

CZECH TELECOMMUNICATION OFFICE

ANNUAL REPORT 2016



Czech **Telecommunication** Office

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A Word of Introduction from the Chairman

Electronic communications and postal services should contribute to better communication between people. Both sectors, however, are subject to quite dynamic development. In the area of postal services, for several years people have been abandoning traditional letters and postcards, and similarly also in the environment of electronic communications we observe gradual departure from communication ways which have been widely used until recently, such as mobile phone calls or text messages.

The new trend in communication is applications such as Skype, Whatsapp, Viber or Facebook Messenger. The task of the Office is to monitor the market as a whole, foster competition, protect consumers, and, of course, also watch for new trends and respond to them. Therefore, in 2016 we focused on creation of conditions for technological innovation and development of new generation networks which will help facilitate data communication and smooth operation of new applications.

During the year we carefully monitored the business practices of service providers in the area of electronic communications in order to evaluate the impact of the proposed contracts and contract terms, and we subsequently informed the general public about them and about our recommendations on them. In mid- 2016 the Office continued with the evaluation of contract terms of the three major operators and newly also of six new operators, and organized them in an intuitive table entitled Consumer Traffic Lights. Thanks to this, consumers can quickly find their way regarding the fairness of the operators' approach, and the market of electronic communications thus becomes more transparent for them.

Last year we continued to develop the project of the Telecommunication Academy. It is intended for senior citizens and is based on the needs which are present in the consumers' everyday life. Our goal is to help this group of citizens to be more knowledgeable about the complex landscape of telecommunications. Within the Telecommunication Academy we offer the participants practical experience based on real-life cases which are addressed by the Office as part of our consumer protection activities.

One of our new activities was co-organization of 'hackathon'. In this competition, several dozens of young programmers competed in development of applications for smart cities, open data, education, or open source projects. As the project was successful, we plan follow-up events in the future.

One of the important topics of the Office is openness, within which we intensively support the so-called open data [available online at: <http://data.ctu.cz>]. We published a new data set called Invoices which contains more than 5000 records of invoices paid by the Office.

We consider high-quality infrastructure of electronic communications to be a basis for the development of a modern state. In this respect, I would like to mention inspections focusing on the compliance with coverage obligations and associated criteria of the holders of LTE frequency block allocations in bands 800, 1800 and 2600 MHz, including the measurement of the coverage, data speed, and strength of the LTE signal in relation to the operators' reports of fulfilment of the coverage obligations and associated criteria which took place in the second half of the year. It included also measurement of the coverage of railway corridors and motorways with the signal of the mobile operators.

Throughout the year the Office worked with the Ministry of Industry and Trade on the preparation of the conditions for the development of terrestrial digital TV broadcasting including the preparation of the migration to the DVB-T2 standard. The Office also worked

with the Ministry of Culture on the preparation of the Concept of Digitalization of Broadcasting of the Czech Radio which has been approved by the government.

The general public certainly welcomed the fact that the Office launched its new website last year with an improved structure of navigation and modern design. The main quality of the new website is intuitiveness and user-friendliness. Worth mentioning is also the successful completion of the interactive application mapping the utilization of the entire radio spectrum in the Czech Republic: <http://spektrum.ctu.cz>.

Ing. Mgr. Jaromír Novák
Chairman of the Council of the Czech Telecommunication Office

Basic Information on the Czech Telecommunication Office

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 on amendment of certain related acts (Electronic Communications Act), (hereinafter also referred to as “Electronic Communications Act”) 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.

The Office has a five-member Council (hereinafter also referred to as “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. In April 2016 the government extended Jaromír Novák’s three-year chairmanship, until 22 October 2017 when his five-year membership in the Council ends.

The Office carries out its activities through individual units, i.e., sections, departments and separate units. It is based in Prague and has its branch offices also outside of Prague. These include branch for the South Bohemian region based in České Budějovice, branch for the West Bohemian region based in Plzeň, branch for the North Bohemian region based in Ústí nad Labem, branch for the East Bohemian region based in Hradec Králové, branch for the South Moravian region based in Brno, and branch for the North Moravian region based in Ostrava.

The Annual Report (hereinafter also referred to as the “Report”) is prepared according to Section 110(1) of the Electronic Communications Act. The first part primarily concentrates on evaluating the basic indicators of the relevant 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 the Office’s tasks.

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 (pursuant to Section 50 of the Electronic Communications Act), Statement on the Management of Resources of the Radiocommunication Account (pursuant to Section 27(7) of the Electronic Communications Act). The Report also includes an Annual Report on the Provision of Information pursuant to Act No. 106/1999 Coll., Free Access to Information Act, as amended, and comprehensive information on CTU procedure in settling complaints pursuant to Section 175 of Act No. 500/2004 Coll., the Code of Administrative Procedure, as amended (hereinafter referred to as “Code of Administrative Procedure”).

Executive Summary

Electronic Communications

In 2016, Czech Telecommunication Office focused its activities mainly on encouraging economic competition, specifically on development of the communication infrastructure and services of high-speed Internet access. The result of this activity was also the frequency auction which the Office successfully held for frequencies in bands 1.8 GHz and 2.6 GHz.

Data consumption in mobile networks also grew; according to estimates, 88 petabytes of data were transferred in 2016, a 65% increase from the previous year.

In autumn 2016 CTU commenced the preparation of the so-called three-criteria test which will verify the possibility of application of ex-ante regulation on wholesale mobile data market in order to ensure availability of mobile data services. One of the reasons was differences between the list prices for households and non-public offers in particular for the business and public sector. Another reason was the fact that the operators started to fulfil the obligation accepted voluntarily from the frequency auction for LTE networks only after CTU’s reminders.

By the end of 2016, analyses of the market of wholesale local access provided at a fixed location (relevant market No. 3a), market of wholesale central access provided at a fixed location for mass market products (relevant market No. 3b), and wholesale high-quality access provided at a fixed location (relevant market No. 4) have not been completed. CTU will work on completion of these analyses in the 1st half of 2017. **The reason is the complexity of the issue combined with the separation of O2 Czech Republic a.s. (division into O2 Czech Republic a.s. and Česká telekomunikační infrastruktura, a.s. - CETIN).**

Postal Services

With respect to the approaching expiration of the postal license of the existing holder, Česká pošta, s.p, hereinafter referred to as “Czech Post”, (at the end of 2017), in the area of postal services CTU focused on acts aimed at assessment whether there are still reasons for imposing the obligations to provide universal (basic) services. Based on a comprehensive market review, the Office concluded that these reasons exist, and therefore sent the plan of new imposition of these obligations for public consultation.

Another task was achievement of progress in the negotiations with the bodies of the European Commission (DG Comp) in the matter of notification of public aid in the process of reimbursement of the net costs from the provision of the universal services for the period 2015-2017 and the newly defined scope of the of the mandatorily provided post-office network of the postal license holder. The notification was commenced by CTU in July 2015, and during the process CTU worked together with the Ministry of Industry and Trade, Ministry of the Interior and also Office for the Protection of Competition. The notification process could not be completed by the end of 2016, when the bodies of the European Commission asked the Czech

Republic to reconsider the mechanism of funding of the net costs also for the period 2013 and 2014 using the compensation fund to which all undertakings in the postal services market would contribute according to their market share. The government discussed this issue in order to find a suitable solution, and it is possible to expect that the notification process will be unblocked and completed in 2017.

Inspection activity and consumer protection

The Office built upon its activities in the area of consumer protection related to the analysis of the contract terms of mobile operators and the subsequent so-called consumer traffic lights and included the subsequent analysis of the contracts of the four largest network operators and six selected virtual operators. The deficiencies found were prepared in a comprehensible form and the findings were presented on the website.

Urgency of the problems in the contracts with operators has been confirmed also by a poll conducted in July and August 2016 by Nielsen. In the survey the customers responded that they find confusing, lengthy and complicated contracts, vague wording of the contractual fines and, in particular, unilateral contract changes by the operators to be most problematic.

Settlement of subscriber disputes, i.e., disputes arising from contracts on provision of electronic communication services commenced upon request of any contracting party is still within the scope of powers and responsibilities of CTU. In 2016 the Office processed 183,995 cases of administrative proceedings, of which 116,386 pending disputes were transferred from 2015 and 67,609 cases of administrative proceedings were commenced upon a request filed in 2016. The number of pending disputes from the previous years has therefore decreased significantly.

Economic management of the Office

In 2016 CTU reported CZK 4.372 billion in revenues and CZK CZK 709 million in expenses. A significant portion of the non-tax revenues were proceeds from the frequency auction (CZK 2.643 billion) and revenues from the radio spectrum management.

Out of the 2016 budget, CTU saved CZK 985 million, of which CZK 700 million were savings of expenses for the coverage of the loss from the provision of the postal service, CZK 34.5 million were savings of expenses for the coverage of the loss of the universal service in the area of telecommunications, and CZK 251 million were other expense items.

In 2016 CTU spent CZK 570.2 million on salaries of the employees and the associated mandatory payments. As of 31 December 2016 CTU had 598 employees and 633 systemized positions. As of 1 January 2016 98% of all employees CTU were transferred into civil service status.

Situation and Development of the Electronic Communication and Postal Services Market in 2016

Czech Telecommunication Office entered 2016 with the goal to help develop economic competition in the electronic communication market, ensure availability of the universal postal services in the required quality, and provide adequate protection to the rights of users of the services in the two markets where the Office exercises its powers and responsibilities.

In terms of **the electronic communication markets**, the activities of CTU focused on creation of conditions for the development of the infrastructure of the new generation access networks (NGA networks) and on promoting conditions for the competition of the high-speed Internet access services.

In terms of the available infrastructure for provision of the current high-speed Internet access services, the situation can be assessed as significant infrastructure competition (according to the representation of individual technological solutions xDSL, FTTx, CATV, WiFi, FWA as well as the newly built LTE mobile networks). The degree of coverage with optical fibres for actual high-speed services of the future so-called gigabit society, however, is still average in the Czech Republic in comparison with the rest of the EU.

Therefore, just as in the previous year, CTU was engaged in 2016 with the Ministry of Industry and Trade of the Czech Republic (hereinafter also referred to as “Ministry of Industry and Trade”) and the representatives of the business sector in preparation of the grant programme supporting NGA/NGN. The first comprehensive geographic mapping of the infrastructure of the NGA networks was completed and subsequently used by the Ministry of Industry and Trade for the preparation of the future intervention areas of the grant programme prepared. Under the CTU leadership, a comprehensive set of requirements and conditions for provision of wholesale services on the future subsidized NGA infrastructure was compiled within the work group with the sector. This material was incorporated by the Ministry of Industry and Trade in the government-approved National Plan of Development of New Generation Networks (NPRSNG).

In order to support the development of high-speed Internet access services also through mobile networks, CTU performed in 2016 an auction of the remaining frequencies in the bands of 1800 and 2600 MHz, under the conditions of future refarming of the frequencies. The refarming will ensure that the mobile operators will have comprehensive and sufficiently broad radio channels available for effective use of the LTE technology and will allow them to offer their customers mobile broadband services of sufficient quality (also in terms of the volume of data offered).

On data mobile market, the trend of the increasing volume of data traffic continued. At the same time, however, CTU identified a problem regarding the amount and structure of the price offers of individual mobile operators. While in average the unit price for 1 MB of data transmitted decreased year-on-year, the level of the price list offers remained basically the same. There were significantly better non-public offers available on the market, in particular for the business and public sector. This situation was also reflected in the negative position of the Czech Republic in the international comparison of the prices of mobile data services where the prices of domestic mobile operators were assessed as above average of the countries subject to the comparison. Similarly, on the wholesale market of mobile data services, CTU achieved, following a complicated process, reduction of the offer prices for wholesale LTE services based on the commitments from the auction of frequencies for the 4th generation networks (auction 2013).

The above-mentioned facts have led CTU to commence the process of preparation of the three-criteria process in order to check the legitimacy and possibility of application of ex-ante regulation on the wholesale market. CTU will complete the test in the 1st half of 2017.

In 2016 CTU engaged in the process of preparation for the future release of the frequencies in the 700 MHz band from the terrestrial digital broadcasting in favour of further development of the networks and mobile broadband services. Within the work group in the Ministry of Industry and Trade, the representatives of CTU participated in the preparation of the strategy of migration to the broadcasting standard DVB-T2/HEVC (adopted by the government in July 2016) as a more efficient solution in terms of the spectrum for utilization of the remaining frequencies of the UHF band. In the second half of the year CTU managed to complete the

international coordination negotiations for the assembly of the first of the transition networks and to grant České radiokomunikace a licence to use the radio frequencies necessary for the commencement of the operation of the parallel DVB-T2 broadcasting.

In the area of **postal services**, CTU focused in 2016 on a review of the reasons for the new imposed obligations to ensure provision of the universal (postal) services by the postal licence holder. The current obligation of Czech Post expires with the expiry of its postal licence at the end of 2017. At the end of 2016 the Office published conclusions from the review of the market for public consultation, including the evaluation of the alternative commercial offers and the plan for new imposition of the obligation to ensure the universal services. The process will be completed in 2017 by a tender for the new provider or, more precisely, new postal license holder for the period starting from 2018.

THE UNIT PRICE FOR 1 MB OF DATA TRANSMITTED DECREASED YEAR-ON-YEAR, WHILE THE LEVEL OF THE PRICE LIST OFFERS REMAINED BASICALLY THE SAME

1 Assessment of the electronic communication market

1.1 Regulation of the electronic communication market

During 2016 CTU completed the third round of the analyses of the relevant markets by issuing the analysis of wholesale market No. 8 - access and origin of calls (origination) in public mobile telephone networks. At the same time, CTU continued with the already commenced fourth round of the analyses of the relevant markets (of 2015) with regard to the voluntary separation of O2 Czech Republic a.s., hereinafter referred to as “O2”, a company which was defined as an undertaking with significant market power in all relevant markets (other than market No. 8). At the same time CTU started preparation for the three-criteria test in the newly envisioned wholesale mobile market with focus on availability of mobile data services. It will be completed in the first half of 2017. Within this process CTU examines cumulative fulfilment of three criteria: whether there are major and permanent obstacles to market entry; whether the market structure fails to lead to effective economic competition within the relevant time period; and whether the competition law alone is sufficient to resolve market competition failures. If all three criteria are met cumulatively, i.e., that there are major and permanent obstacles to market entry, the market structure fails to lead to effective economic competition within the relevant time period, and at the same time the competition law alone is not sufficient to resolve market competition failures, such market can be considered “relevant”, i.e., eligible for ex-ante regulation.

1.1.1 Process of the analyses of the relevant markets in 2016

In 2016 CTU completed the 3rd round of the analyses of the relevant markets and continued with the analyses of all relevant markets specified in the “new” OOP/1/04.2015-2 and the analyses of the original relevant markets No. 1 and 2 according to OOP/1/02.2008-2, as amended by OOP/1/04.2012-4, according to which these markets are considered relevant according to the transitory provisions until the analysis which shows that the market is effectively competitive or did not pass the three-criteria test. For the sake of better orientation, CTU decided to name these markets No. 1S and 2S.

ANALYSIS OF RELEVANT MARKET NO. 8 – ACCESS AND ORIGIN OF CALLS (ORIGINATION) IN PUBLIC MOBILE TELEPHONE NETWORKS

In 2016 CTU completed the 3rd round of the analyses of the relevant markets, namely by issuing a Measure of General Nature – Market Analysis No. A/8/3.2016-2. This measure was published in the Telecommunication Bulletin on 14 March 2016 based on the notification of the draft analysis with the European Commission where on 19 February 2016 the European Commission sent its decision to CTU in which it did not have objections to the proposed measure. Based on the analysis performed, where the fulfilment of the three-criteria test was not proven, CTU did not find the defined wholesale market to be eligible for ex-ante regulation.

RELEVANT MARKET NO. 1S - ACCESS TO THE PUBLIC TELEPHONE NETWORK AT A FIXED LOCATION AND RELEVANT MARKET NO. 2S - CALL ORIGIN (ORIGINATION) IN THE PUBLIC TELEPHONE NETWORK AT A FIXED LOCATION

Analyses of the relevant markets No. 1S a 2S started as early as 8 June 2015 (information on the commencement available online: [<http://www.ctu.cz/sdeleni-o-zahajeni-provadeni-analyz-relevantnich-trhu-v-navaznosti-na-dobrovolnou-separaci-0>]), and the draft analyses were submitted to public consultation on 24 September 2015. After the public consultation ended on 26 October 2015, the comments and suggestions received were settled and published. After that, on 14 December 2015, the draft analyses were sent to the Office for the Protection of Competition for taking a position and give suggestions. CTU received the position of the Office for the Protection of Competition on 12 January 2016 and subsequently prepared the document for notification by the European Commission. On 17 March 2016 CTU received from the European Commission a statement in which the European Commission did not have suggestions on the draft analyses submitted. Analyses of the relevant markets No. 1S and 2S were subsequently published on 8 April 2016 as a Measure of General Nature No. A/1S/03.2016-3 and No. A/2S/03.2016-4. Based on the results of the aforesaid analyses, where the fulfilment of the three-criteria test was not proven, these markets can no longer be considered eligible for ex-ante regulation.

Subsequently, administrative proceedings were commenced on both markets in April 2016 with undertakings with significant market power, on market No. 1S with O2 and on market No. 2S with Česká telekomunikační infrastruktura, a.s., hereinafter also referred to as “CETIN”, concerning the cancellation of the declaration of the undertaking as an undertaking with significant market power. Decision No. SMP/1S/08.2016-1 and SMP/2S/08.2016-2 on cancellation of the above-mentioned companies as undertakings with significant market power on the respective markets entered into effect on 2 September 2016. Accordingly, decisions No. REM/1S/09.2016-3, REM/2S/09.2016-4 and CEN/2S/09.2016-5 cancelled the remedial measures imposed in these markets. The decisions both entered into effect on 13 September 2016.

RELEVANT MARKET NO. 1 - WHOLESALE CALL TERMINATION ON INDIVIDUAL PUBLIC TELEPHONE NETWORKS PROVIDED AT A FIXED LOCATION AND RELEVANT MARKET NO. 2 – WHOLESALE VOICE CALL TERMINATION ON INDIVIDUAL MOBILE NETWORKS

Analyses of the relevant markets No. 1 and 2 started as early as 8 June 2015 (information on the commencement available online: [<https://www.ctu.cz/sdeleni-o-zahajeni-provadeni-analyz-relevantnich-trhu-v-navaznosti-na-dobrovolnou-separaci-0-1>]) and the draft version thereof was submitted for public consultation on 24 September 2015. After the public consultation ended on 26 October 2015, the comments and suggestions received were settled and published. After that, on 14 December 2015, the draft was sent to the Office for the Protection of Competition for taking a position and give suggestions. CTU received the position of the Office for the Protection of Competition on 12 January 2016 and subsequently prepared the document

for notification by the European Commission. On 16 March 2016 CTU received from the European Commission a statement in which the European Commission did not have suggestions on the draft analyses submitted. Analyses of the relevant markets No. 1 and 2 were subsequently published on 13 April 2016 as a Measure of General Nature No. A/1/04.2016-5 and No. A/2/04.2016-6.

Based on the results of the aforesaid analyses from the above-mentioned relevant markets, administrative proceedings were commenced in market No. 1 with 23 entities¹, concerning determination of undertakings with significant market power and with two entities² concerning the cancellation of the declaration of the undertakings as undertakings with significant market power. Administrative proceedings were commenced in market No. 2 concerning the declaration of undertakings with significant market power with four entities³. Decisions on declaration of undertakings with significant market power on the respective relevant markets entered into effect at the end of September 2016 and beginning of October 2016. Accordingly, CTU commenced administrative proceedings with the undertakings with significant market power concerning the imposition of remedial measures in these markets. The remedial measures REM and CEN on relevant markets No. 1 and 2 entered into effect in the second half of December 2016.

RELEVANT MARKET NO. 3A - WHOLESALE LOCAL ACCESS PROVIDED AT A FIXED LOCATION AND RELEVANT MARKET NO. 3B - WHOLESALE CENTRAL ACCESS PROVIDED AT A FIXED LOCATION FOR MASS-MARKET PRODUCTS

Analyses of the relevant markets No. 3a and 3b started as early as 17 September 2015 (see the website at: <https://www.ctu.cz/sdeleni-o-zahajeni-provadeni-analyz-relevantnich-trhu-v-navaznosti-na-dobrovolnou-separaci-0>) and the draft version thereof was submitted for public consultation on 25 October 2016. After the public consultation ended on 25 November 2016, the comments and suggestions received were settled and published. The processing of the analyses of the respective relevant markets will subsequently continue in 2017 when CTU will consult the draft analyses both with the Office for the Protection of Competition as well as the European Commission.

In 2016 CTU performed an assessment of the test of technical replicability, as performed by CETIN based on a previously imposed obligation, also on relevant markets No. 3a and No. 3b. The submitted test was supposed to prove that CETIN introduced in its wholesale offer the principle of entry equality. This means⁴ provision of services and information to internal parties wishing to enter as well as to third parties wishing to enter under equal conditions, including the prices and the quality of the services provided, within equal time limits, using the same systems and processes, and with the same level of reliability and performance. Within the assessment of the test submitted and its conclusions, CTU did not find any inconsistency with the requirements for fulfilment of the obligations imposed.

RELEVANT MARKET NO. 4 - WHOLESALE HIGH-QUALITY ACCESS PROVIDED AT A FIXED LOCATION

In December 2016 CTU organized a workshop with the operators on definition of this relevant market (in terms of substance, area and time). Subsequently, a draft analysis of this relevant market will be prepared and submitted for public consultation in the first quarter 2017.

1.1.2 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.

Based on the completed analysis of the relevant markets of call termination (see above), the Office issued 25 price decisions at the end of 2016 on relevant market No. 1 (call termination at a fixed location); in two of these decisions it cancelled the obligations previously imposed on undertakings which were no longer considered undertakings with significant market power, and in the remaining (23) decisions it imposed price regulation in the form of maximum prices in the amount of CZK 0.033 per minute excluding VAT. This maximum price, in absolute terms, slightly exceeds (by CZK 0.003 CZK per minute excluding VAT) the previously valid price (CZK 0.03 per minute excluding VAT) imposed by the Office in May 2014 after the previous analysis of the relevant market. The main reason for the increased price was the depreciation of the Czech currency exchange rate by approximately 12% between 2013 when the Office performed the previous calculation and 2016. The currency depreciation was reflected in the cost model in the form of increase of the CZK prices of the network elements purchased in EUR, and thus subsequently also slight increase of the regulated price. The new price decisions were issued by the Office at the end of 2016 and on relevant market No. 2 (call termination in mobile networks), for all four undertakings with significant market power. The regulated price for the call termination was decreased from CZK 0.27 per minute excluding VAT to CZK 0.248 excluding VAT (i.e., by approximately 8 %).

In addition to the above-mentioned newly applied price regulations on the call termination markets, the previously imposed price regulation on the unbundled access market (relevant market No. 3a) was also applied. The last price decision on this market was issued by the Office in 2015.

1.1.3 Update of the Measure of General Nature No. OOP/4/09.2014-6

In 2016 CTU completed the update of the broadband model used (see Measure of General Nature of the Office No. OOP/4/09.2014-6, available online at: [<https://www.ctu.cz/opatreni-obecne-povahy-c-oop4122015-7>]). The parameters and methods of calculation of the cost model of the wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location, wholesale high-speed access in electronic communication networks and the related retail market fully complies with the Commission Recommendation No. 2013/466/EU of 11 September 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment. The calculation of the prices based on the calculations of the broadband model creates a platform in case price regulation is imposed on relevant markets No. 3a and 3b, which was the objective of the update of the broadband model.

1.2 Development in the main segments of the retail market

1.2.1 Services provided in mobile networks

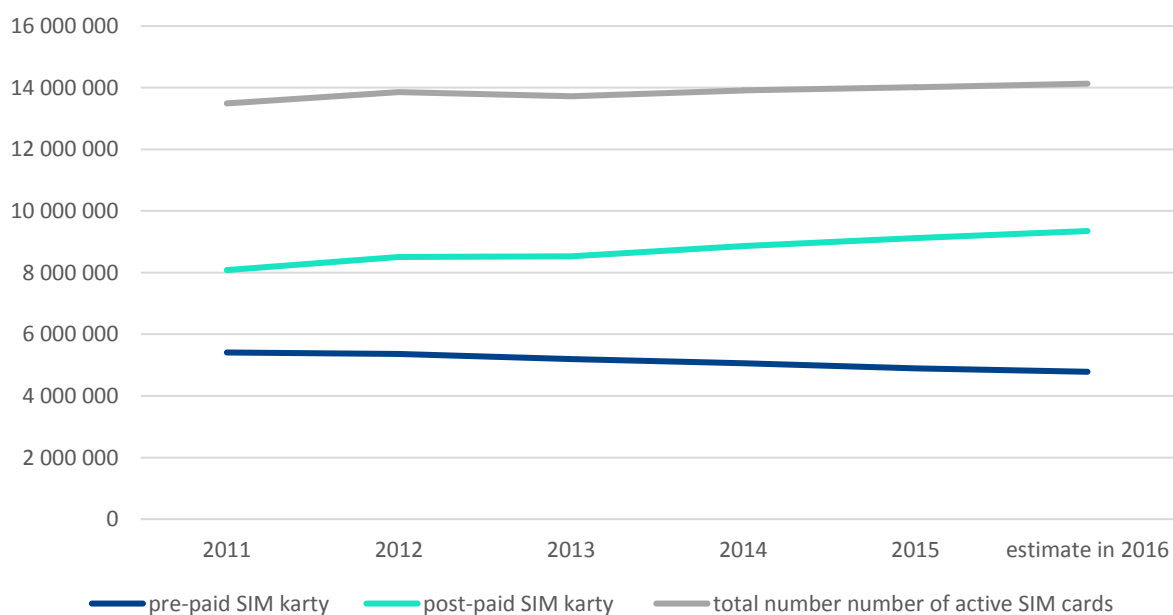
Development that got underway in 2013 and that led to the arrival of several additional virtual operators on the market continued in 2016. New undertakings arrived on the mobile market, existing virtual operators became established and we also saw the consolidation and dissolution of some virtual operators. While CTU has records, within the duties of notification of business activities in the field of electronic communications, on more than 200 entities which have announced their intention to provide mobile services, in mid-2016 it only had record of 157 businesses which reported within the electronic data collection actual provision of services as MVNO⁵ or MVNE⁶ and 18 brand re-sellers. All three of the largest network operators, either directly or through another company (Quadruple a.s., IPEX a.s., etc.) – the so-called MVNEs, provided commercial offers for MVNO on the wholesale market in 2016. The share of virtual

operators in the total number of SIM cards at the end of the first half of 2016 was approximately 7.0 %, and the share of property-independent virtual operators on the market was approximately 3,4 %.

The information available to CTU, however, implies that in some cases – in particular small MVNOs (with small number of active SIM cards) – the conditions for purchasing wholesale inputs of their services can be restrictive from the point of view of the possibility to offer some products on retail market, in particular in the case of data mobile services. In terms of availability of wholesale data services, the Office identified possible problems, and therefore it decided to perform the so-called three-criteria test in order to check whether it is legitimate to apply ex-ante regulation on this market.

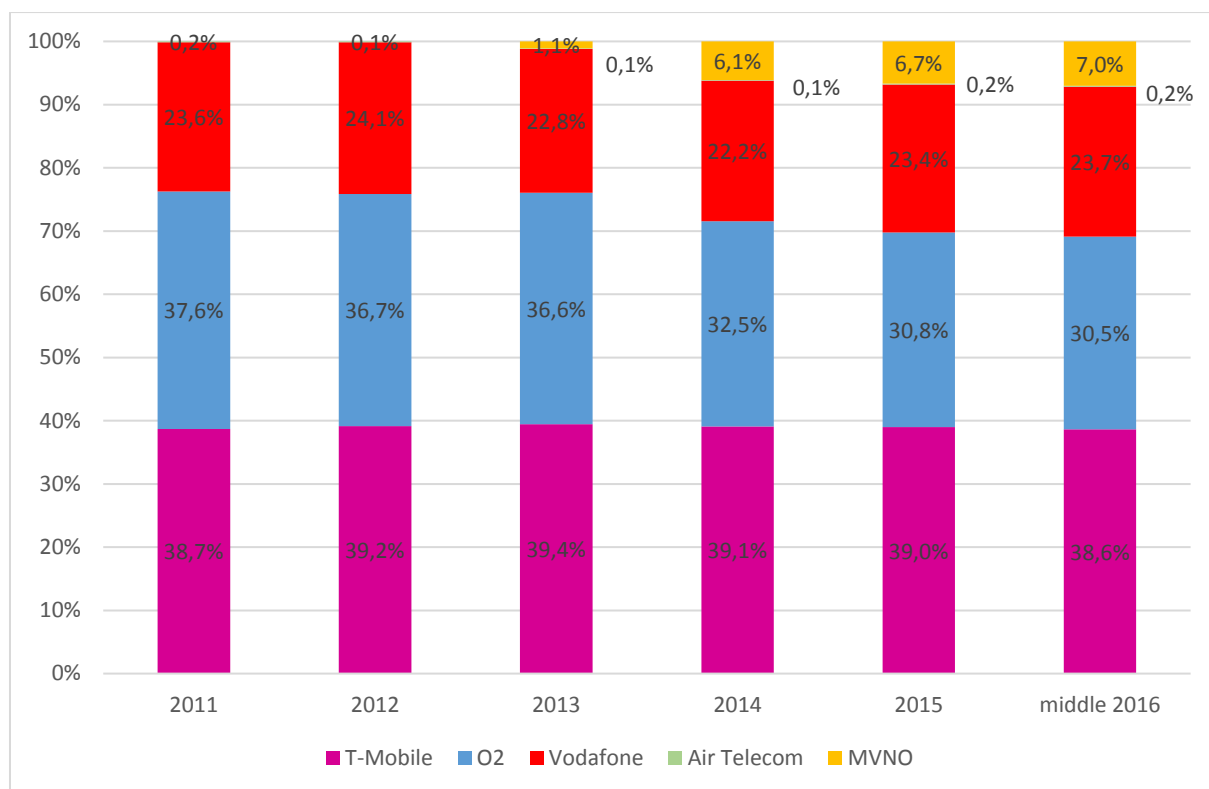
According to CTU, the support for entry and operation of MVNOs on the market is strengthened by the existence of the obligatory reference offer for the so-called full MVNOs, following from the commitments from the auction of frequencies in 2014. Moreover, within this commitment, individual MNOs who acquired an allocation of frequencies in the auction are obliged to negotiate with every interested party – even MVNOs other than (Full) MVNO – an agreement on access to the mobile network (operated using the radio frequencies acquired based on the above-mentioned auction of frequencies). The inspection performed by the Office, however, revealed misconduct in the discharge of this obligation, and was therefore forced, after the inspection (according to the inspection rules), to enforce remedy by a request pursuant to Section 114 of the Electronic Communications Act (see also the information on the procedure in the matter of the prices of wholesale offers for LTE according to the commitments from the auction of frequencies).

In comparison to 2015 no significant changes occurred in the number of active SIM cards, which stood at little over 14.1 million as of 31 December 2016 according to the latest CTU estimate. The number of active post-paid SIM cards is assumed to be 9.3 million, and the number of active pre-paid SIM cards is estimated at almost 4.8 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.



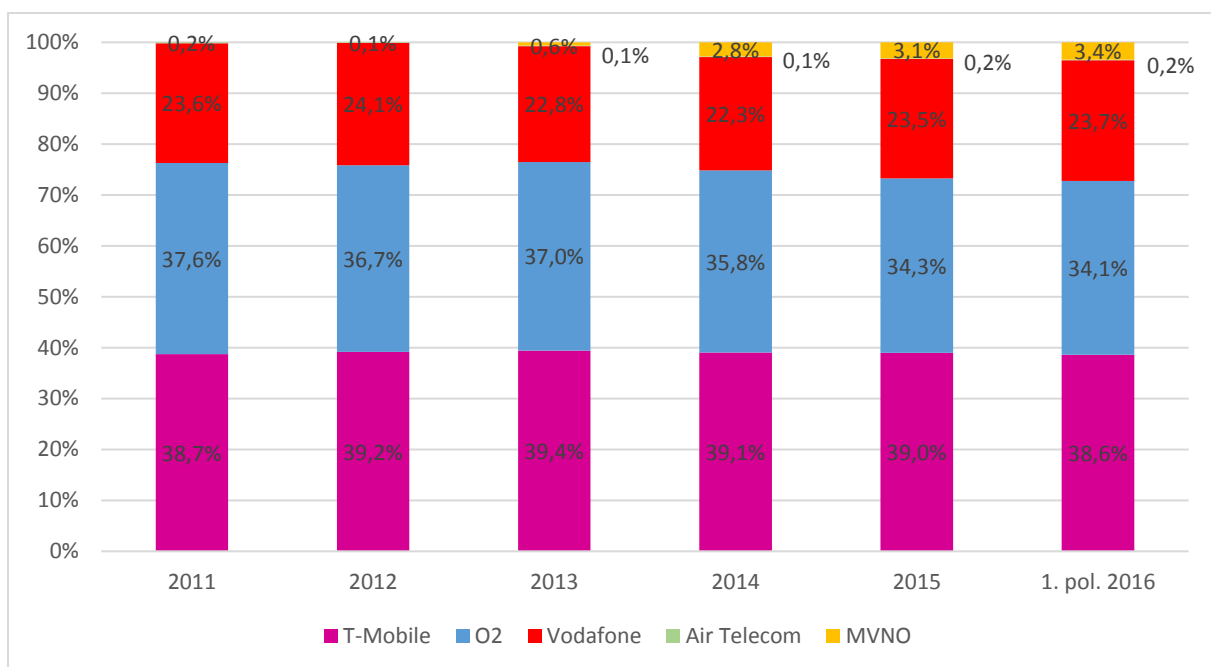
Graph 1: Development of the number of active SIM cards (pre-paid, post-paid and total number) in 2011 – 2016

The following graph shows the development of market shares based on the total number of active SIM cards on the retail market from 2011 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 property⁷ and MVNO that are independent of MNO.



Graph 2: Development of market shares on the retail market based on the numbers of active SIM cards

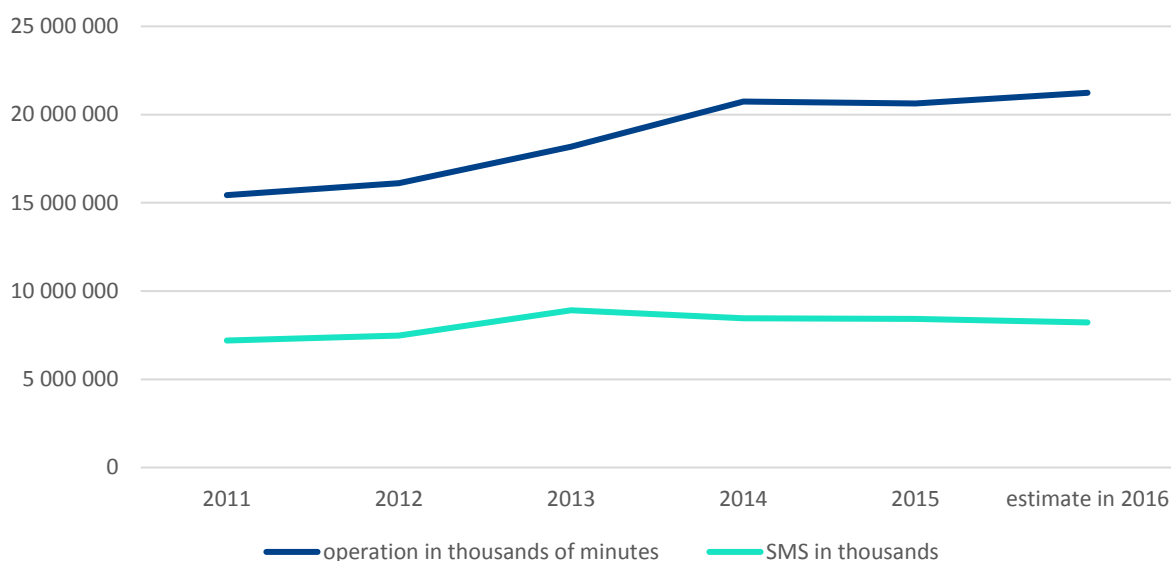
Within the market monitoring in 2016, the Office also considered property relations between individual MNOs and MVNOs. Three MVNOs were related to a network operator by property in mid-2016. These were COOP Mobil s.r.o. (Vodafone), O2 Family, s.r.o. (O2) and Tesco Mobile the Czech Republic s.r.o. (O2). The graph below shows market shares of individual operators since 2011, whereas their market share takes into account (by addition) undertakings related by property.



Graph 3: Development of market shares based on the number of active SIM cards, with inclusion of MVNOs related by property in the shares of the relevant MNOs on the retail market

In respect of the fact that the total number of subscribers (of active SIM cards) is only rising slightly, there is a greater level of movement of subscribers between individual service providers, including MVNO. Another significant aspect for the future is the increase in the number of SIM cards used for M2M services. This, however, is currently concentrated mainly in MNOs, since, according to the data reported by the businesses for the 1st half of 2016 within the electronic data collection, out of the total number of 793,535 active M2M SIM cards, 791,066 M2M SIM cards were attributed to the mobile operators, and the remaining 2,469 M2M SIM cards to MVNOs. (e.g., PODA a.s., FinCall s.r.o., NEW TELEKOM, spol. s r.o., etc.).

Using the available data, CTU estimates the year-on-year growth of the volume of voice calls generated by the subscribers of mobile networks in 2016 by 2.9 %, i.e., to 21.2 billion actual minutes, in spite of the fact that in 2015, as opposed to the assumptions of CTU, this indicator dropped by a half per cent. The year-on-year increase, relative to the previous slight decrease, is suggested by the information for the first half of 2016 as well as the gradual increase of post-paid plans and the increase of the so-called unlimited (flat) plans. In the number of sent SMS messages from mobile networks for the year 2016, CTU estimates continued decline which started in 2014, by almost 2.5 % year-on-year to 8.2 billion messages.



