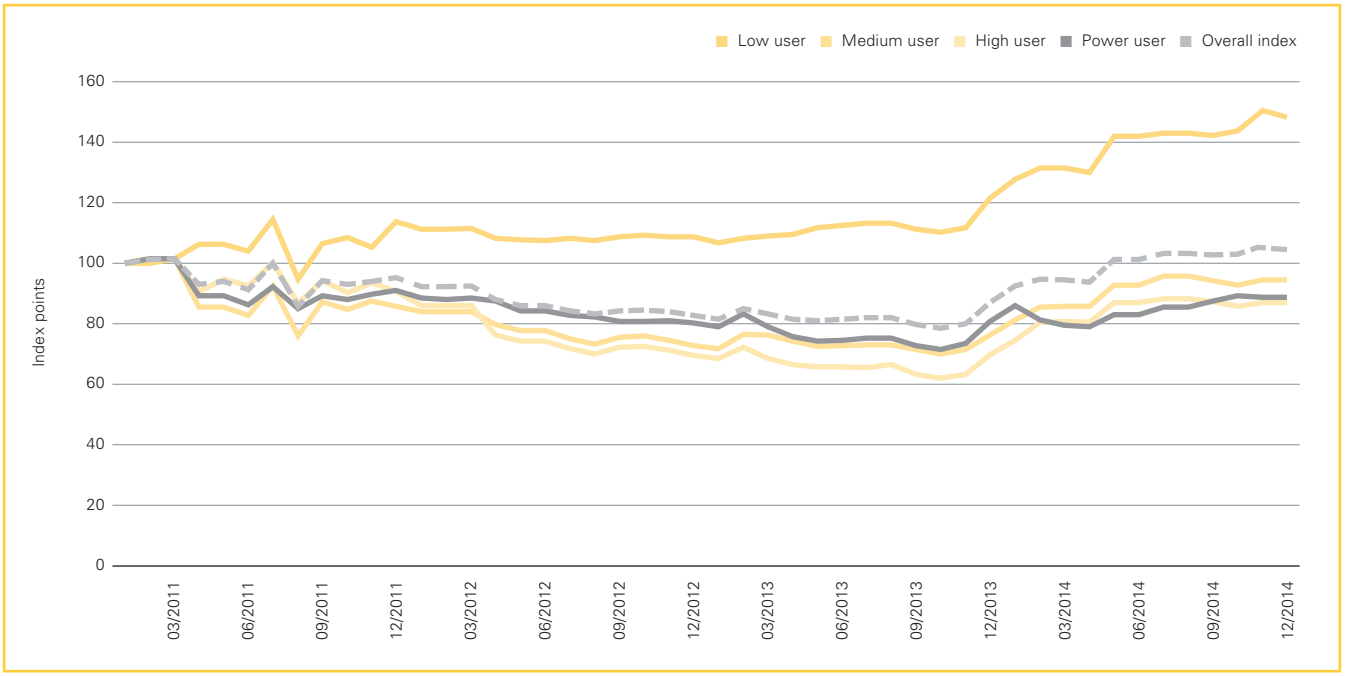
Table 1: RTR mobile telecommunications price index: Index changes (in index points)

	Low user	Medium user	High user	Power user	Overall index
January 2011	100.0	100.0	100.0	100.0	**100.0**
January 2012	111.2	83.9	86.0	88.4	**92.4**
January 2013	106.9	71.7	68.4	79.0	**81.5**
September 2013	111.2	71.6	63.4	72.9	**79.8**
January 2014	127.7	81.3	74.5	86.1	**92.4**
September 2014	142.2	94.2	87.1	87.5	**102.8**
December 2014	148.2	94.4	87.1	88.7	**104.6**

Source: RTR

As is clearly seen in Figure 1, the price increase was the highest among low users, i.e. consumers who infrequently use mobile services and no data volumes. For the group of low users, with the exception of a brief drop in 2011, prices have since continued to rise. The prices charged to this user category increased by 48 index points between January 2011 and December 2014 and by a total of 27 index points in 2014.

Figure 1: RTR mobile telecommunications price index, 2011 to 2014



Source: RTR

The price increases between July and December 2014 were somewhat more moderate than in previous quarters. There was little change in new customer rates during that period, apart from one network operator increasing the activation fee and from the continued decline in device subsidies. It remains to be seen whether this indicates a halt in the trend towards price hikes or whether the market entry of mobile virtual network operators – MVNOs, such as HoT in January 2015 – will lead to a reverse trend.

The price changes described here provided the Federal Competition Authority (*Bundeswettbewerbsbehörde,* BWB) with impetus for conducting what is referred to as industry screening. The BWB is being assisted in the investigation by RTR and the Chamber of Labour. The results are expected by summer 2015.

RTR has also taken various steps to counteract the trends described above. Firstly, with the aim of enhancing market transparency, RTR publishes the most recent price changes in the mobile telecommunications market (i.e. the mobile telecommunications price index) in the quarterly report RTR Telekom Monitor. Secondly, RTR strives to lower the threshold for consumers to change providers, by evaluating the processes involved, such as mobile number porting or customer loyalty programmes. RTR additionally investigates potential barriers to market entry for new market participants, while attempting to eliminate such barriers. RTR sees its role in this context as that of a service point for companies wishing to initially enter the market.

4 Regulatory activities of KommAustria

The Austrian Communications Authority (KommAustria) was established under the KommAustria Act (KOG) for the purpose of performing administrative and regulatory duties in the field of electronic audio media and electronic audiovisual media. Its spectrum of activities is broad, including the regulation of market access for content services, general and specific monitoring of compliance with statutory provisions, infrastructure regulation, and press and journalism subsidies. It is responsible for private organisations (broadcasters, media service providers, communications network operators) as well as the Austrian Broadcasting Corporation (ORF) and its subsidiaries.

4.1 Access to media markets

Access to the media market is regulated through allocating broadcasting frequencies, issuing licences for broadcasting, accepting and reviewing notifications from cable broadcasters and other providers of audiovisual media services, and reviewing new ORF content services and its subsidiaries prior to launch.

4.1.1 Private radio broadcasting licences

The licensing procedures conducted by KommAustria during the period under review concerned on the one hand applications for creating new coverage areas as well as official invitations to tender, either due to previously granted licences expiring at the end of the legal term or withdrawal by the respective licence holder. Furthermore, a number of licences for radio event broadcasting and educational broadcasting were also granted. At the end of the period under review, there were also invitations to tender for several licences due to expire in 2015.

Nationwide radio broadcasting

Since December 2004, KRONEHIT Radio BetriebsgmbH has been the holder of a nationwide private terrestrial broadcasting licence limited to ten years. In view of the expiry of the legal term of ten years for the licence, a (re-)invitation to tender for the nationwide licence (with a total of 148 frequencies) was issued by KommAustria back in 2013.

In August 2014, KRONEHIT Radio BetriebsgmbH as the sole applicant was (again) granted a licence to provide nationwide private radio for ten years. As such it continues to broadcast its adult contemporary radio content under the KRONEHIT label.

Furthermore, in accordance with Art. 28b Par. 1 of the Private Radio Act (PrR-G), the regulatory authority called on parties to apply for an additional nationwide licence during the period from 19 August 2014 to 25 February 2015. No applications had been received as of the end of the reporting period.

Regional and local radio broadcasting

In the local and regional terrestrial broadcasting sector, a total of 24 procedures were carried out in 2014, five of which were still pending at the end of the reporting period.

As a result of applications by relevant parties, seven licensing procedures were conducted, whereas new licences were granted for the coverage areas of Steyr 90.4 MHz (Antenne Österreich), Graz 89.6 MHz (LoungeFM), Bad Radkersburg (Radio Agora), Dornbirn 101.1 MHz (Radio Proton) and Vienna (Inner City) 99.5 MHz (Radio Maria). The two procedures still pending as of the end of the period under review concern coverage areas in Tyrol and Upper Austria.

Seven further licensing procedures were conducted as a result of official invitations to tender. These procedures concerned, firstly, two licences that were due to expire in 2014 and therefore needed to be reissued. In both cases, namely for the coverage areas of Freistadt 107.1 MHz and the Traunviertel and parts of the Hausruckviertel regions, licences were reissued to the two previous licence holders (Freies Radio Freistadt and Radio Arabella Oberösterreich). Secondly, licences were issued that had been put to tender again due to relinquishment on the part of the previous licence holders in 2013. In this regard, two licences were granted to Antenne Österreich und Medieninnovationen GmbH for coverage areas in Upper Styria, one licence to Radio Soundportal for the Bruck an der Mur/Murtal/Mürztal coverage area, and one licence to Radio Stephansdom for the Graz 94.2 MHz coverage area. In accordance with the criteria of the PrR-G, according to which under certain conditions the extension of an existing coverage area is preferred to creating a new coverage area, other frequencies that had been relinquished were used for the extension of the Radio Grün Weiß coverage area (now the Mur-, Mürz-, und Ennstal coverage area).

In a number of other instances, the parties' applications were initially aimed at the extension of coverage areas. Four of these procedures were concluded with legal effect in 2014; three others were pending at the end of the period under review.

Another three licensing procedures involving new applications or official invitations to tender were also pending. In two other cases the tender submission periods concerning the (re-)assignment of coverage areas were still open. Finally, a number of (isolated) unused frequencies were relinquished by the licence holders in the period under review.

Event and educational radio licences

Event radio refers to radio broadcasting licences that are granted for a maximum of three months and that are used locally during and around the time of an independent public event in the surrounding area. A total of ten event radio licences were issued in 2014, which were used to provide radio coverage for the following events:

- Ball der Wirtschaftsuniversität 2014, 9 January 2014 to 16 January 2014 (Lounge FM)
- Wiener Eistraum 2014, 17 January 2014 to 16 March 2014 (Lounge FM)
- Vienna City Marathon 2014, 17 March 2014 to 20 April 2014 (Lounge FM)
- GTI Meeting, 16 May 2014 to 1 June 2014 (GTI-FM)
- Sand in the City 2014, 21 April 2014 to 21 July 2014 (LoungeFM)
- Fest der Jugend, 28 May 2014 to 29 June 2014 (Radio Maria)
- Sommer im Museumsquartier 2014, 22 July 2014 to 7 October 2014 (LoungeFM)
- Blickfang Internationale Designmesse 2014, 8 October 2014 to 26 October 2014 (LoungeFM)
- Winter im Museumsquartier 2014, 27 October 2014 to 30 December 2014 (LoungeFM)
- Wiener Silvesterpfad 2014/2015, 31 December 2014 to 8 January 2015 (Lounge FM)

Educational radio licences refer to licences granted to an institution of education or training for the purpose of radio broadcasting within the vicinity of the institution, where the programmes have a functional relationship to the duties to be fulfilled by that institution. Such licences can be granted for a maximum of one year. Six different educational radio licences were granted in 2014:

- Radio SOL in Bad Vöslau
- RADIUS 106.6 in Freistadt
- Campus Radio in St. Pölten
- NJOY 91.3 in Vienna
- Radio Gymnasium in Oberpullendorf
- NJOY 88.2 in Deutschlandsberg

Procedures under telecommunications law

For the sake of simplifying administration (i.e. to enable one-stop-service), pursuant to the Telecommunications Act 2003 (TKG 2003), KommAustria is also responsible for issuing the permits under telecommunications law that are required for the radio equipment used in broadcasting. Permits under telecommunications law are issued either in conjunction with a permit under broadcasting law or with no direct reference to broadcasting law, i.e solely on the basis of an application under telecommunications law. The latter pertain mainly to technical changes planned for radio equipment, such as the use of new transmitter antennae, the relocation of transmission sites or increased transmission power.

In 2014, KommAustria approved 13 changes to radio equipment and one application allowing private radio broadcasters to conduct test transmissions. The procedures in the case of six applications for changes to radio equipment were pending at the end of the period under review. In addition, KommAustria issued approvals in 14 cases for radio equipment to be used within broadcasting frequency bands for purposes other than broadcasting (e.g. to cover drive-in cinemas, conferences etc.).

Allocation of radio broadcasting frequencies to the ORF

In the context of its responsibility for the allocation of frequencies for radio broadcasting and for issuing corresponding permits under telecommunications law, KommAustria is also active in cases involving the radio transmission equipment used by the ORF.

In this area of activity, a total of 15 procedures were carried out in 2014. In one procedure, frequencies were reallocated to the ORF for the purpose of closing coverage gaps in the St. Ulrich am Pillersee area and at the same time the permits under telecommunications law were issued. In three procedures, frequencies were allocated and permits under telecommunications law were (re-)issued to the ORF that had expired after the statutory period of ten years. Eight further procedures involved permits under telecommunications law for tunnel radio equipment, one of which concerned an application for approval of a test transmission by the ORS (Österreichische Rundfunksender GmbH & Co KG). Two procedures for changes to ORF radio broadcasting equipment under telecommunications law were still pending at the end of the period under review.

Additional information can be found on the RTR web site at www.rtr.at/de/m/EntscheidungenGesamtRF (in German).

4.1.2 Approvals and notifications relating to audio-visual media services and multiplex platforms

Nationwide television

With regard to the extension of the level of coverage of the nationwide multiplex platforms (terrestrial television) MUX A and B and MUX D, E and F, reference is made to Chapter 5 in which the progress of digitisation is presented. In that chapter, details are also given concerning the calls for tender for the reallocation of the MUX A and B multiplex platforms.

A total of twelve permits under telecommunications law were issued in the 2014 reporting period for the extension of the various nationwide multiplex platforms. Furthermore a total of six amendments to the programme line-up for the nationwide multiplex platforms were approved.

Regional and local television broadcasting

In the period under review, no licences for operating new regional multiplex platforms (MUX C) were issued. However, a new frequency was put to tender and the Bad Ischl und Wolfgangsee MUX C platform was allocated. As of the end of the period under review, 16 licences to operate local multiplex platforms were valid, covering a total of 64% of the Austrian population.

Furthermore, in the period under review, six programme line-up changes plus one licence for a digital terrestrial channel and three approvals to broadcast previously licensed programmes on additional multiplex platforms were issued.

Event licences and licences for satellite television

No event television broadcasts were approved during the period under review.

KommAustria issued satellite licences for the following six television channels in 2014: ATV, ProSieben MAXX Austria, SAT.1 Gold Österreich, DAF AUSTRIA, gotv and 24-tv.

Media services subject to notification requirements

A total of 32 cable television channels, seven (linear) television channels broadcast via the internet and 23 on-demand media services, were registered with KommAustria in the 2014 reporting period.

4.1.3 Approvals and notifications of new ORF services

In the 2014 reporting period, the ORF gave notice of changes to the online service provided at sport.ORF.at. The changes involved both general reporting and the content accompanying broadcasts of the alpine skiing World Cup. The reported changes also included live and time-delayed broadcasting of the results of the alpine skiing World Cup. The reported changes were not prohibited by KommAustria.

Two applications for prior evaluation procedures were also submitted by the ORF during the 2014 reporting year. Firstly, the ORF requested approval for the Ö3 Live/Visual service, specifically for changes and enhancements to the Ö3 live stream provided at oe3.ORF.at, to allow live images to be broadcast from the Ö3 broadcasting studio as well as music videos, the latter synchronised with the song currently being played. Secondly, the ORF requested approval of the service plan for radiothek.ORF.at, which replaces the previous radio.ORF.at site and is intended to offer additional application features, such as an integrated search function and the option of building user-generated playlists from a range of programmes or programme blocks. With regard to both prior evaluation procedures, the consultation processes were completed within the period under review and the Federal Competition Authority and Public Value Advisory Board were requested to submit statements. Both procedures will be completed in 2015.

4.2 Legal supervision

KommAustria rules on violations of the PrR-G, the Audiovisual Media Services Act (AMD-G) and the ORF Act (ORF-G) on the authority's own initiative or on the basis of complaints pursuant to Art. 25 PrR-G, Art. 61 AMD-G or Art. 36 ORF-G.

In the period under review, KommAustria initiated a total of thirteen procedures for revoking licences, under its duties of legal supervision. Seven of these were directed against one radio broadcaster as a result of a suspected fundamental change of music format; the remaining procedures were initiated in response to non-use of frequencies. A further revocation procedure was initiated against a satellite television broadcaster.

KommAustria also brought three legal violation procedures against radio broadcasters due to suspicion of broadcasting without a licence and to suspicion of delayed notification of launching services. Furthermore, procedures were initiated against broadcasters in two cases due to of the failure to register changes of ownership.

The authority conducted another procedure against a satellite television broadcaster that used a different satellite to broadcast its programming, without first obtaining the required approval. Another procedure concerning a suspected failure to report a change of ownership was completed with final legal effect.

In the period under review, a total of thirteen administrative penal procedures were brought by KommAustria in respect of legal violations that had been identified.

A major focus of activity in the period under review was checking compliance of media service providers with the requirement to annually update information as specified in Art. 9 para. 4 AMD-G. More than 100 broadcasters failed to provide such updates. The authority consequently identified legal infringements.

4.2.1 Commercial communication

Channels and stations monitored

ORF programmes as well as the programmes provided by private broadcasters and media service providers were evaluated during the period under review, either on the authority's own initiative or on the basis of complaints.

In the case of ORF broadcasts, monitoring activities were carried out in 2014 for the regional radio programme in Upper Austria and, on two occasions, the national radio channel Ö3 as well as, on one occasion, FM4; monitoring also focused on the television channels ORF eins (three instances), ORF 2 (eight) and ORF SPORT + (once). Seven legal violations were identified. Two procedures have not yet been completed.

Among the private radio broadcasters, the following programmes were evaluated or requested: in Vienna, Superfly Radio GmbH, N & C Privatradio Betriebs GmbH and Verein Basic Vocal; in Upper Austria, Life Radio GmbH & Co KG; in Styria, Welle 1 Graz der Rocksender GmbH; in Carinthia, Verein Agora Arbeitsgemeinschaft offenes Radio; in Tyrol, Lokalradio Innsbruck GmbH; in Vorarlberg, Vorarlberger Regionalradio GmbH; and the nationwide radio channel KRONEHIT Radio BetriebsgmbH. In these monitoring activities, KommAustria did not identify any violations of advertising regulations.

Broadcasts by the following private television broadcasters were sampled: PULS 4 TV GmbH & Co KG, Verein Franckviertel TV, LT1 Privatfernsehen GmbH, Bad Kleinkirchheimer – SAT Kabelfernsehen GmbH, KT 1 Privatfernsehen GmbH, by Christian Parzer – STV1 regional TV Bad Ischl, RTS Regionalfernsehen GmbH, by Johann Georg Walsberger – WNTV, SW1 – Schwechat TV Fernsehproduktionen GmbH, Mur-Mürztal Regionalfernseh GmbH, Vulkan TV GmbH, 4M Digital Media OG, W24 Programm GmbH, Wirth GmbH, MGH Medienproduktion GmbH, Image Line Medienproduktion GmbH, RTV Regionalfernsehen GmbH, Ländle TV GmbH (twice), N1 Niederösterreich TV Fernsehgesellschaft mbH (twice), Kabel TV Lampert GmbH & Co KG (twice) and P3-Kabel-news GmbH (twice). KommAustria identified a violation of advertising regulations in thirteen of these cases. Five procedures have not yet been completed.

4.2.2 Programming principles

Television and radio programmes are required to uphold the principles of objectivity and the diversity of opinions.

Similar principles are stipulated in the ORF-G whereby the ORF, in its overall service policy, is required to strive for quality, innovation, integration, equal rights and mutual understanding. Information is to be comprehensive, independent, impartial and objective and contribute to the process of forming free and public opinions accompanied bydemocratic discourse.

Based on its public mandate, the ORF is also obligated to reflect the diversity of opinions held in public life and to respect human dignity, personality rights and individual privacy rights. Commentaries, analyses and presentations must be objective and based on verifiable facts.

During the period under review, nine complaints were filed against the ORF involving alleged violations of programming principles. The complaints objected in particular to violations of the principles of objectivity and impartiality in reporting. Legal violations could be identified in four instances, one of which has not yet taken legal effect. Legal violations could be identified (in part) in two instances, neither of which has yet taken legal effect. At the end of the year, a total of three procedures were pending.

4.2.3 Conciliation activities related to media

RTR can also act as a conciliation body for complaints regarding communication services in the Media Division. The main prerequisite for the initiation of a conciliation procedure is that the customer and operator have unsuccessfully attempted to reach an agreement on their own beforehand. In the course of such procedures, RTR attempts to negotiate an amicable solution or informs the participants of its position on the case in question.

In the period under review, RTR conciliation body received 27 complaints. Compared to the number of conciliation cases handled in the Telecommunications Division, this figure accounts for a very small percentage of all conciliation cases filed in 2014.

4.2.4 Specific supervision of the ORF and its subsidiaries

Purpose of business, public mandate and bodies

During the period under review, a total of five complaints regarding the ORF were filed. The subjects were highly varied and included, for example, the banning of cross-promotion on ORF channels, the discontinuation of advertising by the ORF or failure to consider proposals for appointments to the Audience Council.

Finally, in the period under review, two procedures were initiated for confiscating revenues, due to violation of the limits of the public service mandate format as specified in Art. 38a of the ORF-G, and due to violation of the ban on product placement as defined in Art. 38b of the ORF-G. Corresponding decisions were issued.

4.2.5 Specific supervision of private providers

Programming changes

Under the PrR-G, radio broadcasters may also request an official assessment decision as to whether a planned programming change actually represents a fundamental change of the programme format. Where the proposed change represents a fundamental change to the originally approved programming, an official approval decision by KommAustria is required. In the period under review, no applications of this kind were submitted.

Rather, this option was exercised by the holders of licences for satellite and digital terrestrial television channels in accordance with the AMD-G. The option also exists of requesting approval for major changes to programmes. Substantial changes to the programming category, the duration of broadcasts and the number and duration of broadcasts require advance notification and subsequent approval by the authority, in so far as continued compliance is maintained with Sections 3, 7 and 9 of the AMD-G or with requirements specified in a multiplex licence decision. Likewise, plans to broadcast a channel via additional satellites or additional terrestrial multiplex platforms require notification in advance to KommAustria. During the period under review, three major changes in programming were notified to and approved by KommAustria. In ten instances, the broadcasting of channels via additional transmission routes was approved. Furthermore, one procedure involved changes in the programme line-up and changes in the data rate available for the broadcasting of digital programmes.

4.3 Public communications networks and services

The planned operation of a public communications network or provision of a public communications service for the transmission of broadcasts (radio and television programmes) and additional broadcasting services and changes to or discontinuation of these must be notified to KommAustria. Regardless of their domicile, all providers rendering such services in Austria are subject to this notification requirement. After receiving a complete notification report, KommAustria issues a confirmation (general approval) pursuant to Art. 15 Par. 3 in conjunction with Art. 120 TKG 2003.

In practice, this notification requirement is especially important in the case of broadcasting activities by cable network operators. On the basis of the legal opinion of the European Court of Justice and its verdict of 30 April 2014 in case no. C-475-12, UPC DTH, certain services are considered broadcasting services and thus subject to notification requirements.
Such services specifically consist of providing access rights to a programming package that consists of radio and television programmes and that is distributed via a communications network in return for a fee.

In the period under review, 13 new broadcasting networks and three broadcasting services were registered; four communications networks were discontinued.

Additional information can be found on the RTR web site at www.rtr.at/de/m/EntscheidungenGesamtRF (in German).

Pursuant to the TKG 2003, public communications networks and services used for radio and TV broadcasting are also subject to competition regulation by KommAustria. In the 2014 reporting period, the Federal Administrative Court reached a decision on the complaints filed by Österreichische Rundfunksender GmbH & Co KG together with ORS comm GmbH & Co KG (jointly referred to as ORS) against decisions previously issued by KommAustria; ascertaining significant power in two wholesale markets (FM radio broadcasting and digital terrestrial TV broadcasting systems), KommAustria had imposed corresponding obligations on ORS. The Federal Administrative Court rejected the complaints and confirmed the decisions by KommAustria in their entirety.

Adherence to imposed obligations was also reviewed during the reporting year, specifically with regard to the cost accounting system and the question of whether the rates offered were aligned with the costs of efficient service provision. This review is being carried out on an ongoing basis for the years since the first-instance decisions came into effect and will also include future reporting periods.

4.4 Act on Transparency in Media Cooperation and Funding

The main objective of the Act on Transparency in Media Cooperation and Funding (MedKF-TG) is to ensure comprehensive transparency when advertising contracts and funding are awarded by public authorities (cf. government bill in annex 1276 to the shorthand verbatim records of the National Council, 24th legislative period). The MedKF-TG consequently requires all legal entities that are subject to business auditing by the Court of Audit, as specified in the applicable provisions of the federal constitution and ordinary law, to provide KommAustria with quarterly reports of expenses incurred for advertising placed in periodical media and grants awarded to media owners. KommAustria serves as the independent recipient of the reports and has the mandate to verify compliance with reporting requirements.

To achieve the objective of comprehensive transparency of advertising contracts and funding, the act sets out two disclosure measures.

Firstly, KommAustria publishes quarterly lists indicating the legal entities which have fulfilled their reporting obligations by the regular reporting deadline and which have not. These lists – referred to as Ampellisten or 'watch lists' – can be viewed (in German) at www.rtr.at/de/m/veroeffentl_medkftg_ampel.

The second measure is publication, here again on a quarterly basis, of the data reported by the legal entities. This involves data on those media in which advertising contracts were actually awarded, as well as details of the relevant (legal) persons who received media funding. This information can be viewed (in German) at www.rtr.at/de/m/veroeffentl_medkftg_daten.

A total of ten quarterly reports have taken place since the MedKF-TG entered into force on 1 July 2012. While a clear trend towards increasing reporting discipline was recorded during the initial quarters, the reporting rate became stable at a high level in 2014. On average, 5,351 legal entities fulfilled their obligation to report by the regular reporting deadline and, on average, 297 legal entities reported within the statutory extension period. Over the year on average, some five penal procedures were initiated each quarter as a result of failure to report. The full data for Q4 of 2014 are not yet available.

The reporting periods to date have shown that the legal provisions specifying the data to be reported have not been adhered to in every case. Specifically, instead of disclosing the name of media products, some reports indicated media owners, publishers, advertising or media agencies, production companies, events, types of advertising, marketing companies or terms referring collectively to more than one media product. As a result of such incorrect reports, over 100 penal procedures were completed by KommAustria in 2014. However, the number of procedures initiated in the second half of 2014 dropped significantly.

An analysis of recent quarters also revealed that about 80% of the legal entities examined regularly submitted zero reports. The majority of these cases involve associations founded by municipalities (sewage treatment associations, water supply associations, district social and healthcare bodies, citizenship associations, civil registrar's associations, and planning associations). Municipal associations account for roughly 2,000 of the 5,700 legal entities currently required to file. Some 99% of all municipal associations have submitted zero reports for every quarter.

4.5 Administration and coordination of broadcasting frequencies

In the area of broadcasting frequency management in the 2014 reporting year, there were a total of roughly 650 international coordination procedures relating to specific broadcasting frequencies; in such cases, Austria and the administrations of neighbouring countries with broadcasting facilities cooperated in accordance with international agreements. These cases concerned FM transmitters for analogue radio, DVB-T and DVB-T2 transmitters for digital television and T-DAB transmitters for digital radio. Of these, some 200 coordination procedures were initiated by Austria. In the T-DAB sector, strategic planning took place for potential future calls for tender for which a coordination procedure had been initiated. Such strategic planning is required because the Geneva Frequency Plan for VHF, the range that is planned for T-DAB use, only contains allotments and no actual transmitter locations with technical parameters. The coordination procedures in which Hungary and Italy participated proved to be extremely difficult in part and in many cases were not or have not yet been positively concluded.

In 2014 there were three working group meetings for frequency planning in which RTR staff members participated on behalf of Austria. One of these was held in Berlin in May at the invitation of the German Federal Network Agency. Representatives from Switzerland and Liechtenstein also participated in that meeting. Another meeting involving Germany, Switzerland and Austria was held in Vienna in October. A bilateral frequency coordination meeting between Austria and representatives of the Hungarian administrative authority was also held in Vienna in November.

In October there was a meeting of a group of twelve telecommunications administrative authorities – mainly from eastern European countries – at which an RTR representative participated as an observer. The main subject of the meeting was how to proceed with the restructuring of the Geneva Frequency Plan n response to planned reallocation of the 700 MHz band; this band, currently used for television, will come into use in Europe for mobile telecommunications between 2020 and 2022.

