

CZECH TELECOMMUNICATION OFFICE

# ANNUAL REPORT 2015



Czech **Telecommunication** Office

# A WORD OF INTRODUCTION FROM THE CHAIRMAN

The year 2015 can be characterised as a year of continued deployment of the LTE network and rising data use by customers. The Czech market was significantly influenced by the separation of one of the key players on the market, O2 Czech Republic a.s., into two separate undertakings - O2 and CETIN. In response to this, CTU launched fourth round of analyses to take the new situation on the market into consideration.

The Office also continued its work aimed at securing greater openness of public administration and in addition to increasing its presence on social networks, it prepared an entirely new website, the final form of which it presented at the beginning of this year. The new CTU website is fully responsive, allows for simple browsing on all types of display devices and makes it easier for visitors to find the required information. The new website is also the first step towards further interactive activities at the Czech regulator.

CTU also launched an interactive web application to map out the use of the whole radio spectrum: [spektrum.ctu.cz](http://spektrum.ctu.cz). Using this, it is possible to ascertain which services may be operated in specific frequency bands and under what conditions. The application was later supplemented with several dozen inter-connected data bases, from which one can draw information when developing new applications, since these bases are also accessible in the form of open data.

The future development of the 5<sup>th</sup> generation networks, the conditions for implementation of a civil aviation monitoring system, the control of unmanned systems and the future of the use of the UHF band were all among the main topics dealt with at the World Radiocommunication Conference in Geneva at the end of last year. Experts from CTU were among the Czech delegation and are now preparing a new draft frequency allocation table for the Ministry of Industry and Trade that will subsequently be issued as a Decree.

At the end of the year, the Office, in relation to previously-issued recommendations regarding subscriber contracts, involved itself in checking the contractual documentation of three mobile network operators and one significant provider of cable Internet connection. CTU will this year conduct the same evaluation of contractual terms and conditions at other providers of electronic communication services. This is another of the activities at CTU that will lead to an increase in transparency on the market and inform the end user of the terms and conditions of using publicly available electronic communication services.

One topic of last year which I consider important is the measurement of quality parameters of electronic communication networks. As a result of cooperation with the CZ.NIC association, it was last year possible to introduce a new tool with which to measure the quality of mobile Internet connection services using the mobile application Net-Metr. This allows users to test their own connection and to compare the data obtained with other measurements in a specific place or in different locations. I believe that this application, which will be broadened this year to include networks at a fixed location, will find a number of users.

Journalist, university lecturer and telecommunications specialist Jiří Peterka became the fifth member of the Council of the Czech Telecommunication Office in June 2015. It is my view that his appointment was the right step to take, one that leads to a further increase in the level of expertise at the CTU Council.

Mgr. Ing. Jaromír Novák

Chairman of the Council of the Czech Telecommunication Office

## BASIC INFORMATION ABOUT CTU

The Czech Telecommunication Office (hereinafter also referred to as “CTU” or the “Office”) was established by Act No. 127/2005 Coll. on electronic communications and amending certain related acts (Act on Electronic Communications) on 1 May 2005 as the central administrative authority for exercising state administration in the matters determined in the Act, including market regulation and determining the terms and conditions for undertaking business in the sphere of electronic communication and postal services. The Office has its own chapter in the state budget and is an accounting entity.

CTU has a five-member Council (hereinafter also referred to as the “Council”). One member of the Council is the Chairman of the Council, who heads the Office. The term of office of members of the Council is five years. Mgr. Ing. Jaromír Novák is the Chairman of the Council, having been appointed to this position in May 2013.

The Office carries out its activities through individual departments, namely sections, departments and separate units. Its place of residence is in Prague, but it has other offices outside the capital. These are its departments for the South Bohemian region, having its place of residence in České Budějovice, for the West Bohemian region, having its place of residence in Plzeň, for the North Bohemian region, having its place of residence in Ústí nad Labem, for the East Bohemian region, having its place of residence in Hradec Králové, for the South Moravian region, having its place of residence in Brno, and for the North Moravian region, having its place of residence in Ostrava.

The Annual Report (hereinafter also referred to as the “Report”) is compiled according to Section 110(1) of the Act on Electronic Communications. The first part primarily concentrates on evaluating the basic indicators of the decisive segments of the electronic communication and postal services market. Comments on the activities which CTU ensures, the results achieved in individual specialised areas and comments on the international activities conducted by the Office are provided in detail in the parts which follow. In the conclusion, the Report provides comprehensive information on the economic results achieved by CTU and the accomplishment of set budget indicators for the year 2015 and information on the personnel involved in the activity of the Office and on ensuring other, auxiliary activities which are essential for the due accomplishment of tasks at CTU.

In accordance with the requirements of Section 110 and other relevant provisions of the Act, the Report

includes an Annual Report on the Universal Service (according to Section 50 of the Act on Electronic Communications) and a Statement on the Administration of Resources in the Radiocommunication Account (according to Section 27 of the Act on Electronic Communications). The Report also includes an Annual Report on the Provision of Information according to Act No. 106/1999 Coll. on free access to information, as amended, and comprehensive information on CTU procedure in settling complaints according to Section 175 of Act No. 500/2004 Coll., the Administrative Procedure Code, as amended (hereinafter also referred to as the “Administrative Procedure Code”).

## MANAGEMENT SUMMARY

### **Electronic communications**

The year 2015 was one that saw the development of LTE (Long Term Evolution) high-speed mobile Internet by mobile operators and rising data use by end users. In comparison with the 1<sup>st</sup> half of 2014, when mobile operators began providing services on LTE networks, total data use from mobile network operators rose by around 53 %. Operators launched adjusted offers for high-speed Internet connection using the LTE network on the market and this was accompanied by a rise in the range of telephones supporting the LTE bands.

During 2015, CTU primarily concentrated on completing the third round of relevant market analyses, including the determination of an undertaking with independent significant market power and the imposition of remedial measures. The company O2 Czech Republic a.s. voluntarily split into two legally and functionally independent undertakings, O2 and CETIN, with effect from 1 June 2015. CTU launched a fourth round of analyses in June 2015 in response to the separation of the company, which had been designated an undertaking with significant market power on all relevant markets (with the exception of market no. 8).

O2 and CETIN ensured continuity in the discharge of the obligations imposed on the relevant markets and the obligation to provide selected services within the scope of a universal service; this they did at the request of CTU.

Development that got underway in 2013 and that led to the arrival of several dozen new virtual operators on the market continued in 2015. New undertakings arrived on the market, existing virtual operators became established and we also saw the consolidation and dissolution of other operators. By the middle of 2015, CTU had on record 170 business undertakings that provided their services as MVNO (Mobile Virtual Network Operator) or MVNE (Mobile Virtual Network Enabler) and 19 brand re-sellers. The share of all virtual operators in the total number of SIM cards at the end of 2015 was approximately 6.81 % and the share of independent virtual operators on the market around 3.2 %.

### **Postal services**

In 2015, the postal services market operated for the third year without the existence of a monopoly for the delivery of postal consignments, which came to an end with an amendment to Act No. 221/2012 Coll. A total of 10 business undertakings were actually operating on the postal services market on 1 January 2015, their number rising to

19 during the year (two discontinued activity, three others announced the launch of activity).

In the second half of the year CTU checked the requests submitted for the payment of costs in connection with the obligation placed on Czech Post (Česká pošta) to provide a minimum scope of postal services termed “universal postal services”. Administrative proceedings on determining the net costs for 2014 and determining whether these were an unfair financial burden on the postal licence holder had not been completed by the end of 2015. The law states that the time limit for the issuance of a decision in such proceedings is six months as of the date of submission of the final document required.

### **Inspection activity and consumer protection**

CTU decided on a total of 334,185 subscriber disputes in 2015, 276,879 of these ongoing cases of administrative proceedings carried over from 2014 and 57,306 cases of administrative proceedings newly commenced. CTU issued a total of 217,799 meritorious decisions during the period under consideration. Most of these concerned disputes over the payment of the price of services (pecuniary payment) – a total of 217,452 decisions. The Office issued 285 decisions on objections to the settlement of claims against a provided service and on objections to the settlement of claims against the billing of the price of a service, 258 of these decisions concerning objections to the settlement of claims against the billing of the price of a service. The remaining decisions concerned a different subject-matter of dispute.

The Office placed on record 2,859 complaints in the sphere of electronic communications in 2015, around the same number of complaints dealt with in the same area in the previous year. As in previous years, the highest number of complaints concerned subscriber disputes and the billing of the price of services.

The Office placed on record a total of 144 complaints against universal postal services in 2015 and a further 303 complaints relating to the basic parameters of the provision of postal services.

An amendment to the Act on Electronic Communications (Act No. 258/2014 Coll.) entered into effect at the end of 2014 to regulate differently the legal standing of consumers and natural persons that are not consumers. Operators responded to this legislative change by amending contractual terms and conditions, mainly amending provisions to concern payments when non-consumers prematurely terminate a contract. The Office conducted an analysis in 2015 of whether these changes were unlawful and whether operators were adhering to their statutory obligation to inform. The Office subsequently carried out a review of the wording of the “CTU Recommendations on Draft Contracts for the Provision of Publicly available Electronic Communication Services” document, into which it transposed the new legal regulation.

### **Economic management at CTU**

Economic management in 2015 drew on the set budget framework, in which the Ministry of Finance determined binding indicators for the CTU budget chapter.

Income of CZK 1,222,642,878.47 exceeded the set binding indicator and was 111.37 % of the adjusted budget. By contrast, CTU made savings of CZK 215,368,012.91 on the expense side of the budget.

Other significant facts which influenced the operation of the Office and its other activities in 2015 are presented in the individual chapters of this Report.

## CHAPTER 1

# THE STATUS AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATION AND POSTAL SERVICES MARKET IN 2015

## 1. Evaluation of the electronic communications market

### 1.1. General evaluation of the electronic communications market

The year 2015 was one that saw the development of LTE (Long Term Evolution) high-speed mobile Internet by mobile operators and rising data use by end users. In comparison with the 1<sup>st</sup> half of 2014, when mobile operators began providing services on LTE networks, total data use at network operators rose by around 53 % (from 13,410 TB to 20,551 TB), the share of data traffic via the LTE network in total data use accounting for around 27 % (for comparison, this share was around 7 % in 2014). Operators launched adjusted offers for high-speed Internet connection using the LTE network on the market and this was accompanied by a rise in the range of telephones supporting the LTE band.

There were no considerable changes from the perspective of mobile voice and SMS services in comparison with 2014. The nominal prices of calls and SMS in post-paid tariffs remained unchanged. From the perspective of the average price per call minute, the long-term trend of price reduction continued in 2015, this time by around 11 % (in comparison with 2014) to CZK 1.10 per minute.

Based on the commitments assumed in frame of the auctions and the terms and conditions of issued block allocations of radio frequencies, all mobile operators published reference offers of wholesale LTE services in the second half of 2014. The Office immediately began checking these from the perspective of compliance with requirements on the extent and terms and conditions of the wholesale services offered. At the first stage of its investigation, the Office found that offers did not comply with all requirements on the content of reference offers according to Measure of a General Nature No. OOP/7/07.2005-12, as amended. It therefore called on all mobile operators, according to Section 114 of the Act on Electronic Communications, to supplement these. After completing the second stage of its evaluation of offers from the perspective of compliance with the requirement of economic replicability of retail 4G services, the Office called on mobile operators in March 2015 to reduce the prices they were offering. The reference offers of all three mobile network operators were then amended at the end of April 2015 (more detailed on the adjustment of prices below).

From the perspective of the situation on the retail high-speed Internet access market, the size of market shares

according to number of subscriptions in relation to individual technological solutions changed only minimally in 2015. There was a slight increase in the market share of access via optical networks and via mobile networks in 2015, as CTU had expected. The market share of access via optical networks rose from 11 % in 2014 to 12 % and of access via mobile networks from 21.8 % to 23.2 %, Access via wireless networks in the unlicensed band (Wi-Fi) and xDSL access, which achieve a market share of 26.8 % and 24.1 % respectively and which together constitute more than half (around 51 %) of the high-speed Internet access market, remained the technological solutions with the highest representation in 2015.

The voluntary separation of O2 Czech Republic a.s. (hereinafter also referred to as “O2”) was completed on 1 June 2015, creating the company Česká telekomunikační infrastruktura a.s. (hereinafter also referred to as “CETIN”), this company splitting from O2. The ownership of data centres, public communication networks at a fixed location and actual public mobile communication network infrastructures, meaning aerial masts, transmission systems, including associated facilities, but not including mobile exchanges, was transferred to CETIN as a result. Frequency block allocations in the 450, 800, 900, 1800, 2100 and 2600 MHz bands for the operation of mobile networks and the individual authorisations associated with them remained with O2, which also operates the relevant mobile exchanges and therefore remains the operator of the public mobile communication network. CETIN ensures the actual operation of this network based on contractual relations (“outsourcing”). CETIN also declared<sup>1</sup> its willingness to offer similar services to other operators, should they own the relevant frequency spectrum.

## 1.2. Regulation of the electronic communications market

During 2015, CTU primarily concentrated on completing the third round of relevant market analyses, including the determination of an undertaking with independent significant market power and imposing remedial measures. CTU launched a fourth round of analyses in response to the voluntary separation of O2, which had been designated an undertaking with significant market power on all relevant markets (with the exception of market no. 8).

### 1.2.1. Completion of analyses of relevant markets within the third round

CTU completed the 3<sup>rd</sup> round of analyses of relevant markets determined in Measure of a General Nature No. OOP/1/02.2008-2, as amended by Measure of a General Nature No. OOP/1/04.2012- 4, in 2015.

#### **Relevant market no. 4 – wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location**

The analysis of the relevant market was completed together with analysis of relevant market no. 5 and was published as Measure of a General Nature No. A/4/10.2014-8 in October 2014. Administrative proceedings were subsequently commenced on determining an undertaking with significant market power and Decision No.

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<sup>1</sup>In dealings with the Office.

SMP/4/03.2015-1 entered into legal force on 13 March 2015. This Decision determined the undertaking with significant market power on this relevant market as being O2. Remedial measures proposed as part of the analysis of this relevant market were imposed to CETIN based on the legal succession. Pricing Decision No. CEN/08.2015-6 entered into legal force on 20 August 2015 as Decision No. REM 4/08.2015-6 on 21 August 2015.

#### **Relevant market no. 5 – wholesale broadband<sup>2</sup> access in electronic communication networks**

The analysis of the relevant market was completed together with analysis of relevant market no. 4 and was published as Measure of a General Nature No. A/5/10.2014-9 in October 2014. Administrative proceedings were subsequently commenced on determining an undertaking with significant market power and Decision No. SMP 5/03.2015-2 entered into legal force on 13 March 2015. This Decision determined the undertaking with significant market power on this relevant market as being O2. Remedial measures proposed as part of the analysis of this relevant market were imposed to CETIN based on the legal succession. Decision No. REM/5/08.2015-7 entered into legal force on 21 August 2015.

As a result of their interrelation, CTU analysed both markets specified above in a coordinated manner and with mutual interconnection and decided to impose certain new obligations when imposing remedial measures. For market no. 4, this primarily involved the imposition of access to the optical local loop and passive infrastructure, the obligation of virtual access to the local loop and determination of the rules for installing vectoring technology. For market no. 5, this involved the imposition of the obligation to enable access to the data flow via BRAS facilities. For both markets, the obligation of non-discrimination was then imposed for technology which allows for the provision of a service of speeds higher than 30 Mbit per second, or for optical access networks, in the form of equal access (EoI). The effective date of certain new obligations was moved using a precisely defined time schedule, in that all measures will enter into effect not later than in the first half of 2016. The remedial measures issued fully take into consideration the conclusions of the analyses and also respond to the latest trends in the development of the electronic communications market, in particular the development of next generation access (NGA).

#### **Relevant market no. 6 – wholesale terminating segments of leased lines irrespective of the technology used to ensure leased or reserved capacity**

The analysis of the relevant market was completed and published as Measure of a General Nature No. A/6/12.2014-11 in December 2014. Administrative proceedings were subsequently commenced on determining an undertaking with significant market power and Decision No. SMP/6/05.2015-3 entered into legal force on 20 May 2015. This Decision determined O2 as the undertaking with significant market power on this relevant market. Remedial measures proposed as part of the analysis of this relevant market were imposed to CETIN based on the legal succession.

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<sup>2</sup>The term “broadband” is used in connection with this relevant wholesale market with the same meaning as “high-speed” due to its original official name in other documents.



Decision No. REM/6/08.2015-5 entered into legal force on 21 August 2015.

On this market, CTU newly regulated the obligation to provide access to leased lines provided via Ethernet, in that it embedded the obligation to enable such access based on interest expressed by another business undertaking.

### 1.2.2. Application of pricing regulation for wholesale electronic communication services

In respect of the nature of the relevant markets currently defined, CTU applied pricing regulation only to selected wholesale markets. The aim of this is to use the affordable wholesale services to create the conditions for the development of competitive environment on the market as a whole.

The year 2015 was one of more price stability, coming after the significant reduction in prices for call termination in public telephone networks provided at a fixed location in 2014. The only change was made in Pricing Decision CEN/4/08.2015-4 on the “wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location” market, which CTU issued in August 2015. This Decision led to a slight adjustment of prices for more than 70 regulated access and collocation services, whereby the price for the most significant service, the monthly local loop rental for the fully unbundled access service, fell slightly by CZK 4 from CZK 179 to CZK 175. In addition to pricing regulation on the “wholesale access to network infrastructure” market, however, previously imposed pricing regulation also applied to the “call termination in fixed location and mobile networks” and the “call origination in the public telephone network at a fixed location” markets.

### 1.2.3. The issuance of Measure of a General Nature No. OOP/4/12.2015-7

In connection with Section 86 of the Act on Electronic Communications, CTU imposed the obligation to determine the methodology of special-purpose segmentation of costs for business undertakings for which the obligation to keep separate records arises directly from the Act and business undertakings which were determined undertakings with significant market power based on a market analysis and on whom this obligation was imposed in remedial measures issued by the Office on 8 December 2015 as Measure of a General Nature No. OOP/4/12.2015-7, as amending Measure of a General Nature No. OOP/4/09.2014-6, which laid down the methodology of the special-purpose segmentation of costs and incomes and their allocation and determined the structure of the reported information.

In these measures, CTU determined the percentage of returnability of invested capital before tax WACC for a specified business undertaking providing an electronic communication network or providing a publicly available electronic communication service at 7.89 % and the percentage of returnability of invested capital before tax WACC for access to next generation access networks provided by the determined business undertaking at 11.20 %. The Measure entered into effect on 1 January 2016.

### 1.2.4. Voluntary separation of O2 Czech Republic a.s. and impact on analyses of relevant markets

The company O2 Czech Republic a.s. voluntarily split into two legally and functionally independent undertakings, O2 and CETIN, with effect from 1 June 2015. The company informed CTU of this in accordance with the provisions of Section 86b(1) of the Act on Electronic Communications.

O2 and CETIN ensured continuity in the discharge of the obligations imposed on the relevant markets and the obligation to provide selected services within the scope of a universal service; this they did at the request of CTU. O2 ensures the obligations relating to remedial measures on relevant markets no. 1 and 7 (designation according to OOP/1/02.2008-2, as amended by OOP/1/04.2012-4) and the obligation currently imposed to ensure a universal service (according to Section 38(2)(e) and (f) and subsection 3 of the Act on Electronic Communications). Based on legal succession, CETIN ensures discharge of the obligations associated with remedial measures on relevant markets no. 2, 3, 4, 5 and 6, as imposed based on the 3<sup>rd</sup> round of analyses of relevant markets.

CTU launched the 4<sup>th</sup> round of analyses of relevant markets at the beginning of June 2015 in connection with the announced separation, doing so according to Section 86b(2) of the Act on Electronic Communications. According to this provision, CTU is obliged to conduct a coordinated analysis of all relevant markets that relate to the access network.

In stage one, CTU commenced analyses of the fixed and mobile call termination markets (relevant markets 1 and 2, newly-defined according to OOP/1/04.2015-2) and markets of access to the public telephone network at a fixed location and call origination in the public telephone network at a fixed location (formerly relevant markets 1 and 2 according to OOP/1/02.2008-2, as amended by OOP/1/04.2012-4).

CTU subsequently commenced analyses of these markets after imposing remedial measures based on the 3<sup>rd</sup> round of analyses on original wholesale markets for access, broadband access and terminal segments of leased lines (relevant markets 4, 5 and 6, as numbered according to OOP/1/02.2008-2, as amended by OOP/1/04.2012-4). These it began analysing as markets no. 3a, 3b and 4 according to OOP/1/04.2015-2. CTU will take into consideration within the new analyses the impacts of the voluntary separation of O2 on the defined relevant markets and, in accordance with the requirements of Section 86b(2) of the Act on Electronic Communications, will subsequently decide to impose, change or cancel the obligations imposed.

### 1.2.5. Commencement of the 4<sup>th</sup> round of analyses of relevant markets

CTU moved ahead with compiling new analyses of all relevant markets according to OOP/1/04.2015-2 in connection with the new definition of relevant markets for the purposes of ex-ante regulation based on Commission Recommendation 2014/710/EU and in connection with the need to undertake coordinated new analyses of the markets affected by the separation of O2.

As part of the 4<sup>th</sup> round of analyses of relevant markets, CTU also analysed those markets which the Commission Recommendation no longer contains, but which were regulated under the conditions of the Czech Republic (the markets newly named 1S, 2S), and relevant market no. 8.

### **Relevant market no. 1 – Wholesale call termination on individual public telephone networks provided at a fixed location**

An analysis of the relevant market was commenced on 8 June 2015 and its proposal was submitted for public consultation on 24 September 2015. The comments received were dealt with and published after the close of public consultation on 26 October 2015. The analysis proposal was then sent to the Office for the Protection of Competition (Úřad pro ochranu hospodářské soutěže, hereinafter referred to as “ÚOHS”) on 14 December 2015 for a statement and remarks.

### **Relevant market no. 2 – Wholesale voice call termination on individual mobile networks**

An analysis of the relevant market was commenced on 8 June 2015 and its proposal was submitted for public consultation on 24 September 2015. The comments received were dealt with and published after the close of public consultation on 26 October 2015. The analysis proposal was then sent to ÚOHS on 14 December 2015 for a statement and remarks.

### **Relevant market no. 3a – Wholesale local access provided at a fixed location**

The analysis of the relevant market was commenced on 17 September 2015. The Office compiled a proposal for the product market delineation for subsequent discussion with operators and the public by the end of 2015.

### **Relevant market no. 3b – Wholesale central access provided at a fixed location for mass-market products**

The analysis of the relevant market was commenced on 17 September 2015. The Office compiled a proposal for the product market delineation for subsequent discussion with operators and the public by the end of 2015.

### **Relevant market no. 4 – Wholesale high-quality access provided at a fixed location**

The analysis of the relevant market was commenced on 17 September 2015. The Office commenced activity regarding the objective definition of this market for a subsequent workshop with operators, as was the case with markets 3a and 3b.

### **Relevant market no. 1S – access to the public telephone network at a fixed location**

An analysis of the relevant market was commenced on 8 June 2015 and its proposal was submitted for public consultation on 24 September 2015. The comments received were dealt with and published after the close of public consultation on 26 October 2015. The analysis proposal was then sent to ÚOHS on 14 December 2015 for a statement and remarks.

### **Relevant market no. 2S – call origin (origination) in the public telephone network at a fixed location**

An analysis of the relevant market was commenced on 8 June 2015 and its proposal was submitted for public consultation on 24 September 2015. The comments sent were dealt with and published after the close of public consultation on 26 October 2015. The analysis proposal was then sent to ÚOHS on 14 December 2015 for a statement and remarks.

## **Analysis of relevant market no. 8 – access and origin of calls (origination) in public mobile telephone networks**

CTU continued its monitoring and evaluation of changes to have occurred on the retail and wholesale mobile market since 2013 [the arrival of MVNO<sup>3</sup>, the reduction in the price level on the retail market, the sharing of networks between O2 (now CETIN) and T-Mobile Czech Republic a.s. (hereinafter also referred to as “T-Mobile”)]. CTU subsequently decided during 2015 to check the validity of conclusions that led to the determination of relevant market no. 8 (according to OOP/1/02.2008-2, as amended by OOP/1/04.2012-4), and therefore on 13 August 2015 it submitted for public consultation a document with revised three-criteria test and having conclusions from which it ensues that the originally defined market can no longer be considered a market susceptible to ex-ante regulation. Public consultation on the document submitted ended on 14 September 2015. After dealing with remarks, the document was sent to ÚOHS for the adoption of a statement and remarks. CTU received a statement from ÚOHS on 2 December 2015 and subsequently prepared a document for notification of the European Commission, which was earmarked for the beginning of 2016.

### **1.3. Development in the main segments of the retail market**

#### **1.3.1. Services provided in mobile networks**

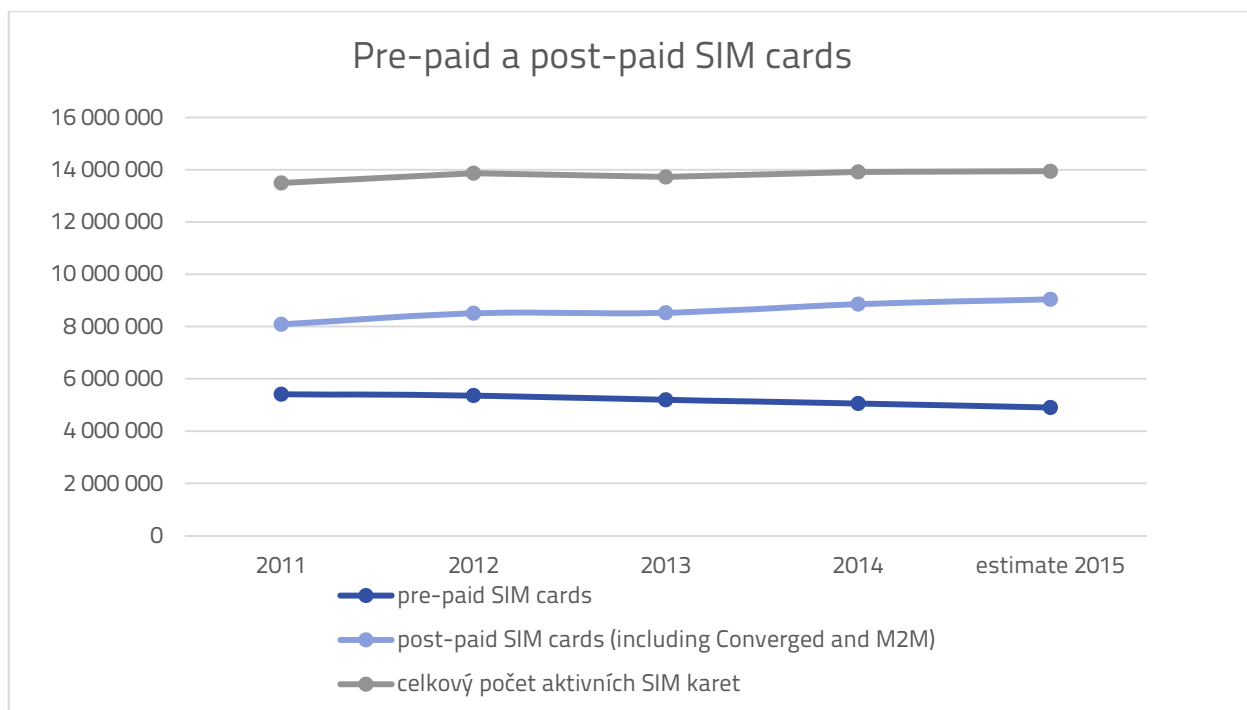
Development that got underway in 2013 and that led to the arrival of several dozen new virtual operators on the market continued in 2015. New undertakings arrived on the market, existing virtual operators became established and we also saw the consolidation and dissolution of other operators. By the middle of 2015, CTU had on record 170 business undertakings that provided their services as MVNO or MVNE and 19 brand re-sellers. All three of the largest network operators (O2, T-Mobile and Vodafone) provided commercial offers for MVNO on the wholesale market in 2015, either directly or through another company (Quadruple a.s., IPEX a.s. and others). The share of virtual operators in the total number of SIM cards at the end of 2015 was approximately 6.81% and the share of independent virtual operators on the market around 3.2 %.

In comparison with 2014, there were no significant changes in the number of active SIM cards, which stood at almost 14 million on 31 December 2015 according to the latest CTU estimate. The number of active post-paid SIM cards is assumed to be 9 million. The number of active pre-paid SIM cards is estimated at almost 5 million.

The development of the number of active SIM cards in mobile networks, including division into post-paid and pre-paid SIM cards, is shown in the following graph.

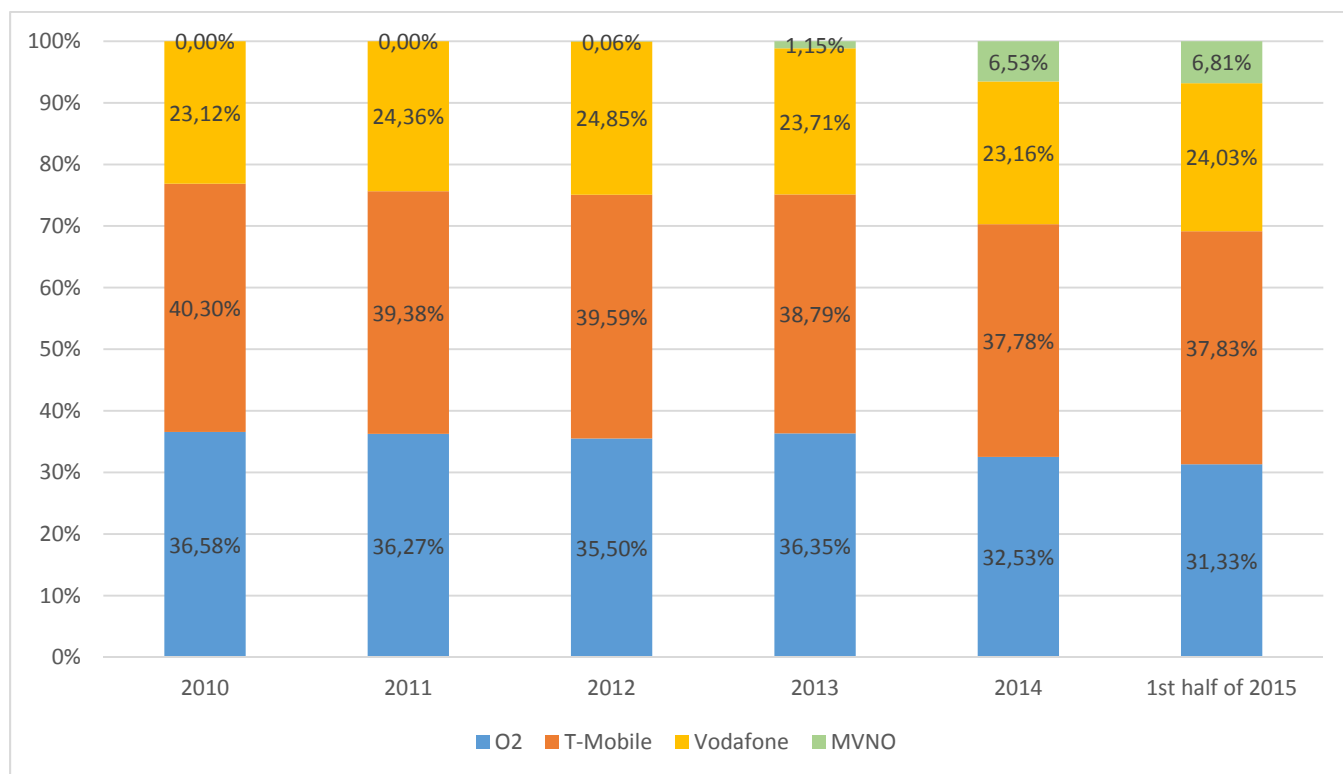
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<sup>3</sup>A MVNO (Mobile Virtual Network Operator) is an entity which provides mobile services to subscribers in its own name and which does not have its own radio access network (or does not have its own allocation of frequencies for building a radio access network).



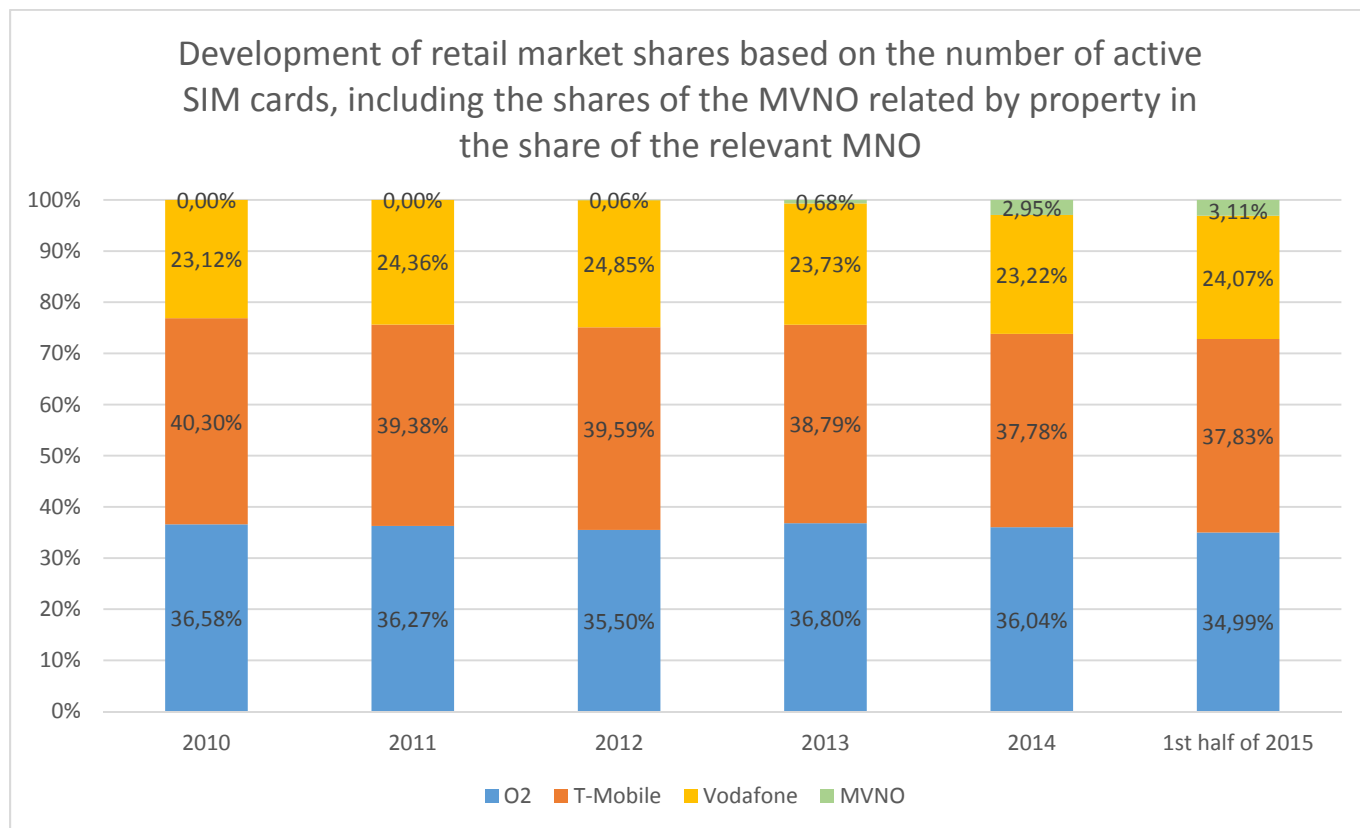
Development of the number of active SIM cards (pre-paid, post-paid and total number) 2011 - 2015

The following graph shows the development of market shares based on the number of active SIM cards on the retail market from 2010 onwards. The share of brand resellers is included in the graph in the shares of those undertakings with which they have a contract, based on which they offer services to end users. The MVNO share includes both MVNO which are related to MNO by property and MVNO that are independent of MNO.



Development of market shares on the retail market based on the numbers of active SIM cards

The Office also considered property relations between individual MNO and MVNO. Three MVNO were related to a network operator by property at the end of 2015. These were COOP Mobil s.r.o. (Vodafone), O2 Family, s.r.o. (O2) and Tesco Mobile ČR s.r.o. (O2). The graph below shows the shares of individual operators from 2010 onwards when undertakings related by property are included.

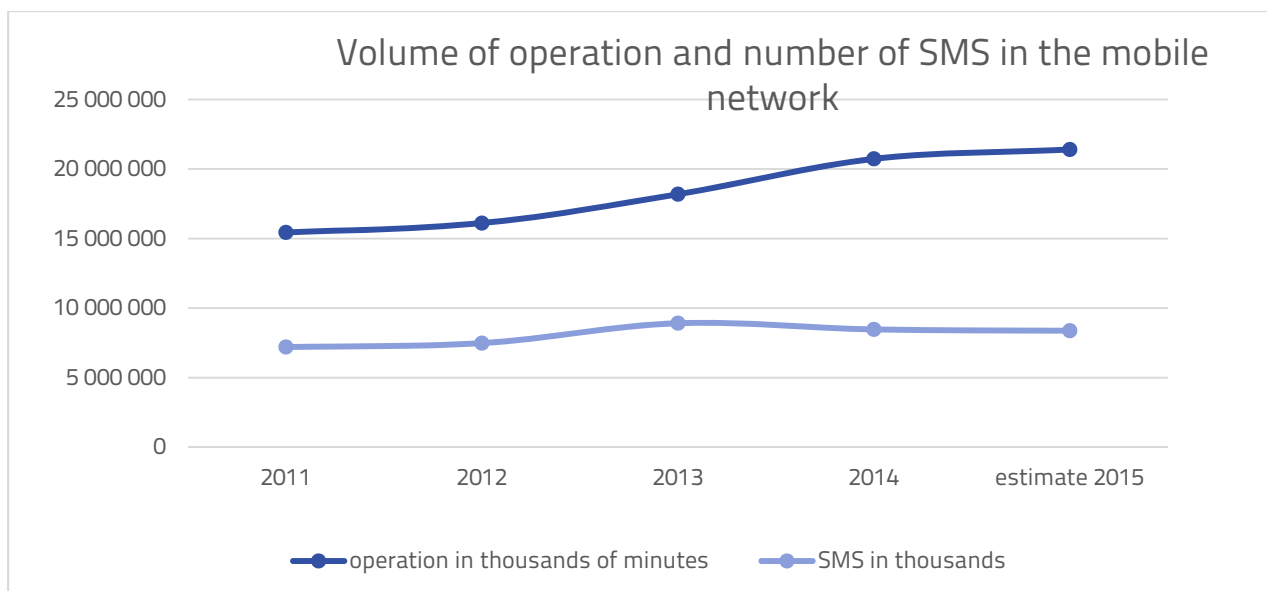


Development of market shares based on the number of active SIM cards, with inclusion of MVNO related by property in the shares of the relevant MNO on the retail market

In respect of the fact that the total number of subscribers is only rising slightly, there is a greater level of movement of subscribers between individual service providers, now including MVNO. Another significant aspect for the future is the increase in the number of SIM cards used for M2M services. However, this was mainly concentrated in MNO in 2015.

The increase in the volume of voice calls generated by subscribers to mobile networks in 2015 is estimated at a year-on-year figure of 3.2 %, i.e. a value of 21.4 billion real minutes. There was a slight fall in the number of SMS sent from mobile networks (without including outbound roaming<sup>4</sup>) in 2015 of 1 % to a value of 8.4 billion messages.

<sup>4</sup>i.e. roaming by Czech users on the networks of foreign operators.



Development of the volume of voice calls and the number of sent SMS 2011 - 2015

A significant factor in the development of the retail mobile market in 2015 was, as was the case in previous years, a significant year-on-year increase in the volume of realised data traffic of 60 % to 46 PB.<sup>5</sup> CTU expects another significant increase in the volume of data traffic in 2016 to accompany further development of the LTE network and devices which support LTE.

### The prices of mobile voice services and SMS

CTU regularly monitors<sup>6</sup> the development of retail prices for mobile services. The Office undertakes an evaluation of price development according to the average prices for an actual call minute (including the incorporation of extra bundles, free minutes etc.) and according to the defined consumer baskets of mobile services. CTU did not have complete documentation and materials to undertake its annual evaluation on the date of compiling this Annual Report and therefore the findings for the first half of 2015 are described below.

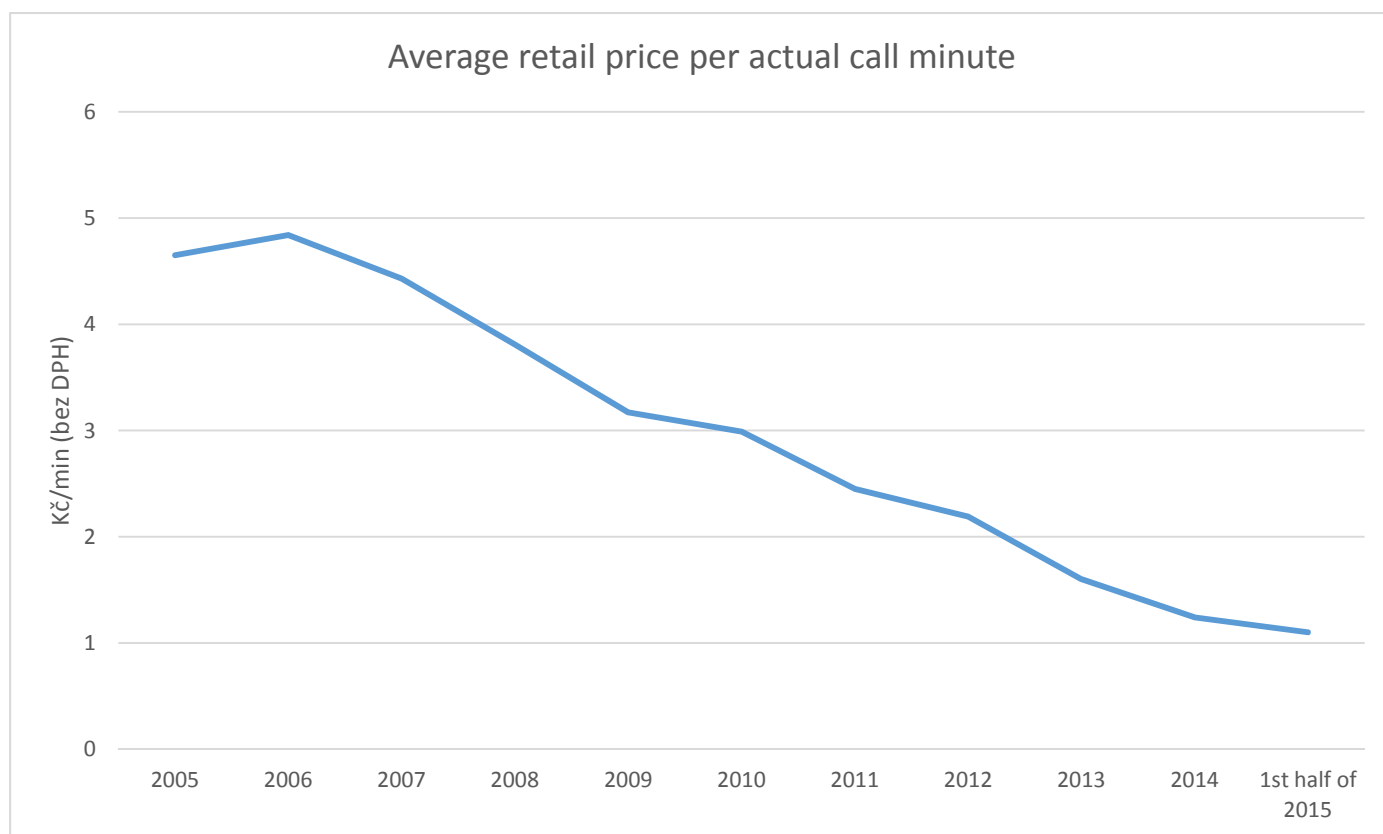
#### Price development according to average minute price

As far as the development of the average price per call minute is concerned, we can say that the long-term trend of falling prices continued in 2015. There was a decrease in the average minute price for an actual call minute of around 11 % to CZK 1.10 per minute in the first half of 2015 in comparison with the year 2014. The main reason for the decreasing trend in the prices of calls was higher volume of voice services used by households, influenced by so-called

<sup>5</sup> Petabyte = 10<sup>15</sup> bytes.

<sup>6</sup> See the “price barometer” at the CTU website – <http://www.ctu.cz/vyhledavaci-databaze/srovnavaci-prehled-cen-a-podminek/cenovy-barometr>.

unlimited tariffs that offer consumers unlimited calls within their own network and a greater number of free minutes to other networks within the Czech Republic.



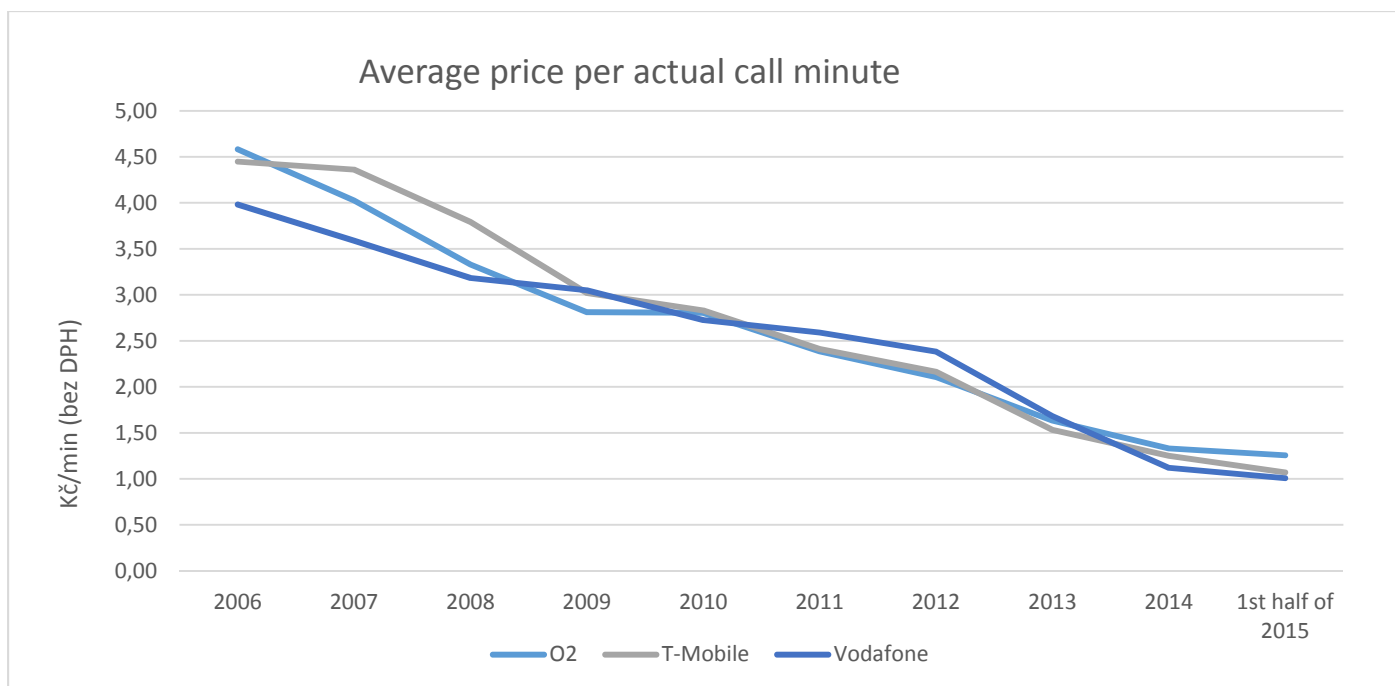
#### Average retail price of an actual call minute

To provide better orientation, we can separate the development of the average price of an actual call minute into the development of prices for voice services by individual network mobile operators. From the information obtained using the chosen method, the biggest decrease in the price of calls in the first half of 2015 was registered at T-Mobile, at around 14 % to CZK 1.07 per minute. The lowest average price of calls in the first half of 2015 was recorded at Vodafone, with a price of CZK 1.01 per minute. It must be said that the resulting price also takes into account the price that operators charge legal entities and natural persons undertaking business (business customers).

As part of this comparison, CTU also examined the difference between the average price for mobile calls for customers undertaking business and those not undertaking business for all three mobile operators. From the information gathered in the first half of 2015, the average price for entities undertaking business<sup>7</sup> at the three mobile operators in aggregated form was almost 32 % lower in comparison with that for people not undertaking business (CZK 1.30 per minute in the case of entities not undertaking business in comparison with CZK 0.88 per minute in the case of entities undertaking business).

<sup>7</sup>Includes active SIM cards that were used at least once in the past 3 months for broadband access to the Internet.