Graph 4: Development of the volume of voice calls and the number of sent SMS in 2011 – 2016

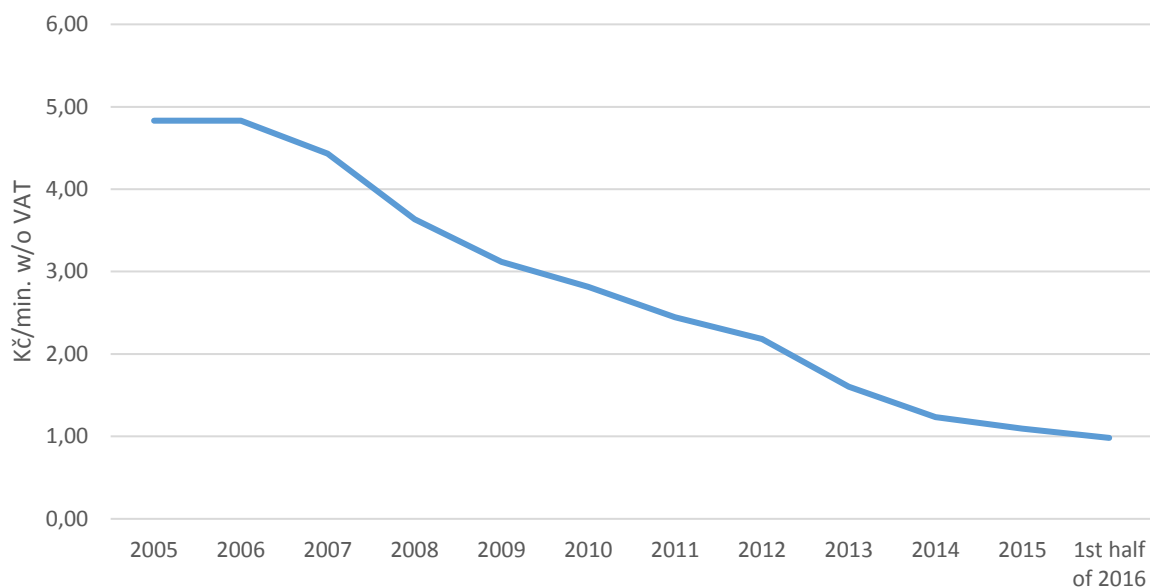
A significant factor in the development of the retail market in 2016 was, as was the case in previous years, a significant year-on-year increase in the volume of realised data traffic of 65 % to 88 PB⁸. CTU expects another significant increase in the volume of data traffic in 2017, in particular with respect to the continued development of the LTE networks, increasing penetration of the terminals supporting LTE between the subscribers, and the development of the services of Internet of Things.

The prices of mobile voice services and SMS

CTU regularly monitors⁹ 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 2016 are discussed below.

Price development according to average minute price

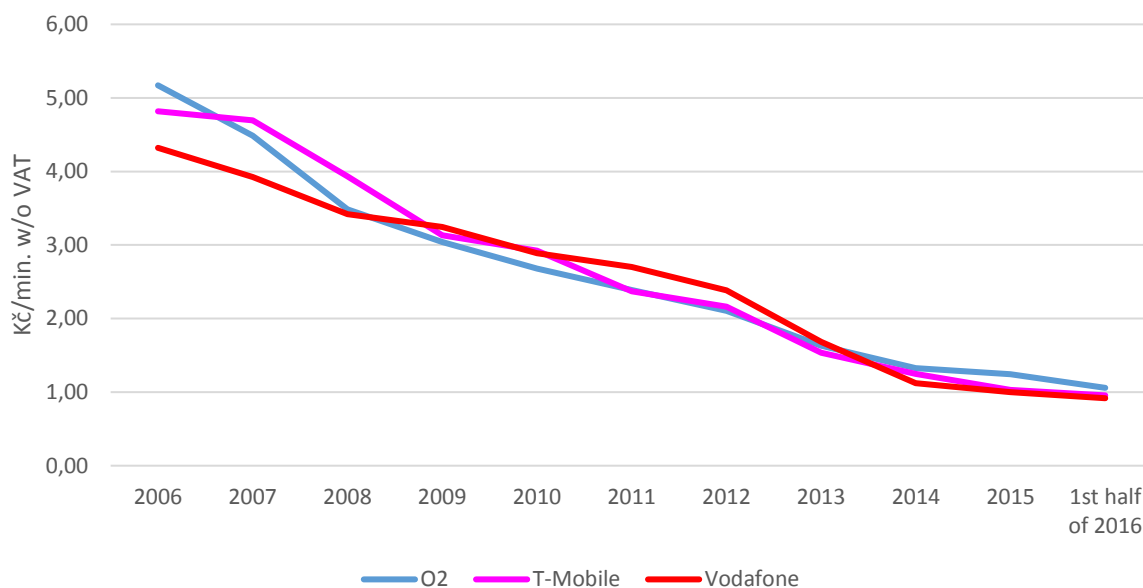
As far as the development of the average price per call minute is concerned, we can say that the long-term trend of falling prices continued in 2016. There was a decrease in the average minute price for an actual call minute of around 11 % to CZK 0.98 per minute in the first half of 2016 in comparison with the year 2015. The factors that contribute to the declining trend of the average price per minute include the decreasing average price for non-business (residential) entities and decreasing average price for businesses (see below).



Graph 5: 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 2016 was registered at O2, at around 14.5% to CZK 1,06 per minute. The lowest average price for calls in the first half of 2016 was offered by Vodafone Czech Republic a.s., hereinafter also referred to as “Vodafone”, with price of CZK 0.92 per minute. Please note that the resulting price also takes into account the price which the operators charge legal entities and individuals carrying out business activities.

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 2016, the average price for entities undertaking business at the three mobile operators in aggregated form was almost 33 % lower in comparison with that for people not undertaking business (CZK 1.15 per minute in the case of entities not undertaking business in comparison with CZK 0.77 per minute in the case of entities undertaking business).

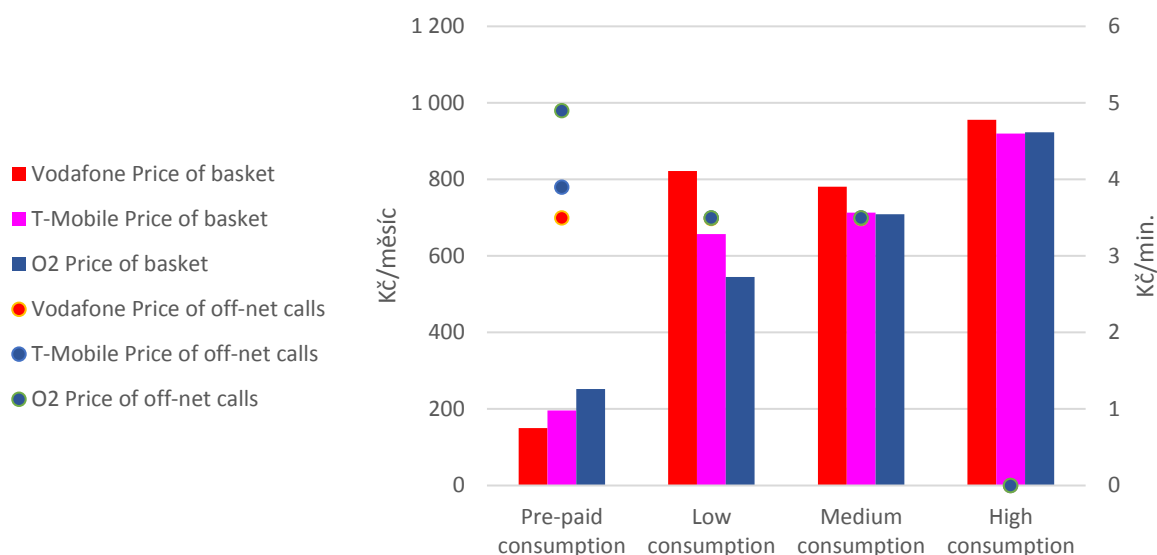


Graph 6: Average retail price of an actual call minute in three mobile network operators

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 4th quarter of 2016. 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. The price of calls using the most favourable tariffs in Vodafone is CZK 3.50 per minute, in T-Mobile Czech Republic a.s., hereinafter also referred to as “T-Mobile”, CZK 3.90 per minute, and in O2 the basic price of a call is CZK 4.90 per minute.



Graph 7: Comparison of tariffs by type

Note: 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).

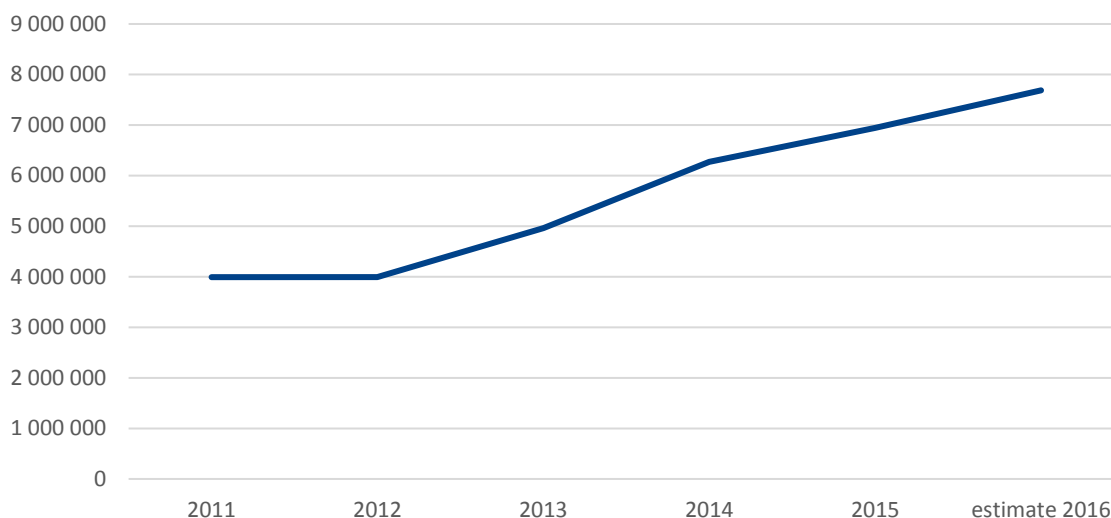
The development of mobile data services and the prices thereof

In principle, mobile operators offered two types of mobile connection in 2016 – 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. With the use of the capacity of mobile networks, mobile operators also provide the so-called fixed LTE services, i.e., services of Internet access through LTE networks where, however, mobility is limited (provision of the service while in motion).

The fixed LTE services are mostly offered with special LTE modems enabling customers to create their own home WiFi network. These services were introduced by mobile operators approximately in mid- 2014. They are offered on the market under the names Internet without wire, wireless Internet and connection without cable, namely as an alternative to the services of high-speed Internet access at a fixed location (in particular as an alternative to xDSL services in the portfolio of individual mobile operators) in locations where adequate connection through fixed networks is not available. In 2016 these services were offered and provided only by mobile network operators (MNO); no virtual operator on the market provided this service. Since the introduction of these services in 2014 until mid-2016 the total number of subscribers of these services increased to approximately 118 thousand. In total volume of the data transmitted in mobile network, the share services of fixed LTE, based on the CTU data as of mid-2016, was in average approximately 36.1 % (the spread for individual operators ranges from 23.5 % to 45.4 %). In LTE network, the share of fixed LTE in one operator was as much as 58 % of the volume of the data transmitted.

The number of subscribers (SIM cards) using Internet in a mobile phone continued to grow in 2016. According to the Office's estimates, the number of subscribers grew by more than 10.7 % approximately to 7.6 million. This growth is attributable mainly to the expansion of LTE

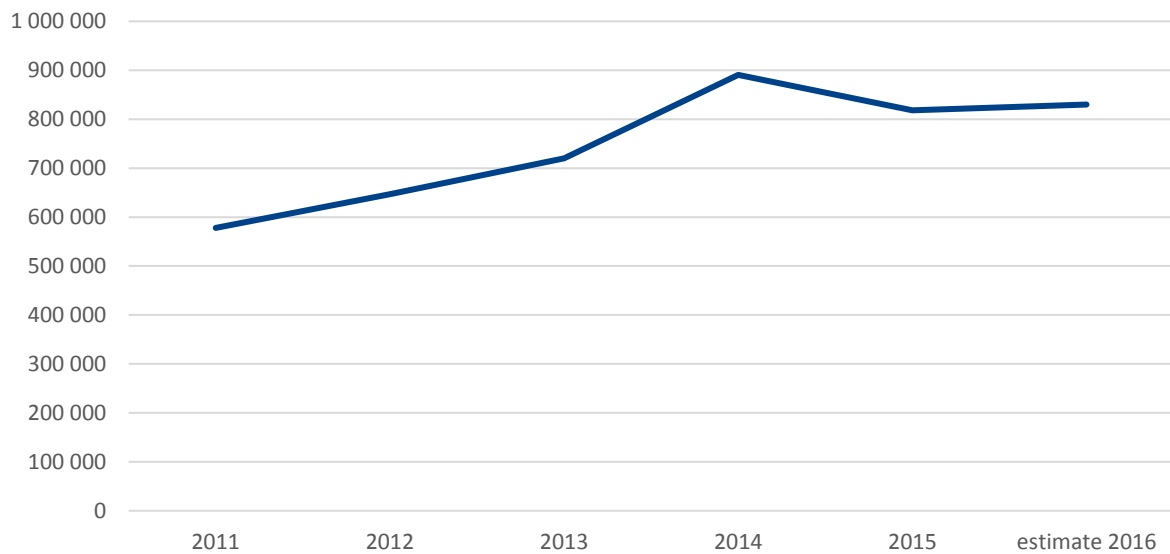
networks in the recent period. The trend of using the service of using Internet in a mobile phone in the period 2011 to 2016 is documented by the following graph.



Graph 8: Development of the number of subscribers using Internet on a mobile telephone in 2011 - 2016

A growing trend can be observed also in the number of subscribers of the services of mobile Internet (in CDMA, UMTS and LTE networks). In comparison with the services of Internet in a mobile phone, however, a lower year-on-year growth is estimated. According to the CTU estimates, in 2016 the number of subscribers of the services of mobile Internet could slightly grow by almost 1.5 % to 830 thousand users. This growth can be explained in particular by the expansion of the LTE network, plans for tablet PCs and notebooks, but also development of the services of the so-called fixed LTE. The decline in the number of subscribers of services in the category mobile Internet in 2015 in comparison to 2014 was caused by the change of the methodology of reporting of data of the services of mobile Internet and the Internet in a mobile phone in T-Mobile. The company newly included the plan called “S námi sdílený” (“Shared with us”) in the category of services of Internet in a mobile phone (as opposed to the previous reports submitted to CTU within the electronic data collection) at the end of 2015. The data in the category of services of mobile Internet was adequately reduced by the data belonging to this plan.

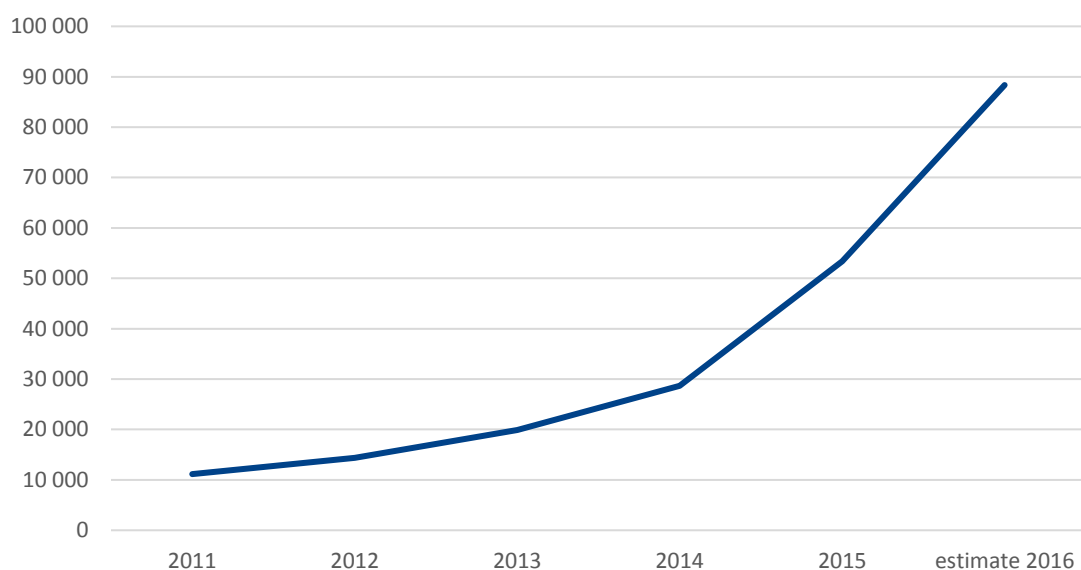
Within the data in this graph, the information for the year 2013 was also made more accurate (based on up-to-date data). The trend of using a mobile Internet service is shown in the following graph.



Graph 9: Development of the number of subscribers using mobile Internet in 2011 - 2016

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 (introduction of technologies), an increase in their capacities and in the speed of data transmission. On the demand side, the number of terminals supporting the latest standards (smart phones, tablet PCs, modems for mobile networks, etc.) has risen, and also the development of the 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 period from 2011 until 2015 in the volume of the data transmitted in mobile networks. CTU estimates significant increase of the volume of the data transmitted also for the previous year 2016 (see the following graph). According to the CTU's current estimate, the volume of data transmitted in mobile networks for the year 2016 was approximately 88 PB. The volume of data transmitted has therefore increased almost seven times since 2011.



Graph 10: Volume of the data transmitted (in TB)

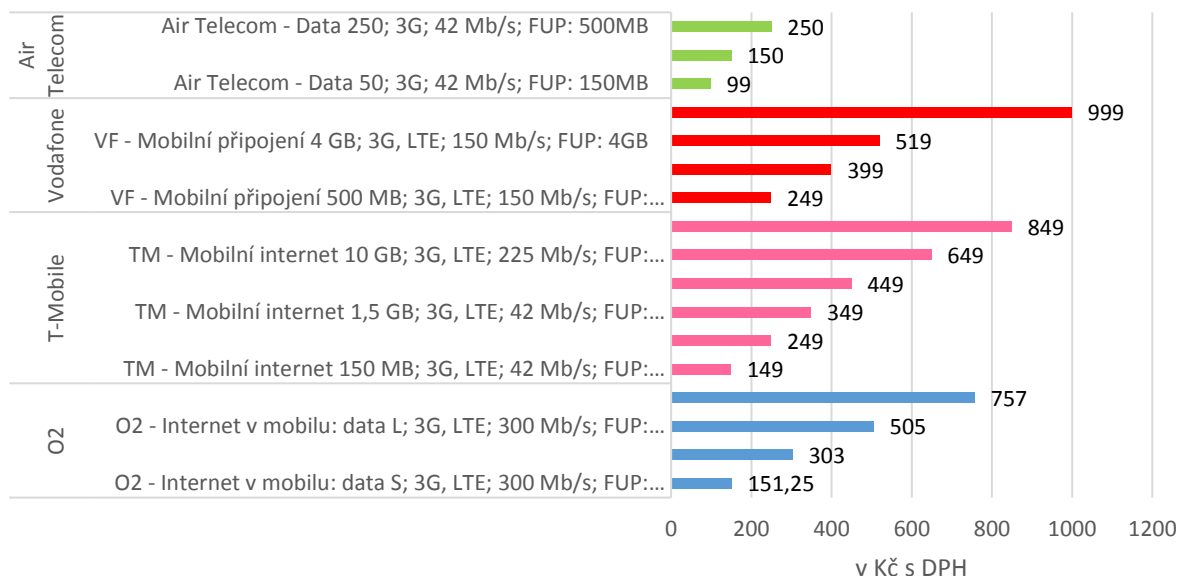
The table below shows the development of the average monthly price of data consumption (in MB) per user. As the table shows, since 2011 the monthly data consumption per user has been steadily growing. Significant increase of the data consumption per user is evident in particular in the last two years. The data is based on the information provided to CTU by individual service providers.

Table 1: Development of average monthly data consumption per user since 2011 (in MB)

	2011	2012	2013	2014	2015	2016 estimate
Average consumption on total number of SIM cards	65	83	124	177	317	521
Average consumption on total number of SIM cards using data services	203	257	272	347	573	864

Prices of mobile data services

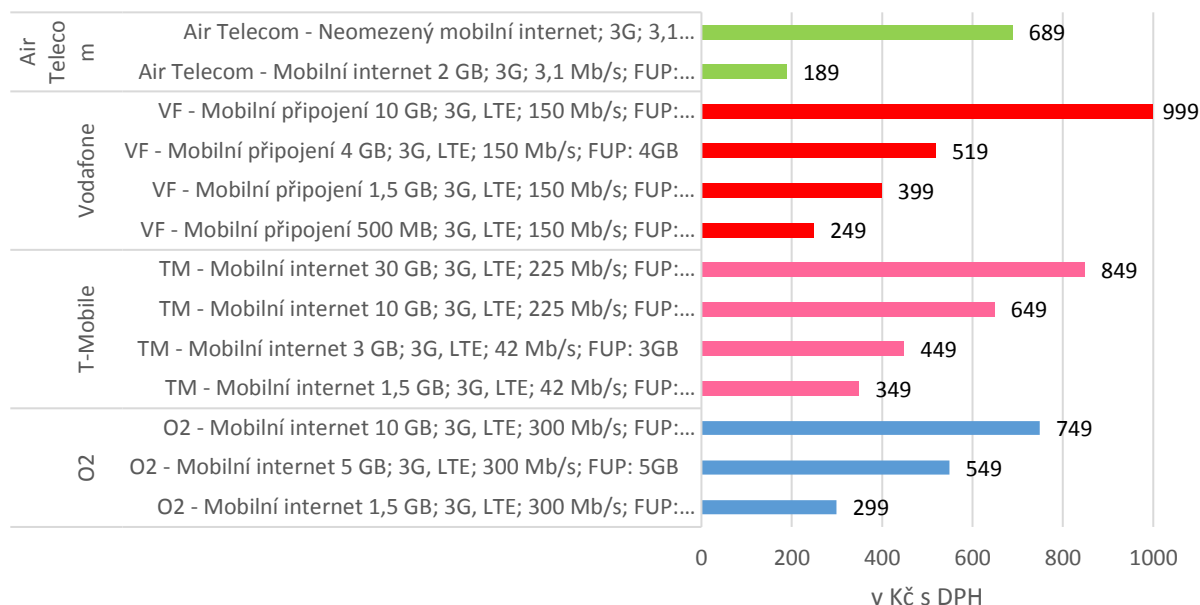
The individual offers provided by operators are compared according to the size of the data limit (FUP) in a comparison of the offers of Internet on a mobile telephone services. There were no significant changes in the offer of Internet on a mobile telephone data bundles in comparison with 2015. The offers at Vodafone and T-Mobile remained the same, while there was an increase in the maximum speed of data download at O2 to 300 Mbps. A minor change in the offer of data bundles of Internet in a mobile phone occurred also in Air Telecom which offers data bundles based on GSM/UMTS platform in the range from 150 MB to 500 MB instead of data bundles ranging from 50 MB to 550 MB offered in 2015.



Graph 11: Comparison of offers for Internet in a mobile phone

Note: Prices in O2 reflect the offer of data plans intended for voice plan FREE O2. The price of a specific data bundle of Internet in a mobile phone is subsequently calculated as difference between the price of the voice plan FREE O2 which includes the data bundle of Internet in a mobile phone (e.g., FREE O2 data S) and the price of the basic voice plan FREE O2 without the data bundle.

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. In 2016 Air Telecom stopped offering data plans of mobile Internet with the limits of 4 GB and 10 GB. The data plans of O2, Mobilní Internet 200 MB (Mobile Internet 200 MB) and Mobilní Internet 50 GB (Mobile Internet 50 GB) offered in 2015 cannot be activated upon the customer's request. O2 also increased the theoretical (highest achievable) downstream data speed to 300 Mbps in the LTE network (LTE Advance).



Graph 12: Comparison of mobile Internet offers

ARPU¹⁰ of 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. For the first half of 2016 alone this growth was 6.2 % and the average revenue per subscriber of this service increased to CZK 91.72 per month. The following table shows the gradual growth of average revenues per subscriber using the Internet in mobile phone service since 2011.

Table 2: Development of ARPU of Internet use on a mobile telephone 2011 – the middle of 2016 (CZK per month)

	2011	2012	2013	2014	2015	1. mid. 2016
Internet in a mobile phone	56,61	64,38	76,81	88,17	86,34	91,72

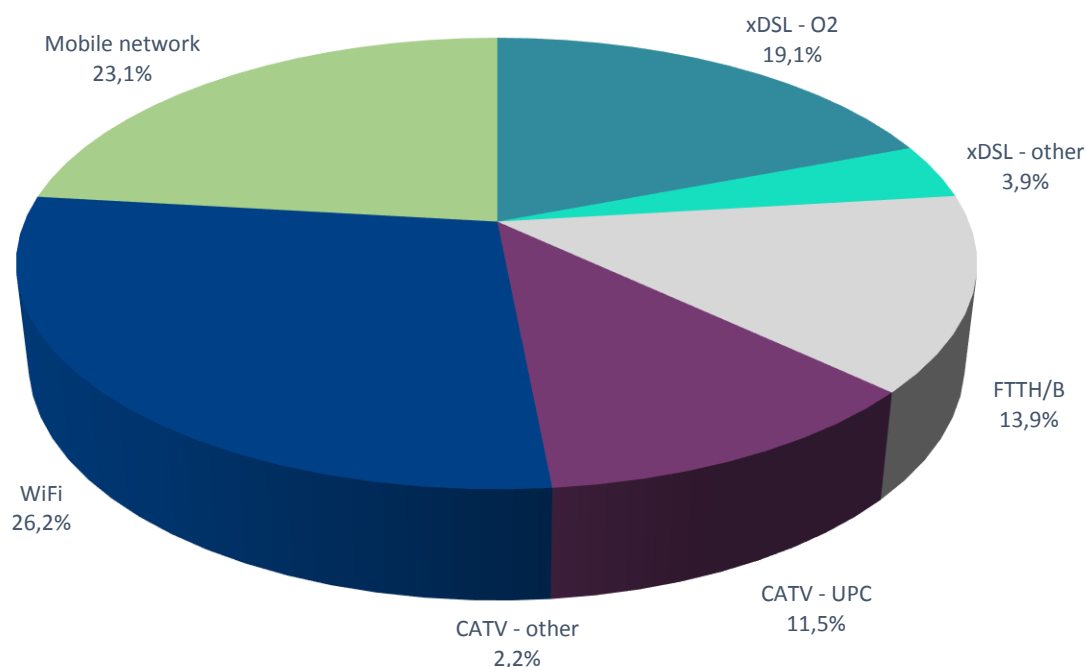
In the mobile Internet service, monthly ARPU significantly decreased in the period 2011 to 2014. In 2015 this decreasing trend temporarily changed, but in mid-2016 the average revenue per user in the mobile Internet service decreased again to CZK 194.4 per month (half-year decrease by 8.1 %). The average revenues per subscriber (SIM card) of the mobile Internet service are shown in the following table.

Table 3: Development of ARPU for mobile Internet 2011 – the middle of 2016 (CZK per month)

	2011	2012	2013	2014	2015	1. mid. 2016
Mobile Internet	296,45	265,91	236,53	187,13	211,53	194,40

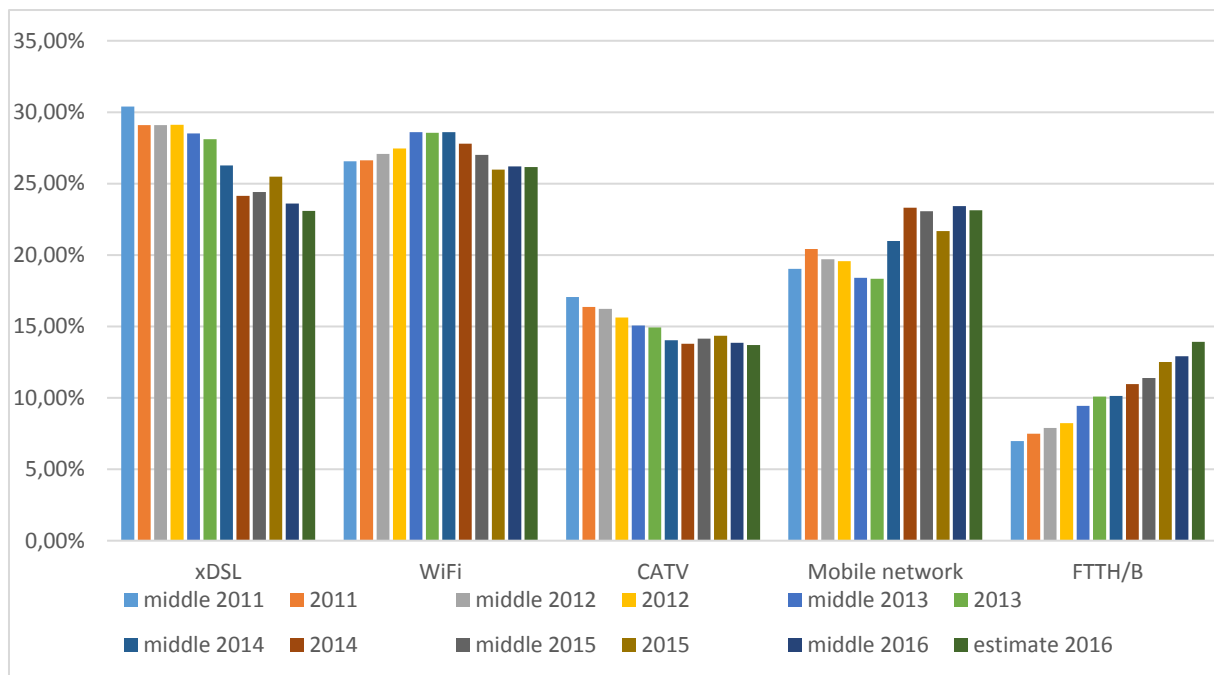
1.2.2 High-speed access services

The situation on the retail high-speed Internet access market changed only minimally in 2016 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 2016, as CTU had expected. The market share of access via optical networks (FTTH/B) slightly rose from, from 12 % in 2015 to almost 14 %. The most represented access in retail market, however, is still WiFi and xDSL access, having the market share of 26.2 % and 23 % respectively, and together it also comprises almost a half (approximately 49 %) of the market of high-speed Internet access. Access via cable television networks (CATV) has also increased considerably on the high-speed access retail market, claiming a market share of 13.7 %. 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.



Graph 13: Share of broadband access by individual technological solutions (including access via mobile network) as of 31 December 2016*

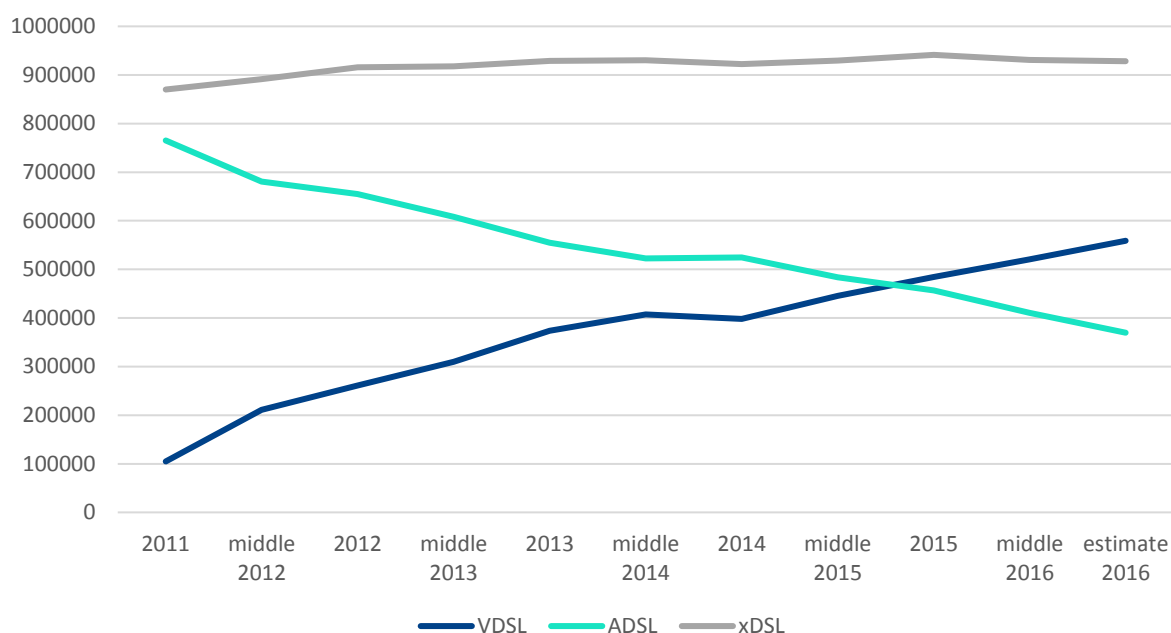
*Note: * qualified estimates used*



Graph 14: Development of the share of broadband access by individual technological solutions, including access via mobile network

2016 saw continuation of the long-term trend of gradual increase of the market share of FTTH/B access in the market of high-speed Internet access. The gradual growth of the market share of Internet access through mobile networks was replaced with stagnation in 2016. The market share of xDSL access slowly decreases at the expense of other technological solutions, in particular FTTH/B networks. The market share of CATV access has been stagnating in the recent years, similarly to the market share of the WiFi technology. This wireless access, however, continues having long-term 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 FTTH/B access in the Czech Republic is still provided mainly by smaller local providers. CETIN owns the optical access networks (FTTH/B) only to a very limited extent. CETIN, however, gradually modernizes its access network and improves the availability of the VDSL-based services by building the so-called “street cabinets” in combination of using the existing local metal loops together with optical network (FTTCab11). High-speed services using the VDSL technology are gradually available to a greater number of customers. CETIN also invests in introduction of new technologies in its network such as to enable services with higher transmission speed through its network and its wholesale offers. The growing number of VDSL access contracts relative to the decreasing trend of ADSL access on the market of high-speed access is documented by the following graph.

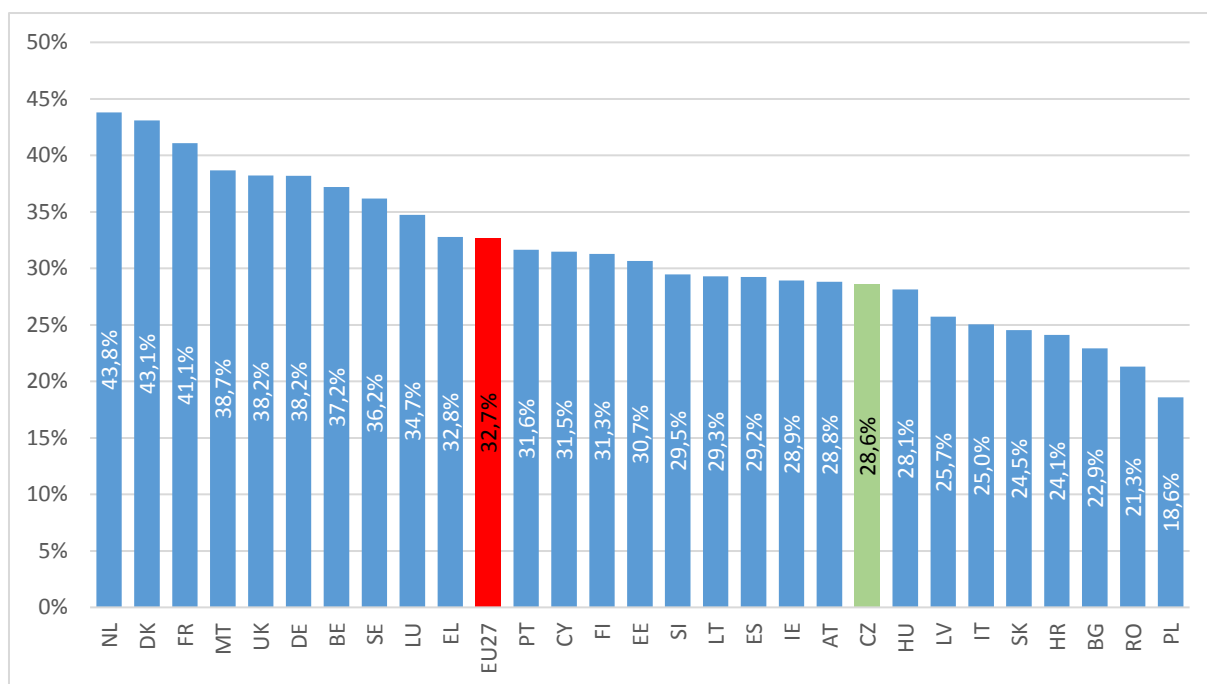


Graph 15: Development of ADSL and VDSL access on broadband access retail market

The existing coverage with optical networks (FTTH/B) in the Czech Republic can be evaluated as slightly below average in all-European comparison, where e.g., according to the study of the European Commission Broadband Coverage in Europe in 2015 (available online at: [\[https://ec.europa.eu/digital-single-market/en/connectivity\]](https://ec.europa.eu/digital-single-market/en/connectivity)), the household coverage in the Czech Republic of 17.3 % is below the EU28 average which is 20.9 % of households. It is necessary to take into account, however, the high representation of other infrastructures for high-speed connection at a fixed location on retail market in the Czech Republic, mainly cable TV networks (CATV networks), developing FTTC networks and also wireless networks (including WiFi). Looking at the international comparison of the percentage representation of NGA access, i.e., active connections (including FTTH/B networks, VDSL and CATV networks with DOCSIS 3.0) in the number of all high-speed connections, the Czech Republic, according to the data published by the European Commission (see Broadband indicators, July 2016 – available online at: [\[https://ec.europa.eu/digital-single-market/en/connectivity\]](https://ec.europa.eu/digital-single-market/en/connectivity)), is above the EU28 average (51 % in comparison with 42 %).