4.5.1 Participation in licensing and allocation procedures

In the period under review, once again numerous plans for building or modifying FM transmitters were subject to expert evaluations of frequency use, with measurements being taken in some cases, with the aim of enhancing the technical coverage provided by radio broadcasters.

One of the most important focuses of the work in 2014 was the renewal under telecommunications law of the nationwide KRONEHIT private radio station, currently having 148 broadcasting locations, for another ten years. Coverage potential was calculation as part of the frequency evaluation report. It was determined that KRONEHIT and its approved transmitters can reach some 7.2 million residents of Austria.

Reallocation of frequencies was also on the agenda for the year under review, including the Traunviertel region and parts of the Hausruckviertel region in Upper Austria as well as the regional private radio stations in Salzburg and Styria. The Salzburg licence consists of 15 frequencies, and the Styria licence comprises 21 frequencies. The frequency evaluation report for reallocation of the licence for the Traunviertel region and parts of the Hausruckviertel region was completed in the year under review. The reallocation procedures and the associated frequency evaluation reports for the Salzburg and Styria regional radio licences will only be completed in 2015.

In the Bruck an der Mur/Mur-, Mürztal region in Styria, Soundportal Graz GmbH was given a licence previously relinquished and thus available for reallocation; service via the corresponding frequency, Bruck Mur 89.6 MHz, began already in 2014. Other frequencies that had been relinquished in this region and in neighbouring regions went to Antenne Österreich and Radio Grün Weiß. In total, 13 frequencies were reallocated in Upper Styria. More limited, new frequencies have been put to tender in Vienna and Dornbirn. In both regions, frequency utilisation is already very heavy, so that only low-power frequencies can be successfully coordinated at international level. For Linz, on the other hand, coordination of a somewhat more powerful frequency was completed, with the corresponding allocation procedure initiated in the year under review. The procedure will first be completed and the technical report prepared in 2015.

In the MUX A and B DVB-T networks, limited optimisation was carried out. The MUX B broadcasting network in East Tyrol and Carinthia was converted from DVB-T to DVB-T2. In the multiplex D, E and F DVB-T2 network, four additional broadcasting locations were approved to expand and consolidate coverage. The corresponding international coordination processes for further expansion of DVB-T2 coverage were initiated.

4.5.2 Frequency coordination procedures and frequency usage

The following table lists the number of coordination procedures that were initiated internationally in which Austria was involved in 2014.

Table 2: Number of frequency coordination procedures in 2014

Country	Analogue radio	Digital radio	Digital television
Austria	22	111	60
Bosnia	0	0	6
Germany	34	71	12
Croatia	9	0	12
Poland	13	1	3
Switzerland	57	11	21
Slovakia	10	2	8
Slovenia	4	0	2
Czech Republic	23	2	32
Hungary	4	64	72
TOTAL	**176**	**262**	**228**

Source: RTR

Within the working group that looks after frequency planning in the border region of German-speaking countries – consisting of Germany, Switzerland, Liechtenstein and Austria – two meetings were held in 2014. Due to current developments in the broadcasting frequency range of 694 to 790 MHz (second digital dividend), particularly in Germany, detailed discussion was devoted to frequency planning options that would mitigate the ensuing loss of channels and provide equal access to the spectrum, while no consensus has yet been reached. Another topic of the discussions were the varying time plans envisioned for using the second digital dividend and the resulting schedules for redefining the GE06 frequency plan. At the meeting, further plans for the VHF frequency range and for the use and implementation of DAB+ within the common border region of the participating countries were also discussed.

In November 2014, a bilateral meeting was held in Vienna with the Hungarian telecommunications administrative authority. The focus of the discussions at this meeting was the implementation of the Geneva Plan in respect of T-DAB and future application in practice. The two sides had differing viewpoints regarding the objectives for the form of future T-DAB networks in the shared frequency area. Furthermore, Austria has already designated Band III to the full extent for T-DAB. No decision has yet been made in Hungary as to the use of the GE06 allotments for digital terrestrial television in Band III, so that Hungary has had only little flexibility to develop new plans for these allotments.

4.5.3 Measurement activities

In the FM band in 2014, besides numerous measurement projects for (re-) allocation procedures, several test transmissions (e.g. Sankt Pölten 93.2 MHz) were conducted, with the aim of measuring the effectiveness of the coverage provided by newly planned or already coordinated broadcasting frequencies under real conditions. Measurements were also carried out to record the operating status of broadcasting systems used for FM and television frequencies. The main focus was on DVB-T transmitters used for the MUX C platform.

Another focus was the evaluation of multiplex power levels emitted from foreign FM radio transmitters that can be received in Austria as a result of the unavoidable spillover from transmitters in border regions of neighbouring countries. Within the framework of FM coordination activities with Hungary, several highly comprehensive measurements had to be carried out to allow a conclusive opinion on potential interference effects.

4.5.4 Frequency register

At present, the frequency register and transmitter map include approximately 1,300 radio transmitters in the FM band, with power output ranging from less than 1 W to 100 kW.

Approximately 840 transmitters can be attributed to the ORF, while the roughly 460 other transmitters are used by private broadcasters.

The frequency register also shows a total of 32 high-power transmitters in the FM range for Austria. The ORF uses 26 of those transmitters, and the remaining six are used by private radio broadcasters.

With regard to the 470 to 790 MHz television frequency band, the currently approved DVB-T transmitters and the new additional DVB-T2 transmitters in the frequency register were distributed among the individual multiplex platforms as shown below at the end of 2014.

Table 3: Number of approved DVB-T/T2 transmitters (as of 31 December 2014)

DVB-T Multiplex A (ORS multiplex)	329 transmitters
DVB-T Multiplex B (ORS multiplex)	37 transmitters
DVB-T Multiplex C (regional/local multiplex platforms)	36 transmitters
DVB-T2 Multiplex D (ORS multiplex)	30 transmitters
DVB-T2 Multiplex E (ORS multiplex)	30 transmitters
DVB-T2 Multiplex F (ORS multiplex)	30 transmitters

Source: RTR

As of 31 December 2014, permits had been issued for a total of 492 DVB-T/T2 transmitters. Data on approved broadcasting transmitters are available to the public on the RTR website (www.rtr.at) in the form of a transmitter map as well as tables.

4.5.5 Participation in international working groups

Joint Task Group 4-5-6-7

In the period under review, two meetings of this working group were held in Geneva as part of the ITU work programme. With regard to broadcasting, the compatibility studies for future co-primary use of the 700 MHz band in ITU Region 1 were completed. Studies were also carried out to investigate the conditions under which the 470 to 694 MHz frequency range that represents the rest of the band could be used for mobile telecommunications in ITU Regions 1 and 2. In the International Telecommunication Convention, up to now only terrestrial television has had the status of a primary service in this frequency range in the specified regions.

Study Group 6

The main task of this group, which meets regularly twice a year, is the development of technical standards (ITU-R Recommendations and ITU-R Reports) that form the basis of the best possible, interference-free broadcasting. The 6A working party, a sub-group of Study Group 6, specifically deals with topics related to terrestrial broadcasting.

As in previous years, several studies were conducted to investigate issues surrounding the technical compatibility of DVB-T/T2 and LTE.

Furthermore, progress reports on SFN networks for digital radio and television and a report on the first terrestrial UHDTV test transmission in Japan were among those produced.

Project Team D

The working group met three times as part of preparations by European countries for the coming WRC-15. In the period under review, further work was carried out on the European objectives and recommendations for the WRC-15 conference. The working group concerned itself with the subjects of frequency bands for potential future mobile use that are currently still used in part for broadcasting. However, the mutual effects between broadcasting and mobile telecommunications use make implementation strictly at national level difficult, so that European harmonisation has been sought in this working group.

Task Group 6

The working group for the future use of the 470 to 694 MHz frequency band completed its report on time and, following public consultation, ECC Report 224 was completed on 28 November 2014. The report demonstrates four different usability development options for this frequency range.

RSPG Subworking group

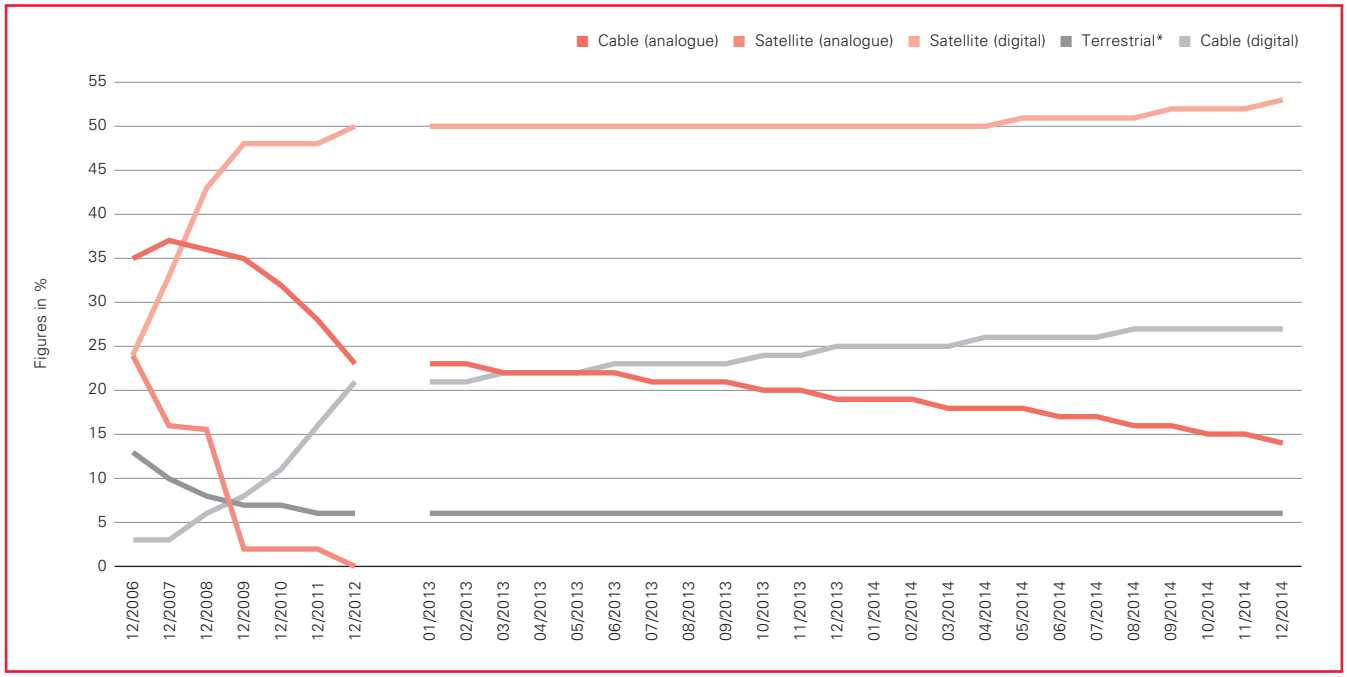
As part of the RSPG (Radio Spectrum Policy Group), two RTR staff members (one each from the telecommunications and media divisions) took part in a working group that was tasked with producing a report entitled “Opinion on a long-term strategy on the future use of the UHF band (470 bis 790 MHz) in the European Union”. A major objective of the working group was to suggest a proposal for a schedule for freeing up the 700 MHz TV band, building on the Lamy report. The final report will be completed in early 2015.

5 Digitisation progress report

By the end of 2014 the level of digitisation among the 3.605 million Austrian television households[2] stood at 86%[3], a rise of five percentage points from the end of 2013. This is slightly better growth compared with the turn of the year from 2013 to 2014 (then up four percentage points), but is around the average for the last five years. Some 89% of television viewers aged twelve and above live in the digitised television households.

Now that both the terrestrial and the satellite reception platforms have been fully digitised, since June 2011 and April 2012 respectively, changes in the level of digitisation of television households can now only be the result of any reduction in analogue cable households.

Figure 2: Distribution of reception modes among Austrian television households



* Cable households with basic coverage, i.e. being able to receive around eight channels, now represent one sixth of the terrestrial television figure.

Source: AGTT / GfK Austria

[2] 2013: 3.577 million. Unless otherwise specified, all data are derived from the TELETEST Working Group / GfK Austria (2014).

[3] Digital reception on the only or most-watched receiver.

Analogue cable households have been losing a relatively stable four to five percentage points each year since 2010 in the distribution of reception modes among Austrian television households. By the end of 2014, analogue cable reception was used in only 14% of television households (December 2013: 19%). This means that the number of analogue cable households dropped by a good 25% in just one year.

What is particularly noteworthy is that for the first time the decline in the number of analogue cable households is not exclusively resulting in a proportional increase in digital cable households, but is instead making a substantial contribution to strengthening satellite as a reception platform. While it was analogue cable households willing to join the digital ranks that almost without exception migrated to digital cable in past years, only somewhat less than half of those leaving analogue opted for this switch in 2014. Specifically, the share of digital cable households had risen by just two percentage points to 27% by the end of 2014, while the share of television households held by the satellite reception platform, which had been constant at 50% for six years, jumped dramatically to 53% in 2014. This means that the total share of cable households (analogue and digital) fell for the first time in years, down three percentage points to 41%. Nonetheless, almost 66% or two thirds of cable households are now digitised (2013: nearly 57%). IPTV households, which are included as part of digital cable households, account for almost one quarter of digital cable households.

The switch of a large part of the formerly analogue cable households to digital satellite reception has for now dashed the hopes of terrestrial broadcasting network operator Österreichische Rundfunksender GmbH & Co KG (ORS), which specifically viewed analogue cable households unwilling to go digital as potential customers for the DVB-T2 simpliTV service launched nationwide in mid-April 2013. Rather, the terrestrial segment was unable to benefit in 2014 from the ongoing digitisation of formerly analogue television cable households. Commanding a share of 6% in the reception platform mix, in 2014 terrestrial television remained at the same level maintained since 2011.

In terms of individuals, there were 7.247 million viewers aged twelve and over living in Austrian television households in 2014. Of that number, digitised television households accounted for 89% or 6.375 million viewers (2013: 83% or 5.976 million).

Convergent television: Netflix, Amazon and Google's TV stick broaden options

Netflix and Amazon Instant Video, two of the largest global players in the internet video store market, entered the Austrian market in autumn 2014. Along with Maxdome and Snap (Sky), launched in 2013, as well as currently expanding Austrian platform Flimmit, notable 'over-the-top services' (OTT content) are thus now competing with linear television programmes for supremacy over the television screens in Austria's living rooms. This online video content is available via an app installed on many of the newer TV sets, though not yet all, or on a connected receiver or games console. Where that is not the case, Google's Chromecast TV stick has been available in Austria since September 2014 for less than EUR 40. Thus, in a roundabout way via a smartphone or tablet, such services – including Google Play Movies (since November 2014) – can be streamed to television sets from the internet; an alternative to AppleTV, which has been around for longer.

Provided internet-enabled television sets are actually connected to the web, OTT content is frequently listed in the receiver's electronic programme guides alongside conventional television programmes and can be selected just as easily. Whether the receiver connects to the web in the background or processes a linear broadcasting signal is now barely noticeable for the user, let alone relevant because of the flat rate charged.

Most TV sets are internet-enabled and growing in size

In the first three quarters of 2014, 57% of the flat screen televisions sold in Austria (307,184 of 540,804) were able to connect to the internet (2013: 53%).[4] 89% of such television sets already have an integrated WLAN module and are therefore very easy to connect with a local wireless internet network. Furthermore, a good 91% of internet-enabled television sets also

[4] GfK panel market, sales figures from January to September 2014. All sales figures for TV sets relate to the first three quarters of 2014.

support HbbTV, the open European standard (2013: 86%). Using this technology, television broadcasters can send out a web link in their linear broadcasting signal and thus guide viewers directly from television programmes to their online media libraries. ORF and PULS 4 offer this service in Austria.

In the course of 2014 the sales of TV sets recovered again slightly compared with the previous year. While a figure of minus 12% was recorded in 2013 compared with 2012, growth of 4% in flat screen TVs was registered again in 2014, with a total of 540,804 sets.

Demand for ever-increasing screen sizes therefore continues to rise, and significantly so. Although smaller screens with diagonals of less than 37 inches (< 94 cm) still constitute the largest group, they now only account for just under 37% (2013: 41.5%; 2012: 47%) of all screens, much closer to the group of large screens with diagonals in excess of 42 inches (107 cm). The share of 42-inch TV sets increased sharply in 2014 to 33% (2013: 26.5%; 2012: 20%). In this context it is particularly remarkable that screens with diagonals of more than 55 inches (140 cm) already make up roughly 35% of large television sets (2013: 27%).

HDTV and 4K TV (Ultra HD) developments and trends

The general increase in sales of large TV screens is driving the demand for television programmes in HDTV resolution, as the quality limitations of standard resolution TV programmes become very evident on large screens. Since 2014 ORF has also been broadcasting its ORF III, ORF SPORT + and the Bundesland heute programmes on ORF 2 in HD. Private broadcasters ATV and ServusTV have long since recognised the value of HDTV to distinguish them from their private rivals, and also broadcast in HD without any extra charge (but not ATV2). If we add public HD content from Germany, a significant number of free HD programmes are now available to Austrian television households. It is therefore questionable whether PULS 4 and subsequently the private German broadcasters will be able to maintain the paywall for the HD versions of their programmes for much longer.

But the rising popularity of large television sets also supports the assumption that consumer demand for 4k television content (four times the number of pixels compared with Full HD at 1920 x 1080 pixels) will soon grow. Sales of TV sets with 4K screens increased dynamically in 2014 over the previous year. While 165 such televisions were sold in 2013, the number of 4k sets sold in 2014 totalled 10,120. The average price dropped by around 60% from EUR 5,553 (2013) to EUR 2,261. Although the 4K aspect (also known as Ultra HD – UHD) is not driven so much by television broadcasters as by the manufacturers of the television sets, we are already seeing early signs of the first (online) content providers wanting to use 4K as a way of distinguising themselves from the competition. For example, internet retailer Amazon recently announced that all of its own television series to be broadcast in 2015 on its online Amazon Instant Video service will be streamed in UHD (as well). Netflix already has UHD content on offer. Since the Amazon and Netflix content on modern 4K televisions is generally offered through an app, such developments will also exert pressure on linear TV broadcasters in the medium term.

Digital future of radio still unclear

There is still no sign of regular digital radio service in Austria. The trial operation based on the DAB+ transmission standard that several private radio broadcasters had planned for 2014 failed to materialise, but it should be launched in 2015.

5.1 2013 Digitisation Plan – developments in 2014

The Austrian Communications Authority (KommAustria) has the legal mandate to submit an amended Digitisation Plan as an ordinance every 24 months, presenting the objectives and the measures for the further development of digital radio in Austria. In December 2014 the Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) and KommAustria convened the members of the Digital Platform Austria work group to a general assembly on 27 January 2015. The work group, with its roughly 300 members from the Austrian media industry, was invited pursuant to statutory provisions to help with creating the 2015 Digitisation Plan ordinance that will enter into force on 1 May 2015.

5.1.1 Enhancement and rollout of digital terrestrial television

In accordance with the 2013 Digitisation Plan, on 21 August 2014 KommAustria invited tenders for a licence to build and operate a nationwide multiplex platform for terrestrial broadcasting with two types of coverage (MUX A and B) using the DVB-T2 standard.

MUX A and B were used in 2006 and 2007 to introduce digital terrestrial television to Austria based on the DVB-T transmission standard. This licence expires on 1 August 2016. According to the new licence tender, digital terrestrial television via MUX A and B is to be converted from DVB-T to the more modern and significantly more powerful DVB-T2 transmission standard. The process should be completed by autumn 2019 at the latest.

KommAustria's ordinance listing the selection criteria, published with the tender, makes it clear that consumer-friendly and open-market operating concepts are requested. This includes the snag-free reception of DVB-T2 signals, without any basic encryption, access authorisation system or even a mere registration requirement. Otherwise evidence must be provided that not the platform operator alone but the producers of the TV programmes to be broadcast explicitly called for the introduction of such systems. KommAustria also noted that in such cases the ORF must check compliance with the ORF Act (ORF-G). Furthermore, the plans of the future MUX operator should support a broad and open receiver equipment market, to promote competition for the benefit of consumers and allow the supply of diverse user devices that are also suitable for mobile use. KommAustria regards mobility, for example as additionally supported by receivers in the form of USB sticks, as a crucial feature of digital terrestrial television.

When the application period expired on 26 November 2014, one application for a licence had been submitted by ORS comm GmbH & Co KG, a subsidiary of ORS and the current licence holder and network operator of MUX A and B.

5.1.2 Setting the stage for launching digital radio

KommAustria decided to create all framework conditions for a licence tender and thus the launch of digital radio, yet without making a tender for the operation of a digital radio multiplex part of the Digitisation Plan 2013 ordinance; the decision proved to be in line with market requirements. There was no demand for such a licence either in 2013 or in 2014, nor does this trend seem likely to change in 2015. 2015 should only see the trial operation in Vienna based on transmission standard DAB+ by the Austrian Association for Digital Radio (Verein Digitalradio Österreich), which was originally planned for 2014.

5.2 Developments of individual TV reception platforms (broadcasting)

5.2.1 Terrestrial

Following the nationwide launch of digital terrestrial television based on the DVB-T2 transmission standard in 2013 (MUX D, E and F), the first step was taken in 2014 to convert the first two nationwide DVB-T multiplexes (MUX A and B), launched in 2006 and 2007 respectively, to the more powerful transmission standard DVB-T2. After approval from KommAustria, ORS as the licence holder for operating MUX A and B introduced DVB-T2 to MUX B in the federal state of Carinthia in November 2014. Since then the channels previously broadcast there in standard definition via MUX B, i.e. ORF III, ORF SPORT +, 3sat and ServusTV, have been available exclusively in HDTV quality. In the meantime ATV can also be received in HD, and from the end of January 2015 it will no longer be broadcast as a standard digital signal. ATV2 and SRF 1 have also been added in standard definition. Receiving MUX B channels still comes at no extra monthly cost, but basic encryption has been activated that only permits reception after registering with ORS and the subsequent activation of the receiver. The conversion of MUX B to DVB-T2 is to take place gradually throughout 2015 and 2016. According to plans, the federal states of Vorarlberg and Tyrol are next in Q2 2015, followed by Styria and parts of Burgenland in Q3 2015.

Technical range of DVB-T/DVB-T2 multiplexes in 2014

The technical range of coverage among the population for both the nationwide MUX A (98%) and MUX B (91%) remained unchanged in 2014 from the previous year, despite small technical adjustments in the MUX B network. The percentage of the population living in areas allowing the reception of various regional DVB-T programmes (collectively termed MUX C) also stayed the same (64%) despite modest adjustments.

Four additional broadcasting systems went operational in 2014 for the three nationwide DVB-T2 platforms of MUX D, E and F, bringing their technical coverage range to 88% of the population (2013: 86%).

12% of the TV population uses terrestrial reception

Digital terrestrial television is used as the only or the most important (primary) reception form in 210,000 Austrian TV households (2013: 208,000). This accounts for 6% of all television households. Some 397,000 viewers aged twelve or above[5] (2013: 398,000) or 6% of television viewers live in these households.

Yet the actual significance of terrestrial television for the Austrian television market only becomes clear after taking into account its secondary use as a typical reception platform for additional receivers in cable and satellite households.

After adjusting for cable TV households with basic coverage, roughly 335,000 people aged twelve and above lived in these primary terrestrial households in 2014. Another 527,000 people aged twelve and above lived in cable and satellite households where terrestrial television is also used. This total of 860,000 people (2013: 805,000) represents 12% of the television population aged twelve and above, and is therefore a good percentage point higher than in 2013.

5.2.2 Satellite

After the share of Austrian television households with satellite reception rose three percentage points to 53% in 2014, satellite is now clearly the most important platform for television reception, with a substantial lead of twelve percentage points over cable. The number of satellite households rose by 98,000 to 1.893 million, while the number of TV viewers aged twelve and above in satellite households increased by 208,000 to 4.116 million compared with December 2013. This means 57% of TV viewers aged twelve and above live in satellite households (2013: 54%).

5.2.3 Cable and IPTV

Since December 2013, about 72,000 television households or 165,000 viewers aged twelve and above turned their backs on cable reception and switched to satellite reception. Consequently, 1.503 million TV households (41% of all television households) or 2.734 million viewers aged twelve and above still had a digital or analogue connection for cable television in December 2014. Just under 1.575 million cable households had existed in December 2013, representing 44% of all television households.

Digital cable households remained on a growth trajectory in 2014 though. After accounting for the majority of cable households for the first time in 2013 with a figure of 56%, they extended their lead significantly in 2014 to a share of 66% or 987,000 households, in which at the end of December a total of 1.862 million viewers or 68% of all cable television viewers (2013: 57%) aged twelve or above lived.

[5] This number includes roughly 64,000 people aged twelve and above in cable households with basic coverage.

Making up 24.3%, Austrian IPTV households are a subset of digital cable households; in 2014 IPTV households accounted only little for the numeric growth of this group. Practically all IPTV households use the A1 TV product of Telekom Austria Group (rebranded in autumn 2014 to A1 TV Plus). The growth curves for these households have visibly flattened over the last three years. Compared with the previous year they rose by around 10,000 to a good 240,000 households in absolute terms. This corresponds to growth of 4.3% over the previous year. In 2013 the growth rate still totalled 7.8%, whereas it had been 10% in 2012 and even around 33% in 2011.

5.3 Digitisation of radio broadcasting

After the digital radio trial run in Vienna planned for 2014 by the Austrian Association for Digital Radio did not take place in the end, the association announced a new attempt for 2015. The ORF and national private radio broadcaster KRONEHIT revealed in March 2015 that they would not be participating.

The Digital Radio Interest Group, an experts group founded in 2009 on the initiative of RTR and KommAustria, met on 27 November 2014. Representatives of the Association of Austrian Private Broadcasters referred to the introduction of digital radio as an option, yet one that would only be seen as complementing and not replacing analogue FM transmission.

The Digital Radio Interest Group brings together leaders of associations and groups that represent the interests of commercial and non-commercial radio broadcasters (the Austrian Association of Private Broadcasters, or VÖP, and the Austrian Association of Independent Radio Broadcasters, or VFRÖ), the ORF, the Association of the Austrian Electrical and Electronics Industries (FEEI), and the management of the Media Division of RTR and the management of the authority KommAustria.

6 Management of funds and grants

6.1 Austrian Digitisation Fund

In 2014, the Austrian Digitisation Fund received an endowment of EUR 0.5 million. The purpose of the fund is to promote digital transmission technologies and digital applications based on European standards relating to broadcasting. Funding is provided from those broadcasting fees that are collected jointly with ORF programme fees but are primarily allocated to the federal budget.

The projected test operation of DAB+ in Austria was the main issue dealt with by the Austrian Digitisation Fund in 2014. According to information from the Austrian Digital Radio Association (Verein Digitalradio Österreich), about 14 commercial radio broadcasters have agreed to participate, which would occupy one MUX platform.

6.1.1 Notes on the 2014 annual accounts

Based on the statement for the trustee account as of 31 December 2013 and considering the deposits and withdrawals as well as the already approved but not yet paid contributions, about EUR 2.346 million is currently available in the fund as of 31 December 2014.

6.2 Austrian Television Fund

The Austrian Television Fund was set up in 2004 by the Austrian federal government in order to provide support for the Austrian film industry. The fund supports the production and exploitation of features, series and documentaries made for television and is funded with an annual figure of EUR 13.5 million.