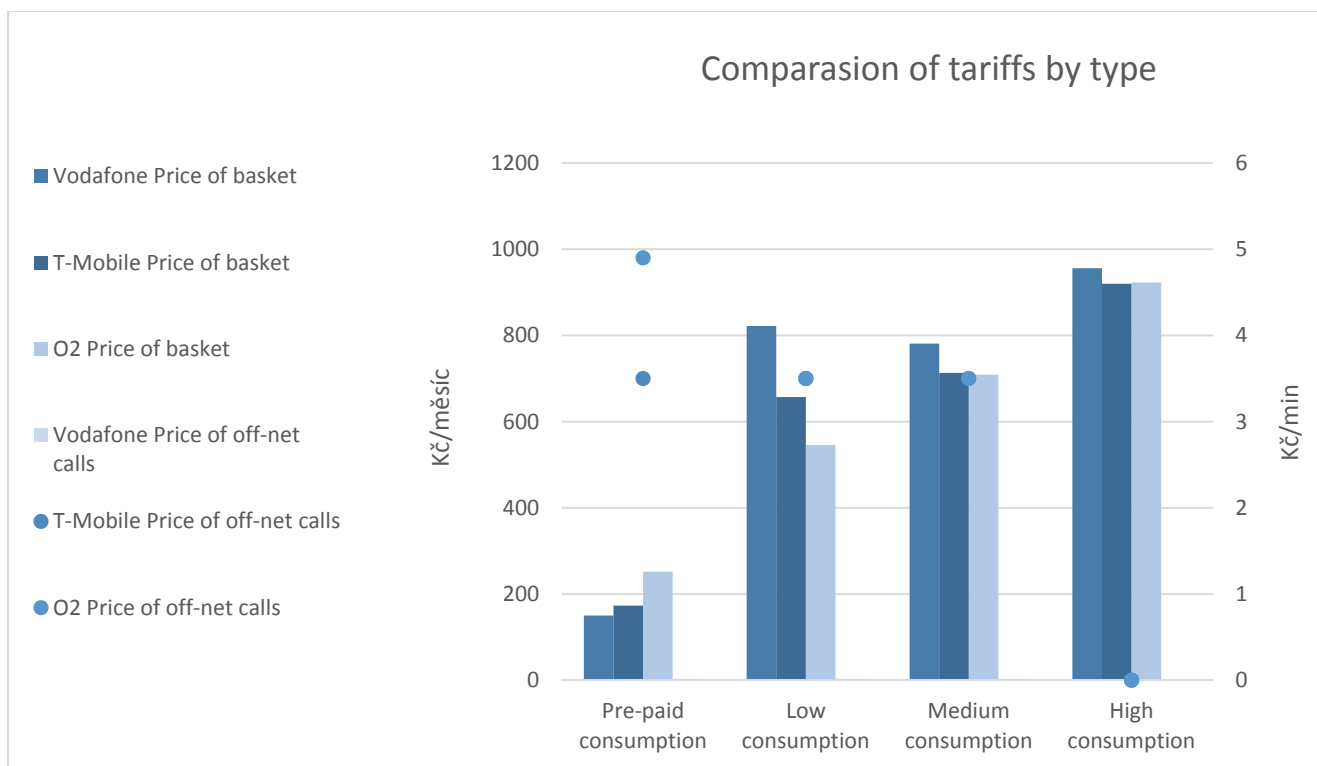


Average retail price per actual call minute at the three mobile network operators

### **Price development according to consumer baskets**

The second method which CTU used to monitor the development of the prices of mobile services is the method of calculating prices according to retail consumer baskets. CTU defined new consumer baskets in 2014, specifically consumer baskets with low, medium and high level of consumption and a consumer basket specifically for pre-paid services. The results used in the comparison of the cheapest tariffs are taken from the 4<sup>th</sup> quarter of 2015. These are obligation-free tariffs for pre-paid and post-paid customers. The total monthly price of a basket is shown in the following graph in the columns and the minute price for calls to another network (off-net calls) using the coloured dots. It is clear from the graph that whereas the differences between operators is minimal in the case of baskets with higher consumption, the difference between the cheapest offer from O2 and the cheapest offer from Vodafone is around CZK 280 in the case of a basket with low consumption.

Difference between operators in terms of the price of calls can only be found in pre-paid services. Whereas the price of calls using the most favourable tariffs at T-Mobile and Vodafone is CZK 3.50 per minute, the basic price of a call at O2 is CZK 4.90 per minute.



Comparison of tariffs by type

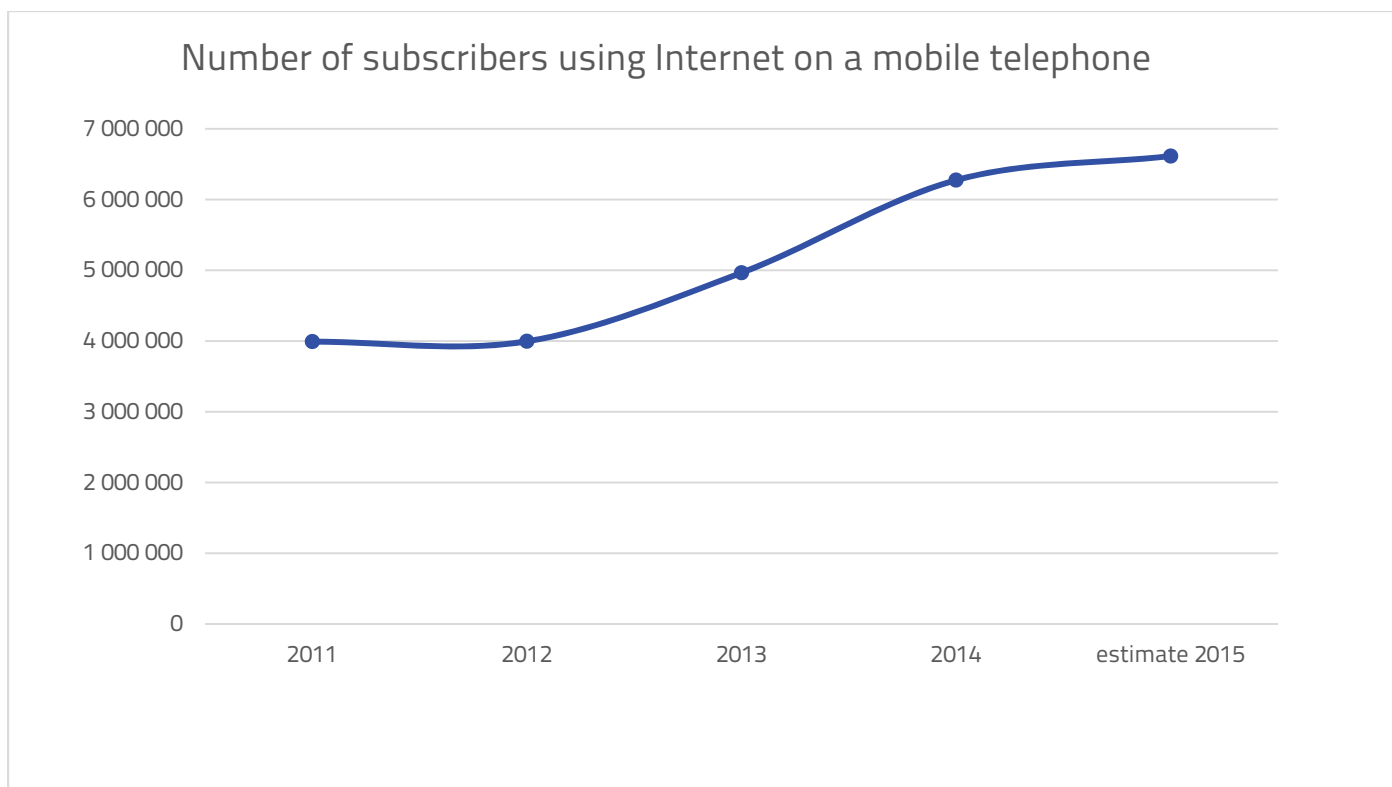
N.B.: Off-net calls are calls made to other mobile networks and fixed lines in the tariffs represented in the relevant basket. The minute price of off-net calls for all operators with regard to the winning tariffs for low and medium consumption is the same at CZK 3.5, with the exception of Vodafone (CZK 3.49).

### 1.3.1.1. The development of mobile data services and the prices of these

In principle, mobile operators offered two types of mobile connection in 2015 – Internet on a mobile telephone and mobile Internet, which is intended for portable devices (tablets, notebooks), with the use of a data SIM card or USB modem.

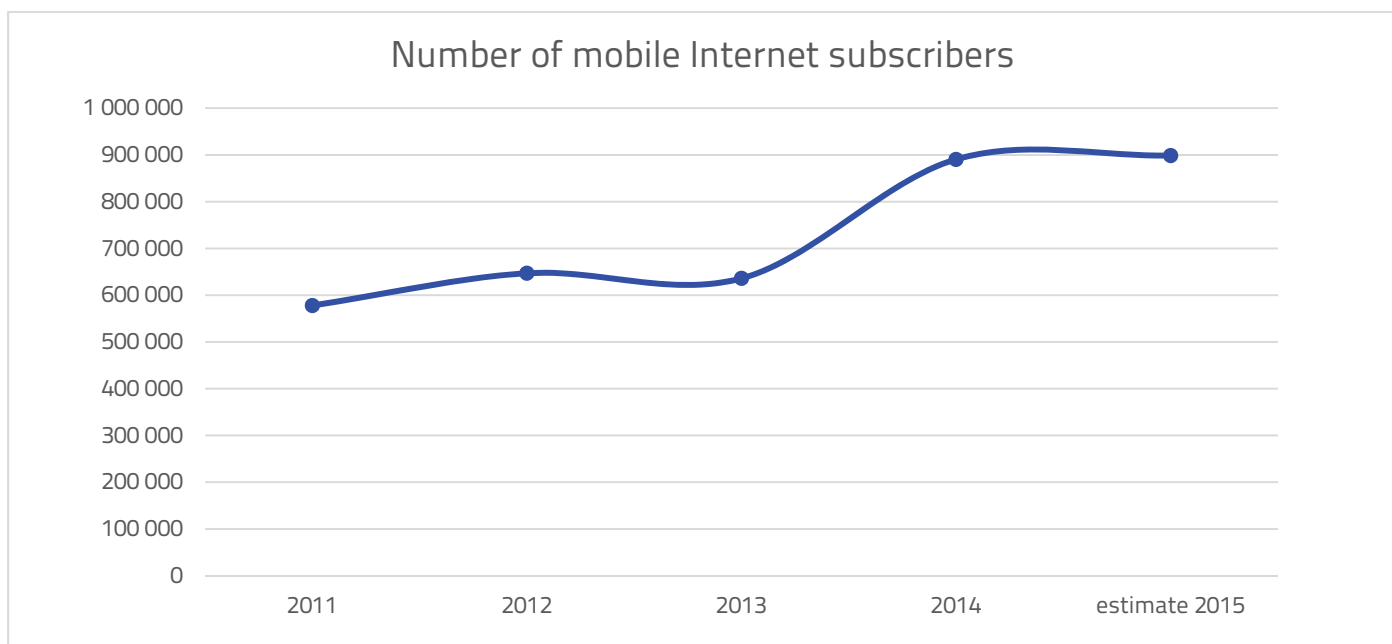
The number of subscribers (SIM cards)<sup>8</sup> that use Internet on a mobile telephone continued to rise in 2015. According to estimates by CTU, the number of subscribers rose by around 5.4 % to approximately 6.6 million. This increase can primarily be ascribed to the expansion of the LTE network. The trend in using Internet on a mobile telephone between 2011 and 2015 is documented in the following graph.

<sup>8</sup>Includes active SIM cards that were used at least once in the past 3 months for access to the Internet.



Development of the number of subscribers using Internet on a mobile telephone 2011 – 2015

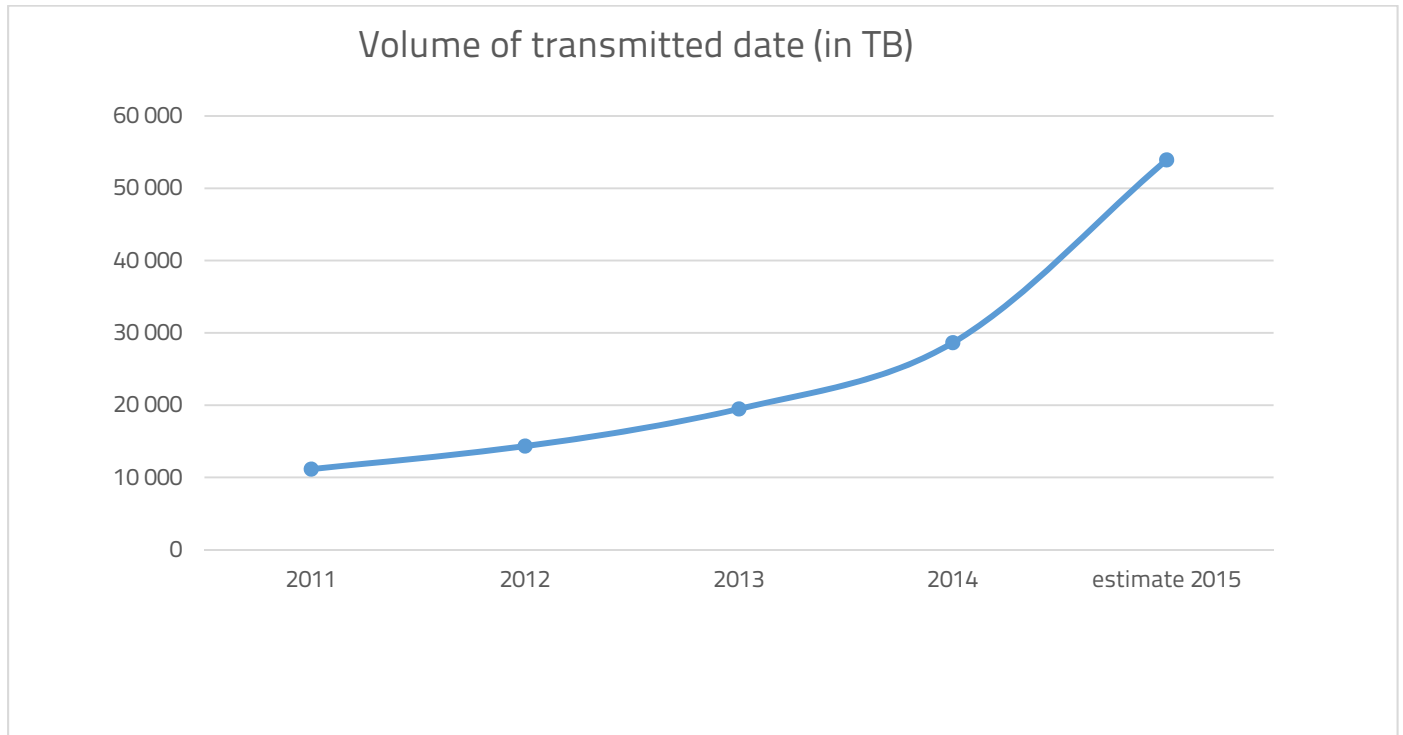
A similar trend can be seen in the number of subscribers to mobile Internet on the UMTS/LTE and CDMA networks. According to current estimates by CTU, there was a slight increase of 1 % to almost 900 thousand users in comparison with 2014. This increase can mainly be ascribed to the further expansion of the LTE network in the Czech Republic and to tariffs primarily for tablets and notebooks. The trend of using a mobile Internet service is shown in the following graph.



Development of the number of subscribers using mobile Internet 2011 – 2015

### 1.3.1.2. The volume of transmitted data

The use of data services has risen significantly in recent years and, in relation to this, also the volume of transmitted data in mobile networks. Supply and demand are adjusted to the expected growth. On the supply side, there has been, and will continue to be, an expansion and improvement of mobile networks and an increase in their capacities and in the speed of data transmission. On the demand side, the number of smartphones and applications whose full functioning requires the users to have data connection has risen. It is clear from the graph below that there was a significant increase in the volume of transmitted data on the mobile market from 2011 to the end of 2014. In fact, the volume of transmitted data has increased five-fold in the last four years alone.



Volume of transmitted data (in TB)

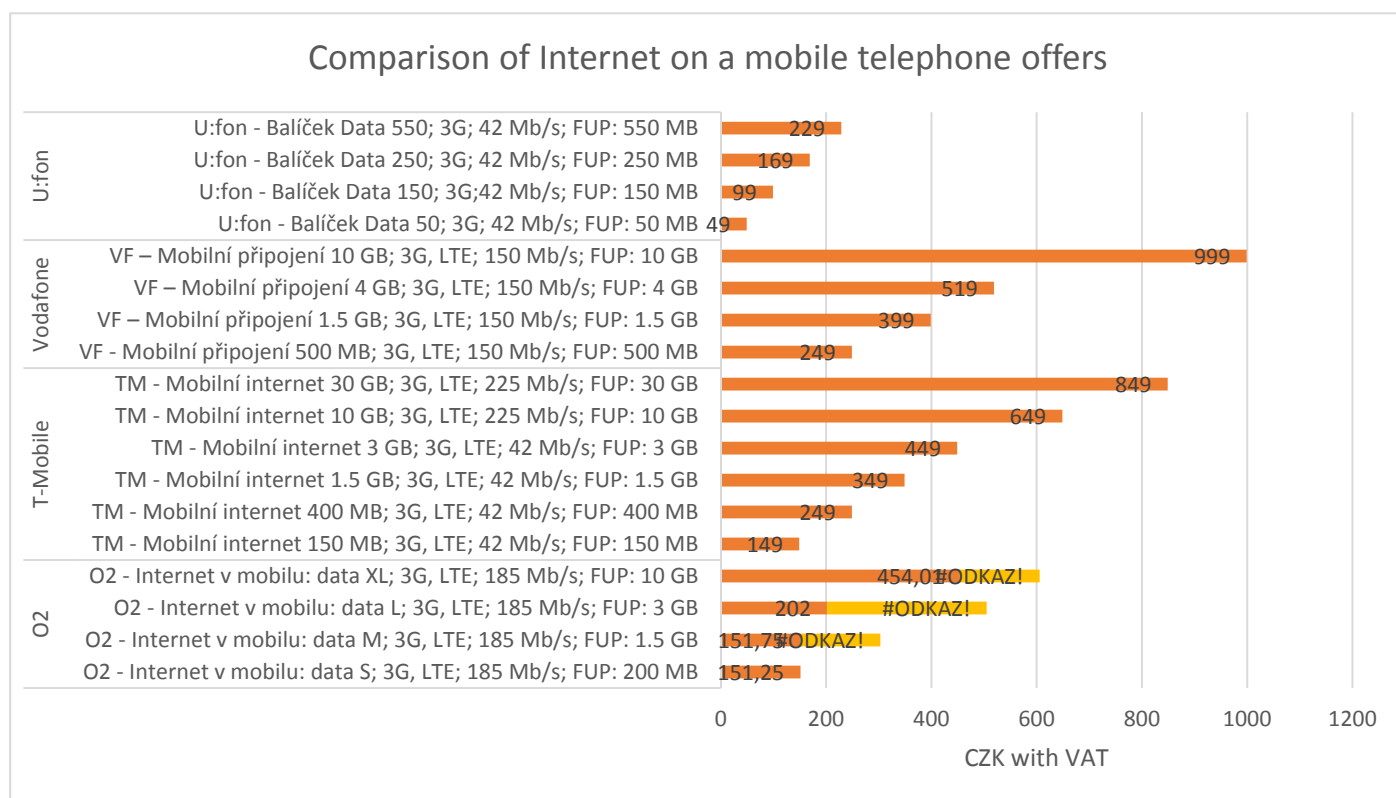
The table below shows the development of the average monthly price of data consumption per one user. Monthly consumption per one user has risen significantly since 2011, most of all in the recent period.

	2011	2012	2013	2014	Estimate 2015
Average consumption on total number of SIM cards	69	86	118	172	323
Average consumption on total number of SIM cards using data services	203	257	270	342	598

Table 1 - Average monthly consumption of data per one user from 2011 (in MB)

### 1.3.1.3. The prices of mobile data services

The individual offers provided by operators are compared according to the size of the data limit (FUP) in a comparison of the offers of Internet on a mobile telephone services. There were no significant changes in the offer of Internet on a mobile telephone data bundles in comparison with 2014. The offers at Vodafone and T-Mobile remained the same, while there was an increase in the maximum speed of data download at O2 to 185 Mbps. CTU newly included the offer provided by company U:fon (Air Telecom) in its comparison of data bundles. It offers data bundles of between 50 MB and 550 MB on a GSM/UMTS platform within a price range of CZK 49 per month to CZK 229 per month.

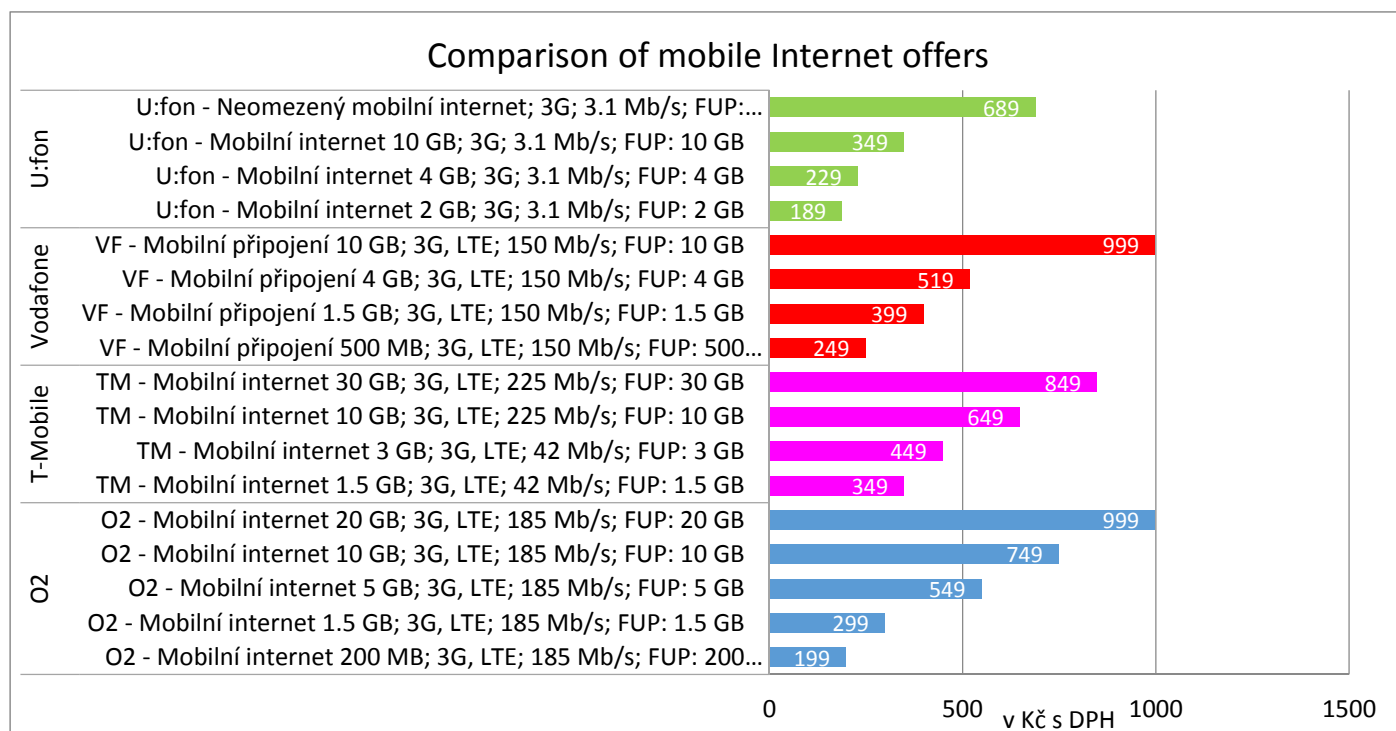


#### Comparison of offers for Internet on a mobile telephone

N.B.: The prices for O2 reflect the offer of a data tariff intended for the cheapest and most expensive voice tariff, the lower price of the data tariff corresponds to the more expensive voice tariff and vice versa. For example, for Internet on a mobile telephone: data L with data limit of 3 GB customer, a customer who has the FREE O2 voice tariff pays CZK 505 per month, while a customer with activated FREE CZ voice tariff pays CZK 202 per month.

The following graph documents a price comparison of individual mobile operators for the second case of the provision of mobile data services, i.e. through mobile Internet with the use of a USB modem or data SIM card. There were no significant changes in the sphere of data tariffs during 2015. U:fon increased its data limits (from 8 GB to 10

GB and from 1 GB to 2 GB). O2 introduced a new data tariff (Mobile Internet 200 MB with a data limit of 200 MB). There was also an increase in the theoretical (maximum achievable) speed of data download at O2 to 185 Mbps in the LTE network.



Comparison of mobile Internet offers

### ARPU<sup>9</sup> for mobile data services

CTU also presents below the development of monthly ARPU (based on data from MNOs and MVNOs), doing so separately for the Internet on a mobile telephone service and for the mobile Internet service.

There has been long-term growth in the average income per subscriber using Internet on a mobile telephone, a rise of 8.4 % to CZK 91.34 per month in the first half of 2015 alone.

The proportion of mobile Internet revenues in the total ARPU<sup>10</sup> for mobile services without mobile Internet is more than one-third. The following table documents the continual growth of average incomes per one subscriber using Internet on a mobile telephone over the past five years.

<sup>9</sup>Average income per one customer.

<sup>10</sup>The monthly ARPU in the 1<sup>st</sup> half of 2015 was CZK 221.

	2011	2012	2013	2014	Middle of 2015
ARPU	56.61	64.37	82.94	84.28	91.34

Table 2 - Development of ARPU of Internet use on a mobile telephone 2011 – the middle of 2015 (CZK per month)

There has been a considerable reduction in the monthly ARPU for mobile Internet in recent years, this figure standing at CZK 197.52 per month in the middle of 2015. The average monthly income per one mobile Internet subscriber (SIM card) is shown in the following table.

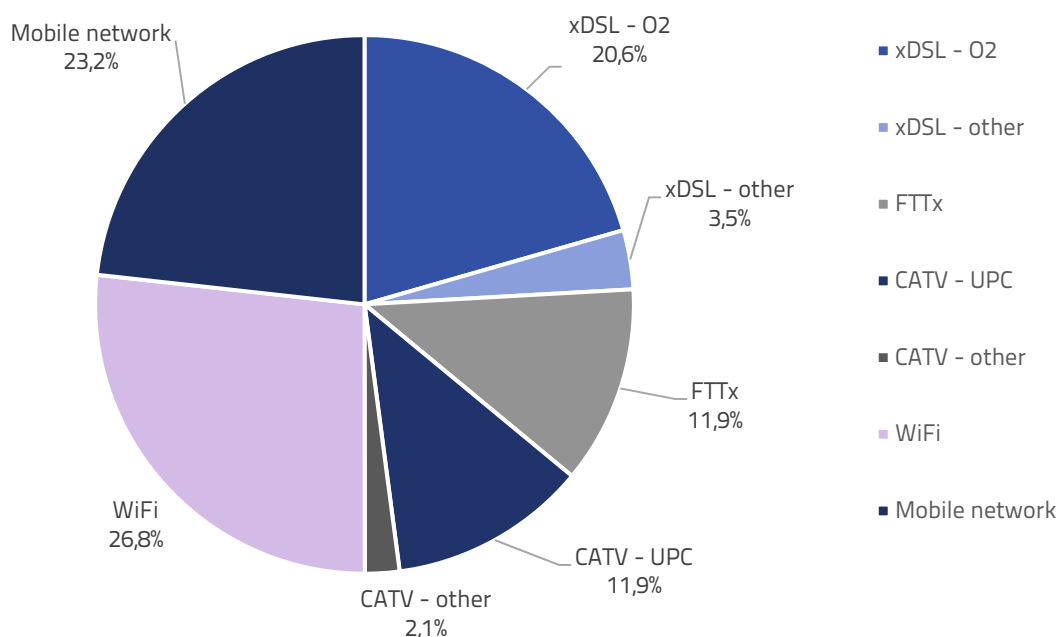
	2011	2012	2013	2014	Middle of 2015
ARPU	296.45	265.91	236.53	186.40	197.52

Table 3 - Development of ARPU for mobile Internet 2011 – the middle of 2015 (CZK per month)

### 1.3.2. High-speed access services

The situation on the retail high-speed Internet access market changed only minimally in 2015 from the perspective of the size of market shares according to number of subscriptions in relation to individual technological solutions. There was a slight increase in the market share of access via optical networks and via mobile networks in 2015, as CTU had expected. The market share of access via optical networks rose from 11 % in 2014 to 12 % and of access via mobile networks from 21.8 % to 23.2 %, Access via wireless networks in the unlicensed band (Wi-Fi) and xDSL access, which achieve a market share of 26.8 % and 24.1 % respectively and which together constitute more than half (around 51 %) of the high-speed Internet access market, remained the technological solutions with the highest representation. Access via cable television networks (CATV) has also increased considerably on the high-speed access retail market, claiming a market share of 14 %. This division of market shares therefore indicates a continuing significant level of competition at the infrastructure level, which CTU considers to be a positive element that supports competition on the high-speed access retail market. The current shares of technology on the high-speed Internet access retail market and long-term development are documented in the following graphs.

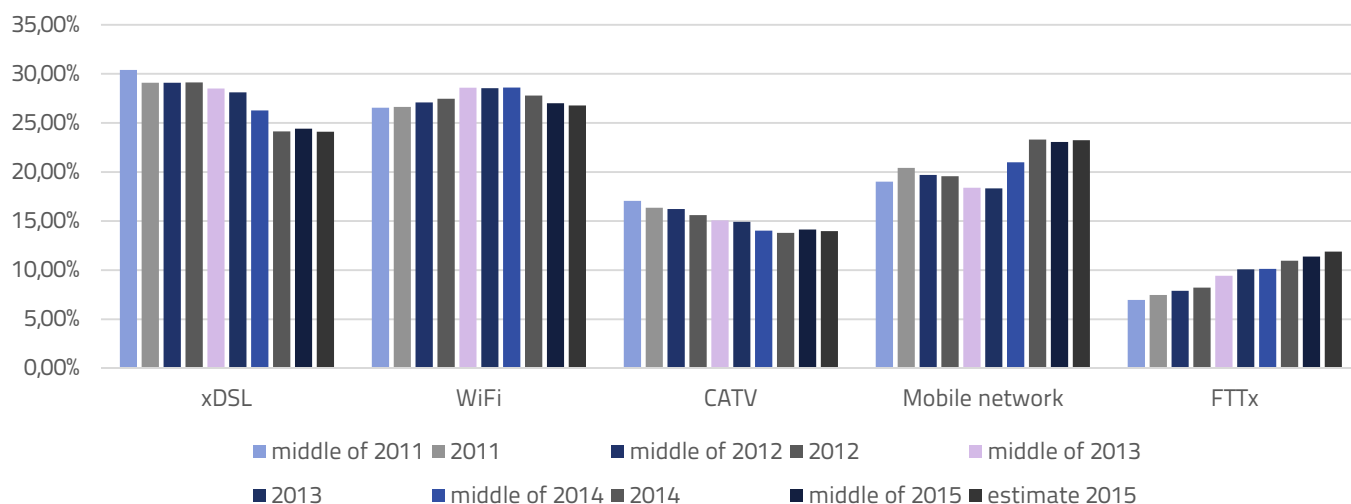
## Share of broadband access according to individual technological solutions (including access via mobile network) as at 31.12. 2015\*



Share of high-speed access according to individual technological solutions (including access in a mobile network) as at 31. 12. 2015\*

N.B.: \* qualified estimates used

## Development of the share of broadband access according to individual technological solutions on the retail market, including access via mobile network



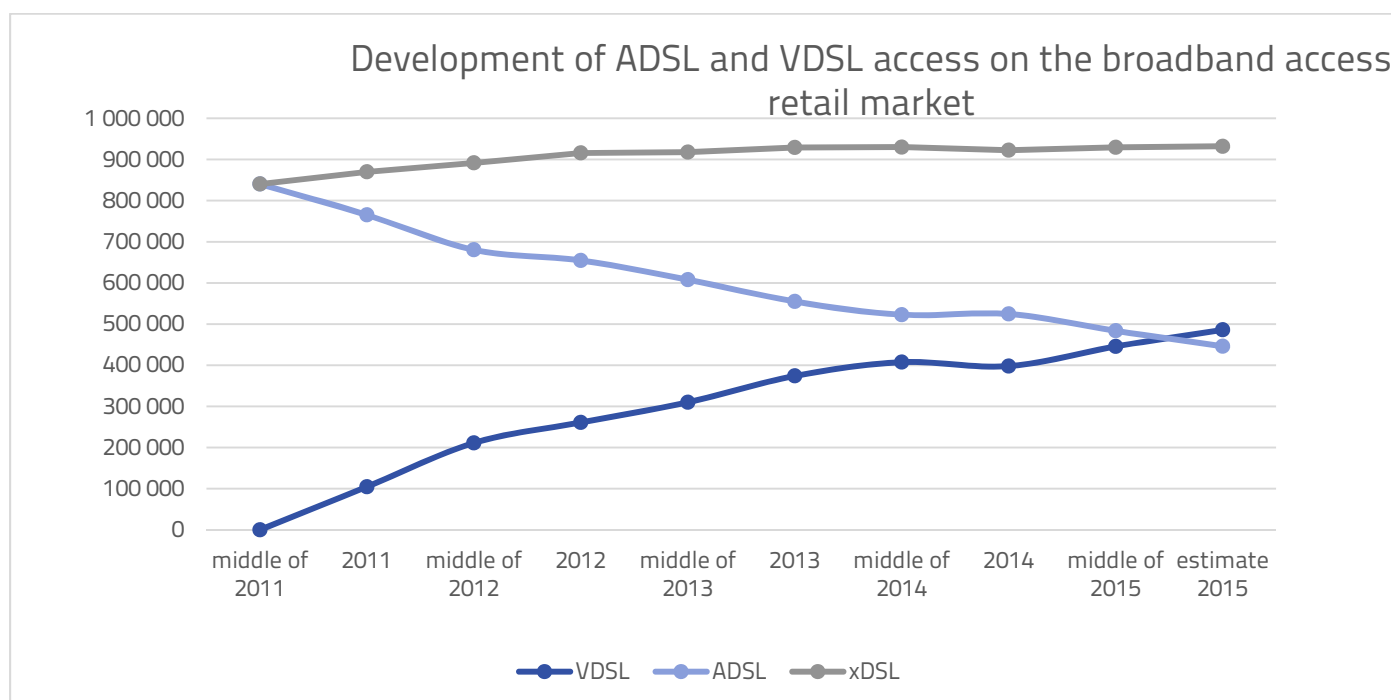
Share of high-speed access according to individual technological solutions on the retail market, including access in a mobile network

The year 2015 saw the continuation of the long-term trend of gradual increases in the share of FTTx technology on the high-speed Internet access market at the expense of the share of xDSL subscriptions. The share of subscriptions



on mobile networks stagnated, as did CATV. The market share of Wi-Fi access decreased slightly in 2015, in contrast to the growth witnessed in the previous period. Wi-Fi access, however, has long maintained a high market share on the high-speed access retail market. The large share of Wi-Fi access on the high-speed access market has long been a significant characteristic of the Czech market, in contrast with other European markets. A primary factor in using high-speed services via a Wi-Fi network is the low price level for these services, which are of a sufficient user quality, and their availability throughout almost the whole territory of the Czech Republic.

The development of FTTx access in the Czech Republic is still mainly undertaken by smaller local providers. CETIN currently owns optical access networks only on a highly limited scale. CETIN has previously declared its intent to increase the availability of services on a VDSL basis by deploying “street cabinets” whilst combining the use of existing copper sub-loops and an optical network (FTTCab<sup>11</sup>), which is fed closer to the customer. The rising volume of VDSL access with regard to the declining trend of ADSL access to the high-speed access market is documented in the following graph. It is clear from this graph that the number VDSL subscriptions in the second half of 2015 exceeded the quantity of ADSL subscriptions provided.



Development of ADSL and VDSL access on the high-speed access retail market

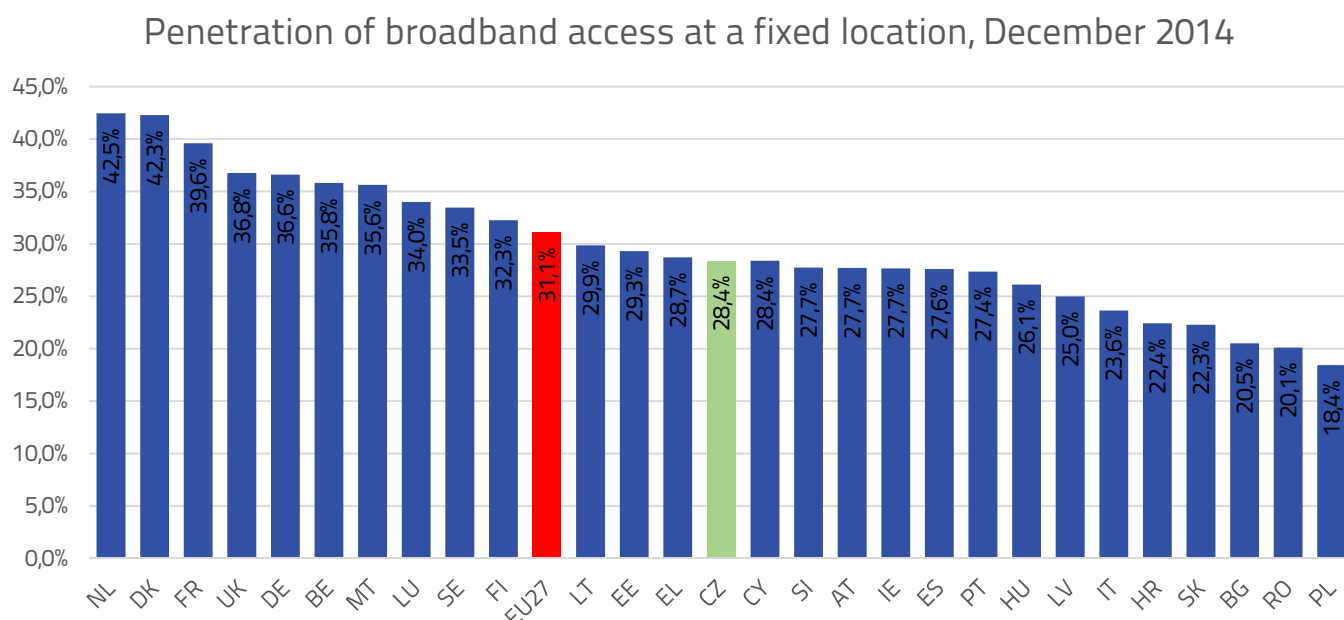
The future development of FTTx access networks in subsequent years should be supported by the implementation of a programme of state aid for the development of the NGA networks that is currently under preparation.

CTU therefore expects a continuing rise in the share of FTTx access in forthcoming years in connection with the prepared subsidy programme for building next generation high-speed access networks (NGA), and high-speed access via mobile networks

<sup>11</sup> Fibre to the cabinet

on retail broadband access market, particularly in connection with the development (of coverage) of services provided on 4<sup>th</sup> generation networks.

From the perspective of an international comparison of penetration of high-speed access at a fixed location, it ensues that the penetration of high-speed Internet access in the Czech Republic continues to rise (from 18.3 % at the end of 2009 to 28.4 % at the end of 2014). The Czech Republic is still below the EU average, 31.1 % at the end of 2014, by 2.7 percentage points in comparison with other countries of the European Union.



International comparison of penetration of high-speed access at a fixed location, December 2014

Source: European Commission, January 2016

### The retail prices of high-speed access services

The retail market in high-speed Internet access at a fixed location was relatively calm in 2015 from the perspective of prices for end users. The price level of the services on offer essentially remained stable throughout the year as a whole, changes only coming in the case of short-term marketing promotions aimed at winning new customers. In these specific cases, customers were provided with temporary discounts or other benefits or individual services were combined as special-offer marketing bundles.

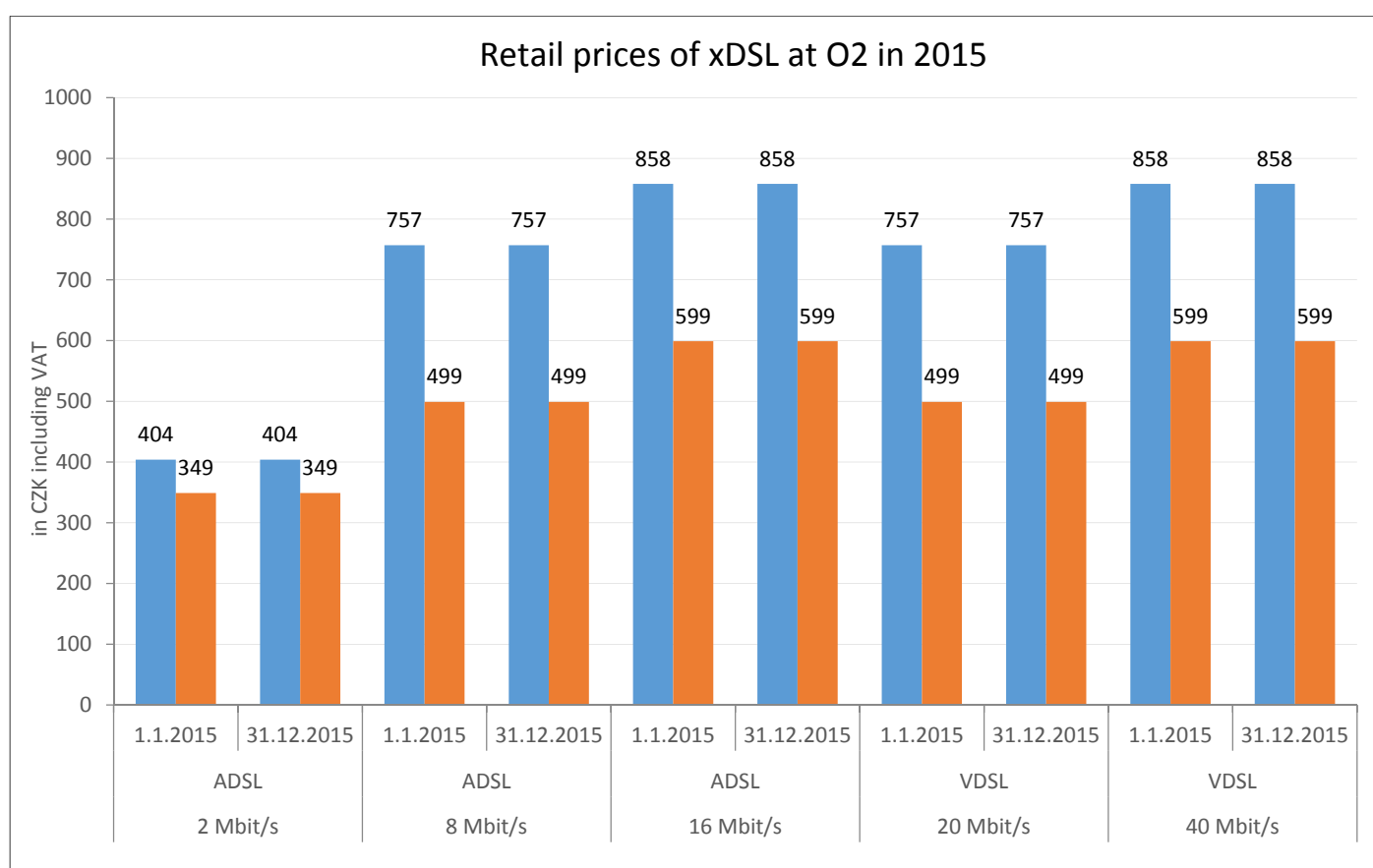
UPC was responsible for the biggest change on the high-speed Internet access at a fixed location market in 2015, increasing the speed of connection for its subscribers quite considerably in September and publishing a new commitment to maintain a guaranteed minimum quality level of connection. Subscribers were newly able to obtain Internet access of a speed ranging from 10 Mbit per second to 300 Mbit per second. The prices of the two fastest tariffs in the UPC portfolio (newly speeds of 200 and 300 Mbit per second, having been 120 and 240 Mbit per second until September 2015) remained unchanged, whereas the increase in speed of the two slowest tariffs (newly 10 and 100 Mbit per

second, having been 5 and 40 Mbit per second until September 2015) was accompanied by an increase in prices (nonetheless, even then the price of the 100 Mbit per second services at the end of 2015 is lower than the price of the 40 Mbit per second service at the beginning of 2015, since UPC reduced the price of this service in June 2015 by more than it subsequently increased the price in September 2015).

Most providers of Internet connection services at a fixed location offered cheaper versions of services in addition to the standard prices, usually connected with a contractual obligation to use the relevant service, mostly for 12 months, or with taking other electronic communication services, for example flat rate mobile tariffs or cable television.

The largest provider of Internet connection services at a fixed location, O2, left the level of its tariffs for standard Internet at a fixed location unchanged in 2015, only expanding this offer in the second half of the year to include a more expensive version of services called PROfi, which also included the protection of transmitted data and a guarantee of time limits for rectifying faults. O2 also modified its offer of O2 TV digital television services in 2015 and broadened the number of channels for individual tariffs.

The following overview shows the level of prices for individual speeds of retail Internet access at O2 in 2015.



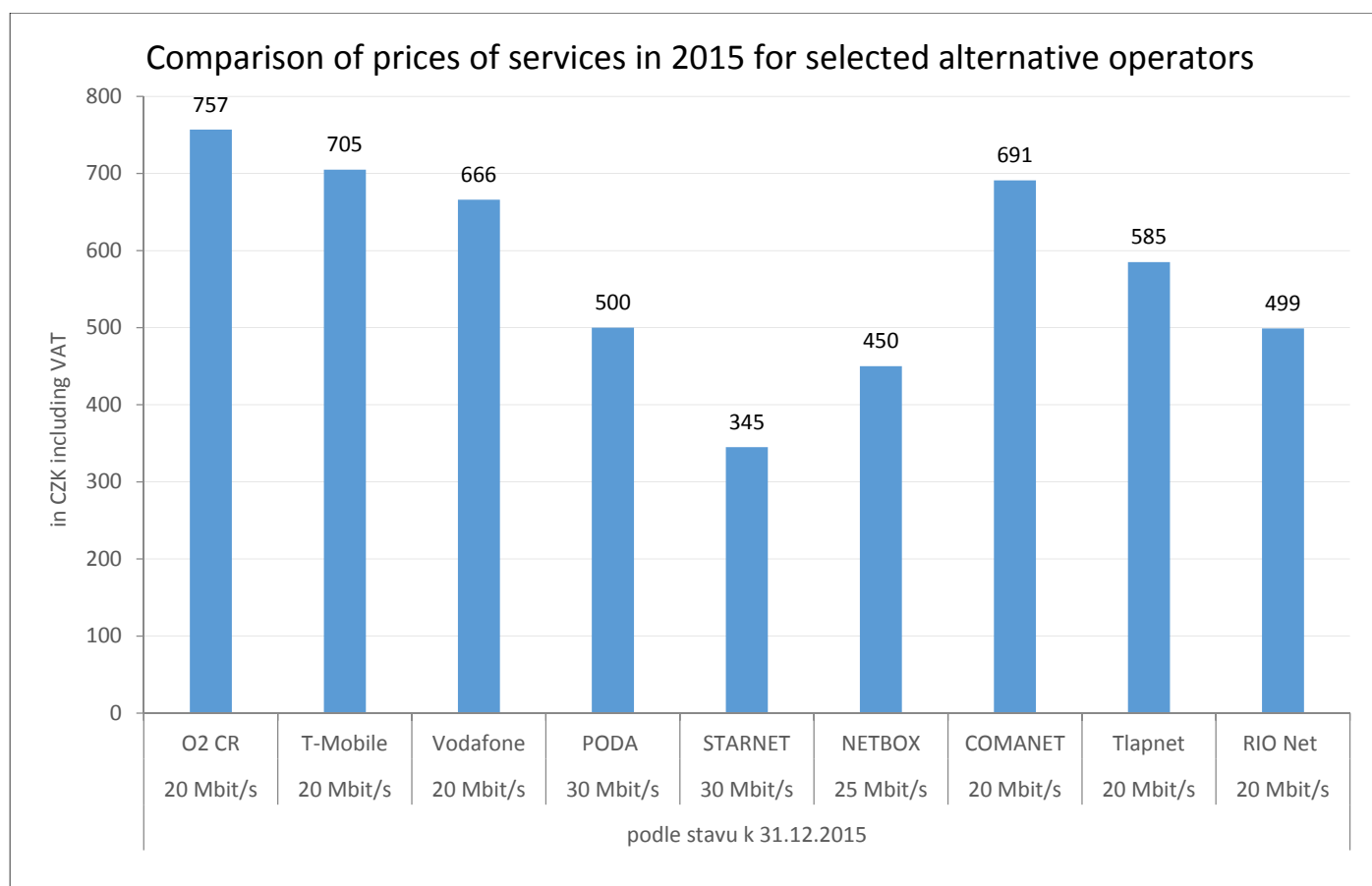
Retail prices of xDSL at O2 in 2015

N.B.: Cheaper offers with commitment and automatic prolongation are distinguished in the graph by colour.

O2 also tried to use its pricing policy to motivate customers to use more progressive VDSL technology, which usually makes it possible to achieve higher speeds of Internet access. The option of 40 Mbit per second was introduced in the company's offer as the maximum speed of data downloading, although this was only available with limited territorial scope.