The future development of high-speed access networks (in particular FTTH/B) in the years to come should be supported by the implementation of the grant programme of state aid for development of the NGA networks which is under preparation. CTU expects in the following years continued growth of the share of FTTH/B access and high-speed access through mobile networks, in particular in connection with the development of the services provided 4th generation networks.

The international comparison shows that penetration of high-speed Internet access in the Czech Republic is continuously increasing (from 18.3 % at the end of 2009 up to 28.6 % at the end of June 2016). In comparison with other countries of the European Union (hereinafter also referred to as “EU”), the Czech Republic is still below EU average, which is 32.7 %.



Graph 16: International comparison of the penetration of broadband access at a fixed location, June 2016

Source: European Commission, January 2017

In terms of availability of the NGA networks, the Czech Republic is on comparable level with other European countries. The only exception is availability of the NGA networks in rural areas where the Czech Republic is among the European countries with the lowest coverage in international comparison.

The future development of high-speed access networks (in particular FTTH/B) in the following years in rural areas should be supported by the implementation of the grant programme of state aid for development of the NGA networks which is under preparation. CTU expects in the following years continued growth of the share of FTTH/B access and high-speed access through mobile networks, in particular in connection with the development of the services provided 4th generation networks.

1.2.3 The retail prices of high-speed access services

The retail market in high-speed Internet access at a fixed location did not see any significant changes and was relatively calm in 2016 from the perspective of prices for end users. Customer and public expectations tend to focus on potential changes resulting from the announced technological innovation, in particular broad-based deployment of vectoring in metal access network and the associated acceleration of the subscriber Internet connection with relative stagnation of the unit prices for the access.

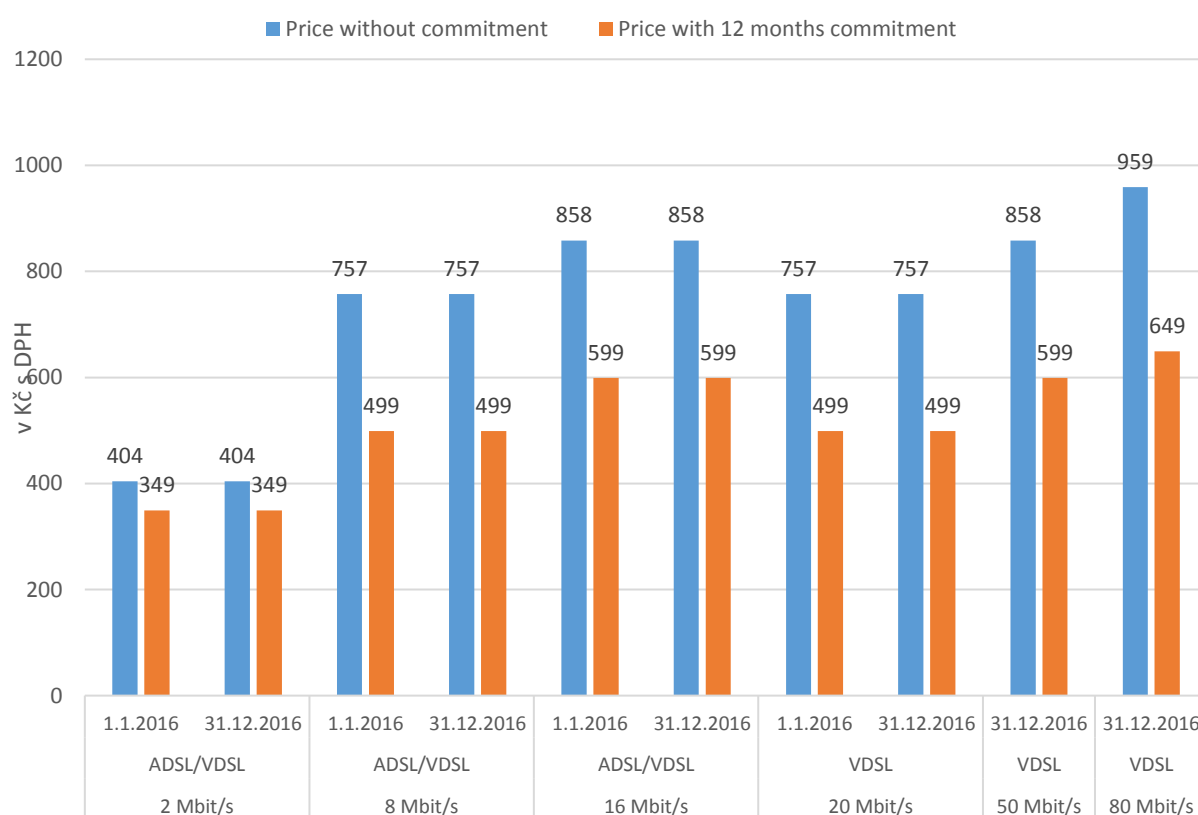
The stable price level was disrupted only by short-term marketing events focused on acquiring new customers, support for Christmas shopping, etc. In this context, there was an increasing trend last year toward special treatment of purchase of a broader bundle of services including, on top of the data connection, also a voice service or reception of digital television over IP.

Most providers of Internet connection services at a fixed location offered in 2016 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 fixed Internet access services, O2, left the prices of its plans basically unchanged in 2016. O2 changed its services offer only in October 2016 when it increased the maximum speed in the Internet Aktiv service from 40/4 Mbit/s (downstream/upstream data speed) to 50/5 Mbit/s and also added to its services offer a new speed profile named Internet Premium which declares maximum downstream speed up to 80 Mbit/s and upstream speed 8 Mbit/s. Out of the major operators, the fastest Internet connection over fixed network in 2016 was offered again by UPC ČR, s.r.o., hereinafter also referred to as “UPC” which states downstream speed up to 300 Mbit/s and upstream speed 30 Mbit/s for the INTERNET 300 service.

The following overview shows the level of prices for individual speeds of retail Internet access at O2 in 2016.



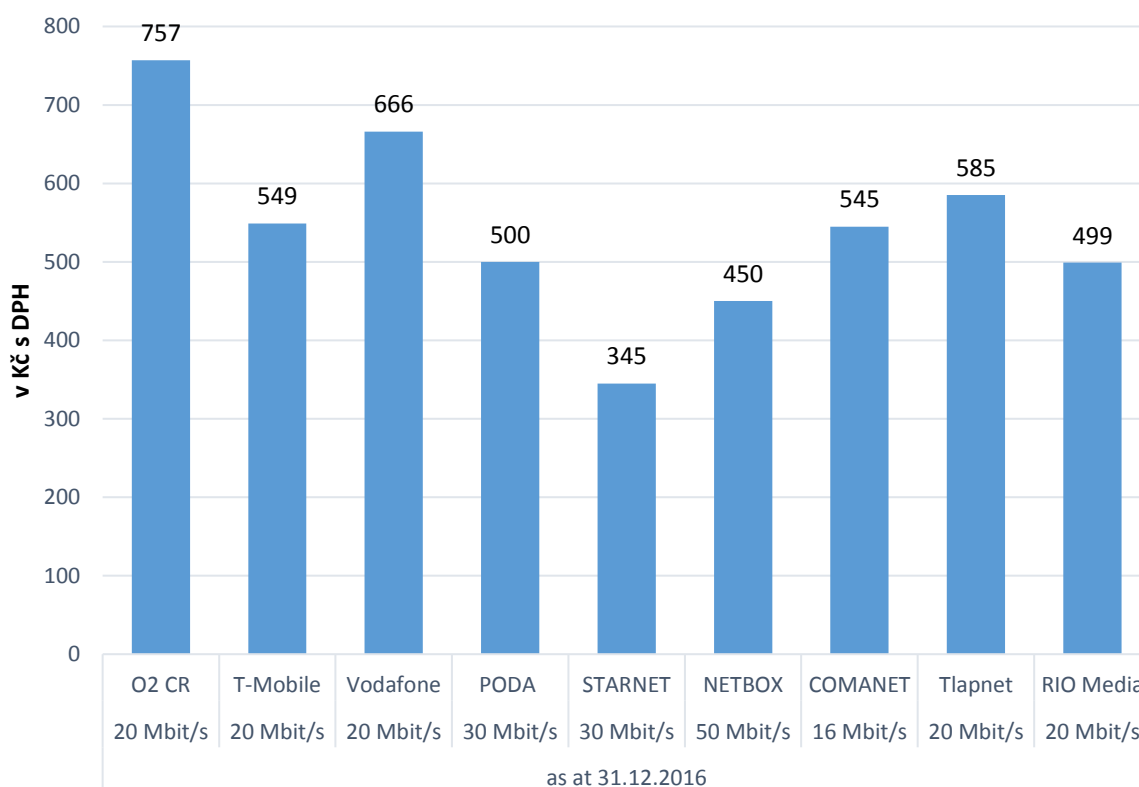
Graph 17: Retail prices of xDSL of O2 in 2016

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

O2 tried to use its pricing policy to motivate customers to use the VDSL technology which has recently brought a new perspective for metal networks. The ever new innovation in the area of transmission technologies and shortening of local metal loops brings about the possibility to integrate the existing networks in the high-speed NGA networks and use them for provision of new services (e.g., G-Fast). In 2016, however, we can still mostly see only trials of new technologies, but they were not deployed on a larger scale yet.

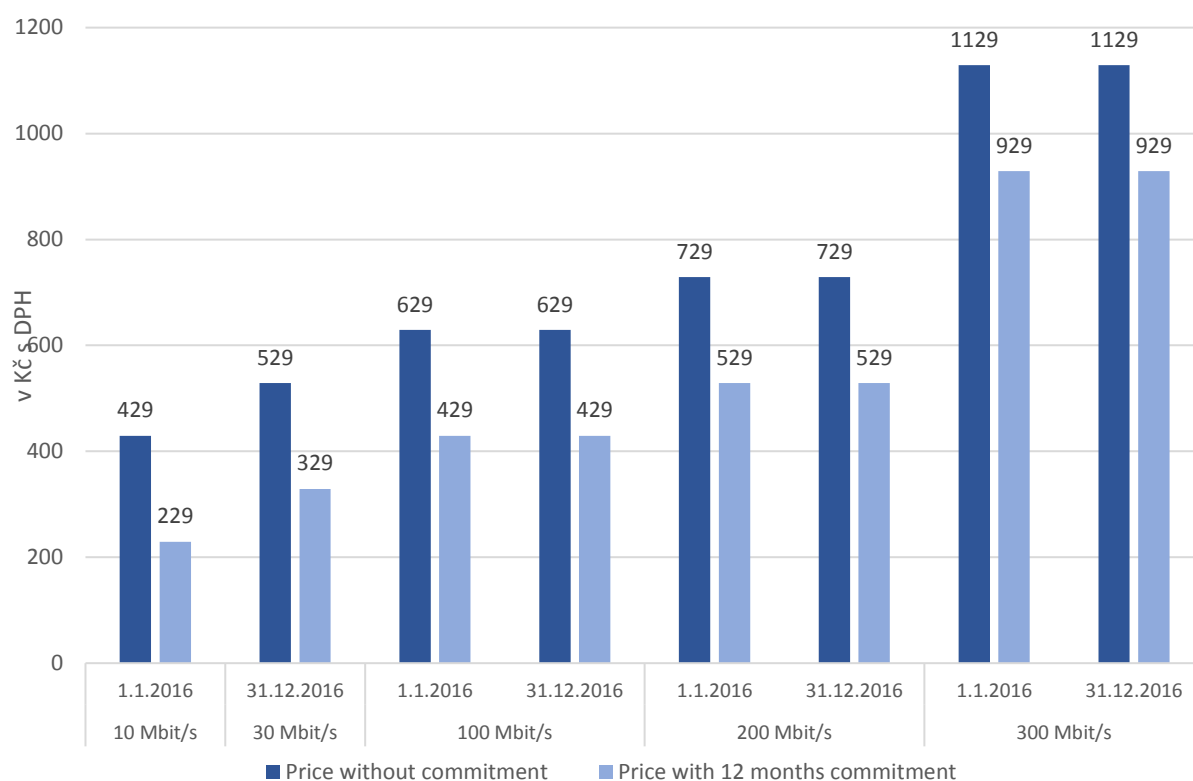
In CTU's opinion, it is not realistic to expect that the process of transformation of the networks to higher quality level will come about through some kind of a revolutionary change, but instead the increase of data transmission speed in fixed networks will occur gradually depending on the operators' capabilities to fund the development investments and also depending on the demand from the end users for modern services and applications.

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.



Graph 18: Comparison of prices of Internet access services in 2016 for selected operators

UPC is an important company belonging to the group of cable operators which provides, in addition to the cable television services, also high-speed Internet access. The following graph documents the development of high-speed Internet services in 2016.



Graph 19: Retail prices for Internet access of UPC in 2016

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 3.2 times cheaper (CZK 1129 per 300 Mbit/s v. CZK 959 per 80 Mbit/s). 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.

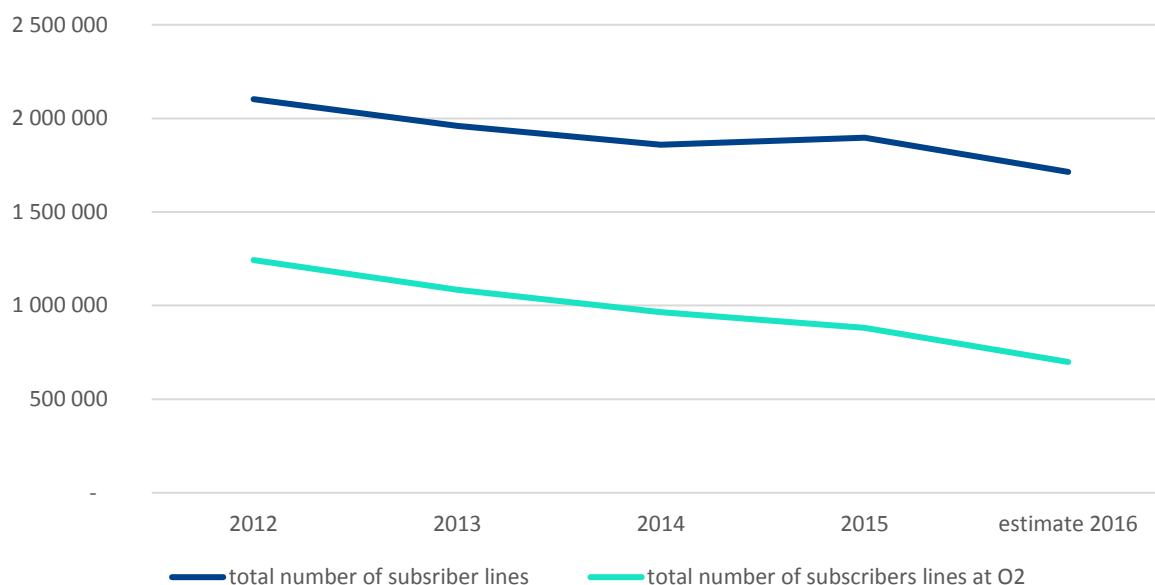
Voice services provided on fixed networks

O2, UPC, T-Mobile, Vodafone and IPEX a.s. were among the most significant companies that operated on the telephone services at a fixed location market in 2016 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 2016, in spite of the estimated decline in the number of subscriber lines.

The development of voice services provided on fixed line networks was again influenced by the development of mobile voice services. At the same time, the trend of expansion of the offer of services through the VoIP technology continued in the area of voice services in 2016. Further intensification of convergence is also characteristic. This is manifested in the market particularly as offer of different forms of bundles which include voice services provided in a fixed network.

CTU estimates that in 2016 the total number of subscribers of voice services provided in fixed networks, expressed as the number of subscriber lines, decreased year-on-year by approximately 10 %, approximately to 1,7 million subscriber lines. While the number of subscriber lines of major alternative providers of voice services at a fixed location was almost

constant, O2 is expected to see a year-on-year decrease (based on the preliminary data provided by the company) at approximately 21 %, to 699 thousand subscriber lines (see the following graph).

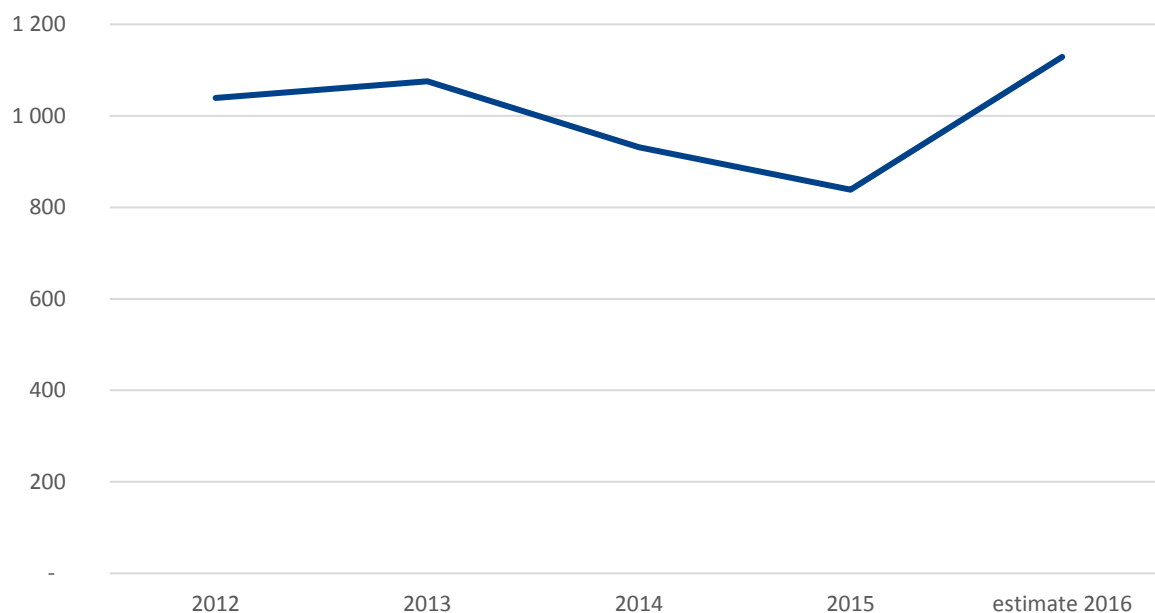


Graph 20: Development in the number of subscriber lines

Note: The information on the number of subscriber lines for O2 is slightly different from that of the previous Annual Report (higher) because in February 2016 this company adjusted retroactively (up to year 2011) the information on the number of subscriber lines due to an error found in the data reporting methodology.

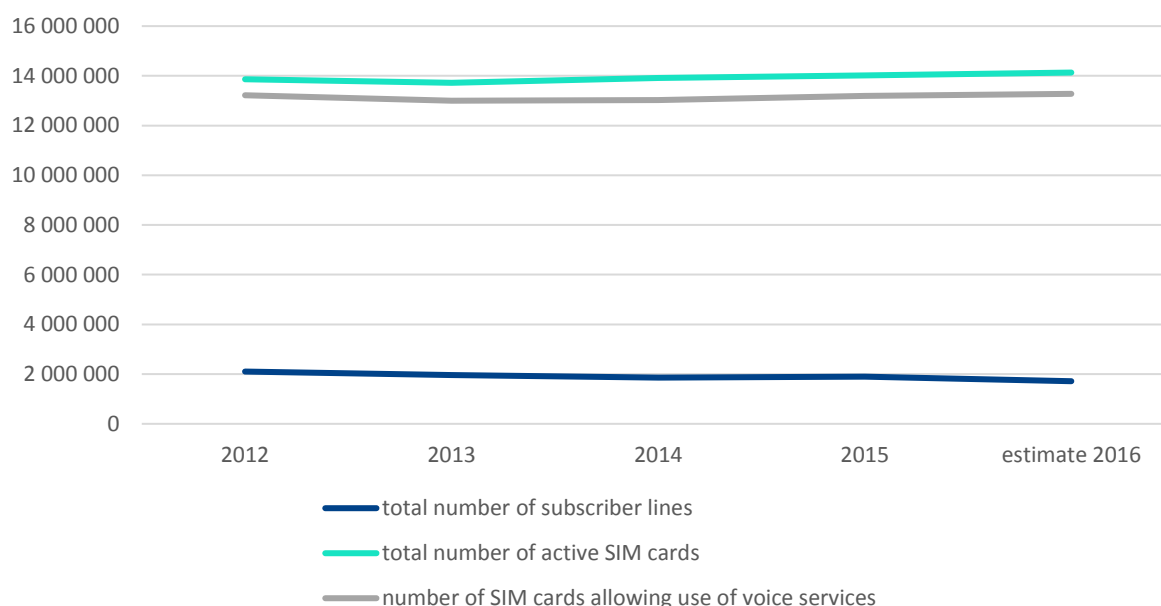
As opposed to the declining trend in the last few years, in 2016 O2 saw, in spite of the declining number of subscriber lines, increase of the total traffic volume originated by subscribers at a fixed location, according to the preliminary outlook data of the company approximately by 5 %.

With respect to the above-mentioned trends, in 2016 the number of call minutes per subscriber line increased year-on-year in O2 by more than 34 %, approximately to 1129 actual minutes (see the following graph). CTU estimates that the aforesaid development was related also to the unification of the products of O2 and migration to new plans (from mid-January 2016) offering unlimited calls within the Czech Republic (to mobile as well as fixed networks).



Graph 21: Number of call minutes per subscriber line at O2

The below graph shows a comparison of the number of subscriber lines in fixed networks and the number of active SIM cards in mobile networks. This clearly shows that while the total number of subscriber lines in fixed networks is decreasing in the Czech Republic, the total number of active SIM cards as well as the number of SIM cards allowing for the use of voice services (this indicator does not include SIM cards used solely for the high-speed Internet access services in mobile networks) is growing continuously.

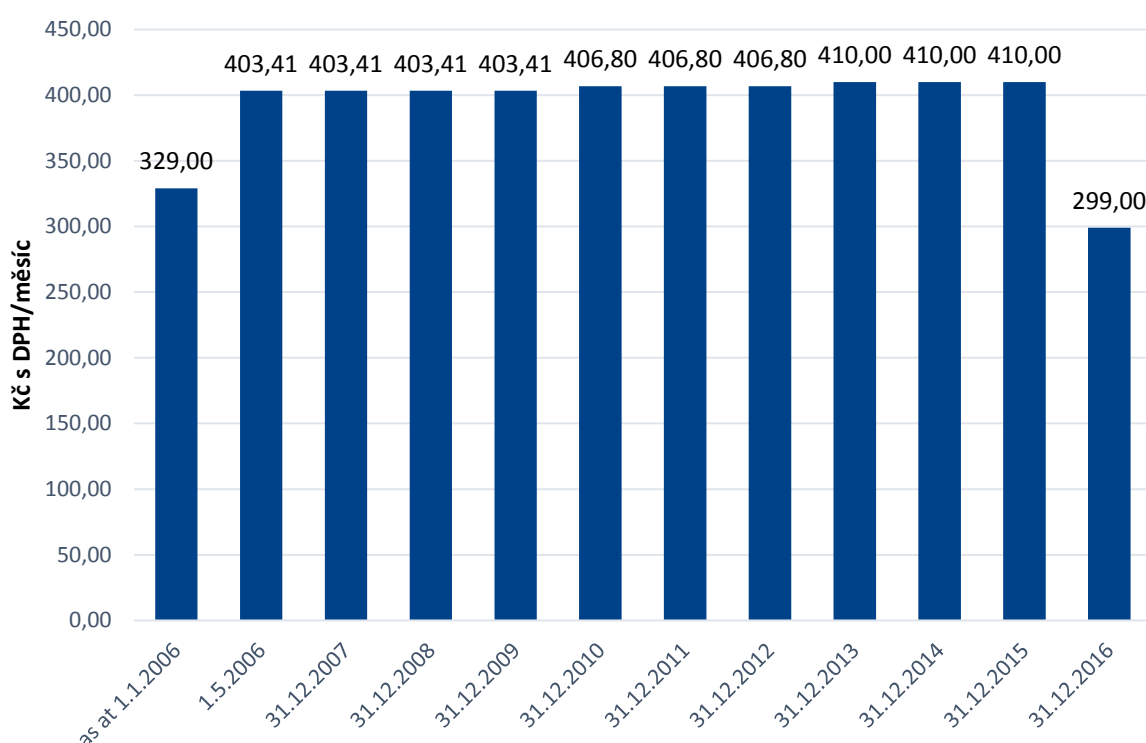


Graph 22: Comparison of the number of subscriber lines in fixed networks and the number of active SIM cards in mobile networks

1.2.4 Development of the prices of voice services in fixed networks

The prices of voice services in fixed networks changed in 2016. O2, which is the largest provider of voice services in fixed networks, changed the structure of the plans and replaced the originally offered plans with new plans offering unlimited number of free minutes for calls to fixed as well as mobile networks in the Czech Republic. In 2016, in fixed lines for residential purposes, O2 stopped offering the discounted monthly price of voice plans when using the voice services together with Internet access. The price for the telephone line set-up is no longer charged by O2, and since 2014 it has been agreeing, upon the subscriber's request for the set-up of a subscriber line, with the subscriber upon a share in the coverage of the costs spent on completion of the network.

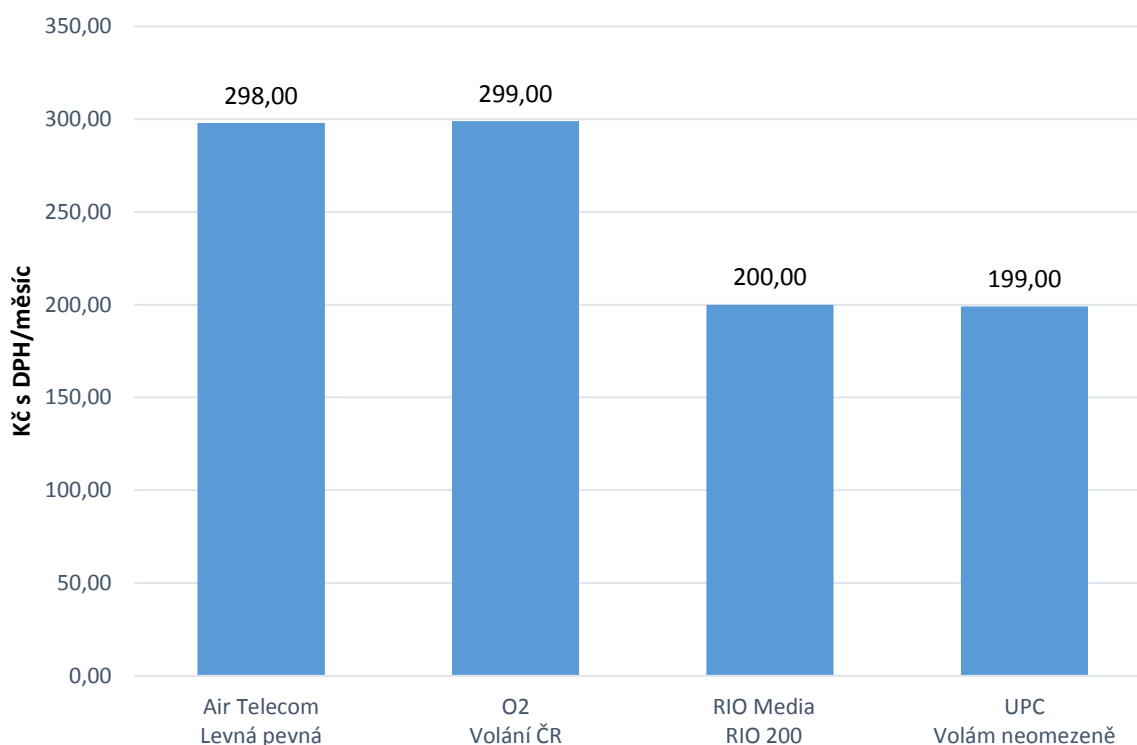
With respect to the position of O2 on this market, the graph shows the long-term development of the monthly price for the service of using a fixed line under normal plan used for residential purposes in this company. The graph shows the prices for using only voice services.



Graph 23: Development of prices for the use of a fixed line for households in O2

Note: The graph shows the development of the price of the Standard plan in the period from 2006 to 2015, and due to the termination thereof, the graph shows in 2016 the price of the Volání ČR (Calls in the Czech Republic) plan.

The comparison of the monthly prices for the use of the telephone service through fixed networks in major operators providing this service is shown in the following graph.



Graph 24: Comparison of the monthly prices for the use of a fixed line as of 31 December 2016

Note: O2 includes in the monthly price of the plan unlimited number of free minutes for calls to fixed and mobile networks in the Czech Republic. Air Telecom, RIO Media and UPC offer within their plan unlimited calls within their own network and free minutes for calls to other fixed and mobile networks within the Czech Republic. Free minutes offered in the plan of UPC can be used also for calls to selected foreign destinations. The price of the plan of UPC includes 10,000 free minutes, and after this limit has been used up the minute of a call within the Czech Republic costs CZK 2.75. RIO Media offers in its plan 200 free minutes to fixed and mobile networks, and after this limit has been used up the minute of a call to fixed networks in the Czech Republic costs CZK 0.70 or, as the case may be, CZK 1.30 for calls to mobile networks in the Czech Republic. Air Telecom offers calls within the Czech Republic for CZK 1.50 per minute after having used up 100 free minutes included in the price of the plan.

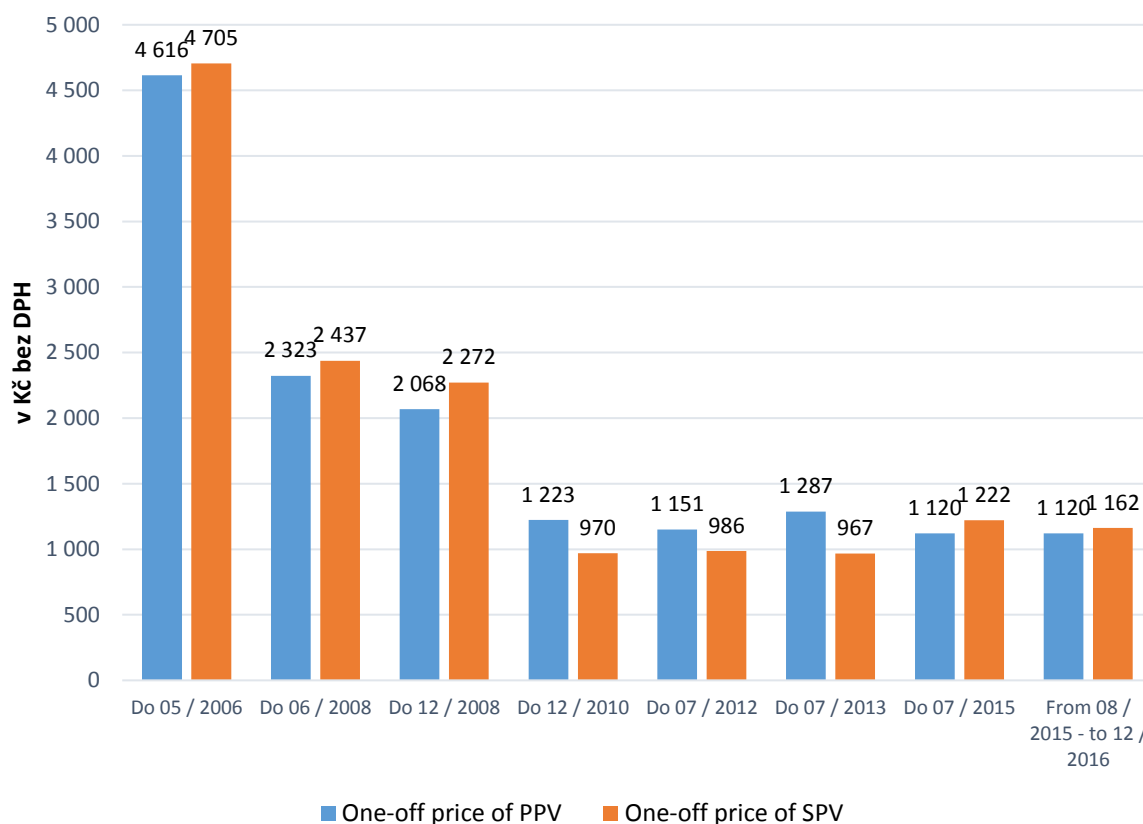
1.3 The development of prices for selected wholesale services

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.

The local loop unbundling wholesale market

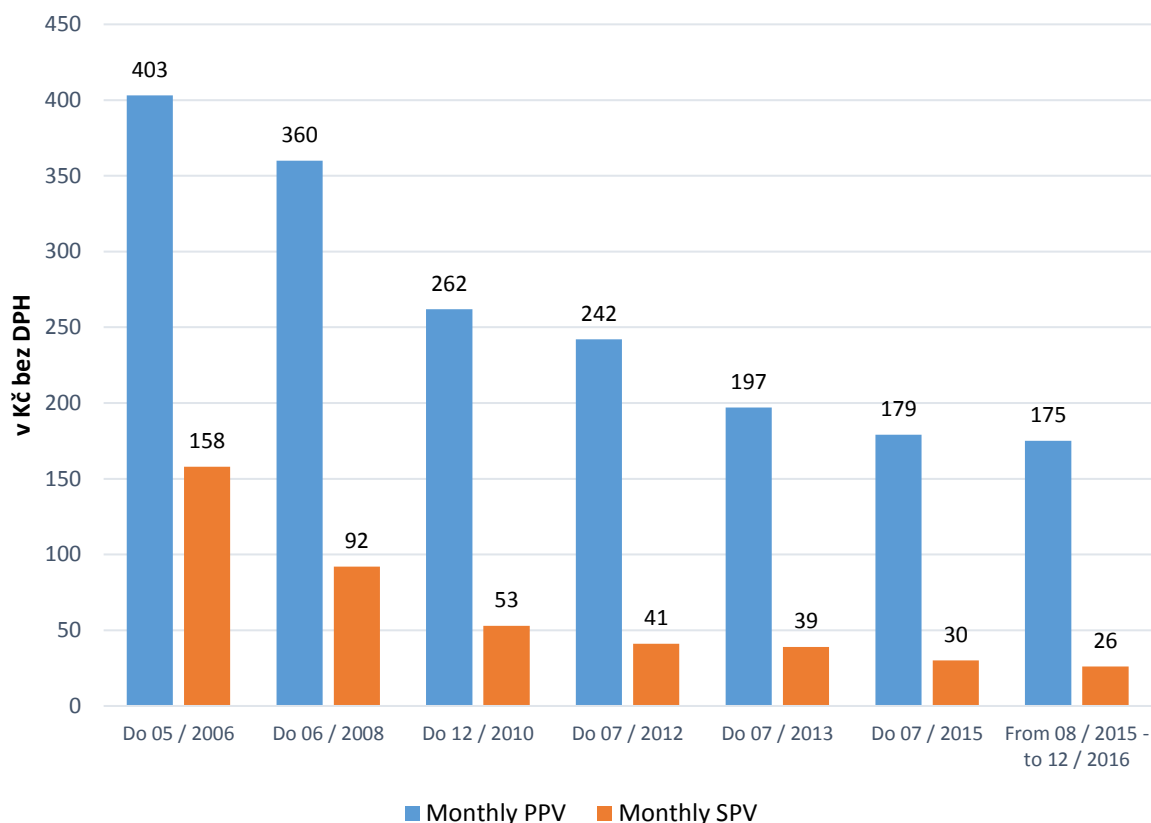
The regulated prices of unbundling and collocation services were defined in 2015 by a decision on price (No. CEN/4/08.2015-4) following an analysis of relevant market No. 4 of 2014 (now relevant market No. 3a), and they have been valid since then without any changes.

The development of the prices in the two basic wholesale services involving local copper loop unbundling is illustrated in the following graphs where “PPV” means the full unbundled access and “SPV” means shared unbundled access.



Graph 25: Development of one-off prices for services involving the set-up of full and shared local copper loop unbundling

Note: In the case of the one-off prices involving the set-up of full or shared unbundling (graph No. 25) the price is not affected by any network elements. The one-off prices only depend on processes associated with the set-up of the access and the costs thereof. Therefore the prices for shared local loop unbundling can be higher, depending on the current organization of the related processes in some years, than the prices for full local loop unbundling.

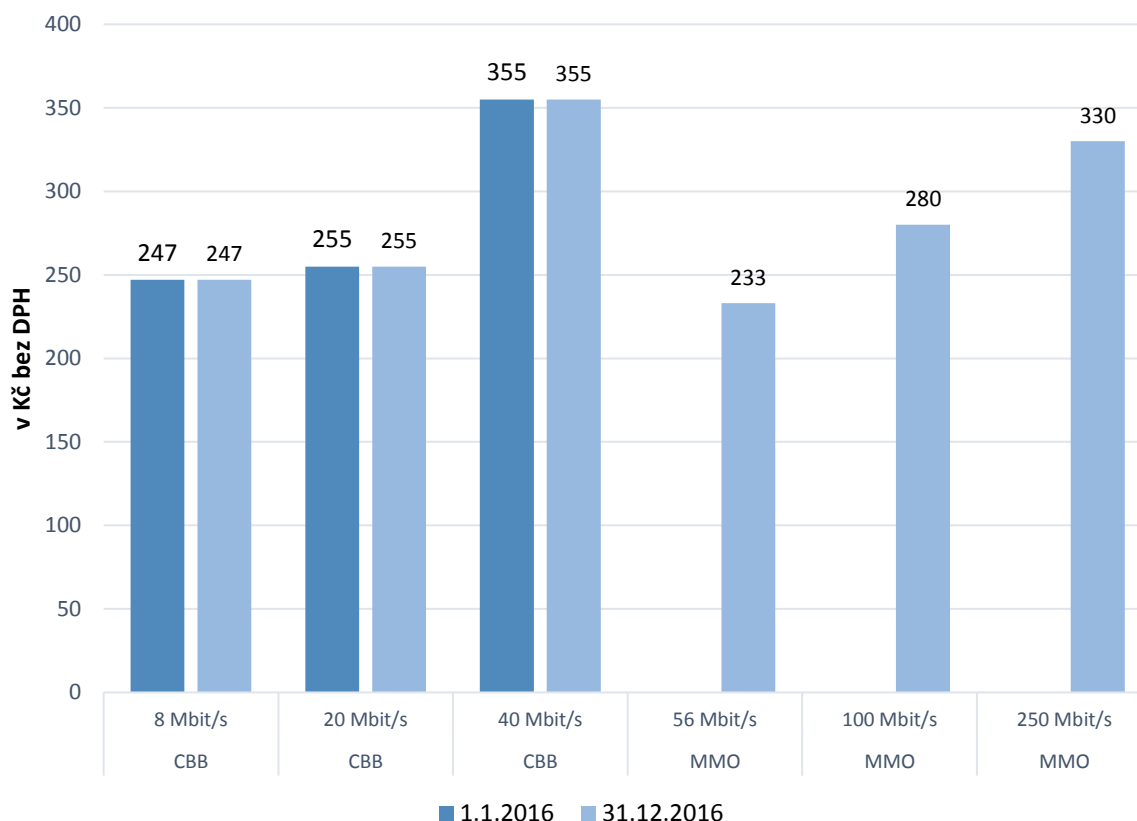


Graph 26: Development of monthly prices for services involving the rental and set-up of full and shared local copper loop unbundling

Given the recent technological changes, the service of local metal loop unbundling can be considered obsolete to a great extent, and its future development cannot be expected. In this context, the important factor affecting the speed of the phasing-out of this service will be the manner in which the sharing of access to the local subscribers in NGA networks can be achieved.