6.2.1 Support for television films in 2014

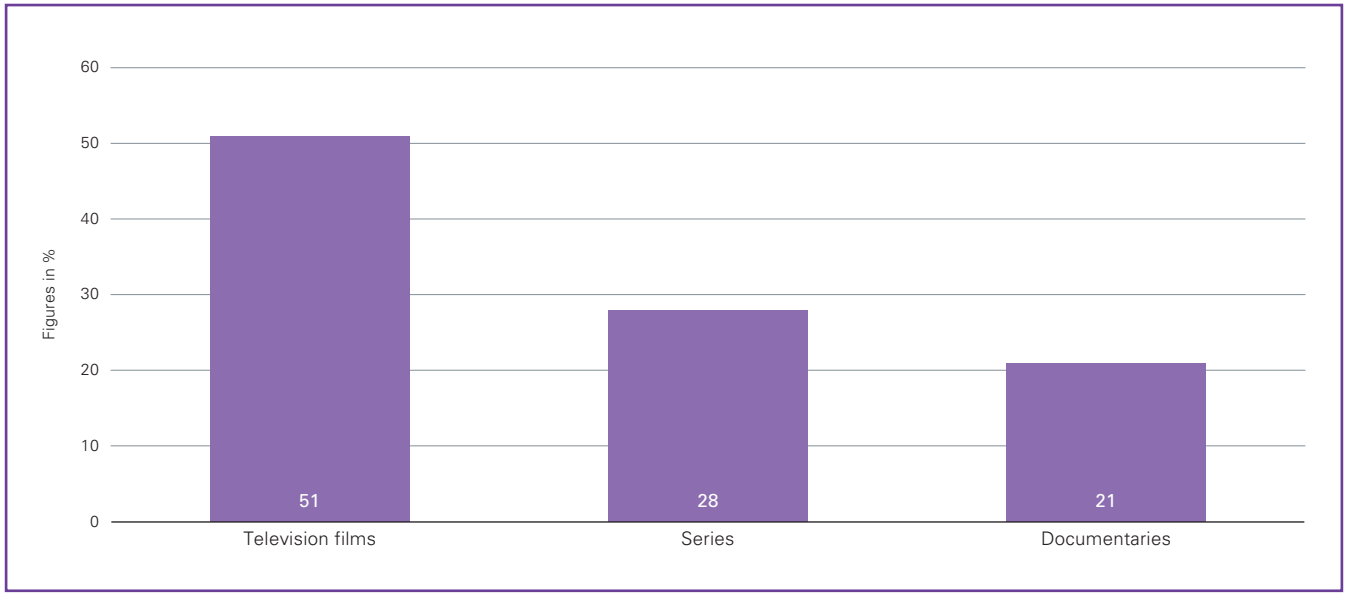
Production grants

A total of 78 projects were submitted as of the four application dates in the year under review. After all applications were examined, 61 projects were granted funding, to a total of EUR 13,371,263. One producer decided not to draw down any funding, so that the analyses to follow relate to a total of 60 projects in receipt of support.

The total production costs for the projects supported in 2014 amounted to approx. EUR 67 million. About EUR 38.9 million was expected to be spent in Austria for the production of those films. The latter figure amounts to three times the sum of the grants awarded by the Austrian Television Fund.

A total of 14 films for television (23%), four series (4%) and 44 documentaries (73%) were supported. The figure below gives details on how the funding was proportionally distributed: Of the almost EUR 13.4 milion in grant support, 51% was spent on films for television, 28% on series and 21% on documentaries.

Figure 3: Austrian Television Fund – grants awarded in 2014



Source: RTR

In 2014, 16 projects involving international co-producers were supported (these included eight films, one series and seven documentary productions).

German television broadcasters participated in 28 projects, while eight more had the involvement of other European broadcasters from Belgium, France, Romania, Switzerland, Slovenia and Spain. An Australian and a US television broadcaster were involved in the production of one international project. For the first time ever, one of the supported projects was co-financed by a Mexican broadcaster.

Nine of the 60 supported projects had no involvement by any Austrian television broadcaster.

Financing of the supported projects

The supported projects received 60% of their funding from television broadcasters, 31% from grants, 8% from the producer's own resources and 1% through distribution agreements.

You can find detailed information on the supported projects on the Austrian Television Fund's website.

Exploitation grants

Grants totalling EUR 155,254 were distributed among 13 projects to support their exploitation. This funding provided resources for the creation of versions for viewers with hearing and visual impairments and foreign-language editions of the programmes.

6.2.2 Notes on the 2014 annual accounts

Based on the statement for the trustee account as of 31 December 2013 and considering the deposits and withdrawals as well as the already approved but not yet paid contributions, EUR 108,337.27 is currently available in the fund as of 31 December 2014.

6.3 Broadcasting funds

The Fund for the Promotion of Private Broadcasting (Private Broadcasting Fund) and the Fund for the Promotion Of Non-Commercial Broadcasting (Non-Commercial Broadcasting Fund) were set up in 2009 with the amendment of the KommAustria Act (KOG). The two funds were originally endowed with a total of EUR 6 million. The funding was then steadily increased to a figure of EUR 18 million in 2013.

The funds serve the purpose of promoting the dual broadcasting system in Austria and helping broadcasters deliver diverse and high-quality programming. Broadcasters whose programmes require a licence or notification as defined in the Audiovisual Media Services Act (AMD-G) or Private Radio Act (PrR-G) are eligible to apply for grants.

Funding is allocated on the basis of relevant legislation and of approved guidelines. The funding decisions are taken by the managers of RTR's Media Division after the Review Board has submitted an opinion.

6.3.1 Non-Commercial Broadcasting Fund

6.3.1.1 Application dates in 2014

In 2014, a total of around EUR 3 million was available in the Non-Commercial Broadcasting Fund. In the first round of applications (due by 31 October 2013), the fund awarded grants to a total of 14 non-commercial radio stations, three community television stations, and two education and training initiatives in radio broadcasting. In total, EUR 2,646,764 was awarded. Of the funding, 33.90% went to television, while 66.10% was allocated to the radio sector. In this round, grants of EUR 2,327,493 were awarded for content creation, EUR 270,771 for educational measures and EUR 48,500 to support reach surveys and quality studies.

The second round of applications closed on 9 May 2014. Remaining funds amounting to EUR 264,600 were awarded.

Additional information on the grant awards and decisions can be found on the RTR website at www.rtr.at/de/foe/NKRF_Fonds (in German).

6.3.1.2 Notes on the 2014 annual accounts

Based on the statement for the trustee account as of 31 December 2013 and considering the deposits and withdrawals as well as the already approved but not yet paid contributions, EUR 65,791.76 is currently available in the fund as of 31 December 2014.

6.3.2 Private Broadcasting Fund

6.3.2.1 Application dates in 2014

Of a total available of about EUR 15 million from the Private Broadcasting Fund, approximately EUR 12 million was distributed in the first round. In the first round of applications (due by 18 October 2013), a total of 191 applications for grants in the field of television and 316 applications in radio broadcasting had been submitted.

In total, EUR 12,309,650 was awarded to 47 private television broadcasters and 44 private radio broadcasters. Of these funds, EUR 8,099,980 went to television broadcasters, EUR 3,931,508 to radio broadcasters and EUR 278,162 to the educational institutions Privatsenderpraxis and Forum Journalismus TV Radio.

A breakdown of grants according to the three grant categories reveals that 90.50% of the EUR 12,309,650 total awarded in the first round of applications went to content projects, 7.81% to education and training, and 1.69% to reach surveys and quality studies.

A total of 249 applications were received in the second round, for which applications had to be submitted by 9 May 2013. Of those applications, 82 related to television broadcasting and 167 to radio broadcasting.

EUR 3,062,793.50 was allocated in the second round to 31 private television and 26 private radio operators, as well as a single training institution. A total of EUR 2,036,475 went to television broadcasters, EUR 1,010,918.50 to radio broadcasters, and EUR 15,400 to a single training association.

A breakdown of the grants according to the three grant categories reveals that 83.87% of the total of EUR 3,062,793.50 awarded in the second round of applications went to content grants, 9.14% to education and training, and 6.99% to reach surveys and quality studies.

Additional information on the grant awards and decisions can be found on the RTR website at www.rtr.at/de/foe/PRRF_Fonds (in German).

6.3.2.2 Notes on the 2014 annual accounts

Based on the statement for the trustee account as of 31 December 2013 and considering the deposits and withdrawals as well as the already approved but not yet paid contributions, about EUR 675.000 is currently available in the fund as of 31 December 2014.

6.4 Press and journalism subsidies

The federal press and journalism subsidies administered by RTR are direct support measures in the form of financial contributions. Decisions on the allocation of subsidies are made by the Austrian Communications Authority (KommAustria), and the administration of grants is assigned to one member of the authority. The Press Subsidies Commission and the Journalism Subsidies Advisory Board have been set up as advisory bodies for these subsidies. One exception is the subsidies allocated to the Austrian Advertising Council as defined in Art. 33 KOG, for which no advisory body is required. RTR provides specialist technical and administrative support.

The legal bases for the allocation of grants are the Austrian Press Subsidies Act 2004 (PresseFG 2004), the press subsidies guidelines to be published by KommAustria each year, Section II of the Journalism Subsidies Act 1984 (PubFG) as well as Art. 33 KOG and the guidelines to be published by KommAustria governing the promotion of self-regulation in commercial communication.

6.4.1 Press subsidies

In 2014, KommAustria received 125 applications for subsidies under the PresseFG 2004. The authority granted subsidies in 116 cases, while nine applications had to be rejected because they did not fulfil the legal requirements for funding.

Table 4: Press subsidies – changes in grant amounts, applications and approval rates, 2010 to 2014

Year	Grant amount (EUR)	Applications	Approvals	Approval rate in %
2010	12,887,999.50	125	120	96.0
2011	12,495,999.30	126	122	96.8
2012	10,945,800.00	127	122	96.1
2013	10,839,000.00	128	124	96.9
2014	8,649,085.00	125	116	92.8

Note: Contributions to the Austrian Press Council financed by the funds are included within this presentation.

Source: RTR

Exact figures and further details on the subsidies can be found on the RTR website (www.rtr.at).

6.4.2 Supporting self-regulation of the press

Since 2010 KommAustria has been able to award a subsidy to a representative self-regulatory body within the Austrian press to cover the expenses for fulfilling duties. The fund for this purpose is endowed with EUR 150,000 each year, sourced from the broadcasting fees. The goals of this funding have been set out in the PresseFG 2004.

In 2014 the Austrian Press Council dealt with 238 cases, of which 218 cases were deemed within its jurisdiction. 229 cases were submitted to from the outside, while in nine cases the body's senates reviewed cases resulting from their own observations. 19 cases resulted in an ombudsman process being initiated, of which ten resulted in a settlement. 35 cases were found to breach the Austrian Press Council's code of conduct.

6.4.3 Austrian Advertising Council

Since 2009, it has also been possible to grant subsidies for a recognised self-regulatory body in the field of commercial communication in the media. The goals of these subsidies are defined as follows in Art. 33 KOG: to ensure the independence of the body in question, to ensure that the duties set forth in its articles of association are carried out, and to effectively enforce its decisions and resolutions.

As in previous years, the Austrian Advertising Council was again the only applicant for a subsidy in 2014 and received the entire amount allocated to the fund for the promotion of self-regulation in commercial communication (EUR 50,000), in order to cover the costs incurred in the course of fulfilling its duties.

6.4.4 Journalism subsidies – promotion of print periodicals

KommAustria's duties also include the promotion of journalism that serves the purpose of educating citizens as stipulated in Section II of the Federal Act on Subsidies for Political Education and Journalism 1984 (PubFG). These subsidies are provided for periodicals which address issues related to politics, culture and world views at a high level, and therefore serve the purpose of educating citizens.

The amounts granted are determined by KommAustria on a case-by-case basis with due attention to the Advisory Board's recommendation and to the scope, circulation, resources and financial situation of the relevant print periodical. The subsidy allocated for an individual periodical may be no less than 4‰ and no more than 4% of the funds specified for this purpose under the Federal Finance Act (BFG).

In 2014, KommAustria received 92 applications for such subsidies. 76 applications were resolved successfully, while 16 were rejected after failing to meet the statutory funding requirements. In 2014 a total of EUR 340,000 were available to the fund. The individual amounts granted ranged between EUR 1,360 and EUR 10,879.88.

7 Activities of the TKK

The independent Telekom-Control-Kommission, or TKK for short, has been responsible for regulating the telecommunications market in Austria since 1997. Its tasks and responsibilities are specified in detail by law. Amongst other things it is responsible for the regulation of competition, frequency allocation procedures and the approval of general terms of business as well as the fees charged by telecommunications operators. The commission also acts as the supervisory authority for electronic signatures. What follows is an overview of the main areas of regulatory activity in 2014.

7.1 Market definition, market analysis and specific duties

Market analysis procedures are implemented by the regulatory authority at regular intervals. The purpose of the market analysis procedure is firstly to determine whether there is a relevant market that is subject to sector-specific regulation (market definition). The next step involves analysing whether one or more of the companies has significant power over this market, what challenges there are to competition in this market, and whether there is effective competition (market analysis). If there is no effective competition in the analysed market, appropriate and specific obligations must be imposed to overcome the competition problems effectively.

The pending market analysis procedures were completed in 2014. One of these concerns the retail market providing access for residential and non-residential customers to the public telephone network. The decisions issued in this context (M 1.3/12, M 1.4/12) identified A1 Telekom Austria AG (A1 Telekom) as a company with significant market power. Accordingly, specific obligations were imposed, related among other things to granting access and regulating fees.

A1 Telekom was also identified as a company having significant power in the market for terminating leased line segments. As part of this procedure the TKK came up against a veto from the European Commission, which meant further investigation steps were required. Specific obligations were ultimately imposed on A1 Telekom, among others with regard to granting access, non-discrimination including the publication of reference offers, as well as fee controls (M 1.5/12). At the same time the retail market for leased lines was deregulated, which means the specific obligations imposed in a previous procedure with A1 Telekom were lifted and not replaced (M 1.6/12).

In 2014 market analysis procedures in the area of fixed network and mobile termination were also conducted after new operators began to provide the monopoly service of termination in their networks and it was discovered that other operators also provide this service. As seen already with procedures in 2013 (M 1.8/12, M 1.10/12), other operators including Lycamobile Austria Limited, atms Telefon- und Marketing Services GmbH, Finarea S.A., Schuster & Kyba Gesellschaft m.b.H and 3 U Telecom GmbH were identified as companies with significant market power. As such, an interconnection obligation as well as an obligation to charge certain termination fees, specifically no more than 0.8049 eurocents (for mobile termination at Lycamobile) 0.137 eurocents (at peak times) and 0.085 eurocents (off-peak, fixed network termination), were imposed (M 1.11/12, M 1.12/12).

Furthermore, the reference offers published in 2014 were reviewed based on specific obligations (including those for physical access, wholesale broadband, termination and origination as well as for terminating segments). The obligated companies took account of any and all objections made by the regulatory authority.

After UPC Austria Services GmbH entered the market as a 'mobile virtual network operator', a new market analysis procedure was initiated in December 2014 to review this market and any other (new) mobile termination markets (M 1/14).

7.2 Network access

Network access means the provision of facilities and/or services to another company for the purpose of providing electronic communications services. This can include access to network components such as the local loop, access to forms of physical infrastructure such as buildings, lines and masts, as well as access to software systems. The obligation to provide network access can affect companies deemed to have significant market power by the regulatory authority. Beyond that, the 2003 Telecommunications Act (TKG 2003) also provides for a general interconnection obligation: each operator of a public communications network has to make an interconnection offer to other operators of such networks on request. If no network access or interconnection agreement based on private law is reached, each participant involved has the option of applying to the regulatory authority for a decision in lieu of such an agreement.

Retroactive application of fixed network termination fees (Z 3/14, Z 4/14, Z 5/14, Z 7/14, Z 8/14)

A1 Telekom and T-Mobile requested the retroactive application of lower fixed network termination fees in the case of those fixed network termination operators that had not been required to charge lower fixed network termination fees as of market analysis decisions (M 1.8/12) from 1 November 2013 onwards but only as of market analysis decisions (M 1.11/12) from 1 August 2014 onwards.

In procedure Z 4/14, A1 Telekom was unable to prove that the party opposing the application had actually received the notice cancelling the annex of interconnection fees. There were consequently no grounds for the application and so it was rejected.

In the other procedures, the fixed network operators not yet obligated during that period were ordered to retroactively charge the lower fixed network termination fees.

Subscriber consent to number porting (Z 6/14)

The bilateral dispute resolution procedure Z 6/14 carried out from June to November 2014 between Tele2 Telecommunication GmbH (Tele2) and A1 Telekom covered issues in connection with subscriber consent to number porting when changing fixed network operator. In the TKK decision of 24 November 2014, the procedures adopted between the parties to the procedure since 2002 were adapted to unbundling and virtual unbundling: proof of the subscriber's consent to number porting or a related full power of attorney granted by the subscriber to the recipient operator need not be provided in every case but can be presented later and only at the specific request of the operator relinquishing the number. This can take place by the subscriber providing consent or the power of attorney – at the least in electronic form – immediately afterwards; a verbal declaration by the subscriber or a transcript of a taped recording are not sufficient pursuant to the TKG 2003. The application to allow declarations of consent to be submitted by pressing a key was rejected, as such does not fall within the TKK's competence.

7.3 Wayleave rights and rights of joint use

Part 2 of the TKG 2003 governs infrastructure rights that facilitate the expansion of communication lines and thus contribute to the rollout of broadband networks. Thus new lines can be laid on third-party land, and existing infrastructure – masts, ducts, shafts, lines etc. – belonging to other companies can be shared for these purposes as well.

The law generally provides for the parties affected to reach a contractual agreement. If no such agreement is reached, the TKK can issue an official decision. After the TKK had clarified significant legal issues on line rights and rights of joint use in numerous cases, no corresponding applications were filed in the reporting period.

7.4 Supervisory procedures

Where the regulatory authority within the scope of its responsibility has suspicions that a company is in breach of the TKG 2003 or of one of the ordinances issued on the basis of that act (e.g. the Number Porting Ordinance, NÜV), it is to conduct a supervisory procedure pursuant to TKG 2003. If a request to submit a statement on the matter is ignored and corrective action is not implemented within a reasonable period, the regulatory authority is obliged to order any suitable, necessary measures to ensure compliance with the violated provision. If the ordered measures are not complied with, this repeated and gross breach of duty entitles the regulatory authority to suspend the right to operate communication networks or provide communication services until the failings are rectified.

Failure to publish a reference offer for mobile termination by Mundio Mobile (R 1/14)

In market analysis decisions M 1.10/12, all mobile termination operators were ordered amongst other things to publish a reference offer. Since Mundio Mobile failed to meet this obligation, a supervisory procedure was initiated against it and a supervisory decision issued. After the deadline elapsed without resolution and following a threat to suspend or revoke Mundio Mobile's right to operate a communication network or provide communication services, Mundio Mobile published a reference offer.

Vectone Mobile and Mundio Mobile charge excessive fees for roaming in Croatia (R 2/14)

The maximum amounts set for roaming charges in the Roaming Regulation have also applied in Croatia since 1 July 2013. Vectone Mobile and Mundio Mobile[6] charged higher fees for roaming in Croatia. A procedure was consequently initiated against Vectone Mobile in accordance with the Roaming Regulation. After Vectone Mobile complied with the regulatory authority's demand to adjust the fees in line with the regulation, the procedure against Vectone was discontinued.

Conditions for Hutchison/Orange merger – frequencies (R 3/14)

In a TKK decision of 13 December 2012 the merger between Hutchison and Orange was approved under certain conditions. One such condition was essentially that Hutchison, subject to certain requirements, had to offer to sell the frequency spectrum of 2 x 0.8 MHz in the 900 MHz range to the successful bidder in the relevant multiband auction, which was finally A1 Telekom.

On 1 September 2014 the TKK initiated a supervisory procedure to review a suspected breach of Hutchison's obligation. Oral negotiations were also held with the parties for the purposes of discussing the circumstances underlying the procedure. Hutchison repeatedly stressed that its end users in certain regions would be negatively affected by a transfer of the given spectrum, while it should be noted that Hutchison had been aware of the above-mentioned condition since the end of 2012. To overcome this problem, Hutchison purchased a 'replacement spectrum' in the 900 MHz range from T-Mobile. The frequencies in question were eventually transferred at the end of 2014 by Hutchison to A1 Telekom and by T-Mobile to Hutchison. The TKK issued the relevant approvals in decisions dated 19 December 2014. On the same day, the supervisory procedure could be subsequently terminated, with no further compliance failure deemed to exist.

[6] The website did not reveal which company is responsible for the content.

7.5 Supervisory procedure against sparfon: unlawful fee for printed bills

From March 2014 many customers of sparfon GmbH, which offers pre-selection services, complained to RTR against sparfon GmbH collecting a fee for sending printed bills by post. As a result, a multitude of procedures with the RTR conciliation body dealt with this complaint.

Since the TKG 2003 prohibits the collection of a fee for the sending of printed bills by post, RTR ordered sparfon GmbH in April 2014 to rectify this abuse.

sparfon GmbH did not, however, alter its policy. Consequently, the regulatory authority resorted for the first time to the legally prescribed option (Art. 111 TKG 2003) of applying to the Cartel Court to have a company's unlawful revenues skimmed off: if a company gains an economic advantage by acting in breach of the TKG 2003 or another law, the Cartel Court can demand payment of a sum equal to the income acquired unlawfully.

Application with the Cartel Court

In the arguments submitted to the Cartel Court, the TKK stated that sparfon GmbH had gained a significant economic advantage owing to the unlawful collection of EUR 1.50 per printed bill sent by post for a period of at least seven months. Extrapolated for the number of customers this is a substantial amount. The regulatory authority also noted that the fee for printed bills had deterred customers from using the printed bill service at all. One key priority of the regulatory authority is to ensure that the consequences of unlawful conduct by an operator should not be borne by customers.

The procedure for skimming off unlawful revenue is currently pending with the Cartel Court.

7.6 Notification and review of contractual terms

According to the TKG 2003, operators of telecommunication services and networks are obliged to give notice of their contract terms (general terms and conditions, service descriptions and fee provisions) and any related changes. A number of amendment notices in 2014 were related to the raising of fees for existing customers (for more details see Chapter 3). Raising fees for existing contracts is an option provided to operators by a separate provision in the TKG 2003.

The TKK has eight weeks to object by decision to contract terms or amendments to contract terms (provided only a change is involved). In the procedure, the TKK not only examined compliance with provisions of telecommunications law, but also with relevant civil and consumer protection law provisions envisaged by the TKG 2003. However, the TKK does not review the fee amounts.

A total of 227 notifications were received by the TKK in the 2014 reporting year. In most procedures the operators made the required adjustments to the contract terms in the course of the procedure, which meant the TKK resolved not to issue any objection decision. The contract terms not objected to can be viewed (in German) at www.rtr.at/de/tk/AGB.

TKK issued objection decisions

Adjustments to contract terms were not made (or not to a sufficient extent) in three procedures. Thus objection decisions were issued in respect of notifications by Multikom Austria Telekommunikation GmbH (G 185/13), MyPhone GmbH (G 71/14) and Hutchison Drei Austria GmbH (G 175/14).

As part of issuing objection decisions, the TKK dealt with various issues (deactivation of pre-selection after cancellation, presentation of different quality of service categories etc.). In procedure G 175/14 (Hutchison), mobile data tariffs that comprise different quality of service categories were reviewed for the first time. Thus customers can buy priority handling of their data traffic for or with their rate. This service content and the consequences of prioritising data traffic were not presented in a suitably transparent manner, so that objections were raised to the service descriptions. The full text of the decision can be viewed (in German) at www.rtr.at/de/tk/EntscheidungenGesamt.

Approval procedures

In addition to the notification requirement and owing to its position of significant market power, A1 Telekom is subject to an ex ante approval obligation for those of its contract terms that are relevant in the fixed network access market for residential and non-residential customers. The current obligations are derived from market analysis decisions M 1.3/12 (residential customers) and M 1.4/12 (non-residential customers) of the TKK. In 2014 the TKK conducted three ex-ante approval procedures. The contract terms for the products A1 Business Network (G 7/14), A1 Kombi (G 70/14) and A1 Business Kombi (G 109/14) were approved. The approval decisions can also be viewed (in German) at www.rtr.at/de/tk/EntscheidungenGesamt.

7.7 Frequencies

2013 multiband auction: proceedings before the Administrative Court

The largest frequency auction ever held in Austria commenced on 9 September 2013 and was completed on 21 October 2013. The auction revenues amounted to roughly EUR 2 billion. 28 frequency blocks were auctioned off. A1 Telekom secured four blocks from the digital dividend, including block A3, which is tied to more comprehensive coverage requirements for rural regions. T-Mobile successfully bid for the two other blocks in the 800 MHz band. There were three successful bidders in the 900 MHz band. A1 Telekom and T-Mobile each acquired three blocks, and Hutchison one block. Three operators also made successful bids in the 1800 MHz range. Hutchison and T-Mobile both bought four blocks each, and A1 Telekom seven blocks.

Table 5: Breakdown of frequency blocks resulting from the auction

Frequencies	A1 Telekom	T-Mobile	Hutchison
800 MHz (5 blocks)	3 blocks	2 blocks	-
800 MHz coverage block	1 block	-	-
900 MHz (7 blocks)	3 blocks	3 blocks	1 block
1800 MHz (15 blocks)	7 blocks	4 blocks	4 blocks
Total	**2 x 70 MHz**	**2 x 45 MHz**	**2 x 25 MHz**
Total price (in EUR)	**1,029,895,738.00**	**654,482,816.00**	**330,082,913.00**

Source: RTR

The TKK completed its frequency allocation procedure on 19 November 2013 with the assignment of the listed frequencies. Official decisions were subsequently issued to A1 Telekom, T-Mobile and Hutchison, the operators participating in the auction. T-Mobile and Hutchison responded by filing complaints with the Constitutional Court (VfGH) and with the Administrative Court (VwGH). The supreme courts rejected the applications of the operators with regard to the suspensory effect of their complaints. In March 2014 the VfGH announced its refusal to handle the complaint. In summer 2014 Hutchison withdrew the complaint filed with the VwGH.

Regulatory authority's legal opinion confirmed by Administrative Court ruling

The decision by the VwGH of 4 December 2014 brought the last eagerly awaited supreme court decision in this matter. Reaching a decision on T-Mobile's complaint, the VwGH found it to be unjustified. The allocation decision of the TKK was thus considered final.

The VwGH followed the regulatory authorities' legal opinion on all points that had come under criticism. For example, it confirmed the regulatory authorities' view that the residual term of the GSM frequencies was not affected by the transition from the TKG 1997 licensing system to unlimited general authorisation. It was also confirmed that the auction revenues are not a relevant factor for judging the success a frequency auction. Nor is maximising or minimising revenues an objective of a frequency auction design. Rather, a frequency auction should promote the efficient distribution of frequencies, a limited resource, in accordance with the value attributed to them by the bidders. The essence of the VwGH ruling was that the fact that revenues were higher than the parties involved expected did not represent grounds to consider the decision unlawful. Nor was it an indication that the revenues were above the 'market value' of the frequencies, rather, one of the purposes of the auction was in fact to determine the price that bidders were willing to pay, and thus the market value of the frequencies.

Furthermore, the regulatory authorities' view that they were not obliged to subject the tender conditions to a consultation was confirmed as well. The VwGH also did not share the criticism that the chosen auction design and the spectrum caps had been set too 'loosely' and therefore did not comply with the provisions of the TKG 2003 with regard to promoting competition; the authorities' procedures were confirmed as correct.

The VwGH also deemed the measures taken by the TKK to prevent collusion in the auction to be legally permissible. This supreme court decision is especially significant for regulatory activities as it not only removes all doubt surrounding the multiband auction held in 2013 but also guarantees legal certainty in future frequency assignment procedures. The ruling gives unequivocal answers to a number of questions often raised by operators in the past. For the Austrian economy and businesses as well as for Austrian consumers the ruling means an end to any obstacles to rapid expansion of broadband service by telecom operators. Coverage requirements have been tied to the acquisition of frequencies in the 800, 900 and 1800 MHz bands; this will ensure the supply of broadband services even to regions of Austria still experiencing poor coverage. The regulatory authority will review compliance with these coverage requirements in May 2015 for the first time.

Refarming – use of GSM frequency ranges for UMTS and LTE

In a meeting on 28 July 2014 the TKK decided to reallocate existing frequency usage rights in the GSM range (900 MHz and 1800 MHz). From that point onwards, these frequency bands could also be used for UMTS (3G) and LTE (4G).

The reallocation was not only required from the perspective of European law, but also for competition and economic considerations: operators can now use a much larger part of their existing frequency spectra than before to provide broadband services using UMTS and LTE. The mobile telecommunications spectrum that can be used for broadband increased from 59% to almost 90%.