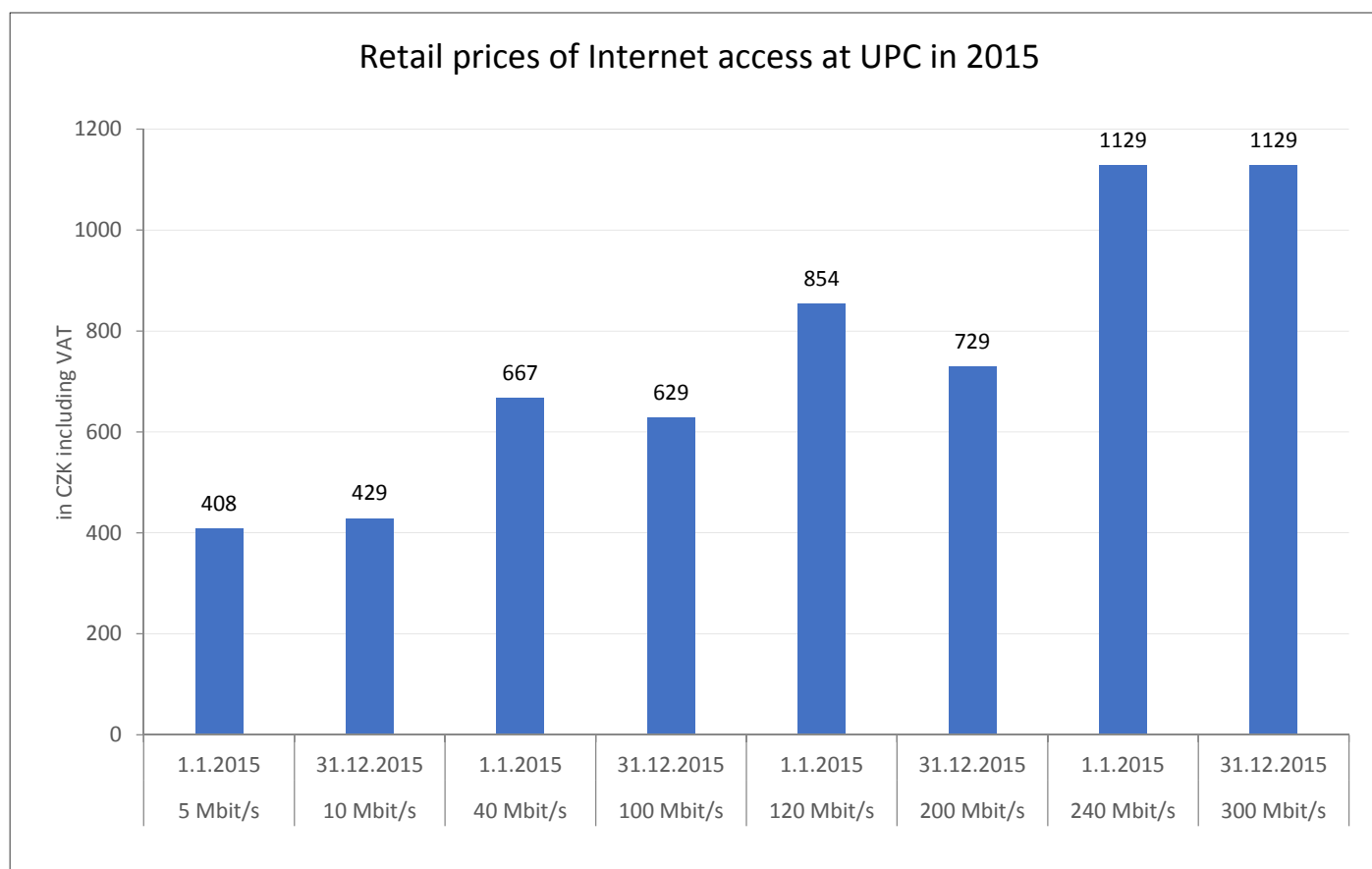
In general, it stands that connecting subscribers with higher speeds depends primarily on restrictions to ensue from the specific technical and qualitative parameters of the access local loop. Improvement in the situation in the sphere of access networks at a fixed location can evidently be expected following the implementation of announced investment in the development of next generation networks, which will be based mainly on optical fibres. CETIN, which offers its services on the wholesale market, announced such an investment programme in 2015. Another opportunity to increase the quality and accessibility of new optical networks is a subsidy programme that is under preparation to use money from the Operational Programme Business and Innovation for Competitiveness, which falls within the remit of the Ministry of Industry and Trade.

For the sake of comparison, the following graph shows the offers available from other significant operators on the Czech market that offer their services in the sphere of high-speed Internet access at a fixed location. It must be stated that the price offers are not easy to compare among providers since the individual services are based on different technology and the differing qualitative parameters which ensue from this.



Comparison of prices of Internet access services in 2015 for selected operators

Another significant company on the high-speed connection retail market is UPC, which provides services via cable technology. The following graph documents the price development of its high-speed services in 2015.



Retail prices for Internet access at UPC in 2015

It is clear from a comparison of the retail prices for the fastest Internet access services of UPC and those of the largest provider, O2, that when converting to a comparable base of 1 Mbit per second of speed, the monthly price of the services at UPC is on average 5.7 times cheaper (CZK 1,129 for 300 Mbit per second versus CZK 858 for 40 Mbit per second). One reason for this difference is the fact that the existing network of UPC is technologically prepared to provide its subscribers with Internet connection at considerably higher speeds.

### 1.3.3. Cooperation on preparing measures to increase the availability of next generation access (NGA) from the perspective of preparing a subsidy programme in support of its deployment

#### 1.3.3.1. Mapping the NGA infrastructure for the subsidy programme

Measures were also prepared in 2015 to support the development of next generation access networks (NGA). The National Next Generation Networks Development Plan (hereinafter also referred to as “NPRSNG”) should become the basic strategic document. This is being prepared by the Ministry of Industry and Trade as the analytical and strategic base on which to build a subsidy programme for the deployment of high-speed networks using money from the Operational Programme Business and Innovation for Competitiveness. To this end, CTU will be entrusted

with creating a map of so-called white, grey and black areas, meaning areas to which state aid for the deployment of the NGA networks might potentially be directed, in accordance with EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks (2013/C 25/01).

CTU intends to obtain the data for the creation of the relevant map through the regular electronic data collection from business undertakings, namely its geographical appendix. CTU therefore compiled new settings for the data collection undertaken throughout 2015 and discussed these with the bodies of state administration concerned and with sector-specific associations.

Forms for the collection of geographical data on selected parts of the network infrastructure, segmented into individual address points, became part of the data collection system on 1 January 2016. Data (commencing with data from 2015) which maps out the existence of the network infrastructure enabling the provision of services of the set parameters in accordance with the objectives of the strategic document Digital Czech Republic, meaning connection points at which an Internet access service can be provided of speeds in the categories of up to 30 Mbit per second, from 30 to 100 Mbit per second and over 100 Mbit per second, will be entered in these forms. In addition to connections already in existence, connections planned (intended) within three years are also mapped out. In terms of geographical segmentation, data is also collected about an Internet access service actually provided in the relevant place via this infrastructure.

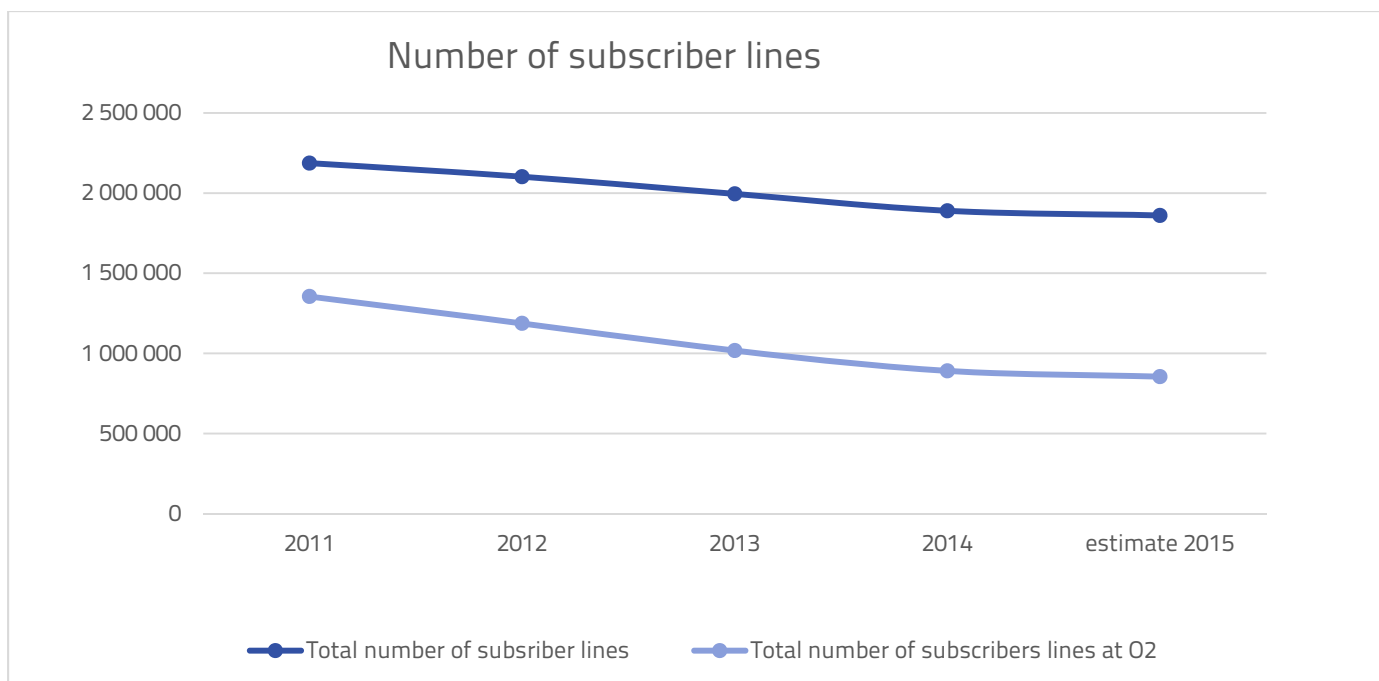
CTU also led an inter-departmental working group to map out the NGA infrastructure in the autumn of 2015. This prepared recommendations for conducting the mapping of the NGA network. The aim is to identify suitable areas of intervention and propose and create the conditions for support of the deployment of a next generation network within the Czech Republic, with the aim of complying with and achieving the objectives of the Digital Programme for Europe.

#### 1.3.4. Voice services provided on fixed networks

O2, UPC, T-Mobile and České Radiokomunikace were among the most significant companies that operated on the telephone services at a fixed location market in 2015 in terms of the number of subscriber lines. O2 continued to occupy a significant position in the provision of a publicly available telephone service at a fixed location in 2015.

The development of voice services provided on fixed line networks was again influenced by the development of mobile voice services. The trend of expanding the offer of services using new technology, in particular voice services via VoIP technology, continued in the area of voice services in 2015. The further deepening of convergence trends is also characteristic. This is primarily seen on the market in the offer of different forms of bundles.

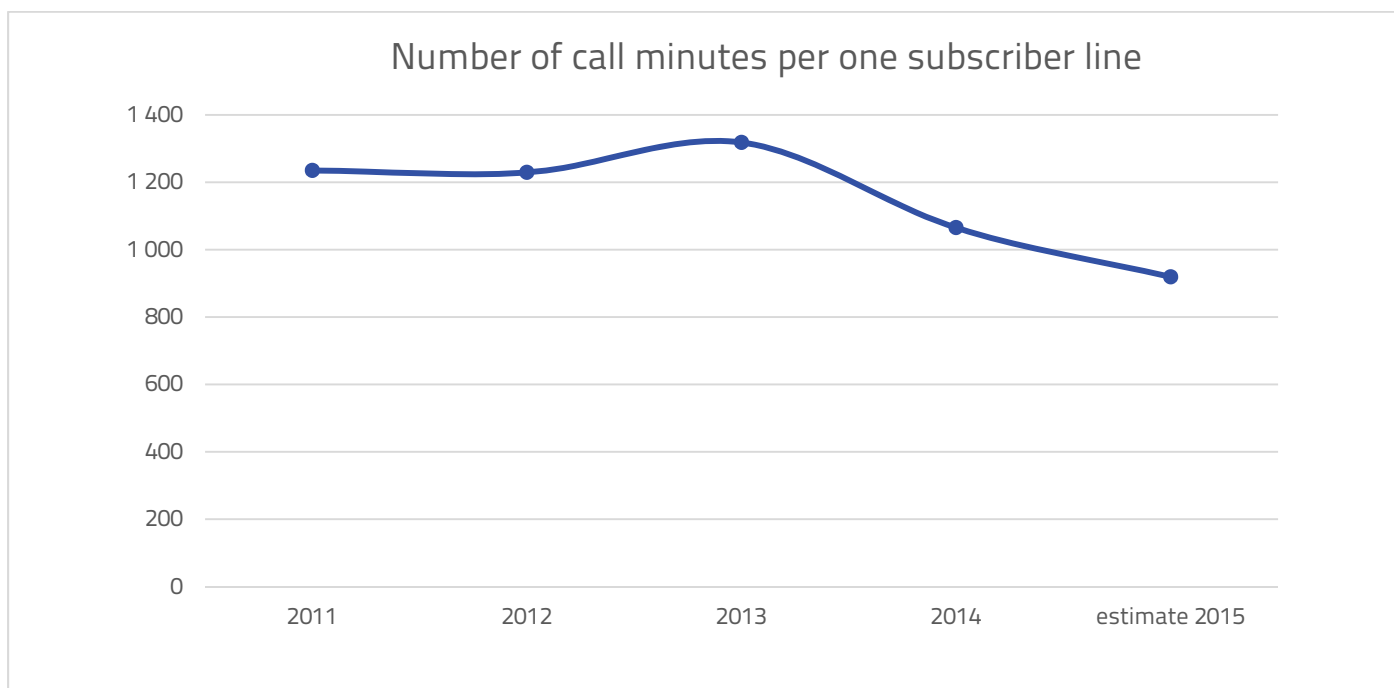
There was a year-on-year decrease in the total number of subscribers to voice services provided on fixed line networks in 2015, expressed by the number of subscriber lines, of around 2 % to approximately 1.86 million subscriber lines. The year-on-year decrease at O2 is estimated as having been higher, at around 4 %, to less than 900 thousand subscriber lines (see the graph which follows).



#### Development in the number of subscriber lines

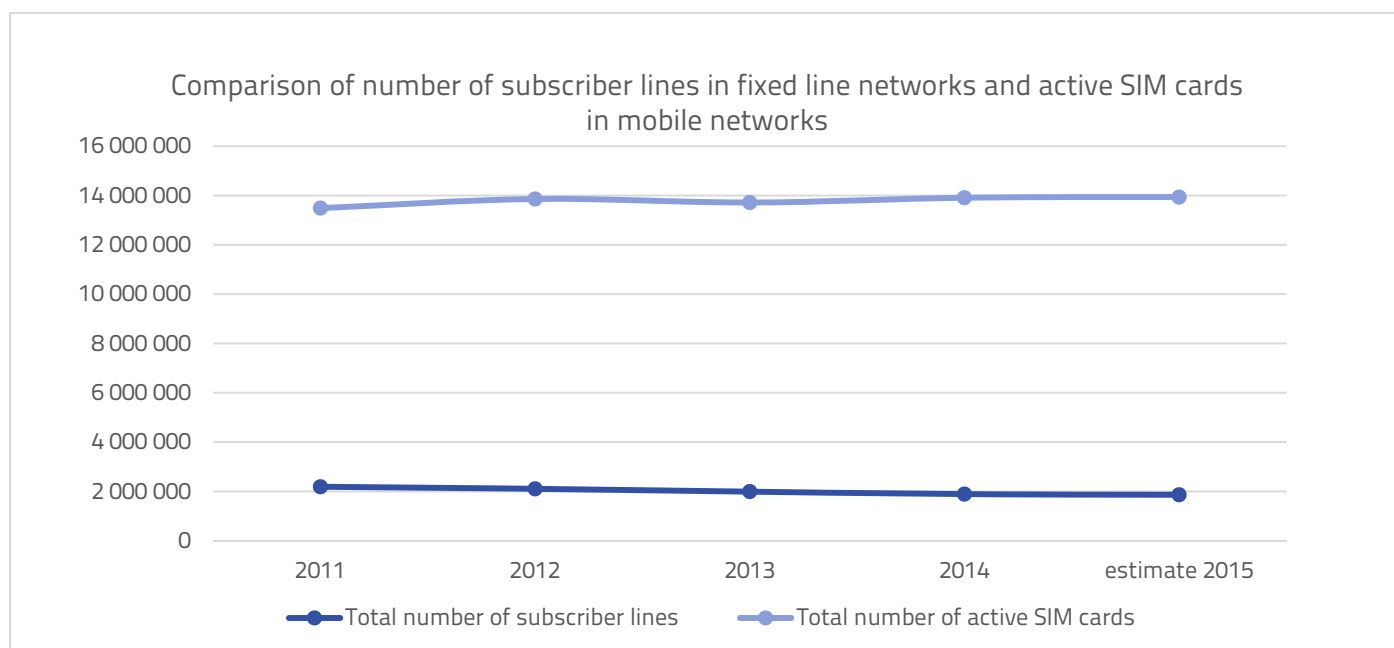
The falling number of subscribers was also accompanied in 2015 by a decline in the volume of fixed network operation at O2. This decline has been more significant than for the number of subscriber lines since 2014, meaning that there is less use of subscriber lines in a fixed location for making calls.

This trend is further accompanied by a reduction in the number of call minutes per one subscriber stationat O2, to around 920 actual minutes, which represents a year-on-year decrease of around 14 %; however, this decrease is 5 percentage points lower than the year-on-year decrease in 2014 (see the graph which follows).



#### Number of call minutes per 1 subscriber line at O2

The declining trend in the number of subscriber lines at a fixed location continued in 2015, when there was a decrease of more than 1.5 %. A comparison of the number of subscriber lines in fixed line networks and the number of SIM cards is shown in the following graph.

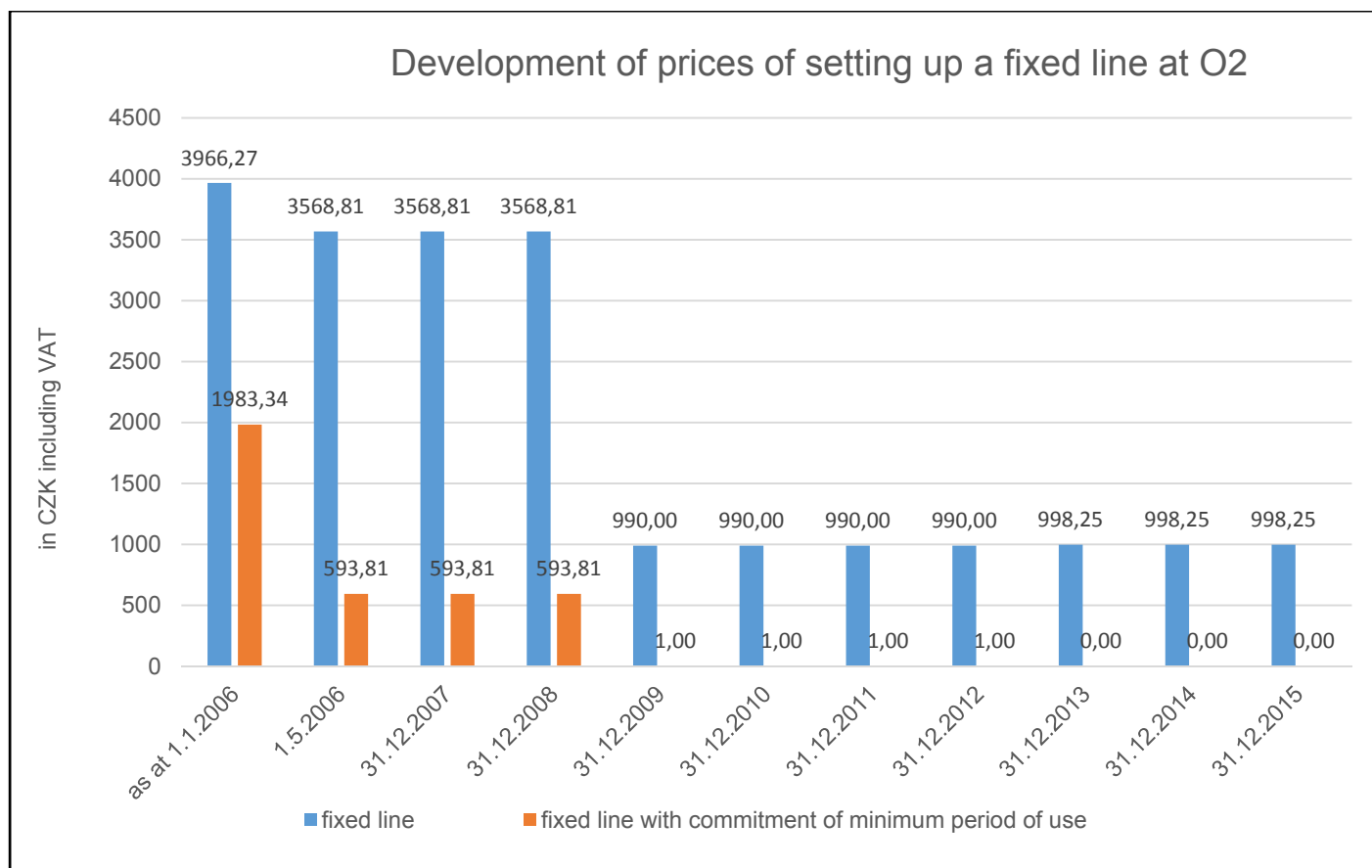


Comparison of the number of subscriber lines in fixed line networks and active SIM cards in mobile networks

### 1.3.5. The development of prices of voice services in fixed networks

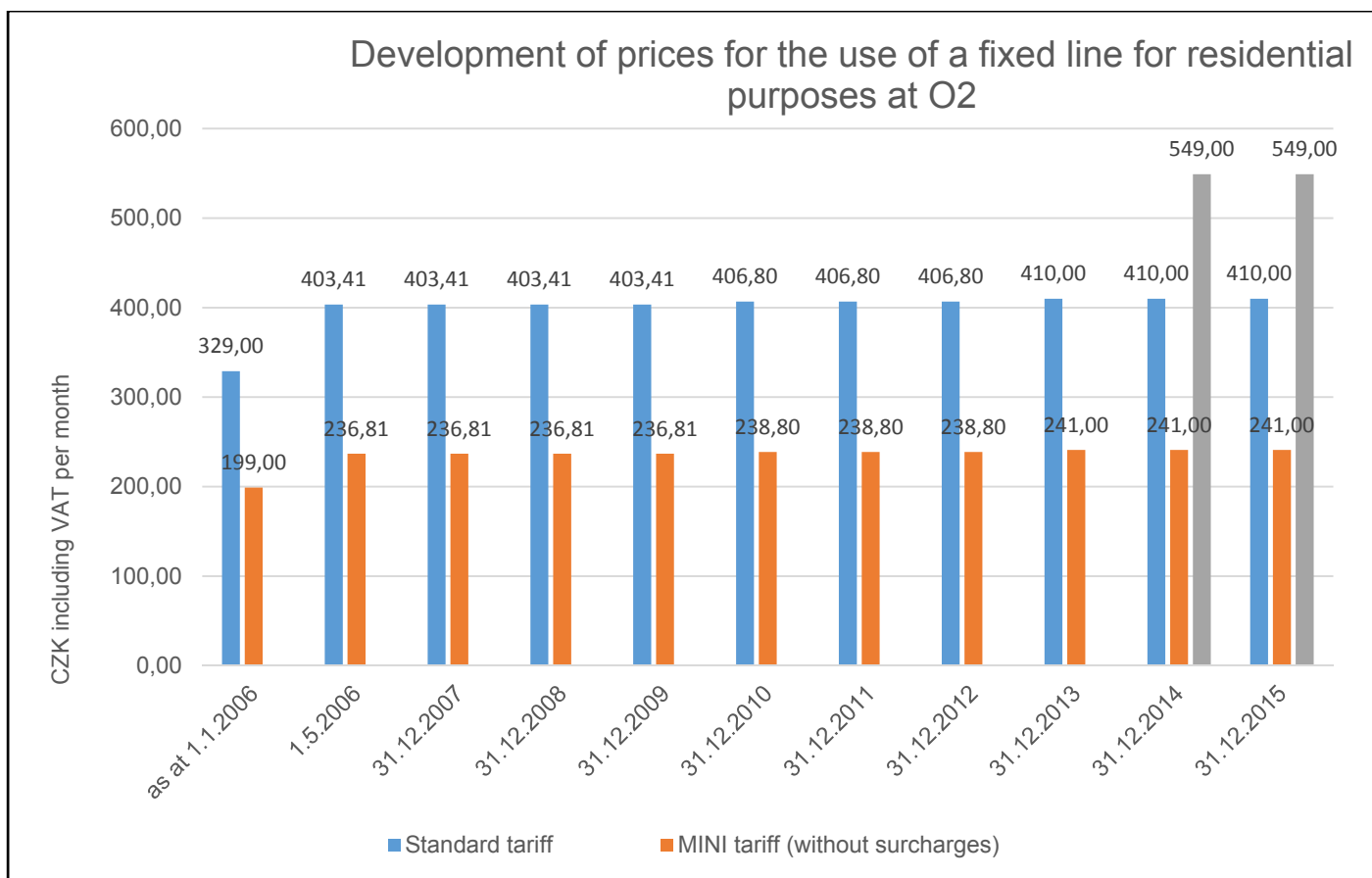
The long-term development of prices of voice services in fixed line networks is depicted in the following graphs. With respect to the position of O2 on this market, it is the prices of that company that are shown in graphs for services involving the set-up and use of a fixed line. The prices of significant operators that provide telephone services (also) through fixed line networks are shown in the graph for telephone services (calls). The graph which shows the development of prices for the use of a fixed line for residential purposes depicts the monthly prices when using only voice services.





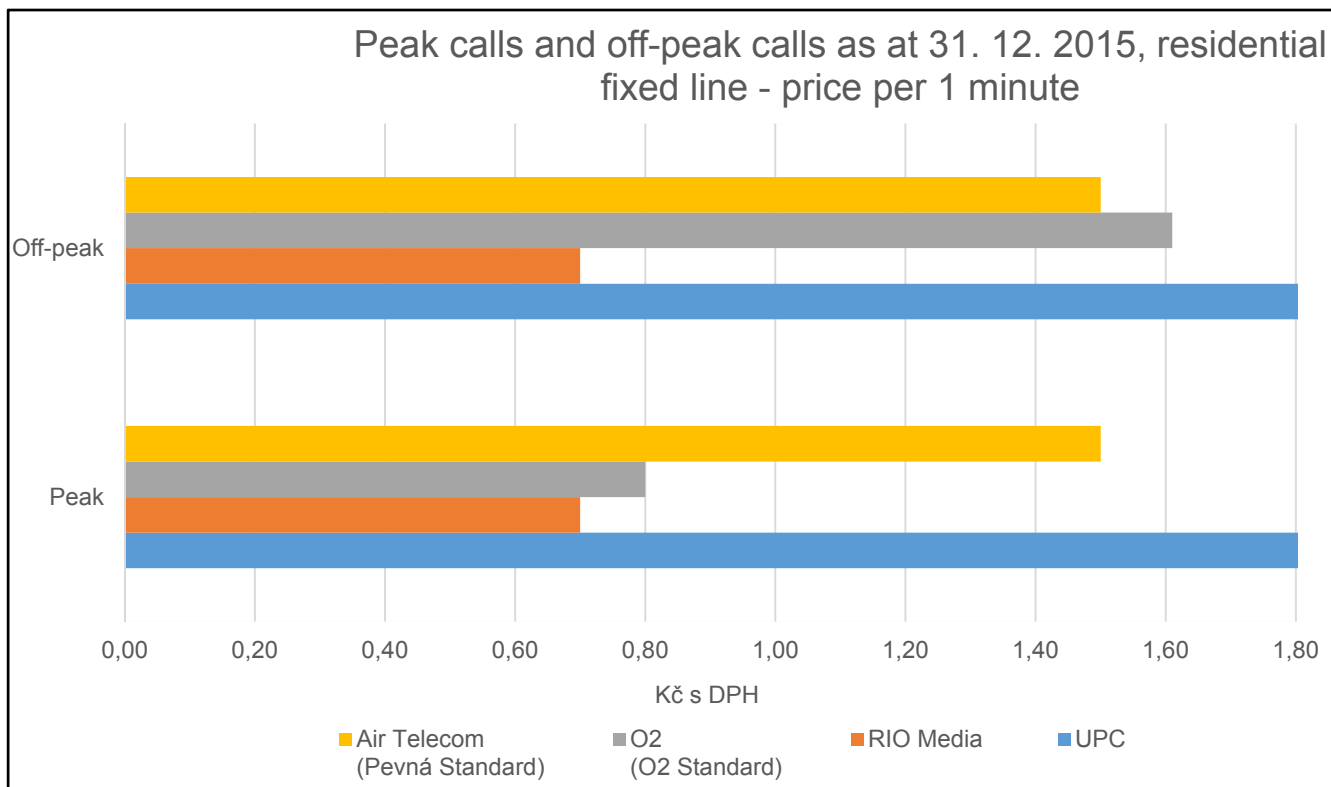
Development of prices of setting up a fixed line at O2

N.B.: O2 has, since the end of 2011, included the price of setting up a fixed line in the basic price of individual tariffs. The actual price of setting up a fixed line is only applied to temporary connection points that are set up for a maximum of six months.



Development of prices for the use of a fixed line for households at O2

A comparison of the prices of local and long-distance calls from fixed lines to fixed lines within the Czech Republic in 2015 according to the offers available from significant operators is presented in the following graph.



Peak and off-peak calls from a fixed residential line as at 31.12.2015 – price per 1 minute

N.B.: The graph shows the prices per call minute; the average prices after taking into consideration available minutes for free calls within the operator's network and the basis of charging a tariff are not therefore shown. Air Telecom, UPC and RIO Media apply a uniform tariff that does not distinguish between the price of peak calls and off-peak calls. The prices provided by Air Telecom and UPC apply to calls made to fixed line and mobile networks.

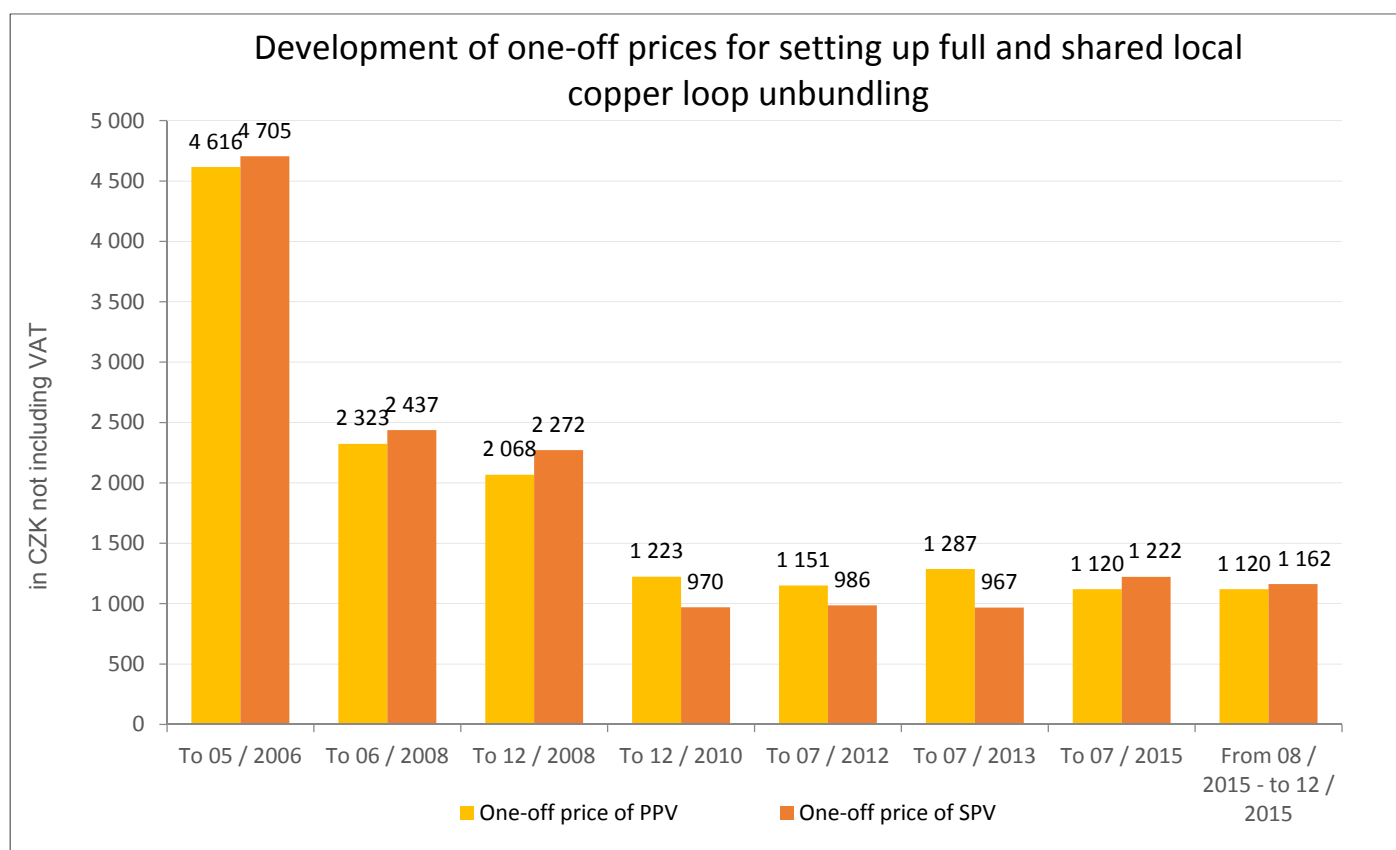
## 1.4. The development of prices for selected wholesale services

CTU only applies pricing regulation to selected relevant wholesale markets. The aim of applied pricing regulation is to help the development of a competitive environment and to make it possible for alternative operators to offer competitive retail services to end users through the available wholesale products.

### 1.4.1. The local loop unbundling wholesale market

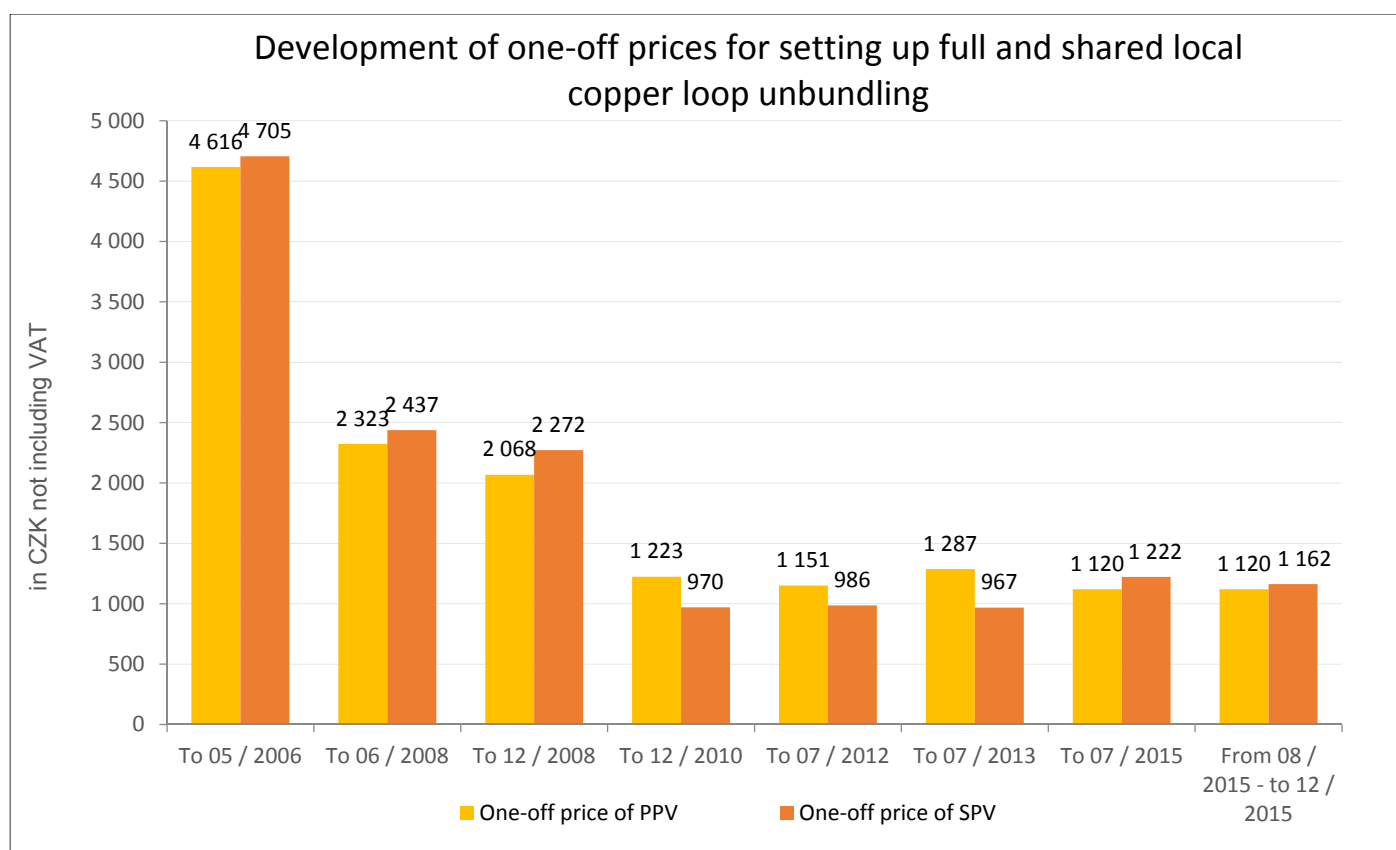
The regulated prices of unbundling and collocation services underwent slight change in 2015 based on a new decision taken by CTU, No. CEN/4/08.2015-4. Following on from the issue of a new analysis of relevant market no. 4 (now 3a), no. A/4/10.2014-8, the Office checked the previously-determined maximum regulated prices for the undertaking with significant market power (CETIN) and, in August, issued a new pricing decision with prices that do not fundamentally deviate from the prices valid until that time.

The development of prices in the two basic wholesale services involving local copper loop unbundling is illustrated in the following graphs.



Development of one-off prices for services involving the set-up of full and shared local loop unbundling

N.B.: PPV – full access to loop, SPV – shared access to loop



Development of monthly prices for services involving the rental and set-up of full and shared copper local loop unbundling

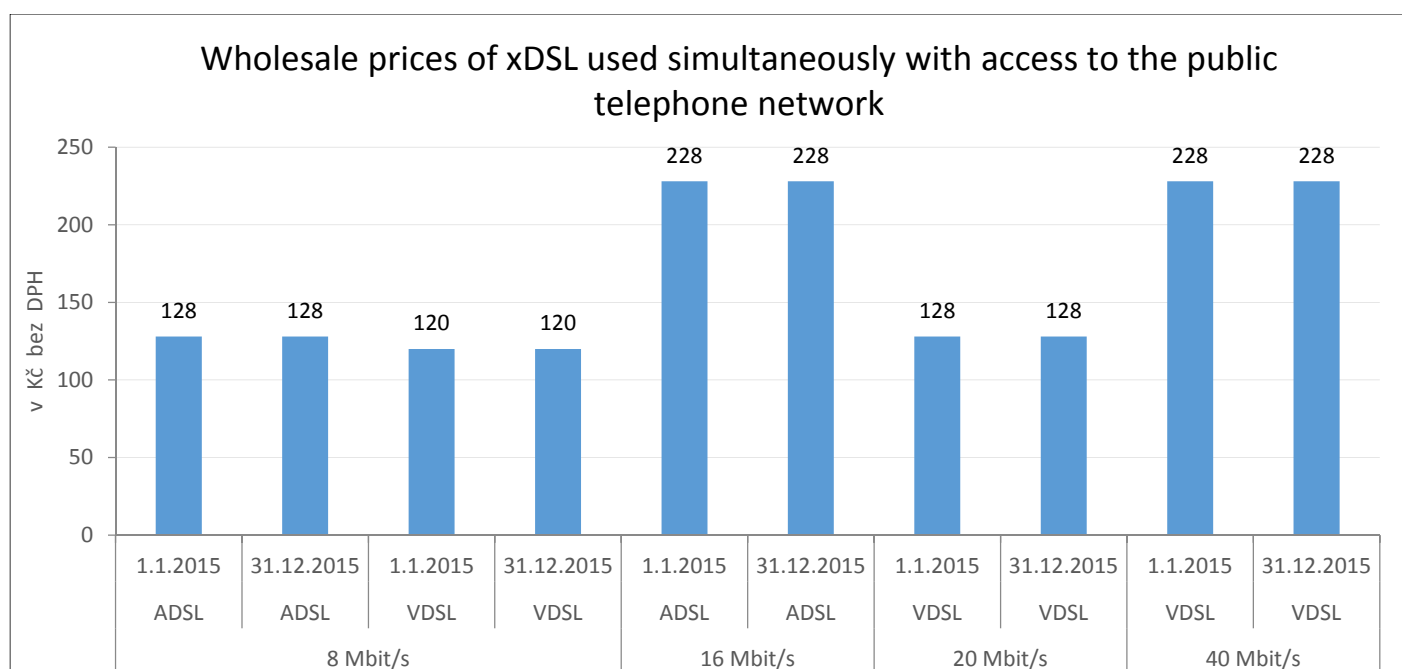
N.B.: PPV – full access to loop, SPV – shared access to loop

#### 1.4.2. Wholesale broadband Internet access

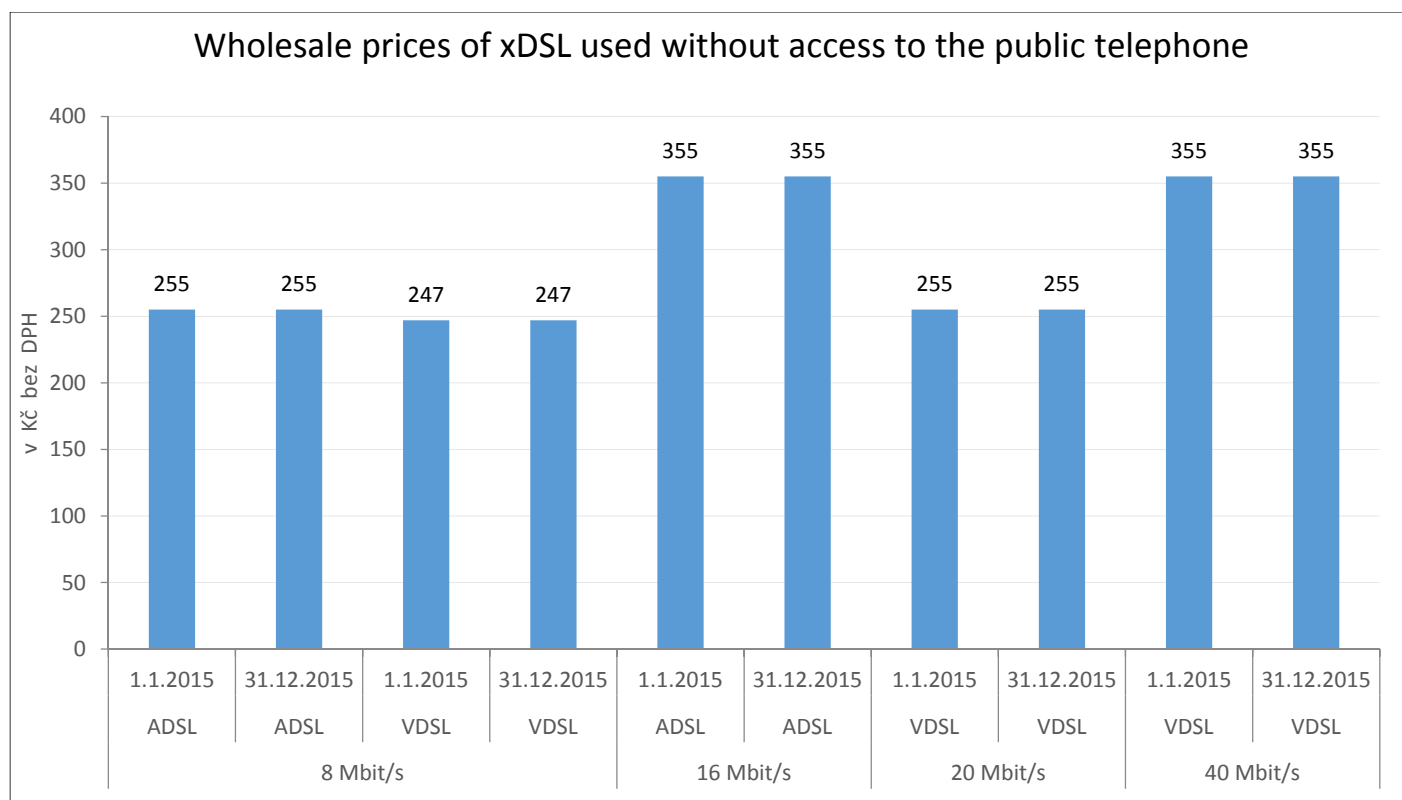
The prices of wholesale broadband Internet access services remained unchanged in 2015. This stable situation evidently ensued from the need to end and fully stabilise the newly-formed CETIN, which will provide the operation of the network infrastructure into the future. The offer made by CETIN builds logically on the previous wholesale offer from O2 and includes side-by-side versions of services that differ in terms of the technology used (ADSL v. VDSL). It ensues from the comparison that in the case of the more progressive VDSL technology, higher available speed of connection to the network is offered at the same price. The development of prices of selected services from the wholesale offer at CETIN at the end of 2015, and that of O2 at its beginning, is documented in the following two graphs. The first is for the "dressed" xDSL<sup>12</sup> service and the second for "naked" xDSL<sup>13</sup>.

<sup>12</sup>i.e. services which are only available when paying the price for access to the public telephone network and a "classic" publicly accessible telephone service is active at the same time.

<sup>13</sup>i.e. services for which there is no longer any need to pay a separate price for access to the public telephone network and a "classic" publicly accessible telephone service is not active.