1.3.1 Wholesale high-speed Internet access

The year 2016 brought along a significant change in the market of wholesale high-speed Internet access because CETIN, a company established in 2015, changed its market approach and published a differently structured reference MMO (Mass Market Offer). In addition to the existing CBB (Carrier Broadband) offers and CIPS (Carrier IP Stream) offers, there is an offer of new faster services which now reflect the upcoming technological changes in the network. In particular, they include significant shortening of the metal access to the subscriber to only hundreds of metres, construction of remote data exchanges as close as possible to the end point of the subscriber, and the possibility to use modern transmission technologies (e.g., vectoring). Simple comparison of the prices of selected (partial) wholesale services out of CETIN's offer is provided in the following graph.



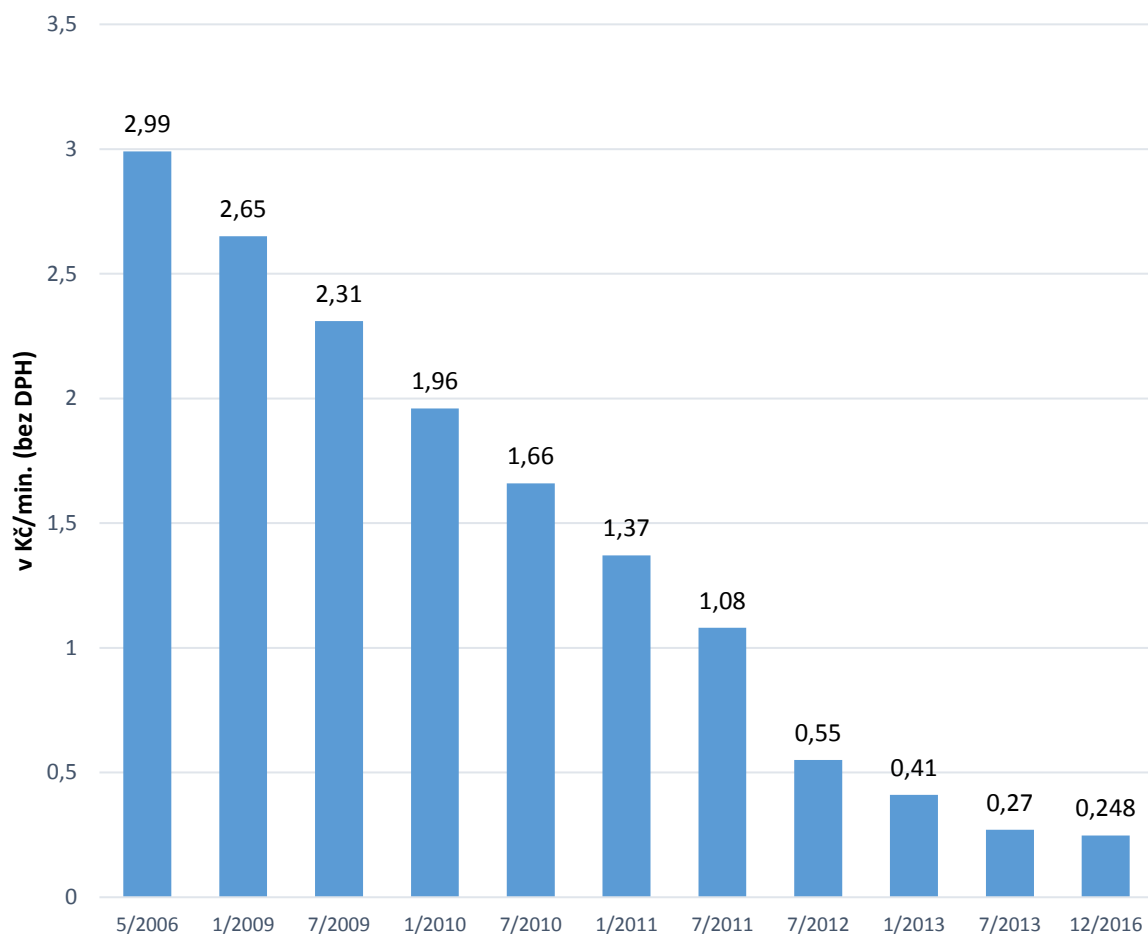
Graph 27: Wholesale monthly prices of CETIN for broadband network access

Note: Monthly prices from the offer of CBB (Carrier Broadband) show the prices for the xDSL (Carrier Broadband Limit) service used without access to the public telephone network; the monthly prices from the MMO (Mass Market Offer) are a sum of the prices for the services of “Network connection at an end point” (STANDARD, PREMIUM and SUPERFAST lines) and the prices for the service of “DSL CA”.

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

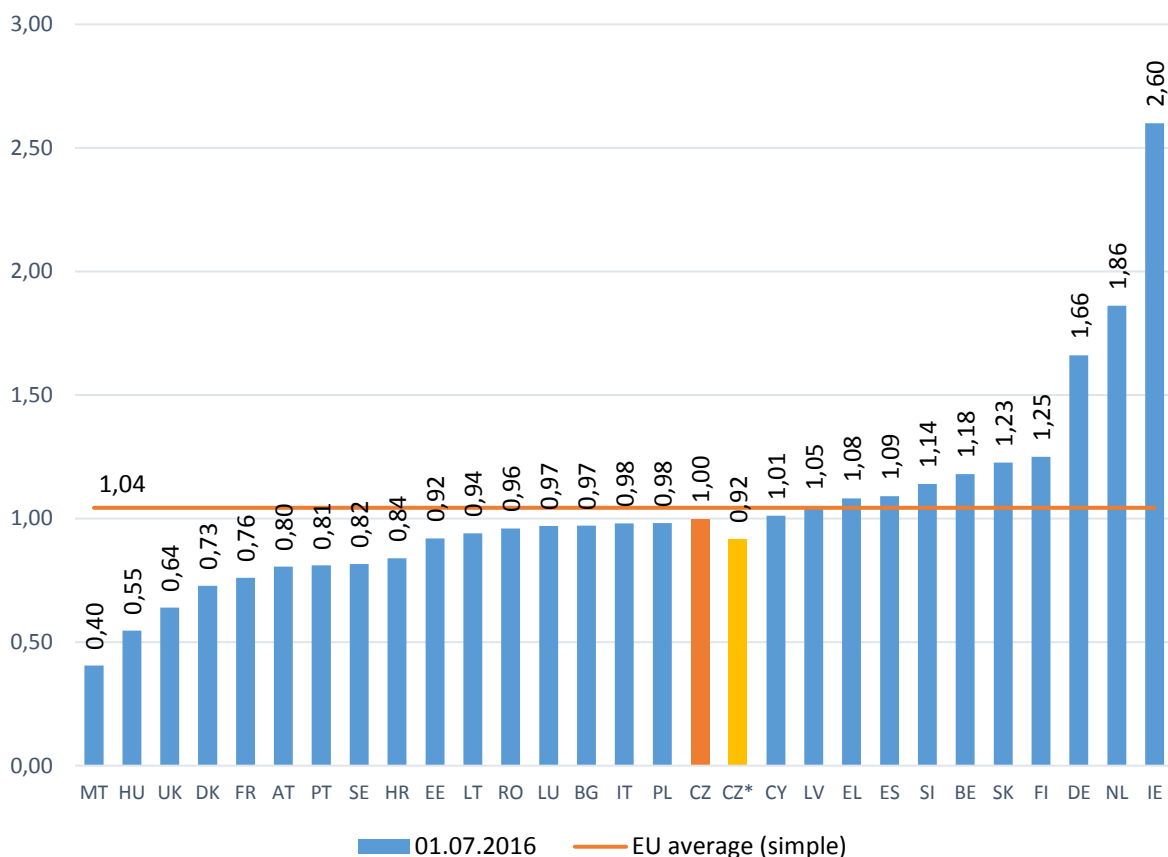
The price asserted on the wholesale mobile termination market of CZK 0.27 per minute not including VAT came from price regulation applied by CTU during 2013. This regulated price, which was asserted by regulated undertakings (Air Telecom, O2, T-Mobile and Vodafone) was determined using the BU-LRIC model 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).

In December 2016 CTU issued new price decisions to all four undertakings with significant market power in which it decreased the regulated price for call termination to CZK 0.248 per minute excluding VAT (for the existing contracts CTU imposed an implementation period until 1 March 2017; for new contracts this price is valid from the date of coming into force of the decisions). The development of the regulated prices for call termination since 2006 is shown in the following graph.



Graph 28: Development of call termination prices in public mobile telephone networks in the Czech Republic (in CZK per minute)

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.



Graph 29: International comparison of call termination prices in public mobile telephone networks (in eurocents per minute).

Source: BEREC, Termination rates at European level July 2016, BoR (16) 218

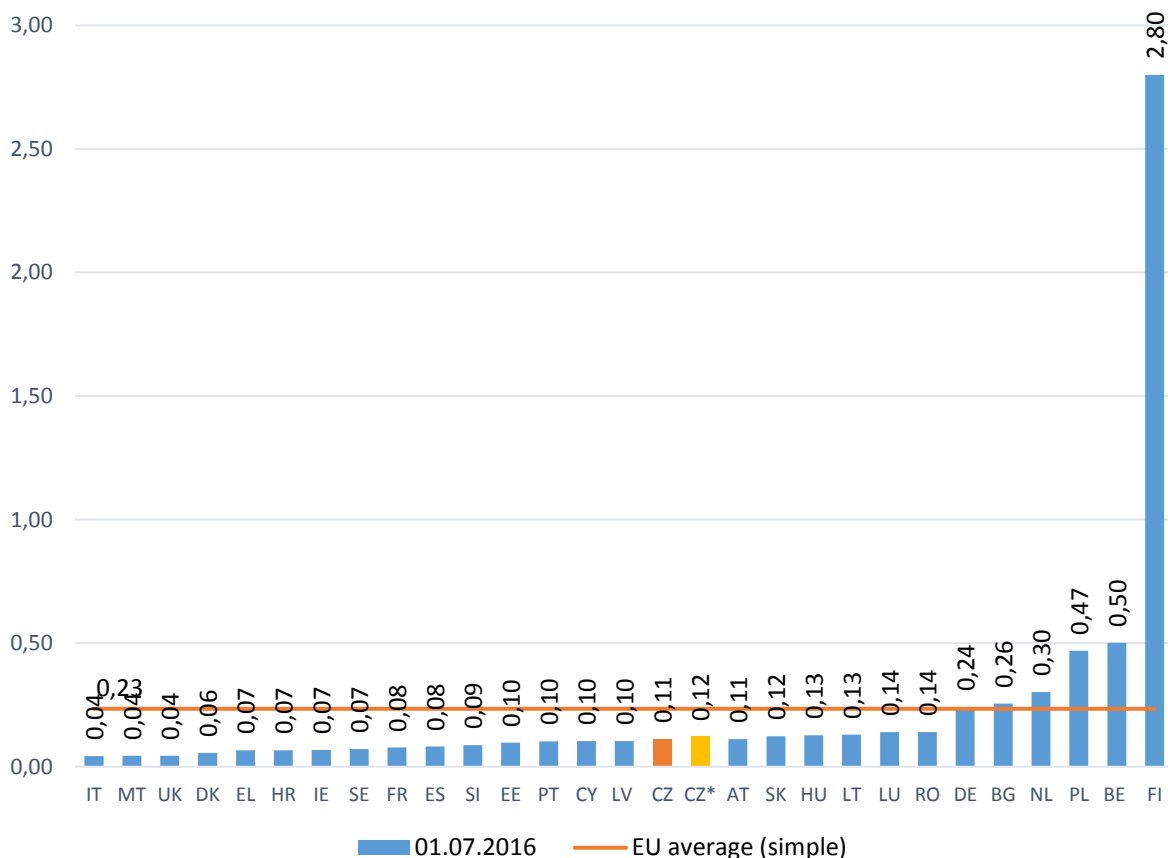
Note: The price in the CZ column shows the new regulated prices issued by CTU in December 2016.*

1.3.2 Wholesale market of call termination in individual public telephone networks provided at a fixed location

The regulated price for the wholesale termination at a fixed location market in 2016 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 most of the year 2016 was therefore CZK 0.03 per minute not including VAT.

Also in the case of the market of call termination at a fixed location, CTU issued in December 2016 new price decisions to all undertakings with significant market power in this relevant market. The newly defined regulated price slightly grew from CZK 0.03 per minute excluding VAT to CZK 0.033 per minute excluding VAT. As CTU stated above, the main reasons for the increased price was the depreciation of the Czech currency exchange rate to the euro approximately by 12 % in the period between 2013 when the Office performed the previous calculation and the year 2016. The currency depreciation was reflected in the cost model in the form of increase of the CZK prices for network elements purchased in EUR and thus also the slight increase of the regulated price.

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.



Graph 30: International comparison of call termination prices in public mobile telephone networks provided at a fixed location (in eurocents per minute).

Source: BEREC, Termination rates at European level July 2016, BoR (16) 218

Note: The price in the CZ column shows the new regulated price issued by CTU in December 2016.*

1.4 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 CZK according to current exchange rates, whereby exchange rate differences caused a price adjustment only for retail price caps (including the retail surcharges). Due to the fact that the maximum wholesale and retail price

caps expressed in euro in 2016 remained at the same level as in 2015, the CZK adjustments to the price caps are caused only by the influence of the changes in the exchange rates.

The following table shows the maximum wholesale price caps for roaming services valid from 1 July 2015 and converted with effect from 1 July 2016 using the current currency exchange rate published in the Official journal of the EU on 3 May 2016.

Table 4: Price limits for wholesale roaming services

In CZK per minute excluding VAT	From 1 July 2015			From 1 July 2016		
	Outgoing calls	SMS	Data	Outgoing calls	SMS	Data
Regulated maximum prices	1.37	0.54	1.37	1.35	0.54	1.35

On the retail level, significant changes occurred on the roaming market in 2016, related to the method of billing of retail roaming services provided by operators to roaming customers, whose objective is smooth transition to the mode of billing of roaming services to domestic prices starting from 15 June 2017, according to the Regulation (EU) 2015/2120 of the European Parliament and of the Council 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. In order to ensure the smooth cancellation of retail surcharges for roaming services, Regulation 2015/2120 introduced 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 original retail price caps, with the exception of the maximum cap for incoming roaming calls, were preserved as a protective mechanism which represents the maximum amount of the retail roaming price which the providers of roaming services can charge its roaming customers and which consists of the domestic price for the service and surcharge for roaming.

The following table shows the maximum retail roaming prices valid from 1 July 2015 and from 1 July 2016.

Table 5: Comparison of retail price limits for roaming services

In CZK per minute excluding VAT	From 1 July 2015				From 1 July 2016			
	Outgoing calls	Incoming calls	SMS	Data	Outgoing calls	Incoming calls	SMS	Data
Regulated maximum prices	5.22	1.37	1.64	5.49	5.13	0.30	1.62	5.41
O2	5.21	1.36	1.61	5.46				
T-Mobile	5.20	1.37	1.64	5.48		*		
Vodafone	5.21	1.37	1.64	5.48				

Note: In the period from 30 April 2016 the above-described change in the determination of the prices of roaming services which is based on domestic prices with a maximum, below-specified surcharge. The maximum price limits are therefore preserved as a cap in the case of application of surcharges; if the surcharges are not applied (i.e., the roaming prices are the same as domestic prices) the price limits will not be applied or, more precisely, can be exceeded.

The following table shows the maximum amounts of the retail surcharges in CZK which were valid in the period from 30 April 2016 to 30 June 2016 and in the period from 1 July 2016.

Table 6: Overview of retail surcharges in EUR and CZK for roaming services

Regulated maximum surcharges	From 30 April 2016 to 30 June 2016				From 1 July 2016			
	Outgoing calls	Incoming calls	SMS	Data	Outgoing calls	Incoming calls	SMS	Data
In EUR per minute excluding VAT	0.05	0.0114	0.02	0.05	0.05	0.0114	0.02	0.05
In CZK per minute excluding VAT	1.37	0.31	0.54	1.37	1.35	0.30	0.54	1.35

Commission Implementing Regulation (EU) 2016/2292 of 16 December 2016 setting out the weighted average of maximum mobile termination rates across the Union and repealing Implementing Regulation (EU) 2015/2352 was published in the Official Journal of the EU on 17 December 2016. According to this Regulation, the maximum surcharge for roaming incoming call changes from 1.14 eurocent per minute excluding VAT (CZK 0.30 per minute excluding VAT) to 1.08 eurocent per minute excluding VAT (CZK 0.29 CZK per minute excluding VAT), effective from 6 January 2017.

Commission Implementing Regulation (EU) 2016/2286 of 15 December 2016, laying down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purposes of that assessment, which is one of the pillars of the planned cancellation of the retail surcharges for roaming starting from 15 June 2017 was published in the Official Journal of the EU on the same day. The second pillar is the revision of the wholesale roaming market which should be completed in the first half of 2017.

1.5 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. According to this obligation or, more precisely, condition of the allocation of radio frequencies, MNOs were supposed to prepare and publish obligatory reference offers for the so-called full MVNOs. At the same time, however, they are obliged, under this obligation, to negotiate with every interested party – including other types of MVNOs – about an agreement on access to the mobile network (operated with the use of the radio frequencies acquired from the above-mentioned auction of frequencies).

After CTU asked the affected operators, pursuant to Section 114 of the Electronic Communications Act, in March 2015 to reduce the prices offered by them based on the check of the fulfilment of the above-mentioned obligation, the operators introduced modified reference offers for access to the LTE mobile network. In comparison with the previous reference offer, mobile operators made a number of adjustments to the one-off prices and regular monthly prices. CTU assessed the conformity between the wholesale prices and the voluntary obligations of MNOs according to the principles of the methodology for reducing mark-ups to which the Office referred in the announcement of the tender. Its use was accepted within the obligation also by all MNOs assessed. The evaluation is based on the assessment whether the difference between the wholesale and retail prices (mark-up) of the MNO services is sufficient to cover the retail costs of the MNOs. In the calculation, the Office takes into account all wholesale prices in the obligatory reference offers for access to LTE network, i.e., unit prices (for MB of data), monthly (fixed or per SIM) as well as one-off prices at the signing of the contract which the Office distributes to the average length of the contract and the estimated number of SIM cards in a standard MVNO (according to the average number of SIM cards in the three currently largest MVNOs in the national market).

Subsequently, at the beginning of 2016, CTU completed the second round of verification of the fulfilment of the price obligation in question of the mobile operators. CTU concluded that in particular with respect to the growing data consumption of the users (and also the change of the retail revenues and costs), the maximum price which would be consistent with the voluntary

obligation of the operators should be reduced. Therefore in February 2016 CTU asked the operators, pursuant to Section 114 of the Electronic Communications Act, to further reduce the prices within one month. As two of the three mobile operators (O2 and Vodafone) did not comply with the request of CTU, the Office commenced administrative proceedings with them concerning an administrative offence pursuant to Section 118(5) a) of the Electronic Communications Act in which it imposed a fine upon each operator in the maximum legally admissible amount, i.e., CZK 2 million. At the same time, in the second half of 2016 the Office performed the check of electronic communications pursuant to Section 113 of the Electronic Communications Act and Act No. 255/2012 Coll., on inspection, which revealed that the operators inspected continue breaching their voluntary obligation, and the maximum wholesale price which would be consistent with the voluntary obligation of the operators, was reduced again since the previous request of February 2016. The Office incorporated this finding in the following requests pursuant to Section 114 of the Electronic Communications Act issued in February 2017.

The basic data of wholesale prices and the development thereof from the reference offers of all three operators is summarized in the following three tables.

Table 7: Development of individual items in the reference offer of Vodafone (in CZK)

	September 2014 – 29 April 2015	30 April 2015 – 10 March 2016	From 11 March 2016	CTU finding at the end of 2016
One-off price	33,000,000	33,000,000	33,000,000	
Monthly price for the access	750000	750000	750000	
Monthly price for SIM	45	45	45	
Wholesale price for 1 MB of data	0.51	0.44 – 0.51*	0.29 – 0.51**	0.09***
				0.0075****

Note: * CZK 0.51 per MB up to 250,000 active SIM cards, CZK 0.44 per MB over 250,000 active SIM cards,

** CZK 0.51 per MB up to 250,000 active SIM cards, CZK 0.29 per MB over 250,000 active SIM cards,

*** CZK 0.09 per MB for the purpose of creating retail mobile services,

**** CZK 0.0075 per MB for the purpose of creating a retail offer of “fixed LTE” (connection of mobile network through a modem with limited mobility).

Table 8: Development of individual items in the reference offer of O2 (in CZK)

	September 2014 – 29 April 2015	30 April 2015 – 10 March 2016	From 11 March 2016	CTU finding at the end of 2016
One-off price	27,000,000	27,000,000	27,000,000	
Monthly price for the access	500,000 – 800,000*	500,000 – 800,000*	500,000 – 800,000*	
Monthly price for SIM	16.45 – 80**	16.45 – 80**	16.45 – 80**	
Wholesale price for 1 MB of data	0.63	0.43	0.43	0.151***
				0.013****

*Note: * CZK 800,000 for the first 100,000 customers, CZK 500,000 for the next started 100,000 SIM cards, ** CZK 80 per SIM for the first 100,000 customers, CZK 16.45 for each SIM card over 100,000 SIM cards, *** CZK 0.151 per MB for the purpose of creating retail mobile services, **** CZK 0.013 per MB for the purpose of creating a retail offer of “fixed LTE” (connection of mobile network through a modem with limited mobility).*

Table 9: Development of individual items in the reference offer of T-Mobile (in CZK)

	September 2014 – 29 April 2015	30 April 2015 – 10 March 2016	From 11 March 2016
One-off price	9,000,000	15,000,000	15,000,000
Monthly price for the access	0	0	0
Monthly price for SIM	0	25 – 55*	25 – 55*
Wholesale price for 1 MB of data	0.7	0.42 – 0.52**	0.28 – 0.46****

*Note: * CZK 55 per SIM for less than 150 thousand active SIM cards, CZK 40 per SIM for up to 300 thousand active SIM cards, CZK 25 per SIM for over 300 thousand active SIM cards. The SIM card includes data volume of 65 MB per SIM per month,*

*** CZK 0.52 per MB for less than 150 thousand active SIM cards, CZK 0.47 per MB for up to 300 thousand active SIM cards, CZK 0.42 per MB for over 300 thousand active SIM cards,*

**** CZK 0.46 per MB for less than 150 thousand active SIM cards, CZK 0.32 per MB for up to 300 thousand active SIM cards, CZK 0.28 per MB for over 300 thousand active SIM cards.*

1.6 Support for measures for development of new generation networks (NGA)

In 2016 CTU was actively involved in the preparation of the so-called National Next Generation Network Development Plan (hereinafter also referred to as “NPRSNG”) as analytical and strategic basis for the grant programme for the construction of high-speed networks from the funds of the Operational Programme Enterprise and Innovation for Competitiveness (OP EIC). CTU was commissioned to create a map of the so-called white, grey and black spots, i.e., areas where the state aid for the construction of the NGA networks can be potentially targeted, in accordance with the EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks (2013/C 25/01). The NPRSNG document was approved at the government session on 5 October 2016.

For the mapping of the NGA networks, CTU organized and led a group with the participation of the representatives of the sector of electronic communications and Ministry of Industry and Trade. The data for the creation of the map was obtained by CTU by means of the regular electronic data collection from businesses. Within the process the Office disclosed in January 2016 also a new set of forms for filling in geographical data concerning selected parts of the network infrastructure divided into individual address points. In this section, information for the year 2015 were filled, mapping the existence of the network infrastructure enabling provision of services of the defined parameters in accordance with the objectives of the strategic document entitled Digital Czech Republic (Digitální Česko), i.e., lines on which it is possible to provide the Internet access service with speed in categories up to 30 Mbit/s, from 30 to 100 Mbit/s, and over 100 Mbit/s. In addition to the existing and easily completable infrastructure, the project mapped also lines the implementation of which is planned by undertakings in the next three years. With respect to the fact that such extensive collection of geographical data was a change from the previous practice, CTU presented the principles of such data collection process and its organization in advance at a number of professional conferences and seminars where it provided businesses with consulting in this respect.

The collected data was verified by CTU and subsequently submitted to the Ministry of Industry and Trade for preparation of the public consultation of the map of coverage with the infrastructure of the new generation networks (NGA) which took place in the period from 28 July to 30 September 2016. During the public consultation, CTU provided the Ministry of Industry and Trade with assistance and cooperation in the settlement of the suggestions and comments. The information on this public consultation is available here: <http://sberdat.verejnakonzultace.cz/>.

CTU was also actively engaged, within the measures related to the preparation of NPRSNG other than the mapping process itself, in other activities aimed at improving availability of the NGA networks. It led the work group for the preparation of the binding Guidelines of the conditions of wholesale access to the subsidized infrastructure. It currently leads a work group dealing with the preparation of measures in the area of utilization of radio frequencies for the construction of high-speed Internet access networks. In addition, in 2016 CTU also participated

in the work groups dealing with the grant policy as well as the non-grant aid and elimination of the identified barriers limiting the rapid development of new generation networks.

2 Auction of radio frequencies

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

On 8 February 2016 CTU announced a tender for the granting of rights to radio frequencies in the bands of 1800 MHz and 2600 MHz which were not allocated within the auction in 2013. Within the set time limit until 22 March 2016 CTU received three applications from the following companies: T-Mobile, O2 and Vodafone. After having checked the formal conditions, these companies were invited to the auction.

After the training in the use of the electronic auction system and test auctions, the auction phase (bidding) started on 27 April and was completed on 14 June. The winners were T-Mobile, O2 and Vodafone. Each participant acquired at least one of the blocks of frequencies offered. Within the auction phase, all frequency ranges offered were sold, i.e., a total of 2×15.8 MHz in the 1800 MHz band, 2×10 MHz in the paired section of the 2600 MHz band, and 50 MHz in the unpaired section of the 2600 MHz band. Total price achieved in the electronic auction for the radio spectrum acquired was CZK 2,643.95 million.

After the completion of the auction phase, CTU proceeded to distribute the frequencies. With respect to the fact that CTU did not receive within the set deadline any agreement of the winners of the auction on distribution of the abstract auction blocks, the abstract auction blocks were allocated to the individual specific sections of the radio frequencies using a procedure according to the Auction Rules. The notification of completion of the auction was published by the Office on 19 July 2016. Based on the results of the auction, in November 2016 CTU allocated the radio frequencies to the winners. CTU expects that according to the commitments for fulfilling the coverage obligations and associated criteria which were accepted by all auction participants, it will ensure full coverage of the territory of the Czech Republic with high-speed mobile Internet services within seven years. According to the commitments accepted, CTU also initiated the process of reframing of radio frequencies in the 1800 MHz band in order to create such conditions in this section of the spectrum that all holders of the allocations of radio frequencies have continuous sections of the radio spectrum available. This will subsequently allow them to offer the mobile broadband services more effectively using the sufficiently broad radio channels. CTU plans to complete the entire process of reframing of frequencies in the 1800 MHz band in 2017.

2.2 Preparation of the conditions of the auction of frequencies in the 3600–3800 MHz band

To support the development of the services of actually high-speed wireless Internet access, the preparation of the tender for frequency allocations in the 3600 - 3800 MHz band continued in 2016. Similarly to the auction of frequencies in the bands of 1800 and 2600 MHz (see above), the commencement of this tender was postponed until the time when the amendment of the Government Regulation No. 154/2005 Coll., on determination of the amount of method of calculation of the fees for the use of radio frequencies and numbers, is enacted; within the amendment, the fees for radio frequencies in this band were substantially reduced. At the same time, the implementation of the tender of postponed until the completion of the auction in the bands of 1800 MHz and 2600 MHz.

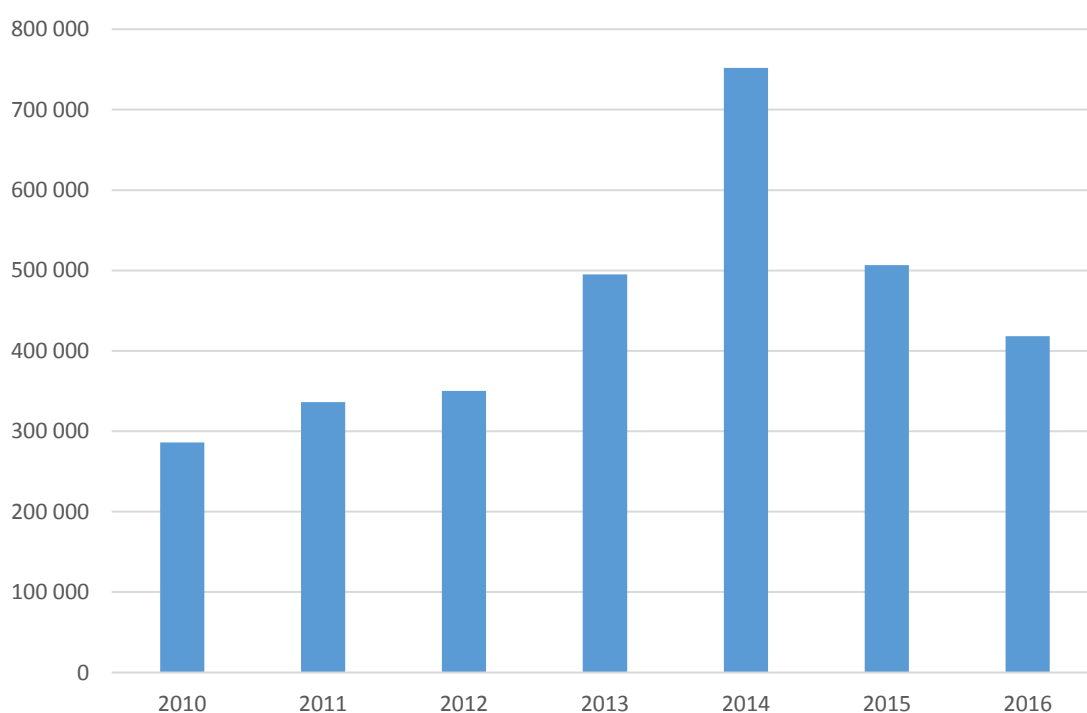
With respect to the long- time delay after the consultation and the fact that this frequency band was identified in the meantime as of the candidate bands determined for deployment of 5G services, and with respect to the update of the benchmark which meant an increase of the starting prices, CTU submitted a proposal to announce this tender at the end of 2016 within the repeated public consultation. The announcement of the tender and the performance of the auction is expected in mid-2017.

3 Telephone number portability

3.1 Portability in mobile networks

A total of 3,861,916 telephone numbers have been ported since the introduction of telephone number portability in mobile networks in 2006 until 2016 (including 2016). In 2016 the number of telephone numbers ported in mobile networks decreased year-on-year approximately by 17 % to 418,100 telephone numbers. The trend of declining number of portations (porting of telephone numbers) in mobile networks, which was documented already in the evaluation for the year 2015, therefore continued. One of the factors may be also the fact that mobile operators started applying the full notice period in 2014 also in cases of requests for telephone number porting. CTU responded by preparing a draft amendment of the Electronic Communications Act regulating the non-application of the notice period in the event of a request for number porting in mid-2014 and submitting it to the Ministry of Industry and Trade. This draft, however, was included by the Ministry of Industry and Trade in the amendment of the Electronic Communications Act only within the preparation of the so-called “Digital Amendment” which primarily regulates the aspects of migration to the new standard of terrestrial digital television broadcasting.

The trend of using telephone number portability in mobile networks in the period 2010 to 2016 is documented by the following graph.

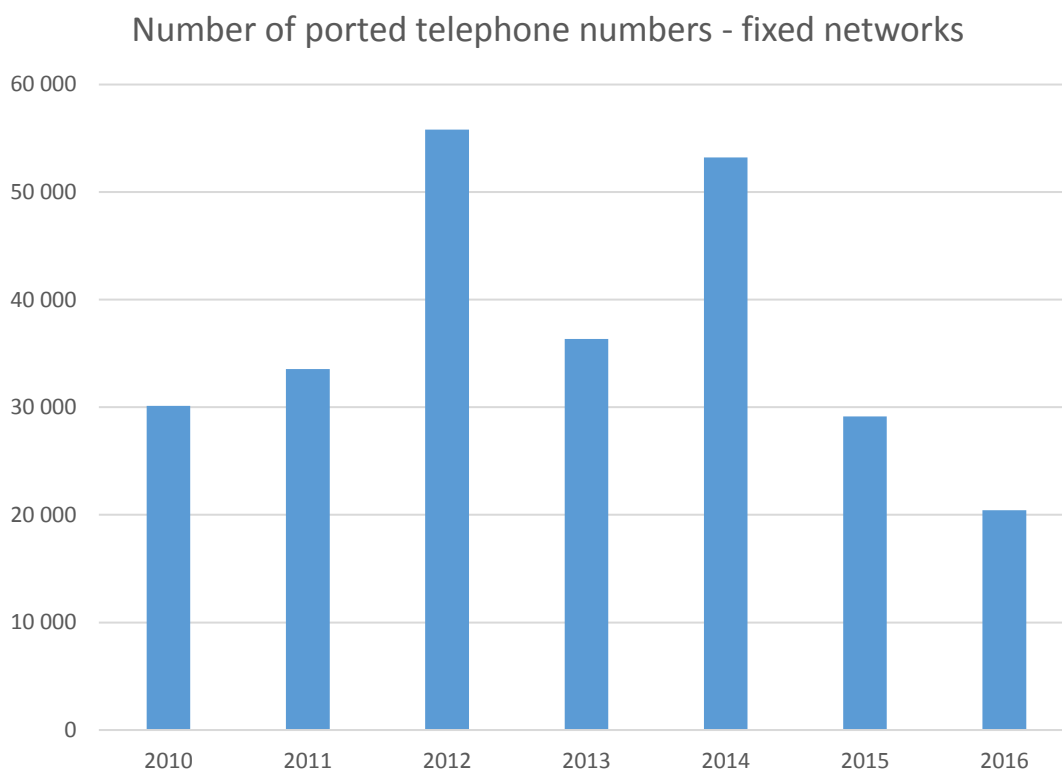


Graph 31: Number of ported telephone numbers – mobile networks

3.2 Number portability in fixed networks

A total of 9,257,415 individual telephone numbers have been ported since the introduction of telephone number portability in fixed networks in 2003 until 2016. In 2016 the number of portations¹² (portings) of telephone numbers in fixed networks decreased year-on-year approximately by 30 % to 20,417 telephone numbers ported in a fixed network. A total of 503,564 individual telephone numbers were ported in 2016. In comparison with 2015, the number of telephone numbers ported in fixed networks has further decreased.

The trend of using telephone number portability in fixed networks in the period 2010 to 2016 is documented by the following graph.



Graph 32: Number of ported telephone numbers – fixed networks

Source: RNPDB

3.3 Number management

Throughout 2016, CTU decided on requests of businesses for a licence to use numbers, number series and codes, addresses and names (hereinafter referred to as “numbers”) or, more precisely, on requests of businesses for a change, extension of the validity period, revocation of the licence and transfer to the use of numbers, from the numbering plans pursuant to Section 30 et seq. of the Electronic Communications Act.

In 2016 CTU issued 342 decisions in the area of number management, of which 113 decisions on granting a licence to use numbers, 14 decisions on a change of a licence, 156 decisions on extension of validity period of a licence, 40 decisions on revocation of a licence, 4 approvals of transfers of rights, 7 decisions on transfer of a licence, and 8 decisions on termination of administrative proceedings.

4 Evaluation of the postal services market

4.1 Situation of the postal market

In the area of postal services, a liberalized postal market of postal items delivery has been existing since 2013 when Act No. 29/2000 Coll., on postal services and on the amendment of some acts (Postal Services Act), as amended, was amended in 2012 by Act No. 221/2012 Coll.

As of 1 January 2016 a total of 19 business undertakings operated on this market. 7 other business undertakings announced that they intended to provide postal services during the year. Two businesses reported that they have not actually started providing postal services and have therefore terminated their business activities in the field of postal services. Therefore at the end of 2016, 24 businesses had a licence to provide postal services, 13 of which actually performed the activities (actually provided the postal service).

Four of the businesses that started their activities in 2016 announced that they only offer posting in a limited area. One of them has also a limited offer of the area where it delivers postal items. Other businesses offer the possibility to post as well as to deliver postal items throughout the Czech Republic. An overview of all the business undertakings that offered and provided postal services in 2016 is available at the CTU website [available online at: <http://www.ctu.cz/vyhledavaci-databaze/evidence-provozovatelu-poskytujicich-nebo-zajistujicich-postovni-sluzby>].