Both LTE and UMTS are technically more efficient technologies than GSM. UMTS and LTE not only display a much higher peak data rate than GSM, they also enable higher capacities. This means that higher data throughput can be achieved per surface unit and frequency bandwidth.

The positive economic effects brought on by this decision of the regulatory authority include more capacity for broadband services, more coverage spectrum to supply rural areas with broadband and sustained cost savings on account of higher technical efficiency.

A procedure to liberalise frequency usage rights in the 2.1 GHz range was still pending at the end of the reporting period.

Defragmentation

The current split (fragmentation) of the used frequency spectrum constitutes a barrier to more efficient use of frequencies, i.e. operators have many small packages in a frequency band that are not adjacent to each other. With a view to ensuring even more effective use of frequencies the regulatory authority would welcome operators reaching a private agreement on defragmentation, i.e. to exchange frequency packages. The regulatory barriers preventing such an exchange have been lifted by the authority – the ball now lies in the operators' court.

Award of frequencies in the 3.5 GHz range

In July 2014 frequencies in the 3.5 GHz range (mainly usable for fixed and mobile broadband services) were awarded for the region of Carinthia. With the TKK decision of 30 June 2014, the spectrum was allocated to NETcompany - WLAN Internet Provider GmbH. Allocation is valid until 31 December 2019. The frequency licence fee was set at EUR 6,300.

Level of coverage in the 2.6 GHz frequency range

Frequency usage rights in the 2.6 GHz range were assigned in 2010 (planned largely for providing LTE services). The coverage requirements specified ensuring a 25% level of coverage by 31 December 2013. Level of coverage is defined as the percentage of the covered resident population relative to the entire resident population. A bearer service supporting a downlink data rate of at least 1 Mbps and an uplink rate of at least 256 kbps is required to be provided in the coverage areas. The allocation holders (A1 Telekom, Hutchison and T-Mobile) were required to provide by February 2014 evidence of complying with the coverage obligation imposed by the regulatory authority. Based on the information submitted, the TKK decided after appropriate measurements to verify the reported level of coverage. The measurements were completed at the end of May. A statistical evaluation commissioned by the TKK essentially came to the conclusion that the coverage requirements have been and are being met by all three operators. The TKK was thus able to terminate the procedure and did not have to take any further action.

7.8 Electronic signatures

The Signatures Act (SigG) empowers the TKK as Austria's supervisory authority for electronic signatures. In 2014, the TKK initiated a total of six procedures pursuant to the SigG, four of which were mostly completed.

A-Trust Gesellschaft für Sicherheitssysteme im elektronischen Datenverkehr GmbH (A-Trust) continued to be the only Austrian-based certification service provider (CSP) that issued qualified certificates in 2014. The CSP reported changes to the TKK regarding its security and certification concept on two occasions. Among other things these concerned simplified procedures for renewing qualified certificates, support for additional signature creation devices and changes following a relocation of the trust centre. One of the two procedures was still pending with the TKK at the end of 2014. A third procedure concerned the outage of key hardware components for certification services, which was completed without supervisory measures thanks to the professional approach taken by the CSP.

The Austrian Federal Office of Metrology and Surveying was Austria's only provider of qualified time-stamp services until 2014. A provider review, which normally takes place every two years, was initiated but not completed because the provider discontinued services in September 2014. Discontinuation of services was monitored by RTR on behalf of the TKK.

Another company submitted an application in 2014 for accreditation as a CPS. Further information will be published separately following the positive completion of the accreditation procedure that was pending at the end of 2014.

8 Activities of RTR

In the field of telecommunications the Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) is not just an agency of the Telekom-Control-Kommission (TKK), it is also responsible for separate official duties. Such include, for example, consumer arbitration, alternative resolution of disputes, administration of Austrian phone numbers and the issue of ordinances. Key focal points of work in the reporting year are presented below.

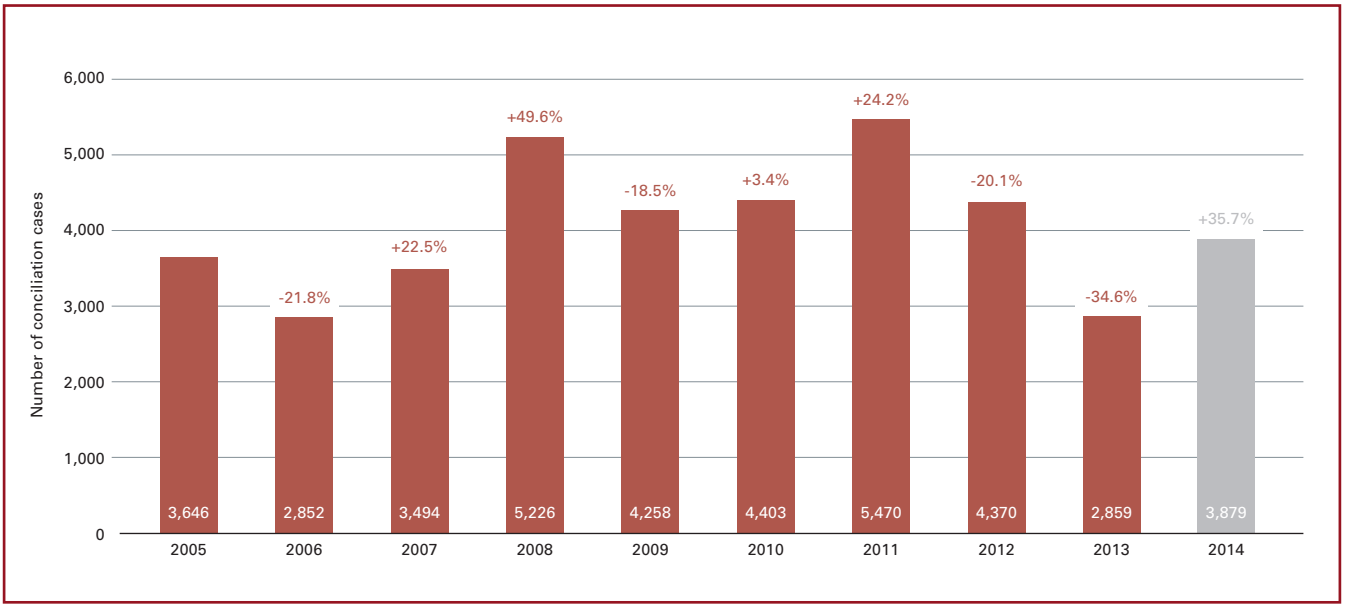
8.1 End-user conciliation procedures

8.1.1 Telecommunications

The Austrian Telecommunications Act provides all customers of telecommunications service operators with access to free conciliation procedures. Thus, alongside ordinary legal channels, various problems such as billing disputes or contract ambiguities can be submitted to the conciliation body. In each case the conciliation body strives to reach an amicable solution between the customer and the network operator. If these efforts fail, the circumstances of the case are examined and the conciliation body expresses its legal opinion. Any recommendations only take legal effect, however, if they are accepted by the customer and the network operator. Separate conciliation guidelines govern in detail the requirements and the course of the procedure.

In 2014 there was a significant jump in the number of conciliation procedures filed.

Figure 4: Conciliation procedures filed, 2005 to 2014



Source: RTR

Content services: responsible for increase in procedures

This is principally due to complaints concerning content services. Complaints about such services, which are mainly used from smartphones, are steadily rising. Many of the customers affected dispute ever having ordered the services that appear on their telephone bill.

Content services are very similar to 'normal' value-added services, except that you do not need to enter a phone number. It is very easy to click and pay for the desired service via the user interface of the end-user device (generally a smartphone). Typical content includes competitions and video downloads. Unfortunately, the value of the purchased service is frequently not apparent. There are competitions for example, where analyses show that there is no realistic chance of 'winning'.

Content services are not regulated, in contrast to 'normal' value-added services. The rule whereby users must consent to subscription services again after the sum of EUR 10 is reached has particularly proven its worth for value-added services. The lack of this or similar regulations for content services means that subscriptions often pass users by unnoticed and generate high fees.

RTR believes that the absence of any legal foundation to regulate content services is a huge problem, and legal steps are urgently needed in the form of an amendment to the 2003 Telecommunications Act (TKG 2003).

One other reason for the increase in conciliation procedures is the often unilateral changes made to contracts and fees by network operators in 2014. Such measures by operators fuelled complaints about whether such price hikes etc. were admissible.

What is striking is that mobile network operators account for the largest share of conciliation procedures by far, in line with the importance of the Austrian mobile telecommunications market. A separate annual report to be published in spring 2015 will provide a more detailed presentation of conciliation activities (in-depth analyses by network operator and subject of procedure).

8.1.2 Postal services

As specified in the Postal Market Act (PMG), users and interest groups may call upon the regulatory authority in the event of disputes or complaints concerning a postal service provider that are not able to be satisfactorily resolved.

As of 1 January 2011, a postal conciliation body was established with RTR. The body received from consumers 92 requests for conciliation as well as numerous general enquiries in 2014. As in previous years, the subject of the majority of complaints concerned various delivery issues. Other repeated complaint issues included damaged or lost parcels, but also issues involving mail forwarding orders.

Table 6: Postal conciliation procedures, 2011 to 2014

	2011	2012	2013	2014
Procedures	64	57	68	92

Source: RTR

8.1.3 Media

Conciliation procedures are also available to customers of companies that operate facilities for broadcasting radio and television signals. This mainly concerns cable network operators or Pay TV providers. The responsibility for conducting the appropriate procedures falls within the scope of competence of the Austrian Communications Authority (KommAustria), which has mandated RTR as its operative arm with the actual task. The guidelines for conciliation procedures apply for all the conciliation procedures of a communications service (i.e. telecommunications and media). In this area of activity, a total of 27 procedures were carried out in 2014.

8.2 Supervisory procedures

RTR is responsible for prosecuting presumed breaches of the TKG 2003 and related ordinances (Cost Limitation Ordinance, Information Requirements Ordinance etc.). RTR can, however, only take action in such cases of suspected breach of law where the TKG 2003 has expressly empowered RTR to enforce the specific provision. Thus, alongside RTR, the TKK or KommAustria can also be responsible for supervisory procedures. Please refer to the relevant section of this report for their supervisory procedures.

Please note that the rules on jurisdiction do not grant a supervisory power to one of the three mentioned authorities for each provision of the TKG 2003. Thus, the breaches of some TKG 2003 provisions go unpunished in accordance with the applicable supervisory power.

Below is a list of the six procedures launched in 2014 with a description of the subject.

- Vectone Mobile GmbH: The company offered mobile telecommunications services without corresponding advance notification to the TKK.
- A1 Telekom Austria AG: Failure to disclose number porting information, which prevented customers from exercising their number porting rights.
- T-Mobile Austria GmbH: Unilateral changes to fees that did not comply with the standards of the Information Requirements Ordinance.
- sparfon GmbH: Presumed breach of obligation to present phone numbers in abridged form, as the itemised bills contained full numbers by default.
- Lycamobile Austria Limited: Preventing customers from changing telephone providers while keeping their phone number, in contrast to the obligations as per Art. 23 TKG 2003 and the 2012 Number Porting Ordinance (NÜV 2012).
- UPC Austria AG: Presumed non-adherence to formal requirements with unilateral changes to contract terms.

Details on the procedures can be found in the decisions published on the RTR website.

8.3 Unfair practices in providing value-added services

In accordance with Art. 24 Par. 2 TKG 2003, the regulatory authority has to provide information on an annual basis regarding unfair practices relating to value-added services and the action taken. Of particular significance in this context is the Communications Parameters, Fees and Value-Added Services Ordinance (KEM-V 2009), the provisions of which resulted in a decline in complaints regarding value-added services.

In the reporting year, 77 of the complaints handled in connection with RTR's duties as a conciliation body were related to value-added voice telephony, and 59 to value-added text messaging, which corresponds to 2% and 1.5% respectively (3.5% in total) of all the conciliation procedures. The corresponding percentages of complaints regarding value-added services in conciliation procedures came to some 6% in 2010, about 7% in 2011, roughly 8% in 2012 and around 9% in 2013.

Table 7: Value-added service complaints, 2010 to 2014

	2010	2011	2012	2013	2014
Total number of conciliation procedures	4,403	5,470	4,370	2,859	3,879
Value-added services	279	375	336	255	136

Source: RTR

Moreover, a web form for complaints about valued-added services has been operational since April 2008. During the period under review, the number of complaints dropped to some 163 from the previous year, when some 205 complaints were filed in this way.

The 2011 amendment to the TKG empowered the TKK to issue an administrative order immediately blocking such phone numbers in certain cases of abuse; the authority did not use this power in the 2014 reporting year as it was not necessary.

8.4 Services subject to notification requirements

Under Art. 15 TKG 2003, the regulatory authority must be notified of the intention to provide public communications networks or services, and of any modification or termination of such networks or services, prior to the start of operation or to the modification or termination.[7]

Table 8: Notified active services, 2012 to 2014

Service category	31 December 2012	31 December 2013	31 December 2014
Public telephone services at fixed locations and for mobile subscribers	439	415	396
Call shops	126	111	95
Internet cafés	136	124	104
Public internet communications services	452	430	414
Public communications networks	358	340	327
Public leased-line services	77	77	75
Other public communications services	26	26	25
TOTAL services notified	**1,614**	**1,523**	**1,436**

Source: RTR

As of 31 December 2014, a total of 709 operators had notified 1,436 active services; 115 of those businesses were operators of call shops or internet cafés. Under a 2011 amendment to the TKG 2003, such operators are exempt from a large number of obligations which generally arise from the TKG 2003 for businesses subject to notification requirements pursuant to Art. 15 TKG 2003 (including the notification of general terms and conditions).

[7] For further information on notification procedures, please refer to the Communications Reports of the previous years.

8.5 Universal service

Art. 26 TKG 2003 defines universal service as the minimum set of public services to which all end users must have access at an affordable price and to a certain standard (Art 27 TKG 2003), regardless of their place of residence or work, with full coverage throughout the country. The quality criteria for universal service are defined in the Universal Service Ordinance (UDV). Under Art. 27 Par. 3 TKG 2003, A1 Telekom is required to send RTR a report on the extent to which it fulfilled those criteria on a yearly basis.

Prior to the 2011 amendment to the TKG, universal service had been limited to "access to a publicly available telephone service via a connection at a fixed location", whereas the amendment lifted the limitation concerning fixed locations. In this way, connections can also be established using mobile telecommunications. This requires an amendment to the UDV as the quality criteria in the current version of the UDV only apply to fixed networks. RTR provided advisory support to the Federal Ministry of Transport, Innovation and Technology (BMVIT) in 2014 with regard to a revision.

Pursuant to the TKG 2003, the Federal Minister of Transport, Innovation and Technology with the support of the regulatory authority has the mandate to review whether the universal services are being provided by the market in a competitive environment. RTR completed such a review on behalf of the BMVIT at the end of 2012 and submitted the results to the BMVIT. In the context of price increases on the telecommunications market (see Chapter 3) the BMVIT commissioned RTR with another review in March 2014, to examine the extent to which the goal of the affordable universal service "access to a publicly available communications network and to a publicly available telephone service" is still ensured by competition.

In this supplementary review, RTR identified doubts regarding the affordability of this universal service in future. On the one hand, changes in competition on the mobile telecommunications market have resulted in sharp increases not just with the higher priced rates but also in the low-cost segment. Furthermore, A1 Telekom has also raised its fixed network rates. Although the latter adjustments to fixed network rates were reviewed by the TKK and found to be in compliance with the principle of affordability, this cannot be readily assumed for future rate increases if A1 Telekom is released from its universal service obligation. This applies in particular if the negative real income trends of recent years continue and the pressure from mobile telecommunications services eases.

Consequently, RTR recommended conducting another review of the competitive situation towards the end of 2015. This is because it will be clearer at the end of 2015 whether the structural measures planned by the European Commission in the wake of Hutchison's takeover of Orange will be sufficient to stimulate price competition again, while the development of other relevant factors (income, inflation, real income trends etc.) can also be reassessed. The result of the review was sent to the BMVIT in April 2014.

In August 2014 the BMVIT sent RTR a statement from A1 Telekom including an evaluation report produced by DICE Consult on behalf of A1 Telekom regarding the affordability of universal services, requesting RTR to express an opinion. RTR expressed an opinion on the evaluation report and sent it to the BMVIT at the end of 2014.

8.6 Communications parameters

New routing number system

One focal point of the communications parameter management work was the enactment of an amendment to the KEM-V 2009, and in relation to this the introduction of a new routing number system for routing calls to mobile subscribers. The new regulations were published on 15 May 2014. The core rules entered into force on 1 September 2014.

Intensive preparations were required in advance to be able to plan and implement this changeover. Multilateral talks between network operators and RTR were instrumental for a successful outcome; these talks began in July 2013 at the initiative of RTR (see last year's Communications Report) and essentially ended with the public consultation as part of the ordinance preparation process.

Before the new system took effect in September 2014, only up to ten out of a possible 46 mobile national destination codes (NDCs) could be used. This was seen as a barrier to market entry, particularly by new market participants. At the turn of 2014/15 mobile telephone numbers were allocated under 15 mobile NDCs, which in retrospect confirms the need for the new system. Although the main changes were within the telephone network, end users already noticed the impact of the new system with the appearance of new mobile dialling codes such as '0677' or '0678'. The codes '0690' and '0663' will presumably follow in 2015 among others.

In spring 2014, there were some disagreements in this context between A1 Telekom, T-Mobile and Ventocom GmbH regarding the accessibility of phone numbers under the mobile dialling code '0677'. The issues in dispute were debated constructively by the participants in two RTR conciliation procedures (Z 1/14; Z 2/14), and a contractual arrangement was ultimately reached. Mobile telecommunications services with dialling code '0677' have been offered since January 2015.

Statistical analyses of telephone number administration

In comparison with 2012 and 2013, more decisions on telephone number requests were adopted again in the reporting year. This is mainly attributable to two reasons. More geographical number blocks were allocated than in previous years, and the introduction of the new routing numbers in areas '96' and '97' produced roughly 60 decisions.

Table 9: Decisions on telephone number requests, 2010 to 2014

	2010	2011	2012	2013	2014
Number of affirmative decisions	**710**	**707**	**525**	**503**	**630**
Geographical numbers	187	237	235	243	294
Non-geographical numbers	523	470	290	260	336
Number of negative decisions	**35**	**43**	**22**	**15**	**20**
TOTAL	**745**	**750**	**547**	**518**	**650**

Source: RTR

Within the framework of administrating special communications parameters, RTR issued a total of 14 decisions (all affirmative) in 2014.

More details are available (in German) at www.rtr.at/num.

8.7 International activities

RTR has been working with various international institutions for years while deploying its expertise – this commitment benefits the entire Austrian ICT sector.

RTR and BEREC

There was an intensive work programme in 2014 at the Body of European Regulators for Electronic Communications (hereinafter: BEREC).

One focal area of the work with BEREC in the first six months was the TSM Initiative of the European Commission. TSM stands for 'Telecom Single Market'. In late 2013 and early 2014 the Commission presented a draft regulation on the further harmonisation of the telecommunications market. BEREC was supportive of the initiative in principle, but criticised the rushed implementation. In the end, the Commission was unable to realise the TSM initiative in its originally planned format. In the end, the objectives were abolishing roaming charges and net neutrality.

International roaming

The European Commission has proposed comprehensive changes to the Roaming Regulation which affect international roaming. Specifically, work was carried out on an impact analysis of the planned partial abolition of roaming charges within the European Union. One possible solution would be 'roam like at home' (RLAH), where roaming users can enjoy voice, text and data services at the same prices as in their home country within certain limits ('fair use limit'). Apart from roaming, discussions about net neutrality have also picked up at European level. RTR played an active part in these discussions and in shaping opinions, through BEREC (primarily chairing the Roaming Expert Working Group). BEREC does not yet have a comprehensive, conclusive opinion on this topic. In the discussions, RTR advocated open internet and freedom for European end users. RTR is heavily committed to the topics of roaming and net neutrality because these issues will be particularly relevant for end users and the Austrian business community in the future.

Furthermore, BEREC has adopted an opinion on the review of the markets recommendation. BEREC supports in general the recommendation of the European Commission, but they also find it important to promote the objectives of national regulatory authorities and effective competition for the benefit of end users. Flexibility on the broadband market was particularly emphasised by BEREC.

In conclusion, it should be noted that the European Commission implemented various procedures in 2014 in accordance with Art. 7/7a of the Framework Directive. The procedure against the German regulatory authority regarding mobile termination fees is of particular importance for Austria. Germany did not implement mobile termination fees based on pure LRIC, as had been recommended by the European Commission. This asymmetrical application is resulting in damages to Austrian network operators amounting to EUR 12 million (until the end of 2016), which is why the TKK sent a complaint to the European Commission asking for action to be taken (see www.rtr.at/en/pr/PI11112014TK).

RTR and ERGP

In the area of postal regulation, RTR works closely with the European Regulators Group for Postal Services (ERGP). In the reporting year the main focal areas were the regulation of rates connected to falling letter volumes, calculating the costs of the universal service in the postal sector, assessing the quality of the delivery service, complaints management and the satisfaction of end users, cross-border parcel business with online orders, and competition in the end user market.

For the first time there was also a stakeholder workshop on the topic of the future and scope of the universal service, which produced important development conclusions (services, financing, designation etc.).

It is commonly known that the number of letters sent in the last few years has dropped as the field of electronic communications has grown strongly. At the same time, growth is also evident for parcel shipping, as end users are more often ordering goods online (e-commerce). The ERGP analyses these developments and produces documents that enable the postal regulatory authorities in the individual EU Member States to respond to these very developments in line with market conditions.

The ERGP also surveyed the postal universal service in 31 countries in 2014, finding that the results for Austria were very good by comparison. Measured in terms of purchasing power parity for national shipments, the affordability of the service is in the lowest quarter while the delivery frequency is five days per week (six days for newspapers). The ERGP also evaluates postal services in all Member States of the European Union on an ongoing basis with regard to consumer protection mechanisms and complaints management. Key lessons can be drawn from comparisons of processes in other countries in this way, and adjustments made nationally. The results of rate comparisons, transport periods and comparisons of delivery alternatives can be used as examples for national procedures.

8.8 Security and integrity of networks and services

Since November 2011, operators of public communications networks or services have been required to report to RTR, according to a form specified by RTR, any security violation or impairment of integrity that has considerable impact on network operations or the provision of services. Each year, RTR is required to submit a report to the European Commission and to ENISA (European Network and Information Security Agency) concerning the notifications received and the measures taken. Moreover, RTR can inform regulatory authorities in other Member States, ENISA or the public about certain notifications on an ad hoc basis. However, network operators do have to heed requirements on data protection when striving for transparency.

Reporting of security violations

In 2014 RTR received eight notifications of security violations or impaired integrity of electronic communications networks or services. One notification concerned the failure of a key component in the mobile telecommunications network in July 2014, owing to which roughly 675,000 subscribers were unable to access the network for a period of 13 hours. Five notifications concerned the temporary unavailability of emergency telephone numbers. Two notifications related to minor incidents not requiring any notification. Furthermore, based on media reports RTR examined another six incidents which had not been notified by network operators. A fire at one operator's technical premises in Burgenland, used jointly by two mobile network operators, resulted in the outage of three base stations for just under 30 hours, and to the outage of 63 base stations at another operator for 8.5 hours; the latter had no impact on the availability of communications services, owing to a national roaming agreement.

The regulatory authority is also responsible for checking security measures taken by network operators (two procedures not yet completed in the reporting period) as well as ad hoc security checks if required (none in the reporting period).

8.9 Electronic signatures

In analogy to its duties under the TKG 2003, RTR also provides operational support to the TKK under the Austrian Signatures Act (SigG). Here RTR primarily supports the TKK and acts on behalf of the TKK. Meanwhile, RTR also handles certain activities pursuant to the SigG independently.

RTR also kept the Trusted List of Supervised/Accredited Certification Service Providers (CSPs) in 2014 in accordance with Union law (cf. www.signatur.rtr.at/en/directory/tsl.html). The European System of Trusted Lists is now also supported by the signature verification service at www.signaturpruefung.gv.at, with which all qualified certificates from EU and EEA states can be verified. Registered users can now use this service as a web service (for automatic signature verification).

Regulation (EU) 910/2014 will result from July 2016 in a comprehensive harmonisation of signature law, governing co-operation between supervisory bodies in Member States for the first time. As part of its work together with the Forum of European Supervisory Authorities for Electronic Signatures (FESA), RTR worked in 2014 on ways to shape this cooperation.

9 Postal service regulation (activities of PCK and RTR)

The Post-Control-Kommission (PCK) and the Regulatory Authority for Broadcasting and Telecommunications (RTR) are both responsible for safeguarding competition in the postal services market. In addition to providing operational support for the PCK, RTR assumes its own official duties with regard to the notification of services, conciliation and consumer arbitration. The most significant regulatory activities pursued by the two authorities in 2014 are briefly presented below.

9.1 Procedures before the PCK

Closure and discontinuation of postal service points

A postal service point (PSP) operated by Post AG may only be closed down where cost-effective management of the PSP is permanently ruled out (i.e. over a period of approximately two years, viewed with reference both to the past and to the future) and the provision of universal service is ensured by another PSP (such as a postal service partner or another existing PSP). In addition to documents evidencing compliance with the prerequisites mentioned above, the required documentation also includes invitations by Post AG to the mayors of the municipalities concerned to meet and discuss the planned closures and alternative solutions.

In any case, comprehensive coverage with PSPs must thus be consistently ensured. Such coverage is considered to exist if 1,650 PSPs are available in all of Austria. In municipalities with more than 10,000 residents and in all district capitals, it is necessary to ensure that over 90% of residents have access to a PSP within a distance of 2,000 metres. In all other regions, which in the PCK's interpretation includes municipalities up to 10,000 residents, a PSP must be available within 10,000 metres.

Post AG notified the regulatory authority of the planned closure of a total of 17 PSPs in 2014. This includes a total of eleven 'contingent' prohibitions, in which the closure was prohibited pending commencement of operations by the postal partner designated as a replacement. The prerequisites for closure had been met in the remaining cases, so that closure was not prohibited.

Table 10: Postal service points operated by Post AG and by third parties, 2011 to 2014

	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Post AG-operated PSPs	597	550	533	514
Third party-operated PSPs	1,264	1,377	1,357	1,290
Total PSPs	**1,861**	**1,927**	**1,890**	**1,804**

Source: RTR

Supervisory procedures initiated due to the discontinuation of third-party PSPs (e.g. due to bankruptcy of postal service partners or the termination of contracts) continued to play a major role in the year under review. Even in these cases, Post AG is nonetheless required to provide universal service and ensure comprehensive coverage. Under certain circumstances, this may also be ensured through alternative service supply solutions, such as rural delivery personnel. In 2014, a total of 128 closures of third-party operated PSPs were dealt with through supervisory measures by the PCK. Consequently, there was a strong shift overall, away from procedures to review closures of PSPs operated by Post AG and towards those involving third-party operated PSPs, which corresponds to the trend observed for a number of years.

The overall number of PSPs in Austria dropped during the reporting year, from 1,890 (as of 31 December 2013) to 1,804 (as of 31 December 2014). As of 31 December 2014 no rural delivery personnel was used as an alternative coverage solution.

Payment orders for the financing contribution

The provisions of the KommAustria Act (KOG) specify for the postal sector as well that one portion of RTR's expenses are to be covered by funds from the federal budget and another portion by financing contributions from the postal service industry. Where postal service providers fail to meet their obligation to pay financing contributions, the PCK is required to issue an official decision ordering payment of the contribution.

In cases pertaining to financing contributions due for 2013, the PCK issued decisions to four companies, dated 30 June 2014. All of the companies filed complaints against the decision with the Federal Administrative Court (BVwG); a ruling on the case by the BVwG was still outstanding when this report was prepared. A further six procedures were pending with the PCK and three with the Austrian Administrative Court (VwGH) as of 31 December 2014.