Wholesale prices of xDSL used simultaneously with access to the public telephone network



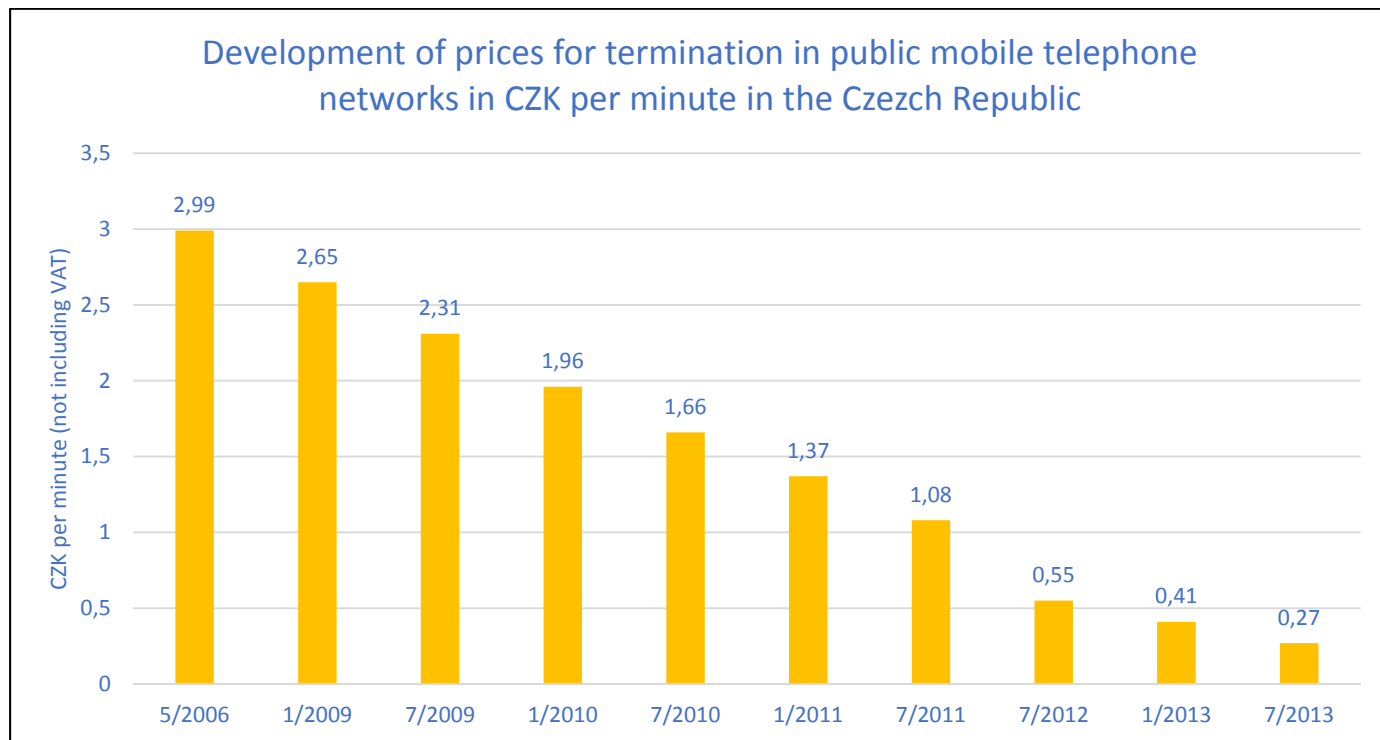
Wholesale prices of xDSL used without access to the public telephone network

### 1.4.3. The wholesale market of call termination on individual public mobile telephone networks

The price asserted on the wholesale mobile termination market of CZK 0.27 per minute not including VAT

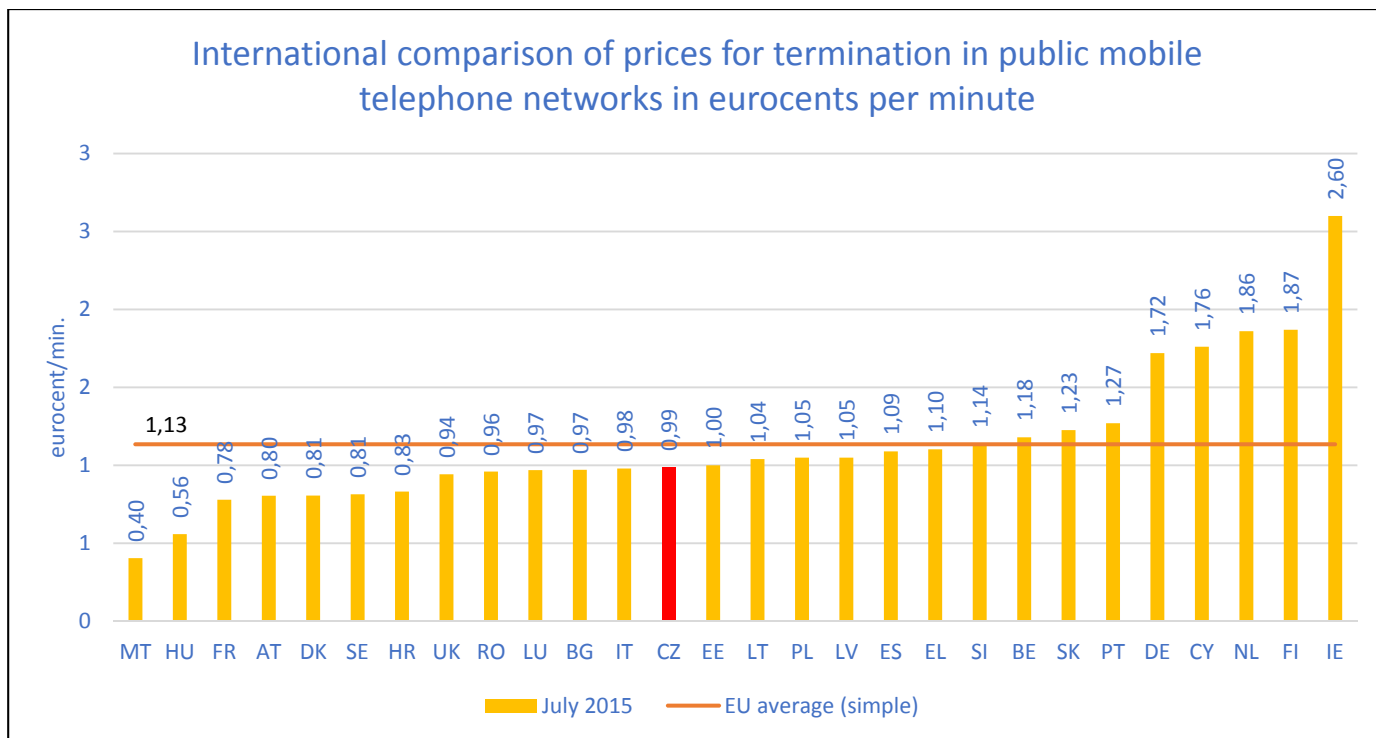
came from price regulation applied by CTU during 2014. This regulated price, which was asserted by regulated undertakings (Air Telecom, O2, T-Mobile and Vodafone) is determined using the BU-LRIC model in accordance with Commission Recommendation of 7 May 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU (2009/396/EC).

The development of regulated prices for termination from 2006 onwards is shown in the following graph.



Development of prices for termination in public mobile telephone networks in CZK per minute in the Czech Republic

In the following graph, an international comparison of prices for call termination, the price stated in eurocents per minute for the Czech Republic is below the average in comparison with the other countries of the EU.



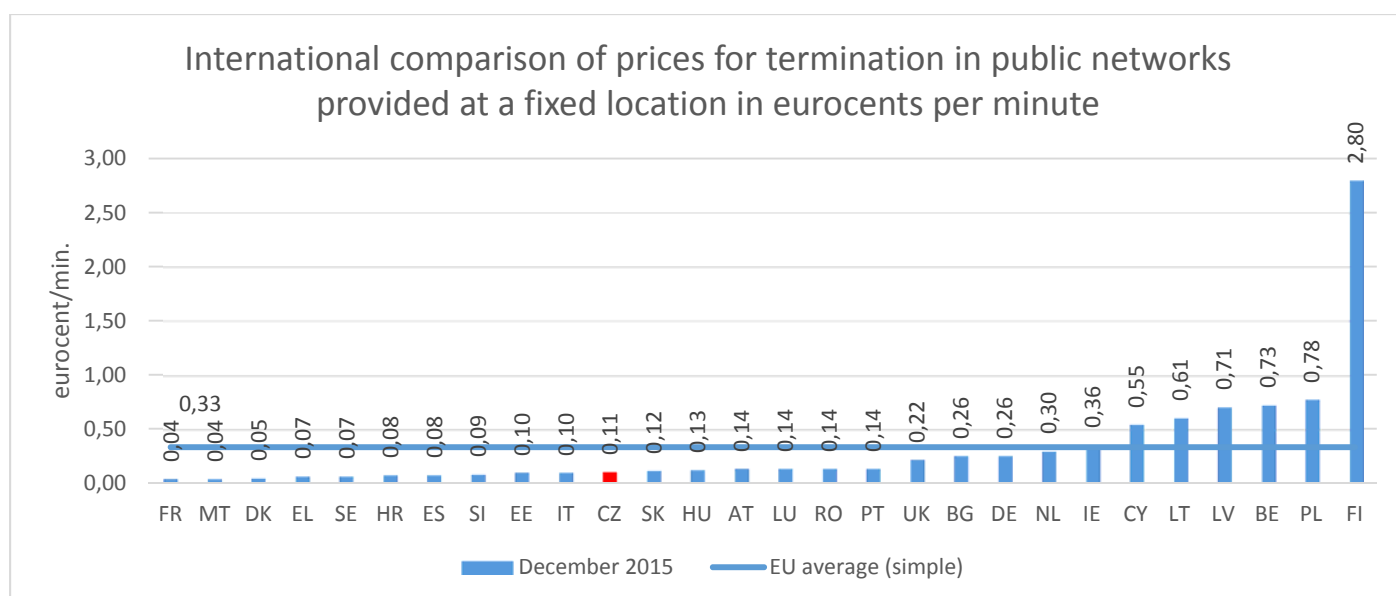
International comparison of prices for termination in public mobile telephone networks in eurocents per minute

Source: BEREC, Termination rates at European level July 2015, BoR (15) 211

#### 1.4.4. The wholesale market of call termination on individual public telephone networks provided at a fixed location

As in the case of the mobile termination market, the regulated price for the wholesale termination at a fixed location market in 2015 drew on regulation applied by CTU during 2014. The maximum level of the regulated price for call termination in individual public telephone networks provided in a fixed location in 2015 was therefore CZK 0.03 per minute not including VAT.

The following graph offers an international comparison of prices for call termination in public telephone networks provided at a fixed location. The Czech Republic is one of the countries with a lower termination rate in the prices stated in eurocents per minute and is below the average in comparison with other countries of the EU.



International comparison of prices for termination in public telephone networks provided at a fixed location in eurocents per minute

Source: Fixed termination rates and cost model – Incumbent operators, Cullen International, 2015

## 1.5. Fulfilment of International Roaming Regulation

CTU, in accordance with Regulation (EU) No 531/2012 of the European Parliament and of the Council of 13 June 2012 on roaming on public mobile communications networks within the Union (hereinafter referred to as the “Regulation”), undertakes the monitoring and supervision of adherence to this Regulation and monitors the development of wholesale and retail prices for the provision of voice, SMS and data services to roaming customers. The Regulation fully follows on from previous roaming regulation (Roaming Regulations no. 717 of 2007 and no. 544 of 2009), with effect from 1 July 2012.

According to the Regulation, there was a new calculation of wholesale and retail price caps expressed in koruna according to current exchange rates, whereby exchange rate differences caused a price adjustment only for retail price caps. Due to the fact that the maximum wholesale and retail price caps expressed in euro in 2015 remained at the same level as in 2014, the koruna adjustments to retail caps are caused only by the influence of the changes in the exchange rate mentioned. The following two tables show the maximum wholesale and retail price caps valid under the Regulation and the prices applied by the three biggest mobile operators, which are compliant with this Regulation.

The wholesale price limits for roaming services valid from 1 July 2014 and converted according to current exchange rates from 1 July 2015 in CZK not including VAT are shown in the following table.



CZK per minute not including VAT	From 1.7.2014			From 1.7.2015		
	Outgoing calls	SMS	Data	Outgoing calls	SMS	Data
Regulated maximum prices	1.37	0.54	1.37	1.37	0.54	1.37

Table 4 - Price limits for wholesale roaming services

The retail price limits for roaming services valid from 1 July 2014 and further adjusted from 1 July 2015 are shown in the following table. The slight increase in price caps expressed in koruna is caused by the application of the new currency exchange rate valid for the period from 1 July 2015. The retail prices asserted by the three biggest mobile operators remained the same after 1 July 2017.

CZK per minute not including VAT	from 1. 7. 2014				from 1. 7. 2015			
	Outgoing calls	Incoming calls	SMS	Data	Outgoing calls	Incoming calls	SMS	Data
Regulated maximum prices	5.21	1.37	1.64	5.48	5.22	1.37	1.64	5.49
O2	5.21	1.36	1.61	5.46	5.21	1.36	1.61	5.46
T-Mobile	5.20	1.37	1.64	5.48	5.20	1.37	1.64	5.48
Vodafone	5.21	1.37	1.64	5.48	5.21	1.37	1.64	5.48

Table 5 - Comparison of retail price limits for roaming services

### 1.5.1. The new International Roaming Regulation

Regulation (EU) 2015/2120 of the European Parliament and of the Council was issued on 25 November 2015 to amend Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the Union. This amendment, entering into effect on 15 June 2017, allows the providers of roaming services to charge surcharges to retail prices only for regulated roaming services used over and above the fair use policy.

The fair use policy represents such a volume of regulated retail roaming services as charged at valid domestic retail prices which are compliant with the tariff plans of each customer. The specific form of the fair use policy should

be determined through implementing acts of the European Commission adopted by 15 December 2016.

In order to ensure the smooth transition from Regulation 531/2012 with respect to the cancellation of retail surcharges for roaming services, Regulation 2015/2120 introduces a transitional period from 30 April 2016 to 14 June 2017, during which roaming service providers can apply a surcharge to the domestic retail price for the provision of regulated retail roaming services. The maximum level of the surcharge billed in relation to domestic prices during the transitional period should not exceed the wholesale price cap for specific roaming services valid at the time which immediately precedes the transitional period (i.e. the wholesale prices laid down in Regulation 531/2012).

The maximum level of surcharges on domestic retail prices valid for the period from 30 April 2016 to 14 June 2017 is shown in the following table.

EUR per minute not including VAT	from 30.4.2016 to 14.6.2017			
	Outgoing calls	Incoming calls	SMS	Data
Regulated maximum sur-charges	0.05	0.0114	0.02	0.05

Table 6 - Maximum level of roaming surcharges on domestic retail prices for the period from 30.4.2016 to 14.6.2017

## 1.6. Evaluation of changes in reference offers relating to the provision of LTE services

As part of the auction of frequencies in the 800 MHz, 1800 MHz and 2600 MHz bands, which CTU undertook in 2013 in support of development of the new 4th generation mobile networks, O2, T-Mobile and Vodafone took on obligations that included the obligation to publish within the set time limit a reference wholesale offer for access to the public LTE communication network operated via frequencies within the 800 MHz, 1800 MHz and 2600 MHz bands.

Based on the commitments undertaken in frame of the auctions and the terms and conditions of issued block allocations of radio frequencies, all mobile operators published reference offers for wholesale 4G services in the second half of 2014. The Office immediately began checking these from the perspective of compliance with requirements on the extent and terms and conditions of the wholesale services offered. At the first stage of its investigation, the Office found that offers did not comply with all requirements on the content of reference offers according to Measure of a General Nature No. OOP/7/07.2005-12, as amended. It therefore called on all mobile operators, according to Section 114 of the Act on Electronic Communications, to supplement these. After completing the second stage of its evaluation of offers from the perspective of compliance with the requirement of economic replicability of retail 4G services, the Office called on mobile operators to reduce the prices they were offering in March 2015.

Mobile operators then submitted modified reference offers for access to the LTE mobile network on 30 April

2015. In comparison with the previous reference offers, mobile operators made a number of changes to one-off prices and regular monthly prices. Mobile operators charge different prices for 1 MB of transmitted data depending on the number of active SIM cards. Zone prices can be found for regular monthly prices for the hire of a SIM card. T-Mobile made the most significant changes: there was an increase in the one-off price for access to the LTE network from CZK 9 million to CZK 15 million, whilst T-Mobile also introduced monthly charges for renting SIM cards. On the other hand, T-Mobile now offers data of 65 MB per SIM per month without charge for each SIM card. The first table below summarises the basic data regarding one-off and monthly prices for access and SIM cards from the original reference offers and the second information from the reference office valid from 30 April 2015.

	<b>O2</b>	<b>T-Mobile</b>	<b>Vodafone</b>
One-off price	27 000 000	9 000 000	33 000 000
Monthly price for access	500 000 – 800 000*	0	750 000
Monthly price for SIM	16,45 – 80**	0	45

Table 7 - Original one-off and monthly prices from reference offers concerning access to the LTE network (in CZK)

N.B.: CZK 800,000 for the first 100,000 customers, CZK 500,000 for further 100,000 SIM (or part thereof), \*\* CZK 80 per SIM for the first 100,000 customers, CZK 16.45 for each further SIM over 100,000.

	<b>O2</b>	<b>T-Mobile</b>	<b>Vodafone</b>
One-off price	27 000 000	15 000 000	33 000 000
Monthly price for access	500 000 – 800 000*	0	750 000
Monthly price for SIM	16,45 – 80**	25 – 55***	45

Table 8 - One-off and monthly prices from reference offers concerning access to the LTE network from 30 April 2015 (in CZK)

N.B.: CZK 800,000 for the first 100,000 customers, CZK 500,000 for further 100,000 SIM (or part thereof), \*\* CZK 80 per SIM for the first 100,000 customers, CZK 16.45 for each further SIM over 100,000. \*\*\* CZK 55 per SIM for less than 150 thousand active SIM, CZK 40 per SIM up to 300 thousand active SIM, CZK 25 per SIM over 300 thousand active SIM.

All three companies adjusted prices in comparison with the original reference offers in the case of the actual wholesale price for the transmission of 1 MB of data within the LTE network. O2 reduced the wholesale price for 1 MB from CZK 0.63 per MB to CZK 0.43 per MB, T-Mobile from CZK 0.70 per MB to CZK 0.42 per MB to CZK 0.52 per MB (depending on the number of SIM cards). Zone prices asserted depending on the number of SIM cards are similarly found at Vodafone, where MVNO pays CZK 0.44 per MB for 1 MB over 250 thousand active SIM cards. A comparison of wholesale prices for 1 MB of data in the LTE network is summarised in the following table.

	O2	T-Mobile	Vodafone
Original price from reference offer	0,63	0,70	0,51
New price from reference offer from 30 April 2015	0,43	0,42 – 0,52*	0,44 – 0,51**

Table 9 - Original and new prices for 1 MB of transmitted data from reference offers for access to the LTE network (in CZK)

N.B.: \* CZK 0.52 per SIM for less than 150 thousand active SIM, CZK 0.47 per SIM up to 300 thousand active SIM inclusive, CZK 0.42 per SIM over 300 thousand active SIM. \*\* CZK 0.51 per MB up to 250,000 active SIM, CZK 0.44 per MB for 250,000 active SIM and above.

## 2. Preparation of the radio frequencies auction

### 2.1. Auction of remaining frequencies in the 1800 MHz and 2600 MHz band

It was with the aim of supporting the development of LTE networks and services that CTU prepared (in 2014) the draft wording of Announcement of Tender for the Award of Rights to Radio Frequencies in the 1800 MHz and 2600 MHz bands that had not been allocated in the auction in 2013. Based on discussion with interested parties on the use of radio frequencies and with the aim of supporting interest in the frequencies on offer (and frequencies in the 3.6 – 3.8 GHz band), CTU also prepared a draft amendment to Government Regulation No. 154/2005 Coll., on determination of the amount and method of calculation of charges for the use of radio frequencies and numbers. However, the government did not debate and ratify this draft until 26 October 2015. There was therefore a change in the method of calculating the charges for the use of radio frequencies for land mobile service in the bands over 2200 MHz that came into force on 1 November 2015. This fact allowed CTU to then continue in the preparation of the tender. As a result of the fact that a period of longer than one year had passed since previous public consultation of the proposed Tender Announcement, CTU decided to submit an updated version of the terms and conditions of the prepared tender for new public consultation according to Section 130 of the Act on Electronic Communications. CTU published this version for consultation on 3 November 2015. After dealing with the remarks received during consultation and discussing the proposed conditions of the tender with the Office for the Protection of Competition, CTU commenced the tender on 8 February 2016.

### 2.2. Auction of frequencies in the 3600-3800 MHz band

CTU published the draft wording of the announcement of a tender for frequency block allocations in the 3600 to 3800 MHz bands on 5 March 2015 in support of the development of services involving genuinely high-speed wireless access to the Internet. As in the case of the auction in the 1800 and 2600 MHz bands (see above), the eventual commencement of this tender was deferred until such time as the above-mentioned Government Regulation on charges had been ratified. This tender is expected to be conducted after the completion of the auction for frequencies in the 1800 MHz and 2600 MHz bands. In the meantime, the relevant version of the terms and conditions of the tender under preparation will be submitted for public consultation.

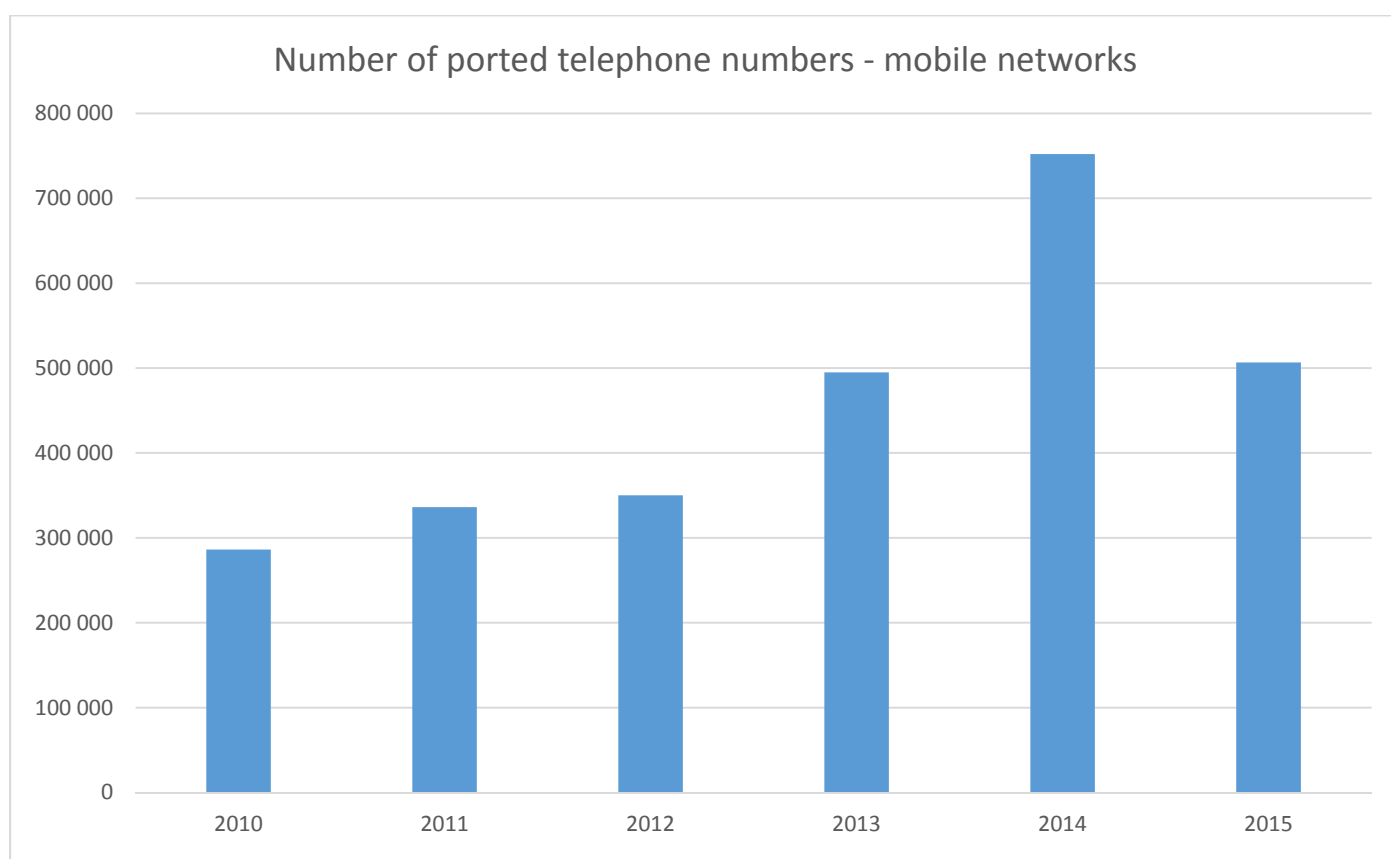
### 3. Telephone number portability

CTU involved itself in 2015 in satisfying the terms and conditions of Measure of a General Nature No. OOP/10/10.2012-12, which entered into effect in September 2013. In connection with the ascertained application of the maximum possible period of notice by providers (strict adherence to the period of notice as conditions for releasing a number), CTU proposed an amendment to the Act on Electronic Communications, which it submitted to the Ministry of Industry and Trade in 2014. The Ministry of Industry and Trade removed many of the comments and suggestions from the draft amendment to the Act on Electronic Communications.

#### 3.1. Portability in mobile networks

A total of 3,443,816 telephone numbers had been transferred from the introduction of the telephone number portability in mobile networks in 2006 until 2015. The number of transferred telephone numbers in mobile networks fell year-on-year by around 33 % to 506,600 telephone numbers.

The trend of using the telephone number portability in mobile networks between 2010 and 2015 is documented in the following graph.



Number of ported telephone numbers – mobile networks

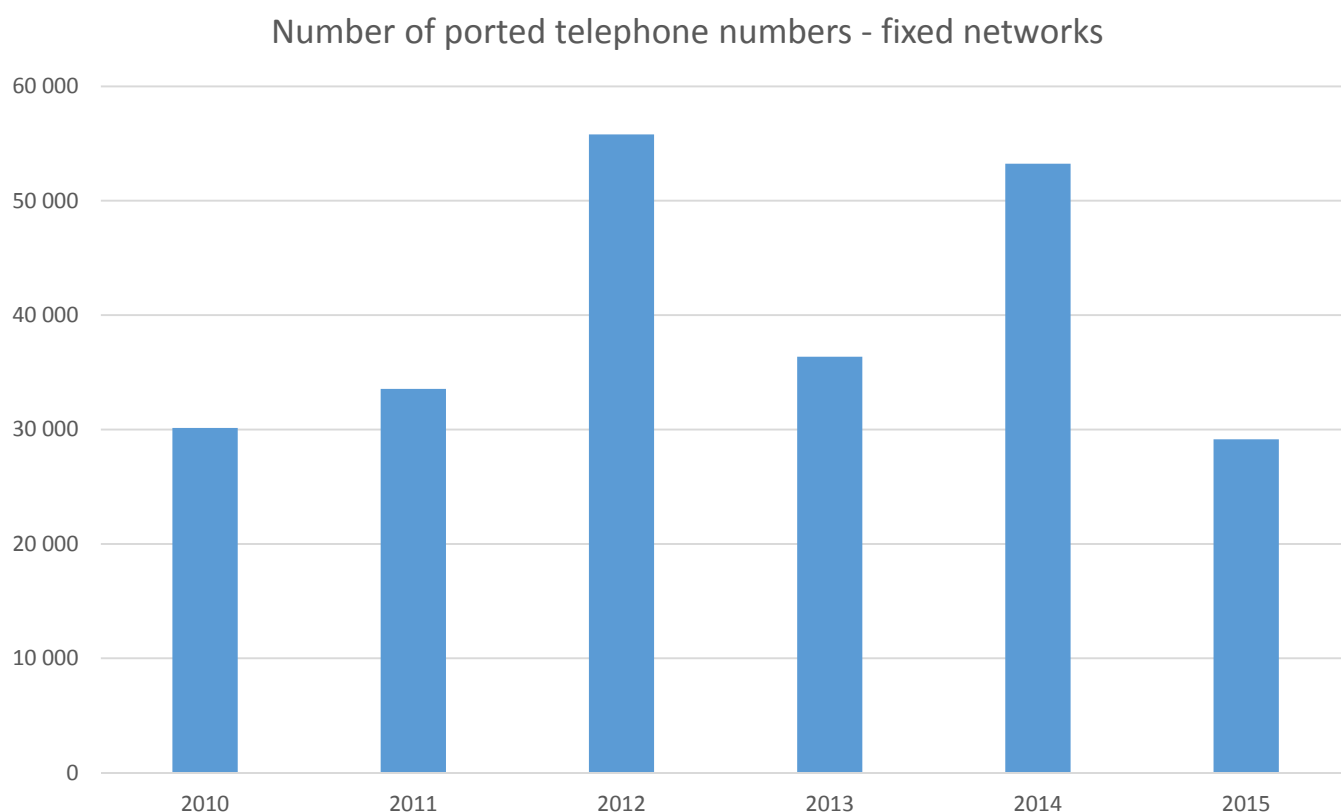
Source: RNPDB

#### 3.2. Portability in fixed line networks

A total of 8,267,381 individual telephone numbers had been transferred from the introduction of the telephone number portability in fixed line networks in 2003 until 2015. The cases of portation<sup>14</sup> (transfer) of telephone numbers in fixed line networks fell in 2015 (year-on-year) by around 45 % to 29,114 cases of portation of telephone numbers in fixed line networks. In total, 486,470 individual telephone numbers were transferred in 2015.

During the period under consideration, there was an increase in cases of simple portation of around 22,000 (i.e. more than 70 %) in 2012, meaning that the total cases of portation of telephone numbers in fixed line networks rose considerably. In the year which followed, 2013, there was a drop in simple cases of portation and in the total cases of portation in fixed line networks, before the trend turned again in 2014 and resulted in a renewed increase. There was a subsequent fall in the cases of portation of telephone numbers in fixed line networks in 2015.

The trend of using the portability of telephone numbers in fixed line networks between 2010 and 2015 is documented in the following graph.



Number of ported telephone numbers – fixed line network

Source: RNPDB

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<sup>14</sup> Portation is the transfer of a separate telephone number or whole numerical series (for example, if a series of 1,000 numbers is transferred, this is considered one portation).

## 4. Evaluation of the postal services market

In 2015, the postal services market operated for the third year without the existence of a monopoly for the delivery of postal consignments, which came to an end with the amendment to the Act No. 221/2012 Coll. A total of 18 business undertakings were actually operating on the postal services market on 1 January 2015, their number rising to 19 during the year.

CTU registered other business undertakings who announced that they intended to provide postal services or ensure foreign postal services in 2015. Three business undertakings have therefore been newly operating on the postal market since 2015, two of them offering the submission and delivery of postal consignments throughout the Czech Republic.

In contrast to this, two business undertakings that began their activities in 2014 announced in 2015 that they were not actually offering postal services and ended their activities on the postal services market. An overview of all the business undertakings that offered and provided postal services in 2015 is available at the CTU website: <http://www.ctu.cz/vyhledavaci-database/evidence-provozovatelů-poskytujících-nebo-zajistujících-poštovní-sluzby>].

According to Section 37(3)(d) of the Act on Postal Services, CTU decides in cases of doubt whether a certain service is actually a postal service. CTU decided on nine such cases in 2015, in that certain administrative proceedings have not yet been finally and conclusively completed.

The following table shows an overview of postal services and the number of operators that announced their provision and that were authorised to offer them.

<b>Name of postal service</b>	<b>Number of operators authorised to offer the postal service</b>
Delivery of postal consignment of up to 2 kg in weight	12
Delivery of postal package of up to 10 kg in weight	8
Delivery of postal package of over 10 kg in weight	8
Delivery of registered consignment of up to 2 kg in weight	6
Delivery of registered consignment of over 2 kg in weight	4
Delivery of valuable consignment of up to 10 kg in weight	7
Delivery of valuable consignment of over 10 kg in weight	6
Delivery of a postal consignment of up to 7 kg in weight for the blind	4

Delivery of a registered consignment of up to 7 kg in weight for the blind	4
Delivery of printed matter bag	5
Delivery of registered printed matter bag	5
Other postal services	6

Table 10 - Overview of the number of operators authorised to offer a specific postal service in 2015

Source: CTU

The overview provided above does not include information about the “postal order” services, which only the holder of a postal licence is authorised to provide.

As part of its work, CTU gathers information from all operators of postal services using the ESD (electronic data collection) application for the purpose of monitoring the market, conducting a state statistical service and cooperating with bodies from the European Union.

In order to provide postal services, operators must have a sufficiently dense network of post offices, whether their own or those run by contractual partners. This network is essential for ensuring that postal consignments can be submitted by customers to be sent and in cases when delivery to the designated place is unsuccessful, even on more than one occasion, and the addressee collected the postal consignment from the premises of the postal service provider or its contractual partner. The following table shows the development of the network of post offices of all business undertakings in postal services and their contractual partners.

Number of post offices	2013	2014	2015
Own	3 222	3 211	3 199
Run by contractual partners	141	401	633
Total	3 363	3 612	3 832

Table 11 - Number of post offices of business undertakings in postal services

One of the specific features of providing postal services is the high percentage of human work. In spite of considerable automation in certain parts of the chain of activity, for example in sorting postal consignments, this share remains primarily in the delivery of postal consignments. For this reason, Czech Post, for example, has repeatedly been the largest company in the Czech Republic in terms of number of employees for several years now. Nonetheless, we can see even here a drop in the number of employees with respect to the falling numbers of carried postal consignments. The following table shows the number of employment positions converted to full-time work, whereby it only includes employment positions established at operators for the purpose of providing postal services.



	2013	2014	2015
Number of employment positions	24 735	24 017	24 107

Table 12 - Employment positions established at operators for the purpose of providing postal services

As specified above, the development of the number of carried postal consignments within the bounds of individual services has a declining trend. This is based primarily on the replacement of postal services involving letters with electronic services, whether e-mails, data inboxes, SMS or MMS. In terms of packages, this can be attributed to the fact that customers use other, similar services provided on a market basis under commercial terms and conditions. The following table shows the development of postal carriage itself.

Name of postal service	2013	2014	2015
Delivery of postal consignment of up to 2 kg in weight	504 380 642	440 746 759	392 216 343
Delivery of a postal package	1 755 026	1 366 004	2 521 521
of this: delivery of postal package of up to 10 kg in weight	1 521 185	1 290 016	1 079 020
Delivery of a registered consignment	89 256 853	88 513 540	84 670 609
of this: delivery of registered consignment of up to 2 kg in weight	89 235 853	88 471 880	84 646 609
Delivery of valuable consignment	5 608 768	4 723 185	3 170 209
of this: delivery of valuable consignment of up to 10 kg in weight	5 466 923	4 632 152	3 115 815
Delivery of a postal consignment of up to 7 kg in weight for the blind	108 950	104 570	90 442
of this: delivery of a registered consignment of up to 7 kg in weight for the blind	18 149	18 035	18 106
Delivery of printed matter bag	9 110	7 802	9 004
of this: delivery of registered printed matter bag	3 009	2 146	2 105
other	6 241 500	20 301 169	62 936 528

Table 13 - Development of number of carried postal consignments

In addition to the volume of provided postal services, we also have economic indicators to document the development of the postal services market, in particular the development of revenues, costs and investments. Using these indicators, we are able to compare the development of the postal services market with other economic sectors and with the development of the economy of the entire Czech Republic.

<b>Economic indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total revenues from the provision of postal services	12 979 696 405	14 092 679 637	18 304 367 773
Total cost of the provision of postal services	13 074 540 412	16 676 390 907	19 918 241 020
Total investment made in the provision of postal services	1 193 160 238	365 610 628	542 173 671

Table 14 - Comparison of the development of the postal services market

The quality of postal services is one of the fundamental factors which the public sees as decisive in choosing a provider of postal services. An objective evaluation of the quality of postal services is difficult, and so a comparison of the development of the number of claims or complaints made with the operators of postal services is primarily used to monitor the development of quality. The development of the total number of claims between 2013 and 2015 is shown below.

	<b>2013</b>	<b>2014</b>	<b>2015</b>
Number of claims received	162 859	205 320	213 555
of this figure: legitimate	35 389	40 265	46 765

Table 15 - Number of claims made regarding postal services

The number of claims received in 2015 rose by 4 % on the 2014 figure.

CTU also checked five companies and the services they offered last year. It decided in relation to four of these companies that the services comply with the definition features of a postal service according to the Act on Postal Services. For one company, CTU decided that the postal services which were the object of administrative proceedings are not postal services in accordance with the Act on Postal Services.

#### 4.1. The development of universal services in 2015

The year 2015 was the third year which followed the liberalisation of the postal services market. CTU awarded

one postal licence for the period 2013 to 2017, Czech Post the holder. Holding the postal licence means that Czech Post is obliged to provide a defined minimum scope of postal services designated as “universal postal services”. In accordance with Section 20 of the Act on Postal Services, Czech Post, as the holder of the postal licence, is also the only provider of the service of delivering money by way of postal order.

CTU mainly monitors whether the general accessibility of universal services in the set quality is ensured and whether the public is sufficiently informed of the manner of using universal services. In relation to universal services, CTU, in accordance with the provisions of Section 37(3)(b) of the Act on Postal Services, independently publishes a report on the discharge of the obligations imposed on the postal licence holder in the Postal Bulletin (“Poštovní věstník”) and on its website: <http://www.ctu.cz/zprava-o-plneni-povinnosti-ceske-posty-sp-v-oblasti-zakladnich-sluzeb>].

The fundamental requirements on universal services are laid down in Section 3 of the Act on Postal Services. Involved here is the provision of universal services on a stable basis throughout the Czech Republic on each business day. The availability of universal services must be ensured in accordance with the requirements of Decree No. 464/2012 Coll., on determining the specifications of individual universal services and basic qualitative parameters for their provision, which lays down specific requirements on the availability of post offices and post boxes. The places in which a post office must mandatorily be operated or a post box mandatorily placed ensue from these criteria. In the case of post offices, the maximum travel distance is determined for other places, as is the requirement of the minimum weekly opening hours.

The minimum mandatory number of post offices for ensuring universal postal services ensues from the requirements specified above; in 2015, however, Czech Post maintained a network of branches which exceeded these criteria and only closed branches in a few isolated cases.

These criteria have also been supplemented since 1 January 2016 by Government Regulation No. 178/2015 Coll. on determining the minimum number of branches for the provision of universal services, which, based on statutory authorisation, determines that universal services must be provided via a network of branches numbering a minimum of 3,200 branches.

In certain cases, branches of Czech Post at which universal services are provided might be temporarily closed. In such a situation, Czech Post must inform the affected users in the set manner and inform CTU and the concerned municipalities of the situation.

The universal obligation in the case of universal services is to deliver postal consignments or transferred money to the place stated in the postal address, excepting those places which are defined in Decree No. 464/2012 Coll. There were only 92 such places in the Czech Republic in 2015, the same number as in 2014. Czech Post is obliged to inform users of the places to which Czech Post is not obliged to deliver and in which it chooses to exercise this right. It is also obliged to publish this information on its website: <http://www.ceskaposta.cz/ke-stazeni/zakaznicke-vystupy>.

In the case of exercising these exceptions, delivery is ensured by one of the alternative methods, for example

using delivery boxes, delivery to a different place or deposit at a post office. These alternatives are used in many other cases at the request of the addressees, who can revoke these requests at any time and demand delivery to their place of residence or registered office.

One of the main criteria of the quality of service provided is the speed at which the service is provided. The requirement for a postal consignment or transferred amount of money to be delivered as quickly as possible is one of the parameters which can be relatively unambiguously quantified. The measurement of carriage times of standard consignments according to EN 13850 standard was used to this end. The provisions of Section 22 of Decree No. 464/2012 Coll. impose on the holder of a postal licence the obligation to conduct such measurements. The Decree deems a sufficient indicator of quality to be the achievement of a result of a minimum of 92 % of postal services of a weight of up to 50 g delivered the business day which follows the date of presentation for postage. Czech Post satisfied this indicator when it achieved a result of 93.82 % in 2015.

A comparison of information and data on the provision of universal services by Czech Post between 2013 and 2015 allows us to document the direction in which the development of the numbers of provided universal services has taken following liberalisation.

Indicator	2011	2012	2013	2014	2015
Number of carried postal consignments up to 2 kg (standard consignments)	472 366	406 599	337 731	291 204	269 901
Number of carried postal consignments up to 10 kg (standard consignments)			1 331	964	508
Number of carried postal consignments up to 7 kg for the blind (standard consignments)			76	62	49
Number of carried registered consignments up to 2 kg	84 036	88 418	80 676	79 132	79 927
Number of carried registered consignments up to 7 kg for the blind	n/a	n/a	14	14	14
Number of carried valuable consignments up to 10 kg (packages)	8 381	6 988	5 216	4 369	2 854
Number of received postal orders	65 426	59 722	52 585	46 820	41 873

Table 16 - Universal services provided by Czech Post (in thousands) 2011 - 2015

Source: Czech Post

The long-term declining trend in the number of carried postal consignments until 2013, when this decline ceased, is clear from the information presented in the table above. CTU registered a slight increase in the volume of carried postal consignments in 2015, although not for postal consignments up to 10 kg and valuable consignments up to 10 kg.

## 4.2. Development of the prices of universal postal services in 2015

According to the provisions of Section 33(5) of the Act on Postal Services, Czech Post is obliged to provide the universal services stated in its postal licence at cost-oriented prices, the exceptions to this laid down in Section 33(6) of the Act on Postal Services (the option of not including the entire amount of reasonable profit in prices), Section 3(1)(f) of the Act on Postal Services (free consignments for the blind) and Section 34a of the Act on Postal Services (in the case of the unaffordability of universal services). On a market that has long been characterised by falling demand and, to a certain extent, by fixed costs (which are not adjusted proportionately to falling numbers of services), there is an increase in unit costs since the total size of costs, which is falling at a relatively slower rate, must be allocated to the number of services, which is falling at a relatively higher rate.

The prices of certain inland universal services in 2015 (as at 1 February 2015) rose in comparison with 2014. The prices of universal services were higher, as shown below.

Service	Price to 31.1.2015 (CZK per unit)	Price from 1.2.2015 (CZK per unit)
<b>Registered letter</b>		
Registered letter to 50 g - standard	29	34
Registered letter to 100 g	37	42
Registered letter to 500 g	39	44
Registered letter to 1 kg	45	50
Registered letter to 2 kg	51	56
<b>Valuable consignments (letters)</b>		
Valuable consignment to 50 g	34	39
Valuable consignment to 100 g	38	43
Valuable consignment to 500 g	40	45
Valuable consignment to 1 kg	46	51

Valuable consignment to 2 kg	52	57
<b>Registered package</b>		
Registered package to 500 g	59	64
Registered package to 1 kg	64	69
Registered package to 2 kg	68	73
<b>Standard package, standard consignment</b>		
Standard package, standard consignment to 2 kg	52	74
Standard package, standard consignment to 5 kg	59	81
Standard package, standard consignment to 10 kg	73	95
<b>Valuable package</b>		
Valuable package to 2 kg	73	100
Valuable package to 5 kg	80	107
Valuable package to 10 kg	95	122
Confirmation of delivery	10	15
Postal order A		
Postal order A 1 – CZK 5,000	26	29

Table 17 - Change in the prices of universal postal services in 2015

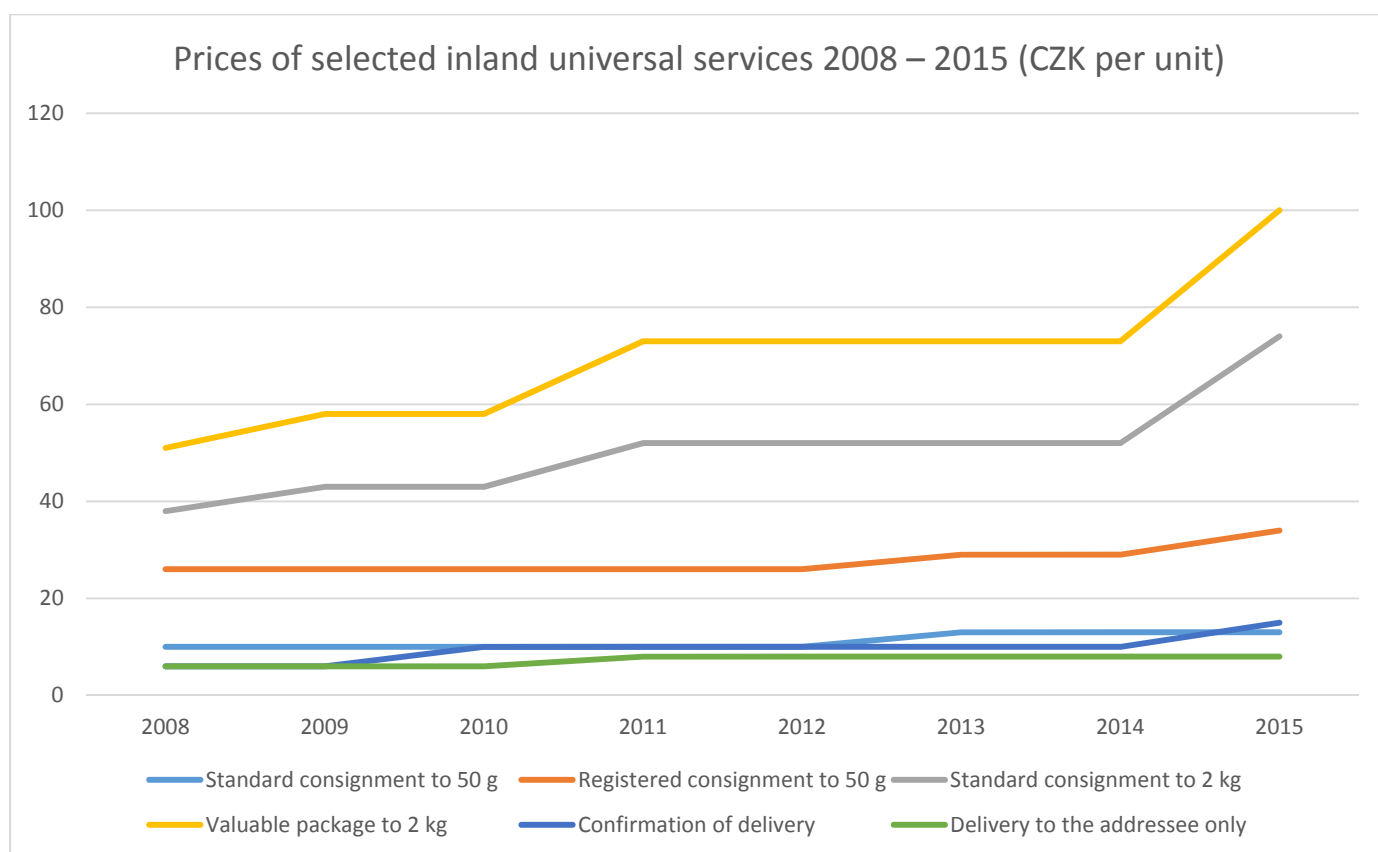
Similarly, the prices of services for Standard and Valuable packages weighing over 10 kg also rose. There were also changes in prices for users of postage meters and holders of Customer Cards.

CTU evaluated the submitted calculations of costs and revenues at the end of 2014 in relation to the proposed increase in prices of universal services and found that they prove fulfilment of the statutory cost orientation of prices.

The development of the prices of selected inland universal postal services between 2009 and 2015 is shown in the table below and in the subsequent graph.

	2009	2010	2011	2012	2013	2014	2015
Standard consignment to 50 g	10	10	10	10	13	13	13
Registered consignment to 50 g	26	26	26	26	29	29	34
Standard consignment to 2 kg	43	43	52	52	52	52	74
Valuable package to 2 kg	58	58	73	73	73	73	100
Confirmation of delivery	6	10	10	10	10	10	15
Delivery to the addressee only	6	6	8	8	8	8	8

Table 18 - Prices of selected inland universal services between 2009 and 2015 (CZK per unit)



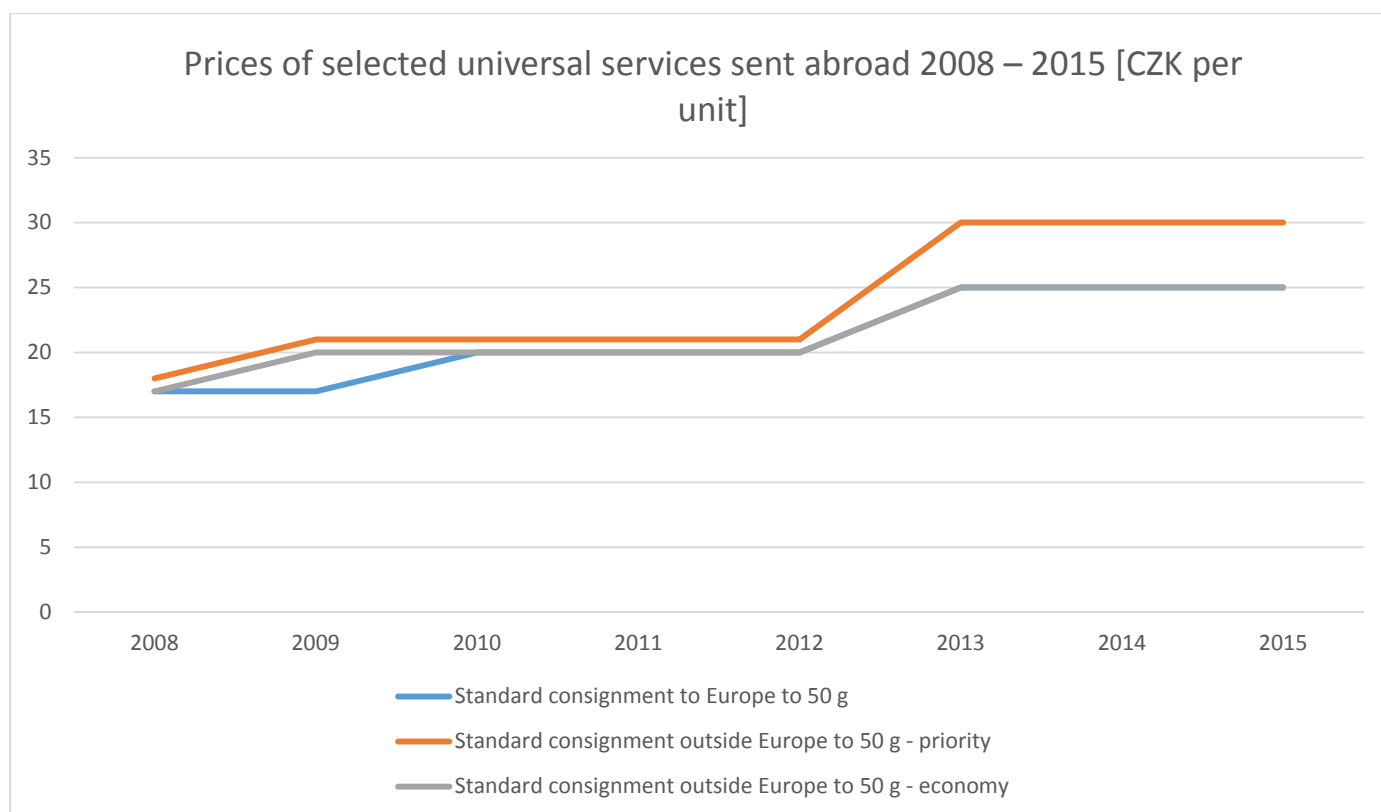
Prices of selected inland universal services between 2008 and 2015 (CZK per unit)

The prices of Registered consignments and Valuable letters sent abroad rose in 2015 for all weight levels and for all destination countries by CZK 10. The following table shows the development of prices of universal services (to be sent abroad). The weight category of postal consignments of up to “20 grams inclusive” was cancelled on 31 July

2013. The lowest weight level of postal consignments sent abroad has been “50 grams inclusive” since 1 August 2013. The development of prices since 2008 is shown in the following table and graph.