Similarly to the situation where some operators have a limited offer of the area where they provide postal services, the scope of the services offered is also limited in most of the operators.

Table 10: Overview of the number of operators authorised to offer a specific postal service in 2016

Name of postal service	Number of operators authorised to offer the postal service
Delivery of postal consignment of up to 2 kg in weight	17
Delivery of postal package of up to 10 kg in weight	11
Delivery of postal package of over 10 kg in weight	11
Delivery of registered consignment of up to 2 kg in weight	12
Delivery of registered consignment of over 2 kg in weight	9
Delivery of valuable consignment of up to 10 kg in weight	9
Delivery of valuable consignment of over 10 kg in weight	8
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	8

Source: CTU

This overview does not include the service of “delivery of a remitted amount of money” (“postal order”). This is the only postal service in the Czech Republic which is subject to statutory monopoly and which only the holder of a postal licence is authorised to provide.

Pursuant to the Postal Services Act, CTU is commissioned to carry out the state statistical service and work with the bodies of the European Union in the area of collection of statistical data through an electronic form. The application called Electronic Data Collection which is available to all operators through a website is used for that purpose.

The collection of the statistical data for the year 2016 has not been completed because one operator has not provided the data. CTU expects that the difference between the information provided below and the actual data will not be greater than 5 %.

One of the basic prerequisites for the provision of postal services is sufficient density of outlets (post offices), whereas it is not important whether the operator provides postal services through its own post offices or through the post offices of its contractual partners. The post office network is necessary not only for posting postal items but also for deposition of postal items in cases where the postal item cannot be delivered at the place specified in the postal address, and therefore the recipient is able to collect it at the post office at his/her choice. The following table shows the development of the network of post offices of all licensed business undertakings providing postal services or, as the case may be, their contractual partners.

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

Number of post offices	2014	2015	2016
Own	3211	3199	3081
from this Czech Post	3162	3124	2984
contractual partners	401	633	419
from this Czech Post	154	190	327
Total	3612	3832	3500
from this Czech Post	3316	3314	3311

Although the operators use a number of technical devices when handling postal items, e.g., sorting lines, roller conveyors, cages, platform trucks, etc., the process of transport and delivery of postal items still shows a great share of human labour. With respect to the declining volume of transport of letters, the number of employees involved in the provision of these services is also declining, nevertheless the decline is partially compensated by the numbers of employees involved in the transport of packages where the volume is increasing. This increase of the transport of packages, however, is not significant enough to compensate the drop in the transport of letters. The trend of the number of employees is evident from the following table which shows an overview of the number of job positions converted to full-time equivalents which the operators create in order to provide postal services.

Table 12: Employment positions created by operators for the purpose of providing postal services

	2014	2015	2016
Number of employment positions	24017	24107	23958
from this Czech Post	23789	23521	23387

The volume of transport of some types of postal items is declining on long-term basis, as mentioned above. This trend is visible mainly in letters which are replaced with services of electronic communications such as e-mail, data mailboxes, SMS or MMS messages. The development of the number of postal items transported within each service for all operators is shown in the following table.

Table 13: Development of number of carried postal consignment

Name of postal service	2014	2015	2016
Delivery of postal consignment of up to 2 kg in weight	440746759	392216343	334924453
Delivery of a postal package	1366004	2521521	2268142

of this: delivery of postal package of up to 10 kg in weight	1290016	1079020	668375
Delivery of a registered consignment	88513540	84670609	82618091
of this: delivery of registered consignment of up to 2 kg in weight	88471880	84646609	82460091
Delivery of valuable consignment	4723185	3170209	2658767
of this: delivery of valuable consignment of up to 10 kg in weight	4632152	3115815	2619716
Delivery of a postal consignment of up to 7 kg in weight for the blind	104570	90442	78867
of this: delivery of a registered consignment of up to 7 kg in weight for the blind	18035	18106	18282
Delivery of printed matter bag	7802	9004	9217
of this: delivery of registered printed matter bag	2146	2105	2134
other	20301169	62936528	509246775

The market development is monitored by CTU also by means of economic indicators such as the development of revenues, costs or investments. These indicators also serve for comparison of the development of the postal services market with other economic industries or, as the case may be, with the development of the economy of the whole Czech Republic.

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

Economic indicators	2014	2015	2016
Total revenues from the provision of postal services	14092679637	18304367773	20028139360
Total cost of the provision of postal services	16676390907	19918241020	21966783970
Total investment made in the provision of postal services	365610628	542173671	619145646

One of the important factors for the selection of an operator of postal services which the general public considers to be critical is the quality of these services. Objective evaluation of the quality of postal services is difficult; the quality development is therefore monitored mainly using the development of the number of complaints about postal services. The number of complaints in all operators and the development thereof are shown in the following table.

Table 15: Number of claims made regarding postal services

	2014	2015	2016
Number of claims received	205320	213555	203799
of this figure: legitimate	40365	46765	45115

The above table clearly shows that the number of complaints in the period between 2014 and 2016 dropped by 1 %. The share of justified complaints with respect to the total number of complaints in that year increased from 19.66 % to 22.14 %. With respect to the volume of postal services provided, the customers complained about 0.019 % of postal items carried in 2016,

while in 2014 it was 0.03 %. This implies that the customer satisfaction with the quality of postal services basically does not change.

4.2 Development of the universal services in 2016

For the period 2013 - 2017 CTU granted a single postal licence, namely to Czech Post. The year 2016 was therefore the next to the last year of validity of this postal licence and at the same time it was the fourth year when it was fully opened to create a competitive environment on the postal services market. According to the decision [available online at: https://www.ctu.cz/cs/download/postovni_sluzby/rozhodnuti_cj_ctu-562_2013-610_udeleni-postovni-licence_ceska_posta.pdf] to grant postal licence, Czech Post is obliged to ensure provision of a defined scope of postal services defined as universal services. Pursuant to Section 20 of the Postal Services Act, the holder of the postal licence, i.e., Czech Post, is also the only operator authorized to provide postal service of delivery of a sum of money by means of a postal order.

The following table shows the development of the number of postal items posted within the universal services with Czech Post. The table shows the situation before the granting of the current postal licence as well as the development in the period of validity thereof. With respect to the change of specification of the universal services, which occurred on 1 January 2013 with the coming into effect of the amendment of the Postal Services Act, some of the universal services are now monitored in more detailed categories, as shown in the table below.

Table 16: Universal services provided by Czech Post (in thousands) (2012-2016)

Indicator	2012	2013	2014	2015	2016
Number of carried postal consignments up to 2 kg (standard consignments)	406599	337731	291204	269901	239415
Number of carried postal consignments up to 10 kg (standard consignments)		1331	964	508	362
Number of carried postal consignments up to 7 kg for the blind (standard consignments)		76	62	49	47
Number of carried registered consignments up to 2 kg	88418	80676	83131	79927	72275
Number of carried registered consignments up to 7 kg for the blind	n/a	14	14	14	13
Number of carried valuable consignments up to 10 kg (packages)	6988	5216	4503	2854	2362
Number of received postal orders	59722	52585	46820	41873	37831

Source: Czech Post

The information in the table shows that in the long term the volume of postal items carried within the universal services is declining.

Particularly significant decline is visible in the case of standard postal items (postal items of up to 2 kg in weight, packages of up to 10 kg in weight, postal items for the blind of up to 7 kg in weight). In the above-mentioned period in question, there is a long-term year-on-year decline in average by 12.62 %. In particular in postal items containing written documents, such as postal items of up to 2 kg in weight and postal items for the blind of up to 7 kg in weight, the decline is significant and is caused by replacement with other forms of communication such as, e.g., e-mail, data mailboxes, SMS, etc. The decrease of the number of postal orders submitted is caused by substitution with payment services and electronic banking.

In the case of registered postal items carried the decline is not as significant. It is mainly due to the fact that registered postal items are used by a number of institutions, e.g., public administration, for communication with individuals who do not have a data mailbox in cases

where it is necessary to have a proof of delivery of a postal item to the recipient. It includes but is not limited to official documents the delivery of which is regulated by separate regulations (e.g., code of administrative procedure, code of civil procedure, etc.), and it is conditional upon acknowledgment of receipt of the postal item by the authorized recipient.

The volume of other postal items carried, i.e., packages of up to 10 kg in weight and valuable postal items of up to 10 kg in weight, is also declining. Transport of packages within the entire postal market is growing, in particular thanks to the growing number of online purchases. The senders, however, use other commercial services for this transport, either offered by the postal licence holder or by other operators.

4.2.1 Regulation in the area of postal services

One of the main tasks of CTU in the area of regulation of postal services is supervision of fulfilment of the obligations of individual operators under the Postal Services Act. In the case of the postal license holder CTU supervises whether general availability of the universal services is ensured in the defined quality, including sufficient awareness of the general public about the mode of use of the universal services. In the area of the universal services, in accordance with Section 37(3) b) of the Postal Services Act, CTU separately publishes a report on the fulfilment of obligations imposed on the postal licence holder in the Postal Bulletin and on its website [available online at: <http://www.ctu.cz/zprava-o-plneni-povinnosti-ceske-posty-sp-v-oblasti-zakladnich-sluzeb>].

Pursuant to Section 37(4) of the Postal Services Act, CTU periodically reviews the level of quality and method of provision of the universal services and the general availability thereof throughout the Czech Republic according to the universal quality requirements. On 13 April 2016 CTU published on its website [available online at: <https://www.ctu.cz/sdeleni-o-zahajeni-prezkumu-podle-zakona-o-postovnich-sluzbach>] information on the commencement of the review pursuant to the Postal Services Act, with respect to the approaching expiration of the current postal licence.

Based on the results of the review and after having settled the suggestions from the public consultation concerning the scope of the universal services and the justified plan to impose the obligation to provide and ensure individual universal services with the affected entities, CTU will commence a tender pursuant to Section 22(2) of the Postal Services Act.

In the review, CTU focused on finding what the availability of postal services is in the Czech Republic and whether it is necessary to keep the obligation to provide and ensure individual universal services in the current scope, or whether they will be provided even without the imposition of the obligation in a manner comparable with the requirements for ensuring them also after the expiry of the postal licence of Czech Post.

Within the review, CTU collected publicly available information on the postal services provided, then asked businesses in the area of postal services for additional information and suggestions related to the method of provision of postal services. At the same time, it addressed also selected stakeholders and professional associations, local government bodies and selected central public administration bodies in order to receive opinions on the provision of the universal services. In order to find out the degree of satisfaction and opinions of the users of postal services on the quality, scope and availability of postal services in the Czech Republic, CTU organized a survey.

Based on all available information and taking into account other factors (risks in case of not imposing the postal obligation, necessity to preserve individual universal services with respect to the assumption of use thereof by other regulations), CTU prepared a document entitled Review pursuant to Section 37(4) of the Postal Services Act with the conclusion that the postal

services provided on the postal services market today are not provided in a manner consistent with the requirements for ensuring the universal services.

Also, with respect to the results of the review, CTU published a request for submitting suggestions on the plan to impose the obligation pursuant to Section 22(1) of the Postal Services Act to provide all universal services specified in Section 3(1) of the Act, due to the failure to fulfil all legislative requirements for the individual universal services by the commercially provided postal services of individual operators. The request and the two documents are available at <https://www.ctu.cz/vyzva-k-uplatneni-pripominek-k-zameru-ulozit-jako-povinnost-poskytovat-zajistovat-jednotlive>.

Completion of the review and the tender for the new postal license holder for the period from 1 January 2018 to 31 December 2022 is expected by CTU to take place in 2017.

The universal requirements for the universal services are laid down by Section 3 of the Postal Services Act; the availability thereof must be ensured in accordance with the requirements of Decree No. 464/2012 Coll., on determining the specifications of individual universal services and universal qualitative parameters for the provision thereof, as amended by Decree No. 203/2016 Coll., and these criteria have also been supplemented since 1 January 2016 by Government Regulation No. 178/2015 Coll., on determining the minimum number of post offices for the provision of universal services. This regulation determines, based on statutory authorisation, that universal services must be provided via a network of at least 3,200 post offices.

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

The basic obligation in the case of universal services is to deliver postal items or transferred money to the place specified in the postal address, with the exception of places according to Section 16 of Decree No. 464/2012 Coll. In 2016 one such place in the Czech Republic was added to the list; there are 93 places without a delivery service. Czech Post is obliged to publish this information on its website [available online at: <https://www.ceskaposta.cz/ke-stazeni/zakaznicke-vystupy>].

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 93.93 % in 2016.

4.2.2 Development of the prices of universal postal services in 2016

According to the provisions of Section 33(5) of the Postal Services Act, 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 Postal Services Act (the option of not including the entire amount of reasonable profit in prices), Section 3(1)(f) of the Postal Services Act (free consignments for the blind) and Section 34a of the Postal Services Act (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 2016 increased relative to 2015, as of 1 May 2016. Increased were in particular the prices of the following inland postal items: Standard letter, Registered letter and Valuable letter. The amount of these changes is shown in the following table.

Table 17: Changes of prices of selected inland universal postal services in 2016

Service	Price until 30 April 2016 (CZK per unit)	Price from 1 May 2016 (CZK per unit)
Standard letter		
Standard letter to 50 g inclusive - standard	13	16
Standard letter to 100 g inclusive	17	20
Standard letter to 500 g inclusive	21	24
Standard letter to 1000 g inclusive	27	30
Registered letter		
Registered letter to 50 g inclusive - standard	34	38
Registered letter to 100 g inclusive	42	46
Registered letter to 500 g inclusive	44	48
Registered letter to 1 kg inclusive	50	54
Registered letter to 2 kg inclusive	56	60
Valuable consignments (letters)		
Valuable consignment to 50 g inclusive	39	43
Valuable consignment to 100 g inclusive	43	47
Valuable consignment to 500 g inclusive	45	49
Valuable consignment to 1 kg inclusive	51	55
Valuable consignment to 2 kg inclusive	57	61
Registered package		
Registered package to 500 g inclusive	59	64
Registered package to 1 kg inclusive	64	69
Registered package to 2 kg inclusive	68	73

As of the same date (1 May 2016) the prices of international standard letter, registered letter and valuable letter was also increased. The price of international standard letter was increased by CZK 2, the prices of international registered letter and international valuable letter were increased by CZK 4. The changes are shown in the following table.

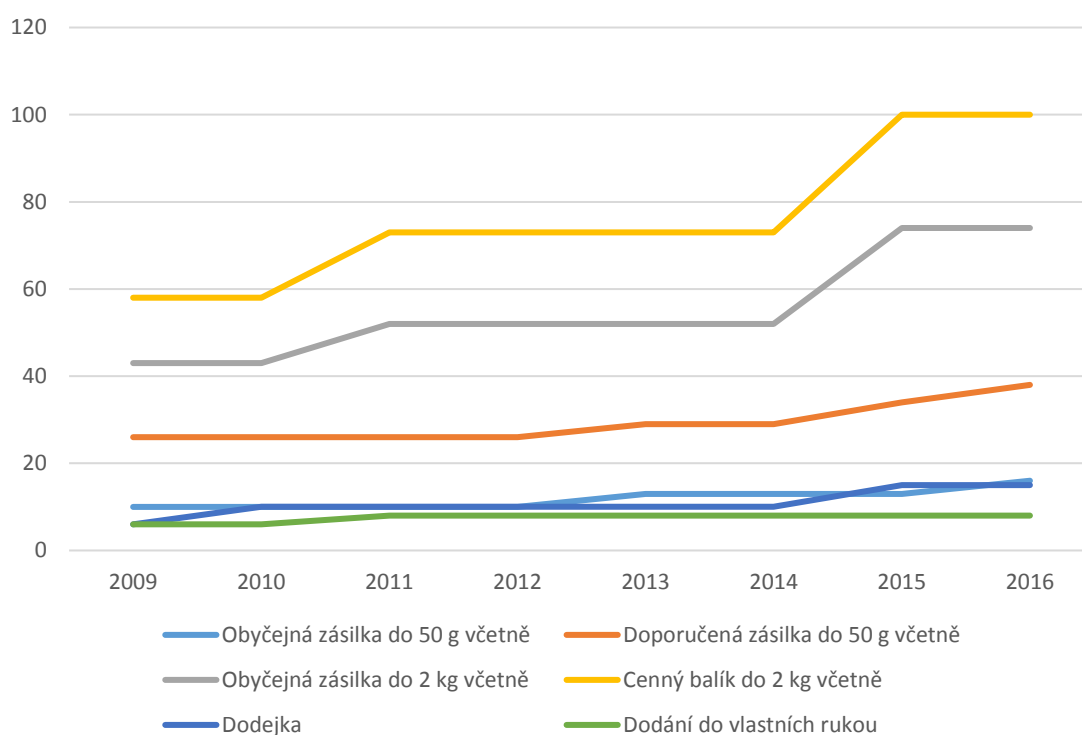
Table 18: Changes of prices of selected universal international postal services in 2016

Service	Price until 30 April 2016 (CZK per unit)	Price from 1 May 2016 (CZK per unit)
Standard consignment - european countries priority		
to 50 g inclusive	25	27
to 100 g inclusive	41	43
to 250 g inclusive	76	78
to 500 g inclusive	110	112
to 1 kg inclusive	190	192
to 2 kg inclusive	330	332
Standard consignment - overseas priority		
to 50 g inclusive	30	32
to 100 g inclusive	47	49
to 250 g inclusive	93	95
to 500 g inclusive	152	154
to 1 kg inclusive	270	272
to 2 kg inclusive	480	482
Standard consignment - overseas economy		
to 50 g inclusive	25	27
to 100 g inclusive	41	43
to 250 g inclusive	76	78
to 500 g inclusive	110	112
to 1 kg inclusive	190	192
to 2 kg inclusive	330	332
Registered consignment - european countries priority		
to 50 g inclusive	68	72
to 100 g inclusive	90	94
to 250 g inclusive	125	129
to 500 g inclusive	158	162
to 1 kg inclusive	238	242
to 2 kg inclusive	378	382
Registered consignment - overseas priority		
to 50 g inclusive	73	77
to 100 g inclusive	96	100
to 250 g inclusive	141	145
to 500 g inclusive	200	204
to 1 kg inclusive	319	323
to 2 kg inclusive	529	533

Development of the prices of selected inland universal postal services in the period 2009 – 2016 is shown in the table below and also by the following graph.

Table 19: Prices of selected inland universal services in the period 2009 - 2016 (CZK per item)

Service	2009	2010	2011	2012	2013	2014	2015	2016
Standard consignment to 50 g inclusive	10	10	10	10	13	13	13	16
Registered consignment to 50 g inclusive	26	26	26	26	29	29	34	38
Standard consignment to 2 kg inclusive	43	43	52	52	52	52	74	74
Valuable package to 2 kg inclusive	58	58	73	73	73	73	100	100
Confirmation of delivery inclusive	6	10	10	10	10	10	15	15
Delivery to the addressee only inclusive	6	6	8	8	8	8	8	8

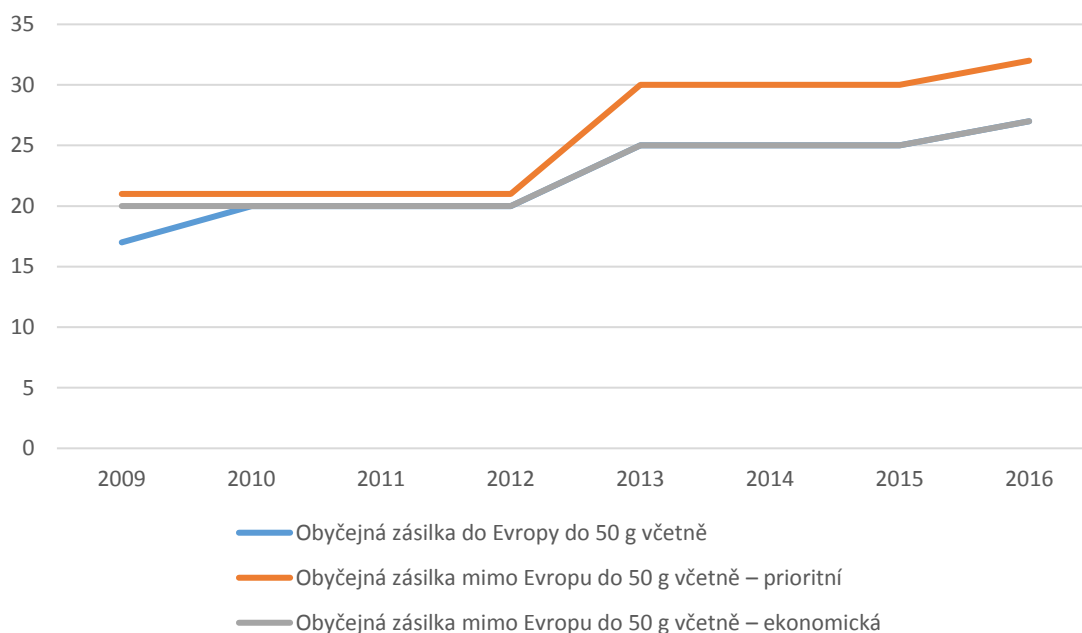


Graph 33: Prices of selected inland universal services in the period 2009 – 2016 (CZK per item)

Development of the prices of selected international universal postal services in the period 2009 – 2016 is shown in the table below and also by the following graph.

Table 20: Prices of selected international universal services in the period 2009 – 2015 (CZK per item)

Service	2009	2010	2011	2012	2013	2014	2015	2016
Standard consignment to Europe to 50 g inclusive	17	20	20	20	25	25	25	27
Standard consignment to Europe to 50 g inclusive - priority	21	21	21	21	30	30	30	32
Standard consignment outside Europe to 50 g inclusive - economy	20	20	20	20	25	25	25	27



Graph 34: Prices of selected international universal services in the period 2009 – 2015 (CZK per item)

According to the provisions of Section 34a(1) of the Postal Services Act, 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 Postal Services Act). 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 Postal Services Act, 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 2016 were unaffordable according to the methodology specified above.

4.2.3 Funding of the universal services

Net costs for the year 2014

At the beginning of 2016 CTU completed the administrative proceedings in the matter of the request of Czech Post for reimbursement of the net costs from the provision of the universal postal services for the year 2014. Czech Post requested reimbursement in the amount of CZK 1,754,764,485; this amount included net costs related to the post office network in the amount of CZK 1,012 million, net costs related to the delivery network in the amount of CZK 821 million, net costs related to other obligations associated with the provision of the universal services in the amount of CZK 27 million, and intangible and market benefits in the amount of CZK 107 million were subtracted. Within the administrative proceedings CTU checked whether Czech Post complied with Section 34b and Section 34c of Act No. 29/2000 Coll., on postal services, as amended, and the provisions of Decree No. 466/2012 Coll., on the procedure of the Czech Telecommunication Office when calculating the net costs of fulfilment of the obligation to provide universal services when performing the calculation.

Within the administrative proceedings, CTU checked the calculation of the net costs. CTU disagreed with some proposals included in the alternative scenario of Czech Post and performed its own calculation of the net costs which was reflected in the decision on the amount of the net costs issued on 29 February 2016. Czech Post filed an administrative appeal against the decision issued. Two statements of the decision on the amount of the net costs were amended by the second-instance decision on the administrative appeal issued on 17 June 2016, and the remaining statements were upheld. The amendment was related to the amount of the net costs of the post office network where the second-instance administrative body allowed the appeal objection of Czech Post that the procedure of the first-instance administrative body resulted in double reduction of the costs of temporarily closed post offices.

The net costs according to CTU were determined as follows: the partial net costs attributable to the operation of the post office network in the amount of CZK 481,097,742, partial net costs of the delivery network in the amount of CZK 461,770,273, and the costs associated with the necessary supporting processes of Czech Post in the amount of CZK 27,424,410. CTU subsequently subtracted the intangible and market benefits associated with the provision of the universal services which were quantified in the amount of CZK 118,511,553, and the amount of CZK 194,234,832 which represents 1 % of the total costs of Czech Post and is not considered, according to the Postal Services Act, an unfair financial burden for the postal license holder. The verified amount for the reimbursement of the net costs for the year 2014 is CZK 657,546,040.

The decision on the amount of the net costs for the year 2014 and the second-instance decision on the administrative appeal were published by CTU in the Postal Bulletin in part 9 dated 11 August 2016.

According to the Postal Services Act, with wording in force until 31 December 2015, the verified amount of the net costs, representing unfair burden for the postal license holder, should have been paid from the account for the funding of the universal services. All businesses which provided interchangeable postal services in 2014 were supposed to contribute to this account according to their market share, provided that a business whose total revenues in 2014 from the postal services and international postal services were lower than CZK 3 million shall not be considered a payer. The postal licence holder, too, should have been a payer to the account for the funding of the universal services. The contributions of each payer to the account have not been defined due to the pending negotiations with the European Commission and due to the change, if any, to the mechanism of funding of the net costs for the years 2013 and 2014.

Within the pending negotiations with the European Commission in connection with the amendment of the Postal Services Act (Act No. 319/2015 Coll.) in particular in the matter of the method of funding of the net costs of the universal services, the European Commission recommended that the Czech Republic cancel for the period 2013 and 2014 the mechanism of funding of the net costs through the compensation fund. Based on these negotiations, the government acknowledged on 12 October 2016 the inability to use the compensation fund and ordered, by a government resolution, the minister of the interior in cooperation with the minister of industry and trade and the minister of finance to prepare a draft measure aimed at preventing losses, if any, and minimizing the risks. The negotiations with the European Commission in this matter have not been completed by the end of 2016.

Net costs for the year 2015

On 22 August 2016 Czech Post requested reimbursement of the net costs for the period from 1 January 2015 to 31 December 2015, in total amount of CZK 1,755,213,456. Czech Post quantified the net costs of the post office network in the amount of CZK 1,007,531,757, net

costs of the delivery network in the amount of CZK 794,682,175, and net costs of the supporting processes induced by the obligation to provide universal services in the amount of CZK 28,261,504. The intangible and market benefits were determined by Czech Post in the amount of CZK 75,261,980.

As of the date of submission of the request, the administrative proceedings started in which CTU will check the accuracy and completeness of all information submitted and consistency of the calculation with Act No. 29/2000 Coll., on postal services and on the amendment of some Acts (Postal Services Act) and also with Decree No. 466/2012 Coll., on the procedure of the Czech Telecommunication Office when calculating the net costs of fulfilment of the obligation to provide universal services when performing the calculation. The administrative proceedings concerning the determination of the net costs for the year 2015 and determination whether they represent unfair financial burden for the postal license holder have not been completed as of the end of 2016. According to the amendment of the Postal Services Act (Act No. 319/2015 Coll.), the reimbursement of the verified amount of the net costs for the year 2015 will be made from the state budget, in the maximum amount of CZK 700,000,000 after this mechanism has been approved by the European Commission in terms of conformity of the conditions for the provision of public aid.

5 Terrestrial digital television and digital radio broadcasting

5.1 Television broadcasting

In 2016 the national broadcasting networks DVB-T or the regional broadcasting networks did not develop significantly.

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

Česká televize (MUX1) – degree of coverage 99.9 % of the population,

České Radiokomunikace (MUX2) – degree of coverage 99,9 % of the population,

Czech Digital Group (MUX3) – degree of coverage 98,1 % of the population,

Digital Broadcasting (MUX4) – degree of coverage 95,1 % of the population.

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 and validity of the individual authorizations until 31 December 2017.

The current overview of regional broadcasting networks and the degree of coverage of the population with television signal disseminated therein is shown in the following table.

Table 21: Regional broadcasting networks

Regional network No.	Coverage	Area covered
Reg 1	0.6 %	Different regions in Bohemia

Reg 2	6.4 %	Regional broadcasting – Moravia and Silesia
Reg 4	17.2 %	Regional broadcasting in Praha
Reg 5	0.2 %	Local broadcasting in Svitavy
Reg 6	4.4 %	Regional broadcasting in Praha
Reg 7	84.8 %	Nationwide broadcasting in the Czech Republic
Reg 8	58.9 %	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 in Jihlava
Reg 12	17.1 %	Regional broadcasting in Praha
Reg 13	16.6 %	Different regions in the Czech Republic
Reg 14	0.4 %	Local broadcasting in South Bohemia
Reg 15	0.1 %	Local broadcasting in Adamov
Reg 16	0.4 %	Local broadcasting in Příbram
Reg 17	2.6 %	Regional broadcasting in Plzeň
Reg 18	0.2 %	Local broadcasting in Český Krumlov
Reg 19	1.1 %	Local broadcasting in Říčany

Reg 20	19 %	Different regions in the Czech Republic
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More details on the status of the terrestrial television and radio digital broadcasting can be found on CTU's website at <http://dtv.ctu.cz>.

5.1.1 Preparation of Migration to DVB-T2

In 2016 CTU was actively engaged in the preparation of the draft version of Strategy of Development of Terrestrial Digital Television Broadcasting which was approved in July 2016 by the government of the Czech Republic. CTU subsequently participated, within an expert coordination group, in the preparation of the proposals of legislative changes which are necessary for the implementation of the Strategy. This work group prepared the draft versions of the amendments of Government Regulation No. 153/2005 Coll. and Government Regulation No. 154/2005 Coll., related to the formation of the radiocommunication account and the amount of the fees for the use of the radio spectrum, which was submitted to the government the Czech Republic for approval. Similarly, in 2016 CTU participated in the preparation of the proposed change and transitory provisions of the Electronic Communications Act, the so-called Digital Amendment.

To support the construction of the transition networks for parallel DVB-T2 broadcasting, CTU also issued in August 2016 the first two individual authorizations for the use of radio frequencies to České Radiokomunikace, a.s.

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 frequency plan in cooperation with representatives of administrations of neighbouring states. In 2016 the representatives of CTU participated in nine coordination meetings because, in accordance with the upcoming decision of the EU council and parliament, all coordination procedures aiming at the release of the 700 MHz band should be completed by the end of 2017. The goal of CTU is to ensure, within the coordination meetings, radio frequencies not only for the final broadcasting networks DVB-T2, but also for the temporary transition networks which will ensure time-limited parallel DVB-T2 broadcasting during the transition process. In some neighbouring countries the transition to DVB-T2 has already started (Germany, Austria).

5.2 Radio broadcasting and preparation for future digital broadcasting

The international coordination of frequency requirements for new transmitters to transmit FM radio broadcasting in the 87.5 – 108 MHz band continued in 2016, submitted by foreign administrations and primarily by the operators of radio broadcasting in the Czech Republic.

Regarding the possibility to commence regular terrestrial digital radio broadcasting (T-DAB), no major change occurred in 2016 in terms of the expectations of CTU. The work group of the Ministry of Culture in which CTU participated and whose goal was preparation of the Concept of Development of Terrestrial Digital Broadcasting of Český rozhlas (Czech Radio) did not accept the proposals for the required changes to Act No. 484/1991 Coll., on Czech Radio, which would allow Czech Radio to put together and operate within the terrestrial digital radio broadcasting a public multiplex. The concept of development of digital radio broadcasting which was discussed and approved by the government thus allowed Czech Radio to operate

only long-term, but time-limited pilot terrestrial digital broadcasting the geographical coverage and programme content of which would be also limited. Only based on the evaluation of the results of this broadcasting of Czech Radio the Ministry of Culture should prepare, approximately in 2022, the comprehensive Strategy of Development of Terrestrial Digital Radio Broadcasting in the Czech Republic. The digital broadcasting of Czech Radio should start in the first half of 2017.

Throughout 2016, however, thanks to the initiative of Czech Radio the experimental digital radio broadcasting continued in cooperation with České Radiokomunikace from the Praha-city transmitter (frequency block 12 C) whose technical parameters are close to the parameters of the planned actual broadcasting network. With respect to the anticipated commencement of the long-term broadcasting of Czech Radio, which should start in 2017, the individual authorization in the mode of experimental broadcasting was issued with validity until the end of May 2017.

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 outside of 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 6 Legal Framework

In 2016 the legal framework for the electronic communication networks and services market and the postal services market, and for the performance of the regulation and inspection powers of CTU consisted, just as in the previous years, in particular of Act No. 127/2005 Coll., on electronic communications and on the amendment of some related acts (Electronic Communications Act), as amended, and Act No. 29/2000 Coll., on postal services and on the amendment of some Acts (Postal Services Act), as amended, including the regulations issued for the implementation thereof. In procedural terms, CTU proceeded in all proceedings pursuant to Act No. 500/2004 Coll., the Code of Administrative Procedure, as amended.

The following laws and regulations were enacted in 2016 which had or will have in the future impact on the sector of electronic communication services or the sector of postal services.

6.1 Amendments of the Electronic Communications Act

Act No. 298/2016 Coll., amending some Acts in relation to the enactment of the Act on trust services for electronic transactions, Act No. 106/1999 Coll., Free Access to Information Act, as amended, and Act No. 121/2000 Coll., on copyright, on the rights related to the copyright, and on the amendment of some Acts (Copyright Act), as amended

Act No. 298/2016 Coll., amending some Acts in relation to the enactment of the Act on trust services for electronic transactions, Act No. 106/1999 Coll., Free Access to Information Act, as amended, and Act No. 121/2000 Coll., on copyright, on the rights related to the copyright, and on the amendment of some Acts (Copyright Act), as amended, entered into effect – regarding the part containing the amendment of the Electronic Communications Act – on 19 September 2016. This Act was enacted in connection with the enactment of Act No. 297/2016 Coll., on trust services for electronic transactions, which adapts the law of the Czech Republic to Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC (eIDAS regulation).

Act No. 298/2016 Coll. (part forty-three) includes a change to the Electronic Communications Act which changes, for the stated reasons, the requirements for electronic communication and its parameters not yet regulated in Section 25(4), Section 33(10) and Section 75(5) of the Electronic Communications Act so that they would comply with the new requirements according to the eIDAS regulation or, more precisely, pursuant to Act No. 297/2016 Coll.

6.2 Amendments of the Postal Services Act

No amendment of the Postal Services Act was enacted in 2016 which would have significant impact on the sector of postal services; but the following change was made in the area of implementing regulations on the Postal Services Act.

[Decree No. 203/2016 Coll. amending Decree No. 464/2012 Coll., on specification of the individual universal services and the basic quality requirements for the provision thereof](#)

Decree No. 203/2016 Coll. amending Decree No. 464/2012 Coll., on specification of the individual universal services and the basic quality requirements for the provision thereof, was promulgated in part 77 of the Collection of Laws on 29 June 2016 and entered into effect on 1 July 2016. This Decree responds to the changes to the Acts of the Universal Postal Union discussed at the congress of the Universal Postal Union in Doha (2012) which affected the area of provision of services for the blind. The group of people who can be sender or recipient of postal items within the service for the blind is expanded, and the set of items which can be contained in the postal items within the postal service in question is also expanded. The second area of changes is represented by the adjustment of the criteria for availability and density of the post offices based on Government Regulation No. 178/2015 Coll., specifying the minimum number of post offices for the provision of the universal services, which defined – effective from 1 January 2016 – the minimum number of post offices in the Czech Republic as 3200. In addition, Decree No. 203/2016 Coll. also introduces legislative-technical modifications responding to some of the past interpretation and application problems.

6.3 Other laws and regulations

[Act No. 90/2016 Coll., on assessment of the conformity of the specified products when placed on the market](#)

Act No. 90/2016 Coll., on assessment of the conformity of the specified products when placed on the market, entered into effect on 15 April 2016, with the exception of Section 47(2) which enters into effect on 12 June 2018. The objective of this Act is to create a new legal framework for the area of technical regulations and technical standards which is currently included in Act No. 22/1997 Coll., on technical requirements for products. Act No. 90/2016 Coll. regulates all matters in the area in terms of the type and in general, and specific “industry” Directives of the

EU which deal with the harmonization or requirements for products could be transposed in to the law of the Czech Republic in the future through this Act in the form of individual Government Regulations implementing the Act. In terms of electronic communications, it is in particular Directive 2014/53/EU 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 – regarding this, see below.

Together with this Act, the existing legislation was amended, i.e., Act No. 22/1997 Coll., on technical requirements for products and on the amendment of some acts, as amended, namely by Act No. 91/2016 Coll., which also entered into effect on 15 April 2016.

Act No. 126/2016 Coll., amending Act No. 18/2004 Coll., on recognition of the professional and other qualification of the nationals of Member States of the European Union and some nationals of other countries and on the amendment of some Acts (Qualification Recognition Act), as amended, and other related Acts

Act No. 126/2016 Coll., amending Act No. 18/2004 Coll., on recognition of the professional and other qualification of the nationals of Member States of the European Union and some nationals of other countries and on the amendment of some Acts (Qualification Recognition Act), as amended, and other related Acts entered into effect on 1 September 2016. The objective of this Act is to ensure full harmonization of the national regulations in the area of recognition of qualifications acquired in other Member States with the provisions of the applicable European directives, in particular reduction of complexity of the procedures by means of a European professional certificate (connection with the IMI system), reform of the general rules for settlement in another Member State or for temporary change of the place of work, modernization of the system of automatic recognition, etc.

This Act also includes the related amendment of Act No. 634/2004 Coll., on administrative fees, as amended, (part seven). The changes also affected the definition of the administrative acts and the amounts of the corresponding administrative fees previously specified under item 108 of the Table of Administrative Fees, i.e., administrative fees collected by CTU within the performance of the work pursuant to Section 26 (Qualification) of the Electronic Communications Act.

Act No. 186/2016 Coll., on gambling

The below-specified part of Act No. 186/2016 Coll., on gambling, entered into effect on 1 January 2017. This Act regulates gambling, defines the types of gambling, conditions for operation thereof, measures for responsible gambling, and also lays down the powers of the administrative bodies in the area of gambling operations. With respect to the fact that gambling can be offered also by means of remote Internet access, Section 82 et seq. of the Act imposes an obligation upon the providers of Internet connection in the Czech Republic to prevent access to websites listed on the list of websites with prohibited Internet gambling (see Section 84 of Act No. 186/2016 Coll.). The list of websites with prohibited Internet gambling is kept by the Ministry of Finance which also decides on inclusion of websites in the list.