This circumstance regularly leads to RTR entering allowances for doubtful accounts in its profit and loss statement, in which case these outstanding amounts are charged to market participants as part of a final settlement of accounts in the following year to close the liquidity gap. Payments were received in 2014 in response to the official payment orders, so that one portion of the allowances for doubtful accounts that had been discontinued by 2013 could be reversed to render revenue and credited to the market's account. Another item to be mentioned is a decision handed down by the VwGH, which essentially requested the European Court of Justice (ECJ) for a preliminary ruling on the issue of whether the EU Postal Services Directive opposes the regulatory arrangements in Austria; the specific issue is whether postal service providers are obliged to contribute to funding the national regulatory authority's operating expenses regardless of whether or not they provide universal services. No ruling had been handed down by the ECJ when this report was prepared.

Issuing licences

As there were no applications, the PCK did not issue any licences in 2014. The company known as hurtigflink Zeitungs- und Werbemittel Verteilungsges.m.b.H. relinquished its licence in 2014. As of the end of 2014, four companies held a licence: feibra GmbH, Klaus Hammer Botendienste, Medienvertrieb OÖ GmbH and RS Zustellservice Rudolf Sommer.

General terms and conditions and tariffs

The universal service provider (Österreichische Post AG) is required to issue general terms and conditions for services in the universal service sector, which regulate the services offered and define their associated tariffs. The general terms and conditions are to be notified to the PCK on publication. Where the notified general terms and conditions contradict certain provisions of law, the PCK can raise an objection within two months.

Two procedures involving changes of the general terms and conditions of Post AG were pending in 2014. Nine cases were completed in 2014. The modifications concerned the terms and conditions for domestic letters, international letters, domestic parcels, international parcels, newspaper delivery, Sponsoring.Post, Info.Mail and forwarding orders. All changes to the terms and conditions that were notified to the PCK ultimately complied with the criteria defined in the Postal Market Act (PMG) and no objections were raised.

The major change to the general terms and conditions and tariffs was an increase in letter and parcel rates, both for Austria and international mail. Examples include the 9.7% increase in the rate for standard domestic letters (up to 20 grams) to EUR 0.68, the 11.1% increase in the rate for 'Standard Plus' letters (up to 50 gramms) to EUR 1.00, and the rate for standard parcels (up to 2 kg), which rose by 2.9% to EUR 4.60. The PCK commissioned official experts at RTR to review the rates and submit an evaluation report. No objection was raised to the rate changes as the review showed the rates to comply with the criteria as defined by law (affordable, cost-oriented, transparent and non-discriminatory).

9.2 RTR procedures

Notification of provision of postal services

Postal service providers are required to notify RTR in advance of the intended provision of a postal service as well as any change to or discontinuation of the service. The list of reported postal services, including the name of the postal service provider, is to be published on the internet by RTR.

These three companies provided notification of provision of postal services in 2014: stampservice GmbH, TNT Innight Austria GmbH und United Parcel Service Speditionsgesellschaft m.b.H. Four companies (including TNT Innight Austria GmbH) notified RTR in the course of the year of not (or no longer) providing the notified postal services and were subsequently removed from the list of postal service providers. As of the end of 2014, a total of 17 companies had notified RTR of provision of postal services.

In 2014, the VwGH handed down a ruling rejecting a complaint, filed against an RTR decision concerning notification as specified in the PMG, as being unjustified. Another procedure was pending with the VwGH as of 31 December 2014.

Review of Post AG's cost accounting system

The regulatory authority is required to periodically review the cost accounting system used by the universal service provider Post AG. The universal service provider is required to maintain separate accounts in its internal cost accounting systems for services classified as universal services and for those not classified as universal services. The internal cost accounting systems must be based on uniformly applied and objectively justifiable principles of cost accounting.

The review carried out in the reporting year showed the 2013 cost accounting system complied with the criteria referred to above.

Measurement of average transit times of letters and parcels

At least once a year, the regulatory authority is required to measure and verify the average transit times of letters for all providers on the basis of the method specified in ÖNORM EN 13850 and the average transit times of parcels for all providers on the basis of real-time data. The PMG requires that postal service providers meet certain transit times when providing services as part of the universal service mandate.

Postal service providers are required to publish comparable, appropriate and current information on the quality of their services at least once a year, in particular the transit times of conveyed postal items based on the methods specified in ÖNORM EN 13850 and to provide this information to the regulatory authority on request. This implies that postal service providers are obliged to take appropriate measurements.

Based on the review of the transit times for letters and parcels conveyed as part of universal services in 2013, the transit times met by the following postal service providers comply with applicable requirements:

- Österreichische Post AG
- GLS General Logistics Systems Austria GmbH

The other postal service providers for whom the review procedure was initiated did not provide any services falling within the scope of universal services during the period reviewed, consequently no measurements were required.

10 The Austrian communications markets in 2014

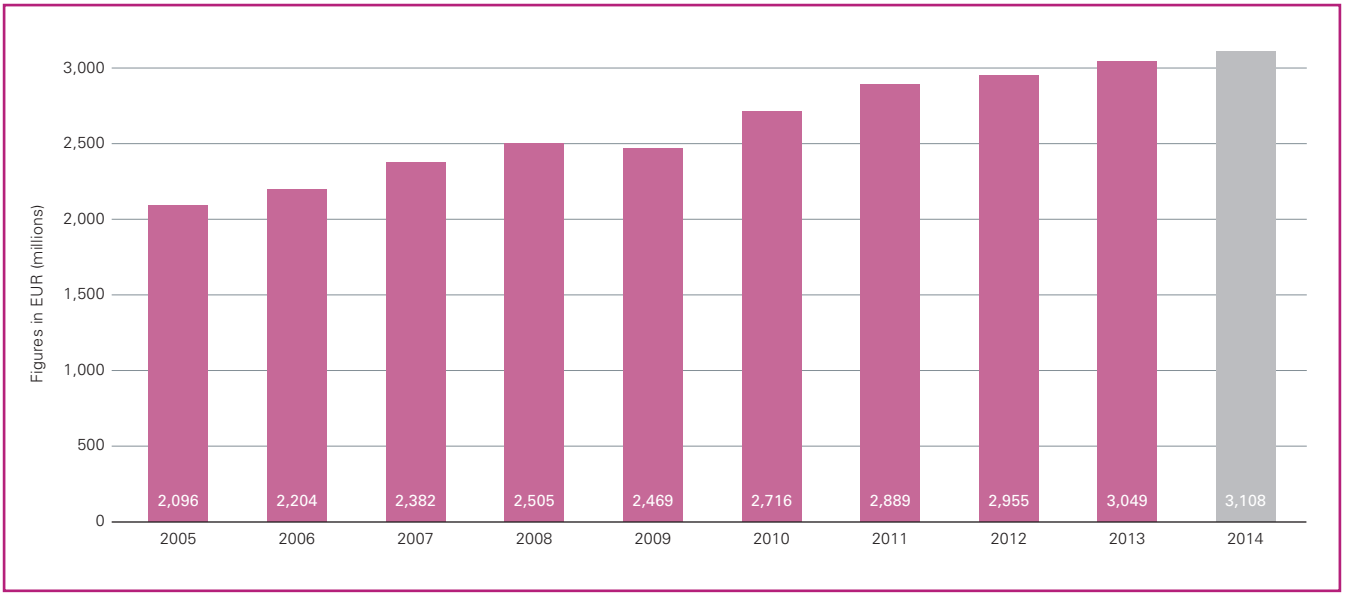
10.1 The Austrian communications and advertising markets

10.1.1 The development of the advertising market

With the exception of the 2009 negative, in 2014 gross advertising income of conventional media experienced its lowest growth rate in the previous ten-year period. While there was a 1.9% increase, this was only slightly above the average inflation rate for 2014.[8] Gross advertising sales correspondingly rose to EUR 3.108 billion in 2014, which represents EUR 59 million more than in the previous year. In 2013, print media, television, radio and outdoor advertising still managed to achieve an increase of 3.2% or EUR 94 million.

According to Nielsen Media Research[9], after two years of decreases, total gross advertising income increased in Europe by an average of 1.5% in 2014 over the previous year. At 1.9% growth, the development in Austria was hardly better than the rest of Europe. With rates of +2% to +3% in 2012 and 2013, Austria had clearly surpassed the development in Europe at large, which had ranged in the area of -4% in those years.

Figure 5: Change in total advertising expenditure in Austria, 2005 to 2014



Source: FOCUS Media Research (excluding cinema, conventional flyer and online advertising)

[8] 1.7% as shown by the Consumer Price Index published by Statistik Austria.
[9] The Nielsen Company: Global AdView Pulse Lite Q4, 2014.

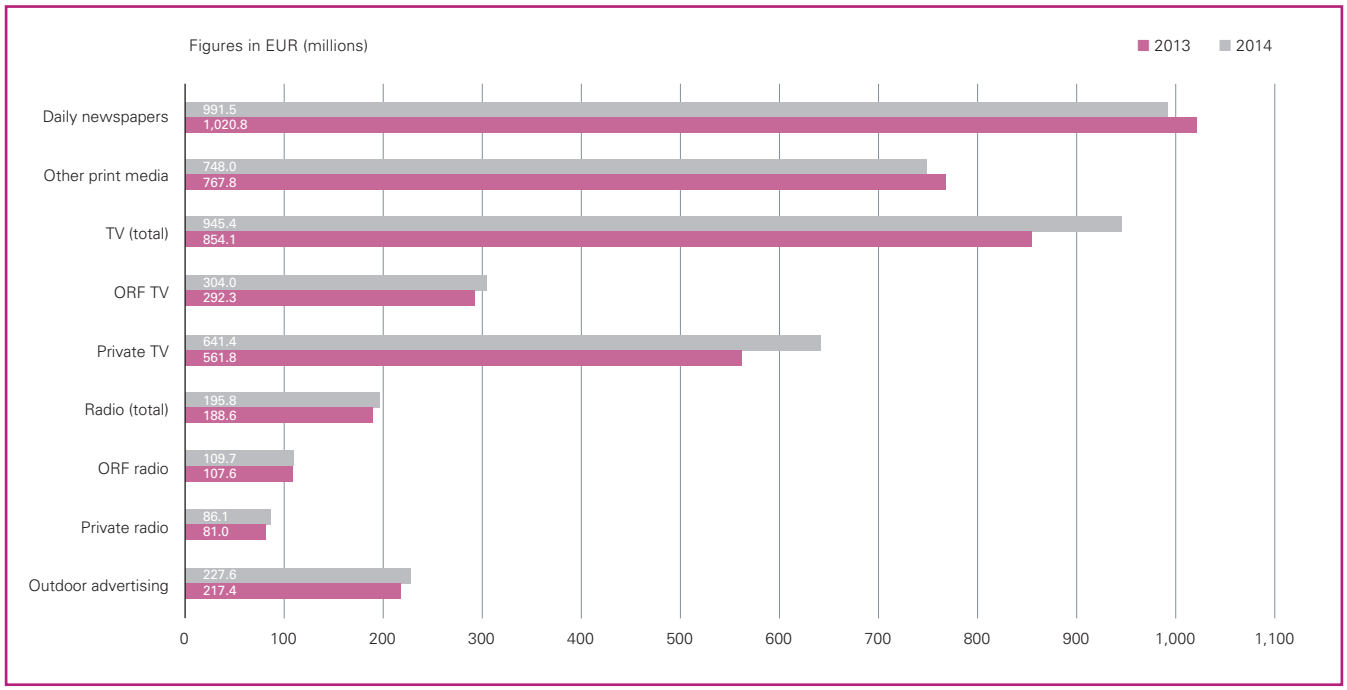
Daily newspapers lose for the first time while television gains

The major crisis facing Europe's print media, often forecast in the past, officially reached Austria as well in 2014. The knowledge became official when, for the first time, daily newspapers finished the year with a clearly negative figure for gross advertising revenues. That had not even been the case in the 'disaster year' of 2009. Gross advertising sales of daily newspapers declined by about 2.9% in 2014, while a 2.6% drop was recorded for other print publications. Magazines have grown accustomed to ups and downs in gross advertising revenues for some time, while daily newspapers, in contrast, had so far always just managed to stay above water. But that was now no longer the case in 2014.

The big winner among conventional media in 2014 is television; increasing gross advertising sales by 10.7% (9.5% in 2013) and thus impressively maintaining its growth record of recent years.

The main share of television's advertising success, with a gain of over EUR 91 million to total EUR 945.4 million, was claimed by private broadcasters, which increased their gross advertising income by 14.2% to reach EUR 641.4 million. While the Austrian Broadcasting Corporation (ORF) also achieved higher gross revenues from TV advertising in 2014, it had to settle on a modest increase of 4% to total EUR 304 million.

Figure 6: Advertising expenditure in Austria by category, 2013 and 2014



Source: FOCUS Media Research (excluding cinema, conventional flyer and online advertising)

In the 2013 Communications Report, it was audaciously predicted that television could catch up with daily newspapers in terms of gross advertising revenues by the end of 2015; at the moment this seems highly probable. A 'mere' EUR 46 million or so separate the two categories. In addition, in late January 2015, FOCUS Media Research predicted print media as the big losers in the first six months of 2015, while television would continue to achieve superior gains amidst an overall rather weak advertising environment.

The gross advertising revenues for conventional media are calculated by Focus Media Research based on the price lists made officially available by the media and according to the number of ads published or broadcast by those media. It is not possible to collect data on discounts granted by way of price reductions, free advertising minutes and similar offers. Conclusions concerning gross revenues collected by individual media are thus only possible to a limited extent. However, it is possible to get a good indication of the trends in income achieved from advertising by media category.

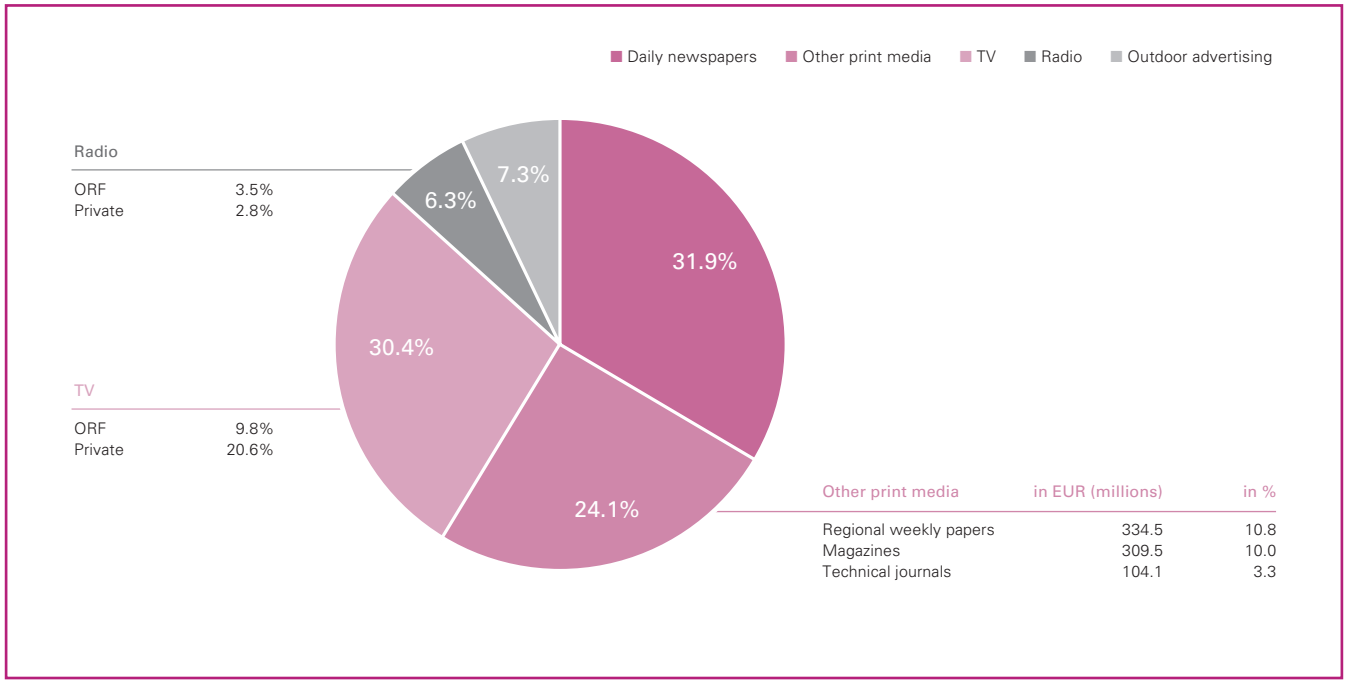
Radio increased its gross advertising revenues by about 3.8% to total EUR 195.8 million in 2014. That is a respectable result, following an increase of only 0.9% in 2013. After suffering a drop of 2.7% in 2013, ORF radio stations recovered in 2014 and succeeded in taking in 2% or EUR 2.1 million more for advertising to finish 2014 at EUR 109.7 million. Yet here again, private broadcasters were more successful, improving gross advertising sales by 6.3% (2013: 6.2%) or EUR 5.1 million to reach EUR 86.1 million.

Outdoor advertising was able to recover in 2014 as well. Light boxes and billboards saw 4.7% more use on a yearly average than in 2013, when outdoor advertising finished the year with a drop of 1.7% or a loss in gross revenues of EUR 3.8 million compared with 2012. It has to be assumed, however, that the sector counteracted the long-term trend towards falling sales by offering higher discounts in 2014, and so achieved a somewhat positive influence on gross revenues.

Print has lost 5% total in gross revenues since 2010

The pie chart depicting the distribution of advertising expenditure among conventional media shows television as having taken a major hurdle, surpassing a 30% share for the first time.

Figure 7: Shares of gross advertising expenditure in 2014, conventional media



Basis: EUR 3.108 billion

Source: FOCUS Media Research

The share of gross advertising expenditure held by TV broadcasters grew by 2.4 percentage points (after 1.6 points in 2013) to total 30.4%. Whereas there was only a marginal change in the shares accounted for by radio (+0.1 percentage points) and outdoor advertising (+0.2 points) compared with the previous year, television took over almost all of the share forfeited by print media. At 1.6 percentage points less and a total of 31.9%, daily newspapers lost more share of the gross advertising expenditure than magazines and weeklies, which forfeited 1.1 percentage points to arrive at a total share of 24.1%.

All in all, the share in gross advertising expenditure for conventional media accounted for by daily newspapers and other print publications in 2014 dropped by 2.7 percentage points from the year before. Compared with 2010, this already represents a loss of about five percentage points.

The distribution of advertising expenditure within the category of television remained basically unaltered: the ORF received about one third (32.2%) while two thirds went to private TV, whereas the ORF still achieved a 34.3% share in 2013.

The piece of the advertising pie going to radio was not carved up much differently from the previous year either. The 6.3% of gross revenues for conventional media spent on radio were divided up between the ORF at 3.5% (or 55.6% of the radio share) and private broadcasters at 2.8%; the latter thus gaining one tenth of a percentage point.

21% more for online advertising

Looking at the trend in online advertising, FOCUS Media Research found that advertisers had spent a gross amount of EUR 228.9 million in 2014. The figure represents a 21% increase over 2013, while FOCUS notes that it is still not possible to reliably compare annual totals.

Figure 8: Online advertising expenditure in Austria excluding search engines, 2005 to 2014

Due to frequent changes in survey methods, the figures shown above are not comparable from one year to the next. Search engine advertising is not included.

Source: FOCUS Media Research

According to FOCUS Media Research, repeatedly adapted survey methods, the lack of full survey coverage of existing online offerings (or changes to the range of online offerings surveyed), and often unclear pricing models, only allow an approximate representation of the situation. Meanwhile, the chart is essentially based on expenditures for conventional display advertising such as banners and does not include search engine ads. A rule of thumb for online advertising is that one euro in two is invested in search engine ads, or de facto in Google's AdWords service. Yet it also needs to be considered that in no other advertising category is the gap greater between gross advertising expenditure and the amounts actually paid for ads. Experts estimate differences of as much as 80% between list prices and invoiced amounts. The gross value of online advertising is nonetheless interesting for comparisons, as it represents just how anxious advertisers are to be present on that platform. Specifically, with gross revenues of EUR 228.9 million, in 2014 conventional web advertising can be seen to have already surpassed the amount grossed by radio advertising by more than EUR 30 million (EUR 195.8 million) and to have caught up with outdoor advertising.

The ORF's online services are among the most frequently used in Austria. Consequently, there is a lot that can be learned from the business results generated by those services. In its 2014 Annual Report, the ORF lists net income of EUR 12.5 million from online advertising, corresponding to an increase of about 10% over 2013 (EUR 11.4 million).

Media use by category

The share of the population reached by a certain medium and the extent it is used are factors obviously influencing its relevance for advertising purposes.

Radio still continues to reach the most people in Austria every day. 81% of the population aged 14 and over turned on the radio at least once a day in 2014. That level remained unchanged from the previous year.

Daily newspapers, while traditionally ranking second, are well on their way to falling behind the internet in terms of media use. In 2014, 69% of Austrians aged 14 and over read at least one newspaper a day. At three percentage points less than in 2013, the figure represents an all-time low and the greatest loss in daily newspaper reach in years.

Internet, in contrast, experienced an all-time high in terms of daily reach, gaining an equal footing with daily newspapers in 2014. 69% of the Austrian population aged 14 and over used the internet every day in 2014, compared with only 57% of the population in 2013.

Reaching 64% of the population on a daily basis in 2014, television returned to its 2012 level, after having fallen back to a daily reach figure of 62% in 2013. It is likely that the football World Cup and the Winter Olympics had a positive impact on the 2014 figures.

When viewed in terms of the amount of time individual media were used, television was the big winner in 2014, while radio again lost considerable ground.

At an average of 189 minutes per day in 2014, Austrians listened to the radio six minutes less than in 2013. Since 2008 radio has lost exactly 20 minutes or almost 10% in listening time. However, this process is accelerating: of the 20 minutes, 17 have been lost since 2012. For the industry, the bleakest side of this trend is that the losses have been almost exclusively among listeners aged 14 to 49, the target group relevant for advertising.

Television, in contrast, was easily able to smooth the small dent felt in 2013 (with a loss of two minutes), thus improving its position by five minutes to reach an average daily usage level of 174 minutes.[10] The value put on conventional linear television has been changing for some time, with television seeing increasing use as a secondary medium that draws less attention. A factor figuring in this trend is the constant increase in single households, where television now provides the entertainment that such households used to expect mostly from radio. Yet a particularly significant factor accounting for increased television usage time is demographic change. The group of TV viewers aged 50 and over is consistently growing, which is increasingly affecting the average usage time. In specific terms, while viewers aged 40 to 49 spend an average of 143 minutes a day watching television, the group of 50 to 59-year-olds watch 207 minutes a day and the generation 60 and over as much as 260 minutes.

In 2014 the internet did not succeed in repeating the great leap in media use recorded in 2013, when it gained 19 minutes. Instead, the increase in internet use was very conservative: only one minute to a level of 83 minutes daily.

Even though fewer individuals reached for a daily newspaper on average in 2014, those that did continued to devote 30 minutes of their daily time to that newspaper (or to several newspapers in total).

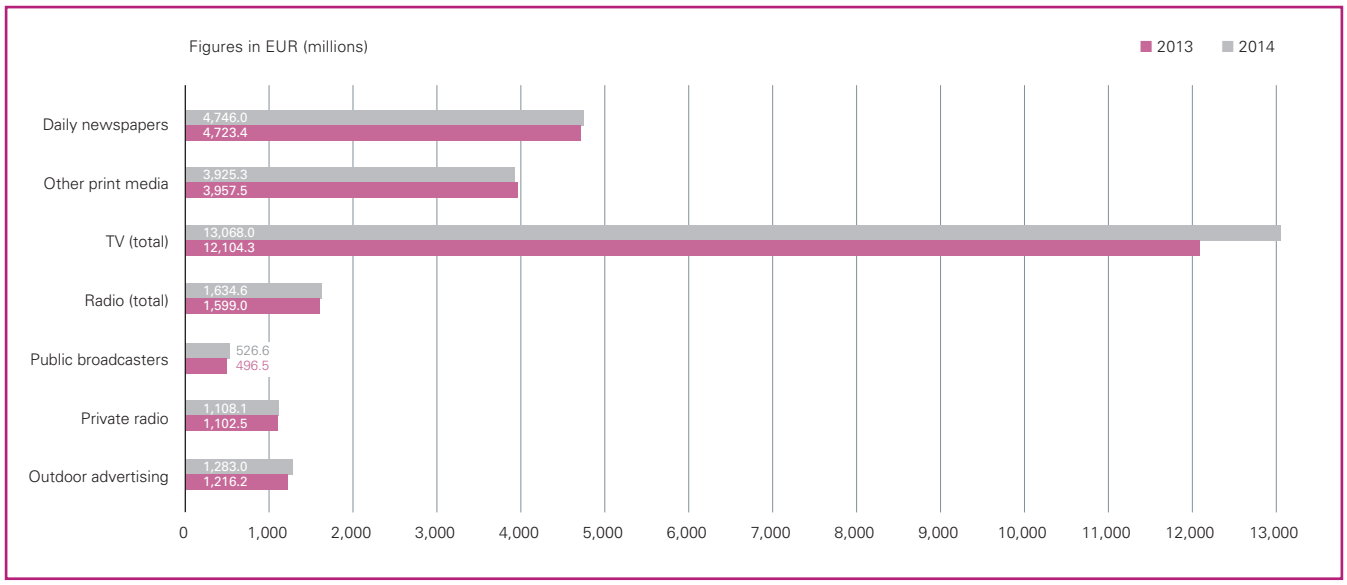
[10] Viewers aged 14 and over. The figure for viewers aged twelve and over is 172 minutes.

10.1.1.1 Comparison with the German advertising market

In Germany, the gross expenditure for advertising purchased in conventional media increased by more than EUR 1 billion in 2014 over the previous year. That represents a gain of almost 4.5% to reach EUR 24.657 billion. This figure puts Germany well over the European average (1.5%) and clearly over the growth rate in Austria (1.9%).

At a 3.2% increase in advertising expenditure, Austria had made a somewhat better showing than Germany (+2.6%) in 2013.

Figure 9: Advertising expenditure in Germany by category, 2013 and 2014



Source: Nielsen Media Research

In this context, there are two marked trends in the German advertising market. On the one hand, 92% of the advertising increase in 2014 was generated solely in the TV sector, while daily newspapers managed to stop their downward trend and even made moderate gains in 2014.

The gross advertising revenues collected by the television sector rose by EUR 963.7 million, representing an increase of roughly 8% over the previous year (AT: 10.7%). In this way, television increased its share in total gross expenditure for conventional media advertising, from 51.3% in 2013 to 53% (AT: 30.4%).

With a moderate decrease of 0.8%, magazines and weekly publications (other print media) were the only losers in Germany (AT: -2.6%). Daily newspapers, in contrast, actually increased gross advertising income by 0.5% (AT: -2.9%); here the fact that newspapers did not lose further shares is much more significant than the absolute amount gained. In 2013, German daily newspapers had to absorb a 6% loss, after a drop of 6.6% in 2012.

Germany's radio broadcasters collected 2.2% more in gross advertising income in 2014 (AT: 3.8%), with the increase almost exclusively owing to the ARD public broadcasting network, which gained a total of 6% (ORF: 2%). On the other hand, revenues of private broadcasters stagnated, increasing by a mere 0.5% (AT: 6.3%) and thus even falling short of Germany's moderate inflation rate of 0.9%.

Outdoor advertising in Germany achieved a 5.5% gain in 2014 (AT: 4.7%).