	2008	2009	2010	2011	2012	2013	2014	2015
Standard consignment to Europe to 50 g	17	17	20	20	20	25	25	25
Standard consignment outside Europe to 50 g - priority	18	21	21	21	21	30	30	30
Standard consignment outside Europe to 50 g - economy	17	20	20	20	20	25	25	25

Table 19 - Prices of selected universal services (to be sent abroad) between 2008 and 2015 (CZK per unit)



Prices of selected universal services (to be sent abroad) between 2008 and 2015 (CZK per unit)

According to the provisions of Section 34a(1) of the Act on Postal Services, CTU monitors and evaluates the development of the level of prices of universal services and regularly reviews their affordability, in particular with regard to consumer prices, inflation and the average wage; this does not apply to postal orders (Section 34a(4) of the Act on Postal Services). In the event that CTU finds that cost-oriented prices have become unaffordable, it will apply regulatory



measures to them.

Therefore, in order to comply with the obligation arising for it from the provisions of Section 34a of the Act on Postal Services, CTU compiled, in 2014, a Methodology for Evaluating the Affordability of Universal Postal Services in which it specified the specific approach in evaluating the affordability of universal postal services. CTU did not find that the (cost-oriented) prices of universal postal services applied in 2015 were unaffordable according to the methodology specified above.

## 5. Terrestrial digital television and digital radio broadcasting

### 5.1. Television broadcasting

Terrestrial digital television broadcasting currently covers 99.9 % of the population through nationwide channels (MUX1, MUX2), while the coverage of regional broadcasting also continues to rise. The total capacity of multiplexes currently covers the demand of providers of content for nationwide broadcasting and also provides certain opportunities to use other channels or the transition between individual multiplexes.

The following providers of nationwide digital multiplexes (MUX) are the frequency block allocation holders for terrestrial digital television broadcasting:

Česká televize (MUX1),

České Radiokomunikace (MUX2),

Czech Digital Group (MUX3),

Digital Broadcasting (MUX4).

České Radiokomunikace owns and operates a considerable number of the transmitters for terrestrial digital television broadcasting. It ensures nationwide transmission of the signals of the first, second and third multiplex.

Digital Broadcasting owns and operates the broadcasting infrastructure for transmitting the fourth multiplex.

Both companies currently have space in their multiplexes to satisfy demand for the placement of other channels, whilst respecting the requirements on the quality of a broadcast channel (the size of data flow). The existence and development of alternative platforms for transmitting digital TV broadcasting (CATV, satellite and the expanding IPTV) contribute to competition on the television broadcasting market.

In addition to nationwide broadcasting networks, regional terrestrial digital television broadcasting is developing through regional multiplexes, which are transmitted on frequencies allocated by CTU based on individual authorisations to use frequencies for a transmitter with coverage for the relevant region. At a regional level, individual authorisations for the operation of 19 regional broadcasting networks had been issued by the end of 2015.

Some 24 channels are currently transmitted in nationwide digital networks and a total of 67 channels in regional networks, including duplicity of certain channels from nationwide distribution or their HD versions<sup>15</sup>.

### **Broadcasting network 1 (public multiplex)**

Česká televize (Czech Television) is the operator of the multiplex and provides television broadcasting as a public service according to Act No. 483/1991 Sb. on Czech Television, as amended. České Radiokomunikace operates the multiplex, Česká televize having a contract with České Radiokomunikace on the operation of the broadcasting infrastructure and the provision of a broadcasting transmission service. Four nationwide channels provided by Česká televize and eight channels provided by Český rozhlas (Czech Radio) are transmitted in broadcasting network 1. Currently 99.9 % of the population is covered. The data flow of individual television channels ranges from 3,506 kbit per second (ČT24) to 4,556 kbit per second (ČT sport). The aggregate data flow of the multiplex is 19,910 kbit per second. According to the operator, the capacity of the network is used in its entirety<sup>16</sup>.

### **Broadcasting network 2**

České Radiokomunikace is the operator of the multiplex and the operator of the broadcasting network. Five nationwide commercial television channels are currently broadcasted in broadcasting network 2 (Nova, Nova Cinema, Prima, Prima Cool and TV Barrandov). Currently 99.9 % of the population is covered. The data flow of individual programmes was 3,900 kbit per second at the end of 2015. According to the operator, broadcasting network 2 has no available data flow capacity in which to broadcast another digital television channel<sup>17</sup>.

### **Broadcasting network 3**

Czech Digital Group (CDG) operates the multiplex; it is 100 % owned by České Radiokomunikace, which is also the operator of the multiplex. CDG has a contract with České Radiokomunikace for the operation of the broadcasting infrastructure and the provision of a broadcasting transmission service. Eight nationwide commercial television channels, two channels with regional coverage and one commercial radio station are currently transmitted in broadcasting network 3. Currently 98.1 % of the population is covered.

The aggregate data flow of the broadcasting network is divided as follows: Prima LOVE 2.8 Mbit per second,

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<sup>15</sup>Source: <http://www.digitalnitemlevize.cz>

<sup>16</sup> [http://www.ctu.cz/cs/download/digitalni\\_vysilani/kapacita\\_sit-1\\_ceska\\_televize\\_22\\_01\\_2015.pdf](http://www.ctu.cz/cs/download/digitalni_vysilani/kapacita_sit-1_ceska_televize_22_01_2015.pdf)

<sup>17</sup> [http://www.ctu.cz/sites/default/files/obsah/soubory-ke-stazeni/kapacita\\_vysilaci\\_sit-2\\_ceske\\_radiokomunikace\\_04\\_01\\_2016.pdf](http://www.ctu.cz/sites/default/files/obsah/soubory-ke-stazeni/kapacita_vysilaci_sit-2_ceske_radiokomunikace_04_01_2016.pdf)

ÓČKO 2.1 Mbit per second, Šlágr TV 2.1 Mbit per second, Prima ZOOM 2.8 Mbit per second, Óčko Gold 2.1 Mbit per second, ČT:D/ČT ART 3.4 Mbit per second, Kino Barrandov 2.8 Mbit per second, Barrandov Plus 2.1 Mbit per second, Prima MAX 2.8 Mbit per second (outwith the North Moravia region), POLAR TV 2.1 Mbit per second (only the region defined SFN Ostrava) and Rádio Proglas 64 kbit per second. The reserve for the technical operation of the broadcasting network 3 is 0.5 Mbit per second. The operator of the multiplex introduced a minimum available data flow at a level of 1.3 Mbit per second<sup>18</sup> at the end of 2015.

#### Broadcasting network 4

Digital Broadcasting is the operator of the multiplex and the operator of the broadcasting network. Seven nationwide commercial television channels were transmitted in broadcasting network 4 on 4 July 2015. The data flow of broadcasting network 4 is divided as follows: FANDA 3.4 Mbit per second, SMÍCHOV 3.4 Mbit per second, TELKA 3.4 Mbit per second, NOVA CINEMA 3.4 Mbit per second, TV MŇAM 2.1 Mbit per second, RELAX – Pohoda 2.1 Mbit per second, REBEL 2.1 Mbit per second. The following five regional television channels are also transmitted within the scope of the multiplex: Prague region - TIP TV, Plzeň and Karlovy Vary region - ZAK TV, South Moravia region – BTV, Olomouc region - TV MORAVA, Zlín region – TVS. The data flow capacity for regional television channels is 2.1 Mbit per second. The Radio ČAS radio station, with a data flow capacity of 192 kbit per second, is also incorporated in broadcasting network 4. The system reserve declared by the operator is 0.2 Mbit per second<sup>19</sup>.

#### Regional broadcasting networks

There was also development in regional broadcasting networks, for which radio frequencies are made available in accordance with the relevant amendment to the Radio Spectrum Utilisation Plan for a limited time period to the end of 2017.

An up-to-date overview of regional broadcasting networks and the scope of coverage of the population by television signal are shown in the following table.

Regional network number	Scope of coverage	Covered area
Reg 1	0,6 %	Various regions in Bohemia

<sup>18</sup> [http://www.ctu.cz/sites/default/files/obsah/soubory-ke-stazeni/kapacita\\_vysilaci\\_sit-3\\_czech\\_digital\\_group\\_04\\_01\\_2016.pdf](http://www.ctu.cz/sites/default/files/obsah/soubory-ke-stazeni/kapacita_vysilaci_sit-3_czech_digital_group_04_01_2016.pdf)

<sup>19</sup> [http://www.ctu.cz/cs/download/digitalni\\_vysilani/kapacita\\_sit-4\\_digital\\_broadcasting\\_04\\_07\\_2015.pdf](http://www.ctu.cz/cs/download/digitalni_vysilani/kapacita_sit-4_digital_broadcasting_04_07_2015.pdf)

Regional network number	Scope of coverage	Covered area
Reg 2	6,4 %	Regional broadcasting – Moravian-Silesian region
Reg 4	17,2 %	Regional broadcasting Prague
Reg 5	0,2 %	Local broadcasting Svitavy
Reg 6	4,4 %	Regional broadcasting Prague
Reg 7	84,8 %	Nationwide broadcasting in the Czech Republic
Reg 8	58,7 %	Regional broadcasting in the Czech Republic
Reg 9	0,7 %	Local broadcasting in Most
Reg 10	0,5 %	Local broadcasting in the Czech Republic
Reg 11	0,6 %	Local broadcasting Jihlava
Reg 12	17,1 %	Regional broadcasting Prague
Reg 13	16,6 %	Various regions in the Czech Republic
Reg 14	0,4 %	Local broadcasting South Bohemian region
Reg 15	0,1 %	Local broadcasting Adamov
Reg 16	0,4 %	Local broadcasting Příbram
Reg 17	2,6 %	Regional broadcasting Plzeň
Reg 18	0,2 %	Local broadcasting Český Krumlov
Reg 19	1,1 %	Local broadcasting Říčany
Reg 20	19 %	Various regions in the Czech Republic

Table 20 - Regional broadcasting networks

Further details on the level of terrestrial digital television and radio broadcasting can be found at the CTU website: <http://dtv.ctu.cz>.

### 5.1.1.Preparation for the transition to DVB-T2

CTU continued its discussions on the future of terrestrial digital television broadcasting with representatives of

the operators of television broadcasting, the operators of broadcasting networks and representatives of the competent regional authorities and ministries in 2015. The issue of the related transition to DVB-T2 was also discussed with regard to the decision taken at the WRC 15 conference to release another part of the frequency spectrum for mobile services, which also concerns the UHF band (694 – 790 MHz, otherwise also known as the 700 MHz band). An expert group was appointed at the Ministry of Industry and Trade in 2015, charged with the task of creating a document entitled Strategy for the Development of Terrestrial Television Broadcasting in the Czech Republic, which will be submitted to the Government of the Czech Republic as a draft conceptual document for the development of terrestrial television in the Czech Republic.

CTU worked on the essential replanning of the use of the UHF band in connection with the anticipated release of the 700 MHz band and the planned transition from the present DVB-T broadcasting to the new, more effective DVB-T2 broadcasting system arising from this. New frequency plans for transmitting DVB-T2 broadcasting with the use of part of the frequency spectrum (470 – 694 MHz) remaining after release of the 700 MHz band were prepared based on the Geneva 2006 plan in cooperation with representatives of administrations of neighbouring states. The World Radiocommunication Conference 2015, which was held in November, laid down the conditions under which the 694 – 790 MHz band will continue to be used both by a radio service (DVB-T broadcasting) and a mobile service (LTE mobile network). Some neighbouring states (Germany, Austria) have already confirmed that they will release this frequency band solely for mobile services in 2019 / 2020.

## 5.2. Radio broadcasting

The international coordination of frequency requirements for new transmitters to transmit FM radio broadcasting in the 87.5 – 108 MHz band continued in 2015, submitted by foreign administrations and primarily by the operators of radio broadcasting in the Czech Republic.

The amended wording of Act No. 484/1991 Coll. on Czech Radio entered into effect at the beginning of May, making it possible for operators of broadcasting by law to broaden the portfolio of their stations to include another station transmitted within the 87.5 – 108 MHz band. Based on the requirements of Czech Radio, a number of radio frequencies were coordinated on which it would be possible to commence broadcasting in the second half of 2015 and in doing so offer listeners another station known as Český rozhlas Plus. Nine transmitters were put into operation by the end of the year and the signal of this station can now be received by more than 44 % of the population in the Czech Republic.

### **Preparation for future digital radio broadcasting**

There was no major advancement in the possibility of commencing the due broadcasting of terrestrial digital radio broadcasting (T-DAB). No further individual authorisations were issued to use radio frequencies for T-DAB in this band in accordance with the wording of the part of Radio spectrum utilisation plan No. PV-P/22/11/2013-7 for the 87.5 – 146 MHz frequency band. New individual authorisations to use radio frequencies reserved for T-DAB in the Czech Republic by the Geneva 2006 plan will be issued based on applications made by holders of radio frequency block

allocations awarded in the prepared tenders. However, the existing legislative framework, which restricts the possibilities for commercial operators to broadcast and the as-yet unresolved position of broadcasting operators by law, continues to prevent the actual announcement of these tenders. There was certain advancement during the year thanks to the initiative of Czech Radio, which, in cooperation with České Radiokomunikace, put the Prague City transmitter into trial operation at the beginning of August (frequency block 12 C), the technical parameters of which approximate the real planned broadcasting network. Individual authorisation was issued for a period of one calendar year in relation to operation in trial broadcasting regime, valid until the end of May 2016.

Terrestrial digital radio broadcasting in the Czech Republic can therefore be received at present via 11 transmitters that use band III (170 – 230 MHz) and 9 transmitters that use L band (the 1452 – 1492 MHz band). For the majority of transmitters in band III, however, the validity of international coordination is limited by time and their operation will have to come to an end during 2016 because they are frequencies coordinated outwith the scope of the Geneva 2006 Plan. Neither is significant development of the broadcasting networks in L band expected. Apart from the fact that there is an insufficient number of transmitters on the market to support this frequency band, Commission Implementing Decision (EU) 2015/750 of 8 May 2015 on the harmonisation of the 1452-1492 MHz frequency band for terrestrial systems capable of providing electronic communications services in the Union was approved in 2015, which determined the possibilities of use for mobile services and the technical conditions of compatibility of individual services. Neighbouring countries moved ahead with the implementation of this decision at the end of the year and will not therefore coordinate any further requirements for T-DAB transmitters that do not comply with these compatibility conditions.

## 6. Legal framework

The legal framework for the electronic communication networks and services market and the postal services market was mainly shaped in 2015 by basic legal rules adopted in previous years, primarily the Act on Electronic Communications and the Act on Postal Services, as well as regulations issued for their implementation. From the procedural perspective, Act No. 500/2004 Coll., the Administrative Procedure Code, as amended, was fundamental to activity at CTU.

The following legal regulations having an impact on the sphere of electronic communications or postal services were also promulgated during 2015.

### 6.1. Amendments to the Act on Electronic Communications

**Act No. 318/2015 Coll., amending Act No. 133/2000 Coll., on the registration of the population and on personal numbers and amending certain acts (the Act on the Registration of the Population), as amended, Act No. 328/1999 Coll., on citizen identity cards, as amended, Act No. 329/1999 Coll., on travel documents, as amended, and other related acts**

entering into effect on 1 January 2016 (the part to concern the Act on Electronic Communications),

this act regulated rights and obligations in the sphere of registering the population and personal numbers, ensures legislative and technical regulation and leads to further harmonisation of legal terminology in connection with the recodification of private law. The scope of data kept in the agenda information system of the record of the population and in the register of personal numbers and the quantity of data used from the information systems operated by the police for foreign nationals with a residence permit for the Czech Republic is also to be broadened and specified.

In respect of the fact that the act in question will lead to a broadening of the scope of information in basic registers to include certain data required to conduct administrative proceedings, the corresponding amendment will be made to the Act on Electronic Communications, by way of which the scope of information is put into objective harmony with the new legal situation. Specifically, Section 134 and Section 134a of the Act on Electronic Communications are amended, which enable CTU to obtain information from the relevant agenda information systems for the purposes of conducting administrative proceedings.

**Act No. 378/2015 Coll., amending Act No. 634/1992 Coll., on consumer protection, as amended, and certain other acts**

entering into effect on the date of promulgation, i.e. 28 December 2015 (also in relation to parts of the Act on Electronic Communications and the Act on Postal Services), although certain provisions of the act enter into effect later, on 1 February 2016;

this act leads to the transposition of Directive 2009/22/EC on injunctions for the protection of consumers and the implementation of Regulation 524/2013 on online dispute resolution for consumer disputes. This creates new possibilities for sellers and for the bodies designated for deciding consumer disputes.

The law determines three special bodies for the extra-judicial resolution of consumer disputes. In terms of electronic communications and postal services, this body is CTU, the other bodies of the extra-judicial resolution of consumer disputes in special areas being the Financial Arbiter for Financial Services and the Energy Regulatory Office for the sphere of electrical energy, gas and heat production. In cases in which one of the special bodies does not have competence, the relevant body for the extra-judicial resolution of consumer disputes is the Czech Trade Inspection Authority or another body entrusted under the terms and conditions laid down in the Act on Consumer Protection by the Ministry of Industry and Trade.

In spite of the fact that CTU was already a body authorised to decide on consumer disputes before the adoption of Directive 2009/22/EC, its requirements meant that it was necessary to change the relevant part of the Act on Electronic Communications (in particular Section 129 of the Act on Electronic Communications – disputes at the instigation of the consumer, appeals against the settlement of claims) and the Act on Postal Services (in particular Section 6a of the Act on Postal Services – appeals against the settlement of claims) and to primarily regulate the length of proceedings before CTU and the scope of CTU's obligation to inform in relation to the conditions of proceedings before it.

In addition to the issue of the extra-judicial resolution of consumer disputes, the act also regulated certain general institutes of consumer protection; for example, definitions were modified and supplemented, as were the conditions for consideration of unfair or aggressive business practices and misleading action by business undertakings. The possibility of introducing information databases on the creditworthiness and trustworthiness of consumers is also introduced in the new Section 20z of the Act on Consumer Protection. These databases should take into consideration the ability and willingness of specific consumers to meet their obligations, the aim being to protect the rights and legally protected interests of sellers and consumers alike. It therefore allows sellers that have claims arising from loans or other claims for long-term or recurring performance against consumers to inform each other through such databases of the identification data of consumers and of matters which testify to the creditworthiness, payment ethics and trustworthiness of consumers.

In terms of electronic communication services, the act brings partial modification of Section 3a of the Act on Consumer Protection, which modifies the prohibition for a seller that uses a public communication service to communicate with a consumer in connection with a signed contract, such that it may not use such a service whose use would result in billing the consumer higher prices than for the common price of a call (Decree No. 117/2007 Coll., on the numbering plans of electronic communication networks and services, as amended).

## 6.2. Amendment to the Act on Postal Services

**Act No. 319/2015 Coll., amending Act No. 29/2000 Coll., on postal services and amending certain acts (Act on Postal Services), as amended, and Act No. 77/1997 Coll., on state enterprises, as amended**

entering into effect on 1 January 2016,

this act implemented a change in the current way of financing a universal service (basic services). Net costs (Section 34b of the Act on Postal Services) will now be paid from the state budget and the act newly permits the possibility of a postal licence holder applying for the reimbursement of so-called provisional net costs, which are a sort of “deposit” on such net costs. Of the other amendments to legal regulation, we should mention the newly-determined obligation of the holder of a postal licence to publish a reference offer for access to the postal infrastructure (Section 34 of the Act on Postal Services), including the option that CTU has to intervene in such a contract based on official authority, as is the case in the sphere of electronic communications.

**Act No. 378/2015 Coll., amending Act No. 634/1992 Coll., on consumer protection, as amended, and certain other acts**

see previous chapter for details

## 6.3. Other legal regulations

**Government Regulation No. 178/2015 Coll., on determining the minimum number of branches for the provision**



## of basic services

entering into effect on 1 January 2016,

in this regulation, the government laid down the minimum number of branches for the provision of universal services at 3,200 based on authorisation according to Section 3(2)(a) of the Act on Postal Services. Universal services are an institute of the universal service in the sphere of postal services in accordance with Section 3 of the Act on Postal Services.

## **Government Regulation No. 284/2015 Coll., amending Government Regulation No. 154/2005 Coll., on determining the amount and method of calculating charges for using radio frequencies and numbers, as amended**

entering into effect on 1 November 2015

this Government Regulation newly regulates the amount and method of calculating charges for using radio frequencies within the public mobile radio network in the frequency bands designated for new electronic communication services. Beginning with the 2.2 GHz band, the size of charges for higher frequency bands for terrestrial mobile services is reduced such that, alongside other aspects of the charges for using radio frequencies (regulatory function, spectrum as a limited national resource etc.), the economic potential of the relevant part of the radio spectrum for its authorised user or the holder of the relevant authorisation to use radio frequencies is taken into consideration, as is the case in other comparable countries.

## CHAPTER 2

### EXPERT AND ADMINISTRATIVE ACTIVITIES AT CTU

#### 1. Domestic activities

##### 1.1. Consumer protection

##### 1.1.1. Price calculators

The task of CTU according to Section 5 of the Act on Electronic Communications is, among other, to assert the interests of end users. One of the tools used in achieving this is allowing users to simply and clearly compare the prices of electronic communication services and allowing them to choose the service which suits them best. It was in this regard that CTU updated a document entitled “Accreditation of price calculators”<sup>20</sup> in March 2013, in which it specifies the accreditation criteria and procedure for awarding accreditation. CTU undertook three cases of accreditation

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<sup>20</sup> [http://www.ctu.cz/cs/download/ostatni/akreditace\\_cenovych\\_kalkulacek\\_27\\_03\\_2013.pdf](http://www.ctu.cz/cs/download/ostatni/akreditace_cenovych_kalkulacek_27_03_2013.pdf)

renewal in 2015 for the previously-accredited price calculators Tarifomat, Tarifon and Korektel.

CTU again worked together with the Czech Technical University, as technical auditor, whose role in the whole process is to verify performance of the accreditation criterion of “precision”, most commonly according to the individual consumption submitted. CTU expects this cooperation on accreditation between CTU and the Czech Technical University to continue in 2016.

Links to the accredited price calculators can be found at the CTU website<sup>21</sup>.

### 1.1.2. Price barometer

CTU has operated a “price barometer”<sup>22</sup> on its website since 2012, indicating the development of the retail price level for the most significant electronic communication services.

The price barometer offers an interactive representation of the development of retail prices for selected retail services, specifically mobile voice and data services and fixed line Internet. CTU measures the development of the retail price level for mobile services both through the average revenue per (actual) call minute and using the consumer basket prices, which encompass voice calls, SMS and data use. CTU measures prices for four consumer baskets – three for tariff (post-paid) customers (low, medium and high consumer basket) and one for customers with a pre-paid card.

The price barometer shows the prices of consumer baskets of mobile services for the three biggest mobile network operators (O2, T-Mobile and Vodafone), the prices of mobile Internet for all four mobile network operators (i.e. plus Air Telecom) and the prices of fixed line Internet from O2, T-Mobile, Vodafone and UPC.

As part of the price barometer, CTU also shows the development of the total (real) average price per call minute applied on the national market as an aggregate for all mobile operators active on the market (i.e. including MVNO).

The price barometer is designed to improve the level of awareness and to allow for easier orientation for the public in using electronic communication services. However, its task is not to compare the offers provided by individual providers of electronic communication services. This distinguishes it from price calculators, for which CTU awards accreditation and which offer help in selecting the most appropriate service.

### 1.1.3. Subscriber contracts

An amendment to the Act on Electronic Communications (Act No. 258/2014 Coll.) entered into effect at the

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<sup>21</sup> <http://www.ctu.cz/pusobnost-ctu/ochrana-spotrebitele/cenove-kalkulacky.html>

<sup>22</sup> <http://www.ctu.cz/ctu-informuje/srovnaci-prehled-cen-a-podminek/cenovy-barometr.html>

end of 2014 to regulate differently the legal standing of consumers and natural persons that are not consumers. The providers of electronic communication services responded to this legislative change by amending contractual terms and conditions, mainly amending provisions to concern payments when non-consumers prematurely terminate a contract. The Office conducted an analysis at the beginning of 2015 of whether the changes adopted by the providers of electronic communication services failed to comply with the law and whether the providers of electronic communication services were adhering to the statutory obligation to inform.

The Office also undertook a review of the document entitled “CTU Recommendations on Draft Contracts on the Provision of Publicly available Electronic Communication Services” (hereinafter also referred to as the “CTU Recommendations”) first issued at the beginning of 2014. This it did during 2015 in connection with legislative changes and changes to the situation on the market. Primarily the chapters affected by the previously-mentioned amendment to Act No. 258/2014 Coll. were updated and changes arising from the adoption of the new Civil Code were also incorporated in the CTU Recommendations.

The Office also compiled a graphic comparison of the contractual terms and conditions of the four largest domestic providers of electronic communication services in connection with updating the CTU Recommendations, a so-called “consumer semaphore”, which offers consumers and providers of services a simple and understandable overview of the extent to which the contractual terms and conditions under consideration comply with the CTU Recommendations found in the document in question.

#### 1.1.4. Net neutrality – access to the Internet (open Internet)

CTU took an active part in the work of the EWG NN (Expert Working Group, Net Neutrality) at BEREC in 2015, a body which looked into the issue of access for end users to the Internet network from the perspective of ensuring the principles of net neutrality and determining qualitative parameters. In doing so, it drew on the already published general rules for the use of data traffic management and recommendations for the use of data traffic management from the perspective of the provision of an Internet access service and determining the basic parameters and measuring the quality of the Internet access service<sup>23</sup>. The issue of Internet access and its quality was, at the proposal of the European Commission, incorporated into the draft TSM (Telecoms single market) regulation and this aim was approved in an agreement<sup>24</sup> of 30 June 2015 following trialog discussions between the European Commission, the European Parliament and the Council of the European Union. It was on this basis that a Regulation of the European Parliament and of the

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<sup>23</sup> See <http://www.ctu.cz/rizeni-datoveho-provozu-parametry-mereni-kvality>

<sup>24</sup> See [http://europa.eu/rapid/press-release\\_IP-15-5265\\_en.htm](http://europa.eu/rapid/press-release_IP-15-5265_en.htm)

Council<sup>25</sup> was issued on 25 November 2015 to bindingly regulate the provision of an Internet access service, with which the documents already issued by CTU are not in conflict.

## 1.2. Resolving subscriber disputes and complaints by the users of services

Deciding subscriber disputes is one of the core administrative activities at the Office in terms of protecting subscribers to electronic communication services.

### 1.2.1. Administrative proceedings of the first instance

CTU decided on a total of 334,185 subscriber disputes in 2015, 276,879 of these ongoing cases of administrative proceedings carried over from 2014 and 57,306 cases of administrative proceedings newly commenced. A total of 217,799 decisions were handed down in cases during the period under consideration. The Office decided subscriber disputes on the payment of the price of a service (payment) and handed down 217,452 decisions in cases. The Office issued 285 decisions on objections to the settlement of claims against a provided service and on objections to the settlement of claims against the billing of the price of a service, 258 of these decisions on objections to the settlement of claims against the billing of the price of a service. The remaining decisions concerned a different subject-matter of dispute.

The number of subscriber disputes dealt with in 2015 was almost 27 % lower than in comparison with 2014. As in 2014, the Office handed down more decisions in 2015 than there were newly-commenced administrative proceedings. The Office handed down 36,958 more decisions in 2015 than in 2014, meaning an increase of 20.5 % There has therefore been a gradual reduction in the number of undecided disputes carried over from previous years.

Overviews of subscriber disputes in 2015 are found in Appendices No. 1 and 1a) of this Report.

### 1.2.2. Administrative proceedings of the second instance

#### **Subscriber disputes**

A total of 3,270 appeals were newly referred to the department for the review of decisions in 2015 in disputes to concern the payment of the price of electronic communication services (there was an evening-out of the number of providers of services, as the claimants, and the subscribers to services, as the respondents, that lodged appeals).

In comparison with the incidence from 2014, when a total of 3,441 such appeals were allocated for settlement, we can see a slight fall in the number. The total number of pending appeals (i.e. including appeals not resolved in previous periods) on 31.12.2015 was 13,301. There was a reduction in the number of pending cases in contrast to 2014, when the total number of pending appeals at the end of the year was 13,942. However, there remain time delays in

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<sup>25</sup> <http://eur-lex.europa.eu/legal-content/CS/TXT/PDF/?uri=CELEX:32015R2120&qid=1452776333619&from=CS>

handing down decisions in the relevant sphere of decision-making with regard to the continuing high incidence in the sphere of private disputes in both instances of administrative proceedings. CTU dealt with 61 applications for protection from the inactivity of the administrative body of the first instance, mostly in individual cases, in the previous year of 2014. In contrast, so-called collective applications for measures to be taken against inactivity were submitted in 2015. One collective application alone involved a total of 33,973 proceedings in which inactivity was claimed. Other collective applications concerned a lower number of proceedings, in the tens or hundreds of proceedings.

A decision was taken in 3,907 cases in disputes to concern the payment of the prices of electronic communication services (Section 129(1) in conjunction with Section 64(1) of the Act on Electronic Communications). As in previous years, the reason for providers of services lodging appeals was primarily their disagreement with the fact that their claims for the payment of a contractual penalty had not been recognised. In the case of appeals lodged by respondents (i.e. subscribers or users of electronic communication services), appeals mainly concerned the time limit of a claim, the non-existence of legal title to a claim made or the lack of means of the respondent. There was also a new objection, that of failure to respect the statutory limits for payment in the case of premature termination of a contract.

A significant part of the agenda was taken up by decision-making on appeals lodged by claimants (providers of services) that, by lodging an appeal, were defending themselves against failure to award the recompense of the costs of administrative proceedings in the amount demanded by the claimant in the situation in which the application for the payment of a contractual penalty was withdrawn by the claimant, this with reference to the established decision-making practice of the Office, when its standard procedure is not to recognise such claims due to the invalidity of contractual provisions. Such cases of the withdrawal of an application did not involve the discontinuation of proceedings due to guilt on the part of the respondent (which would result in the respondent paying the claimed amount), but for reasons lying with the claimant and for this reason the claimant's claim for the recompense of the costs of proceedings could not be recognised when considering the principle of success in a case and the principle of guilt.

When deciding private claims lodged by providers of services, the conclusions drawn from Judgment I. ÚS 3512/11 of the Constitutional Court of the Czech Republic of 11 November 2013 on the invalidity of provisions regarding a contractual penalty arranged with reference to the provisions contained in the general commercial terms and conditions of providers of electronic communication services were applied to a significant degree. The department of reviewing decisions therefore continued in established decision-making practice, in that a claim for the payment of a contractual penalty inferred from provisions not found within a subscription contract may not be recognised in cases in which the subscriber is the consumer.

Decisions on appeals against decisions on objections to the settlement of warranty claims (Section 129(3) of the Act on Electronic Communications) handed down in administrative proceedings of the first instance were handed down in 76 cases. In most of these cases, the objections lodged by a subscriber (user) related to the settlement of warranty claims for the billing of the price of services (70), whilst in the remainder of cases the subscriber (user) contacted the Office with an objection to the settlement of warranty claims for a provided service (6). The conclusions of the Consti-

tutional Court in its Judgment I. ÚS 3512/11 of 11.11.2013 regarding the invalidity of provisions to concern a contractual penalty are also applied in the reasoning in proceedings to concern objections when it stands that this judgment does not only concern contractual penalties, but surprising provisions hidden within general terms and conditions in general, in that such terms and conditions are usually unfavourable for the consumer, as the weaker party. Reference is made in this regard to one decision handed down by the department for the review of decisions, which is also published at the Office website here. In this case, the administrative body of the second instance inferred that there were quasi-sanction provisions for the institute of financial settlement, the existence of which is directly assumed in the Act on Electronic Communications (Section 63(1)(p)), whereby this act also determines the maximum possible amount of such financial settlement. For a provider of electronic communication services to be authorised to charge such financial settlement, this financial settlement must be agreed in the body of the subscription contract itself and not merely in general terms and conditions.

As part of the relatively new subject-matter competence of the Office to concern decision-making in cases of objections to the settlement of warranty claims for postal services (see the amendment to the Act on Postal Services implemented in Act No. 221/2012 Coll. amending Act No. 29/2000 Coll. on postal services and amending certain acts), the department for the review of decisions followed on from the previous period and decided on four appeals against decisions in cases of objections to the settlement of warranty claims according to Section 6a(1) of the Act on Postal Services. The low numerical incidence of such cases is caused by the fact that the consumer public is only now becoming familiar with this relatively new legal institute.

As far as decisions taken on other disputes are concerned, 14 appeals were decided in total. In such disputes, in most cases of which the subscriber/user of electronic communication services is the claimant, the primary issues resolved are questions of the validity of a signed contract or the force and effect of notice of termination submitted by one or other of the contracting parties and other disputes between a person undertaking communication activity on the one hand and the subscriber or user on the other, if the dispute concerns the obligations imposed by the Act on Electronic Communications or based on it (Section 129(1)).

A special panel established at the Supreme Administrative Court addressed the subject-matter competence of the Office on several occasions in 2015, when it decided on so-called competence disputes at the instigation of CTU in cases in which there were ambiguities of interpretation regarding the subject-matter competence of the Office. Seven applications for a decision in a competence dispute were lodged in 2015. The special panel newly decided in the case of competence to decide a dispute to concern the surrender of unjust enrichment or the return of an overpayment for electronic communication services in its Resolution No. Konf 31/2014-13 of 22.10.2015. In its reasoning for this resolution, the special panel stated that the claimant (provider of services) entered into a contract with the respondent based on which it undertook to provide the respondent with electronic communication services under the terms and conditions of the signed contract. The claimant demanded that the respondent return the price paid for services not provided by the respondent since it considers this to be “unjust enrichment”. The special panel considered the case such that it was a warranty claim dispute, meaning a dispute closely connected to a subscription contract on the discharge of obligation imposed based on the Act on Electronic Communications and for this reason an administrative body, i.e. the Office, is

competent to decide on the case.

As had been the case in previous years, the general courts decided disputes conducted according to Section 129(1) or (3) of the Act on Electronic Communications in 2015. The Office is not a party to the proceedings (judicial dispute) in such proceedings on actions according to Part Five of the Rules of Administrative Proceedings. CTU merely participates in proceedings in the role of the administrative body before which the original proceedings on the petition were conducted and submits the administrative file if called upon to do so by the court. For this reason, the Office only has information about those proceedings in which it was called upon by the competent general court to provide a statement or in which it was sent a judgment on the case. According to the information available to the Office, the general courts concur with the established decision-making practice of the Office in the issue of considering claims for contractual penalties arranged (in the case of a consumer) in general terms and conditions and any actions in which the claimant (provider of services) claims the payment of such contractual penalties are rejected. The general courts also concur with the opinion of the Office in the case of applying an amendment made in Act No. 214/2013 Coll. (the so-called Husák amendment) as limiting payment for the premature termination of a contract to one-fifth of the fixed rates remaining for the original period of duration of the contract, in that this legal regulation also impacts on contractual relations established prior to the effective date of this amendment.

### 1.2.3. Disputes in the sphere of postal services

The Office has, according to Section 6a of the Act on Postal Services, been authorised to decide on objections to the settlement of claims concerning postal services as of 1.1.2013 as a result of the effect of an amendment to the Act on Postal Services. This involves administrative proceedings which the Office commences at the application of the addressee or sender. The commencement of proceedings is conditional on the fact that the addressee or sender, before lodging a petition for the commencement of proceedings, makes a warranty claim on defects to a provided postal service with the operator of postal services and the warranty claim is not recognised by the operator of postal services or settled at all. The Office decided in 42 cases in 2015 and handed down 19 decisions. Appeals were lodged against six decisions handed down. This means that 29 proceedings on objections to the settlement of a warranty claim carried over to the next period.

In addition to decisions on objections to the settlement of a warranty claim, the Office checked whether providers of postal services were adhering to other statutory obligations, for example the timely publication of information about changes to postal terms and conditions, information about the opening hours of branches, information about post boxes etc. A total of 237 in situ investigations were conducted in 2015. No serious errors were discovered during these investigations.

The Office commenced a total of 35 proceedings regarding administrative infractions in 2015 based on instigations by the public and the findings emerging from its own official activity. Six administrative proceedings regarding administrative infractions were carried over from the previous period and in total the Office conducted 41 proceedings

on administrative infractions. The Office imposed 32 penalties totalling CZK 175,500 in such administrative proceedings in 2015.

#### 1.2.4. Complaints by subscribers and users of electronic communication services

The Office also deals with complaints made by subscribers or users of electronic communication services as part of its scope of activity. Such complaints are not complaints according to Section 175 of the Rules of Administrative Procedure (complaints against the inappropriate conduct of officials or against the procedure of an administrative body).

In 2015, the Office put on record 2,859 complaints, of which 1,054 complaints (36.9 %) were unjustified and did not involve any violation of the Act on Electronic Communications, 241 complaints (8.4 %) the Office was not competent to deal with and referred them to the bodies of state administration having subject-matter jurisdiction and 1,564 complaints (54.7 %) the Office handled using the procedure laid down in the Act on Electronic Communications. The Office had on record approximately the same number of resolved complaints in 2015 as in 2014 (there were 0.1 % fewer in 2015 than in 2014).

As in previous years, the highest number of complaints in 2015 concerned subscriptions (817 complaints, meaning 28.6 % of the total number of complaints) and the billing of the price of services (807 complaints, meaning 28.2 % of the total number of complaints).

The Office also handled a total of 6,535 inquiries in 2015, 13.2 % more than in 2014. In addition to inquiries regarding the conditions of undertaking business in electronic communications and examinations of professional competence, most inquiries involved the issue of billing the price of services, subscriptions and the transferability of a telephone number in the mobile network.

The trend of a rising number of complaints regarding subscriptions continued in 2015, principally involving mobile operators and primarily connected with unilateral changes to contractual terms and conditions, mainly consisting of an increase in price or the cancellation or change of certain existing tariffs and services.

The number of complaints regarding services provided within a universal service was minimal at only nine complaints (0.3 % of all complaints). Of this figure, five complaints concerned access for the disabled to a publicly available telephone service and four concerned public payphones.

An overview of complaints made by subscribers/users of electronic communication services is provided in Appendix No. 2 to this Report.

#### 1.2.5. Complaints by users of postal services

The Office also handles complaints to concern universal postal services and other postal services within the scope of its activity. The Office also puts on record complaints concerning non-postal services; these it does not deal



with itself, instead referring them to the competent body authorised to deal with them. Such complaints are not complaints according to Section 175 of Act No. 500/2004 Coll., the Administrative Procedure Code, as amended (complaints against the inappropriate conduct of officials or against the procedure of an administrative body).

The Office placed on record a total of 144 complaints against universal postal services in 2015 and a further 303 complaints relating to the basic parameters of the provision of postal services.

As far as universal postal services are concerned, 59 of the total number of 144 complaints were unjustified (almost 41 %) and the remaining 85 (59 %) the Office dealt with using the procedure laid down in the Act on Postal Services. Complaints during the period under consideration most commonly concerned the delivery of postal consignments of up to 2 kg in weight and the delivery of registered consignments. The number of complaints concerning the settlement of warranty claims rose by more than one-third. The Office also accepted complaints to concern the opening hours of post offices, long waiting times and failure to respect the agreement on changing the post office from which customers can collect consignments having been sent to them.

Subject-matter		Total complaints
1.	Complaints about universal services according to Section 3 of the Act on Postal Services	
	delivery of postal consignments of up to 2 kg	30
	delivery of postal packages of up to 10 kg	16
	delivery of an amount of money by way of postal order	8
	delivery of registered consignments	58
	delivery of valuable consignments	6
	free delivery of postal consignments of up to 7 kg for the blind	0
	universal foreign postal services	25
	delivery of postal packages of over 10 kg posted from abroad	0
	coupon-response international service	0
	response consignments in international payment	1
	delivery of printed matter bag service	0
	TOTAL	144
2.	Complaints against postal services	

	long waiting times	3
	post office opening hours	6
	change of post office at which a consignment is stored for collection	11
	the delivery of postal consignments	201
	dealing with complaints and returns.	46
	breach of postal secrecy	3
	postal consignments to/from abroad	12
	the delivery of official instruments	9
	requests for information	12
	TOTAL	303

Complaints made by customers against postal services 2015

### 1.3. Radio spectrum management

In addition to standard business, the most important activity in the management of the radio spectrum in 2015 was decision-making on individual authorisations for the use of radio frequencies, determining the charges for their use and, in particular, dealing with the issue following on from decisions on block allocations of radio frequencies issued based on the results of the auction in 2013. The coverage of territory and population by LTE public high-speed mobile networks operated in the 800 MHz, 900 MHz, 1800 MHz and 2100 MHz bands continued to develop significantly in 2015.

CTU simultaneously ensured other activity, in particular performance of the obligations arising from the Act on Electronic Communications and the Administrative Procedure Code.

#### 1.3.1. Decisions on block allocations of radio frequencies

Based on the fact that the period of validity of one of the block allocations of radio frequencies previously awarded in the 900 MHz and 1800 MHz bands ends on 7 February 2016, CTU continued in the process commenced in 2014 according to the Act on Electronic Communications, determined the price of allocation based on an expert report and in subsequent administrative proceedings awarded O2 a new allocation of radio frequencies in order to provide a public electronic communications network in the 900 MHz and 1800 MHz bands, valid until 22 October 2024.

#### 1.3.2. Decisions on authorisation to use radio frequencies

Radio frequencies intended for civilian (non-military) use may only be used based on general or individual authorisation to use radio frequencies. CTU awards, amends, extends the period of validity of or withdraws individual authorisations to use radio frequencies as part of its performance of state administration. The total numbers of decisions in connected administrative proceedings, separated according to individual radiocommunication services, are clearly presented in the table in Appendix No. 3 to this Report.

As in previous years, greatest interest is shown in radio frequencies required to ensure a public electronic communication service consisting mainly of wireless access to high-speed data services (e.g. Internet access) or used for radio connection of the base stations of mobile operators. Reasons for this include the continually ongoing optimisation of existing networks within the framework of which mobile operators simultaneously increase transmission speed, which is a consequence of the ever greater quantity of data required by customers in connection with new applications and the increase in the number of smartphones. In 2015, mobile operators primarily concentrated on the development of new transmission networks with LTE standard, the aim of which was to meet the conditions accepted in the tender (auction in 2013) and to satisfy the requirements of customers using the new applications and a wide range of terminal devices able to use fast data transmission. The development of these networks continued in the 1800 MHz band and in the 800 MHz band, where there were in certain cases compatibility problems between the operation of LTE base stations and the reception of terrestrial digital television broadcasting in the DVB-T system. All the problems that arose during trial operation, which in the case of LTE base stations in the 800 MHz band lasts for two months, were operatively resolved and eliminated.

In some cases, allocation holders also decided to use for the LTE system a section of radio frequencies currently used for the 3G system (2100 MHz band), the use of which will be inhibited in the forthcoming period.

From the perspective of other radiocommunication services, there was further change during the year to individual authorisations in the aeronautical mobile service where, following on from an implementing decision of the European Commission, preparations are underway for the transition from the current 25 kHz frequency raster to the 8.33 kHz frequency raster. It is also for these reasons that CTU limits the period of validity of individual authorisations in cases in which the relevant radio transmission facility does not meet the conditions of the new frequency raster to 31 December 2017. The first stage of the advised transition to the 8.33 kHz frequency raster will begin in the autumn of 2016 by retuning the radio frequencies of aeronautical stations at Prague airports.

### 1.3.3. Conditions of using radio frequencies based on general authorisations

The conditions for the use of radio frequencies based on general authorisations were modified in 2015 by amendment to general authorisation VO-R/7/04.2012-6 for the use of radio frequencies and for the operation of civil radio stations in the 27 MHz band, with effect from 15 February 2015.

CTU also prepared an update to general authorisations VO-R/1/04.2014-2 for the operation of electronic communication radio network user terminals and VO-R/10/05.2014-3 for the use of radio frequencies and for the operation of short range equipment, which will be submitted in connection with further legislative changes for public consultation

in the 1<sup>st</sup> half of 2016.

### 1.3.4. Verification of professional competence

Section 26(1) of the Act on Electronic Communications lays down the cases in which professional competence is required to operate transmitting radio equipment. Under Section 26(2) of the Act on Electronic Communications, only a person having a valid professional competence certificate for the relevant radio equipment may operate that equipment. The CTU examination committee verifies the professional competence of candidates for a general and defined aeronautical mobile service radio operator certificate, nautical mobile service certificates and HAREC and NOV-ICE amateur radio service station operators. The process of updating the “Examination questions and correct answers” document, which is the fundamental document for preparation for professional competence examinations, was completed in 2015 and the modified examination questions and correct answers entered into force on 1 April 2015.

Greatest interest is still shown in the limited certificate for radio operator in a nautical mobile service, which authorises the holder to operate radio transmission equipment on board ships on inland watercourses and in coastal marine areas. The numbers of professional competence certificates newly-issued based on examinations in 2015 remained at roughly the same level. There was a rise, however, in the number of certificates issued based on applications for re-issue within one year of the expiration of their validity. There was also a rise in the number of certificates issued in 2015 based on the recognition of professional competence obtained in another EU Member State. Detailed information about the numbers of individual types of certificates of professional competence issued and about certificates whose validity was extended is presented in the table in Appendix No. 4 to this Report.

### 1.3.5. Other activities in the sphere of frequency spectrum management

After awarding individual authorisations to use the radio frequencies in the 800 MHz band, CTU set up a specialised information site with information about the trial operation of individual LTE base stations in the 800 MHz band, the aim of which is to provide the public with enough information in the event that there is harmful interference to reception of terrestrial digital television broadcasting which uses neighbouring radio frequencies. CTU simultaneously published a site with information on the availability of territorial coverage with high-speed access to data services, provided by individual mobile operators in individual frequency bands. This information, which CTU provides in graphic form, allows the public to ascertain and compare the scope and availability of the services offered by individual mobile operators at specific addresses. At this site, the public can find out in which districts development criteria have already been met, the criteria arising for the holders of radio frequency block allocations from the conditions of the tender.

CTU reached the conclusion, in relation to the process of preparing tenders to award the rights to use radio frequencies in the 1800 MHz and 2600 MHz bands that were not allocated in the Auction in 2013 and the radio frequencies in the 3600 – 3800 MHz band, that the size of the annual charges must be reduced within the bounds of terrestrial mobile services. An amendment to Regulation No. 154/2005 Coll. on determining the amount and method of calculating charges for using radio frequencies and numbers entered into effect in October 2015, the purpose of which was to reduce the annual charges for frequency bands over 2200 MHz by 60 % and the charges for frequency bands over

3400 MHz by 80 % on the current level, in that the decrease of the size of the charges depending on the increasing frequency band was not considered.

### 1.3.6.Charges for using radio frequencies

In total, charges of CZK 1,102.54 million were prescribed and collected for the year 2015 in accordance with Government Regulation No. 154/2005 Coll. on determining the amount and method of calculating charges for using radio frequencies and numbers. The balance of the income account at the department of frequency spectrum management on 31.12.2015 was CZK 1,013.52 million. This amount is lower than the amount paid, because overpayments totalling around CZK 25.58 million were returned at the request of authorisation holders in accordance with Act No. 280/2009 Coll., the Tax Code. The sum of CZK 63.44 million was also transferred to the Radiocommunication Account from the income account specified above in accordance with an amendment to the Act on Electronic Communications (Act No. 153/2010 Coll.).

Although there was a reduction in the size of charges for the use of radio frequencies for a fixed line service in previous years, in comparison with 2015 this change was practically not manifested in consequence of the continuing development of the use of radio frequencies for high-speed data transmission because, among other, there was intensive use of all allocated frequencies for the LTE network (apart from the 2600 MHz band). There was therefore an increase in the charges collected of CZK 42 million on 2014.

## 1.4. Automated system of monitoring the frequency spectrum

The Office checked the effective use of the radio spectrum in accordance with Section 15 of the Act on Electronic Communications. Some 9,115 cases were submitted via the ASMKs system in 2015, of these

- 3,023 requests for monitoring the radio spectrum and other measurements;
- 963 requests to check radio and electrical equipment, networks and services and postal services, and;
- 4,984 requests to investigate interference to radiocommunication services.

A total of 7,838 cases were closed. Specific information on the number of measurements completed in monitoring the radio spectrum, checks of the radio spectrum conducted and cases of interference resolved is provided in the appendix entitled “Overview of inspection activity in checking electronic communications in 2015” and the categorisation of equipment suffering from interference is shown in the appendix entitled “Ascertaining sources of interference to the operation of electronic communications equipment and networks, the provision of electronic communication services or the operation of radiocommunication services – 2015”.