The Internet access providers shall comply with the obligation within 15 days of the date of disclosure of the website in the list of websites with prohibited Internet gambling. A failure to comply with the obligation constitutes an administrative offence pursuant to Section 123(5) of the same Act, for which a fine can be imposed of up to CZK 1,000,000 (Section 123(11) of Act No. 186/2016 Coll.). Administrative offences in the area of Internet gambling pursuant to Act No. 186/2016 Coll. in the first instance are processed by the Ministry of Finance.

Act No. 250/2016 Coll., on liability for offences and proceedings concerning offences

Act No. 250/2016 Coll., on liability for offences and proceedings concerning offences, enters into effect on 1 July 2017. This Act represents a new regulation of procedural nature in the area of administrative punishment, as it unifies the conditions for processing misdemeanours and other administrative offences (newly only “misdemeanours”). The processing of misdemeanours has been governed by Act No. 200/1990 Coll. always, unless separate regulations provide otherwise, while other administrative offences are processed essentially in proceedings according to the Code of Administrative Procedure (Act No. 500/2004 Coll.) and, as appropriate, also under the conditions laid down by separate regulations (typically, with sector focus). The regulation included in Act No. 200/1990 Coll. was evaluated as obsolete, stating that the misdemeanour proceedings in general are not sufficiently regulated and do not reflect the development of the legislation in the related laws and regulations.

The new Act No. 250/2016 Coll. Therefore represents a uniform and comprehensive regulation of administrative and legal liability of individuals, legal entities and individuals carrying business activities, sets the procedural conditions for misdemeanour proceedings and expands the set of the possible penalties for a breach of regulations on the misdemeanour level. With respect to the new legislation, Act No. 200/1990 Coll., on misdemeanours, as amended, and some other related regulations are cancelled.

In connection with the coming into effect of this Act, changes will be made in the 1st half of 2017 to all regulations affected by this new legislation, at least in order to unify the terminology and consider the necessity of the deviations, if any, from this new legislation. In the area of electronic communications and postal services, it concerns in particular amendment:

- of Act No. 127/2005 Coll., on electronic communications and on the amendment of some related acts (Electronic Communications Act), as amended,
- of Act No. 206/2005 Coll., on the protection of certain services in the area of radio and television broadcasting and information society services, as amended by Act No. 281/2009 Coll.,
- of Act No. 29/2000 Coll., on postal services and on the amendment of some Acts (Postal Services Act), as amended,
- of Act No. 634/1992 Coll., on consumer protection, as amended.

Act No. 297/2016 Coll., on trust services for electronic transactions

Act No. 297/2016 Coll., on trust services for electronic transactions entered into effect on 19 September 2016. This Act ensures adaptation of the law of the Czech Republic to Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC (eIDAS regulation). This EU regulation lays down the rules for provision of trust services, establishes the legal framework for electronic signatures, electronic seals, electronic time stamps, electronic documents, services of electronic registered delivery, and certification services for authentication of websites and the conditions under which the Member States recognize means of electronic identification of individuals and legal entities which are part of the notified system of electronic identification of another Member State.

In relation to this Act, also Act No. 298/2016 Coll., amending some Acts in connection with the enactment of the Act on trust services for electronic transactions, Act No. 106/1999 Coll., Free Access to Information Act, as amended, and Act No. 121/2000 Coll., on copyright, on the

rights related to the copyright, and on the amendment of some Acts (Copyright Act), as amended, was promulgated in part 115 of the Collection of Laws on 19 September 2016. This Act includes also an amendment of the Electronic Communications Act – see above.

Act No. 460/2016 Coll., amending Act No. 89/2012 Coll., the Civil Code, and other related Acts

The below-specified part of Act No. 460/2016 Coll., amending Act No. 89/2012 Coll., the Civil Code, and other related Acts, entered into effect on 28 February 2017. This Act responds to the identified practical needs and newly regulates or amends especially the parts of the Civil Code that require quick legislative intervention where it is not possible to wait for assessment by the practice or court interpretation without the risk or occurrence, as the case may be, irreversible consequences in the form of particularly severe adverse effects on the legal status of persons and their property as well as non-property sphere. With respect to the above, Act No. 460/2016 Coll. therefore changes, among other things, also the current Section 509 of the Civil Code in order to eliminate the inconsistency of the current wording thereof and to better describe the original purpose, i.e., to determine the special treatment of the so-called linear structures, i.e., structures which regularly affect multiple plots of land (roads, water supply pipes, gas pipelines, power lines, etc.), and to unify the legal treatment of all these structures which should be viewed as separate things in legal terms, specifically immovable assets which do not become part of the individual plots of land through which they pass and to which the pre-emptive right provided in Section 3054 et seq. of the Civil Code does not apply.

Government Regulation No. 296/2016 Coll., amending Government Regulation No. 361/2014 Coll., on determination of the delivery of goods or provision of the service for the use of the reverse charge, as amended

Government Regulation No. 296/2016 Coll., amending Government Regulation No. 361/2014 Coll., on determination of the delivery of goods or provision of the service for the use of the reverse charge, as amended entered into effect on 1 October 2016. This Government Regulation amends Section 2 of Government Regulation No. 361/2014 Coll. such that the reverse charge shall be newly used also in the provision of a service of electronic communications by means of access to the electronic communication networks, connection of electronic communication networks, or based on the purchase and sale of these services.

Government Regulation No. 426/2016 Coll., on assessment of conformity of radio equipment when placed on the market

Government Regulation No. 426/2016 Coll., on assessment of conformity of radio equipment when placed on the market, entered into effect on 7 January 2017. The Government Regulation in question is an implementing regulation for Act No. 90/2016 Coll., on assessment of conformity of specified products when placed on the market, which entered into effect – for the most part - on 15 April 2016, and it ensures factual transposition of Directive 2014/53/EU 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. The objective of the legislation is to lay down the conditions, in accordance with EU law, for making radio equipment available on the market and for commissioning radio equipment. The regulation sets the technical requirements which radio equipment must meet, specifies the roles and defines the obligations of the entities involved in the placement of this equipment on the market, and it also regulates the administrative part of the process of placement of the equipment on the market, the so-called conformity assessment.

Decree No. 214/2016 Coll., amending Decree No. 231/1996 Coll., determining the lump-sum amount of the costs of the misdemeanour proceedings, as amended by Decree No. 340/2003 Coll.

Decree No. 214/2016 Coll., amending Decree No. 231/1996 Coll., determining the lump-sum amount of the costs of the misdemeanour proceedings, as amended by Decree No. 340/2003 Coll., entered into effect on 15 July 2016. This Decree amends the current legislation in cases where an expert is invited to the misdemeanour proceedings; it newly increases the lump-sum amount of the costs of the proceedings by CZK 2500. If an authorized expert in the field of transport of healthcare branch of psychiatry or toxicology is invited, the lump-sum amount of the costs of the proceedings is increased by CZK 5000. If multiple experts were invited to provide an expert testimony the lump-sum amount of the costs of the proceedings after such increase may not exceed CZK 10,000.

The costs of the misdemeanour proceedings commenced before the date of coming into effect of Decree No. 214/2016 Coll., which was not finally completed before the date of coming into effect of this Decree, shall be determined according to Decree No. 231/1996 Coll., in the wording in force before the date of coming into effect of this Decree.

1 Air Telecom s.r.o., nástupce, Axfone s.r.o., BT Limited, organizační složka, COPROSYS a.s., ČD – Telematika a.s., Česká telekomunikační infrastruktura a.s., České Radiokomunikace a.s., Český bezdrát s.r.o., Dial Telecom, a.s., ha-vel Internet s.r.o., IPEX a.s., J.S.tel. s.r.o., Nej.cz, s.r.o., NEW TELEKOM, spol. s r.o., PODA a.s., RIO Media a.s., sipcz.net s.r.o., SMART Comp. s.r.o., Spinoco Czech Republic, a.s., Telco Pro Services, a.s., T-Mobile Czech Republic a.s., UPC the Czech Republic s.r.o., Vodafone Czech Republic a.s.

2 xPhoNet CZ s.r.o. and za200.cz obchod s.r.o.

3 Air Telecom s.r.o., successor, O2 Czech Republic a.s., T-Mobile Czech Republic a.s. and Vodafone Czech Republic a.s.

4 in accordance with the Commission Recommendation No. 2013/466/EU of 11 September 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment.

5 MVNO (Mobile Virtual Network Operator) is an entity providing mobile services to end customers on its own behalf who does not have its own radio access network (or, more precisely, does not have its own block frequency allocation for building a radio access network).

6 MVNE – Mobile Virtual Network Enabler – is an entity offering solely wholesale services to other operators (in the form of MVNO or brand resellers), i.e., without its own subscriber contracts. It has some mobile network elements but not the mobile access network (RAN).

7 Mobile Network Operator – network operator

8 Petabyte = 10¹⁵ bytes.

9 See the so-called price barometer at CTU website – <http://www.ctu.cz/vyhledavaci-databaze/srovnaci-prehled-cen-a-podminek/cenovy-barometer>.

10 average revenue per customer.

11 Fibre to the cabinet

12 Porting means transfer of a separate telephone number or an entire number series (e.g., if a series of 1000 numbers is ported it constitutes one porting).

Expert and administrative activities of CTU

Consumer protection of an important area of responsibility of CTU also in 2016. The Office built upon an analysis of the contract terms of 2015 and the so-called “consumer traffic lights” based upon it, and complemented its knowledge with the subsequent analysis of contract terms of four largest providers and six selected virtual operators.

The existence of problematic areas in the contract documentation of the operators was confirmed also by the survey conducted in July and August 2016 by a major agency. Customers consider confusing, lengthy and complicated contracts, vague wording of the contractual fines and, in particular, unilateral contract changes by the operators to be the most problematic areas.

Settlement of subscriber disputes is also still within the scope of powers and responsibilities of CTU. In 2016 the Office processed 183,995 such disputes arising from contracts on provision of electronic communication services commenced upon request of any party to the contract, of which 116,386 pending disputes were transferred from 2015 and 67,609 cases of administrative proceedings were commenced upon a request filed in 2016. The number of pending disputes from the previous years has therefore decreased significantly. We are delighted to state that CTU currently complies with the statutory time limits for settlement of subscriber disputes.

The number of pending cases significantly increased in 2016 in the second instance, i.e., in administrative appeals against the decisions of the first-instance administrative bodies. Year-on-year, the number of pending administrative appeals increased by 3033 to a total of 16,334 which corresponds with the increase of the number of decisions newly contested by an administrative appeal. The appeals were filed often by operators against decisions which did not comply with the claim for the payment of contractual fines. These cases were influenced by the established ruling history and application of the conclusions from the ruling of the Constitutional Court the Czech Republic, file No. I. ÚS 3512/11, on invalidity of the contractual fine provision agreed upon not in the body of the contract but in the terms and conditions. In such case, when a consumer is a party to the dispute, the claim for payment of the contractual fine derived from a provision agreed upon outside of the body of the subscriber contract cannot be complied with.

The number of objections against the handling of a complaint about postal services also increased. While for the year 2015 CTU processed four administrative appeals referred, for the year 2016 there were 47 new administrative appeals.

In addition to the administrative proceedings, CTU also handled complaints and, as the case may be, queries of the subscribers of electronic communication services. For the year 2016 it registered 2557 such complaints or queries, which is 302 less complaints processed than in the previous year. Most often the complaints were about unilateral changes to contracts made by the operator. The number of queries also dropped. CTU answered 5015 queries in 2016, which is 23.3 % less than in 2015. The questions were about the billing of the services, subscriber contracts, and telephone number portability.

On the other hand, the number of complaints about the handling of complaints about postal services has more than doubled. CTU also dealt with complaints about the working hours of post offices, failure to respect an agreement on a change of the depositing post office, and complaints about a possible breach of secrecy of correspondence.

Within the electronic communications, CTU carried out 12,911 inspections, and based on them it commenced 728 administrative proceedings, imposed 664 fines in total amount of CZK

20,892,900. Within the postal services, CTU carried out 181 inspections, commenced 225 administrative proceedings where it imposed 14 fines in total amount of CZK 426,000.

THE NUMBER OF COMPLAINTS ABOUT POSTAL SERVICES DOUBLED
YEAR-ON-YEAR BUT 47% OF THESE COMPLAINTS WERE UNJUSTIFIED

1 Consumer protection

1.1 Price calculators

The task of CTU according to Section 5 of the Electronic Communications Act 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”¹ in March 2013, in which it specifies the accreditation criteria and procedure for awarding accreditation. In 2016 CTU undertook two cases of accreditation renewal in 2016 for the previously-accredited price calculators Tarifomat and Tarifon. On the other hand, price calculator Korektel did not ask for renewal.

In 2016 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 2017.

Links to the accredited price calculators can be found at the CTU website [2](#).

1.2 Price barometer

CTU still operates on its website the so-called price barometer³ indicating the development of the retail price level of the most important electronic communication services. The price barometer was published by CTU on its website in 2012.

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 objective of the price barometer is to improve awareness of the development of the price level in the most important retail electronic communication services. However, its purpose 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.

1.3 Subscriber contracts

Based on the analysis of the contract terms in 2015 and the “consumer traffic lights” published at the end of 2015, in 2016 CTU performed a subsequent analysis of the contract terms of the four largest providers and also performed an analysis of the contract terms of six selected virtual operators. The findings of CTU were reflected in the expanded “consumer traffic lights” which is available on CTU website at: [<https://www.ctu.cz/spotrebitelsky-semafor>].

Based on an assignment by CTU, a polling agency performed a survey in July and August 2016. Its objective was active involvement of customers in the evaluation of the contract documents of the providers of electronic communication services and to obtain independent information on how customers find their way through the contracts signed and what issues they perceive as problematic from their own experience. Customers of ten providers of electronic communication services participated in the survey. These providers are the same as those whose contract terms were analysed by CTU, and the findings were represented within the above-mentioned “consumer traffic lights”. The survey has confirmed the existence of problematic areas in the contract documents of the providers. Customers consider confusing, lengthy and complicated contracts, vague wording of the contractual fines and, in particular, unilateral contract changes by the operators and the related provision of information on the changes in the contract and the penalties for premature contract termination to be the most problematic areas.

1.4 Net neutrality –Internet access (open Internet)

In 2016 CTU was actively involved in the work of an expert group EWG NN (Expert Working Group, Net Neutrality) of BEREC where, in accordance with Regulation (EU) 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 (hereinafter referred to as “Regulation”), the Guidelines for the performance of the obligations of national regulators (hereinafter referred to as “Guidelines”) were prepared in order to help with uniform application of the Regulation. The Guidelines were issued, in accordance with Article 5 of the Regulation, as of 30 August 2016. The Guidelines prepared by BEREC are an interpretation document whose aim is to facilitate and unify as much as possible the application of the Regulation in individual Member States of the European Union and the actions of the national regulators when assessing the consistency of Internet access services provided with the requirements of the Regulation. In this context, the Guidelines permit in some points the possibility to take into account national specifics. CTU evaluated the specifics on market of Internet access services in the Czech Republic and decided to prepare a document, pursuant to the Guidelines, in which it responded to the market situation and described some specific situations and facts which it considers specific and important. It informed the experts about this position through professional meetings (workshops). The document itself, however, will be completed in 2017 based on the suggestions raised at the professional meetings and also subsequently submitted.

2 Settlement of subscriber disputes and complaints by the users of the services

Settlement of the subscriber disputes is one of the pivotal administrative activities of CTU within the protection of subscribers of electronic communication services.

2.1 First-instance administrative proceedings

In 2016 CTU settled 183,995 subscriber disputes of which 116,386 pending disputes were transferred from 2015 and 67,609 cases of administrative proceedings were newly commenced. 118,440 decisions on the matter were issued in the period in question. CTU settled subscriber disputes concerning the payment of the price for services and issued 118 156 decisions on the matter. CTU issued 243 decisions on an objection against the handling of a complaint about the service provided and on an objection against the handling of a complaint about the billing of a service, of which 227 were decisions on an objection against the handling of a complaint about the billing of a service. The remaining decisions were related to a different dispute.

In 2016 the number of subscriber disputes processed dropped by 55.1 % relative to 2015. Just as in 2015, in 2016 CTU issued more decisions than the number of newly commenced administrative proceedings, despite the fact that in 2016 CTU issued 99,359 fewer decisions than in 2015, a drop by 54.4 %. The number of pending disputes from the previous years transferred from the previous years therefore gradually decreases and the processing of disputes is stabilized. Currently CTU complies with the deadlines stipulated by the law for settlement of subscriber disputes.

Overviews of subscriber disputes for the year 2016 are provided in Annexes No. 1 and 1a) hereto.

2.2 Second-instance administrative proceedings

SUBSCRIBER DISPUTES

In 2016 the decision review department newly received 10,668 administrative appeals in disputes about the payment of a price for the services of electronic communications provided. In comparison with 2015, when there were 3270 such administrative appeals referred for processing, the number has tripled. This increase is probably also due to the fact that in connection with the adopted measures against inactivity there were much more decisions of the first-instance body issued in the previous period, against which administrative appeals were filed and which were subsequently referred to the superior body for processing.

As of 31 December 2016, the total number of pending administrative appeals (i.e., including the administrative appeals not completed in the previous period) in these disputes was 16,334. In comparison to 2015 when the total number of pending administrative appeals at the end of the year was 13,301, the number of pending cases increased significantly, which corresponds to the increase in the number of cases newly referred for processing. With respect to the increased number of cases in the area of private-law disputes the time delays continue when issuing decisions in the respective area of decisions. Although the second-instance administrative body did not register an increase of formally filed requests for adoption of measures against inactivity pursuant to Section 80 of the Code of Administrative Procedure, in 2016 it registered an increase of informal queries of subscribers about the status of the proceedings.

Decisions on administrative appeals in disputes about the payment of the price for electronic communication services (Section 129(1) in conjunction with Section 64(1) of the Electronic Communications Act) were made in 7,813 cases, which is a double relative to the previous period. Similarly to the previous years, the reasons for filing administrative appeals by service

providers included in particular their disagreement with the failure to comply with their claim for payment of a contractual fine. In the case of administrative appeals filed by the respondents (i.e., subscribers or, as the case may be, users of electronic communication services), the standard reason for appeal was time-barring of the claim, absence of legal title to the claim or the respondent's lack of property and objection about the failure to respect the statutory limits for the amount of payment in the case of termination of a contract before the expiry of the contract term.

An important part of the tasks which had to be dealt with during the relevant period is administrative appeals of the claimants against decisions in which the administrative body applied the rulings of the Constitutional Court of the Czech Republic I. ÚS 3923/11 and I. ÚS 988/12, and in the case of recovery of assigned receivables it reduced the claim for compensation of the costs of the proceedings associated with legal representation with reference to the nature and complexity of the proceedings as well as the scope of the legal services provided.

In its decisions on private-law claims of the service providers the decision review department continued, for the most part, with the established decision-making practice and applied the conclusions from the ruling of the Constitutional Court of the Czech Republic, file No. I. ÚS 3512/11, dated 11 November 2013 on invalidity of the contractual fine provision agreed upon by reference to a provision included in the terms and conditions of the provider of electronic communication services. These were disputes with the consumer where the claim for the payment of the contractual fine derived from a provision agreed upon outside of the body of the subscriber contract cannot be complied with.

In the period in question, the decision-making practice has intensified and stabilized when it comes to decisions on private-law claims in cases where the respondents are persons who have not reached the adult age at the time of signing of the subscriber contracts. Decisions on administrative appeals of the claimant (service provider) in these cases rely on the fact that Czech law grants a lot of rights to minor in the age of 16 years and older. According to the new Civil Code (Section 672(2) of the New Civil Code) as well as the previous Civil Code, a person older than 16 years may marry (Section 13(1) of the Family Act). The New Civil Code allows a minor who is older than 16 years to enjoy full rights (Section 37 of the New Civil Code) or to work, even without his/her parents' consent (Section 35 of the New Civil Code). Therefore, if a minor who is 16 years old or older enters into a contract on provision of electronic communication services, such contract is valid because the signing of such contract is adequate to his/her mental and volitional maturity. On the other hand, in cases where such a contract was entered into by a person younger than 16 years or, as the case may be, by his/her legal guardian such person cannot be obligated to perform according to the request. If the contract is entered into on behalf of a person younger than 16 years by his/her legal guardian the legal guardian is liable for the payment for the services provided by virtue of his/her parental responsibility. CTU therefore did not comply with requests against minors or, more precisely, the decision review department dismissed the administrative appeals of the claimants.

The decision-making practice has become established also in cases where the subject of assessment was private-law claims of the claimant derived from the so-called important customer contract. With respect to the fact that the important customer contract and subscriber contracts are so inter-related that they form an inseparable whole, the important customer contract cannot be a purely commercial contract on provision of benefits. In fact, it is governed by the Electronic Communications Act regulating subscriber contracts and their requisites.

A total of 56 decisions were made on administrative appeals against decisions on objections against the handling of a complaint (Section 129(3) of the Electronic Communications Act)

issued in the first-instance administrative proceedings in the period in question. Similarly to the previous period, in most cases the subject of the objections raised by the subscriber (user) was the processing of a complaint about the billing of the services (51 decided cases); in the remaining cases the subscriber (user) contacted the Office with an objection against the handling of a complaint about the service provided (5 decided cases).

Within the factual powers and responsibilities of the Office related to the decisions on objections against the handling of a complaint of postal services, the decision review department built upon the previous period and decided on 13 administrative appeals against decision on objections against the handling of a complaint pursuant to Section 6a(1) of the Postal Services Act. The period in question saw a great increase in this area of decisions; in comparison to the previous period of 2015 when there were four newly referred administrative appeals at the end of 2015, there were 47 newly referred administrative appeals as of 31 December 2016.

The increased number of these cases is probably due to the fact that the consumers are more familiar with this relatively new legal institute, and therefore they increasingly use their new rights to file complaints about the defects of the postal services provided, and subsequently use the procedure according to the Postal Services Act to seek a review of the result of the complaint procedure, including the award of the claim under the postal contract concluded. The most frequent objections of the customers of Czech Post in these disputes are: delivery of a postal item to an unauthorized recipient, destruction, damage or non-delivery of a package to the recipient, non-delivery of a remitted amount of money to the authorized recipient, unauthorized indication of the date of deposition of an official letter. In these complaints, however, it was Czech Post that was successful in most cases when the prevalent reason for dismissal of the objection was the fact that the complaint or the objection against the handling of a complaint was filed by the customer of Czech Post after the deadline.

A relatively independent part of the decision-making tasks is the so-called proceedings concerning the determination of the legal relationship pursuant to Section 142 of the Code of Administrative Procedure which is a special type of (non-dispute) proceedings where the administrative body, within its scope of powers and jurisdiction, declares whether or not the named person has the rights or obligations. In the area of the powers of the Office it was proceedings the subject of which was determination whether a contract on provision of electronic communication services originated, whether it continues, or has expired and when it occurred. In the period in question the decision review department decided on nine administrative appeals in these proceedings, whereas it applied to its decision the legal opinion according to the judgment of the Regional Court in Hradec Králové, ref. No. 30 Co 31/2012, dated 23 April 2013, according to which the costs of the administrative proceedings concerning the determination of a legal relationship is not governed by any separate piece of legislation; in the decisions on these cases, the administrative body relies on the general principles of the administrative proceedings that the parties bear their own costs (Section 79(3) of the Code of Administrative Procedure). In relation to this type of proceedings, this was also applied to the administrative appeals against decisions on termination of the proceedings due to the applicant's failure to pay the administrative fee assessed according to item 25a(a) of the Table of Fees which is attached to the Administrative Fees Act.

Regarding the issue of factual powers, in 2016, too, a special panel of judges established with the Supreme Administrative Court also voiced its opinion several times when it decided in the so-called jurisdiction disputes upon the Office's request in areas where the interpretation is not clear regarding the scope of powers of CTU. 17 requests for a settlement of jurisdiction dispute were filed in 2016. The special panel of judges newly decided in the case of jurisdiction for

settling a dispute about the jurisdiction for settlement of a dispute about the payment of the so-called service fee (in this case charged by M7 Group, S.A.) and stated that the general court has the jurisdiction. In the decision dated 29 April 2016, ref. No. Konf 4/2015-29 the special panel of judges concluded that since the service fee covers the costs of operation, administration, technical facilitation and customer service of the Skylink satellite television and applies to all decoding cards of Skylink and CS Link, it does not consider the “service fee” to be a fee for the provision for the provision of services consisting entirely or mainly of transmission of signal over the networks of electronic communications or transmission services in the networks used for radio and television broadcasting, but rather a fee arising from a normal private-law relationship.

As had been the case in previous years, the general courts decided disputes conducted according to Section 129(1) or (3) of the Electronic Communications Act in 2016. CTU 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, CTU 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 CTU, the general courts concur with the established decision-making practice of the Office in the issue of a claim for payment in the event of contract termination before the expiry of the contract term and the corresponding obligations of the defendant (subscriber of electronic communication services) to make payment pursuant to Section 63(1) p) of the Electronic Communications Act in the wording in effect from 8 August 2013. The court (e.g., see the judgment of the District Court in Vsetín – branch in Valašské Meziříčí, ref. No. 17 C 88/2015-57, dated 8 June 2016 or the judgment of the Regional Court in Ostrava, ref. No. 57 Co 216/2016-137, dated 27 July 2016), in agreement with the opinion of the Office, concluded that the legislator provided the claimant (electronic communication service provider) with a six-month period from the effective date of the amendment only for adapting its contract documents to the new legislation effective from 8 August 2013 and for being free from penalties during this period for the fact that the contract documents are inconsistent with the new legislation, and not that the new regulation of contractual relationship will be effective only from the change of the contract documents (in this case, the Terms and Conditions). If, therefore, the subscriber’s commitment expired before the expiry of the agreed-upon contract term the claimant can claim the payment and the corresponding obligation of the defendant to make the payment pursuant to Section 63(1) p) of the Electronic Communications Act in the wording in effect from 8 August 2013, i.e., in the limited amount of one fifth of the sum of the fixed monthly fees remaining from the termination of the contract until the end of the agreed-upon contract term.

The above-mentioned legal conclusions of the general courts, and thus of the Office, are clearly supported by the ruling of the Constitutional Court of the Czech Republic No. [IV. ÚS 2989/16](#) [http://www.usoud.cz/fileadmin/user_upload/Tiskova_mluvci/Publikovane_nalezy/2016/IV. US_2989_16_an.pdf] of 22 November 2016

2.3 Disputes in the area of postal services

CTU has, according to Section 6a of the Postal Services Act, been authorised to decide on objections to the settlement of claims concerning postal services as of 1 January 2013 as a result of the effect of an amendment to the Postal Services Act. This involves administrative proceedings which CTU 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. In 2016 CTU decided in 240 cases and issued 174 decisions. 66 proceedings on objections against the handling of a complaint are transferred to the following period.

In addition to the decision on objections against the handling of a complaint, CTU checked whether the operators of postal services comply with other legal obligations – for example, timely publication of information on the changes of the postal conditions at each post office and also in a manner allowing remote access, information on the opening hours of the post offices, information on mailboxes, etc. In 2016 the Office performed 127 local investigations to verify the above.

Based on suggestions from the general public or findings from the Office's own activities, in 2016 CTU commenced 13 proceedings concerning administrative offences. The result of the proceedings conducted by CTU in 2016 is 14 fines imposed in total amount of CZK 426,000.

Table 22: Overview of activities in the area of inspection of postal services and subscriber disputes for the year 2016

Type of activity	Number of certificates or audits		Number of measures in the interest of	Number of administrative proceedings from the	Number of initiated administrative	Number of issued resolutions ¹⁾	Decided in favour of		Other	Sanctions imposed		Number of the administrative proceedings carried forward to the next period
	total	of which					subscriber	provider		number	amount in CZK	
1. Number of issued certificates on business notification	7	0	0	0	0	0	0	0	0	0	0	0
2. Number of changes to certificates on business notification	9	0	0	0	0	0	0	0	0	0	0	0
3. Execution of the postal service without certificate	0	0	0	0	0	0	0	0	0	0	0	0
4. Compliance with the conditions of the Postal services act ("ZPS")	127	0	0	0	0	0	0	0	0	0	0	0
a) Compliance with the postal conditions according to § 6 of ZPS	0	66	0	0	0	0	0	0	0	0	0	0
b) Compliance with the conditions for quality requirements according to Decree No. 464/2012	0	61	0	0	0	0	0	0	0	0	0	0
5. Decision about objections against settlement of the complaint according to § 6a of ZPS	0	0	0	29	211	174	28	78	68	0	0	66
6. Settlement of the disputes according to § 37, subsection 3, paragraph a) of ZPS	0	0	0	0	0	0	0	0	0	0	0	0
7. Failure to provide information according to § 32 a) of ZPS	0	0	0	0	1	1	0	0	0	1	10000	0
8. Other	38	0	0	3	13	13	0	0	0	13	416000	3
TOTAL	181	127	0	32	225	188	28	78	68	14	426000	69

2.4 Complaints of the subscribers and users of electronic communication services

CTU 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).

For the year 2016, CTU registered 2557 complaints, of which: 940 (36.8 %) complaints were not justified and there was no breach of the Electronic Communications Act, 146 (5.7 %) complaints could not be processed by CTU due to lack of jurisdiction and were referred to the public administration bodies having jurisdiction, and 1471 (57.5 %) complaints were handled by CTU using the procedure according to the Electronic Communications Act. For the year 2016 CTU registers 302 less complaints processed than in 2015 (i.e., a drop by 10.6 %). Similarly to the previous years, the most common complaints are about unilateral changes to the contract made by the provider – in particular change of plans, activation of unsolicited services, increase of the price of the plan, etc.

The most complaints in 2016, similarly to the previous years, pertained to subscriber contracts (937 complaints, which represents 36.7 % of the total number of complaints) and billing of the services (661 complaints, which represents 25.8 % of the total number of complaints). Complaints about the billing of the services are processed by CTU by providing legal advice to the complainant, or by settling them in administrative proceedings pursuant to Section 129 of the Electronic Communications Act (subscriber disputes) as objections against the handling of a complaint about the price for the services provided.

Within its activities, CTU also answers written inquiries related to electronic communication services and keeps records thereof. In 2016 it processed 5015 inquiries, which is 23.3 % less than in 2015. In addition to inquiries regarding the conditions of undertaking business in electronic communications and examinations of professional qualification, most inquiries involved the issue of billing of services, subscriber contracts, reception of TV signal, and telephone number portability in a mobile network.

The trend of a high number of complaints regarding subscriber contracts continued in 2016, principally involving mobile operators and primarily connected with unilateral changes to contractual terms and conditions which resulted in a change of the plan set-up or cancellation of the original discounts or benefits, and often these changes resulted in higher prices.

The number of complaints about the services provided within the universal service was minimal, it was only five complaints (0.2 % of all complaints). All were related to the access of people with disabilities to the publicly available telephone network.

The full overview of complaints of subscribers/users of electronic communication services is provided in Appendix No. 2 to this Report.

2.5 Complaints of the users of postal services

CTU also handles complaints to concern universal postal services and other postal services within the scope of its activity. CTU 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 Code of Administrative Procedure, as amended (complaints against the inappropriate conduct of officials or against the procedure of an administrative body).

For the year 2016 CTU registered 110 complaints about the universal postal services and 294 complaints related to the basic parameters of provision of postal services.

As for the tasks of the universal postal services, of the total number of 110 complaints, 47 were unjustified (almost 42.7 %) and the remaining 63 complaints (57.3 %) were handled by CTU using the procedure according to the Postal Services Act. In the period in question, the complaints were most frequently related to the delivery of postal items of up to 2 kg in weight and delivery of registered postal items. The number of complaints about the handling of complaints has more than doubled. There were also complaints about the opening hours of post office, failure to respect the agreement on the change of the deposition post office, and complaints about the possible violation of the secrecy of correspondence.

Table 23: Complaints of the customers about postal services for the year 2016

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		29
delivery of postal packages of up to 10 kg		5
delivery of an amount of money by way of postal order		5
delivery of registered consignments		47
delivery of valuable consignments		5
free delivery of postal consignments of up to 7 kg for the blind		0
universal foreign postal services		17
delivery of postal packages of over 10 kg posted from abroad		2
coupon-response international service		0
response consignments in international payment		0
delivery of printed matter bag service		0
TOTAL		110
2. Complaints against postal services		
long waiting times		1
post office opening hours		4
change of post office at which a consignment is stored for collection		3
the delivery of postal consignments		149
dealing with complaints and returns.		116
breach of postal secrecy		10
postal consignments to/from abroad		2
the delivery of official instruments		3
requests for information		6
TOTAL		294

3 Automated system of monitoring of the frequency spectrum

According to Section 15 of the Electronic Communications Act, CTU carried out inspections of effective use of the radio spectrum. In 2016, 10,160 cases were entered through ASMKS, of which:

- 2595 requirements for monitoring of the radio spectrum and other measurements,
- 1051 requirements for inspections of radio and electrical equipment, networks and services, and postal services, and
- 6156 requirements for investigation of the interference with the radiocommunication services.

A total of 9222 cases have been closed. Specific information on the number of completed measurements within the monitoring of the radio spectrum, performed inspections of the radio spectrum, and the cases of interference processed are listed in the appendix entitled “Overview of Inspection Activity in the Performance of Inspection of Electronic Communications for the Year 2016”, the structure of the equipment and networks of electronic communications interfered with is provided in the appendix entitled “Discovery of Sources of Interference with the Operation of Electronic Communication Equipment and Networks, Provision of Electronic Communication Services or Operation of Radiocommunication Services – 2016”.

4 Inspection activities

4.1 Keeping records and checking undertakings in electronic communications and postal services

Pursuant to Section 14 of the Electronic Communications Act, in 2015 CTU issued 165 certificates certifying that the entity intending to carry out business in the area of electronic communications has fulfilled the obligation pursuant to Section 13 of the same Act and reported this fact to CTU in writing. In addition, CTU issued 313 certificates of notification of a change of information provided in the notification of business activities pursuant to Section 13(6) of the Electronic Communications Act. CTU continuously checked businesses in the field of electronic communications, whether they carry out their activities in accordance with the activity notified pursuant to Section 13 of the Electronic Communications Act. Inspections performed by CTU also revealed 20 instances of performance of communication activities without a certificate; this was dealt with in administrative proceedings.

Pursuant to Section 19 of the Postal Services Act, CTU issued seven certificates certifying that the entity intending to carry out business in the area of postal services has submitted the notification pursuant to Section 18 of the Postal Services Act. In addition, CTU issued nine certificates of notification of a change of information provided in the notification of business activities pursuant to Section 19(4) of the Postal Services Act.

4.2 Check of compliance with the CTU decision

4.2.1 Check of compliance with the conditions of “Measure of General Nature No. OOP/10/10.2012-12”

In the period from May to July 2016 CTU checked the compliance with Section 34(1) of the Electronic Communications Act and Measure of General Nature No. OOP/10/10.2012-12 (hereinafter referred to as “OOP No. 10”). The check of compliance with the obligations related

to ensuring portability of mobile telephone numbers was carried out in six selected service providers out of the so-called virtual operators (O2 Family, Tesco mobile, TERMS, Relax mobil, Sazka mobil, DH Telecom). The check revealed that in dozens of cases the maximum time limit of 6 hours for interruption of the service during the process of porting the mobile telephone number was exceeded. Based on the results of the check, administrative proceedings were commenced with five entities and a fine was imposed for the breach of the terms of OOP No. 10 in total amount of CZK 96,000. All decisions on imposition of the fine are final.

4.2.2 Check of compliance with the conditions of general authorization No. VO-R/12/09-2010-12

In 2016 CTU carried out 386 inspections in 290 different operators, and approximately 4200 Wi-Fi devices operated were checked. The percentage of non-compliant checks due to the failure to comply with the set conditions is 59.3 %. (which is an improvement relative to 2015 when this number was 83.5 %).

Out of the total number of inspections, 35 were carried out based on complaints about interference with meteorological radars of ČHMÚ. After modernization of both radars in 2015 the new technology is able, using filtering algorithms, to eliminate the interference effects from the screen, but the interference by the operation of Wi-Fi equipment on the frequencies of the radars still continues and is reflected in the statistically processed meteorological data. The interference with meteorological radars is considered a serious threat to the public interest – safety of air traffic, provision of information to the public during floods, etc.

Additional 66 inspections carried out in 59 operators revealed operation of Wi-Fi equipment without licence outside of the bands defined by General Authorization No. 12. The discovered mistakes are dealt with in administrative proceedings.

4.2.3 Check of compliance with the conditions of general authorization No. VO-R/10/05-2014-3

In 2016 CTU carried out 27 inspections in 26 entities about the compliance with the conditions of general authorization No. 10. All inspections revealed violations when the equipment working in the frequency band 9 200 MHz to 9 975 MHz is used for high-speed data transmission (Internet access). According to Article 6 of the General Authorization, the above-mentioned band may be used by radio equipment used solely for positioning, determination of speed and/or other characteristics of an object, or for obtaining information on these parameters using the properties of radio wave propagation.

4.2.4 Inspection of public payphones

In 2016 CTU carried out two inspections aimed at obtaining information for the subsequent review of the re-imposition of an obligation within the universal service for the partial service of public payphones or other similar technical equipment providing access to the publicly available telephone service pursuant to Section 38(2) e) of the Electronic Communications Act. These inspections focused on checking the operability of public payphones and availability of the signal of the GSM network of at least two mobile operators in accordance with the recommendation CEPT/ECC/REC (05)08 and the uniform methodology of CTU for checking the level of the signal of the GSM network. In the period from January to May 2016 CTU checked 581 public payphones (hereinafter referred to as “public payphones”) operated by O2 within the universal service. In selected municipalities, it was checked whether a functional public payphone is available at the given location and whether or not the location is covered with GSM signal of sufficient quality by at least two mobile operators. In the period from August 2016 –to January 2017, CTU checked the coverage with the signal of the publicly available mobile telephone service at the location of the public payphones, i.e., availability and

quality of the signal of three mobile operators in the locations of all 4652 public payphones included in the universal service. The information obtained will be used for a decision in the matter of imposing an obligation within the universal service for the partial service of public payphones or other similar technical equipment.