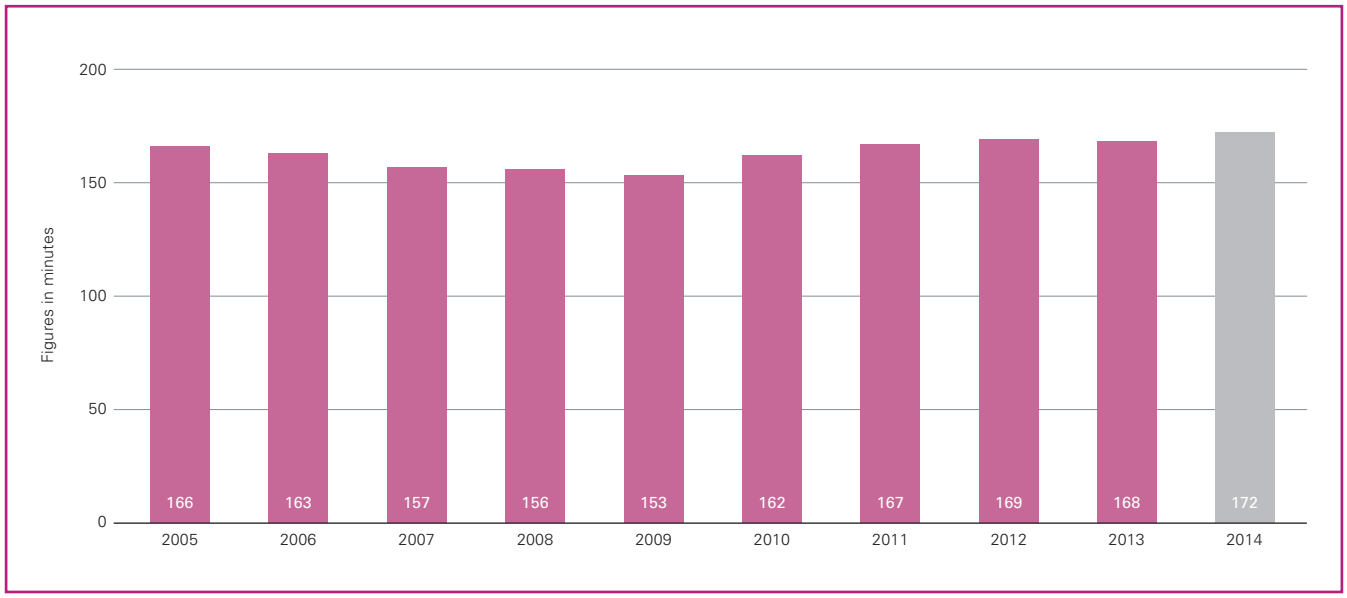
10.1.2 Television market

10.1.2.1 Television viewing

On the whole, 2014 was a rather positive year for the Austrian television market. One reason was the increase in total reach of 1.4 percentage points that was recorded for television, which reached an average of 63.3% of the population aged twelve and over, a drop by two percentage points in 2013 from the previous year. Another factor was the repeated rise in viewing time[11], by four minutes in 2014 to reach a new Austrian record of 172 minutes daily. Seen over a longer period, the upward trend towards increasing viewing times that has been observed since 2010 continued last year, even though viewing time had decreased by one minute to reach only 168 minutes in 2013.

Considering, however, that 2014 had the Winter Olympics and a football World Cup to offer television audiences, TV's increase in reach and the longer viewing time need to be seen in relative terms. Programme events of this kind not only invite viewers to watch television for longer periods but also attract an additional audience who otherwise watches little or no television.

Figure 10: Viewing time, 2005 to 2014



Persons aged twelve and over in all of Austria

Source: TELETEST

In 2014 the Teletest panel consisted of 1,605 households in Austria, which represented a statistical population of 3,605,000 television households. The panel comprised a total of approximately 3,570 viewers, including some 3,250 persons aged twelve and over (representing the 7,247,000 Austrian adults living in households with television sets) and around 320 children aged three to eleven (representing the 713,000 Austrian children in television households).

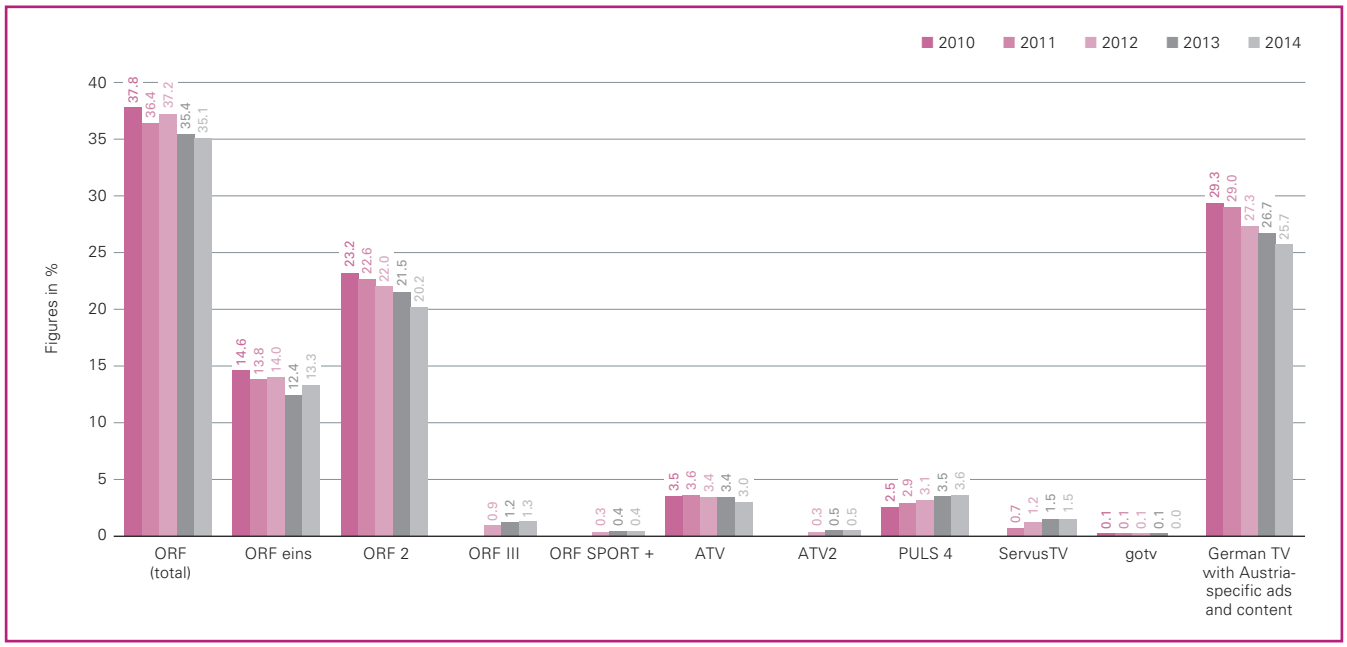
[11] Average daily television viewing among persons aged twelve and over in TV households (including non-viewers).

10.1.2.2 Market shares for television

A detailed view of the most important television channels reveals little change in the Austrian TV market in 2014. Among the facts to be recognised is that private Austrian broadcasters have also found their place in the market – to put it positively.

Minor battles for market shares amounting to a few tenths of a percent will of course continue. That applies not least to ATV and PULS 4, which, in view of the previous trend, are not expected to gain any market share significantly over 3 to 4%, either in the short or the medium-term.

Figure 11: Change in television market share, 2010 to 2014



Persons aged twelve, the whole of Austria, all reception platforms; ORF III and ORF SPORT + and ATV2 first listed in 2012.

Source: TELETEST

Judged by the previous trend, PULS 4 appears more likely to have the potential to surpass the 4% mark, but will find things more difficult without the broadcasting rights for the Champions League, which the ORF holds as of the 2015/2016 season. Yet, from a current perspective, a clear trend can be seen for the relationship between ATV and PULS 4, namely gains for PULS 4 and losses for ATV.

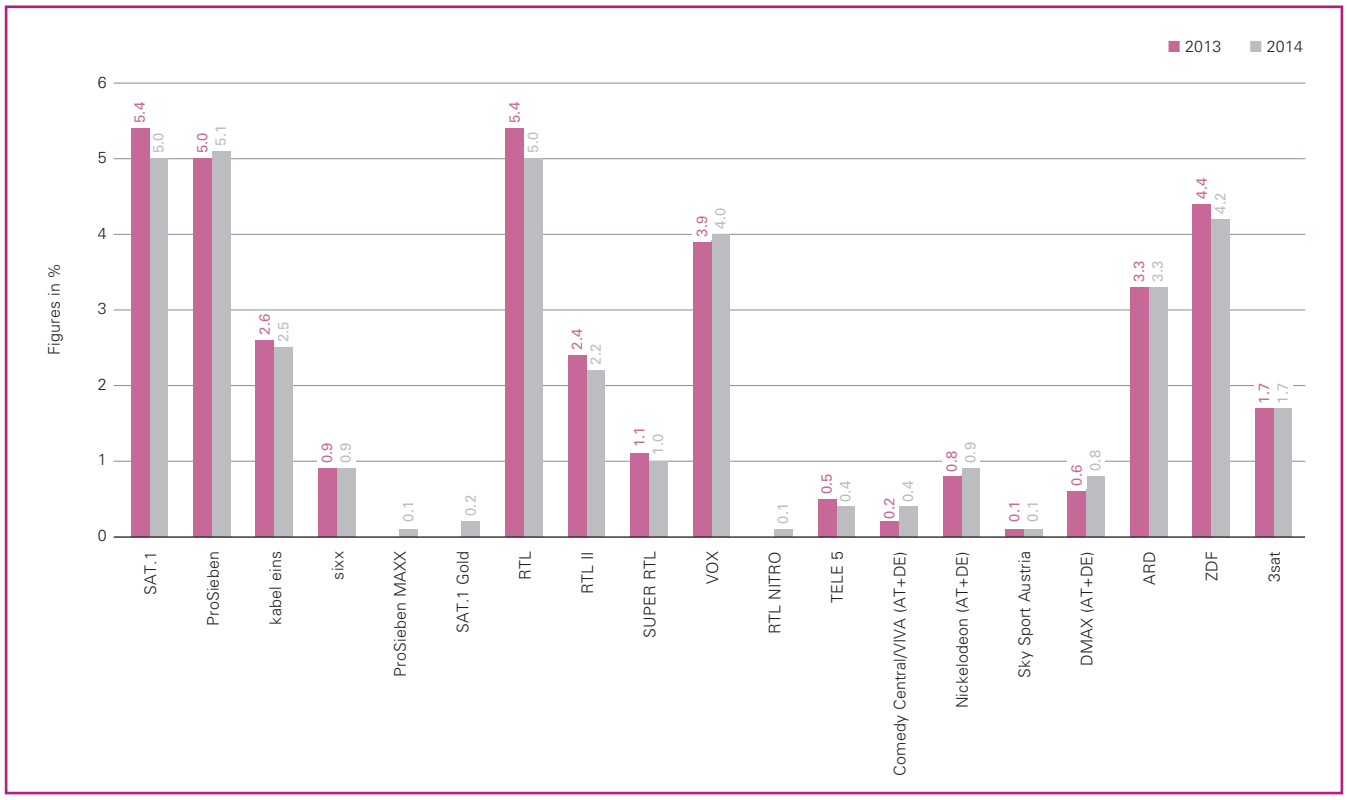
A channel's market share reveals what portion of their average daily viewing time the TV audience devoted to that particular channel. For example, a market share of 20.2% for ORF 2 means that viewers watched ORF 2 for an average of 20.2% of the 172 minutes spent daily watching television.

While the ORF continued to lose market shares on the whole, at 0.3 percentage points, the loss was marginal and is largely accounted for by the many small, new special-interest channels or is partially compensated by gains among ORF affiliates such as ORF III or ORF SPORT +. In any case, ATV, PULS 4 and ServusTV are meanwhile hardly able to profit from any market shares forfeited by ORF channels.

The loss in market share within the ORF group in 2014 can be fully attributed to ORF 2, with the channel slipping by 1.3 percentage points to a share of 20.2%. ORF eins, in contrast, improved its share by just under one percentage point over the previous year. These changes among the ORF family of TV channels can hardly be explained without taking the major sporting events in 2014 into consideration. The list of the 30 most-watched ORF programmes in 2014 includes 21 sport

competitions broadcast over ORF eins, among them seven football World Cup matches and five broadcasts of Winter Olympics events. Nothing of this kind will be offered in 2015. Yet, it needs to be mentioned that ORF eins did not enjoy a comparable level of success either in 2012, with the football European Championship and the Summer Olympics, or in 2010, which also featured a football World Cup and Winter Olympics.

Figure 12: Television market shares in 2013 and 2014 – German channels (with Austria-specific content)



Persons aged twelve, the whole of Austria, all reception platforms; ProSieben MAXX and SAT.1 Gold and RTL NITRO first listed 2014.

Source: TELETEST

Distinctions need to be made among the German private television channels offering programmes and/or advertising specifically for Austrian viewers. The 'older', established channels (SAT.1, RTL, ProSieben, VOX, kabel eins, RTL II, SUPER RTL and sixx) generally continued along the downward trajectory that has been observed over several years. Their market share in Austria shrunk by one whole percentage point to 25.7%.

Yet when the new specialised and special-interest channels such as ProSieben MAXX, SAT.1 Gold and RTL NITRO are included, the loss of market share is much smaller, amounting to a total of 0.2 percentage points compared with 2013. All 16 German TV channels with Austria-specific programmes and/or advertising consequently accounted for a total market share of 28.7% in 2014. German private broadcasters can therefore be seen as successful in their bid to compensate for the loss of viewers among 'old' channels, through establishing new offerings for special interest groups.

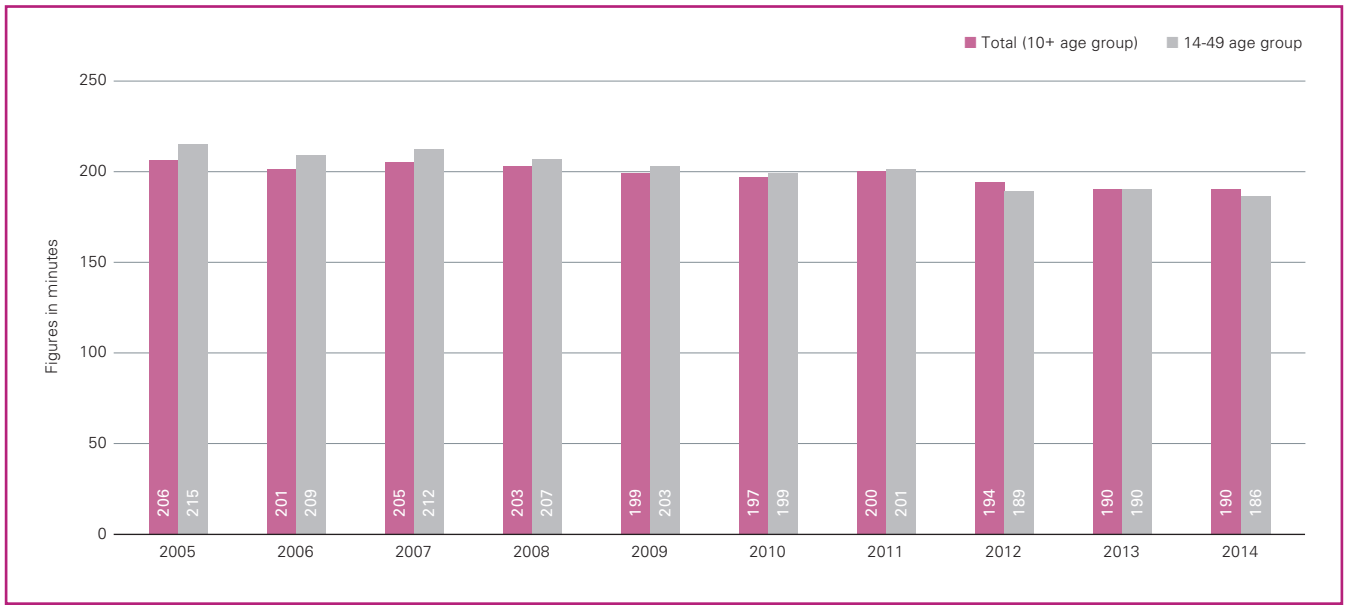
The public channels and networks ARD and 3sat, at 3.3% and 1.7% respectively, retained their market shares in 2014 compared with the previous year, while ZDF dropped back slightly from a 4.4% to 4.2% market share.

10.1.3 Radio market

10.1.3.1 Radio usage

The 14 to 49-year-olds, the group especially relevant for advertising, once again listened to the radio less in 2014 than in the previous year. Listening time among this group decreased by four minutes to an average of 186 minutes daily. Viewed over a longer period, the 14 to 49-year-olds today listen to the radio more than a half hour less each day than ten years ago.

Figure 13: Listening time, 2005 to 2014



Source: Radiotest

In 2014, 32.7% of 14 to 19-year-olds (additionally) used the internet to listen to radio (2013: 29%).[12] Already 92% of that age group generally listened to music via the web (2013: 88%). Within the group of 20 to 29-year-olds, 72.8% (2013: 69.6%) used the internet to listen to music, while 31.3% (2013: 31%) listened to radio via the web.

This fact underscores how important it is for radio broadcasters to have their programmes available via the web as well. Yet it also reveals that the younger target groups predominantly search for other sources of music on the web than radio programmes.

Radiotest, the survey of radio usage in Austria, is carried out by the GfK Austria opinion research institute under a mandate from the ORF and the majority of Austrian private radio broadcasters. Radiotest is comparable to a reach survey for investigating radio usage among the Austrian population.

10.1.3.2 Market share and daily reach of radio

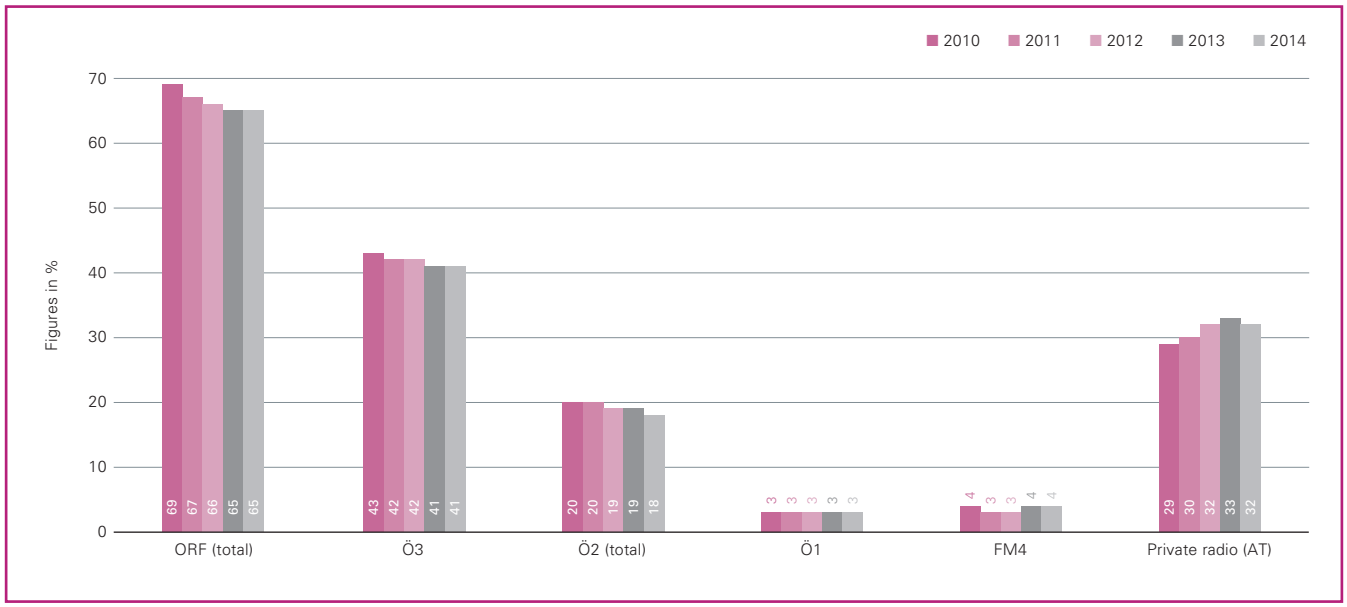
In 2014 the trend observed for market shares in the segment of listeners aged 14 to 49, the group relevant for advertising, somewhat breaks with the pattern normally seen in past years.

We were used to seeing a slow but steady decline for the ORF network as a whole, and for Ö3 in particular, while private radio slowly but steadily made up for lost ground. In 2014, however, private radio stations lost one percentage point compared with the previous year, falling back to a market share of 32%.

[12] Media Analysis 2014, reason for internet use in the past four weeks.

The market share of a radio station (or station group) refers to its percentage of overall listening time (186 minutes daily among 14 to 49-year-olds).

Figure 14: Radio market share, 2010 to 2014



Persons 14 to 49 years of age in all of Austria

Source: Radiotest

Ö3 held on to its 41% market share from the year before. It remains to be seen whether this has been a successful result of new programming to reach younger audiences, introduced in late 2012, or whether a statistical pattern is repeating itself: for several years Ö3 has lost market shares over a two-year as opposed to an annual cycle. It will thus be interesting to see the results of the 2015 survey.

The market share held by Austria's private radio stations grew from 25% in 2008 to a respectable 32% in 2014.

The Ö2 chain of regional radio stations continued on its long-term downhill path, losing one percentage point in the target group of listeners aged 14 to 49 to reach a market share of 18%. Ö1 at 3% and FM4 at 4% maintained their market shares from 2013. However, overall, the ORF radio station group was also able to keep its 65% market share held in the previous year. That is good news for ORF radio as a whole, considering that in recent years it regularly relinquished one percentage point in market share each year, and even two points in 2011.

With reference to daily reach[13], seen as a group, the ORF radio stations again lost ground. 61.5% daily reach on average in 2014 represents a decrease of 1.3 percentage points compared with the year before. Ö3 fell back by 0.8 percentage points for a daily reach figure of 45.1%, while the Ö2 regional radio chain lost a total of 0.9 percentage points for an average daily reach of 18.1% in 2014. Although these losses are based on average results for the past years, they nonetheless underscore the continued trend towards reach loss observed for Ö3 and ORF regional radio in the case of listeners aged 14 to 49. Meanwhile, with daily reach figures of 5.5% and 5.7% respectively (after 5.6% and 5.7% in 2013), Ö1 and FM4 showed a stable tendency.

[13] Definition of daily reach in the context of radio: "Yesterday I listened for at least 15 minutes to..."

The nationwide private radio network KRONEHIT, Ö3's closest competitor, saw its daily reach stagnate in 2014. With an increase of only one tenth of a percentage point for a total of 17.9%, it was the weakest performance seen for KRONEHIT in several years. In 2013 KRONEHIT had still managed to gain 1.3 percentage points, after 1.9 points in 2012 and two percentage points in 2011. At an average daily reach of 37% in 2014, private radio stations as a group were also able to hold their position (2013: 37.1%).

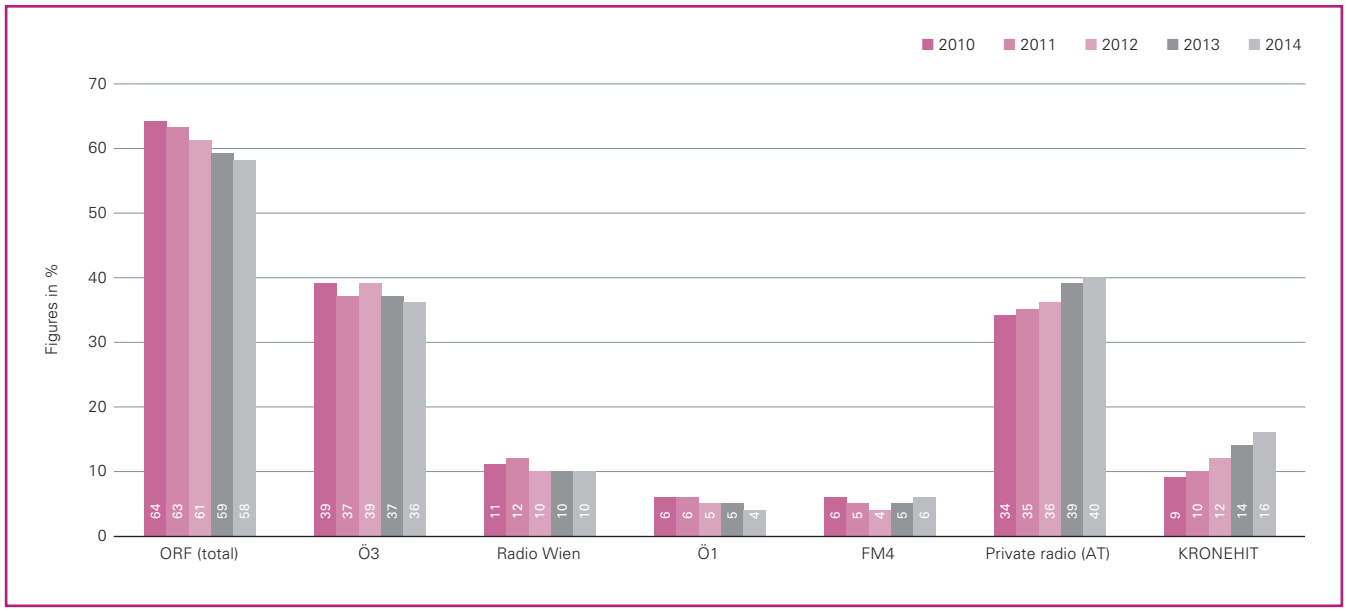
10.1.3.3 Radio market in Vienna

Unlike at national level, the trend in 2014 in Vienna's highly competitive radio market continued to be to the liking of private stations. Private radio in the Austrian capital improved its market share among listeners aged 14 to 49, reaching an even 40% (after 39% in 2013). Ö3 dropped again by one percentage point to finish with a 36% market share.

Even in the case of its entire station group, the ORF was unable to rein in the loss of market share in 2014. The overall market share held by ORF radio among listeners aged 14 to 49 shrunk to 59% in 2013, falling below the 60% mark for the first time. That share was only 58% in 2014.

While the ORF regional radio station Radio Wien maintained a stable market share of 10%, Ö1 surrendered one percentage point of its market share in Vienna to finish at 4%, dropping back to its previously worst level in 2008.

Figure 15: Radio market share in Vienna, 2010 to 2014



Listening audience 14 to 49 years of age in the Vienna region

Source: Radiotest

The producers at FM4 have a reason to be pleased: for the second consecutive year FM4 gained one percentage point, achieving a market share of 6% in 2014 and reclaiming the share it held in 2010.

When Vienna's private radio stations are viewed more closely, KRONEHIT can again be recognised as the main force expanding private radio's overall market share in Vienna. In line with the pattern observed in past years, KRONEHIT enhanced its market share by two percentage points again in 2014 for a current total of 16%.

10.2 Development of the Austrian telecommunications markets

The sections below provide a summary of the most significant market developments in the segments of mobile telecommunications, broadband, fixed network and leased lines.

10.2.1 General market development

Table 11 shows retail revenues in each segment (mobile, broadband, fixed network and leased lines). Whereas total revenues dropped by 4.3% between 2012 and 2013, the decline was only by 0.4% between 2013 and 2014. While there were major decreases in the revenues collected in the fixed network and leased line segments in 2014, these were all but balanced by increased revenues from the much larger mobile service and broadband segments.

Mobile revenues, including mobile broadband, accounted for the largest share of retail revenues (62.8%) in 2014. Fixed broadband (including packages with fixed voice calls or other services) represented a 21.7% share, fixed telephony (i.e. fixed network lines and connection services only) 14.2% and leased lines 1.3% of total revenues.

Table 11: Retail revenues, 2012 to 2014

	2012 (EUR millions)	2013 (EUR millions)	2014 (EUR millions)	% change 2012-2013	% change 2013-2014	Percentage of total revenues 2012	Percentage of total revenues 2013	Percentage of total revenues 2014
Mobile services	2,361	2,240	2,263	-5.1	1.0	62.5	61.9	62.8
Broadband*	731	769	782	5.3	1.7	19.3	21.3	21.7
Fixed network**	632	560	511	-11.5	-8.7	16.7	15.5	14.2
Leased lines	55	49	46	-10.1	-6.9	1.4	1.4	1.3
TOTAL	**3,779**	**3,618**	**3,602**	**-4.3**	**-0.4**	**100.0**	**100.0**	**100.0**

* Revenues from mobile broadband services are included in mobile service revenues.
** Includes voice telephony revenues from the fixed network retail market and public phones. Voice telephony revenues collected as part of a broadband package are listed under broadband.

Due to subsequent corrections based on data from RTR's operator survey, the values shown here differ slightly from those listed previously in the 2013 Communications Report.

Source: RTR

Table 12 shows the changes in traffic volumes and the number of subscribers in each business area. As in 2013, the number of subscribers as well as call minutes decreased for both the fixed network and mobile networks in 2014. The falling trend in the mobile broadband segment continued as well. In contrast, the number of fixed broadband subscribers increased at a higher rate in 2014 than the year before. The data volumes carried by mobile networks continued to increase sharply.