## 1.5. Regulation of communication activities

### 1.5.1.Standardisation

CTU, as the central body of state administration for the sphere of electronic communications, is actively involved in cooperation with the Czech Office for Standards, Metrology and Testing (ÚNMZ) in the sphere of technical standardisation in discussing proposed ETSI EN standards and their subsequent adoption in the ČSN system of standards. CTU cooperates on tasks which are incorporated in the technical standardisation plan through technical standardisation committee TBK 96\_Telekomunikace and also cooperates on the consideration and application of comments on proposed mandates for standards from the European Commission with a sub-committee of 98/34/EC, Committee for Technical Barriers to Trade. Proposals for the compilation of standards are recommended by the professionally competent technical standardisation committee (TNK) and by the competent central body of state administration. The method of financing must be approved, drawing on the principle that the cost of compilation is covered by the sphere of interest which requires the compilation of the standard – i.e. using money from an organisation or by the state.

CTU is primarily involved in cooperation in the introduction of ETSI standards in the sphere of electronic communications. This also involves, to a lesser extent, the documents created by other international organisations, for example ITU, IEC, CEN and CENELEC. Documents are used to ensure the integrity, compatibility and security of public communication networks and services and the operation of only those devices which comply with the set technical requirements.

The CZECH OFFICE FOR STANDARDS, METROLOGY AND TESTING (ÚNMZ) cooperated on the issue of 59 standards (ETSI), 2 standards / 2 amendments (CLC/TC 215) and 3 standards / 1 amendment (CLC/SR 80) in 2015 within the TNK 96\_Telekomunikace technical standardisation committee, of these:

38 standards introduced “with notification in the UNMZ Bulletin” and 3 CLC/SR 80 standards / 1 amendment;  
21 standards introduced “with the adoption of the original with national appendix containing a translation of terminology”;  
1 standard introduced “by adopting the original” CLC/SR 80 and 1 CLC/TC 215 standard;  
3 standards / amendment introduced “with the translation of” CLC/TC 215.

### 1.5.2. Number management

Throughout 2015, CTU took decisions regarding applications made by business undertakings for authorisation to use numbers, sequences and codes, addresses and names (hereinafter referred to as “numbers”) and applications made by business undertakings for the modification of, the extension of the period of validity of, the revocation of authorisation and transfer in relation to the use of numbers from numbering plans according to Section 30 and subs. of the Act on Electronic Communications.

CTU handed down a total of 432 decisions in 2015, 102 of these decisions on authorisation to use numbers, 44 decisions to change authorisation, 219 decisions to extend the period of validity of authorisation, 57 decisions to revoke authorisation and 10 decisions in the matter of the transfer of authorisation.

## 1.6. Regulation in the sphere of postal services

### 1.6.1. Financing universal services

In 2015, CTU completed administrative proceedings to concern the application lodged by Czech Post for the payment of net costs from the provision of universal postal services in 2013. Czech Post applied for the payment of CZK 1,774,645,468, this amount including net costs related to the branch network of CZK 1,021 million, the delivery network of CZK 810 million and other obligations connected with the provision of universal services of CZK 35 million. Intangible and market revenues of CZK 93 million were deducted. CTU verified, in administrative proceedings, whether Czech Post, when making its calculation, observed the provisions of Section 34b and 34c of the Act on Postal Services and the provisions of Decree No. 466/2012 Sb. on the procedure of the Czech Telecommunication Office in calculating the net costs of discharging the obligation to provide universal services.

Net costs are determined as the difference between incremental costs and incremental revenues for the holder of a postal licence, taking into account reasonable profit and deducting intangible and market advantages. Incremental costs and revenues are calculated such that a basic scenario (i.e. the actually provided universal services to which effectively and purposely invested costs are allocated) and an alternative, commercial scenario (the hypothetical behaviour of the postal licence holder when were not bound by the obligation to provide the universal services to which costs and revenues are allocated) are both determined. Reasonable profit is laid down by Decree No. 465/2012 Coll. on the method of keeping separate records of the costs and revenues of a postal licence holder as an increment of 8.7 % in relation to the economically eligible costs allocated to universal postal services.

Czech Post expected that it would cut back on the extent of the branch network in the alternative scenario, i.e. without the obligation to provide universal services, meaning that it would close certain branches, and that it would reduce the frequency of delivery in certain areas and reduce its administration costs, since it would not be obliged to carry out certain activities, for example to keep separate records of costs and revenues. At the same time, it took into consideration the fact that reducing the extent of the branch network or reducing the frequency of delivery would mean losing some customers, who would switch to the competitors or use e.g. electronic communication.

CTU did not concur with certain proposals presented in Czech Post's alternative scenario and carried out its own calculation of net costs, which projected in a decision on the level of net costs issued on 3 March 2015. In this decision, CTU determined the net costs pertaining to the alternative branch scenario at CZK 513,299,997, the net costs pertaining to the alternative delivery scenario at CZK 509 700 186, the net costs pertaining to the other obligations of the postal licence holder at CZK 28,336,681 and intangible and market advantages arising for the postal licence holder from the provision of universal services at CZK 103,539,311. The net costs which do not represent unfair financial burden were determined at CZK 194,668,170, which is 1 % of the total costs at Czech Post. The net costs which represent unfair financial burden for the postal licence holder and which are to be covered were determined at CZK 753,129,383. A decision on the level of net costs for the year 2013 was published in Poštovní věstník (Postal Bulletin) on 24 June 2015.

At the same time, CTU commenced administrative proceedings to determine the percentage shares of revenues for the provision of postal services and foreign postal services for individual payers in the total costs which are the basis



of determining payments into the account for financing universal postal services. Each operator whose revenues from the billing period for the provision of postal services and foreign postal services are higher than CZK 3 million in aggregate is a payer. With respect to the fact that determining payers depends on consideration of the nature of the services provided by potential payers, which is a preliminary question for the administrative body, administrative proceedings were discontinued until this preliminary question had been answered. A decision on determining the percentage shares of revenues for the provision of postal services and foreign postal services for individual payers in total costs had not been issued by the end of 2015.

Czech Post submitted an application for the payment of net costs for the provision of universal postal services for the year 2014 of CZK 1,754,764,485 on 17 August 2015. This sum includes the net costs of the branch network of CZK 1,012 million, of the delivery network of CZK 822 million and of other obligations associated with the provision of universal services of CZK 28 million, while intangible and market revenues of CZK 107 million were deducted.

Administrative proceedings on determining the net costs for 2014 and determining whether these were an unfair financial burden on the postal licence holder had not been completed by the end of 2015.

Data on the revenues and incomes of postal service providers in the year 2014 was collected in 2015, such data being the basis of determining payments into the account for financing universal services to cover net costs for 2014. A decision on determining the percentage shares of revenues for the provision of postal services and foreign postal services for individual payers in total costs had not been issued by the end of 2015.

## 1.7. Control and inspection work

### 1.7.1. Keeping records and inspecting business undertakings in electronic communications

According to Section 14 of the Act on Electronic Communications, the Office issued 151 certificates confirming compliance with the obligation to inform regarding the intended commencement of the communication activity laid down by Section 13 of that act. Another 326 certificates were issued regarding notification of a change to the data specified in notice of business activity according to Section 13(6) of the Act on Electronic Communications. The Office regularly checked whether business undertakings in electronic communications were undertaking activity in accordance with notice of activity according to Section 13 of the Act on Electronic Communications. The Office ascertained, by way of inspection, 34 cases of undertaking communication activity without a licence, which dealt with as an administrative infraction in administrative proceedings.

According to Section 19 of the Act on Postal Services, the Office issued three certificates to confirm that a person intending to undertake business in postal services had submitted notice according to Section 18 of the Act on Postal Services. Another two certificates were issued regarding a change to the data specified in notice of business activity according to Section 19(4) of the Act on Postal Services.



## 1.7.2. Checking compliance with the decisions of the Office

### **Checking compliance with the terms and conditions of Measure of a General Nature No. OOP/10/10.2012-12**

The Office conducted an inspection of adherence to procedures in the telephone number portability according to OOP No. 10 at T-Mobile, Vodafone and O2 between March and June 2015. The inspection focused on the transfer of telephone numbers between these companies and on checking the incorporation of the conditions of the telephone number portability in accordance with the Act on Electronic Communications and OOP No. 10 in wholesale contracts entered into by and between the undertakings under consideration and incorporated in the wholesale contracts entered into by and between them and virtual operators that use the mobile network infrastructures of those companies under consideration, including interface and applications through which virtual operators submit their requests for the transfer of telephone numbers. The Office did not identify any system shortcomings in its inspection.

Then, in September and October 2015, in connection with an inspection of the networks of mobile operators, the Office conducted an inspection of adherence to procedures regarding the telephone number portability according to OOP No. 10 for five pairs of virtual operators, i.e. Tesco Mobile ČR s.r.o./DH Telecom a.s., TERMS a.s./Quadruple a.s., ČEZ Prodej, s.r.o./Centropol Energy a.s., SAZKA a.s./miniTEL s.r.o., LAMA Mobile, s.r.o./O2 Family, s.r.o., in that it checked the mutual transfer of telephone numbers and checked the incorporation of the terms and conditions of the telephone number portability in accordance with the Act on Electronic Communications and OOP No. 10 in their wholesale contracts. The Office did not identify any system shortcomings in its inspection.

In some cases, the Office identified the application of time limits for notice of termination during its inspections. Although this is not actually at odds with any legal regulations, the Office does continue to consider this as being problematic since it prolongs the process of transferring a telephone number. Another inspection in this matter is planned for the first half of 2016.

### **Checking compliance with the planned parameters of VHF FM transmitters**

Random inspections continued in 2015, following on from a nationwide inspection of compliance with the planned parameters in operating all VHF FM transmitters in the 87.5 to 108 MHz band that was conducted in 2013 (inspection of 769 transmitters at 74 undertakings, 18 % unsatisfactory inspections). Some 168 transmitters were checked and conditions were not met in 16 cases (9.5 % unsatisfactory inspections). For the sake of comparison, it can be said that the operators of transmitters failed to adhere to the planning parameters in up to 95 % of VHF FM transmitters at the end of 2012. The current situation, emerging from systematic inspection work carried out at the Office, is therefore a significant improvement.

### **Checking adherence to the terms and conditions of General Authorisation No. VO-R/12/09-2010-12**

The Office conducted 322 inspections at 230 different operators in 2015, while around 4,000 operated Wi-Fi facilities were also inspected. The percentage of unsatisfactory inspections as a result of failure to adhere to the set conditions was 83.5 %, considerably worse than in 2014, when the figure stood at 62.8 %.

Of the total number of inspections, 11 were conducted based on complaints regarding interference with meteorological radars at the Czech Hydrometeorological Institute. After both radars were put back into operation in 2015, the new technology became capable of eliminating interfering effects from the screen using filtration algorithms; however, interference caused by the operation of Wi-Fi equipment on radar frequencies is projected in statistically processed meteorological data. Interference affecting meteorological radars is considered as a major threat to the public interest – air traffic control safety, informing the public in the case of floods etc.

Some 29 Wi-Fi facilities not having permission outside the band specified in General Authorisation No. 12 were identified in a further 21 inspections conducted at 17 operators.

Due to the high percentage of unsatisfactory inspections of Wi-Fi equipment and the situation in the use of the spectrum in the 5 GHz band, which has not improved for some considerable time, the Office held a series of seminars in the autumn of 2014 aimed at business undertakings in electronic communications. The aim of the seminars was not achieved – business undertakings that provide Internet access via Wi-Fi equipment evidently put their economic objectives ahead of compliance with the legal regulations in force.

### **Checking adherence to the terms and conditions of General Authorisation No. VO-R/10/05-2014-3**

The Office conducted six inspections of adherence to the conditions of General Authorisation No. 10 at four undertakings in 2015. A violation was discovered in all cases, in that equipment which works in the 9200 MHz to 9975 MHz with Mikrotik protocol was used for high-speed data transmission (Internet access). According to Article 5 of the General Authorisation, the band specified above may be used by radio equipment used only for determining the position, speed and/or other characteristics of an object or to obtain information about such parameters using the properties of transmitting radio waves.

### **Checking compliance with the obligations imposed by the Office in Decisions REM No. 4 and REM No. 5**

The Office carried out an inspection (between August and November 2015) of adherence to the obligations imposed on CETIN in Decision No. REM/4/10.2010-77, “Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location” and No. REM/5/01.2009-4, “Wholesale broadband access in electronic communication networks”, including the provision of wholesale services falling within these relevant markets in a non-discriminatory way.

The inspection which the Office conducted did not identify any discriminatory approach by CETIN to individual contractual wholesale partners in relation to access to applications which display a current overview of metallic and optical access networks, including associated facilities and the map data (so-called web system) and in relation to processes to concern orders of services via the B2B (Business To Business) wholesale order system.

### **Checking public payphones**

The Office undertook an inspection of 611 public payphones operated by O2 as part of a universal service between December 2014 and July 2015, the aim being to review the re-imposition of the obligation laid down as part

of a universal service to provide the partial service of public payphones or other similar technical means as allowing for access to a publicly available telephone service according to Section 38(2)(e) of the Act on Electronic Communications.

It was identified in selected communities whether or not a specific location at which a public call box or other similar technical means was installed was covered to a sufficient quality by the GSM mobile network signal of at least two mobile operators, this in accordance with the recommendations of CEPT/ECC/REC (05)08 and the uniform methodology of the Office for conducting inspections of the standard of the GSM network signal. Of the total number of public payphones inspected, four public payphones were missing and three public payphones were out of operation. In two cases, no signal was available from any one of the three operators T-Mobile, Vodafone and O2. In all other cases, however, the GSM network signal of at least two mobile operators was available at the public payphones under inspection.

### 1.7.3. Other inspection work

#### **Checking the process of xDSL service migration**

The Office conducted an inspection (in July and August 2015) of the xDSL service migration process at O2, focusing on the cancellation of the xDSL service by subscribers to O2, issuing the relevant identifiers according to General Authorisation No. VO-S/1/07.2005-9, which lays down the terms and conditions of providing electronic communication services, the manner and formats of their transfer to subscribers, the length of the period of xDSL service migration from O2 to other providers of this service and any restrictions to concern this service and the services simultaneously provided on the same loop.

The inspection identified the problem of practical unavailability of information on the possibility of xDSL service migration, in that the subscriber did not have the opportunity to obtain this information remotely, for example from the O2 website. This shortcoming was eliminated by O2 during the inspection by supplementing the relevant provisions of the General Terms and Conditions for the Provision of Electronic Communication Services.

#### **Checking adherence to Section 63(6) of the Act on Electronic Communications regarding subscribers to O2**

The Office undertook an inspection at O2 in May and June 2015 of adherence to Section 63(6) of the Act on Electronic Communications regarding subscribers to the company who were informed in billing sent out in March 2015 of a change to the operation of the data limit in mobile data services and on a change to the way of announcing amendments to a contract by O2 (Article 17 of the General Commercial Terms and Conditions) and on a change to the method of placing orders for the current range of optional services (Article 2.1 of the General Commercial Terms and Conditions and Appendix 1 to the Price List).

The inspection identified that the undertaking under consideration was in violation of the obligation to inform laid down in Section 63(6) of the Act on Electronic Communications in relation to 897,316 O2 subscribers whose contracts comprise provisions on the payment of compensation in the case of premature termination of contract, in that these subscribers, who were notified of a change in the billing of data services, should also have been informed of the

opportunity to terminate their contracts without having to pay compensation in the case that they did not accept the change, which did not happen.

#### 1.7.4. Investigating interference of digital television reception in connection with the operation of the LTE network in the 800 MHz band

Operators began constructing the LTE network in the 800 MHz band at the end of March 2014 following the allocation of frequencies to mobile operators. Given the anticipated problems in the electromagnetic compatibility of the LTE network and DVB-T networks as a result of operating in neighbouring frequency bands, the Office prepared a range of preventative measures aimed at minimising the impacts of the process of building the LTE network on the quality of DVB-T reception. The measures were adopted in cooperation with the operators of DVB-T and in cooperation with the operators of LTE.

LTE operators ran 2,780 stations in trial operation and 6,043 stations in full operation, meaning a total of 8,823 LTE base station in operation, in the 800 MHz band at 31.12.2015. The Office put a total of 4,416 complaints made by television viewers regarding DVB-T interference on record in 2015, in that 4,285 complaints to concern television interference (including those involving common aerials) were resolved by 31.12.2015. Interference caused by the LTE signal was proven in 1,746 cases, the remaining 2,670 complaints being unjustified, caused primarily by defects to actual reception equipment or insufficient TV signal or when no interference was actually found. There are some 19.8 cases of interference in the reception of terrestrial digital television per 100 operated LTE stations.

#### 1.7.5. Cooperation with the Czech Trade Inspection Authority (Česká obchodní inspekce)

Cooperation with the Czech Trade Inspection Authority continued in 2015 in accordance with “Agreement on cooperation between the Czech Telecommunication Office and the Czech Trade Inspection Authority”. The cooperation provided by the Office primarily consisted of employees from the Office taking part in inspections of telecommunication terminal and radio equipment and RC models having been sold. The Office provided coaction in verifying the parameters of radio equipment in the field or in measuring samples taken during inspections by the Czech Trade Inspection Authority. Measurements for the needs of the Czech Trade Inspection Authority were undertaken as part of 49 joint inspections. Shortcomings were mainly identified in remote controlled toys, wireless doorbells and remote control for vehicle central locking systems. The equipment used unauthorised frequencies and no certificate of conformity was submitted. The Czech Trade Inspection Authority deals with the shortcomings identified within the scope of its duties.

### 1.8. Deciding disputes between parties undertaking communication activities

In terms of deciding disputes between parties undertaking communication activities or between such parties and

other business undertakings in a different Member State who benefit from the obligation of access or connection according to Section 127 of the Act on Electronic Communications, in which the Chairman of the CTU Council decides in the first instance, the number of contentious proceedings commenced in 2015 in the sphere of electronic communications again rose on the previous year (by three disputes).

Therefore, eleven petitions for the commencement of contentious administrative proceedings were newly dealt with in 2015 according to Section 127 of the Act on Electronic Communications and four cases of administrative proceedings commenced and unresolved in 2014 continued.

The administrative body of the first instance handed down a total of ten decisions/resolutions in 2015, of these eight decisions and two cases in which it discontinued proceedings with the issuance of a resolution to this end. An appeal was lodged against the decisions in question in five cases, whereby the administrative body of the second instance upheld the decision of the administrative body of the first instance in remonstrance proceedings in one case and in one case it overturned the decision of the administrative body of the first instance and returned the case for review. The administrative body of the second instance did not reach a decision on the appeals lodged by the end of 2015 in the three remaining cases. Neither was a new decision handed down by the administrative body of the first instance by the end of 2015 in new consideration of the dispute after its return by the administrative body of the second instance.

Proceedings in cases in 2015 were completed in four cases with a final and conclusive decision by the administrative body of the first instance. In two cases, the decision of the administrative body of the first instance should come into legal force at the beginning of 2016. In the two cases in which proceedings were completed with a final and conclusive decision to discontinue proceedings, the reason for doing so was in one case the withdrawal of the petition for the commencement of proceedings by the claimant, in that the parties to the dispute decided on a solution outwith the relevant administrative proceedings, and in one case administrative proceedings were discontinued by resolution on the grounds that the claimant did not pay the administration fee.

In addition to the specified decisions, the administrative body of the first instance also dealt with petitions for the issue of an injunction to an extent that surpassed the trend to that time. It therefore handed down a total of six decisions on injunctions in 2015 in two contentious administrative proceedings, in only two cases finding the petition to have been justified. In the remaining cases (parts), it did not accommodate the petitions, finding the reasons for ordering the demanded injunctions to be lacking. Appeals were lodged against all decisions on the ordering of injunctions, by the respondent in cases in which the petition for the issue of an injunction was satisfied and by the claimant in cases in which its petition for the issue of an injunction was rejected. In respect of the fact that the respondent subsequently withdrew its appeals, the administrative body of the second instance only decided on the appeals of the claimant, whereby the administrative body of the second instance did not satisfy these appeals and fully upheld the decisions of the administrative body of the first instance.

A total of five cases of administrative proceedings remained undecided by the end of the year in terms of contentious administrative proceedings commenced in 2015. Two of these proceedings were commenced at the end of 2015 and therefore the time limit for the issuance of a decision laid down by law had not expired. The administrative body of

the first instance will gather the documents for the issuance of a decision in these proceedings in 2016. In another case, contentious proceedings had been returned by the administrative body of the second instance for review and the collection of documents for the issuance of a new decision in the case was ongoing until the end of 2015. In a further two cases, two decisions were to be handed down at the beginning of 2016, in that the parties to the dispute were allowed to familiarise themselves with the documents for the issuance of a decision in 2015.

It took an average of 4.5 months to decide contentious proceedings commenced in 2015 from receiving the petition to commence administrative proceedings. During contentious administrative proceedings, however, the administrative body was again forced to seek substantiation of the relevant evidence in support of their contentions and further coercion so that it was able to duly decide in the case. In such proceedings, the administrative body of the first instance proceeded such that contentious administrative proceedings could be finally and conclusively completed as soon as possible following compliance with the required procedural acts before the issuance of a decision in accordance with the Administrative Procedure Code.

From the perspective of the subject-matter of the disputes dealt with in 2015 according to Section 127 of the Act on Electronic Communications, we can summarise that all new disputes in 2015 concerned payment obligations, i.e. the payment of outstanding sums for provided electronic communication services, whereas the unresolved disputes carried over from 2014 concerned contractual issues mainly consisting of consideration of whether electronic communication services were provided based on an existing and duly concluded contract or not.

As in the previous two years, there were no disputes in 2015 between a business undertaking providing a radio and television broadcasting transmission service and an operator of radio and television broadcasting on the conclusion of a contract for the provision of this service (Section 72a of the Act on Electronic Communications).

Final and conclusive decisions issued in administrative proceedings conducted according to Section 127 of the Act on Electronic Communications in disputes between parties undertaking communication activities are available at <http://www.ctu.cz>.

## 1.9. Deciding disputes between the operators of postal services

The Chairman of the CTU Council decides disputes between the holder of a postal licence having the statutory obligation, based on a contract, to enable access to elements of the postal infrastructure and to special services associated with the operation of the postal infrastructure and other operators of postal services that apply for this sharing. This he has done since the effective date of an amendment to the Act on Postal Services made through Act No. 212/2013 Coll., i.e. since 1.1.2013.

Two disputes to concern this issue arose for the first time in 2014. One case of contentious proceedings was commenced in February 2014 based on a petition lodged by an operator of postal services, whereby during these administrative proceedings the claimant itself sought that its petition is divided into two parts as a result of being a large and complicated issue and so that a decision was first taken in accordance with Section 148 of the Rules of Administrative

Proceedings on the part of the case to concern services involving delivery to the addresses stated on postal consignments and redirections and, once a decision in this part of the case had entered into force, for the administrative body to decide the remainder of the case.

A decision was handed down in January 2015 in the part of the case involving the entire wording of the Contract of Access (including its seven appendices) as concerning services involving delivery to the addresses stated on postal consignment and redirection services. The claimant lodged an appeal against this decision of the administrative body of the first instance. Before the administrative body of the second instance could decide this, however, the claimant withdrew the appeal lodged in full. The decision of the administrative body of the first instance therefore became final and conclusive and the administrative body of the first instance was able to continue in proceedings to concern the remaining part of the petition for the commencement of administrative proceedings, i.e. to concern access to other services and elements of the postal infrastructure in the form of a database of addresses with information about addressees who requested delivery to an address other than the address stated by the sender and their new addresses and access to post-office boxes. In a similar case, a petition was lodged for the commencement of proceedings with another authorised undertaking in December 2014, with a fundamental defect to the petition only being removed in January 2015.

Both disputes (the new dispute and continuing proceedings in the remaining part of the petition) are new in terms of the issue involved and have not yet been dealt with by the administrative body within the bounds of access to the postal infrastructure. As was shown during these administrative proceedings, this is a highly complex issue not only for the administrative body, but primarily for the actual parties to administrative proceedings, in that each party to the dispute has a different idea of how access to the requested elements of the postal infrastructure should be implemented. The subject-matter of the dispute involves a decision on the mutual rights and obligations and the price for the requested access to elements of the postal infrastructure, which must, according to Section 34(6) of the Act on Postal Services, be cost-oriented. With regard to the above, the terms and conditions under which the access requested is to be implemented must be determined in detail and only then is it possible to ascertain the costs of these activities and based on these determine a cost-oriented price.

The final and conclusive decision handed down thus far in administrative proceedings conducted according to Section 34 of the Act on Postal Services in disputes over access to the postal infrastructure is available at [www.ctu.cz](http://www.ctu.cz).

## 1.10. External legislation and associated activity

In terms of external legislation, CTU compiled and subsequently lodged comments on draft legal regulations and other materials, particularly of a conceptual or evaluative nature, whose content concerned the scope of activity of CTU. It was done in 2015 with consideration for the Legislative Rules of the Government. CTU undertook this activity within the bounds of inter-departmental comments procedure on the one hand and, on the other, frequently as a member of various preparatory working groups at an inter-departmental level created for the purpose of accomplishing the relevant tasks of state bodies.

Certain processes of adopting changes to legal regulations having a fundamental impact on the scope of activity

at CTU drew to a close in 2015, CTU having taken an active role in the previous stages of preparing these. These primarily involved an amendment to the Act on Consumer Protection, the Act on Electronic Communications and the Act on Postal Services, by way of which Directive 2009/22/EC of the European Parliament and of the Council on injunctions for the protection of consumers' interests is transposed in the legal order of the Czech Republic and European Regulation 524/2013 on online dispute resolution for consumer disputes is implemented. This act was promulgated in the Collection of Laws with effect from 1 January 2016 under no. 378/2015 Coll. and specifies CTU as one of the special bodies for the extra-judicial resolution of consumer disputes (for the sphere of electronic communications and postal services). It is also important to emphasise an amendment to the Act on Postal Services, also with effect from 1 January 2016, made through Act No. 319/2015, which leads to a change in the manner of financing the net costs of providing universal services (a universal service in the sphere of postal services) and introduces the obligation to make a reference offer for access to the postal infrastructure of the postal licence holder.

An overview of fundamental acts and statutory instruments and a brief description of the content of the changes through which amendments to the legal framework were made in 2015 in the sphere of electronic communications and postal services is presented in Chapter I. of this annual report.

The main legislative tasks at CTU in the sphere of external legislation in 2015 were its participation in the inter-departmental working group set up at the Ministry of Industry and Trade for the preparation of a draft law, through which Directive 2014/61/EU of the European Parliament and the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks is transposed in the legal order of the Czech Republic. The Ministry of Industry and Trade submitted a draft of the law in question (Act on Measures to Reduce the Costs of Deploying High-speed Electronic Communication Networks) for inter-departmental comments procedure by the end of 2015, with further steps expected at the beginning of 2016.

The active approach of CTU to commenting on a draft law to amend Act No. 183/2006 Coll. on planning and the building code (Building Act), as amended, and other associated laws, presented by the Ministry for Regional Development for inter-departmental comments procedure in June 2015, is also closely related to this issue. However, comments on this draft law were not dealt with by the end of 2015 as a result of the considerable size and complexity of the matter.

Despite being an activity of a non-legislative nature, we must mention, in connection with the above, another fundamental area of external activity at CTU in 2015, i.e. coaction by CTU as provided to the Ministry of Industry and trade in the preparation and creation of the National Next Generation Network Development Plan. The aim of the National Next Generation Network Development Plan should primarily be define the strategic approach of the Czech Republic to building the next generation network and to implement development of the building of next generation access networks mainly through targeted support. The importance and size of "next generation" networks should eventually support the economic growth of the Czech Republic, contribute to increasing the competitiveness of Czech business activity, quantitatively and qualitatively strengthen the Czech economy, primarily with regard to the higher added value of production, and, last but not least, increase the effectiveness of state administration and local self-government.



The National Plan should also be compiled for the purpose of achieving precondition 2.2 for Thematic Objective 2, “Improving the accessibility, use and quality of information and communication technology” according to Regulation (EU) No 1303/2013 of the European Parliament and of the Council in connection with the European Commission requirement to achieve demonstrable results of intervention from European Structural and Investment Funds (ESIF). Precondition 2.2 must be achieved for it to be possible to draw money from ESIF within the bounds of implementing specific objective 4.1 of the Operational Programme Business and innovation for Competitiveness. The relevant material was submitted by the Ministry of Industry and Trade for repeated inter-departmental comments procedure at the end of 2015 and the process is expected to be completed at the beginning of 2016.

In addition to the above, we should also mention other work on draft amendments to legal regulations in which CTU took part in 2015, in particular the continuing problem of a final solution for the issue of deciding disputes on compliance with obligations regarding pecuniary payment according to Section 129 of the Act on Electronic Communications. Based on Government Resolution No. 220 of 30 March 2015, the Ministry of Justice, assisted by other departments, including CTU, commenced work on the preparation of a draft law to amend the Act on Electronic Communications and certain other acts, the aim of which should be to transfer disputes on pecuniary payment commenced at the instigation of a business undertaking against its customer to the decision-making jurisdiction of the courts. Inter-departmental comments procedure on this draft act was commenced in September 2015, but the material had not been completed by the end of the year or had not been submitted for further consideration by the government. CTU played an active part in preparing the relevant material, both at the working preparation stage and as part of inter-departmental comments procedure, in that CTU considers the resolution of disputes according to Section 129 of the Act on Electronic Communications to be a fundamental problem that has been neglected for a considerable length of time. CTU expects further steps in the matter at issue in 2016.

CTU was, as a member of a preparatory team, also active in the preparation of a new draft law on evaluating the conformity of determined products when placed on the market. This law should create a legislative platform on which it will be possible to effectively transpose sector-specific directives and any other acts of European law in the relevant area in the legal order of the Czech Republic in the form of implementary government regulations relating to this law. From the perspective of electronic communications, this primarily involves the transposition of Directive 2014/53/EU of the European Parliament and of the Council on the harmonisation of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC, which should be done not later than 12 June 2016. The transposition of the relevant directive and the draft law fall within the remit of the Ministry of Industry and Trade.

In addition to the above, the development of legislation in the sphere of electronic communications and postal services was affected in 2015 by other activities at CTU, in particular the involvement of CTU representatives in various inter-departmental working groups and bodies. Most pronounced in this regard was radio and television broadcasting, in which CTU tried to contribute toward the creation of a concept that would lead to the digitalisation of terrestrial radio broadcasting and to further development of terrestrial television broadcasting, which has already been digitalised, by switching to the technologically higher broadcasting standard of DVB-T2. CTU was involved in such work as part

of working groups established by the Ministry of Culture or the Ministry of Industry and Trade. This work had not been completed by the end of 2015 and the finalisation of strategic documents was expected primarily at the beginning and in the course of 2016. Other important legislative amendments in the sphere of radio broadcasting having an effect on work at CTU in 2015 include the adoption of Act No. 79/2015 Coll., as amending Act No. 484/1991 Coll. on Czech Radio, as amended, and Act No. 231/2001 Coll. on the operation of radio and television broadcasting and amending other acts, as amended. This law was a reaction to the identified need of radio listeners to broaden the range of stations at Czech Radio, as part of satisfying the obligation to provide a public service, in the form of a new radio station aimed solely at news, journalism and educational programmes using part of the frequency spectrum in the very high frequency (VHF) band. However, Czech Radio is obliged to obtain the technical broadcasting facilities (radio frequencies) primarily by optimising its own broadcasting network, on the condition that this does not reduce coverage of the Czech Republic. Czech Radio is authorised to transmit this station using other electronic communication networks.

One piece of external legislation adopted in 2015 that must also be mentioned is Act No. 219/2015 Coll., as amending Act No. 153/1994 Coll. on the intelligence services of the Czech Republic, as amended, and certain other acts. This law responds to the previously-identified need of intelligence services and, *inter alia*, establishes for intelligence services in the new provisions of Section 11b of Act No. 153/1994 Coll. the authorisation to demand from a legal entity or natural person providing a publicly available telephone service information from the database of all its subscribers to the publicly available telephone service to the extent required to perform a specific task falling within their remit (see Section 61(4) in conjunction with Section 97(5) of the Act on Electronic Communications).

In terms of handling personal data or expressions of a personal nature, we should also point out the newly-adopted Act No. 320/2015 Coll. on the fire rescue service of the Czech Republic and amending certain acts (the Act on the Fire Rescue Service). While this law does not actually amend the Act on Electronic Communications, the issue it deals with means that there are close ties to its regulation, whether from the perspective of the use of numbers to make emergency calls (the uniform European emergency call number – 112 – and national emergency call numbers determined according to legal regulation in the numbering plan according to the Act on Electronic Communications (Section 7 of the Act on the Fire Rescue Service) or the authorisation which the fire rescue service has to take audio, visual or other footage or records of reports and the traffic and location data associated with this, which it transfers via electronic communication networks and services to the operations and information centre (Section 30 of the Act on the Fire Rescue Service).

In addition to the overview of legislative activities and specific amendments to legislation relating to the work done by CTU or non-legislative steps having an impact on the regulation of electronic communications or postal services, we can also look back at the year 2015 as one in which CTU representatives were involved in various inter-departmental working groups with long-term objectives. In this regard, we should emphasise a working group for the Ministry of Industry and Trade set up to handle a project to concern the matter of reducing the administrative burden imposed by legislation. We should also mention a working group at the Ministry of the Interior set up to deal with issues associated with the problem of corruption, the output from this working group, combined with the effect of the

Act on Civil Service, in part leading CTU to broaden its internal rules to encompass further measures to ensure a solution to any problems arising in this area. The primary measures involved here were the determination of an investigator and the setting of procedural rules for his/her work.

Besides domestic legislative work, CTU is also involved in activity having international or European consequences. We should mention in this regard its involvement in the system of allocating responsibility and the duty to discharge legislative obligations ensuing from the Czech Republic's membership of the EU – Information System for the Approximation of Law (ISAP), which is used to keep records of and check the discharge of the duties imposed on bodies of state administration in the implementation of European Union law. CTU duly complied with its obligations relating to this system in 2015 and no fundamental shortcomings of a factual or evidentiary character were identified in this regard.

We should also mention in this regard CTU involvement in the work of the Committee of the Government Plenipotentiary representing the Czech Republic before the EU Court of Justice established and managed at the Ministry of Foreign Affairs. The main work of the committee is to deal with administrative business in representing and defending the interests of the Czech Republic in proceedings before the EU Court of Justice and in proceedings to concern violation of the Treaty at the stage of proceedings before the European Commission, including the steps which precede this. CTU actively contributes toward finding solutions for specific cases in the sphere of electronic communications and postal services by providing its opinions within the relevant groups and at the same time endeavours to use experience and conclusions to concern other areas to the maximum possible extent and project these in applicable CTU practice. CTU responded in this way in 2015 by presenting its views in around 20 cases of proceedings to concern a preliminary ruling, 1 such case concerning a domestic dispute in which CTU was a party to the proceedings. This was specifically a dispute from the sphere of electronic communications determining the level of loss from the provision of a universal service for the year 2004. In the case in question, the EU Court of Justice agreed with the reasoning of the Czech Republic, or more specifically CTU (see Judgment of the ECJ in case C-508/14).

### 1.11. Crisis management and security

The Czech Telecommunication Office also carries out work in the sphere of crisis management and the security of electronic communications. Attention in these areas focused on the application of the Act on Electronic Communications to the practical activities of business undertakings, in particular according to Section 88 to 91, Section 97 to 99 and the relevant implementing decrees.

In terms of the security and protection of information, work focused on adherence to Section 88 to 91 of the Act on Electronic Communications by undertakings engaging in business in electronic communications, which lay down obligations in the sphere of protecting traffic and location data and the confidentiality of communications. Inspection work was also undertaken in relation to the implementation of Section 98 and 99 of the Act on Electronic Communications, which focus on the security and integrity of public communication networks and electronic communication services in normal and crisis situations. Four comprehensive audits were conducted, at telecommunication companies

ČEZ ICT Services, a.s., Itself s.r.o., GREPA Networks s.r.o. and UPC Česká republika s.r.o., in accordance with the tasks imposed on CTU by Section 88 and Section 99 of the Act on Electronic Communications. Audits at all the undertakings specified above focused on the obligations described. The undertakings perform the tasks determined in the Act on Electronic Communications at varying levels and quality. The CTU audit group imposed remedial measures on some of the undertakings mentioned, these aimed at complying with the statutory obligations specified.

CTU gathers information on serious breaches of security and loss of network integrity from business undertakings that ensure a public communication network or provide a publicly available service, doing so according to Section 98(4) and (5) of the Act on Electronic Communications. CTU received eight such reports from business undertakings in 2015. CTU then sends a summary report to the Commission and the European Union Agency for Network and Information Security (ENISA).

According to the provisions of Section 97(11) of the Act on Electronic Communications and in relation to subsection 10 of the same provision, CTU organised and ensured in January and February the collection of records of traffic and location data provided to authorised bodies by legal entities and natural persons providing a public communication network or providing a publicly available electronic communication service. After completing its collection and evaluation, CTU summarised the data and passed it on to the Commission of the EU.

Specialised cooperation between CTU and the National Security Agency is in place and is developed in terms of the development and introduction of security standards for cybernetic security in significant information systems at the Office.

At a national level, CTU took part in the preparation, conducting and evaluation of international training for NATO CMX – 2015 crisis management bodies in the sphere of electronic communications.

The Office is represented in the Defence Planning Committee and the Civil Emergency Planning Committee through the Chairman of the CTU Council. CTU, in accordance with resolutions made by the Government of the Czech Republic, the National Security Council and both committees, compiled the required documents relating to security and national defence, a national territory operations preparation plan and the issue of civil and emergency planning. Appointed CTU representatives were regularly involved in committee meetings. The authorised CTU representative attended meetings of the Council for Cybernetic Security, a working body of the Prime Minister of the Government. CTU carried out other tasks in the Coordinative Council of the Minister of Transport for Space Activity.

The protection of classified information was ensured at CTU in 2015 in accordance with Act No. 412/2005 Coll. on the protection of classified information and on security capacity, as amended, focusing on personal, administrative and physical security, including assurance of the operation of classified information systems.

## 2. International activities

CTU was involved in international relations in 2015 in line with the Government Resolution No. 507/2011 of

29 June 2011, which specifies the cases in which CTU ensures international relations in the sphere of electronic communications. In accordance with this Government Resolution and in accordance with the performance of tasks which arise from the Act on Electronic Communications, CTU last year coordinated and ensured direct participation at workshops in European Commission advisory committees and groups, the bodies or working groups of international organisations ITU, CEPT, OECD, ETSI and NATO, bilateral and multilateral meetings and at specialised events.

## 2.1. Office activity in relation to the European Union

CTU is represented in the advisory and working bodies of the European Commission and other organisations within the European Union. This primarily involves the following bodies:

### **BEREC – Body of European Regulators for Electronic Communications**

BEREC was established in Regulation (EC) 1211/2009 and its members are the national regulatory bodies of European Union Member States. The prime objective at BEREC is to contribute toward the development and better functioning of the internal market in the sphere of electronic communications, in that it endeavours to apply the regulatory framework of the EU in a uniform way, primarily by developing and sharing trusted regulatory procedures among national regulatory bodies. BEREC also issues statements on measures proposed by national regulatory bodies to concern market determination, determining business undertakings having significant market power and imposing remedial measures in accordance with Article 7 and 7a of the amended framework directive. It also provides national regulatory bodies, on request, with assistance in connection with analyses of relevant markets, issues statements on draft legislation compiled by the European Commission and provides expert opinions to the European Parliament and the Council of the European Union. BEREC is managed by the Board of Regulators, consisting of the 28 representatives of domestic regulatory bodies from individual European Union Member States. Its meetings are also attended by representatives of the European Commission and other observers. The BEREC Office, with its headquarters in Riga, Latvia, provides a base for the work done by BEREC.

### **IRG – Independent Regulators Group**

BEREC meetings are accompanied by meetings of IRG. IRG is a platform on which regulatory bodies are able to share information and experience, in that there are no representatives of the European Commission at its meetings.

Four regular joint sessions of BEREC and IRG were held in 2015, such meetings at which regulatory bodies are represented by their senior representatives. Achievement of the work programme at BEREC for 2015 is summarised in the BEREC Annual Report. BEREC compiled several regular comparative reports and several reports on topics which influence relevant market analyses, among them the Report on OTT Services, a Report on the Development of the Internet of Things and a Report on Oligopoly Analysis. BEREC was also involved to a considerable extent in the debate regarding a review of the regulatory framework for electronic communications as part of the broader Digital Single Market Strategy published by the European Commission on 6 May 2015. In the second half of 2015, BEREC primarily worked on an opinion on the review of the European Regulatory Framework, which the European Commission requested in July 2015.

## **ERGP – European Regulators Group for Postal Services**

ERGP is the advisory body to the European Commission whose members are national regulatory bodies in the sphere of postal services. Among the main tasks involved are providing the European Commission with advice and assistance as far as the development of the internal postal services market is concerned and consistent application of the regulatory framework for postal services in all Member States and in the consolidation of the internal postal services market. Individual working groups continued work in 2015 in the areas of regulatory accounting and price regulation, monitoring development of the postal services market, the implementation and development of the obligation to provide a universal service, consumer protection and other activities relating to, for example, access to the postal infrastructure or the provision of cross-border postal services. They discussed the results of a questionnaire regarding the application of special prices in individual Member States in relation to the decision of the European Court of Justice in case C-340/13. The aim was to ascertain the general approach of individual Member States to the application of special prices in accordance with Article 12 of the Directive.

Representatives of ERGP and BEREC presented the European Commission with a joint statement on price transparency and regulatory supervision of the cross-border delivery of packages at the end of 2015, which the European Commission had requested as part of its consultation regarding the Digital Single Market Strategy.

## **COCOM – Communication Committee**

COCOM is the advisory body to the European Commission which focuses on regulating electronic communications and its legislation. CTU takes part in the COCOM Committee together with the manager – the Ministry of Industry and Trade. The core topic in 2015 was principally discussion of the transposition of Directive 2014/61/EU of the European Parliament and the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks. The committee further dealt with matters such as the selection process and questions of authorisation, monitoring selected MSS 2 GHz systems, the BEREC report on the influence of OTT type services on the competitive process and the position of national regulatory bodies in conducting market evaluations etc.

## **RSPG – Radio Spectrum Policy Group**

RSPG is the advisory body to the European Commission in strategic matters to concern the use of the radio spectrum. It makes statements on fundamental current issues and primarily formulates its conclusions in RSPG Opinions and RSPG Reports. CTU is represented at RSPG together with the manager – the Ministry of Industry and Trade. In accordance with the work plan for 2015, RSPG compiled and, following public consultation, adopted an RSPG Opinion on common objectives for WRC-15 and on the long-term strategy for the future use of the 470-790 MHz band in the European Union, an RSPG Report on spectral matters of wireless backhaul and compiled draft RSPG Opinions on the future implementation of the existing RSPP in matters of the spectrum and an RSPG Report on the effective allocation of rights and the use of the spectrum. As part of its activity, RSPG regularly provides support to Member States in bilateral and multilateral coordinative meetings.

## **RSC – Radio Spectrum Committee**

RSC is the advisory body to the European Commission which participates in the preparation of measures aimed at achieving the harmonised and effective use of the radio spectrum in the European Union, including submissions for CEPT regarding the conducting of technical studies and the compilation of draft regulatory measures handed down in the form of European Commission mandates. CTU is represented at RSC together with the Ministry of Industry and Trade. The key topics in 2015 were draft harmonisation implementing decisions regarding the 2.3 GHz and 700 MHz bands, the finalisation of a draft decision on the harmonisation of unpaired sections of the 2 GHz band for PMSE, the level of implementation of regulatory measures of the European Union in European Union Member States, the submission of CEPT mandates for studies of the possibility of easing the conditions of operating mobile communications on board aircraft and ships (MCA, MCV), cooperation with TCAM and performance of the radio spectrum policy programme (RSPP).

## **TCAM – Telecommunication Conformity Assessment and Market Surveillance Committee for the purposes of Directive 1999/5/EC**

In 2015, TCAM and ADCO R&TTE, the group for administrative cooperation which acts therein, dealt with the impacts of a review of the R&TTE Directive (1999/5/EC), replaced by Directive 2014/53/EU, current questions involving the harmonisation of the conditions of assessing conformity and the placement of radio and telecommunication terminal devices on the European Union common market. CTU representatives in the groups in question were primarily involved in measures to ensure the uniform use of radio frequencies in products aimed at preventing and eliminating harmful interference.

## **ENISA – European Network and Information Security Agency**

ENISA is the advisory body to the European Commission which harmonises the processes and procedures of national regulatory bodies aimed at the resilience, security and integrity of electronic communication networks and services, including information systems. ENISA gathers fundamental information on serious incidents having arisen in the electronic communication networks and services of business undertakings, doing so by way of annual reports from EU Member States and partner states. A total of three ENISA workshops were held in 2015, with CTU representatives in attendance. The topics discussed at these meetings focused on the performance of tasks and an evaluation of the impacts of implementing Article 13a and 13b of Framework Regulation 2002/21/EC under national conditions. The adequacy of this directive or the essential need for future updating was the main topic of discussion, focusing on the security, resilience and integrity of electronic communication networks and services. Among the fundamental documents compiled were “Evaluation of risks and threats and their impact on electronic communications”, “Technical guidelines for the evaluation of serious incidents” and “Annual report on serious incidents in electronic communication networks and services” within the countries of the EU.

## **The following are among the other EU-related activities carried out in 2015:**

The Eastern Partnership (EaP) is a project whose aim is to pass on the experience and knowledge of European Union Member States to the regulators of the six countries of the EaP (Armenia, Azerbaijan, Belarus, Georgia, Moldova

and Ukraine) under the leadership of the EC, representatives of which also attend the meetings. The work of EaP during 2015 was evaluated at a plenary session and two new specialised working groups were approved based on the requirements of the eastern countries (Radio Spectrum Working group and Benchmarking Working group). A new member was accepted to EaP (Macedonia) and a chairman and vice-chairman elected for 2016. CTU representatives regularly take part in workshops, where they pass on their experience of CTU and of cooperation within the EU.

Achievement of EU strategic objectives – the Europe 2020 strategy within the Digital Agenda for Europe is evaluated in a document that is published each year entitled the Digital Agenda Scorecard, providing information on the advancement of individual Member States in implementing European legislation in national legislation and an evaluation of the regulatory environment in Member States. The fifth such document was published in June 2015 (Digital Agenda Scoreboard 2015: Strengthening the European Digital Economy and Society), containing an evaluation of development on electronic communication markets, regulation and its impacts on the market. CTU was involved in preparing materials and provided a considerable amount of information in the second half of 2015, mainly data about electronic communication markets, services on mobile and fixed line networks, tariffs and high-speed access indicators.

## 2.2. International activities at the Office in relation to other international bodies and organisations

### **International Telecommunication Union (ITU)**

CTU ensured the coordination of the Czech Republic's preparation and subsequent participation in the World Radiocommunication Conference (WRC-15), which was held between 2 and 27 November 2015. The Office ensured the Czech Republic's preparation at a national level within a working group which it coordinated, the members of which were representatives of the main users of the radio spectrum. The working group produced a document, Czech Brief, which contained the position of the Czech Republic on the individual points of the programme at WRC-15. This was the defining document for accession to ECP - European Common Proposals – and for the approach of the Czech delegation at WRC-15. CTU provided representation at a meeting of the Radiocommunication Assembly RA-15 that preceded the conference, from 26 to 30 October, and at the preparatory meeting of the CPM19-1 immediately following the conference (30 October and 1 November 2015). As part of its responsibility for such issues, CTU also involved itself in study groups and project groups for mobile communication, radio radiocommunication services and satellite services and in doing so contributed toward the preparation and adoption of a range of ITU-R reports and recommendations that are to serve Member States as guidelines for the administration and use of the radio spectrum in order to secure national needs and avoid mutual interference of radiocommunication services. CTU provided operating and statistical information for the analytical documents compiled by ITU.

### **European Conference of Postal and Telecommunications Administrations (CEPT)**

CTU was represented in CEPT bodies – Electronic Communications Committee (ECC), Committee for ITU Policy (Com-ITU) and the European Committee for Postal Regulation (CERP) – and in the working groups of com-



mittees. CTU representatives took part in the work of the following working groups: WG FM (Frequency Management), WG SE (Spectrum Engineering), WG NaN (Naming and Numbering), CPG (Conference Preparatory Group), ECC/PT1 (Mobile Communication) and their subgroups (project teams). The output from these working groups is used by CEPT member administrations and CEPT Reports compiled based on European Commission mandates are the basis for the issue of EU harmonisation documents. The most important results of work include CEPT Reports on the harmonisation of the 700 MHz band for wireless high-speed communication (WBB – Wireless Broadband) and other applications, on the harmonisation of sections of unpaired 2 GHz bands for PMSE (Public Making Special Event) and on the possibility of broadening the use of the 5 GHz band for RLAN (Radio Local Area Network) systems. CTU took part in the joint preparation of European countries for WRC-15 as part of CEPT and compiled Common European Proposals regarding points 2 and 4 of the conference programme. A CTU representative occupied the position of European coordinator of these points at WRC-15.