4.2.5 Check of compliance with the obligation upon unilateral change of the subscriber contract

In March and April 2016 CTU checked the compliance with Section 63(6) of the Electronic Communications Act in subscribers to the publicly available telephone service provided in a mobile network by O2 with the plan ZERO who were switched in the period from 1 January 2016 to 31 January 2016 from the plan ZERO to a different plan out of the offer of O2, and also in the subscribers in which the provision of services with the plan ZERO was terminated. The check revealed that O2 complied with Section 63(6) of the Electronic Communications Act and provided information on the planned termination of the plan ZERO in the scope, within time limits and in ways which are in accordance with the applicable legal provisions.

In July and August 2016 CTU carried out an inspection in O2 focusing on compliance with the obligation laid down by Section 63(6) of the Electronic Communications Act in connection with the change of the price list of the basic services of O2 Mobile Voice Service, O2 Mobile Internet Access Flat Plans (hereinafter referred to as “Price List”) valid from 1 December 2015, compliance with the obligation laid down by Section 63(6) of the Electronic Communications Act in connection with the change of the Price List valid from 15 July 2016, and compliance with the obligations laid down by Section 63(9) of the Electronic Communications Act in connection with the conclusion of contracts using the means of remote communication with consumers on the so-called “Optional services” which are included in Annex No. 1 to the Price List. CTU stated that O2 failed to comply with Section 63(6) of the Electronic Communications Act upon change of the Price List effective from 1 December 2015, failed to comply with Section 63(6), third sentence, of the Electronic Communications Act upon change of the Price List effective from 15 July 2016, failed to comply with the disclosure obligation pursuant to Section 63(9) of the Electronic Communications Act upon conclusion of the contract on the so-called “Optional services”, and failed to comply with the disclosure obligation pursuant to Section 63(2) of the Electronic Communications Act to publish the draft contract in a manner allowing remote access for the end users. In the related administrative proceedings CTU imposed upon O2 a fine in the amount of CZK 6,000,000 for administrative offence pursuant to Section 118(14) v) of the Electronic Communications Act. O2 filed an administrative appeal against the decision on the fine; the decision is not final yet.

4.2.6 Check of availability of the plan O2 NA!HLAS

In November 2016 CTU checked in selected branches of O2 the availability of the plan O2 NA!HLAS in order to verify the compliance with the directly applicable regulations of the European Union regulating roaming in public mobile communication networks, specifically 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 in the area of ensuring net neutrality in the provision of the service of open Internet access. The check revealed that in some cases it was not possible to purchase at the branches of O2 a new SIM card with the plan O2 NA!HLAS or to activate this plan on an active SIM card. Based on the facts discovered during the inspection, CTU opened administrative proceedings with O2 concerning suspected administrative offence pursuant to the Electronic Communications Act.

4.2.7 Check of the pilot operation of the plan PředplaDENka

In November 2016 CTU carried out an inspection in which it checked the number of subscribers who were included in the pilot project and also the information provided by O2 upon CTU's request pursuant to Section 115 of the Electronic Communications Act. The inspection revealed that the price for the services for the affected subscribers could have been increased without the subscribers explicitly ordering the plan PředplaDENka. CTU opened administrative proceedings with O2 concerning suspected administrative offence pursuant to the Consumer Protection Act. The administrative proceedings are pending.

4.2.8 Check of delivery of selected types of postal packages of Czech Post

In the period from October 2015 to January 2016 CTU carried out a broad check in Czech Post for compliance with Section 3(2) d) of the Postal Services Act, concerning the compliance with the obligation to make at least one attempt for delivery every business day at the address of every individual for service Standard package and Valuable package which are universal postal services according to Section 3(1) b) of the Postal Services Act. The inspection also covered postal items "Balík Do ruky" (Package to Recipient), a service which is provided by Czech Post outside of the universal postal services. CTU checked eight selected post offices of Czech Post. The inspection revealed a breach of Section 3(2)d) of the Postal Services Act. Based on the results of the inspection, administrative proceedings were initiated with Czech Post and a fine was imposed in the amount of CZK 350,000. Czech Post submitted an administrative appeal against the decision on the fine; the decision is not final yet.

4.2.9 Check of the handling of complaints about postal services provided by Czech Post

In the period from October to November 2016 CTU checked at selected post offices of Czech Post the handling of complaints about selected universal postal inland registered services. The inspection revealed the need for a change of the Postal Terms in order to eliminate the illegibility and ambiguity of some provisions which may ultimately lead to a loss of the right of a user of postal services to file an objection against the handling of a complaint u CTU pursuant to Section 6a of the Postal Services Act. The right to submit an objection against the inspection findings specified in the inspection report was not exercised by Czech Post.

4.3 Investigation of the interference with the digital television signal in relation to the operation of LTE networks in the 800MHz band

After the allocation of frequencies to mobile operators, at the end of March 2014 operators started the construction of LTE networks in the 800MHz band. With respect to the anticipated problems regarding electromagnetic compatibility of LTE networks with the DVB-T networks due to the adjacent frequency bands, CTU has prepared and still applies a number of preventive measures in order to minimize the impact of the process of construction of LTE networks on the quality of DVB-T signal. The above-mentioned measures were adopted in cooperation with the operators of DVB-T and in cooperation with the operators of LTE.

As of 31 December 2016 LTE operators operated in the band 800 MHz 1719 stations in test operation and 11132 stations in permanent operation; the total number of LTE base stations operated was 12851. In 2016 CTU registered 5631 complaints of television viewers about the interference with DVB-T, whereas as of 31 December 2016 5562 complaints about interference with television (including community antennas) have been closed. Interference cause by the LTE signal was proven in 3405 cases; the remaining 2226 reports were not justified and were

caused mainly by defects in the users' reception equipment, insufficient TV signal, or the interference was not manifested during the inspection at the viewer's house. There are 26.5 cases of interference with the signal of terrestrial digital television per 100 LTE stations operated.

4.4 Cooperation with Czech Trade Inspection Authority

In 2016 the cooperation with the Czech Trade Inspection Authority continued according to the "Agreement on cooperation between Czech Telecommunication Office and Czech Trade Inspection Authority". The cooperation of CTU consisted in particular of participation of the CTU employees in the inspections of telecommunication terminal and radio equipment and RC models having been sold. CTU provided assistance and cooperation in verifying the parameters of radio equipment in the field or in measuring samples collected during inspections by the Czech Trade Inspection Authority. Measurements for the needs of the Czech Trade Inspection Authority were undertaken as part of 73 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.

5 Radio spectrum management

In addition to standard business, the most important activity in the management of the radio spectrum in 2016 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 significant development of coverage of the area and population with public high-speed mobile LTE networks operated in bands 800 MHz, 900 MHz, 1800 MHz, 2100 and 2600 MHz continued throughout 2016. CTU was therefore able to confirm within the set time limit that all holders of radio frequency block allocation met the conditions prescribed for the coverage of the area and population within the set period of 30 months.

Concurrently CTU also performed other activities, in particular by complying with the obligations under the Electronic Communications Act and the Code of Administrative Procedure.

5.1 Decisions on radio frequency block allocations

In addition to the granting of the radio frequency block allocations acquired in the auction of 1800 and 2600 MHz, CTU started a review whether there are still reasons for limitation of the number of rights to use radio frequencies in frequency band 880–915/925–960 MHz, concluding that the current limitation of the number of rights needs to be maintained, ensuring not only continued provision of the current electronic communication services but also development of new services. CTU therefore concluded, with respect to the facts and information available at the time of the review, that the reasons for limitation of the number of rights in the frequency band of 900 MHz will continue until 30 June 2029, which is the valid date of the newly issued block allocations in bands 800, 1800 and 2600 MHz.

With respect to the fact that the validity of the radio frequency block allocation in the frequency range of 451.3–455.74/461.3–465.74 MHz will end on 7 February 2018, CTU started a review whether there are still reasons for limitation of the number of rights to use radio frequencies in this section. Because during the review CTU received a request of a holder of

the block allocation for a change of this block allocation of radio frequencies, it interrupted the review until the decision on this request. Although CTU did not accept the request for a change of the block allocation of radio frequencies in the 450 MHz band, the decision is not final yet. The results of the review will therefore not be published until the 1st half of 2017.

5.2 Decisions on authorizations 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.

In comparison with the previous years, the number of the decisions issued is similar. As in previous years, greatest interest is shown in radio frequencies required for the provision of 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 smart phones as well as the fact that the development of new networks in the 800MHz band continued. In 2016, mobile operators primarily concentrated on the development and optimization 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 equipment able to use fast data transmission. The development of these networks continued in the 1800 MHz band and in particular 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. In 2016 the holders of block allocations of radio frequencies also initiated the use frequencies in 2600 MHz band.

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, work is underway for the gradual 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 transition to the 8.33 kHz frequency raster started in autumn 2016 by retuning the radio frequencies of aeronautical stations at Prague airports, and in March 2017 it will continue by retuning the radio frequencies at all airports in Bohemia.

5.3 Use of radio frequencies under general authorizations

In 2016 CTU issued updates of the following four general authorizations:

- a) General Authorization No. VO-R/1/6.2016-8 [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/1/6.2016-8/obrazky/vo-r01-062016-08.pdf>] for the operation of user terminals of radio networks of electronic communications; update in particular for the purpose of allowing the operation of terminals in the frequency band 3600–3800 MHz, for the use of which CTU announces a tender;
- b) General Authorization No. VO-R/3/6.2016-9 [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/3/6.2016-9/obrazky/vo-r03-062016-09.pdf>] for the use of radio frequencies and for the operation of PMR 446 equipment; the update will enable use of both specified frequency ranges for analogue as well as digital broadcasting;
- c) General Authorization No. VO-R/7/11.2016-12 [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/7/11.2016-12/obrazky/vo-r07-112016-12.pdf>] for the use of radio frequencies and for the operation of citizen band radio stations in the 27 MHz band; the update will enable use of this band for broadcasting of short warning messages by entities of transport infrastructure during short-term transport emergencies;
- d) General Authorization No. VO-R/10/11.2016-13 [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/10/11.2016-13/obrazky/vo-r10-112016-13.pdf>] for the use of radio frequencies and for the operation of short-range devices; update in particular for the purpose of implementation of the amended recommendation of CEPT.

5.4 Testing qualification

Section 26(1) of the Electronic Communications Act lays down the cases in which professional qualification is required to operate transmitting radio equipment. Under Section 26(2) of the Electronic Communications Act, only a person having a valid professional qualification certificate for the relevant radio equipment may operate that equipment. The CTU examination committee verifies professional qualification of candidates for a general and defined aeronautical mobile service radio operator certificate, nautical mobile service certificates and HAREC and NOVICE amateur radio service station operators.

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 qualification certificates newly-issued based on examinations in 2016 remained at roughly the same level as in previous years. 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. The trend of great interest in recognition of a qualification acquired in another EU Member State continued in 2016, in particular in the case of recognition of the qualification for acquiring general certificates of radio telephone operators of the aeronautical mobile service. Item No. 108 of Act No. 634/2004 Coll., on administrative fees, as amended, was amended in 2016; this item defines a new administrative fee in the amount of CZK 600 for filing a request for a qualification test, including the issuance of the certificate of professional qualification. In this context, the Examination Regulations [available online at: https://www.ctu.cz/sites/default/files/obsah/zkusebni_rad_komisi_01-2017.pdf] of the examination committees of CTU were also updated. Detailed information on the numbers of individual types of qualification certificates granted as well as certificates whose validity was extended, or on re-issued certificates is provided in the table in ApFpendix No. 4 hereto.

5.5 Other activities in the area 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 coverage obligations and associated criteria have already been met, the criteria arising for the holders of radio frequency block allocations from the conditions of the tender.

5.6 Fees for the use of radio frequencies

In accordance with Government Regulation No. 154/2005 Coll., on determination of the amount and method of calculation of the fees for the use of radio frequencies and numbers, the total amount of fees collected for the year 2016 is CZK 1,122.1 million. The balance of the income account of the department of management of the frequency spectrum as of 31 December 2016 was CZK 1,122.3 million. In accordance with Act No. 280/2009 Coll., Tax Code, overpayments in total amount of approximately CZK 24.50 million were refunded during the year upon the authorization holders' request. From the above-specified income account, in accordance with the amendment of the Electronic Communications Act (Act No. 153/2010 Coll.), the sum of CZK 64.48 million was transferred to the Radiocommunication Account. Other funds on the income account are advance payments for the use of radio frequencies in 2017.

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 2016 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, including the 2600 MHz band. In comparison to 2015, the amount of the fees collected increased by almost CZK 20 million.

6 Settlement of disputes between entities carrying out 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 Electronic Communications Act, in which the Chairman of the CTU Council decides in the first instance, the number of dispute proceedings commenced in 2016 in the area of electronic communications again rose on the previous year, namely by five disputes.

In 2016, pursuant to Section 127 of the Electronic Communications Act, CTU dealt with sixteen new requests for the commencement of dispute administrative proceedings, continued with the processing of five administrative proceedings commenced in the second half of 2015 and not completed in 2015, and with four disputes returned for new hearing at the beginning of 2016 based on the decision of the second-instance administrative body on an administrative

appeal filed in 2015. In 2016 the administrative body conducted 25 disputes according to the Electronic Communications Act. In 2016 the first-instance administrative body issued thirteen resolutions/decisions (orders) in the dispute administrative proceedings, of which eleven resolutions/decisions (orders) became final in 2016. In six cases the administrative proceedings were terminated with a final decision, namely in two cases with a final decision on the matter (request partially allowed) and in four cases with an order. The administrative body also issued five resolutions to terminate the proceedings, of which four due to unpaid administrative fee and one due to a withdrawal of the request. The issuance of these 11 resolutions/decisions on the matter (orders) completed 13 administrative proceedings, as in two cases matters were combined in a single proceeding. All these proceedings were completed with a final decision of the first-instance administrative body in 2016, i.e., they were not contested by an administrative appeal or a protest against an order.

In addition to the above-mentioned final resolutions/decisions on the matter (orders), the first-instance administrative body issued at the end of 2016 a resolution on termination of the proceedings due to a withdrawal of the request for commencement of proceedings. This resolution, however, will not become final until January 2017. In December 2016 the administrative body issued an order against which a protest was filed, and therefore the administrative body continues in the administrative proceedings pursuant to Section 150(3) of the Code of Administrative Procedure.

As for the dispute administrative proceedings commenced in 2016, twelve were pending by the end of the year. One of these administrative proceedings was not commenced until the end (November) of 2016, and therefore the statutory time limit for issuing a decision has not expired. In January 2017, the decision to terminate the proceedings due to withdrawal of the request by the claimant will become final, and decisions on three other cases are prepared to be issued. In addition, the administrative body continues with three administrative proceedings returned for new hearing at the beginning of 2016.

The first-instance administrative body continues with the pending proceedings so that the decisions could be issued as soon as possible, but in a number of cases the body is limited by the actions of the parties to administrative proceedings. In one case the administrative body even repeatedly asked the claimant to rectify the defects of the submission, and the proceedings were interrupted for this reason.

Regarding the dispute administrative proceedings, where the decision was issued in 2016, a decision was made in average period of four months after the receipt of the request for commencement of the administrative proceedings. During the dispute administrative proceedings, however, the administrative body repeatedly asked the parties to the dispute to present the relevant evidence to support their claims and to provide other cooperation in order to make a decision on the matter. To this end, the claimants as well as the respondents repeatedly asked for postponement of the deadlines for rectification of the defects of the submission or for making a statement on the case or, as the case may be, failed to make a statement within the time limit set by the administrative body. Such conduct logically extends the time limit for a decision because it is necessary to inform the other party about such amendments and allow the other party to make a statement on such amendment within a reasonable period. In these proceedings, the first-instance administrative body used all procedural vehicles available to it under the Code of Administrative Procedure in order to ensure completion of the case, while complying with all necessary procedural acts, with maximum respect to the statutory time limit for a decision.

In terms of the subject matter of the disputes processed in 2016 pursuant to Section 127 of the Electronic Communications Act, it is possible to summarize that most requests filed for

commencement of proceedings in 2016, i.e., fourteen out of sixteen concerned disputes about payment obligations (payment of outstanding sums for the electronic communication services provided). Also, all proceedings completed in 2016 concerned disputes about payment obligations. Three pending disputes (returned by the second-instance administrative body at the beginning of 2016 for new hearing) concerned contractual issues, whereas the evaluation of the existence or absence of a contractual provision principally affects how the request filed will be decided.

As in the previous two years, there were no disputes in 2016 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 Electronic Communications Act), although in the next period such disputes can be expected in connection with the process of migration of terrestrial digital television broadcasting from the DVB-T standard to the DVB-T2 standard.

Final decisions issued in the administrative proceedings conducted pursuant to Section 127 of the Electronic Communications Act concerning disputes between parties undertaking communication activities are available at www.ctu.cz.

7 Settlement of disputes between providers of postal services

With the coming into effect of the amendment of the Postal Services Act by Act No. 212/2013 Coll., i.e., since 1 January 2013 the Chairman of the CTU Council settles 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 which request this sharing.

Two disputes to concern this issue arose for the first time in 2014. One case of dispute 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 Code of Administrative Procedure on the part of the case to concern services involving delivery to the addresses stated on postal items 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 item and redirection services. Since the claimant withdrew the administrative appeal before the second-instance administrative body could decide this, the decision of the first-instance administrative body became final and conclusive and this administrative body 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 administrative proceedings concerning disputes 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 Postal Services Act, 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 situation is complicated also by the fact that the obligor (postal licence holder pursuant to Section 34 of the Postal Services Act) has not completely fulfilled its statutory obligation and has not published on its website information pertaining to the access to postal infrastructure; specifically, conditions for conclusion of the contract and draft contract containing at least the identification information of the postal license holder, scope and specification of the access to the postal infrastructure including the terms and conditions, technical parameters and the price, structured according to the individual elements and services, as stipulated by Section 34(2) of the Postal Services Act, as amended by Act No. 319/2015 Coll. Even in procedural terms the situation is no different from the disputes in the area of electronic communications. Here, too, the administrative body is forced, sometimes repeatedly, to request from the parties submission of relevant evidence to support their claims and other cooperation in order to make a proper decision on the matter. The parties to the proceedings then often repeatedly ask for postponement of the deadline for the performance of the act requested or for interruption of the proceedings, which has negative impact on the time limit for the decision.

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

8 External legislation and related activities

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 2016 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.

Some processes of adoption of the amendments of legislation having substantial impact on the scope of powers of CTU, in which CTU was actively involved in the previous stages of preparation, were being completed in 2016. They included but were not limited to Act No. 90/2016 Coll., on assessment of the conformity of the specified products when placed on the market, which entered into effect on 15 April 2016, and its implementing Government Regulation No. 426/2016 Coll., on assessment of conformity of radio equipment when placed on the market, which entered into effect on 7 January 2017. CTU actively participated in the preparation of the draft versions of both laws, as they ensure transposition of the requirements of Directive 2014/53/EU 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. The conditions for the placement of radio equipment on the market and the commissioning thereof cause certain impact on the sphere of radio spectrum management.

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 2016 in the sphere of electronic communications and postal services is presented in chapter 1.6 hereof.

The main legislative tasks at CTU in the sphere of external legislation in 2016 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. By the end of 2016 the government approved a bill on the measures for reduction of the costs of implementation of high-speed networks of electronic communications and on the amendment of some related acts and submitted it to the Parliament of the Czech Republic for enactment. Further steps can be expected in the first half of 2017.

This issue is related, to a great extent, to the active approach of CTU to the participation in the work group of the Ministry of Industry and Trade in the area of preparation and creation of the National Next Generation Network Development Plan well as the relevant Action 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 these 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 was prepared in 2016 in order to fulfil the ex-ante condition 2.2 for Thematic Objective 2 “Enhancing access to, and use and quality of, information and communication technologies” pursuant to Regulation (EU) No 1303/2013 of the European Parliament and of the Council in relation to the requirement of the European Commission for achievement of demonstrable results of the interventions from European Structural and Investment Funds (ESIF). Ex ante condition 2.2 must be met in order to use funds from ESIF within the implementation of the specific objective 4.1 Operational Programme Enterprise and Innovation for Competitiveness (OP EIC). It is anticipated that further activities of legislative and non-legislative nature will take place in 2017, in which CTU will also participate.

It is also necessary to mention other works of conceptual nature having impact on the changes of laws and regulations in which CTU participated in 2016. They include, but are not limited to, the work group established at the Ministry of Industry and Trade for preparation of the release of the 700 MHz band in connection with the migration of terrestrial digital television broadcasting from DVB-T standard to DVB-T2 standard. CTU considers this issue essential because it has direct impact on its activities as a regulator and manager of the radio spectrum. Further steps in this area can be expected in 2017 when the relevant legislation should be enacted; under which the entire process would take place.

Out of external legislation enacted in 2016, it is also necessary to point to the area related to the processing of personal data or personality manifestations. On European level, a new Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) was adopted. This EU Regulation newly regulates, effective from 25 May 2018, protection of personal data of individuals. For the sake of proper application of the requirements of the

Regulation in the Czech Republic, a broader work group was established in the government office, consisting of the representatives of public authorities and the representatives of associations and the undertakings from the industries affected by the Regulation. The main purpose of the work group is to identify the areas where the laws of the Czech Republic will have to be adapted. A similar work platform was established also by the Ministry of the Interior which was the guarantor and coordinator on behalf of the Czech Republic in the process of preparation and approval of this EU Regulation. This group, however, includes only representatives of public administration bodies because its purpose is to prepare the public administration for the requirements of the Regulation. CTU actively participates in both work groups.

The activities of the CTU representatives in the work group of the Ministry of Industry and Trade established for the preparation of the draft Regulation of the European Parliament and of the Council on cooperation between the national bodies authorized to enforce compliance with the consumer interests protection laws (the so-called CPC Regulation) which should replace the current legislation in the area, were also related to European law. As CTU is a body for consumer protection, its involvement in this activity is desirable also for easier application of the regulation in the future.

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 2016 as one in which CTU representatives were involved in 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. CTU continuously gives evaluation reports on this issue. Another long-term work group is the group of contact persons for the issues of SOLVIT led by the Ministry of Industry and Trade. The system focuses on settlement of disputes arising during communication of the general public with the bodies in the European Union. As CTU in 2016 was not actively involved in any such dispute, the conclusions from other cases, including those originating outside of the Czech Republic, are beneficial for it, in particular when it comes to the preventive measures for prevention of such cases in the activities of CTU.

In the context of the above-mentioned issues of the National Next Generation Network Development Plan, it is worth to mention also the participation of CTU representatives in the work groups established in the Work Committee for National Coordination of the Development of New Generation Networks of the Government Council for Information Society. CTU has therefore an opportunity to respond to non-legislative and legislative proposals and measures which are discussed regarding this issue. With regard to the above, CTU actively participated in the work groups Strategic Objectives, Legislation, Mapping, Funding and Implementation and operation. The activities of these groups will continue at least in 2017.

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 2016 and no fundamental shortcomings of a factual or evidentiary character were identified in this regard.

We should also mention 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. Within the group, CTU contributes with its opinions to the resolution of specific cases in the area of electronic communications and postal services. In 2016 CTU responded by presenting its opinions in about a dozen cases of proceedings concerning the preliminary question. At the same time, CTU tries to use as much as possible the experience and conclusions related to also other fields and to apply these in the CTU practice, in particular in the area of consumer protection where the Court of Justice of the EU passed a number of breakthrough decisions whose principles can be applied also to the consumer issue in the area of electronic communications or postal services.

9 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 Electronic Communications Act 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 Electronic Communications Act by undertakings engaging in business in electronic communications, which lay down obligations concerning 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 Electronic Communications Act, which focus on the security and integrity of public communication networks and electronic communication services in normal and crisis situations. Three comprehensive audits were conducted in 2016, at telecommunication companies Česká telekomunikační infrastruktura a. s., O2 Czech Republic a. s. a Plus 4 U s. r. o. The audit group of CTU imposed upon the inspected companies remedial measures aiming at the fulfilment of the above-mentioned statutory obligations. In the case of Flexi Net s. r. o. the inspection was not carried out due to the dissolution of the company.

CTU gathers information on serious breaches of security and loss of network integrity from business undertakings that provide a public communication network or provide a publicly available service, doing so according to Section 98(4) and (5) of the Electronic Communications Act. CTU received five such reports from business undertakings in 2016. 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 Electronic Communications Act 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 for the entire Czech Republic.

Specialised cooperation between CTU and the National Security Agency (hereinafter also referred to as „NBÚ“) 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. In

May the National Security Authority carried out an audit in CTU focusing on compliance with the obligations laid down in the Cyber Security Act.

At a national level, CTU took part in the preparation, conducting and evaluation of international training for NATO CMX – 2016 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 2016 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. In February the National Security Authority carried out an audit in CTU focusing on compliance with the obligations laid down in the Classified Information Protection Act.

10 International Activities

CTU was involved in international relations in 2016 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 Electronic Communications Act, CTU last year coordinated and ensured direct participation at meetings of European Commission advisory committees, in BEREC working groups and the bodies or working groups of international organisations (ITU, CEPT, OECD, ETSI and NATO), bilateral and multilateral meetings and at specialised events.

10.1 CTU activities with respect to the European Union

In the European Union, CTU is represented mainly in BEREC and also in the advisory bodies of the European Commission and expert bodies of other organizations. This primarily involves the following institutions and bodies:

BEREC – Body of European Regulators for Electronic Communications

BEREC was established in Regulation (EC) 1211/2009 and its members are the national regulatory authorities of European Union Member States. The prime objective of BEREC is to contribute toward the development and better functioning of the internal market in the sphere of electronic communications, in that it promotes uniform application of the EU regulatory framework, primarily by developing and sharing regulatory best practices among national regulatory bodies. BEREC also issues statements on serious doubts of the Commission regarding the measures proposed by national regulatory authorities concerning market definition, determination of undertakings with significant market power and imposition of remedial measures in accordance with Articles 7 and 7a of the Framework Directive. It also provides national regulatory authorities, 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 national regulatory authorities of 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 and the European Commission representatives do not take part at its meetings.

Four regular joint sessions of BEREC and IRG took place in 2016 in which the regulatory bodies were represented by their heads. The fulfilment of the agenda of BEREC for the year 2016 is summarized in the annual report of BEREC.

A key task for BEREC in 2016 was to issue Guidelines on the Implementation by National Regulators of European Net Neutrality Rules. It was the first task of BEREC which was determined directly by an EU regulation, Regulation (EU) No. 2015/2120 of the European Parliament and of the Council, generally known as “TSM Regulation”. The Guidelines were issued in August 2016 and provide advice for the regulatory authorities which are to be taken into account in the implementation of the net neutrality rules and assessment of specific cases. At the end of 2016 BEREC issued its first summary statement on the draft version of the European Electronic Communications Code, published by the European Commission in September 2016, which is to replace the four existing Directives of the regulatory framework for electronic communications. In October 2016 BEREC issued a common position on Layer 2 Wholesale Access Products. In addition, BEREC prepared several regular comparative and descriptive reports.

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 2016 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. Last but not least, the working group “End to end competition and access regulation” for monitoring and development of market regulation in a competitive environment was opened again. Important was the preparation of the Midterm strategy of ERGP for the period 2017–2019. In 2016 ERGP issued six expert reports, and in November 2016 also a statement on the draft version of the Regulation on Crossborder Parcels Delivery published by the European Commission in May 2016.

COCOM – Communication Committee

COCOM is the advisory committee to the European Commission which focuses on the legislation in the area of electronic communications and monitoring of the compliance with it and its effects. The committee is consulted in the event of issuing implementing regulations by

the European Commission. CTU takes part in the COCOM Committee together with the guarantor and coordinator, Ministry of Industry and Trade. The main topic in 2016 was roaming, in particular the hearing of Commission Implementing Regulation (EU) 2016/2286 of 15 December 2016 laying down detailed rules on the application of fair use policy and on the methodology for assessing the sustainability of the abolition of retail roaming surcharges and on the application to be submitted by a roaming provider for the purposes of that assessment. The committee also dealt with the selection process and issues of authorization, monitoring of selected systems of MSS 2 GHz and monitoring of some market indicators or progress in the implementation of Directive 2014/61/EU on reduction of the costs of the construction of new generation networks.

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 guarantor – the Ministry of Industry and Trade. In accordance with the work plan for 2016, RSPG compiled and, following public consultation, adopted an RSPG Opinion on the long-term strategy for the future use of the 470-790 MHz band 470-790 MHz in the EU, on the single digital market and revision of the regulatory framework of telecommunications of the EU, on implementation of the current programme of the radio spectrum policy and the revision thereof with focus on the next period, and on spectrum aspects of the next generation wireless systems (5G). In addition, reports of RSPG were issued on the granting of rights and effective use of radio spectrum, on the results of the World Radiocommunication Conference ITU-R, and on the results of RSPG “Good offices” in assistance in bilateral coordination dealings between EU states.

RSC – Radio Spectrum Committee

RSC is the advisory committee 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 who is the guarantor and coordinator. In 2016 the main topics were proposals of finalization of the harmonization implementation decision on the 700 MHz band and on harmonization of the unpaired section 2010-2025 MHz for PMSE, revision of the decision of the European Commission on conditions for operation of mobile communications onboard aircraft and ships (MCA, MCV), status of implementation of the regulatory measures of the European Union in EU Member States and the assignment of the mandate of CEPT for preparation of the harmonized technical conditions for the use of the spectrum for the systems of 5th generation wireless communications.

TCAM – Telecommunication Conformity Assessment and Market Surveillance Committee

In 2016 TCAM and its group for administrative cooperation ADCO R&TTE worked mainly on the implementation of the new Directive 2014/53/EU 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 and other current issues of harmonization of the conditions for assessment of conformity and placement of radio equipment on the single market of the European Union. CTU representatives in the groups participated mainly in the measures for

ensuring uniform use of radio frequencies in products with focus on harmonized placement on the market and operation of radio equipment in Europe and elimination of harmful interference.

ENISA – European Network and Information Security Agency

ENISA is the advisory body to the European Commission which is in charge of unification of the processes and procedures of the National Regulatory Authorities focusing on resilience, security and integrity of networks and electronic communication services, including cyber security. CTU, as the National Regulatory Authority, send periodically to ENISA the basic information on serious incidents that occurred in the networks and electronic communication services. The reports are analysed by CTU on national level and then entered to ENISA portal in anonymized form. In 2016 CTU representatives attended all three meetings of the ENISA work group focusing on the fulfilment of tasks and evaluation of the impact of the implementation of Articles 13a and 13b of Directive 2002/21/EC (Framework Directive) in national conditions of each EU Member State. Great emphasis is put on the improvement of the security of the networks and electronic communication services and further development of security in the area of cyber security.

Other activities in relation to the EU in 2016 included:

Within the Eastern Partnership (EaP), CTU participates in 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 European Commission, representatives of which also attend the meetings. The work of EaP in 2016 was evaluated at a plenary session and continuation of three specialised work groups was approved based on the requirements of the eastern countries:

- SEWG (work group for radio spectrum, led by Germany's BNetzA),
- BEWG (benchmarking work group, led by Romania's ANRCETI),
- REWG (roaming work group, led by Ukraine's NCCIR).

CTU representatives regularly take part in workshops, where they pass on their experience of CTU and of cooperation within the EU. This includes exchange of information on specific strategies and mechanisms of active cooperation within joint projects in the area of regulation of electronic communications and provision of the relevant specialists and experts for joint meetings, workshops, etc. In 2016 CTU organized a joint workshop with Georgia focusing on regulation of open high-speed access, monitoring of the quality of services for mobile and fixed Internet, frequency spectrum management and regulation of postal services.

10.1.1 International activities of CTU in relation to other international bodies and organizations

INTERNATIONAL TELECOMMUNICATION UNION (ITU)

CTU as the guarantor and coordinator ensured representation of the Czech Republic in ITU-T, World Telecommunication Standardisation Assembly, 2016 – WTSA-16. In addition, in 2016 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 continuously 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) and the European Committee for Postal Regulation (CERP) – and in the working groups of committees. 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 revision of the conditions of operation of mobile communications onboard aircraft and ships. ECC started the preparation of European countries for the World Radiocommunication Conference WRC-19. In accordance with the plan, it prepared and revised the harmonization documents focusing mainly on optimization of the conditions of the use of radio spectrum. At its 43rd session, which was organized by CTU in Prague, ECC adopted a set of measures for the support of the development of the 5th generation systems.

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 2016 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)

In 2016 CTU participated in the discussions in the Industrial Resources and Communications Services Group (IRCSG) focusing on ensuring resilience of electronic communications and post for the purpose of security and defence and for emergency situations. The Industrial Resources and Communications Services Group held two meetings in 2016 in the form of a technical seminar and two plenary sessions. The topics discussed were related to the recommendations for improvement of the resilience of networks and electronic communication services which cover the needs of crisis management and defence. The specialized meetings also focused on cyber security. All areas comprehensively form the increased level of the area of crisis management and the possibilities of using them for security and defence purposes of the Czech Republic.

Organisation for Economic Cooperation and Development (OECD)

Within the cooperation with OECD, CTU is represented in the work group dealing with the policy of communication infrastructure and services (Working Party on Communication Infrastructures and Services Policy - WP CISP) where it acts in cooperation with the Ministry of Industry and Trade. With respect to OECD, the role of CTU consists mainly of provision of statistical data which serves as a basis for various studies. For example, in 2016 it prepared information on behalf of the Czech Republic for the publication entitled “OECD Digital

Economy Outlook” which is published every two years and maps the development of information and communication technologies and the impact thereof on social interactions. CTU is also member of the inter-departmental work group for cooperation between the Czech Republic and OECD of the Ministry of Foreign Affairs of the Czech Republic.

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.

10.2 Other international activities

CTU employees continued their participation in bilateral and multilateral discussions in 2016 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, specialised public presentations and conferences.

The international coordination of radio frequencies

The conditions and procedures of the international frequency coordination of radio frequencies between 29.7 MHz and 439.5 GHz 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.

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

European harmonization process which envisages the release of the 700 MHz band from television broadcasting for the development of high-speed communications and also innovation processes of television broadcasting requires reorganization of the frequency arrangement based on bilateral agreements. With respect to the process of releasing of the 700 MHz band in Germany and Austria and the Strategy of development of terrestrial digital television broadcasting in the Czech Republic approved by the government, CTU continued with coordination meetings with the neighbouring countries. There were nine coordination meetings in 2016. Their purpose was to create conditions for the implementation of the parallel broadcasting DVB-T and DVB-T2 broadcasting and to secure radio frequencies enabling the assembly of the final DVB-T2 networks in accordance with the conclusions of the Strategy. Within the radio services, there were also coordination meetings on the requirements for digital radio broadcasting T-DAB, where it appears that the problem is coordination of frequencies to some dominant sites of the current broadcasting infrastructure, in particular in cases where these sites are located near the state border. The limitations of technical parameters required by the foreign administrations in these cases do not allow for effective use of these frequencies.

1 https://www.ctu.cz/cs/download/ostatni/akreditace_cenovych_kalkulacek_27_03_2013.pdf

2 <https://www.ctu.cz/pusobnost-ctu/ochrana-spotrebitele/cenove-kalkulacky.html>

3 <https://www.ctu.cz/ctu-informuje/srovnaci-prehled-cen-a-podminek/cenovy-barometer.html>

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

1 Electronic communications

1.1 The need for an amendment of the Electronic Communications Act

There is a persisting need for completion of the process of 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. At the end of 2016 a bill on measures to reduce the cost of deploying high-speed electronic communications networks and on the amendment of some related acts was submitted to the Parliament of the Czech Republic for enactment. Further steps can be therefore expected in the first half of 2017, but the deadline for transposition of the Directive was on 1 July 2016. The guarantor and coordinator of the transposition of the Directive is the Ministry of Industry and Trade.

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 is required, at least in the area of administrative penalisation, to ensure a change or to supplement the Electronic Communications Act. This regulation of administrative punishment is included in the above-mentioned bill on measures to reduce the cost of deploying high-speed electronic communications networks and on the amendment of some related acts. The guarantor and coordinator of the changes to the Electronic Communications Act necessary for proper fulfilment of the Regulation is the Ministry of Industry and Trade.

It is also necessary to state that within the process of release of the 700 MHz band which is in preparation in combination with the migration of terrestrial digital television broadcasting from DVB-T standard to DVB-T2 standard some area were identified for which it is necessary to change the Electronic Communications Act in the part regulating radio spectrum management. The guarantor and coordinator of the necessary changes to the Electronic Communications Act is the Ministry of Industry and Trade which prepared and submitted for discussion at the end of 2016 a draft version of the respective Act. Further steps can be expected in 2017.

The need for principal changes of comprehensive nature to the national legislation, however, is expected in connection with the results of the ongoing revision of the regulatory framework for the area of electronic communications, with outlook for the year 2018.

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

On 11 April 2016 the government passed resolution No. 314 on settlement of subscriber disputes regarding payments in the area of electronic communications, in which it acknowledged the information on the issue and approved the conclusion that subscriber disputes regarding payments commenced upon request of a business in the area of electronic communications (Section 129(of) the Electronic Communications Act) will left up to CTU while preserving the current level of its human and financial resources; at the same time, it cancelled government resolution No. 220 dated 30 March 2015 on decisions on subscriber disputes regarding payments in the area of electronic communications. This decision has closed the issue which was discussed on long-term basis.

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

The general need to respond to the development in the sector of electronic communications is also related to the need to issue some amendments to the implementing regulations for the Electronic Communications Act.