Table 12: Overall changes in traffic volumes and lines/subscribers, 2012 to 2014

	Unit	2012 (millions)	2013 (millions)	2014 (millions)	% change 2012-2013	% change 2013-2014
Mobile services	Call minutes	22,831.97	22,513.68	21,814.70	-1.4	-3.1
	Subscribers (contract and prepaid)*	13.59	13.27	12.95	-2.3	-2.4
Broadband	Fixed network subscribers	2.12	2.23	2.35	4.8	5.5
	Mobile subscribers	2.21	2.20	2.17	-0.3	-1.3
	Mobile upload/download volumes** in million GB	72.08	113.40	169.93	57.3	49.9
Fixed network	Call minutes***	4,235.91	3,867.88	3,584.62	-8.7	-7.3
	Lines	2.70	2.63	2.54	-2.5	-3.5
Leased lines	Number of 64 kbps equivalents	5.50	6.39	7.18	16.3	12.3

* Number of activated subscriber numbers (SIM cards)
** Mobile broadband incl. smartphone use
*** Minutes including public phones, not including dial-up and service numbers

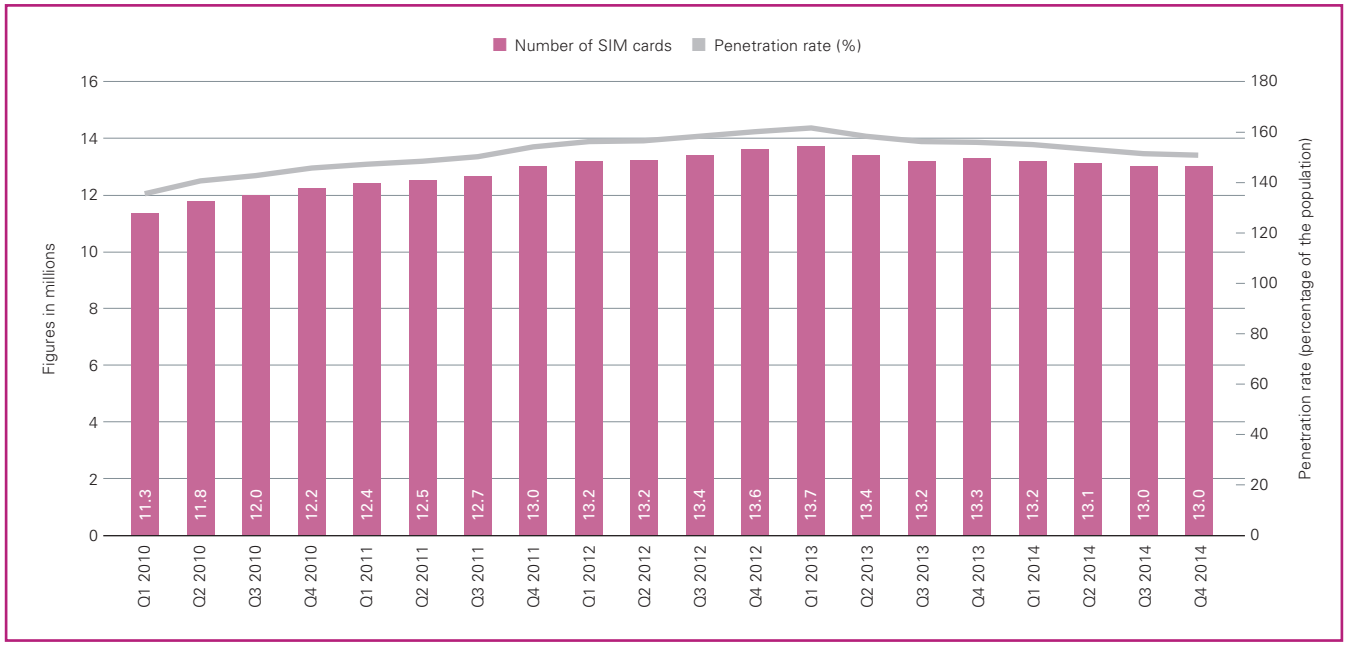
Due to subsequent corrections based on data from RTR's operator survey, the values shown here differ slightly from those listed previously in the 2013 Communications Report.

Source: RTR

10.2.2 Mobile communications

Figure 16 shows the number of activated SIM cards. The penetration rate increased by almost 16 percentage points between the first quarter of 2010 and the fourth quarter of 2014. The resulting penetration rate relative to Austria's population was thus about 151% by the end of 2014. The decline in SIM cards since 2013 can primarily be attributed to a database clean-up by network operators.

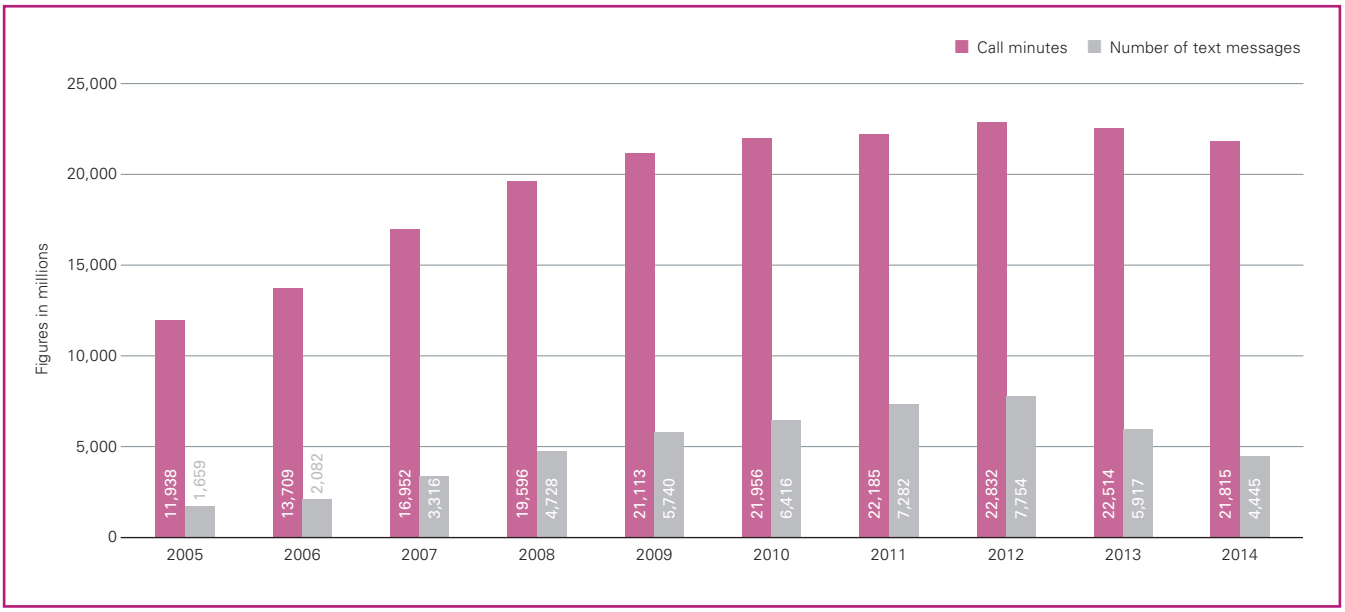
Figure 16: SIM cards, 2010 to 2014



Source: RTR

The trend of decreasing numbers continued in 2014. The numbers of both call minutes and text messages declined in 2014. Figure 17 shows the number of technical call minutes and text messages for the retail mobile market, which amounted to roughly 21.8 billion minutes and 4.5 billion messages in 2014. Due to the introduction of flat rate packages, the growth rate for call minutes and text messages peaked in 2007. The growth rate slowed down in the following years, and since 2013 a decline has been observed. The decline in text messages can be mainly attributed to the increasingly widespread use of e-mail and instant messaging services such as WhatsApp and iMessage; allowing smartphone users to send pictures and videos, such services represent an attractive alternative to conventional text messaging.

Figure 17: Call minutes and text messages in the retail mobile communications market (technical measurement)*, 2005 to 2014

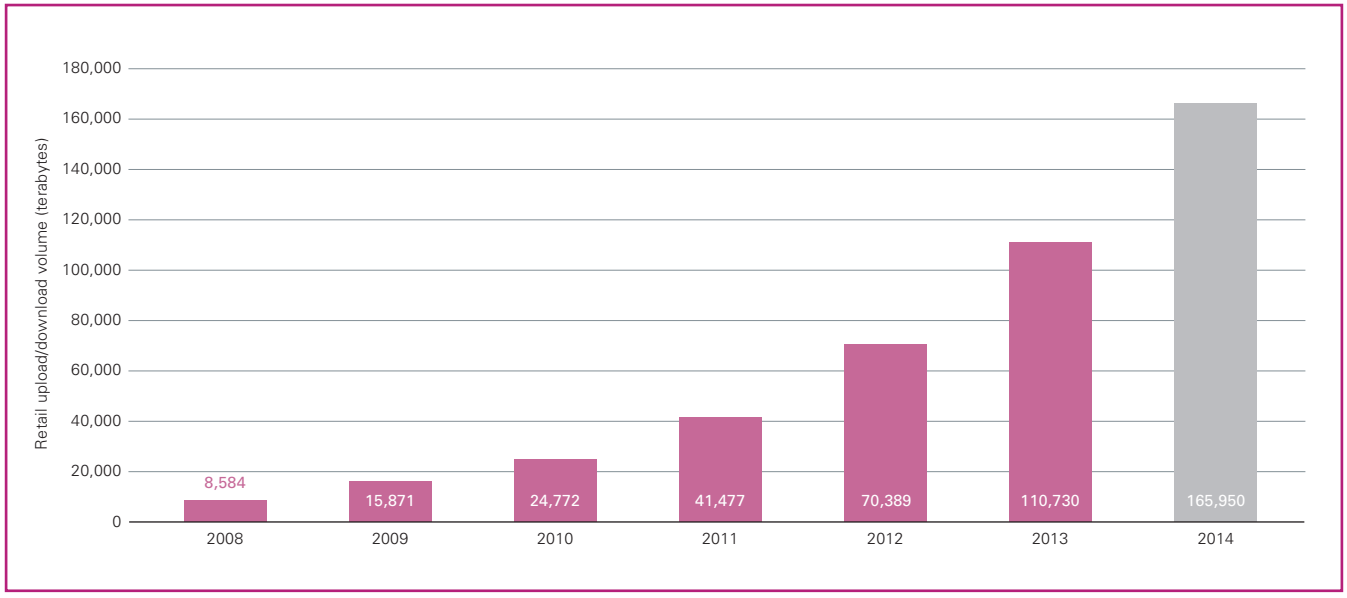


* Technical measurement refers to the call minutes or text messages actually used or sent by Austrian retail customers. The billed quantity, on the other hand, is the number of minutes or messages charged to retail customers.

Source: RTR

In the case of data volume, the trend is running in the opposite direction. The penetration rate for smartphones continues to rise and the ever-increasing range of LTE services offered is leading to vigorous growth rates among data services. While 8,600 terabytes (TB) were uploaded or downloaded in 2008, the figure in 2014 totalled about 166,000 TB – almost 20 times the data volume in 2008 (refer to Figure 18).

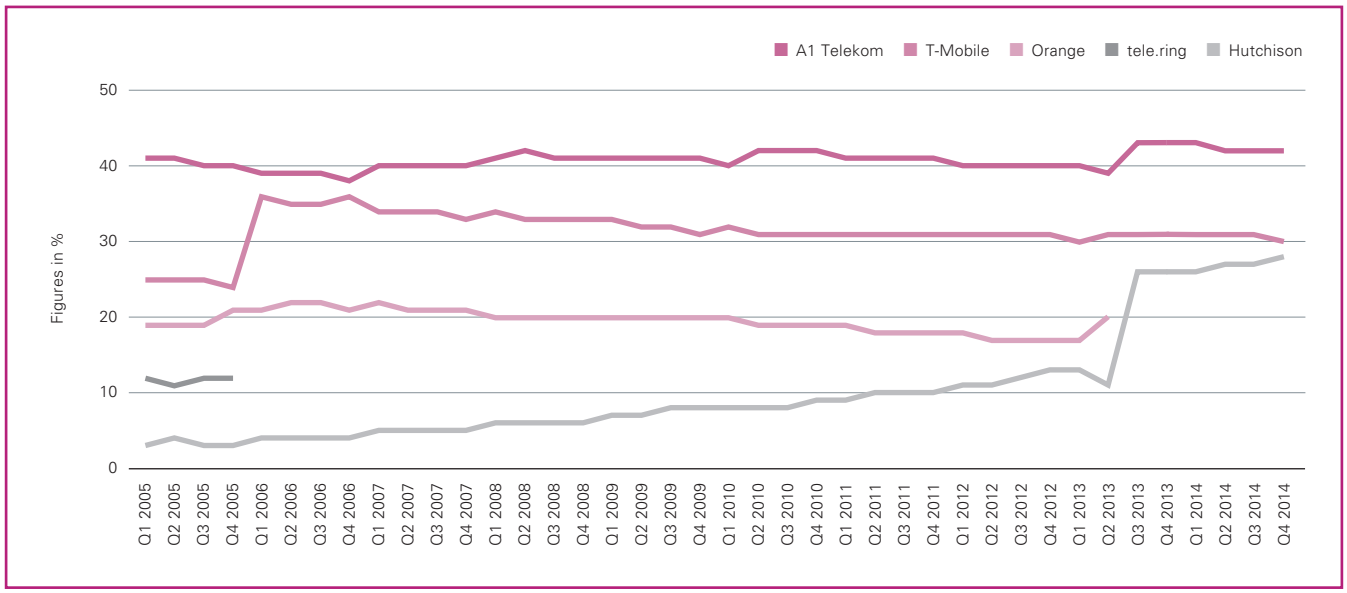
Figure 18: Data volumes in the retail mobile market, 2008 to 2014



Source: RTR

Figure 19 shows the development in market share held by each of the mobile operators as measured in terms of the number of subscribers. Resellers are included in the data for the host network operator to which they belong (i.e. the operator whose network the reseller uses in order to provide services). T-Mobile's takeover of tele.ring in 2006 accounts for the sharp increase in its market share. At the end of 2006 T-Mobile and A1 Telekom held nearly equal market shares. Further market consolidation took place in late 2012, as reflected by the chart data for Q2 2013. At the end of 2014, A1 Telekom (including yesss!) held a 42% share of the market, as measured in subscribers, and Hutchison (including Orange) 28%. T-Mobile continues to be the second-largest mobile network operator, with a 30% market share at the end of 2014.

Figure 19: Mobile market share based on number of subscribers, 2005 to 2014



The chart displays Orange including yesss! until Q2 2013. From Q3 2013 onwards, A1 Telekom is shown including yesss! and Hutchison including Orange.

Source: RTR

10.2.3 Broadband

Broadband internet access is provided in Austria mainly via DSL, cable broadband and mobile broadband. The most important broadband access technologies as well as their availability and the largest providers on the market are presented in Table 13. The providers shown in the table below cover more than 95% of all broadband connections.

Table 13: Broadband access technologies

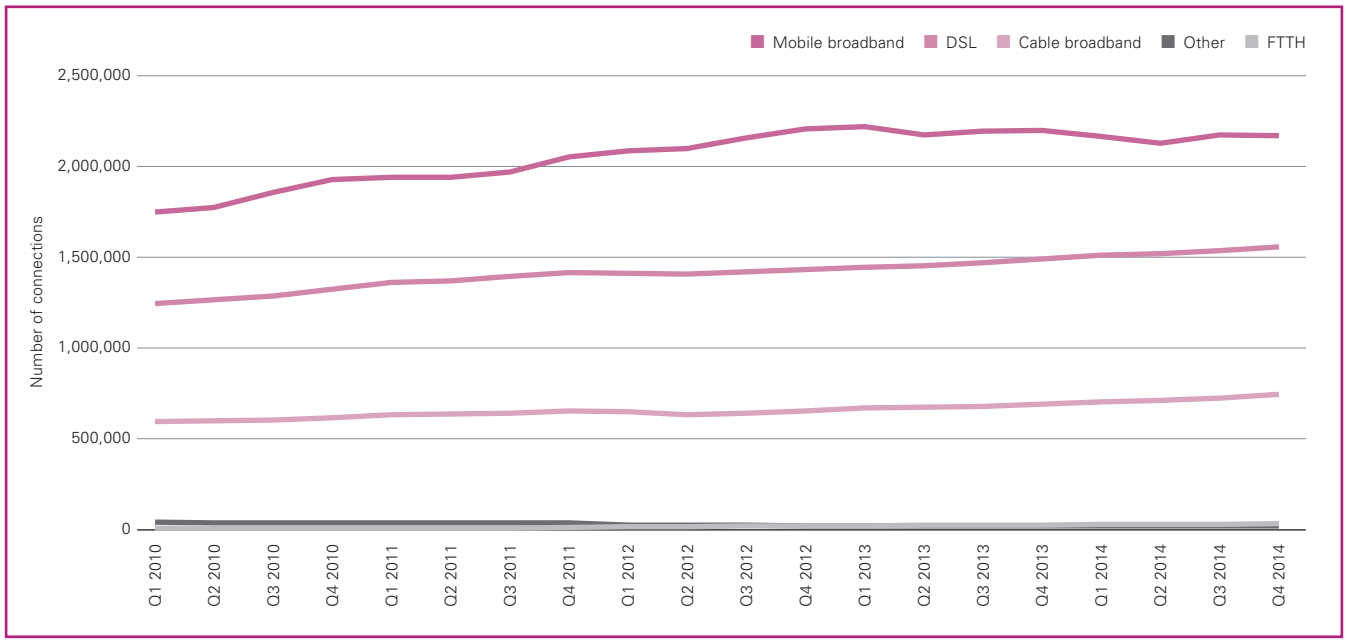
Access technology	Largest providers	Availability (in % of population)
(x)DSL: transmission technology based on copper wire pairs	A1 Telekom Tele2, UPC (unbundled lines)	> 99% Unbundled lines: approx. 65%
Cable broadband: DOCSIS coaxial cable-based transmission technology	UPC, LIWEST, Salzburg AG, kabelplus	Approx. 50%
Mobile broadband: UMTS/HSPA/LTE transmission technology in mobile networks	A1 Telekom (incl. bob and yesss!), T-Mobile (incl. tele.ring), Hutchison (Drei)	Approx. 95% (HSPA)
FTTH (fibre to the home) / **fibre optics**	A1 Telekom	< 5% (estimate)

Source: RTR

At the end of 2014, about 48% of all broadband subscribers were provided with service via mobile broadband, roughly 34% via DSL and about 16% via cable broadband. Mobile broadband represents the sum of all mobile broadband subscriptions that include at least 250 MB in the basic monthly fee or– in the case of prepaid cards – that were used by the subscriber to access the internet at least once during that particular quarter. The percentage of FTTH subscribers and those provided with service via other technologies (radio, power line and satellite) was below 1% in each case.

Figure 20 shows that DSL and cable broadband subscriptions have continued to gain ground in recent years, while the number of mobile broadband subscriptions has tended to fall slightly.

Figure 20: Broadband subscribers, 2010 to 2014



Due to subsequent corrections based on data from RTR's operator survey, the values shown here differ slightly from those listed previously in the 2013 Communications Report.

Source: RTR

Restructuring of access networks to offer customers faster broadband service further progressed last year as well. In detail, A1 Telekom installed additional cable branch boxes with fibre optics (referred to as 'fibre to the cabinet/curb' or FTTC) and in certain cases rolled out fibre optics to the building (FTTB) or directly to end users ('fibre to the home' or FTTH). VDSL vectoring has been implemented in an increasing number of cable branch boxes. This technology allows increased potential bandwidth by compensating signal interference between adjacent copper-wire lines ('crosstalk'). Mobile network operators have continued rolling out LTE and are now supplying almost all urban areas with this technology.

Alternative operators without proprietary access networks can make use of wholesale services that allow them to provide broadband internet access to their customers. Regulated wholesale services include unbundling (partial and full unbundling), virtual unbundling (an Ethernet-based service in which, like full unbundling, traffic is transferred at the main distribution frame) and bitstream services (transferred at central points in the Länder capitals), within the A1 Telekom network. To a limited extent, (non-regulated) wholesale products are also offered by cable network operators and unbundling partners. Lastly, (non-regulated)[14] wholesale services also exist in mobile telecommunications networks; such serve as the basis for alternative operators to be active as resellers or virtual operators (MVNOs).

Figure 21 shows the percentage of retail broadband subscribers that are provided with service via DSL, either by A1 Telekom itself or by alternative operators using unbundling or bitstream access. The trend away from bitstream access and unbundling continued in 2014. This development can be attributed to the drastic price reductions introduced by A1 Telekom in late 2007, which were in turn a response to the price cuts for mobile broadband. Although the wholesale charges for bitstream access and unbundled lines were also reduced substantially, on the whole it has become significantly more difficult for alternative operators using those products to undersell A1 Telekom, cable network operators or mobile broadband providers to an extent that allows substantial growth.

[14] This is unlike the wholesale service provided by Hutchison (Drei), which is an obligation arising from the Hutchison-Orange merger procedure.

Yet this does not automatically mean that there is less competition in the retail broadband market, as such competition – at least in the residential segment – is largely driven by cable and mobile network operators that are not dependent on A1 Telekom's wholesale products.

Figure 21: Percentage of DSL subscribers with access via bitstream and unbundling technology, 2010 to 2014

Source: RTR

10.2.4 Fixed network telecommunications

A variety of business models can be observed within the fixed network sector, which differ in terms of the type and amount of network infrastructure used. As incumbent operator, A1 Telekom is the only one with nationwide network infrastructure, whereas alternative subscriber network operators only have a rather more restricted scope of access to infrastructure. Carrier network operators and resellers provide primary carrier services on a call-by-call (CbC) and carrier pre-selection (CPS) basis.

Retail markets

2014 saw a continuation of the trends in fixed network retail markets observed in recent years. The market share held by A1 Telekom stagnated at a high level, while CbCs and CPSs continued to lose shares. The five largest providers in the fixed network retail market collectively account for more than 80% of the call minutes in the retail market (Table 14).

Table 14: Largest providers in the fixed network retail market in 2014

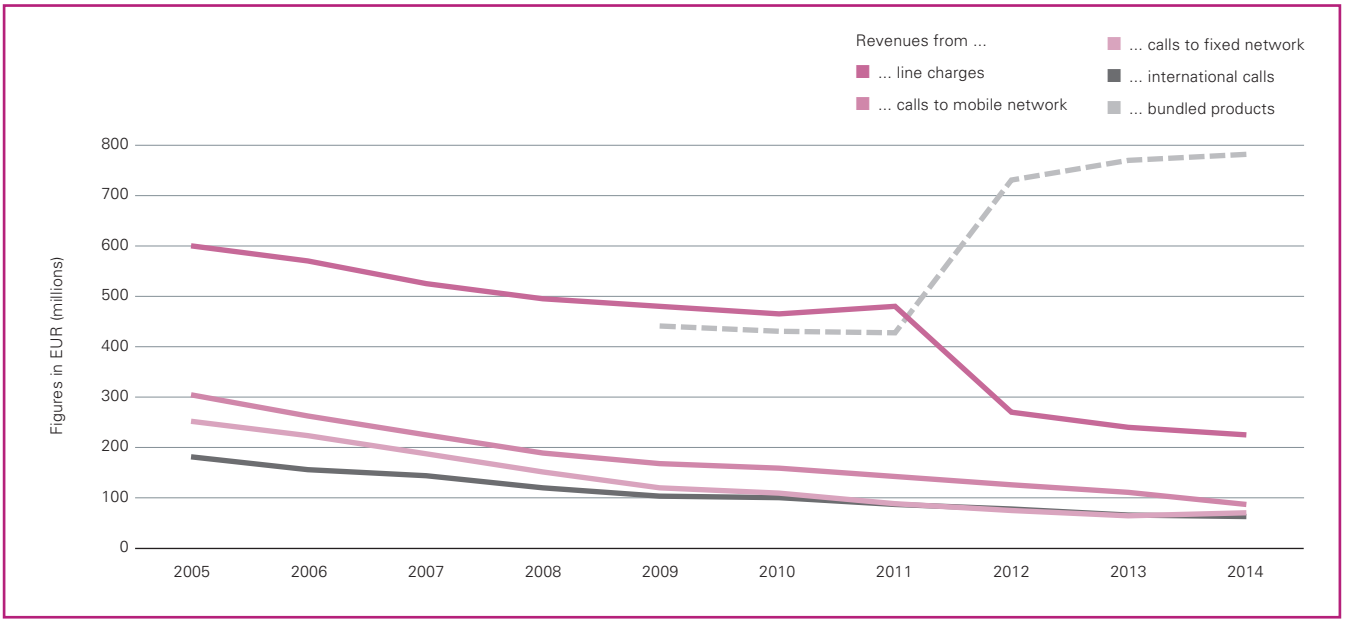
Company	Share of call minutes
A1 Telekom	> 50 %
Tele2	< 20 %
COLT	> 5 %
UPC	> 5 %
FINAREA	< 5 %

Source: RTR

Figure 22 shows the changes in revenues for each charge category (line charges, calls to mobile networks, calls to fixed networks and international calls) in recent years. The trends displayed are similar to those seen in previous years. The only exception is the revenues from connecting calls to fixed networks: after several years of decline, such revenues grew again in 2014 by about 8% to a level roughly comparable to that seen in 2012. This development can be explained by A1 Telekom's decision to introduce more uniform rates, which entered into effect as of 1 May 2014 and resulted in more costly calls to the Austrian fixed network. Despite a slight drop in call minutes, the overall result was increased revenues. The steady downward trend in charges for calls to mobile networks and to other countries has continued for several years. The decline in connection fees for calls to other countries amounted to about 4%, while there was a roughly 22% drop in fees for calls to mobile networks. As a result of A1 Telekom's introduction of more uniform rates as mentioned above, the connection fees to mobile networks dropped, leading to lower revenue.

There was a repeated drop in line charges in 2014, namely by about 10%. Such revenues had plummeted by 44% in 2012 in the wake of a revision of the data query as specified in the Communications Survey Ordinance (KEV), which now excludes fees collected as part of broadband packages; this explains the drastic drop in that year. Broadband retail revenues rose reciprocally, in other words, the decrease in line charges has led to an increase in broadband retail revenues. Figure 22 allows this effect to be clearly recognised.

Figure 22: Fixed network retail revenues by type of business, 2005 to 2014



Due to subsequent corrections based on data from RTR's operator survey, the values shown here differ slightly from those listed previously in the 2013 Communications Report.

Source: RTR

Wholesale markets

Certain wholesale services are a prerequisite for providing, between networks, voice telephony services in the fixed network, in other words, services that telecom operators provide to other telecom operators. Three kinds of wholesale services are significant here: origination, termination and transit services.

Origination refers to transferring traffic from the subscriber to a switching exchange capable of interconnection. Origination is used as a (payable) wholesale service in two cases: by carrier network operators, when they provide their customers with connection services via the (regulated) wholesale services provided by A1 Telekom, and by service providers, in order to ensure the availability of the services they provide.

Termination refers to the case where an operator conveys traffic from a switching exchange capable of interconnection to a subscriber within the operator's network. As termination services can only be rendered by the provider network to which a subscriber is connected, specific termination markets are defined for each individual operator. Every subscriber network operator has significant power in that operator's market and is required to provide termination services against regulated charges.

Transit refers to conveying traffic between networks. Where networks are not interconnected directly (or everywhere), operators can make use of a transit network operator to ensure 'any-to-any' interconnectivity.

Figure 23 shows the changes in revenues within such wholesale markets for the years 2010 to 2014. Compared with 2013, revenues from termination declined significantly in 2014 due to a reduction of fixed network termination fees as of 1 November 2013.[15]

Figure 23: Revenues from fixed network wholesale markets, 2010 to 2014

Due to subsequent corrections based on data from RTR's operator survey, the values shown here differ slightly from those listed previously in the 2013 Communications Report.

Source: RTR

[15] Refer to the TKK decision of 30 September 2013 in procedure M 1.8/12, www.rtr.at/de/tk/M_1_8_12 (in German).