### **European Communications Office (ECO)**

ECO is an organisation which provides CEPT with expert and administrative support. As part of the responsibilities pertaining to it, CTU represented the Czech Republic in the steering committee – the ECO Council. CTU also provided data for ECO by compiling the relevant questionnaires, updated national data in the European Frequency Information System (EFIS), administered by ECO, which the European Commission considers a fundamental source of information for reviews of the spectrum, and took part in the work of a working group to ensure the maintenance and development of this information system. The EFIS system was periodically updated in 2015 and supplemented with data on the use of the radio spectrum in accordance with the requirements of EC Decisions regarding EFIS.

### **North Atlantic Treaty Organisation (NATO)**

CTU was involved in the Industrial Resources and Communications Services Group (IRCSG), focusing on provision of electronic communications and post for the needs of security and defence and for crisis situations. It also participated in meetings within the Civil/Military Spectrum Panel, which coordinates the use of the spectrum by civilian and non-civilian units. Two meetings of the working group and two plenary sessions focusing mainly on the creation of an e-learning tool for the preparation of experts in the sphere of electronic communications were held within the Industrial Resources and Communications Services Group in 2015. Other topics of discussion concerned extreme weather conditions, in particular extreme cosmic weather (for example strong solar storm, hurricane-type weather catastrophes etc.), and their impacts on electronic communication and postal services, giving rise to the need for crisis management and defence. Talks also concentrated on new trends and technologies (for example LTE) and the possibilities for using them for security and defence purposes. A considerable part of discussions was devoted to evaluation and planning in relation to the end of the two-year planning cycle.

### **Organisation for Economic Cooperation and Development (OECD)**

CTU, in cooperation with the Ministry of Industry and Trade, took part in the preparation of analytical documents from the sphere of electronic communications and ICT and evaluative documents regarding economic develop-

ment in OECD member states as part of a working group for strategic questions involving telecommunication infrastructures and services (WP CISP) and provided statistical data from its area of activity.

### **European Telecommunications Standards Institute (ETSI)**

In accordance with the responsibility bestowed on it, CTU represents the Czech Republic at the supreme body of ETSI (Assembly) in the category of national telecommunication administrations and therefore jointly decides on basic issues involving the management of the organisation and the direction which work activities should take to achieve the creation of standards and the economic management of ETSI.

## **2.3. Other international activities**

### **2.3.1. Bilateral and multilateral relations and other international activities**

CTU employees continued their participation in bilateral and multilateral discussions in 2015 in relation to the coordination of radio frequencies with representatives of the administrations of Central European countries, expert education events held by foreign institutions, manufacturers and suppliers, negotiations with partner regulatory bodies from European countries on the coordination of procedures and exchanges of experience, specialised public presentations and conferences.

#### **The international coordination of radio frequencies**

The conditions and procedures of the international frequency coordination of radio frequencies used for fixed line and mobile services are regulated by the multilateral HCM Agreement, as amended. CTU representatives attend regular meetings of working subgroups of the HCM Agreement that are established separately for the issues of terrestrial mobile and fixed line services twice a year. CTU is also represented in the Regional Arrangement on the Radiocommunication Service for Inland Waterways committee.

In 2015, the Telecommunication Conformity Assessment and Market Surveillance Committee (TCAM) and the ADCO R&TTE group for administrative cooperation therein primarily dealt with the transition from Directive 1999/5/EC (R7TTE) to Directive 2014/53/EU (RED), which enters into effect on 13 June 2016. These bodies also dealt with current issues involving the harmonisation of the conditions of considering conformity and of placing radio and telecommunication terminal equipment on the European Union common market. CTU representatives in the groups in question were primarily involved in measures to ensure the uniform use of radio frequencies in products aimed at preventing and eliminating harmful interference.

#### **Bilateral and multilateral coordinative discussions on the issue of radio and television broadcasting**

The preparation and drafting of new frequency plans for the future use of the UHF band were carried out as part of six sets of bilateral or multilateral coordinative discussions with the administrations of neighbouring states. A stable frequency plan had been finally agreed by the end of the year with the administration of Germany, which will move ahead with its implementation in 2016, the aim being to complete the transition to the new plan by the middle

of 2019. Very positive agreement was also achieved with the administration of Poland. Negotiations only got underway with representatives of the administrations of Slovakia, Hungary and Austria and apart from the complicated situation in common border areas, the issue is also influenced primarily by the fact that some states (mainly on their southern borders) have not yet moved to DVB-T broadcasting. For these reasons it was not possible to complete the preparation of the new frequency plan and coordinative discussions will continue in the forthcoming period. Apart from completing the new frequency plan, the aim at CTU is also to coordinate the frequencies required to ensure parallel time restriction of DVB-T2 broadcasting, an essential condition for implementing the transition from the DVB-T system to the DVB-T2 system and which should get underway during 2016.

## CHAPTER 3

### INFORMATION ON THE NEED TO ADOPT NEW REGULATIONS OR AMENDMENTS TO EXISTING REGULATIONS

#### 1. Electronic communications

##### 1.1. The need for an amendment to the Act on Electronic Communications

Regulation (EU) No. 2015/2120 of the European Parliament and of the Council of 25 November 2015 laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services and Regulation (EU) No. 531/2012 on roaming on public mobile communications networks within the Union was ratified in 2015. The regulation in question has been applied since 30 April 2016, with the exception of the cases explicitly specified. Despite being a regulation, meaning a directly applicable regulation of European law, it will be required, at least in the area of administrative penalisation, to ensure timely change or to supplement the Act on Electronic Communications. The manager of the changes to the Act on Electronic Communications required for the due fulfilment of the regulation in question is the Ministry of Industry and Trade of the Czech Republic, although CTU is prepared to provide intensive cooperation in the preparation of the relevant legislation.

The transposition of Directive 2014/61/EU of the European Parliament and the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks must also be completed. The Ministry of Industry and Trade submitted a draft of the law in question (Act on Measures to Reduce the Costs of Deploying High-speed Electronic Communication Networks) for inter-departmental comments procedure by the end of 2015, with further steps expected at the beginning of 2016, in that the time limit for transposition expired on 1 January 2016.

The transposition of Directive 2014/53/EU of the European Parliament and of the Council of 16 April 2014

on the harmonisation of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC should also be transposed by the manager, the Ministry of Industry and Trade, in 2016 (not later than 12 June). For the transposition in question to be achieved, however, the legislative process regarding the draft law on evaluation of the conformity of determined products upon their placement on the market must first be completed. This law should create a legislative framework on the basis of which it will be possible to issue an implementing government regulation for this law and thus effectively transpose in the legal order of the Czech Republic the individual sector-specific directives and any other acts of European law in the area of European harmonisation of the conditions for evaluation of the conformity of determined products upon their placement on the market.

## 1.2. Subscriber disputes – disputes over complying with the obligation to pay

The trend in subscriber disputes, i.e. private disputes over compliance with the obligation to pay between parties undertaking communication activity on the one hand and a subscriber or user on the other (Section 129 of the Act on Electronic Communications) did not change dramatically in 2015. Although CTU increased the number of its staff involved in dealing with this agenda in 2013, the results from 2014 do not allow us to conclude that this measure resolved the problems that prevail in this area of work.

The Ministry of Industry and Trade imposed a new task in this regard, i.e. to compile analytical material of a non-legislative nature that could act as the basis for further expert discussion in the matter at issue. Further steps in taking decisions on a final solution for the problem in question are therefore expected in 2016, including the adoption of an amendment to the relevant legislation. In Government Resolution No. 220 of 30 March 2015, the Ministry of Justice was provided with the task of preparing a draft law by way of which the relevant business would be transferred to the decision-making jurisdiction of the courts. This move resulted from analytical material mapping out the relevant issue. The requested draft law was prepared by the Ministry of Justice, with the cooperation of other departments, including CTU, and opened up to inter-departmental comments procedure in September 2015. However, the material had not been completed by the end of the year or had not been submitted for further consideration by the government. CTU therefore expects further steps in accomplishing the relevant government assignment at the beginning of 2016.

## 1.3. The need to issue implementing regulations for the Act on Electronic Communications

The need to issue certain amendments to the implementing legal regulations for the Act on Electronic Communications is linked to the change in the legal framework of electronic communications made in 2015 and also to the general need to respond to development in the sector.

Development in the relevant regulatory agenda and national policy adopted in the sphere of electronic communications therefore make it appropriate to undertake a review and make the relevant amendment to the following implementing legal regulations in particular, which fall within the remit of the Ministry of Industry and Trade:

Government Regulation No. 154/2005 Coll., on determining the amount and method of calculating charges for using radio frequencies and numbers, as amended;

Decree No. 155/2005 Coll., on the method of creating call signals, identification numbers and codes, on the use thereof and on the types of radio communication services for which they are required;

Decree No. 117/2007 Coll., on the numbering plans of electronic communication networks and services, as amended.

The World Radiocommunication Conference (WRC 2015) was held in 2015. The conclusions of the conference must be projected in the new wording of Decree No. 105/2010 Coll., on the Frequency Band Allocation Plan (National Table of Frequency Allocation).

The legal regulations specified above are among the fundamental legal tools of regulation. Amendments to them should therefore respond to the needs of the electronic communications sector and the development of technologies and services in electronic communications and should focus on achieving the objectives adopted by national policies in the relevant area and on the needs identified from practice.

The force of authorisation to control in the form of a certificate according to legal regulation valid until 1 January 2014 will come to an end not later than 31 December 2017, this in accordance with Section 29(2) of Act No. 255/2012 Coll. on control (the Rules of Control). Taking this into consideration, it is necessary to prepare the corresponding amendment to Decree No. 159/2005 Coll., determining the model certificate for the exercise of state control in electronic communications, as amended by Decree No. 26/2006 Coll. The relevant amendment should also reflect the relevant changes brought about by the Act on Civil Service (Act No. 234/2014 Coll.) in relation to persons authorised to ensure the exercise of control activities on behalf of a control body or their entry to service under this law.

## 2. Postal services

CTU has not yet identified any fundamental need to amend the legal regulation in force in this area, in that the most recent amendment to the Act on Postal Services entered into effect on 1 January 2016.

### 2.1. The need to issue implementing regulations for the Act on Postal Services

CTU previously prepared a draft amendment to Decree No. 464/2012 Coll., on the determination of specifications of individual universal services and basic quality requirements for their provision, by way of which it primarily intended to respond to amendments to the Acts of the Universal Postal Union in the sphere of providing postal services to the blind, adopted among the conclusions of the Universal Postal Union congress (Doha, 2012). Subject to authorisation according to Section 3(2)(a) of the Act on Postal Services, as amended by Act No. 212/2013 Coll., CTU also prepared a draft government regulation on determining the minimum number of post offices for the provision of universal services. The legislative process of amending the decree was not completed in light of the direct link between the

government regulation in question and the content of Decree No. 464/2012 Coll., in that this will happen after the adoption of the relevant government regulation. Government Regulation No. 178/2015 Coll. on determining the minimum number of post offices for the provision of universal services was adopted in 2015, entering into effect on 1 January 2016. In this government regulation, the government laid down the minimum number of post offices for the provision of universal services at 3,200 based on the relevant authorisation according to Section 3(2)(a) of the Act on Postal Services. Due to the fact that the government regulation in question is, as a result of its regulation, a fundamental change to the legal framework for universal services, it was also necessary to modify the draft amendment to Decree No. 464/2012 Coll. and in doing so to ensure the factual accord of both legal regulations. In light of the fact that it was not possible to complete the legislative process of amending Decree No. 464/2012 Coll. by the end of 2015 as a result of the existence of fundamental objections that the solution submitted for determining the density of service points goes beyond the statutory authorisation, this will be done by CTU at the beginning of 2016.

As is the case in the area of electronic communications, the manager (Ministry of Industry and Trade) must ensure the issue of an implementing legal regulation to determine a model certificate for the exercise of control in the sphere of postal services to be able to exercise such control, this in accordance with Act No. 255/20012 Coll. on control (the Rules of Control) and the relevant amended Act No. 258/2014 Coll., which., *inter alia*, amends the Act on Postal Services. The legal regulation at issue should, to ensure a harmonised form of certificate for the exercise of control at CTU, draw on regulation for the area of electronic communications, meaning that a harmonised form of certificate for both areas of the exercise of control may come under consideration.

## CHAPTER 4

### THE ORGANISATION AND OPERATION OF CTU

#### 1. Financial results

The binding indicators of Chapter 328 – CTU – ensue from Act No. 345/2014 Coll. on the state budget of the Czech Republic for 2015, as amended. An overview of the achievement of these indicators is provided in Appendix No. 9, while Appendix No. 10 presents an overview of binding indicators for 2016 (an obligation laid down by the Act on Electronic Communications).

#### 1.1. Evaluation of the achievement of indicators of Chapter 328 – Czech Telecommunication Office

##### **Total income**

The approved budget for the binding indicator of total income of CZK 1,097,832,886 was not adjusted during 2015. The actual amount was CZK 1,222,642,878.47, meaning that the adjusted budget was achieved at a level of 111.37 % and was exceeded by CZK 124,809,992.47.

Tax income / administrative fees amounting to CZK 53,506,823.38 were collected, meaning that the adjusted budget was achieved at a level of 300.35 % and exceeded by CZK 35,691 823.38.

A significant part of non-tax income is income arising from CTU activity, i.e. income from the administration of the radio spectrum, which accounted for CZK 1,013,523,307.77, and income from the administration of numbers of CZK 105,590,013.86.

Income from the European Union budget is included in the category of non-tax income, with the adjusted budget of CZK 2,650,886 being achieved at a level of 907.25 %, reaching CZK 24,050,193.62. CTU received the following income:

18,047,726.98 - project reg. no. CZ.1.06/1.1.00/14.08496, entitled "Connecting non-editing AIS CTU to IS of basic registers",

CZK 3,945,312.77 - project reg. no. CZ.1.04./4.1.00/48.00030, entitled "Effective administration CTU",

CZK 1,984,958.25 - project reg. no. CZ.1.04./4.1.00/59.00015, entitled "System of tools for the regulatory body for the purposes of ensuring a competitive environment for the provision of postal services on the liberalised postal market",

CZK 72,195.62 - project reg. no. CZ.1.04/4.1.00/B6.00045, entitled "Increasing the quality of selected personnel management activities at CTU".

The achievement of these budget incomes is influenced by the dates of approval of monitoring reports and the subsequent approval and referral of eligible expenditures. A very long time often passes between the approval of a monitoring report and the referral of eligible expenditures; CTU is unable to influence this situation.

CTU collected CZK 24,528,317.07, i.e. 570.43 % of the adjusted budget, in penalties imposed in administrative proceedings in 2015.

CTU budgeted for income from the lease of other real estate or parts thereof of CZK 67,000 in 2015. The actual income achieved was CZK 119,460, meaning 178.30 % of the adjusted budget and CZK 52,460 extra. This is income from the lease of rooms in the CTU building in Sokolovská Street by the building manager and from the lease of space in which to place drinks vending machines, as well as payment from the town of Loket for the use of an aerial carrier as a viewing tower at the Karlovy Vary monitoring station, which is part of the Automatic System of Monitoring the Frequency Spectrum.

Incomes shown in other income items are random in nature and are not therefore budgeted.

Income from the administration of the radio spectrum goes to the Radiocommunication Account according to the Act on Electronic Communications and government regulation. The sum of CZK 63,439,383 was transferred into this account in 2015, with the actual income for 2015 reduced by this amount. An overview of the creation of and drawing on the Radiocommunication Account is presented in point 1.2 of this chapter of the Report.

Overviews of all incomes for 2015 are presented in Appendix No. 9 and planned incomes for 2016 are presented in Appendix No. 10 to this Report.

### Total expenditures

In 2015, CTU received budget resources from the VPS chapter amounting to CZK 1,498,048, which ensued from Government Resolution No. 748 of 23 September 2015 on consolidating the expenditures of selected budget chapters in 2015 – purpose code: 153980048.

CTU used the opportunity to draw “entitlements” of CZK 80,909,685.20 for needs not secured by the budget in 2015.

Savings were made from the 2015 budget of CZK 215,368,012.91, of this CZK 20,517,829.43 a saving on expenditure on covering loss from the provision of a universal service, CZK 10,552,483.37 a saving on the expenditure on projects jointly financed by the EU and CZK 184,297,700.11 relating to other expenditure items.

Total expenditures of CZK 685,717,268.20 were drawn in 2015, meaning 88.83 % of the adjusted budget.

The budget of expenditures at CTU is segmented according to the budget composition from the sector-specific perspective into four paragraphs, i.e.

paragraph 241200 – Telecommunication matters;

paragraph 246100 – Activity of central bodies of state administration in communications;

paragraph 249100 – International cooperation in communications;

paragraph 527334 – Other administration in the sphere of crisis management.

in CZK

Indicator/paragraph	Approved budget 2015	Adjusted budget 2015	Actual situation as at 31.12.2015	% of drawing (3/2)
a	1	2	3	4
Total expenditures	770 413 586	771 911 634	685 717 268,20	88,83
of which:				
paragraph 241200	158 000 000	158 000 000	137 482 170,57	87,01
paragraph 246100	598 153 586	598 661 634	537 435 983,88	89,77
paragraph 249100	14 180 000	15 170 000	10 777 105,75	71,04
paragraph 527334	80 000	80 000	22 008,00	27,51



Expenditures are further segmented into current expenditures and capital expense.

in CZK

Indicator	Approved budget 2015	Adjusted budget 2015	Actual situation as at 31.12.2015	% of drawing (3/2)
a	1	2	3	4
Total expenditures of which:	770 413 586	771 911 634	685 717 268,20	88,83
Current expenditures	683 013 586	684 511 634	639 419 691,03	93,41
Capital expenditures	87 400 000	87 400 000	46 297 577,17	52,97

### Current expenditures

Current expenditures of CZK 639,419,691.03 were drawn in 2015, meaning 93.41 % of the adjusted budget.

#### Paragraph 241200 – Telecommunication matters

It is here that the expenditure on covering loss from the provision of a universal service is budgeted, primarily for special prices provided to the disabled and people on low incomes, this incurred by the provider and which the state has undertaken to cover via CTU according to Section 38(3) of the Act on Electronic Communications.

The loss of the provider of a universal service, Telefónica, for the provision of special prices in 2014, was evaluated in 2015. The total coverage of the loss incurred by the company was CZK 89,241,313.57.

The net costs of the provision of a universal service by Telefónica in 2014, was evaluated in 2015. The total coverage of these costs was CZK 48,240,857.

#### Paragraph 246100 – Activity of central bodies of state administration in communications

The predominant part of expenditures incurred by CTU is budgeted in this paragraph. Of the total volume of current expenditures, more than half (60.84 % of the adjusted budget, 68.84 % in reality) is accounted for by mandatory expenses in the sphere of salaries and other payments for work done, including compulsory insurance premiums paid by the employer and transfer to the cultural and social needs fund, with the remainder used to purchase materials, water, fuel and energy, services, other purchases, such as repairs and maintenance, software, inland travel and hospitality, non-investment contributions provided and payments – mainly for discharging the position of “custodians” – the payment of taxes and duties (road tax vignettes) and compensation for pay during illness.

#### Paragraph 249100 – International cooperation in communications

It is in this paragraph that CTU budgets the expenditures on international cooperation, primarily the cost of foreign business trips associated with exercising responsibility assigned by the relevant ministry or cooperating with the relevant ministry (Ministry of Industry and Trade), with which CTU is entrusted by Government Resolution No. 676 of 1 June 2005, contributions to international organisations in which CTU represents the Czech Republic, the fees for attending international conferences, the purchase of information and publications from international organisations and the purchase of services and other purchases in connection with holding international meetings in the Czech Republic.

#### Paragraph 527334 – Other administration in the sphere of crisis management

It is in this paragraph that the CTU budgets the expenditure on crisis management activity according to Act No. 240/2000 Coll., on crisis management and amending certain acts (Crisis Act), as amended. It earmarked expenditures of CZK 80,000 for this activity in 2015, although the actual expenditure was CZK 22,008, meaning that it drew 27.51 % of the adjusted budget.

#### **Capital expenditures**

CTU drew capital expenses for the programme registered in the SMVS system (Administration of assets owned by the State) at the Ministry of Finance having registration number 128010 – The development and modernisation of the material and technical base at CTU – and budgeted these expenditures only in paragraph 246100. The approved budget for 2015 was CZK 87,400,000. Capital expenses of CZK 46,297,577.17 were drawn, meaning 52.97 % of the adjusted budget. The high level of drawing in item 6111 was caused by the implementation of a project jointly financed by the EU entitled Connecting non-editing AIS CTU to IS of basic registers, for which the vast majority of the expenditure was expended in 2015. As a result of this, the project, the implementation of which was originally planned for the end of 2014, was financed in 2015 using entitlements from unused expenditures.

#### **The salaries of employees and other payments for work done**

The budget for this indicator was adjusted during the year by way of one budget measure that was subject to approval by the Ministry of Finance. The approved budget for 2015 was increased by CZK 1,109,665 in connection with the implementation of Resolution of the Government of the Czech Republic No. 748 of 23 September 2015.

The budget for salaries of employees in labour relations was increased by CZK 2,640,000 during the year and also by incorporating entitlements from unused expenditures for a project jointly financed by the EU and non-profiling entitlements from unused expenditures. As a result, the adjusted budget for 2015 was drawn at a level of 106.06 %.

The budget for salaries of employees at administrative authorities was reduced by CZK 2,640,000 during the year and increased by incorporating entitlements from unused expenditures for a project jointly financed by the EU and non-profiling entitlements from unused expenditures. As a result, the adjusted budget for 2015 was drawn at a level of 130.28 %.

The approved budget for the indicator of Other payments for work done was increased during the year by

incorporating entitlements from unused expenditures of a total of CZK 1,034,726 for other personnel expenditures, the salaries of representatives of state authority, different types of severance pay and was drawn in 2015 at a level of 111.31 %.

#### **Mandatory insurance premium paid by the employer**

This type of expense is drawn depending on the wages actually paid. The approved budget was increased by CZK 377,286 in connection with the above-mentioned Resolution of the Government of the Czech Republic. Entitlements from unused expenditures for a project jointly financed by the EU and non-profiling entitlements from unused expenditures were also incorporated. CZK 84,982,280 was drawn, meaning 108.54 % of the adjusted budget.

The indicator incorporates the expenditure on premiums for social security and a contribution to the state employment policy, in relation to which CZK 62,466,311 was drawn in 2015, i.e. 108.52 %.

The expenditure on paying the insurance premium for public health insurance also belongs here and CZK 22,515,969 of the adjusted budget was drawn, meaning 108.58 %.

#### **Transfer to the cultural and social needs fund**

CZK 2,454,608 was transferred to the cultural and social needs fund in 2015, meaning 109.97 % of the adjusted budget. The cultural and social needs fund showed a balance of CZK 831,758.17 as at 31.12.2015.

#### **Total expenses jointly financed by the EU budget not including the common agricultural policy**

In this indicator, CTU budgeted capital expenses and current expenditures intended for the payment of the expenditure on projects relating to call number 14 of the Integrated Operational Programme and call no. B6 of the Operational Programme Human Resources and Employment.

CTU executed a total of two projects jointly financed by EU funds during the period under consideration. These projects were as follows:

CZ.1.04/4.1.00/B6.00045, entitled "Increasing the quality of selected personnel management activities at CTU". A total of CZK 2,570,711.83 had been drawn within the scope of this project as at 31.12.2015, of this CZK 385,606.74 from the state budget and CZK 2,185,105.09 from the EU budget.

CZ.1.06/1.1.00/14.08496, entitled "Connecting non-editing AIS CTU to IS of basic registers". A total of CZK 19,789,226 had been drawn within the scope of this project as at 31.12.2015, of this CZK 2,968,384.10 from the state budget and CZK 16,820,841.90 from the EU budget.

The first project specified above is executed within the bounds of call no. B6 of the Operational Programme Human Resources and Employment, the second within the bounds of call no. 14 in the Integrated Operational Programme.

Such expenditures were drawn during the period under consideration at a level of 716.97 % of the adjusted budget, i.e. CZK 22,359,937.83, of this CZK 3,353,990.84 from the state budget and CZK 19,005,946.99 from the EU

budget. Besides the approved budget, the projects were also financed using savings made on projects in previous periods. CZK 28,179,029.20 of entitlements from unused expenditures were incorporated for the project in the Integrated Operational Programme and CZK 1,614,701 were incorporated for the project in the Operational Programme Human Resources and Employment in 2015.

### **Total expenditures on programmes executed in ISPROFIN**

CTU had one programme registered in the SMVS register in 2015, having registration number 128010 - The development and modernisation of the material and technical base at CTU – with total approved capital expenses of CZK 87,400,000. CZK 413,820 in current expenditures were also drawn via SMVS in 2015, these being drawn within the bounds of a programme jointly financed by the EU entitled Connecting non-editing AIS CTU to IS of basic registers.

## **1.2. The economic management of non-budgetary resources**

### **Account for the coverage of loss and net costs from the provision of a universal service**

In addition to the loss arising from a universal service covered by the state and budgeted in the CTU chapter (for the “Special prices and pricing plans” service), CTU has also administered the universal service account since 2005, this having been set up in 2002 as an account for external resources having the broadened prefix of “16010” and the name of “External resources – universal service” at the Czech National Bank, Prague branch. The account was set up according to Section 32 of the Act on Telecommunications. This account was closed in December 2013 with the transfer of the balance to the Radiocommunication Account.

Another external resources account was set up in 2008 in order to pay the costs of the provider of the universal service according to Section 49(3) of the Act on Electronic Communications. The account was also set up at the Czech National Bank, Prague branch, with the prefix of “46017”. There was a zero balance in the account at the beginning of the year and then, during the year, contributions were credited to the account by individual operators of CZK 0, while O2 regularly paid these contributions to a total of CZK 0.

<b>Balance of account as at 1.1.2015</b>	<b>0</b>
Contributions from operators	0.00
Paid by O2	0.00
<b>Balance of account as at 31.12.2015</b>	<b>0</b>

Table 22 - Account 46017-725001/0710 (in CZK)

### **The Radiocommunication Account**

The obligation to set up the Radiocommunication Account, which CTU administers, arose for CTU from the Act on Electronic Communications. The account was opened at the Czech National Bank, Prague branch, as an external

resources account with the broadened prefix of “26016”. It is created according to Government Regulation No. 153/2005 Coll., on the determination of the method of providing funds to the radio communication account, the amount thereof, and the method of fund withdrawal, at 6 % of the fees collected for the use of radio frequencies. Money is transferred to the account on a quarterly basis (invariably after the quarter having passed).

Money is used to cover the effectively and purposefully invested costs incurred by the holders of individual authorisation to use radio frequencies or the operators of electronic communication networks for whom these costs arose from the effective date of the government regulation on the technical transition plan until the date of expiration of terrestrial analogue television broadcasting in the Czech Republic. The eligibility of the invested costs claimed by the holder or operator is considered by a committee of experts appointed at CTU for this purpose. CZK 0 was paid from the Radiocommunication Account for this purpose in 2015.

An amendment to the Act on Electronic Communications valid as of 1.1.2012 also allows CTU to use the funds in the Radiocommunication Account to evaluate cases according to points 2, 3 and 4 of this amendment, monitor the status and extent of the transmission of television signal, analyse the availability of television broadcasting and effectively use radio frequencies, or indeed to pay extraordinary costs associated with CTU activity etc. CTU paid invoices totalling CZK 53,305,146.72 from the Radiocommunication Account in 2015. These resources were used for:

expenditures associated with the Automated system of monitoring of the frequency spectrum totalling CZK 24,156,532.23;

expenditures associated with the administration of the frequency spectrum totalling CZK 19,811,683.32;

expenditures associated with the auction of frequencies totalling CZK 7,352,712.67;

other expenditures totalling CZK 1,984,218.50.

Balance of account as at 1.1.2015	297,152,150.34
Generated in 2015	63,439,383.00
Drawn in 2015	53,305,146.72
Balance of account as at 31.12.2015	307,286,386.62

Table 23 - Overview of the balance of the Radiocommunication Account (in CZK)

#### **Account for the development of terrestrial digital television broadcasting**

According to Act No. 304/2007 Coll., amending certain acts in connection with the completion of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, CTU set up the account for the development of terrestrial digital television broadcasting in 2008 and continues to administer it to this day. Czech Television (Česká televize) transferred funds from the proceeds of commercials of CZK 1,250,000 a month into this account, invariably by the end of the subsequent calendar month for the previous calendar month.

CTU uses the funds deposited in this account to support and develop terrestrial digital television broadcasting in the Czech Republic, in particular to develop the electronic communications network for terrestrial digital television broadcasting. The account was opened at the Czech National Bank, Prague branch, as an external resources account with the broadened prefix of “36011”.

CTU did not use the funds in the account for any expenditure in 2015.

The account showed a balance of CZK 1,278,221.94 as at 31.12.2015.

Balance of account as at 1.1.2015	1,278,221.94
Generated in 2015	0.00
Drawn in 2015	0.00
Balance of account as at 31.12.2015	1,278,221.94

Table 24 - Account for the development of terrestrial digital television broadcasting

#### **Current bank account for payment cards**

CTU has, since 2002, had a current account at ČSOB a.s., Prague 9 branch, for the purpose of obtaining VISA BUSINESS payment cards with which to pay expenses, mainly for accommodation during foreign business trips. This account it has with the prior consent of the Ministry of Finance.

The account showed a balance of CZK 2,423.54 as at 1.1.2015. The sum of CZK 904,282.78 was transferred into the account from the expense account in 2015. Payments made using the VISA card totalled CZK 643,571.56 on 31.12.2015. Payment card fees were CZK 3,326 and the bank fees for January to December 2015 were CZK 7,002. The closing balance in the account as at 31.12.2014 was CZK 2,423.54.

The closing balance in the account as at 31.12.2015 was CZK 808.25.

The CTU account for the VISA card is shown in the following table:

Balance of account as at 1.1.2015	2,423.54
Transfer from expense account	904,282.78
Interest accrued to the account January to December 2015	85.21
Interest transferred to the Ministry of Finance January to December 2015	-88.03

Fee for the Visa card January to December 2015	-3,326.00
Bank fees January to December 2015	-7,002.00
Insurance of payment cards – loss/theft	-1,950.00
Payment card insurance GOLD	-10,033.00
Payments for accommodation January to December 2015	-643,571.56
Exchange rate difference for accommodation	-16,212.69
Chip card x 2, chip card reader x 2	-1,800.00
Transfer to Czech National Bank	-222,000.00
<b>Closing balance as at 31.12.2015</b>	808.25

Table 25 - CTU account for VISA card

### **The results of external audits**

CTU did not conduct any external audits in 2015.

## **2. Act on Civil Service**

Act No. 234/2014 Coll. on civil service entered into effect on 1 January 2015. In connection with this act and its implementing regulations, CTU undertook organisational changes for the purpose of complying with the rules for the organisation of a civil service authority, reviewed its internal regulations and compiled and submitted a draft 1<sup>st</sup> systemisation of CTU effective from 1 July 2015. All 622 positions were systemised as civil service positions.

Senior employees already in their positions were also placed under the regime of the Act on Civil Service on 1 July 2015. An investigator into illegal conduct was also appointed, a disciplinary committee of the first instance and an examination committee for the special part of official examinations in the sphere of the “Electronic communication and postal services” service. CTU employees were able to apply to enter the civil service until 31 August 2015. Decisions were taken on their applications on an ongoing basis in the autumn of 2015 and around 98 % of employees were taken into the civil service. At the same time, all selection procedures for senior employees were announced in the second half of 2015 in accordance with the transitional provisions of the Act on Civil Service and these were also completed, with two exceptions. CTU also compiled and submitted a draft 2<sup>nd</sup> systemisation, effective from 1 January 2016, as part of which the number of systemised civil service positions rose to 633.

### 3. Human resources

Seventy-one employees joined CTU in 2015 (53 of which under labour relations and 18 joining the civil service), 16 left on maternity leave and 76 terminated their labour relations (73 cases of labour relations terminated, 3 civil service positions, 18 employees terminating their employment in order to retire).

The average converted level was 620 employees. The number of employees on record as at 31 December 2015 was 617. Thirty-eight employees had drawn an old age pension by 31 December 2015.

Indicator/period	2013	2014	2015
Systemised number of employees	622	622	622
Average converted number of employees	503	629	620
Number of newly hired employees	293	87	71
Number of labour relations terminated	77	86	76
Number of employees of post-productive age as at 31.12.	58	41	50

Table 26 - Number of employees (in comparison with 2013 and 2014)

#### 3.1. Budget 2015

The Chamber of Deputies of the Parliament of the Czech Republic approved the Act on the State Budget of the Czech Republic for 2015 in its Resolution No. 555 of 10 December 2014.

In a letter from the Ministry of Finance of the Czech Republic, reference number MF-77650/2014/1903-2, dated 17 December 2014, the Czech Telecommunication Office was sent “Binding volumes of funds for salaries and other payments for work done (payroll limits) and numbers of employees for the year 2015”, Chapter 328 – Czech Telecommunication Office.

Limit of funds for salaries and other payments for work done ..... CZK 222,095,422  
of which: salaries of employees having labour relations ..... CZK 195,695,422  
salaries of state officials ..... CZK 26,400,000  
other payments for work done..... CZK 7,342,642

Limit to the number of employees..... 622 people  
of which: employees having labour relations..... 542 people



state officials ..... 80 people

In its Resolution No. 831 of 19 October 2015 on a government regulation amending Government Regulation No. 564/2006 Coll. on the emoluments of employees in the public service and administration, as amended, the Government of the Czech Republic increased the scale of pay tariffs from 1 November 2015.

In its Resolution No. 832 of 19 October 2015 on a government regulation amending Government Regulation No. 304/2014 Coll. on the emoluments of state employees, the Government of the Czech Republic increased the scale of pay tariffs from 1 November 2015.

### 3.2. Funds for the salaries of CTU employees

The budget of funds for the salaries of employees, not including EU projects, was CZK 195,597,811 for the year 2015.

The budget of funds for the salaries of employees including EU projects was CZK 195,695,422 for the year 2015.

The budget of funds for the salaries of employees was increased by CZK 998,699 in Resolution of the Government of the Czech Republic No. 831 of 19 October 2015.

The budget of funds for the salaries of state officials, not including EU projects, was CZK 26,306,500 for the year 2015.

The budget of funds for the salaries of state officials including EU projects was CZK 26,400 000 for the year 2015.

The budget of funds for the salaries of state officials was increased by CZK 110,966 in Resolution of the Government of the Czech Republic No. 832 of 19 October 2015.

The average salary of a CTU employee in 2015 was CZK 32,546.

### 3.3. Number of positions

The number of positions in 2015 was set at 622 as of 1 January 2015.

### 3.4. Other payments for work done

The budget of other payments for work done (not including funds for the salaries of representatives of state authority), not including EU projects, was CZK 1,240,342 in 2015.

Only activities which could not be covered from own resources were paid for from the budget for other payments for work done. This primarily involves work associated with the evaluation of cases of appeal against the decisions taken by CTU according to Section 123 of the Act on Electronic Communications, i.e. the activity of the Remonstrance Committee of the Chairman of the CTU Council and the Remonstrance Committee of the CTU Council, as well as the work of examiners for the examination of radio operators and radio amateurs and the administration associated with this, work associated with the assurance of archiving documents and consultancy work.

### 3.5. The CTU Council

The budget for other payments for work done - salaries for the representatives of state authority - was CZK 5,704,800 in 2015.

The budget for other payments for work done – severance pay for persons appointed to positions - was CZK 397,500 in 2015.

The base salary for 2015 was CZK 56,814.75 in accordance with Act No. 359/2014 Coll., amending Act No. 236/1995 Coll. on salaries and other matters associated with discharge of the position of representatives of state authority and certain state bodies and judges and Members of the European Parliament, as amended, and Act No. 201/1997 Coll. on salaries and certain other matters of state representatives and amending and supplementing Act No. 143/1992 Coll. on salaries and remuneration for on-call duties at budgetary and certain other organisations and bodies, as amended, and according to Communication No. 31/2015 Coll. of the Ministry of Labour and Social Affairs of 9 February 2015 on the level of the base salary for determining a salary and certain reimbursements of expenses for the representatives according to Act No. 236/1995 Coll., which replaces Communication No. 366/2014 Coll. of the Ministry of Labour and Social Affairs.

The term of office of Member of the CTU Council PhDr. Pavel Dvořák, CSc., came to an end on 30.4.2015. A Member of the Council is entitled to claim a salary amounting to the average monthly salary for the period of discharge of position for a period of 6 months following the expiration of the discharge of a position in the Council, this according to Section 109(2) of Act No. 127/2005 Coll. on electronic communications. At the same time, a Member of the Council is entitled to claim severance pay of five monthly salaries.

RNDr. Ing. Jiří Peterka was appointed a Member of the Council of the Czech Telecommunication Office for a period of five years with effect from 8 June 2015 in Government Resolution No. 420 of 3 June 2015 on the appointment of a Member of the Council of the Czech Telecommunication Office.

### 3.6. Training employees

Employee training was carried out in accordance with Act No. 262/2006 Coll., the Labour Code, as amended, Act No. 234/2014 Coll. on civil service, as amended, the Rules of Training Employees in Administrative Authorities, approved by Resolution of the Government of the Czech Republic No. 1542 of 30 November 2005, the Framework

Rules of Training Employees in Administrative Authorities, approved by Resolution of the Government of the Czech Republic No. 865 of 26 October 2015, CTU Binding Instruction No. 15/2006, which lays down the improvement and increasing of qualifications of CTU employees, and CTU Binding Instruction No. 15/2015, which lays down the improvement and increasing of qualifications of CTU employees.

Training sessions and events were organised and held according to the CTU Employee Training Plan for 2015 and primarily concentrated on electronic communications, postal services, the relevant legal regulations, information technology, foreign languages and personal and management skills.

Employees newly joining CTU underwent initial training, in which e-learning was the primary resource used. This training considered basic information about state administration and CTU, the fundamental rights and obligations of CTU employees, the fundamentals of working with information technologies, the code of ethics, prevention of corruption, the environmental policy, filing rules, the obligation of employees at times of crisis management and other selected regulations.

Courses were held for selected employees in cooperation with the Faculty of Electrical Engineering at the Czech Technical University in Prague and the Faculty of Electrical Engineering and Communication at the Brno University of Technology, these courses concentrating on current technology and services in electronic communications and the development of these. Employees attended courses in the sphere of information technology that concentrated on the specialised applications used at CTU. The relevant employees took training and tests in order to earn professional competence in electrical engineering according to Decree No. 50/1978 Coll.

Specialised training on the issue of electronic communications or postal services that individual departments deal with was held at those CTU departments. Most employees attended a seminar on the Act on Civil Service. Selected employees also attended courses to concern the development of personal skills.

Language learning was provided to employees in the form of group and individual courses in English, French and German.

Individual employees attended various training events organised by training companies according to their individual training needs.

The expenditures on training and education services as at 31 December 2015 were CZK 3,659 thousand and the expenditures on conference fees CZK 327 thousand.

<b>Focus</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Language courses	138	151	187
Training in European Union matters	56	217	27
Courses focusing on information technology	873	37	40

Other training events	2140	1597	1304
<b>Expenditure on training and education in thousands of CZK</b>	<b>3 483</b>	<b>4 123</b>	<b>3986</b>

Table 27 - Number of graduates of various training events (in comparison with 2013 and 2014)

An overview of personnel data for the year 2015 is shown in Appendix No. 12 to this Annual Report.

## 4. Information technologies

The “Connecting non-editing AIS CTU to IS of basic registers” project, undertaken within the bounds of the Integrated Operational Programme CZ 1.06 based on call no. 14, “Connecting non-editing agenda information systems to the information system of basic registers”, was completed in 2015. The project involved connecting selected agenda information systems at CTU to basic registers through common communication interface, the use of services of a uniform identity space and regulation of the concerned agenda information systems.

An “Information Policy” was compiled as part of the sustainability of the “CTU IS Development Strategy” project in accordance with the requirements of Act No. 365/2000 Coll. on public administration information systems and amending certain other acts. Long-term objectives in the sphere of managing the quality and security of administered information systems are determined in the Information Concept and general principles of their procurement and operation are defined.

The Act on Cybernetic Security entered into force on 1.1.2015. A new Security Policy was compiled as one of the organisational measures to fulfil the obligations arising from the act. The proposed security measures draw on the determined security objectives relevant for the operation and administration of the system of information security management, from an analysis of information risks at CTU and from the best practice applied. The main aim of information security is to ensure the protection of the information administered by CTU, with particular emphasis on securing the cybernetic security of information systems at CTU classified as significant systems.

## 5. Internal audit

A total of seven audits, one with the assistance of an outside auditor, were conducted by the independent internal audit department during 2015.

The following audits were involved:

“Audit of public procurement in 2014”;

“Audit of archiving system”;

“Audit of analysis of the conditions of contractual relations in the central system for the support of CTU agendas”;

- “Audit of economic management, effectiveness and purposefulness aimed at verifying the accomplishment of the objectives of selected projects and supplies/services provided”;
- “Audit of the ability to deputise at CTU”;
- “Audit of consumables”;
- “Audit of verification of the performance of recommendations adopted from audits conducted”.

The existence of a conscious process of risk management at CTU was verified within the bounds of the audits conducted and the adequacy and effectiveness of control mechanisms of the processes audited, with emphasis on controlling and adhering to statutory and internal standards. With one exception, all recommendations from the audits conducted were adopted in the form of an enabling clause as an assignment on the advice of the Chairman of the CTU Council.

An annual report on the results of financial audits for the previous year was compiled and submitted to the Ministry of Finance of the Czech Republic in the determined format and within the specified term in accordance with the Act on Financial Audit. An annual report on the work of the independent internal audit department for the year 2014 and a report on the results of checks for the year 2014 were also compiled. A report on the internal evaluation of the quality of internal audit at CTU was also compiled in 2015 and submitted to the Chairman of the CTU Council for informative purposes. The plan at the independent internal audit department for the year 2016 was approved in December 2015.

As was the case in previous years, the emphasis was on improving the quality of conducting internal audits, inter alia through the regular training of internal auditors, by ensuring the possibility of feedback to the departments being audited and increasing awareness of internal audit work.

There was no evident or actual violation of the independence or objectiveness of CTU internal auditors during work in 2015.

## CHAPTER 5

### THE MANDATORY PARTS OF THE ANNUAL REPORT

#### 1. Annual report on the Universal Service (according to Section 50(2) of the Act on Electronic Communications)

The CTU compiles an Annual Report on the Universal Service in accordance with Section 50(2) of the Act on Electronic Communications.

In addition to information about the scope of services provided within the universal service in 2015, this report also contains information about the manner of financing the universal service laid down by the Act on Electronic Communications for the period under consideration, 2015.

Certain partial services and obligations of the universal service were mandatorily provided in 2015 based on the decisions of CTU. The provision of certain partial services which are operated to a sufficient quality and extent on a commercial basis was not imposed as an obligation in a decision of CTU.

The most important information on the universal service in 2015 is presented below in this Report.

The discharge of all obligations previously imposed (partial services of the universal service) remained with O2 following the split of O2 and the establishment of a new company, Česká telekomunikační infrastruktura a.s. O2 therefore continued as the provider of partial services within the universal service which are imposed as mandatory.

## 1.1. Partial services of the universal service

### 1.1.1. Services mandatorily provided in 2015 within the universal service

#### **Public payphones**

The obligation to provide public payphone services or other, similar means of technology as allowing access to the publicly available telephone service (Section 38(2)(e) of the Act on Electronic Communications) was imposed on O2 based on the result of a tender, with effect from 1 January 2015 to 31 December 2017. In the interest of ensuring the economic efficiency of the partial service provided, CTU determined the precise extent of the provision of the service for the forthcoming period using the criterion of density. Furthermore, based on a declining level of usage, it drafted decisions in the spirit of a gradual reduction in the number of facilities within the universal service. Discharge of this obligation remained a matter for O2 even following the separation of O2 and the creation of a new company, Česká telekomunikační infrastruktura.

CTU issued a decision in 2015 through which it determined specific facilities incorporated into the universal service for the calendar year 2016.

#### **The access of the disabled to a publicly available telephone service**

The obligation to provide services involving access for the disabled to a publicly available telephone service, to the directory inquiry service and to directories of subscribers which is equal to the access enjoyed by other end users, in particular using special telecommunication terminal devices (Section 38(2)(f) of the Act on Electronic Communications), was imposed on O2 in 2012 in a decision issued by CTU, which entered into legal force on 9 July 2012. The obligation in question applied until 15 July 2015.

The obligation to provide this service, beginning on 15 July 2015 and lasting for a period of three years, was imposed on O2 based on a tender.

## Special prices or price plans

The obligation to allow persons with special social needs according to Section 44 and Section 45 of the Act on Electronic Communications to choose prices or price plans that differ from the price plans provided under normal commercial terms and conditions such that these persons have access to and are able to use a partial service and a publicly available telephone service (Section 38(3) of the Act on Electronic Communications) was imposed on O2 in a decision of CTU which came into legal force on 16 June 2014. The provider is obliged to follow this obligation for a period of three years beginning 3 July 2014.

The range of services provided at special prices was broadened to include cases in which the provided service is Internet access by way of which a publicly available telephone service is also used via VoIP, this in accordance with an amendment to Government Regulation No. 119/2014 Coll. amending Government Regulation No. 109/2008 Coll. on the terms and conditions of providing special prices for publicly available telephone services, as amended by Government Regulation No. 354/2012 Coll.

The persons having special social needs defined in Section 43(4)(a), (b), (c) or (d) of the Act on Electronic Communications continue to have the right to discounts of a maximum CZK 200 including VAT per calendar month.

### 1.1.2. Other partial services

The following partial services are provided on a commercial basis:

- connection to the public communication network at a fixed location (Section 38(2)(a) of the Act on Electronic Communications);
- access to a publicly available telephone service at a fixed location (Section 38(2)(b) of the Act on Electronic Communications);
- the regular publication of directories of subscribers and access provided to these directories to end users (Section 38(2)(c) of the Act on Electronic Communications);
- directory inquiry service available to end users (Section 38(2)(d) of the Act on Electronic Communications);
- additional services relating to the services specified in subparagraphs a) and b) of the Act on Electronic Communications (Section 38(2)(g) of the Act on Electronic Communications), i.e.:
  - phased payment of the price for establishment of connection to a public communication network for consumers;
  - free selective blocking of outgoing calls, sending of premium text or multimedia messages or, if technically feasible, access to similar services with a higher price or calls to specified types of numbers for the subscriber;
  - free itemised billing of the price for the subscriber;

the provision of information, at the request of the subscriber, on lower prices or more favourable price plans and the terms and conditions under which these are applied, if this information is available, and;

control of subscriber expenditure associated with the use of a publicly available telephone service, including free notification of the consumer in cases of an unusual or excessive increase in the use of this service.

The services in question are subject to regular monitoring, on the evaluation of which CTU issues a report every year. It was ascertained in April 2015, based on monitoring for the year 2014, that there are no reasons to impose the obligations specified above in this area.

The monitoring of partial services for the year 2015 will be evaluated this year and CTU will proceed based on the results.

## 1.2. Universal service financing

Universal service financing was dealt with in previous years within two legal and two financial regimes at the same time:

from the universal service account according to Act No. 151/2000 Coll., on telecommunication and amending other acts, as amended (hereinafter referred to as the “Act on Telecommunications”), to finance the universal service for the years 2001, 2002, 2003, 2004 and 2005 and part of the year 2006; from the universal service account or from the state budget according to the Act on Electronic Communications to finance the universal service for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014.

### 1.2.1. According to the Act on Telecommunications

CTU administered the universal service account until the end of the year 2013, this account having been set up in 2002 according to Section 32 of the Act on Telecommunications, and paid from this to the provider of the universal service the demonstrable loss incurred through the provision of the universal service according to the Act on Telecommunications. The obligation to provide the universal service according to this act was only imposed on O2. CTU conducted resumed administrative proceedings in the matter of demonstrable loss and determination of the level of payments into the universal service account for individual years between 2010 and 2012 based on a decision of the Supreme Administrative Court on the revocation of previous decisions on the verification of demonstrable loss and determination of the level of payments into the universal service account for the provision of the universal service between 2001 and 2005. The collection of contributions into the universal service account came to an end in 2013 and account number 16010-725001/07 was closed.



Loss for the year	Level of loss verified by the Office	Payments made into the universal service account	Contribution made by O2
2001	CZK 195,042,676	CZK 103,857,753	CZK 91,184,923
2002	CZK 257,494,476	CZK 159,522,494	CZK 97,971,982
2003	CZK 290,510,226	CZK 191,103,891	CZK 99,406,335
2004	CZK 302,622,498	CZK 208,614,879	CZK 94,007,619
2005	CZK 286,966,147	CZK 206,967,794	CZK 79,998,353
2006	CZK 280,274,507	CZK 137,152,181	CZK 143,122,326

Table 28 - Summary overview of the coverage of loss arising from the universal service 2001 - 2006

N.B.: O2 took over Eurotel Praha spol. s r. o. in 2006.

#### Loss for the year 2004

In 2013, the Metropolitan Court in Prague overturned a decision made by CTU in the case of verification of demonstrable loss for the year 2004, in that the Office, in its new consideration, has to enumerate the intangible advantages of the provider of the universal service and assess whether the verified loss represents for the provider an unfair burden in accordance with the EU Universal Service Directive, having reached the conclusion that the relevant provisions of the Act on Telecommunications are in conflict with the Universal Service Directive and the directive may in this case act with direct effect. CTU undertook further discussions in this matter in 2014 with all those making payments into the universal service account and on 30.9.2014 issued a decision in which it verified the demonstrable loss at CZK 302,622,498 and the market intangible advantage at zero and decided that the verified loss was an unfair burden on O2. Appeals were made against the decision and these were accommodated by the appeal body, which returned the case for further consideration on 17 April 2015. The administrative body of the first instance subsequently suspended the proceedings due to a preliminary question, since the proceedings may only continue after questions of the legitimacy of including reasonable profit into the calculation and the applicative priority of the Universal Service Directive, which were sent to the European Court of Justice for resolution as preliminary questions, are resolved in proceedings of a cassation complaint. In respect of the fact that the European Court of Justice decided on the questions on 6 October 2015, affirmatively in both cases, CTU will continue administrative proceedings in 2016.

#### Loss for the year 2006

The demonstrable loss for the year 2006 was verified at CZK 280,274,507. In 2015, the Metropolitan Court in Prague overturned a decision made by CTU in the case of verification of demonstrable loss for the year 2006, in that

the Office, in its new consideration, has to enumerate the intangible advantages of the provider of the universal service and assess whether the verified loss represents for the provider an unfair burden in accordance with the EU Universal Service Directive. The court arrived at the conclusion that the relevant provisions of the Act on Telecommunications are in conflict with the Universal Service Directive and the directive may in this case act with direct effect. CTU will continue administrative proceedings in 2016.

### 1.2.2. According to the Act on Electronic Communications

CTU administered the universal service account in 2015, the account having been set up in 2008 according to Section 49 of the Act on Electronic Communications and from which the provider of the universal service is paid the net costs incurred through the provision of the universal service according to the Act on Electronic Communications.

#### **Net costs for the year 2006**

The payment of net costs, which were verified in a final and conclusive decision of CTU of 23 July 2010 at CZK 73,875,953, was fully transferred from the universal service account to O2, which provided the universal service in the defined scope in 2006. The Metropolitan Court in Prague returned a decision on an appeal in this case for further proceedings on 3 December 2015.

#### **Net costs for the year 2007**

The payment of net costs, which were verified in a final and conclusive decision of CTU of 9 April 2010 at CZK 105,478,583, was fully transferred from the universal service account to O2, which provided the universal service in the defined scope in 2007.

#### **Net costs for the year 2008**

The payment of net costs, which were verified in a final and conclusive decision of CTU of 29 October 2010 at CZK 100,992,529, was fully transferred from the universal service account to O2, which provided the universal service in the defined scope in 2008.

#### **Net costs for the year 2009**

In the matter of payment of contributions for net costs, which CTU verified in a final and conclusive decision of 7 July 2011 at CZK 73,363,998, CTU did not complete administrative proceedings on the recovery of a contribution from MobilKom, a.s., of CZK 275,262 due to the pending insolvency proceedings. A contribution of only CZK 2,284.31 was paid and subsequently transferred to O2. The remainder of the contributions shall be paid into the universal service account from the state budget following the end of insolvency proceedings as a result of the unrecoverability of the claim. All other contributions into the universal service account had already been paid to O2, which provided the universal service in the defined scope in 2009.

#### **Net costs for the year 2010**

The payment of net costs, which were verified in a final and conclusive decision of CTU of 29 November 2011

at CZK 46,582,341, was fully transferred from the state budget to O2, which ensured the provision of the universal service in the defined scope in 2010.

#### **Net costs for the year 2011**

The payment of net costs, which were verified in a final and conclusive decision of CTU of 3 December 2012 at CZK 55,028,579, was fully transferred from the state budget to O2, which ensured the provision of the universal service in the defined scope in 2011.

#### **Net costs for the year 2012**

The payment of net costs, which were verified in final and conclusive decision of CTU of 7 November 2013 at CZK 50,136,727, was fully transferred from the state budget to O2, which ensured the provision of the universal service in the defined scope in 2012.

#### **Net costs for the year 2013**

The payment of net costs, which were verified in a final and conclusive decision of CTU of 2 December 2014 at CZK 46,969,448, was fully transferred from the state budget to the benefit of O2, which provided the universal service in the defined scope in 2013.

#### **Net costs for the year 2014**

O2 submitted an application for the coverage of net costs for the provision of a public payphone service and a service involving the sale of specially-equipped telecommunication terminal devices in the year 2014 on 28 July 2015. CTU checked the data submitted and, after eliminating the shortcomings identified, verified the newly-submitted calculations. The payment of net costs, which were verified in a final and conclusive decision of CTU of 19 December 2015 at CZK 48,240,857, was fully transferred on 10 December 2015 from the state budget to O2, which provided the universal service in the defined scope in 2014.

<b>Balance of universal service account as at 1. 1. 2015</b>	<b>CZK 0</b>
Incomes to account – total contributions paid	CZK 0
Expenditure from account – contributions transferred to the provider of the universal service	CZK 0
<b>Balance of universal service account as at 31. 12. 2015</b>	<b>CZK 0</b>

Table 29 - Universal service account - balance of funds in account number 46017-725001/0710 in 2015

Net costs for the year	Amount of coverage of net costs demanded by the provider	Amount of net costs verified by the Office	Payments made into the universal service account	Remark
2006	CZK 84,169,933	CZK 73,875,953	CZK 37,533,749	The contribution made by O2 was calculated at CZK 36,342,204.
2007	CZK 118,666,047	CZK 105,478,583	CZK 56,652,325	The contribution made by O2 was calculated at CZK 48,826,258.
2008	CZK 114,934,483	CZK 100,992,529	CZK 55,688,078	The contribution made by O2 was calculated at CZK 45,304,451.
2009	CZK 89,435,212	CZK 73,363,998	CZK 40,367,067	The contribution made by O2 was calculated at CZK 32,723,953.
2010	CZK 47,483,383	CZK 46,582,341	-	Net costs are paid from the state budget
2011	CZK 54,992,883	CZK 55,028,579	-	Net costs are paid from the state budget
2012	CZK 51,285,028	CZK 50,136,727	-	Net costs are paid from the state budget
2013	CZK 46,984,256	CZK 46,969,448	-	Net costs are paid from the state budget
2014	CZK 48,244,872	CZK 48,240,587	-	Net costs are paid from the state budget

Table 30 - Summary overview of the coverage of net costs arising between 2006 and 2014

### 1.2.3. Loss on the provision of the universal service "Special prices"

The loss on the mandatory provision of the partial service "Special prices" (according to Section 38(3) of the Act on Electronic Communications) was covered by the state budget beginning the very first year of its provision, i.e. from 2007, and this was the same in 2015, when the loss on the provision of special prices in 2014 was covered.

O2 submitted an application for the coverage of loss for the provision of special prices in 2014 on 28 July 2015.

CTU checked the data submitted and, after eliminating the shortcomings identified, verified the newly-submitted calculations. CTU issued a decision on 19 November 2015 to determine the loss on the provision of special prices as part of the universal service at CZK 89,241,313.57. The verified loss was paid to O2 on 10 December 2015.

	Submitted loss	Recognised loss
O2 fixed network	CZK 80,906,791	CZK 80,710,856
O2 mobile network	CZK 8,544,449	CZK 8,530,457
O2 total	CZK 89,451,240	CZK 89,241,313

Table 31 - Overview of the coverage of losses on the provision of special prices at O2 in the year 2015

## 2. Annual report of the Czech Telecommunication Office on the provision of information according to Act No. 106/1999 Coll., on free access to information, as amended, for the year 2015

The Czech Telecommunication Office (hereinafter referred to as “CTU”) publishes this Annual Report on the Provision of Information in the Year 2015 according to Section 18 of Act No. 106/1999 Coll., on free access to information, as amended.

According to Section 3 of Act No. 127/2005 Coll., on electronic communications and amending certain related acts (Act on Electronic Communications), as amended (effective as of 1 May 2005), CTU is the central administrative body for the exercise of state administration in the matters laid down by this law, including market regulation and determining the conditions of undertaking business in the spheres of electronic communications and postal services. It supervises adherence to legal regulations in the spheres of electronic communications and postal services within the competence laid down by the law, i.e. as the body of state administration.

Basic information on the organisation structure and activity of CTU is available to the general public at the website [www.ctu.cz](http://www.ctu.cz), and its electronic notice board, and on the notice board placed on the information panel in the lobby of the CTU place of residence. Information on the resolution of situations according to Decree No. 442/2006 Coll., which determines the structure of information published about an entity obliged to provide information in a way which allows for remote access, as amended by Decree No. 416/2008 Coll., is also available from the public administration portal ([www.portal.gov.cz](http://www.portal.gov.cz)).

CTU publishes the following data according to Section 18(1) of Act No. 106/1999 Coll.:

### a) The number of applications for information submitted

**Fifty-two** applications for the provision of information were submitted to CTU and put on record in 2015.

Applications for information primarily concerned CTU activities in the sphere of electronic communications,

specifically the areas of awarding rights to use radio frequencies or their usage (15 applications), undertaking business in the sphere of electronic communications and the market situation (6 applications) and CTU auditing activity (2 applications), CTU activities in the sphere of postal services (7 applications), the decision-making activity of CTU (7 applications), judicial proceedings to which CTU is a party and compensation for damage (3 applications). Information on public contracts and economic management at CTU (7 applications) was also provided and applications were also made regarding personnel issues (3 applications). One application was suspended and one application withdrawn.

**b) The number of decisions on the rejection of applications**

Seventeen decisions were issued in 2015 on the rejection of applications, 13 of these concerning only part of the applications, in which information was provided in part.

**c) The number of suspended applications for the provision of information with notification of the applicant in accordance with Section 14(5)(c) of Act No. 106/1999 Coll. (on the grounds that the application in question is not an application in accordance with Act No. 106/1999 Coll. or is information which does not fall within the competence of the entity obliged to provide information) and in accordance with Section 17(5) of Act No. 106/1999 Coll. (on the grounds that there was no response to the call of CTU to pay the costs associated with the provision of the requested information within the statutory time limit)**

CTU suspended 1 application for the provision of information in 2015, on the grounds that the requested information does not fall within the competence of CTU.

**d) The number of appeals lodged against decisions**

Eleven appeals against decisions on the rejection of an application were lodged in 2015.

No appeals against decisions to suspend an application for information were lodged in 2015.

**e) Copies of significant parts of court judgments (Section 16(4) of Act No. 106/1999 Coll.)**

The court did not decide any case on the rejection of an application for the provision of information by CTU in 2015.

**f) The number of complaints lodged according to Section 16a of Act No. 106/1999 Coll., the reasons for their lodging and a brief description of the manner of settlement**

CTU did not deal with any complaints according to Section 16a of Act No. 106/1999 Coll. in 2015.

**g) List of exclusive licences provided, including reasoning for the need to provide an exclusive licence (Section 14a of Act No. 106/1999 Coll.)**

CTU did not provide any exclusive licences in 2015.

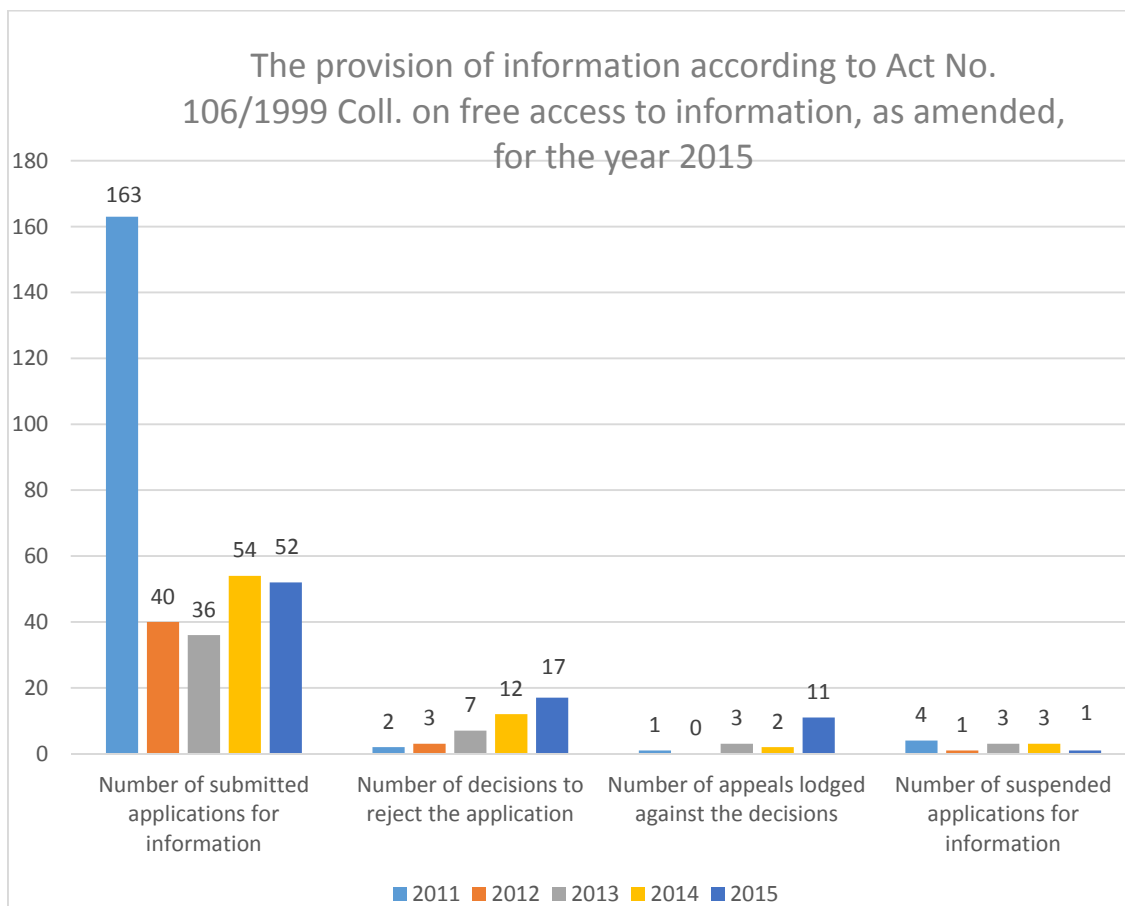
## h) Other information relating to the application of Act No. 106/1999 Coll.

CTU did not collect any payment of the costs of provided information in 2015 according to Act No. 106/1999 Coll.

The written applications for the provision of information included in the records for 2015 were handled in accordance with the law and the internal regulations at CTU. CTU did not put requests for the provision of information made by telephone on record and operatively handled them in the same way with regard to the quantity and character of such requests.

The information provided is published on the CTU website in accordance with Act No. 106/1999 Coll.

An overview of the written applications for the provision of information dealt with in 2015 in comparison with previous years, beginning 2011, is shown in the following graph:



Prague, 25 February 2016

Ing. Mgr. Jaromír Novák, *m.p.*

Chairman of the Council of the Czech Telecommunication Office

*N.B.: This Annual Report was published on 26 February 2016 in a way which facilitates remote access, i.e. at the Office website ([www.ctu.cz](http://www.ctu.cz)).*

**The provision of information according to Act No. 106/1999 Coll., on free access to information, as amended, for the year 2015**

		2011	2012	2013	2014	2015
1.	Number of submitted applications for information	163	40	36	54	52
2.	Number of decisions to reject the application	2	3	7	12	17
3.	Number of appeals lodged against the decisions	1	0	3	2	11
4.	Number of suspended applications for information	4	1	3	3	1

## 2.1. Information on the settlement of complaints against CTU activity

CTU handled a total of 9 submissions in 2015 that, in light of their nature and content, were considered complaints in accordance with the provisions of Section 175 of Act No. 500/2004 Coll., the Rules of Administrative Proceedings, as amended. One submission made in 2014 that was not handled until 2015 was included in this figure.

The complaints concerned reservations over the activity of CTU or the work procedures of CTU employees in this area, whether they had committed a violation of Act No. 127/2005 Coll., on electronic communications and amending certain related acts (Act on Electronic Communications), as amended, Act No. 29/2000 Coll., on postal services and amending certain acts (Act on Postal Services), as amended, or Act No. 500/2004 Coll., the Rules of Administrative Proceedings, as amended, or references to violation of these regulations. An overview of the number of complaints made in 2015 is presented in Appendix No. 12 to this Report.

Investigations in individual cases ascertained that 7 of the complaints in question were unjustified and 2 were partly justified.

All complaints deemed unjustified involved possible incorrect procedure by the administrative body, allegedly inappropriate conduct by CTU employees or delays in handling matters – these were not proven during the investigations. No corrective action was therefore taken in relation to the complaints evaluated as being unjustified.

The complaints deemed to be partly justified concerned the inactivity of CTU, specifically delays in investigating a specific matter or the manner in which CTU dealt with a previous submission. Adequate measures were taken against specific employees, stressing the prompt consideration of cases in administrative proceedings and thorough adherence to statutory procedures.

In relation to the application of the set procedures in dealing with complaints according to Part Seven of the Administrative Procedure Code, CTU also adopts other measures in accordance with the due registration of complaints, adherence to rules for keeping material on complaints on file and a provisional analysis of the complaints handled to concern the competence of CTU. The requirement to ensure timely and comprehensive investigation of complaints



made is of primary interest to CTU. In light of this, we can say that extraordinary and systematic attention is paid to handling complaints at CTU.

No anonymous submissions were delivered to CTU in addition to receiving and dealing with the complaints specified above, neither did CTU consider any other suggestion.

CTU received 1 petition in 2015; this, however, did not concern the scope of activity at CTU. CTU referred this petition to the competent state body, the Ministry of the Interior, according to Section 5(2) of Act No. 85/1990 Coll. on the right to petition. The petition concerned the need for new legislation to replace Decree No. 150/1958 Ú.l., on handling the complaints, notification and suggestions of workers.

CTU also has on record all submissions announced or delivered to it in the matter of suspicion of corruption or fraud by any of its employees. It checks and regularly assesses these within its remit as part of an analysis of the complaints handled based on the provisions of Section 175 of the Administrative Procedure Code.

We inform you in this regard that CTU was not informed of any suspicions of corruption or fraudulent conduct by any CTU employees in 2015.

As far as messages received at the anti-corruption e-mail address are concerned, this address having been put into operation on 10 July 2007, there is a special regime for this at CTU from the perspective of its regular monitoring and responsible evaluation. The anti-corruption e-mail address could act as a potential source of information on possible corruption by CTU employees. CTU is therefore ready to respond promptly and actively to submissions of this nature in accordance with internal regulations and based on generally-valid legal regulations.

It must be noted that there has been minimal interest shown by the public in the anti-corruption e-mail address thus far. From the practical perspective, the existence of an e-mail contact has no significant influence on CTU activity, while the costs of running it are practically negligible.

In spite of this, however, the benefit of the anti-corruption e-mail address can be seen in the opportunity it provides CTU to immediately respond to any submissions and therefore take the required preventative and remedial measures without delay.

In respect of the fact that the free 199 anti-corruption line, put into operation in September 2007, was cancelled by the Ministry of the Interior on 30 April 2012 based on an evaluation of the effectiveness of its operation, the preservation of the CTU anti-corruption address would appear to be justified into the future. CTU therefore refers to the following site, [www.korupce.cz](http://www.korupce.cz), in relation to the fight against corruption.

APPENDICES  
TO THE ANNUAL REPORT OF THE CZECH  
TELECOMMUNICATION OFFICE FOR THE YEAR 2015

## 1. Overview of subscriber disputes regarding electronic communication services in 2015

Type of activity	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions handed down <sup>2)</sup>	Decided in the favour of		Other <sup>3)</sup>	Number of administrative proceedings carried over to subsequent period
				the subscriber	the provider		
1. Deciding on subscriber disputes	276 879	57 306	217 799	54 406	128 679	34 714	116 386
a) on objections to the settlement of claims to concern services provided	39	18	27	7	3	17	30
b) on objections to the settlement of claims to concern the billing of prices for services	476	242	258	93	53	112	460
ba) access to services with expressed price (data and voice)	0	0	0	0	0	0	0
baa) access to data services with expressed price provided on Internet or other data networks (Dialer)	0	0	0	0	0	0	0
c) on the payment of the price for services (monetary performance)	275 931	57 006	217 452	54 296	128 610	34 546	115 485
d) other	433	40	62	10	13	39	411

2) Refers to the number of decisions handed down in administrative proceedings of the first instance (regardless of legal force).

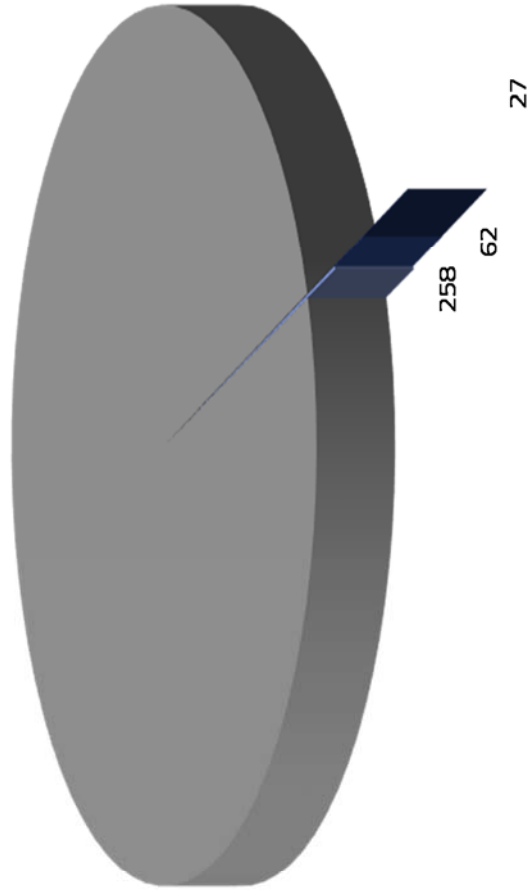
3) Shows cases in which administrative proceedings are concluded with a resolution, i.e. cases of the death of the subscriber, the cessation of existence of the company, the discontinuation of proceedings by law (bankruptcy), not having the remit to decide etc.

## 1.a Subscriber disputes – numbers of decisions issued in 2015

		2015
Number of decisions issued		217 799
Of which		
a) objections to the settlement of claims to concern services provided		27
b) objections to the settlement of claims to concern the billing of prices for services		258
c) the payment of the price for services (monetary performance)		217 452
d) other		62

## Subscriber disputes – numbers of decisions issued in 2015

217452

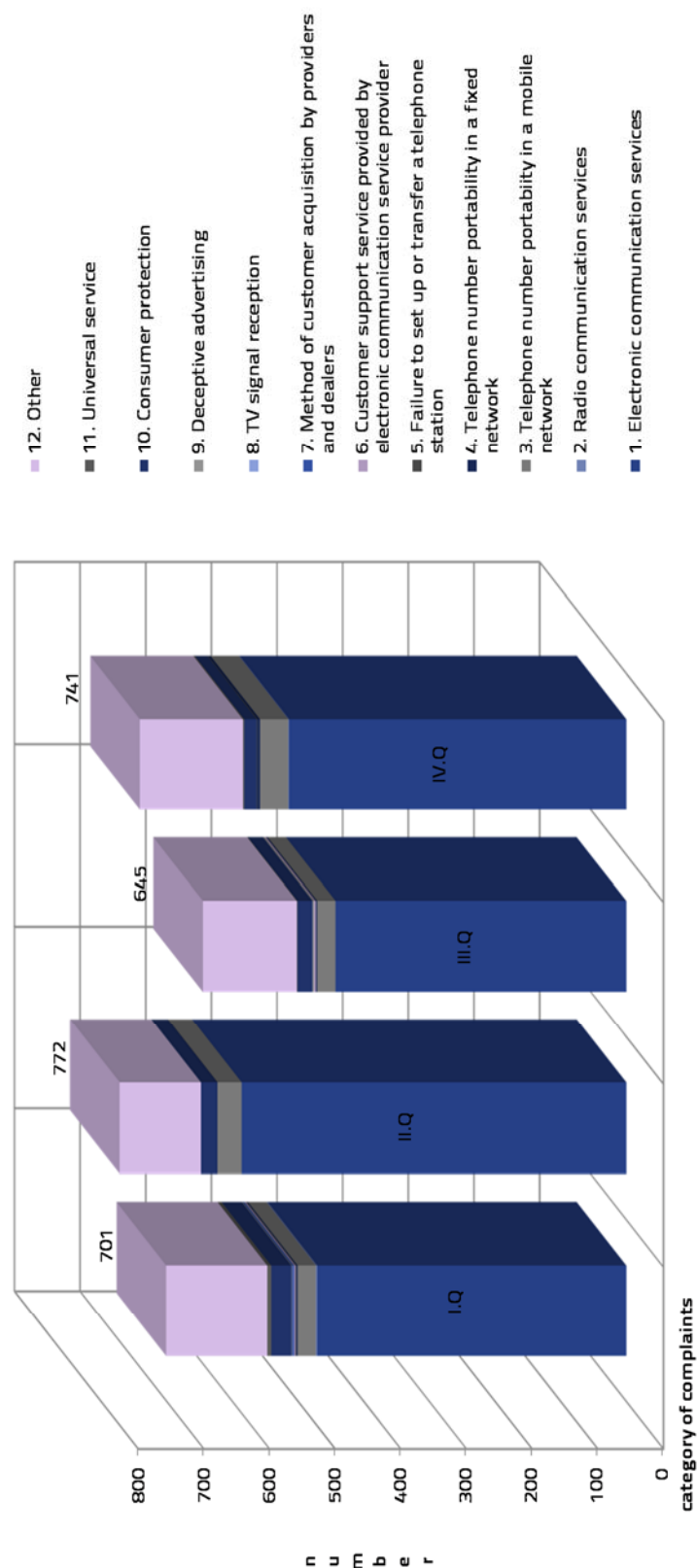


- a) objections to the settlement of claim to concern services provided
- b) objections to the settlement of claim to concern the billing of prices for services
- c) the payment of the price for services (monetary performance)

## 2. Complaints made by subscribers / users of electronic communication services in 2015

Subject-matter of complaint	I.Q	II.Q	III.Q	IV.Q	Σ
1. Electronic communication services	471	586	443	514	2014
2. Radio communication services	2	0	0	1	3
3. Telephone number portability in a mobile network	28	37	28	43	136
4. Telephone number portability in a fixed network	2	1	2	4	9
5. Failure to set up or transfer a telephone station	1	0	0	1	2
6. Customer support service provided by electronic communication service provider	2	0	3	0	5
7. Method of customer acquisition by providers and dealers	3	0	0	0	3
8. TV signal reception	1	0	2	0	3
9. Deceptive advertising	31	24	23	19	97
10. Consumer protection	6	0	1	2	9
11. Universal service	154	124	143	157	578
12. Other	701	772	645	741	2859
<b>Σ</b>					

Complaints made by subscribers / users of electronic communication services in 2015



## 2.a Complaints made by customers against postal services 2015

Subject-matter		Total complaints
1.	Complaints about basic services according to Section 3 of the Act on Postal Services	
	delivery of postal consignments of up to 2 kg	30
	delivery of postal packages of up to 10 kg	16
	delivery of an amount of money by way of postal order	8
	delivery of registered consignments	58
	delivery of valuable consignments	6
	free delivery of postal consignments of up to 7 kg for the blind	0
	basic foreign postal services	25
	delivery of postal packages of over 10 kg posted from abroad	0
	coupon-response international service	0
	response consignments in international payment	1
	delivery of printed matter bag service	0
	TOTAL	144
2.	Complaints against postal services	
	long waiting times	3
	post office opening hours	6
	change of post office at which a consignment is stored for collection	11
	the delivery of postal consignments	201
	dealing with complaints and returns.	46
	breach of postal secrecy	3
	postal consignments to/from abroad	12
	the delivery of official instruments	9
	requests for information	12
	TOTAL	303

3

issued on individual authorisations to use radio frequencies for the year 2015

Type of authorisation		Number of decisions	
		to award <sup>1)</sup>	to revoke
		authorisation	
1.	<b>Fixed line service</b>		
	TOTAL	<b>7422</b>	<b>3794</b>
	Of which point - point	7204	3728
	point - multipoint	218	66
2.	<b>Amateur service</b>		
	TOTAL	<b>1762</b>	<b>2</b>
	Of which individuals	1631	2
	club stations	103	0
	repeaters and packet nodes	28	0
3.	<b>Satellite service</b>		
	TOTAL	<b>4</b>	<b>2</b>
	Of which VSAT	1	2
	SNG	3	0
4.	<b>Aeronautical service</b>		
	TOTAL	<b>638</b>	<b>93</b>
	Of which aircraft stations	586	83
	aeronautical stations	52	10
5.	<b>Maritime service</b>		
	TOTAL	<b>151</b>	<b>85</b>
	Of which ship stations	109	85
	shore stations	42	0
6.	<b>Broadcasting service</b>		
	TOTAL	<b>490</b>	<b>0</b>
	Of which television transmitters	97	0
	radio transmitters	393	0
7.	<b>Land mobile service</b>		
	TOTAL	<b>482</b>	<b>137</b>
8.	<b>Other radiocommunication services</b>		
	TOTAL	<b>40</b>	<b>5</b>
	radio location service	40	5
9.	<b>Short-term authorisations</b>		
	TOTAL	<b>269</b>	<b>0</b>
	Of which fixed line service	76	0
	amateur service	15	0
	land mobile service	154	0
	aeronautical mobile service	1	0
	satellite service	15	0
	broadcasting service	8	0

1) newly-issued authorisations and authorisations for which validity was extended

key:

VSAT - very small aperture terminal

SNG - satellite news gathering

#### 4. Verification of professional competence to operate radio transmission equipment in 2015

	Type of professional competence certificate	Number of certificates			duplicates, changes, recognition of competence
		issued based on examination	whose period of validity was extended	issued within a year of their becoming invalid	
1	Restricted Radiotelephone Operator's Certificate of Maritime Mobile Service (OF, OFN))	271	353	105	3
2	Restricted Radiotelephone Operator's Certificate of Aeronautical Mobile Service (OFC, OFM, OFL)	651	564	180	20
3	General Radiotelephone Operator's Certificate of Maritime Mobile Service (VF, VFN)	49	142	57	1
4	General Radiotelephone Operator's Certificate of Aeronautical Mobile Service (VF, VFL)	216	354	86	53
5	Restricted Operator's Certificate of Maritime Mobile Service (SRC)	7	13	2	2
6	General Operator's Certificate of Maritime Mobile Service (LRC)	0	3	4	0
7	General Operator's Certificate of Maritime Mobile Service (GOC, GO)	0	15	5	8
8	Restricted Operator's Certificate of Maritime Mobile Service (ROC)	0	0	0	0
9	Radiotelegraph Operator's Certificate	0	0	0	0
10	Harmonised Amateur Radio Examination Certificate (HAREC)	56	0	0	0
11	Amateur Radio Operator's Certificate (NOVICE)	14	0	0	0
<b>TOTAL</b>		<b>1264</b>	<b>1444</b>	<b>439</b>	<b>87</b>

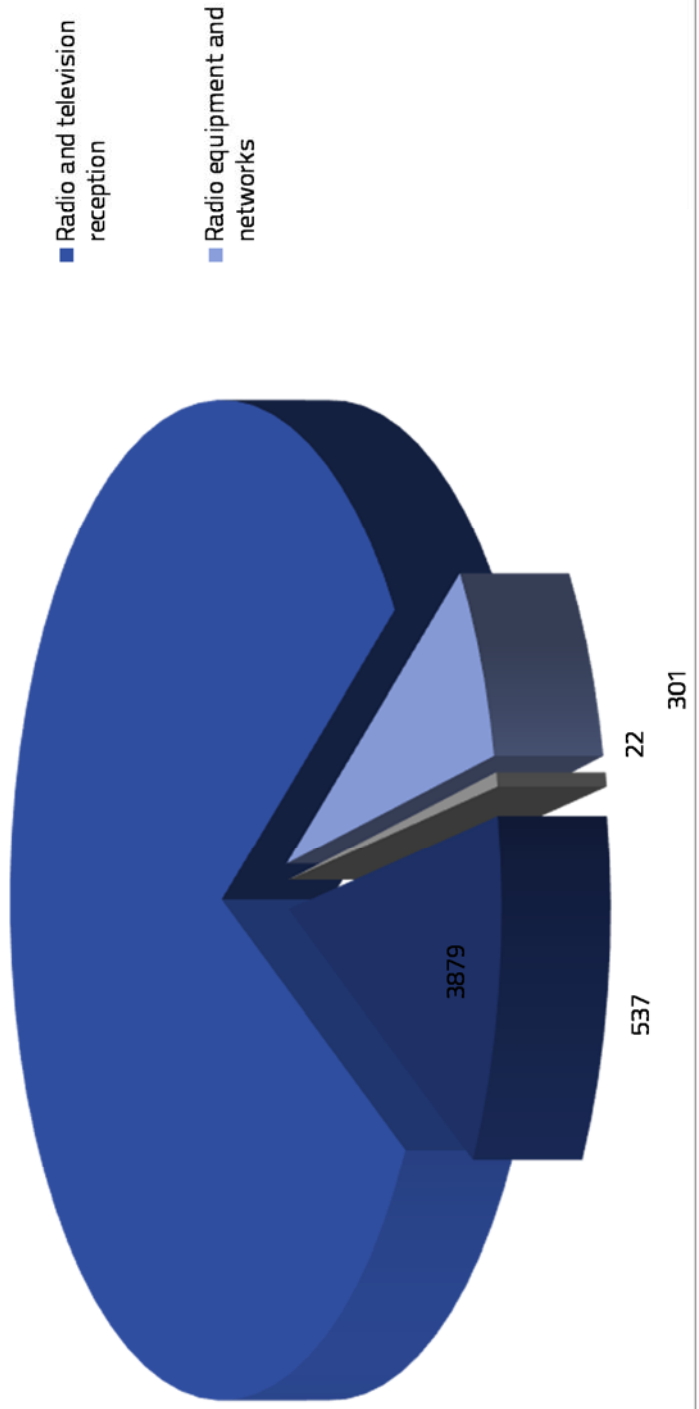
Section 2 of Decree No. 157/2005 Coll. , on the requisites of the application for examination for proving qualification to operate transmission radio equipment, on the scope of knowledge necessary for individual types of the qualification, on the method of examinations, on types of professional competence certificates and validity period thereof.



## 5. Identifying sources of interference to the operation of electronic communication equipment and networks, the provision of electronic communication services or the operation of radiocommunication services - 2015

	2015
Radio and television reception	3 879
Radio equipment and networks	301
Public communication networks for the transmission of R and TV signals (TKR)	22
Other (common television aerials)	537

Identifying sources of interference to the operation of electronic communication equipment and networks, the provision of electronic communication services or the operation of radiocommunication services - 2015



## 6. Overview of activities in the exercise of control of postal services and subscriber disputes in 2015

Type of activity	Number of certificates or inspections		Number of measures in the interest of the due provision of services	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued	Decided in the favour of		Other	Penalties imposed		Number of administrative proceedings carried over to subsequent period
	Total	Of which					the subscriber	the provider		Number	amount in CZK	
1. Number of awarded certificates of notification of operating a business	3	0	0	0	0	0	0	0	0	0	0	0
2. Number of changes to certificates of notification of operating a business	2	0	0	0	0	0	0	0	0	0	0	0
3. The operation of postal activity without a certificate	0	0	0	0	0	0	0	0	0	0	0	0
4. Adherence to the terms and conditions of the Act on Postal Services and other regulations	237	0	0	0	2	2	0	0	0	0	10500	0
a) adherence to postal terms and conditions according to Section 6 of the Act on Postal Services	0	109	0	0	0	0	0	0	0	0	0	0
b) adherence to the terms and conditions of qualitative requirements according to Decree No. 464/2012	0	128	0	0	2	2	0	0	0	2	10500	0
5. Decision-making on objections to the settlement of claims according to Section 6a of the Act on Postal Services	0	0	0	5	37	19	3	7	9	0	0	29
6. Decision-making on disputes according to Section 37(3)(a) of the Act on Postal Services	0	0	0	0	0	0	0	0	0	0	0	0
7. Failure to provide information according to Section 32(a) of the Act on Postal Services	0	0	0	0	3	3	0	0	0	3	31000	0
8. Other	33	0	0	6	33	35	0	0	0	30	165000	4
TOTAL	275		0	11	75	59	3	7	9	35	206500	33

## 7. Overview of inspection activity in carrying out the control of electronic communications in 2015

Type of activity	Number of certificates or inspections <sup>1)</sup>		Number of calls to rectify shortcomings	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions handed down <sup>2)</sup>	Other <sup>3)</sup>	Penalties imposed		Number of administrative proceedings carried over to subsequent period
	Total	Of which						Number	amount in CZK	
1. The operation of communication activity without a certificate	34	0	0	1	17	16	0	15	140 000	2
2. Adherence to the terms and conditions of general authorisations	526	0	221	6	233	226	0	235	4 187 000	13
a) in relation to providing public communication networks and associated	0	0	0	0	0	0	0	0	0	0
b) in relation to providing electronic communication services (equipment)	0	4	0	1	7	6	0	16	32 500	2
3. Inspection of radio frequencies	0	522	221	5	226	220	0	219	4 154 500	11
a) the use of radio frequencies without authorisation to do so	185	0	21	8	77	81	0	79	1 659 500	4
b) adherence to the conditions of an individual authorisation for the use of radio frequencies	0	89	0	6	61	64	0	63	1 548 000	3
4. Identifying sources of interference to the operation of electronic communication equipment and networks, the provision of electronic communication services or the operation of radiocommunication services	0	96	21	2	16	17	0	16	111 500	1
a) radio and television reception (radio service)	4 739	0	7	0	31	29	0	25	191 000	2
b) radio equipment and networks	0	3 879	5	0	0	0	0	0	0	0
c) public communication networks for the transmission of R and TV signals (TKR)	0	301	2	0	31	29	0	25	191 000	2
d) other	0	22	0	0	0	0	0	0	0	0
5. Inspection of numbers for the purposes of number administration (number of inspection calls) <sup>4)</sup>	0	537	0	0	0	0	0	0	0	0
a) the use of numbers without authorisation to do so	28	0	0	1	0	1	0	1	5 000	0
b) the use of numbers in conflict with authorisation for their use	0	3	0	1	0	1	0	1	5 000	0
c) spectrum	0	25	0	0	0	0	0	0	0	0
a) measuring the time use of frequencies and frequency bands	1 963	0	0	0	0	0	0	0	0	0
b) measuring territorial coverage with radio signal	0	655	0	0	0	0	0	0	0	0
c) measuring the intensity of the electromagnetic field	0	13	0	0	0	0	0	0	0	0
d) other	0	2	0	0	0	0	0	0	0	0
7. Communications	0	1 293	0	0	0	0	0	0	0	0
8. Other <sup>5)</sup>	0	0	0	10	54	49	0	42	372 000	15
TOTAL	218	0	46	49	338	364	0	322	5 121 600	23
	7 693		295	75	750	766	0	719	11 676 100	59

1) Inspection completed after actually having been conducted.

2) Refers to the number of decisions handed down in administrative proceedings of the first instance (regardless of legal force).

3) Shows cases in which administrative proceedings are concluded with a resolution, i.e. cases of the death of the subscriber, the cessation of existence of the company, the discontinuation of proceedings by law (bankruptcy), not having the

4) Shows the total number of calls to a telephone number.

5) Shows the sum of specific problems.

<b>8. Measures of a General Nature issued in 2015 according to the Act on Electronic Communications</b>						
<b>OOP - other</b>						
<b>Serial No.</b>	<b>Number of Measure of a General Nature</b>	<b>Name of OOP</b>	<b>OOP dated</b>	<b>Number of TB (Telecommunications bulletin) dated</b>	<b>Effective date of OOP</b>	
1.	OOP/1/04.2015-2	OOP which set forth the relevant markets in the electronic communications sector, including the criteria for evaluating significant market power according to Section 52(1)	1.4.2015	4/2015 of 10.4.2015	15. day after publication in the TB	
2.	OOP/4/12.2015-7	OOP amending OOP/4/03.2006-3	8.12.2015	17/2015 of 16.12.2015	1.1.2016	
<b>OOP - General Authorisations</b>						
<b>Serial No.</b>	<b>Number of Measure of a General Nature</b>	<b>Name of OOP</b>	<b>OOP dated</b>	<b>Number of TB (Telecommunications bulletin) dated</b>	<b>Effective date of OOP</b>	
3.	VO-R/7/01.2015-1	OOP (VO) for the use of radio frequencies and for the operation of civilian radio stations in the 27 MHz band according to Section 9(2)	14.1.2015	1/2015 of 16.1.2015	15.2.2015	
<b>OOP – Radio Spectrum Utilisation Plan</b>						
<b>Serial No.</b>	<b>Number of Measure of a General Nature</b>	<b>Name of OOP</b>	<b>OOP dated</b>	<b>Number of TB (telecommunications bulletin) dated</b>	<b>Effective date of OOP</b>	
4.	PV-P/12/06.2015-3	Part of Radio Spectrum Utilisation Plan for the 1700-1900 MHz frequency band according to Section 16(2)	23.6.2015	8/2015 of 30.6.2015	15.7.2015	
5.	PV-P/7/06.2015-4	Part of Radio Spectrum Utilisation Plan for the 2700-4200 MHz frequency band according to Section 16(2)	24.6.2015	8/2015 of 30.6.2015	15.7.2015	
6.	PV-P/11/07.2015-5	Part of Radio Spectrum Utilisation Plan for the 27.5-33.4 GHz frequency band according to Section 16(2)	29.7.2015	10/2015 of 17.8.2015	1.9.2015	
7.	PV-P/1/09.2015-6	Part of Radio Spectrum Utilisation Plan for the 146-174 MHz frequency band according to Section 16(2)	2.9.2015	12/2015 of 8.9.2015	20.9.2015	

## 9. Achievement of binding indicators of the state budget in 2015

Indicators	Budget			Final budget	Actual situation as at 31.12.2015	%
	approved	after amendments				
<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	<b>5</b>	<b>6</b>
<b>Aggregate indicators</b>						
Total income	1 097 832,89	1 097 832,89		1 097 832,89	1 222 642,88	111,37%
Total expenditure	770 413,59	771 911,63		901 085,28	685 717,27	76,10%
<b>Specific indicators - incomes</b>						
Tax incomes	17 815,00	17 815,00		17 815,00	53 506,82	300,35%
Non-tax incomes, capital incomes and received transfers in total	1 080 017,89	1 080 017,89		1 080 017,89	1 169 136,06	108,25%
therein: total incomes from European Union budget, not including common agricultural policy	2 650,89	2 650,89		2 650,89	24 050,19	907,25%
other non-tax incomes, capital incomes and received transfers in total	1 077 367,00	1 077 367,00		1 077 367,00	1 145 085,86	106,29%
<b>Specific indicators - expenditure</b>						
Expenditure of ensuring the achievement of tasks at the Czech Telecommunication Office	770 413,59	771 911,63		901 085,28	685 717,27	76,10%
therein: expenditure of the coverage of loss on the provision of the universal service "Special prices"	105 000,00	105 000,00		105 000,00	89 241,31	84,99%
expenditure of the coverage of loss on the provision of the universal service – net costs	53 000,00	53 000,00		53 000,00	48 240,86	91,02%
other expenditure of ensuring the achievement of tasks at the Czech Telecommunication Office	612 413,59	613 911,63		743 085,28	548 235,10	73,78%
<b>Cross-sectional indicators</b>						
The salaries of employees and other payments for work done	229 438,06	230 547,73		253 838,01	250 678,37	98,76%
Mandatory insurance premium paid by the employer	77 918,88	78 296,17		86 203,05	84 982,28	98,58%
Transfer to the cultural and social needs fund	2 220,96	2 232,05		2 454,61	2 454,61	100,00%
Salaries of employees having labour relations	195 695,42	199 334,12		211 464,65	211 406,84	99,97%
Ensuring readiness for crisis situations according to Act No. 240/2000 Coll.	26 400,00	23 870,97		33 996,00	31 098,19	91,48%
Salaries of state officials	80,00	80,00		80,00	22,01	0,00%
Total expenditure jointly-financed by the European Union budget without SZP	3 118,69	3 118,69		32 912,42	22 359,94	67,94%
therein: from the state budget	467,81	467,81		4 936,96	3 353,99	67,94%
share of European Union budget	2 650,89	2 650,89		27 975,46	19 005,95	67,94%
Total expenditure maintained in the EDS/SMVS programme financing information system	87 400,00	87 400,00		149 800,45	46 711,40	31,18%

## 10. Chapter indicators – budget overview for the year 2016

(in thousands of CZK)

<b>Aggregate indicators</b>		
	Total income	2 447 294
	Total expenditure	770 413 586
<b>Specific indicators - income</b>		
	Tax incomes <sup>5)</sup>	34 735
	Non-tax incomes, capital incomes and received transfers in total	2 412 559
	therein: total incomes from European Union budget, not including common agricultural policy	0
	other non-tax incomes, capital incomes and received transfers in total	2 412 559
<b>Specific indicators - expenditure</b>		
	Expenditure of ensuring the achievement of tasks at the Czech Telecommunication Office	1 497 507
	therein: expenditure of the coverage of loss on the provision of the universal service "Special prices"	105 000
	expenditure of the coverage of loss on the provision of the universal service – net expenditure	53 000
	other expenditure of ensuring the achievement of tasks at the Czech Telecommunication Office	1 339 507
<b>Cross-sectional indicators</b>		
	The salaries of employees and other payments for work done	243 994
	Mandatory insurance premium paid by the employer <sup>1)</sup>	83 005
	Transfer to the cultural and social needs fund	3 546
	Salaries of employees having labour relations	0
	Salaries of state officials	236 369
	Ensuring readiness for crisis situations according to Act No. 240/2000 Coll.	80
	Total expenditure jointly financed by the EU budget not including the common agricultural policy	0
	therein: from the state budget	0
	share of European Union budget	0
	Total expenditure maintained in the EDS/SMVS programme financing information system	125 310
1) mandatory insurance premium for social security and contribution to the state employment policy and insurance premium for public health insurance		
5) not including incomes from mandatory insurance premium for social security and contribution to the state employment policy		

## 11. BASIC PERSONNEL DATA - 2015

### 1. SEGMENTATION OF EMPLOYEES BY AGE AND SEX - AS AT 31. 12. 2015

age	men	women	total	%
up to 20 years	0	0	0	-
21 - 30 years	44	80	124	20,10
31 - 40 years	58	95	153	24,80
41 - 50 years	29	83	112	18,15
51 - 60 years	72	84	156	25,28
61 years and over	44	28	72	11,67
<b>total</b>	<b>247</b>	<b>370</b>	<b>617</b>	<b>100,00</b>
<b>%</b>	<b>40,03</b>	<b>59,97</b>	<b>100,00</b>	<b>x</b>

### 2. SEGMENTATION OF EMPLOYEES BY EDUCATION AND SEX - AS AT 31. 12. 2015

level of education	men	women	total	%
primary	0	2	2	0,32
apprenticeship	1	5	6	0,97
specialised secondary	0	2	2	0,32
full secondary	3	23	26	4,21
full specialised secondary	48	148	196	31,77
college	1	5	6	0,97
university	194	185	379	61,43
<b>total</b>	<b>247</b>	<b>370</b>	<b>617</b>	<b>100,00</b>

### 3. OVERALL DATA ON AVERAGE SALARY AS AT 31. 12. 2015

	total
average gross monthly pay	CZK 32,546

### 4. OVERALL DATA ON THE CREATION AND TERMINATION OF LABOUR/CIVIL SERVICE RELATIONS OF EMPLOYEES IN 2015

	labour relations	service relations
arrivals	53	18
departures	73	3

5. DURATION OF LABOUR/CIVIL SERVICE RELATIONS OF EMPLOYEES - AS AT 31. 12. 2015

<b>period of duration</b>	<b>number</b>	<b>%</b>
up to 5 years	330	53,48
up to 10 years	85	13,78
up to 15 years	82	13,29
up to 20 years	42	6,81
over 20 years	78	12,64
<b>total</b>	<b>617</b>	<b>100,00</b>

6. LANGUAGE ABILITIES OF EMPLOYEES - 2015

<b>type of language</b>	<b>numbers of selected positions for which standardised language tests were determined as a qualification requirement, ordered by level of knowledge</b>			<b>total number of determined requirements for systemised</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
English	–	3	1	4
German	–	–	–	–
French	–	–	–	–
<b>Total</b>	<b>–</b>	<b>3</b>	<b>1</b>	<b>4</b>



## 12. List of complaints to 31.12.2015

(Section 175 of Act No. 500/2004 Coll., the Rules of Administrative Proceedings, as amended)

	Type of submission	Number of submissions					
		received	from previous period	settled	justified	unjustified	carried over to subsequent period
1.	Petitions*)	1	0	1	0	0	0
2.	Complaints**)	8	1	9	2	7	0
3.	Notifications**)	0	0	0	0	0	0
4.	Suggestions**)	0	0	0	0	0	0

\*) Act No. 85/1990

Coll., on the right to petition

\*\*) Act No. 500/2004 Coll., the Rules of Administrative Proceedings, as amended, Section 175