10.2.5 Leased lines

Leased lines refer to symmetrical, bidirectional point-to-point connections that support voice or data transmission. They are made available to the customer as exclusive and uninterrupted connections with a guaranteed minimum bandwidth. These lines are realised using various types of infrastructure (e.g. copper wire pair, fibre optics, microwave radio) and various transmission technologies, such as synchronous digital hierarchy (SDH) and plesiochronous digital hierarchy (PDH).

Telecommunications operators (at wholesale level) use leased lines for the purpose of supplementing and expanding their networks. For example, leased lines are used to connect mobile transmission stations or unbundled main distribution frames, or to connect business customers to the network. Other companies (at end user level) generally employ leased lines to create a network between two or more business locations, for example to connect a branch and headquarters (intranet) or to connect business partners, suppliers and customers (to form an extranet).

In recent years demand for wholesale Ethernet services has increased substantially. Like leased lines, Ethernet services can similarly be used for transmissions, such as of data and voice traffic, but Ethernet is generally more flexible (i.e. offering more bandwidth levels) and less expensive than conventional leased lines, which are largely based on SDH technology. At wholesale level conventional leased lines are consequently being increasingly replaced by Ethernet services.

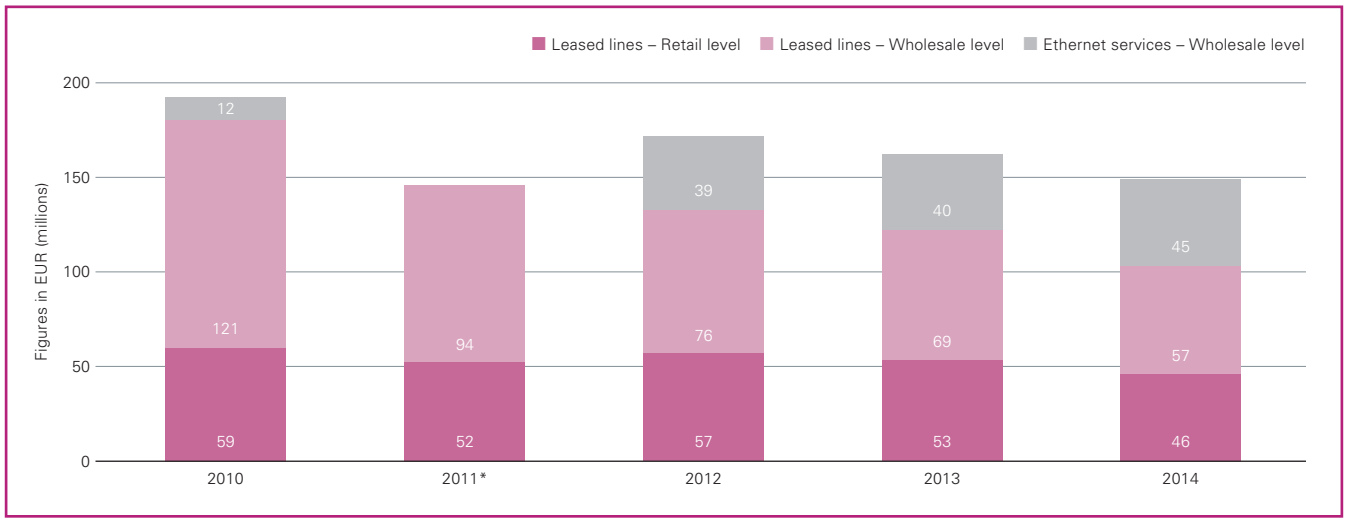
It is necessary to distinguish at wholesale level between trunk segments and terminating segments. Trunk segments refer to those leased lines and Ethernet services that do not extend to the subscriber's network termination point and serve to link exchange points in those 28 Austrian towns where A1 Telekom has established points of interconnection (POIs) with other telecommunications operators. Terminating segments, in contrast, refer to those leased lines or Ethernet services at wholesale level which are not classified as trunk segments.

Alongside A1 Telekom, the major providers of leased lines and Ethernet services at the end of 2014 were Energie AG Oberösterreich Data, Tele2, Salzburg AG, T-Systems Austria, kabelplus and Wien Energie.

Figure 24 shows the volume of revenues generated in Austria through national leased lines and Ethernet services from 2010 to 2014, according to segment. Revenues from leased lines as well as overall revenues have continued to fall in recent years. This is most likely being driven by the substitution of leased lines with less costly Ethernet services.[16]

[16] The category of leased lines additionally includes leased lines with Ethernet interfaces, which when viewed from the demand side and in terms of price in some cases resemble Ethernet services.

Figure 24: Revenues from leased lines and Ethernet services, 2010 to 2014



* Revenue data were not available for Ethernet services in 2011.

Source: RTR

11 RTR's activities as a competence centre

11.1 Media Division

11.1.1 RTR publication series: "Public-sector services on the test bench"

Public value test procedures, which are referred to in Austria as Auftragsvorprüfungsverfahren or "prior evaluation procedures", have been in existence here for three years. In January 2014, the Media Division of the Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) published in the RTR publication series an issue that takes a comparative look at the various test models existing in Europe. Starting from initial experiences in prior evaluation procedures, which are described in detail in terms of workflows and specific results, the publication examines other public value tests introduced in Europe. The result of this analysis was that there were enormous differences among the procedural models selected for study, both from the point of view of the parties participating and in relation to the duration and number of procedures they involved, as well as in terms of the expense incurred.

These results of the study, undertaken from both a legal and an economic point of view, were also presented to interested representatives of the sector during a public event held in March 2014.

11.1.2 Research Institute for Electronic Mass Media Law (REM)

REM was founded in 2005 and is established as a non-profit association within RTR. Also in the year 2014, REM devoted its efforts to the scientific study of the legal issues affecting electronic mass media.

The members of REM's Board of Directors are: Walter Berka (University of Salzburg, Chair), Hans Peter Lehofer (Austrian Administrative Court – VfGH), Alfred Grinschgl (RTR), Michael Holoubek (Vienna University of Economics and Business, Constitutional Court – VfGH), Christoph Grabenwarter (Vienna University of Economics and Business, VfGH), Michael Ogris (KommAustria) and Matthias Traimer (Austrian Federal Chancellery).

REM held a workshop on 23 April 2014 on the topic of the Act on Transparency in Media Cooperation and Funding (MedKF-TG). REM's Austrian Broadcasting Forum (Österreichisches Rundfunkforum), which facilitates an exchange of views among researchers and practitioners on issues affecting broadcasting law, took place for the tenth time on 9 and 10 October 2014. The forum dealt with the topic of media quality from a number of perspectives under the heading of "Quality assurance in broadcasting and the online media". The speakers concerned themselves amongst other things with various aspects of the public mandate in the mass media and with the impact of legal supervision and subsidisation on media quality.

11.2 Telecommunications and Postal Services Division

11.2.1 Focus on information and communication technologies

As part of the activities of its competence centre, RTR extensively studies the topic of information and communication technologies (ICT).

One of the focuses of its work in this regard is activities for the Internet Society Competence Centre (Kompetenzzentrum Internetgesellschaft or KIG). RTR exercises the role of an agency for the Federal Government within this institution. In order to achieve the goals of the KIG and to strengthen Austria's position in the ICT sector, RTR in its capacity as agency is responsible for a variety of tasks.

The basis of many work packages is provided by monitoring key ICT statistics. This does more than just indicate Austria's current progress in the area, but also shows its position in international comparisons. RTR researches the relevant parameters and indices, which are then analysed and published on its website. The Networked Readiness Index (NRI) of the World Economic Forum is a key index for assessing the extent to which a country is equipped with and uses information and communication technologies. It compares 148 national economies with one another. Austria was ranked at twenty-second place in 2014, a drop of three positions from the previous year.

The monitoring of these indices reveals areas within the wider topic of ICT in which Austria needs to take action to remain attractive for business. Based on these observations and using the input from a consultation on future Austrian ICT strategy, the KIG had prepared a draft strategy with the title "Cornerstones of an ICT policy" ("Eckpunkte für eine IKT-Strategie") for the federal government already back in 2013. Unfortunately, the various relevant ministries were still unable to arrive at a consensus in order to allow an ICT strategy for the federal government to be submitted during the reporting year of 2014.

11.2.2 RTR-NetTest

The RTR network test is a tool developed by RTR that allows users to check the speed and quality of an internet connection, reliably and independently of their provider. The objective of the test is to compare actual bandwidths with the capacity advertised. About 700,000 measurements were taken during the past year.

The RTR-NetTest measures a number of parameters of the internet connection. These include the upload and download speeds, latency (ping speed) and signal strength. In addition, the RTR-NetTest provides data on the access method used for the connection (GPRS, EDGE, UMTS, HSPA, LTE, LAN or WLAN), specific measures relating to location and identifies the operator of the fixed or mobile network used for internet access.

Testing internet connections objectively

The speed of an internet connection will depend among other things on the technology being used, the end user device, the location, the number of mobile users in the radio cell and the chosen tariff. The results are displayed as a map and can be shared with other parties.

Since September 2014, the Android app can also be used to measure a number of quality parameters. QoS stands for "Quality of Service". Examples of the QoS tests include whether website content has been modified, whether a connection is transparent, and whether connections can be established via specific ports.

In addition to the functions of the mobile app, the browser test also allows an address to be entered. This enables a precise, location-dependent display of test results for fixed broadband connections, which is similar to the map of test results provided by the mobile app.

The RTR-NetTest is available as a mobile app for Android and iOS as well as a browser test, at www.netztest.at.

11.3 "Net neutrality in the light of convergence" conference

In October 2014, the Media Division and the Telecommunications and Postal Services Division at RTR invited participants to the "Net neutrality in the light of convergence" conference, at which prominent national and international experts discussed a variety of aspects of net neutrality. The goal of the event was to make a contribution to discussions on net neutrality and to present to a wider circle of interested parties from industry, politics and the general public an understanding of the topic from the telecommunications and media regulation point of view.

Block 1: the various facets of net neutrality

The first block of the conference took in the economic and legal basis underlying the concept of net neutrality. The keynote speech was delivered by Simon Schlauri, a Swiss attorney and private lecturer at the University of Zurich. His talk spanned the range of discussion at the event, by explaining to the audience the various possible business models pursued by internet service providers (ISPs) and the various dimensions of net neutrality. In addition, he also gave details on the options available for using (general) competition law as an instrument against breaches of net neutrality and on the impact of such breaches on internet start-ups and innovation. The EU legislative framework on net neutrality was explained by Hans Peter Lehofer, a judge at the Austrian Administrative Court (VwGH). He gave an overview of the different stages of development of EU law and their implications for regulatory matters affecting net neutrality. He also shed light on the topic from the point of view of basic rights and presented a number of possible future scenarios. To close the first block of proceedings, Hans Hege of the Berlin-Brandenburg Media Authority spoke on the changed role of the media and the challenges facing the sector in the digital world, as well as on aspects of net neutrality from the point of view of media regulators.

Block 2: international perspectives

The second block concerned itself with international perspectives. Stanford professor Barbara van Schewick presented the latest developments in the US and the background in which they occurred, as well as giving a short historical retrospective on previous American net neutrality rules. She also focused on the main critical points of contention in the US debate, which have become more current than ever before in the light of the latest developments relating to the enactment of new net neutrality rules by the Federal Communications Commission (FCC). Jan Krone and Tassilo Pelligrini of the Institute for Media and Economy at the St. Pölten University of Applied Sciences offered a comparison of the legal frameworks in a number of countries. They presented the results of a policy study and compared net neutrality laws as enacted in Chile, Brazil, Slovenia and the Netherlands.

High-level participation in panel discussion

This was followed by a panel discussion in which the speakers discussed whether Austria needs to take any action in terms of net neutrality, and what content any possible net neutrality regulation should include. A large number of contributions and questions from the public enlivened the debate, in which the various views on the issue – some of which generated some controversy – were discussed. At the end of the event, the experts almost unanimously agreed on the need for net neutrality rules either at European or national level, and this view was once more underscored by the directors of RTR in their closing statements.

The large number of participants, the positive feedback received on the event and the lively discussion during and after the conference were clear indications that the net neutrality debate has very much arrived in Austria. All presentations as well as the panel discussion were video recorded and can be found (in German) on the RTR website (www.rtr.at/de/komp/Netzneutralitaet14102014).

11.4 Public relations and service

The regulatory activities of the Austrian Communications Authority (KommAustria), the Telekom-Control-Kommission (TKK), the Post-Control-Kommission (PCK) and RTR as well as the organisation's activities as a competence centre are topics of great interest to the public. Comprehensive public relations are consequently very important.

Website and publications

The www.rtr.at website is an important communication instrument to guarantee transparency of official activities and to consistently meet the information needs of the general public. Decisions as well as information on regulatory activities and grant administration that is designated for disclosure are published on the RTR website in a timely manner. It includes about 4,000 manually maintained web pages as well as several thousand more that are generated automatically.

Publications are another focus of public relations activities. The annual publications include: the RTR Communications Report, which covers all legally required reporting duties of the body; the report on the activities of the conciliation body on developments and problem areas in issues relating to end-consumer arbitration; the RTR Telekom Monitor, which provides market data on the telecommunication sector; the RTR Post Monitor, which provides statistics of the Austrian postal market; and the RTR newsletter RTR AKTUELL. In addition, as part of the RTR publication series, the studies "Television subsidies in Austria" ("Fernsehförderung in Österreich") and "Public-sector services on the test bench – a view of practice in Austria and Europe" ("Öffentlich-rechtliche Angebote auf dem Prüfstand – Ein Blick in die Praxis in Österreich und Europa") were published.

Media relations

In order to provide the public with timely information on the authorities' activities as well as on related topics, during the year under review RTR prepared a great number of press releases and held press conferences, in addition to answering numerous press enquiries and giving individual interviews to media representatives.

Enquiry management

RTR deals with a large number of enquiries daily, both by telephone and in writing. In 2014 the body responded to 3,300 written enquiries sent to rtr@rtr.at. The subjects of enquiries relate to the entire scope of activities carried out by the regulatory authorities, although during the year under review the bulk of the issues involved concerns relating to end users – as in previous years. The average response time was 1.5 days.

Table 15: Volume of enquiries, 2011 to 2014

	2011	2012	2013	2014
Number of enquiries to rtr@rtr.at	4,263	3,572	2,817	3,300
Number of phone enquiries	6,578	4,909	3,497	4,034

Source: RTR

Initial advice on arbitration issues is provided to end users via the 0810 511 811 hotline. In 2014 the RTR call centre received 4,034 calls, representing an increase of 15.4 % as compared with the previous year. Perennial issues include nuisance calls and content services.

12 RTR and the regulatory authorities

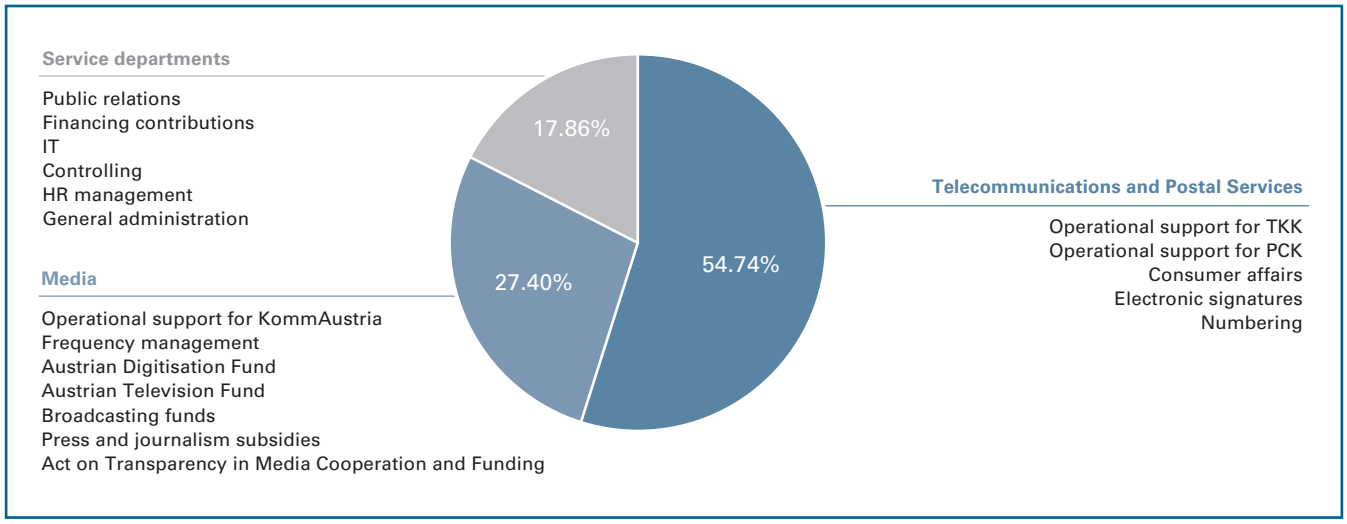
12.1 Our company: we stand for competition and media diversity

The Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) was established under law with the purpose of regulating the Austrian markets for broadcasting, telecommunications and postal services. Its powers and responsibilities are enshrined in relevant legislation. The organisation fulfils its own official duties as well as providing operational support for the Austrian Communications Authority (KommAustria), the Telekom-Control-Kommission (TKK) and the Post-Control-Kommission (PCK). It also administers funding used to support projects in the media field.

RTR is wholly owned by the Republic of Austria. It is headed by two managing directors and is structured in two specialist divisions. Alfred Grinschgl was responsible for the Media Division, including all funding administration, during the year under review, while Johannes Gungl, who succeeded Georg Serentschy, has been in charge of the Telecommunications and Postal Services Division since February 2014.

Figure 25 shows the relative proportion of personnel assigned to the two specialist divisions and the service departments.

Figure 25: Service departments, Media Division and Telecommunications and Postal Services Division as of 31 December 2014



Basis: FTEs

Source: RTR

Table 16 shows the changes in staff size within the Media Division and the Telecommunications and Postal Services Division in the past three years, while the scope of duties has remained constant.

Table 16: Staff size between 2012 and 2014

Staff as of 31 December	2012	2013	2014
Telecommunications and Postal Services	60.475	59.654	57.104
Media	29.650	30.049	28.584
Service	17.975	18.997	18.637
RTR	**108.100**	**108.700**	**104.325**

Basis: FTEs

Source: RTR

For more information, including the organisational chart and the supervisory board members, please visit our website at www.rtr.at.

12.1.1 Staff: stable numbers ensure continued expertise

The number of staff at RTR was relatively stable in the last three years; the fluctuation rate was 7%. The table below summarises the staff structure as of 31 December 2014.

Table 17: Staff by number of employees as of 31 December 2014

	Female	Male	TOTAL
Full-time	35	48	**83**
Part-time	28	7	**35**
TOTAL	**63**	**55**	**118**

Source: RTR

The key to professional competence: continuous training

RTR is committed to ongoing development of human resources. Through numerous activities within the scope of targeted training, employees are encouraged to develop professional and social competence as well as their effectiveness. The appropriate focus of training activities for each individual is determined in line with the objectives pursued by the organisation at large, during the bi-annual meetings between the responsible manager and the employee. In this way, RTR can respond to changing market conditions and ensure high professional standards among staff. A total of some EUR 146,000 and 463 person-days were spent on continued training in the year under review.

An attractive working environment ensures employee satisfaction

At RTR emphasis is placed on an attractive working environment as this has a positive influence on employees' motivation. Deficiencies identified during the evaluation of psychological stress at the workplace in 2013 could be considerably improved or even resolved during the reporting year. The topic of health is also given high priority at RTR. A great number of programmes were offered with the goal of avoiding illness as well as actively promoting health.

Goal of our human resources policy: balancing work and personal life

Balancing one's job and personal life is a tremendous challenge. RTR has been responding to this challenge for years by ensuring family-friendly working conditions. These include the option of working at home as well as working-time models individually tailored to the employee's personal situation. In the reporting year, 28 female and seven male employees took advantage of the option of working part-time, under several different working-time models.

Equal opportunity for all employees

To underscore the great importance of equal opportunity as well as to protect every employee from any and all discrimination, RTR made preparations in the year under review to recruiting an equality officer from within the organisation. The duty of this role will be to serve as a staff contact person for equality matters and to prepare an equality plan intended as an example to follow in Austria. The role will be filled in early 2015.

12.1.2 RTR's financial statements for 2014

The external auditors at Deloitte Audit Wirtschaftsprüfungs GmbH have issued an unqualified audit certificate confirming RTR's financial statements for the 2014 business year (1 January to 31 December 2014). The financial statements presented below were prepared in accordance with the Austrian Commercial Code (UGB) as amended.

The profit and loss statement and balance sheet, as shown in RTR' financial statements, are presented below.

The regulatory authority's activities are funded by various sources, and funding is specified in the KommAustria Act (KOG). More information is available at www.rtr.at.

Approved guidelines, which can be viewed on the website, are applied when allocating grants from the Austrian Digitisation Fund, the Austrian Television Fund, the Private Broadcasting Fund and the Non-Commercial Broadcasting Fund, in order to ensure that the funding objectives specified in each case are fulfilled. The expenses incurred in the administration of those funds are itemised under separate accounting entities and reimbursed to RTR from the relevant fund (refer also to Chapter 6).

RTR closed the 2014 business year (1 January to 31 December 2013) with a balanced result.

Table 18: Profit and loss statement for the 2014 business year (1 January to 31 December 2014)

		2014		2013	
		EUR		EUR (thousands)	
1.	Net revenues		12,998,367.70		12,550
2.	Other operating income				
	a) Income from disposal of fixed assets				
	(excluding financial assets)	3,158.36		7	
	b) Income from release of provisions	27,549.71		9	
	c) Other	759,419.53	790,127.60	989	1,005
3.	Personnel expenses				
	a) Salaries	-7,031,654.53		-6,925	
	b) Severance payment expenses and payments to staff				
	provision funds	-110,365.69		-116	
	c) Pension insurance expenses	-242,342.92		-232	
	d) Statutory social insurance contributions as well as				
	salary-dependent charges and mandatory contributions	-1,769,143.32		-1,734	
	e) Voluntary benefits	-112,147.61	-9,265,654.07	-117	-9,124
4.	Depreciation, amortisation and write-downs				
	a) Tangible and intangible fixed assets		-333,826.40		-336
5.	Other operating expenses				
	a) Other	-4,279,763.78	-4,279,763.78	-4,230	-4,230
6.	**Operating result**		**-90,748.95**		**-135**
7.	Income from other securities held as financial assets		87,210.47		134
8.	Miscellaneous interest and similar income		9,744.73		14
9.	**Financial result**		**96,955.20**		**148**
10.	**Result from ordinary activities**		**6,206.25**		**13**
11.	Taxes on income		-26,439.08		-34
12.	**Net annual loss**		**-20,232.83**		**-21**
13.	Release of capital reserves				
	a) Release of appropriated capital reserves		20,232.83		21
14.	**Result for current year**		**0.00**		**0**
15.	Profit carried forward		0.00		0
16.	**Unappropriated income**		**0.00**		**0**

Source: RTR

Sector-specific expenses in RTR's specialist divisions

The annual financial statements prepared by RTR do not itemise funding use by division. For this reason, Table 19 below provides a breakdown of the main items listed in RTR's profit and loss statement for the Telecommunications and Postal Services Division and the Media Division (as specified in Art. 19 Par. 3 no. 3 KOG).

Table 19: RTR income and expenses by division

Figures in EUR (thousands)	Telecommunications and Postal Services	Media	TOTAL
Net revenues	7,866	5,132	12,998
Other operating revenues	96	694	790
Personnel expenses	-6,107	-3,159	-9,266
Depreciation, amortisation and write-downs	-218	-116	-334
Other operating expenses	-1,702	-2,578	-4,280
Operating result	**-65**	**-27**	**-92**
Financial result	**61**	**37**	**98**
Result from ordinary activities	**-4**	**10**	**6**
Taxes on income	-16	-10	-26
Net annual loss	**-21**	**0**	**-21**
Release of capital reserve	21	0	21
Profit carried forward	0	0	0
Unappropriated income	**0**	**0**	**0**

Source: RTR

RTR's income and expenses for the individual areas of activity within each division will be presented in the appendix for the annual accounts as at 31 December 2014, after adoption by the general assembly. The individual areas within the Telecommunications and Postal Services Division are: telecommunication regulation, electronic signatures and postal services regulation; and the areas within the Media Division are: media regulation, Austrian Digitisation Fund, Austrian Television Fund and broadcasting funds (refer to www.rtr.at).

Table 20a: Balance sheet as of 31 December 2014 – assets

		December 31, 2014		December 31, 2013	
		EUR		EUR (thousands)	
A.	**Fixed assets**				
I.	Intangible assets				
	1. Rights	180,733.51		265	
	2. Prepayments on intangible assets	109,236.00	289,969.51	24	289
II.	Tangible assets				
	1. Buildings on third-party land	95,648.35		75	
	2. Other equipment, operating and office equipment	221,990.79		323	
	3. Construction in progress	0.00	317,639.14	4	402
III.	Financial assets				
	1. Securities held as financial assets		3,391,480.61		3,391
			3,999,089.26		**4,082**
B.	**Current assets**				
I.	Receivables and other assets				
	1. Trade receivables	899,658.51		1,248	
	2. Other receivables and assets	413,980.20	1,313,638.71	387	1,635
II.	Cash in hand and at banks		2,928,837.91		2,727
			4,242,476.62		**4,362**
C.	**Deferred income**		**74,345.91**		**87**
D.	**Trustee accounts – funds**		**16,108,611.24**		**16,129**
			24,424,523.03		**24,660**

Source: RTR

Table 20b: Balance sheet as of 31 December 2014 – liabilities

		December 31, 2014		December 31, 2013	
		EUR		EUR (thousands)	
A.	**Equity**				
I.	Capital stock	3,633,641.71		3,634	
II.	Capital reserves				
	1. Appropriated	1,924.59		22	
III.	Net retained profits/accumulated losses	0.00	**3,635,566.30**	0	**3,656**
B.	**Provisions**				
	1. Provisions for severance payments	185,430.00		242	
	2. Other provisions	1,596,413.36	**1,781,843.36**	1,641	**1,883**
C.	**Liabilities**				
	1. Trade payables	820,281.23		673	
	2. Other payables	1,983,048.07	**2,803,329.30**	2,207	**2,880**
	(taxes payable: EUR 341,182.22 [2013: EUR 445,000]; social security obligations: EUR 160,559.90 [2013: EUR 162,000])				
D.	**Trustee obligations – funds**		**16,203,784.07**		**16,241**
			24,424,523.03		**24,660**

Source: RTR

12.2 The regulatory authorities KommAustria, TKK and PCK

One of RTR's major responsibilities is to serve as the operative arm of the authorities KommAustria, TKK and PCK.

KommAustria

The Media Division provides operational support to KommAustria. The authority consists of five members who are nominated by the federal government and appointed by the Austrian president for a term of six years. The members of KommAustria are independent in the performance of their duties and not bound by instructions from any other authority. Michael Ogris was the chair in the reporting year.

TKK

The Telecommunications and Postal Services Division serves as the operative arm of the TKK and the PCK. The TKK consists of three main members and three substitute members who are appointed by the federal government for a five-year term. Elfriede Solé, senior official with the Austrian Supreme Court of Justice, chaired the TKK during the year under review.

PCK

The PCK presents a similar picture. It also consists of three main members and three substitute members who are appointed by the federal government for a five-year term. Elfriede Solé, senior official with the Austrian Supreme Court of Justice, also serves as chair of this authority.

13 Appendix

13.1 Tables

13.2 Figures

Publishing information

Owner and publisher: Austrian Regulatory Authority for Broadcasting and Telecommunications (Rundfunk und Telekom Regulierungs-GmbH), Mariahilfer Strasse 77-79, A-1060 Vienna, Austria. Tel.: +43 1 58058-0; fax: +43 1 58058-9191; e-mail: rtr@rtr.at, web: www.rtr.at.

Responsible for content: Alfred Grinschgl (CEO Media Division) and Johannes Gungl (CEO Telecommunications and Postal Services Division), Austrian Regulatory Authority for Broadcasting and Telecommunications

Conceptual design and text: Austrian Regulatory Authority for Broadcasting and Telecommunications

Graphic design and layout: Johannes Bulgarini Verlag und Werbeagentur, Gföhl 8, A-3053 Laaben, Austria. E-mail: jo@bulgarini.at

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