This need is particularly related to the following implementing regulations which are within the scope of powers of the Ministry of Industry and Trade:

- Decree No. 155/2005 Coll., on the method of formation of calling signs, identification numbers, codes and identifiers, the use thereof, and on the types of radiocommunication services for which they are required,
- Decree No. 117/2007 Coll., on numbering plans of the networks and electronic communication services, as amended,
- Decree No. 105/2010 Coll., on the plan of allocation of frequency bands (national frequency table), when the World Radiocommunication Conference was held in 2015 (WRC 2015) and the conclusions of this conference need to be reflected in the new modification of the national frequency table.

The validity of the inspection authorisation 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 inspection (the Inspection Rules). Taking this into consideration, it is necessary to make a change of the national legislation determined by Decree No. 159/2005 Coll., defining the template of the certificate for the exercise of state inspection in electronic communications, as amended by Decree No. 26/2006 Coll. This change should also reflect the relevant changes induced by the Civil Service Act (Act No. 234/2014 Coll.) on the part of the persons authorized to carry out inspection activities on behalf of the inspection authority or, more precisely, by their entry into civil service status pursuant to this law.

Within the preparation of the plan of legislative work for the year 2017, CTU identified a need for a change to the implementing regulation for the Electronic Communications Act which is within its scope of powers. Specifically, it is Decree No. 360/2010 Coll., defining the template of the electronic form of the request for a decision on a dispute regarding an obligation to pay and the technical requisites for the use thereof. Technical development in the area of electronic forms and the possibilities of using them, including the submission of electronic documents using the system of data mailboxes affected also this regulation, and it therefore must be amended to comply with the new technical possibilities and needs of the application practice.

2 Postal services

2.1 The need for an amendment of the Postal Services Act

CTU did not identify a major need for changes to the Postal Services Act.

2.1.1 The need to issue implementing regulations for the Postal Services Act

Just as in the area of electronic communications, here, too, the implementing regulation should be issued in connection with the modification of Act No. 255/2012 Coll., on inspection (the Inspection Rules), specifically on Section 37(2) a) of the Postal Services Act, i.e., a decree which defines the template of the identification card of an employee of CTU for performing inspections in electronic communications and postal services. The existing identification cards can be used for inspection only until 31 December 2017. The guarantor and coordinator of this decree is the Ministry of Industry and Trade.

Within the preparation of the plan of legislative work for the year 2017, CTU identified a need for a change to the implementing regulations for the Postal Services Act which are within its scope of powers. It is a change of Decree No. 465/2012 Coll., on the method of keeping separate records of costs and revenues of the postal license holder and of Decree No. 466/2012 Coll., on the procedure of the Czech Telecommunication Office in the calculation of the net costs of fulfilment of the obligation to provide the universal service. Both regulations need to be amended for the next regulatory period, as the postal licence of the current provider of the universal services expires on 31 December 2017.

Organization and operation of CTU

In 2016 CTU reported revenues in the amount of CZK 4.372 billion and costs in the amount of CZK 709 million. A substantial part of non-tax revenues is receipts from the auction of frequencies (CZK 2.643 billion) and receipts from the radio spectrum management (CZK 1.122 billion).

For the year 2016 the Office collected fines imposed within administrative proceedings in the amount of CZK 14.7 million. In the year in question, CZK 64 million was transferred to the Radiocommunication Account where a part of the revenues from the radio spectrum management is directed.

Out of the 2016 budget, CTU saved CZK 985 million, of which CZK 700 million were savings of expenses for the coverage of the loss from the provision of the postal service, CZK 34.5 million were savings of expenses for the coverage of the loss from the provision of the universal service, and CZK 251 million are attributable to other items of expenses.

In 2016 CTU spent CZK 570.2 million for payroll and the associated mandatory payments. As of 31 December 2016 CTU had 598 employees and 633 systematized positions. As of 1 January 2016 approximately 98 % of all employees of CTU switched to civil service status. All duty positions for senior officers in the first quarter 2016 were filled with the use of tenders (the so-called over-tendering) and 81 employees at that time were evaluated according to the Civil Service Act.

The general part of the clerical test was passed by 314 employees, the special part was passed by 58 employees. Most of the employees went through a test in the field of electronic communications and postal services.

In January 2016 the Office launched a new website. The responsive website enables a more intuitive access to information from different types of devices.

Based on an investigation by the internal audit department, CTU carried out six audits which resulted in 25 recommendations.

1 Financial results of CTU

The binding indicators of Chapter 328 – CTU – ensue from Act No. 400/2015 Coll., on the state budget of the Czech Republic for 2016, 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 2017 (an obligation laid down by the Electronic Communications Act).

1.1 Evaluation of the achievement of the indicators of chapter 328 – Czech Telecommunication Office

Total income

The approved budget for the binding indicator of total income in the amount of CZK 2,447,294,000 was not adjusted in 2016. The actual amount is CZK 4,372,300,255.63, i.e., the adjusted budget was achieved at a level of 178.66 % and was exceeded by CZK 1,925,006,255.63.

Tax income / administrative fees amounting to CZK 48,967,352.47 were collected, meaning that the adjusted budget was achieved at a level of 140.97 % and exceeded by CZK 14,232,352.47.

A significant part of non-tax income is income arising from CTU activity, i.e., income from the Auction of frequencies, which accounted for CZK 2,643,950,000, income from the radio spectrum management in the amount of CZK 1,122,321,106.33, and income from the number management in the amount of CZK 104,349,673.56.

The category of non-tax income includes income from the European Union in the amount of CZK 2,136,011.22 for the project reg. No. CZ.1.04/4.1.00/B6.00045 entitled “Improvement of the quality of selected personnel management activities at CTU”.

For the year 2016 CTU collected fines imposed in administrative proceedings in the amount of CZK 19,245,788.

In 2016 CTU budgeted for income from the lease of other real estate or parts thereof in the amount of CZK 70,000. The income reported in other income items is random in nature and is therefore not budgeted.

Income from the radio spectrum management goes to the Radiocommunication Account according to the Electronic Communications Act and government regulation. The sum of CZK 64,473,153 was transferred into this account in 2016, and the actual income for the year 2016 was reduced by this amount. An overview of the creation of and drawing on the Radiocommunication Account is presented in the following part hereof.

Overviews of all incomes for the year 2016 are presented in Appendix No. 9 and planned incomes for the year 2017 are presented in Appendix No. 10 to this Report.

Total expenses

In 2016, CTU received budget resources from the VPS chapter amounting to CZK 2,668,995 which ensued from Resolution of the government of the Czech Republic No. 831 of 21 September 2016 on consolidating the expenditures of selected budget chapters in 2016.

In 2016 CTU used the opportunity to draw “entitlements” in the amount of CZK 70,185,159.38 for needs not secured by the budget.

Savings were made from the 2016 budget in the amount of CZK 985,648,043.31, of which CZK 700,000,000 were savings on expenditure on covering loss from the provision of the postal service, CZK 34,518,811.38 were savings on expenditure on covering the loss from the provision of the universal service, and CZK 251,129,231.93 was attributable to other expenditure items.

Total expenses for the year 2016 were used in the amount of CZK 709,322,003.52, i.e., use of 47.28 % of the adjusted budget.

The expenses budget of CTU is structured according to the budget composition in terms of sectors into 4 sections, namely

Section 241200 – Telecommunication matters,

Section 246100 – Activity of central bodies of state administration in communications,

Section 249100 – International cooperation in communications,

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

Indicator/ Section	Approved budget 2016	Adjusted budget 2016	Actual result as of 31 December 2016	% of use (3/2)
a	1	2	3	4
Total expenses of which:	1,497,507,075	1,500,176,070	709,322,003.52	47.28
Section 241200	858,000,000	858,000,000	123,481,188.62	14.39
Section 246100	625,277,075	631,896,070	578,232,625.41	91.51
Section 249100	14,150,000	10,200,000	7,604,721.49	74.56
Section 527334	80,000	80,000	3,468.00	4.34

Expenditures are further segmented into current expenses and capital expenditures.

Indicator	Approved budget 2016	Adjusted budget 2016	Actual result as of 31 December 2016	% of use (3/2)
a	1	2	3	4
Total expenses of which:	1,497,507,075	1,500,176,070	709,322,003.52	47.28
Current expenses	1,372,197,075	1,374,866,070	597,043,722.15	43.43

Capital expenditure	125,310,000	125,310,000	112,278,281.37	89.60
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Current expenses

Current expenses were used in the amount of CZK 597,043,722.15 in 2016, i.e., 43.43 % of the adjusted budget.

Section 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 Electronic Communications Act.

The loss of the provider of a universal service, Telefónica, for the provision of special prices in 2015, was evaluated in 2016. The total coverage of the loss incurred by the company was CZK 85,932,508.82.

The net costs of the provision of a universal service by Telefónica in 2015 were evaluated in 2016. The total coverage of these costs was CZK 37,548,679.80.

Section 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,

- XX 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 (24.53 % of the adjusted budget),

the remainder is used for:

- purchases of 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.

Section 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.

Section 527334 – Other management in the area 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 2016 and the actual amount was CZK 3,468, i.e., use of 4.34 % of the adjusted budget.

Capital expenditures

CTU drew capital expenses for two programmes registered in the SMVS system (Administration of assets owned by the state) with identical name – Development and renewal of the material and technical basis of CTU which differ by the registration number (128 01 and 128 02) and only budgeted these expenditures for Section 246100. The approved budget for the two programmes for the year 2016 was CZK 125,310,000. Capital expenditures were used in the amount of CZK 112,278,281.37, i.e., use of 89.60 % of the adjusted budget.

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 Telecommunications Act. 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 Electronic Communications Act. 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, no contributions were credited to the account by individual operators, and contributions were sent to Telefónica.

Account balance as of 1 January 2016	0.00
Contributions from operators	0.00
Sent to Telefónica	0.00
Account balance as of 31 December 2016	0.00

1.3 Radiocommunication Account

The obligation to set up the Radiocommunication Account, which CTU administers, arose for CTU from the Electronic Communications Act. 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).

The funds are used in accordance s Section 27 of the Electronic Communications Act for the coverage of effectively and practically used costs incurred by the holders of individual

authorizations to use radio frequencies and for the coverage of the expenses of CTU in connection with the fulfilment of the obligations associated with the management of the radio spectrum. The legitimacy of the expenses covered is assessed by a dedicated committee of experts at CTU.

In 2016 CTU paid from the radiocommunication account expenses in total amount of CZK 55,375,915.65. these funds were used for:

- expenses in connection with the Automated system of monitoring of the frequency spectrum in total amount of CZK 46,124,958.32,
- expenses in connection with the frequency spectrum management in total amount of CZK 1,790,800,
- expenses in connection with the auction of frequencies in total amount of CZK 7,460,157.33.

Account balance as of 1 January 2016	307,286,386.62
Budgeting for the year 2016	64,473,153.00
Drawing for the year 2016	55,375,915.65
Account balance as of 31 December 2016	316,383,623.97

1.4 Results of external audits

An external audit was carried out in CTU in 2016. On 17– 22 March 2016 the employees of the Prague Social Security Administration carried out an audit of fulfilment of the obligations in the area of sickness insurance, pension insurance and payments of premiums for the social security and contribution to the state employment policy for the period 1 March 2013 – 31 January 2016.

The audit report No. 999/16/118 did not imply any errors; no deficiencies were found, and CTU as an employer was not ordered to implement any remedial actions.

2 Civil Service Act

Effective from 1 January 2016, approximately 98 % of all CTU employees were admitted into civil service status upon their request for admission to civil service status. Approximately 99 % employees who were admitted to civil service status pursuant to Section 191 of the Civil Service Act passed the general part of the clerical test in 2016. In accordance with the transitory provisions of the Civil Service Act, all tenders for the senior officer positions were completed in the first quarter 2016 (the so-called over-tendering). 81 employees at that time were evaluated according to the Civil Service Act in the first quarter 2016.

According to Government Resolution No. 314 of 11 April 2016, the issues of subscriber disputes regarding payments in the area of electronic communications remained within the scope of tasks of CTU (as of 1 January 2017 these tasks were supposed to be transferred to general courts). For this reason, tenders were opened in the second half of 2016 for the civil

service positions with definite period until 31 December 2016 (approximately 150 civil service positions).

In addition, CTU prepared and submitted a proposal of the change of the 2nd systemization effective from 1 July 2016, in order to establish a new department of data services inspection. The proposal for the new systemization for the year 2017 was prepared and submitted In July and August. At the end of the year, it was uploaded to the OSYS system.

3 Human resources

56 employees started working in CTU on 2016 (of which 3 under employment contract and 53 in civil service status), 19 female employees started maternity leave, 5 female employees returned from maternity leave. 86 employees terminated their employment contract (3 employment contract terminated, 83 civil service statuses terminated, of which 14 employees terminated their employment contract due to retirement).

The average number of FTE was 601. As of 31 December 2016, the registration number of employees was 598. As of 31 December 2016, 45 employees received old-age pension.

Table 24: Headcount (in comparison to 2014 and 2015)

Indicator/period	2014	2015	2016
Systemized number of employees	622	622	633
Average FTEs	629	620	601
Number of newly hired employees	87	71	56
Number of civil service/employment contracts terminated	86	76	86
Number of employees in post-productive age as at 31 December	41	50	55

3.1 2016 budget

On 9 December 2015 the House of Deputies of the Parliament of the Czech Republic passed the Act on state budget of the Czech Republic for the year 2016 by its resolution No. 998.

In a letter of the Ministry of Finance of the Czech Republic, ref. No. MF-56 114/2015/1903-2, dated 16 December 2015 the Czech Telecommunication Office received the “Binding amounts of funds for salaries and other payments for the work done (payroll cost limits) and numbers of employees for the year 2016” of Chapter 328 – Czech Telecommunication Office.

Limit of funds for salaries and other payments for the work done CZK 243,994,316
of which: – salaries of civil servants CZK 236,368,539
other payments for the work done CZK 7,625,777
Limit of the number of employees 633 people

By its resolution No. 821 dated 12 September 2016, 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 scales of salaries from 1 November 2016.

The government of the Czech Republic by its resolution No. 827 dated 21 September 2016, 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 scales of salaries from 1 November 2016.

3.2 Funds for the salaries of CTU employees

The budget of funds for the salaries of civil servants without EU projects for the year 2016 was CZK 36,368,539 .

The budget of funds for the salaries of civil servants was increased by a resolution of the government of the Czech Republic No. 831 dated 21 September 2016 by CZK 1,969,738.

The average salary of a CTU employee in 2016 was CZK 33,077.

3.3 Number of positions

The number of positions in 2016 was increased and set at 633, starting from 1 January 2016.

3.4 Other payments for the 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 1,686,977 in 2016.

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 Electronic Communications Act, 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, consultancy work and administrative activities (in particular preparation of simple decisions in proceedings concerning administrative appeals pursuant to Section 129(1) of the Electronic Communications Act and, as the case may be, other procedural acts in these proceedings according to the instructions of the senior officers of the decision review department).

3.5 The CTU Council

The budget for other payments for work done - salaries for the representatives of state authority - was CZK 5,938,800 in 2016.

The budget for other payments for work done – severance pay for persons appointed to positions - was CZK 74,583 in 2016.

The base salary for 2016 was CZK 60,815.65 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. 329/2015 Coll. of

the Ministry of Labour and Social Affairs of 1 December 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.

3.6 Training employees

Employee training was carried out in accordance with Act No. 234/2014 Coll., on civil service, as amended, Act No. 262/2006 Coll., Labour Code, as amended, and the Binding Guideline of CTU 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 the year 2016 and primarily concentrated on electronic communications, postal services, the relevant legal regulations, information technology, foreign languages, personal skills, and topics for the training of senior officers.

Employees newly joining CTU underwent initial introductory 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. They also received follow-up initial training where they were prepared for the general and special parts of the clerical test.

In that year, also employees who were hired under civil service status pursuant to Sections 191 and 192 of Act No. 234/2014 Coll., on civil service, were prepared for the general part of the clerical test. 314 employees passed the general part of the clerical test.

58 employees passed the special part of the clerical test, most of them passed the test in field No. 45 Electronic communications and postal services.

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.

Specialised training on the issues that individual departments deal with was held at those CTU departments (electronic communications, postal services, the Code of Administrative Procedure, the Civil Code, the Inspection Code, the Consumer Protection Act, etc.) Selected employees attended courses to concern the development of personal skills.

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

The training of senior officers focused in particular on communication skills, assertiveness, dealing with conflict situations, time management, leadership and evaluation interviews.

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

The costs of training and education services as of 31 December 2016 were CZK 4,495,000, and the expenditures on conference fees CZK 309,000.

Table 25: Number of employees who completed training programmes in 2016

Type of training	2016
Introductory initial training	52
Follow-up initial training	58
Continuous training	1181
Training for senior officers	152
Language instruction	170

An overview of personnel data for the year 2016 is shown in Appendix No. 1 to this Annual Report.

4 Information technologies

In January 2016 CTU launched its new website which is more intuitive and offers better access from different types of mobile devices.

Within the process of improving IS security, CTU was connected through the so-called “Local identity space of CTU” (LJIP) with the HR system, which resulted in direct connection of the access accounts of the users of the internal computer network with the current employee status. One of the benefits of this connection is prevention of unauthorized accounts in LJIP and increased standardization of the users’ access rights.

In accordance with Act No. 181/2014 Coll., on cyber security and on amendment of related Acts, the Security policy of the information system of the Czech Telecommunication Office was approved as a basic document for development and improvement of cyber security in CTU. In May 2016 the National Security Authority checked the area of cyber security. The conclusions and findings from this inspection are continuously fulfilled by CTU. In connection with this inspection, work has started on information for receiving a grant in the area of cyber security according to Call No. 10 of the IROP.

Based on a request for data collection within the preparation of the grant programme of building NGA networks, new functionalities were implemented in the Electronic data collection information system.

In connection with the coming into effect of Act No. 297/2016 Coll., on trust services for electronic transactions, and Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC, the impact of these regulations on the activities of CTU was identified, and steps were defined to ensure the discharge of obligations arising from the two pieces of legislation.

5 Internal audit

A total of six audits, including the follow-up audit of monitoring of compliance with the recommendations from the audits performed, were conducted by the independent internal audit department in 2016. The auditors proposed 25 recommendations in the reports and subsequently in the approval clauses from the audits, of which all recommendations were approved by the Chairman of the CTU Council.

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.

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 2015 and a report on the results of checks for the year 2015 were also compiled. A report on the internal evaluation of the quality of internal audit at CTU was also compiled in 2016, as in the previous years, and submitted to the Chairman of the CTU Council for informative purposes.

The “Medium-Term Plan of Activities of the Independent Internal Audit Department for the Period 2017–2019” was prepared and approved in December 2016. In addition, the “Plan of Activities of the Independent Internal Audit Department for the Year 2016” was also prepared and approved in December 2016.

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 2016.

Mandatory Parts of the Annual Report

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

The CTU compiles an Annual Report on the Universal Service in accordance with Section 50(2) of the Electronic Communications Act. In addition to information about the scope of services provided within the universal service in 2016, this report also contains information about the manner of financing the universal service laid down by the Electronic Communications Act for the period under consideration, 2016.

Certain partial services and obligations of the universal service were mandatorily provided in 2016 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 2016 is presented below in this Report.

1.1 Partial services of the universal service

Services provided in 2016 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 Electronic Communications Act) 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 using the criterion of density and, 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. The preparation of the decision always sets specific equipment included in the universal service for the relevant calendar year.

In October 2016 CTU started a review, and based on the results thereof it will decide to order (or not to order) the service.

Access of people with disabilities to the 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 equipment (Section 38(2)(f) of the Electronic Communications Act), was imposed on O2 in a decision issued by CTU, which entered into legal force on 19 June 2015. The obligation to provide this service is ordered from 15 July 2015 and lasts for a period of three years, i.e., until 15 July 2018.

Special prices or price plans

The obligation to allow persons with special social needs according to Section 44 and Section 45 of the Electronic Communications Act 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 Electronic Communications Act) was imposed on O2 in a decision of CTU which came into legal force on 16 June 2014. The provider is obliged to provide this service for a period of three years beginning 3 July 2014, i.e., until 3 July 2017.

In 2016 CTU issued a plan for further provision of the service under which a tender was announced on 16 November 2016 for the provider of the special prices service. One company applied within the set time limit, namely O2.

1.2 Other partial services of the universal service

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 Electronic Communications Act),
- access to a publicly available telephone service at a fixed location (Section 38(2)(b) of the Electronic Communications Act),
- the regular publication of directories of subscribers and access provided to these directories to end users (Section 38(2)(c) of the Electronic Communications Act),
- directory inquiry service available to end users (Section 38(2)(d) of the Electronic Communications Act),
- additional services relating to the services specified in subparagraphs a) and b) of the Electronic Communications Act (Section 38(2)(g) of the Electronic Communications Act), namely:
 - 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 2016, based on monitoring for the year 2015, that there are no reasons to impose the obligations specified above in this area.

The monitoring of partial services for the year 2016 will be evaluated this year and CTU will proceed based on the results.

1.3 Funding of the universal service

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

1. 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 “Telecommunications Act”), to finance the universal service for the years 2001, 2002, 2003, 2004 and 2005 and part of the year 2006,
2. from the universal service account or from the state budget according to the Electronic Communications Act to finance the universal service for the years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015.

1.3.1 Pursuant to the Telecommunications Act

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 Telecommunications Act, 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 Telecommunications Act. 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 judgment 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 2006. The collection of contributions into the universal service account came to an end in 2013 and account number 16010-725001/0710 was closed.

Table 26: Summary overview of the coverage of loss arising from the universal service in the period 2001–2006

Loss for the year	Amount of loss verified by CTU	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

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

Based on the judgments of the Metropolitan Court in Prague upheld by the Supreme Administrative Court in Prague, CTU is reconsidering the administrative proceedings in the case of verification of demonstrable loss for the years 2004–2006. Both courts concluded that the relevant provisions of the Telecommunications Act are inconsistent with the Universal

Service Directive, and the Directive may act with direct effect in this case, and therefore the administrative body must, in the reconsideration, quantify the intangible benefits of the universal service provider and evaluate whether the verified loss is an unfair burden for the provider pursuant to the Universal Service Directive. CTU carried out its own investigation related to the value of the space in municipalities with population below 5 thousand and ordered a marketing survey in order to evaluate the intangible benefits resulted from the provision of the universal service for O2. These benefits were subsequently compared with the loss from the provision of the universal service in the entire scope specified by the law and the telecommunication licence. Only the loss resulting from the provision of free services or services whose price did not cover the costs incurred was recognized.

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 and returned the case for new consideration. CTU completed the evidence regarding the intangible benefits and unbearable burden, and on 30 September 2014 it issued a decision which was subsequently contested by administrative appeals which were allowed by the appellate body, and on 17 April 2015 the appellate body returned the case for reconsideration. The first-instance administrative body subsequently interrupted the proceedings due to a preliminary question discussed by the European Court of Justice related to the legitimacy of including reasonable profit into the calculation and the applicative priority of the Universal Service Directive. The European Court of Justice decided in the affirmative on the preliminary questions in both cases, in 2016 CTU continued with the administrative proceedings. On 30 December 2016 CTU issued a decision in which it verified the demonstrable loss in the amount of CZK 302,622,498, did not identify market intangible benefits related to loss-making services, and decided that the verified loss represents unfair burden for O2.

Loss for the year 2005

In 2016 the Metropolitan Court in Prague overturned a decision made by CTU in the case of verification of demonstrable loss for the year 2005 and returned the case for new consideration. CTU continued with the administrative proceedings, added more evidence regarding the intangible benefits and unbearable burden, asked the parties to the proceedings to make a statement before issuing a decision, and the new decision was issued in January 2017.

Loss for the year 2006

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 and returned the case for new consideration. CTU continued with the administrative proceedings, added more evidence regarding the intangible benefits and unbearable burden, and on 29 December 2016 it issued a decision in which it verified the demonstrable loss in the amount of CZK 280,274,507, did not identify market intangible benefits related to loss-making services, and decided that the verified loss represents unfair burden for O2.

1.3.2 Pursuant to the Electronic Communications Act

Net costs for the year 2006

CTU determined net costs for the year 2006 by a final and conclusive decision of CTU of 23 July 2010 at CZK 73,875,953; the intangible benefits were taken into account in the amount of CZK 2,546,009.56. The net costs represent an unbearable burden for the universal service provider, and therefore CTU determined contributions to the universal service account, and after paid, it made reimbursement to O2. The Metropolitan Court in Prague returned a decision

on an appeal in this case for further proceedings on 3 December 2015. In 2016 CTU with the administrative proceedings, added more evidence regarding the intangible benefits and unbearable burden, asked the parties to the proceedings to make a statement before issuing a decision. At the end of 2016 the administrative proceedings were pending.

Net costs for the year 2007

CTU determined net costs for the year 2007 by a final and conclusive decision of CTU of 9 April 2010 at CZK 105,478,583; the intangible benefits were taken into account in the amount of CZK 7,097,633.95. The net costs represent an unbearable burden for the universal service provider, and therefore CTU determined contributions to the universal service account, and after paid, it made reimbursement to O2.

Net costs for the year 2008

CTU determined net costs for the year 2008 by a final and conclusive decision of CTU of 29 October 2010 at CZK 100,992,529; the intangible benefits were taken into account in the amount of CZK 3,663,257.92. The net costs represent an unbearable burden for the universal service provider, and therefore CTU determined contributions to the universal service account, and after paid, it made reimbursement to O2. On 15 February 2016 the Metropolitan Court in Prague overturned the decision on the net costs and returned the case for further proceedings. In 2016 CTU continued with the administrative proceedings, added more evidence regarding the intangible benefits and unbearable burden, asked the parties to the proceedings to make a statement before issuing a decision. At the end of 2016 the administrative proceedings were pending.

Net costs for the year 2009

CTU determined net costs for the year 2009 by a final and conclusive decision of CTU of 7 July 2011 at CZK 73,363,998; the intangible benefits were taken into account in the amount of CZK 4,983,955.90. The net costs represent an unbearable burden for the universal service provider, and therefore CTU determined contributions to the universal service account, and after paid, it made reimbursement to O2. In 2016 CTU did not finish the procedure concerning the recovery of the contribution of MobilKom, a.s. in the amount of CZK 275,262 due to the pending insolvency proceedings. The contribution was only paid in the amount of CZK 2,284.31 and subsequently transferred to O2. The remaining part of the contribution will be paid to the universal service account from the state budget after the completion of the 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. On 3 December 2015 the Metropolitan Court in Prague overturned the decision on the net costs and returned the case for further proceedings. In 2016 CTU continued with the administrative proceedings, added more evidence regarding the intangible benefits and unbearable burden, asked the parties to the proceedings to make a statement before issuing a decision. On 16 November 2016 the Supreme Administrative Court cancelled the judgment of the Metropolitan Court in Prague which will hear again the lawsuits filed by T-Mobile and Vodafone. The administrative proceedings concerning the net costs for the year 2009 were suspended.

Net costs for the year 2010–2014

The reimbursement of the net costs which were verified in the final and conclusive decisions of CTU was fully made from the state budget to O2 which ensured the provision of the universal service in the defined scope in the period 2010–2014.

Net costs for the year 2015

On 28 July 2016 O2 submitted a request for reimbursement of the net costs for the provision of the service of public payphones and the service of the sale of specially equipped telecommunication terminals in 2015. CTU reviewed the data submitted and, after rectification of the errors found, verified again the calculations submitted. The reimbursement of the net costs which were verified in a final and conclusive decision of CTU of 1 December 2016 in the amount of CZK 37,548,679.80 was fully made from the state budget on 8 December 2016 to O2 which ensured the provision of the universal service in 2015.

Table 27: Summary of the reimbursements of the net costs incurred in the period 2006 – 2015

Net costs for the year	Amount of reimbursement of net costs demanded by the provider	Amount of net costs verified by the Office	Payments made into the universal service account	Note
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 were paid from the state budget
2011	CZK 54,992,883	CZK 55,028,579	-	Net costs were paid from the state budget

2012	CZK 51,285,028	CZK 50,136,727	-	Net costs were paid from the state budget
2013	CZK 46,984,256	CZK 46,969,448	-	Net costs were paid from the state budget
2014	CZK 48,244,872	CZK 48,240,857	-	Net costs were paid from the state budget
2015	CZK 37,728,377	CZK 37,548,680	-	Net costs were paid from the state budget

1.4 Loss from the provision of the universal service of “Special prices”

The loss on the mandatory provision of the partial service “Special prices” (according to Section 38(3) of the Electronic Communications Act) was covered by the state budget beginning the very first year of its provision, i.e. from 2007, and this was the same in 2016 when the loss from the provision of special prices for the year 2015 was covered.

On 28 July 2016 O2 submitted a request for reimbursement of the loss from the provision of special prices in 2015, CTU reviewed the data submitted and, after rectification of the errors found, verified again the calculations submitted. On 28 November 2016 CTU issued a decision on determination of the loss from the provision of special prices within the universal service in the amount of CZK 85,932,508.82. The verified loss was reimbursed to O2 on 5 December 2016.

Table 28: Overview of the reimbursements of the loss from the provision of special prices to O2 in 2016

	Loss submitted	Loss recognized
Fixed network of O2	CZK 75,829,440	CZK 75,765,245
Mobile network of O2	CZK 10,177,961	CZK 10,167,264
Total O2	CZK 86,007,401	CZK 85,932,509

2 Annual Report of the Czech Telecommunication Office on Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as Amended, for the Y2016

The Czech Telecommunication Office publishes this Annual Report on the Provision of Information in the Year 2016 according to Section 18 of Act No. 106/1999 Coll., Free Access to Information Act, as amended.

According to Section 3 of Act No. 127/2005 Coll., on electronic communications and amending certain related acts (Electronic Communications Act), 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, 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).

CTU publishes the following data according to Section 18(1) of Act No. 106/1999 Coll.:

c) Number of requests for information submitted

55 written requests for information were submitted to CTU and put on record in 2016.

The requests for information primarily concerned CTU activities in the area of electronic communications, specifically the areas of awarding rights to use radio frequencies (8 requests), undertaking business in the area of electronic communications, and the market situation (15 requests), CTU auditing activity (5 requests), CTU activities in the area of postal services (6 requests), the decision-making activity of CTU (6 requests), to which CTU is a party and compensation for damage (4 requests). Also provided was information on public contracts and economic management of CTU (3 requests), and finally also regarding personnel issues (5 requests) and questions about legislation of the Czech Republic or the EU (2 requests). One request was withdrawn.

d) Number of decisions on the rejection of a request

15 decision on the rejection of a request were issued in 2016, of which 7 concerning only part of the request where information was provided in part.

e) The number of suspended requests 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 request in question is not a request 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)

In 2016 CTU suspended 3 requests for information. Two requests were suspended because the requested information is not within the scope of activities of CTU, and one request was processed only with partial suspension and partial provision of the requested information. The third request was suspended due to the fact that the requesting party did not pay CTU the required reimbursement of the costs within the statutory period.

f) Number of administrative appeals filed against a decision

6 administrative appeals were filed in 2016 against a decision to reject a request.

No administrative appeal was filed in 2016 against a decision to suspend a request for information.

g) Copies of the substantial parts of the court decisions (Section 16(4) of Act No. 106/1999 Coll.)

In 2016 the court ruled on 1 case of rejection of a request for information by CTU. In a judgment dated 10 November 2016 the Metropolitan Court in Prague dismissed a lawsuit in which the claimant contested the actions of the defendant (CTU) when processing the claimant's request of 22 November 2013 for information pursuant to Act No. 106/1999 Coll. and also sought cancellation of the CTU decision dated 15 January 2014 in which the claimant's administrative appeal against the CTU decision dated 2 December 2013 (first-instance decision) was dismissed, and also of this first-instance decision. In the grounds of the decision the court stated that because other provisions of the Electronic Communications Act (*lex specialis*) do not address in greater detail the procedure in the case of partial rejection of the request of the requesting party, CTU was obliged to act in accordance with the general legislation (*lex generalis*), i.e., the Free Access to Information Act, according to whose Section 15, if the obliged entity rejects the request, even only partially, it shall issue within the time limit for the processing of the request a decision on rejection of the request or, as the case may be, on rejection of a part of the request, except for cases where it suspends the request. The court also stated in the grounds of the decision that if a separate law defines the information which is provided publicly, any other information cannot be provided. Therefore using the process proposed, the claimant would only receive information which is already publicly available; no other information is disclosed by CTU, and therefore it cannot provide it even under the Free Access to Information Act. In addition, the court also referred to the grounds of the contested decision that the applicant requests a broad amount of information which, concentrated at one place, is capable of providing a very detailed picture of the use of radio location and radio navigation services in the required band. Ultimately this information is capable of putting at risk the operation of radio location and radio navigation services using radio waves, including the property of individual applicants. Disclosure of information requested by the applicant would ultimately result in infringement of the rights of the applicants for individual authorizations to use radio frequencies and could also result in disruption of radio communication serving for the security of the state, health and property. CTU is obliged to ensure for the holders of individual authorizations the maximum level of protection of information which can have direct impact on the provision of radio equipment and the protection thereof against deliberate disruption. Practically, the only available protection of radio connection is its anonymity. The court concluded the grounds of the decision by stating that all information which CTU deems appropriate for disclosure is published on the CTU website. No further information is considered by CTU to be information subject to the

disclosure obligation, not even by sending it to the applicant under of the Free Access to Information Act because it would entail bypassing of the purpose of the regulation of the protection provided to the holders of individual authorizations under the Electronic Communications Act.

h) Number of complaints filed pursuant to Section 16a of Act No. 106/1999 Coll., reasons for filing them, and brief description of the processing

In 2016 CTU processed 2 complaints pursuant to Section 16a of Act No. 106/1999 Coll. The first complaint was filed pursuant to Section 16a(1) d) of Act No. 106/1999 Coll. against the request of CTU for reimbursement of the costs for the provision of the requested information quantified at CZK 7800. By a decision of the Chairman of the CTU Council the reimbursement of the costs in the amount of CZK 7800 was confirmed pursuant to Section 16a(7) a) of Act No. 106/1999 Coll. The complainant requested some information which is not kept in the accounting records of CTU, for example information on the number of users of individual purchased or leased information systems, quantities of hardware and software and third-party licences in the form of overviews for individual years which must be searched in different records across the CTU departments. The complainant also requested information on the identity of the main suppliers of hardware and software and information on how they were selected, and also a copy of the relevant contracts and decisions on the selection. These requests involve search for all contracts which meet the applicant's requirements for the last 3 years, search for the relevant decisions on the supplier selection, and scanning of all documents found. The delivery of the requested information on the purchase of hardware and software including the operational items it is necessary to sort the items by hardware, software and operation and subsequently perform a sum in the case of information systems which are recorded as software. In some cases the invoices also include items for joint delivery of different types of hardware (computers, notebooks, tablet PCs) or software (licences, implementations, etc.). The costs were calculated with respect to the Table of Rates for reimbursement of costs for the provision of information pursuant to Act No. 106/1999 Coll. and the expected time consumption for the search for all information according to the requirements set in the request (28 hours), search for all contracts and decisions on selection, and the transfer thereof into digital form (4 hours), preparation of a structure overview and checking the accuracy (8 hours), and preparation of the reply and submission thereof (1 hour).

In the second case the complaint was filed pursuant to Section 16a(1)c) of Act No. 106/1999 Coll. against the actions of CTU when processing the applicant's request, where the applicant objects the incompleteness of processing of his request. By a decision of the Chairman of the CTU Council the actions of the first-instance administrative body were confirmed pursuant to Section 16a(6) a) of Act No. 106/1999 Coll. CTU legitimately refused to provide information to the applicant in the part of the information pertaining to the name of the holders of individual authorizations to use radio frequencies in the frequency band 410-425 MHz and to provide information on the specific conditions of these individual authorizations and to provide the file documentation related to these individual authorizations. The reason is the fact that the information pertaining to individual authorizations or provision of block allocations of radio frequencies cannot be provided without the express consent of the holder of the individual authorization or holder of the block allocation of radio frequencies.

i) List of exclusive licences provided, including reasoning for the need to provide an exclusive licence (Section 14a of Act No. 106/1999 Coll.)

In 2016 CTU did not provide any exclusive licence.

j) Other information relating to the application of Act No. 106/1999 Coll.

In 2016 CTU collected reimbursements of costs associated with the provision of information pursuant to Section 17 of Act No. 106/1999 Coll. in the amount of CZK 444.

The written requests for the provision of information included in the records for 2016 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.

Prague, 21 February 2017

Ing. Mgr. Jaromír Novák, v. r.
Chairman of the Council of the Czech Telecommunication Office

Note: This Annual Report was published on 27 February 2017 in a manner allowing remote access, i.e., on the website of CTU (www.ctu.cz).

Table 29: Provision of information pursuant to Act No. 106/1999 Coll., on free access to information, as amended, for the period 2012–2016

	Number of requests for information filed	Number of decisions on rejection of the request	Number of appeals filed against the decision	Number of suspended requests for information
2012	40	3	0	4
2013	36	7	3	3
2014	54	12	2	3
2015	52	17	11	1
2016	55	15	6	3

3 Annual Report of the Czech Telecommunication Office on out-of-court settlement of consumer disputes (Section 20k(4) and (5) of the Consumer Protection Act)

The legal framework for out-of-court settlement of consumer disputes in the area of electronic communication services and postal services in 2016 consisted in particular of Act No. 127/2005 Coll., on electronic communications and on the amendment of some related acts (Electronic Communications Act), as amended, and Act No. 29/2000 Coll., on postal services and on the amendment of some Acts (Postal Services Act), as amended, including the implementing regulations. Specifically, out-of-court settlement of consumer disputes is regulated by Section 129 of the Electronic Communications Act and Section 6a of the Postal Services Act. The procedural actions of the Office within out-of-court settlement of consumer disputes is regulated by Act No. 500/2004 Coll., Code of Administrative Procedure, as amended. General obligations of the Office, as the subject of the out-of-court settlement of consumer disputes, in particular the disclosure and notification obligation, are regulated in Act No. 634/1992 Coll., on consumer protection, as amended.

On 28 December 2015 or, more precisely, on 1 February 2016, Act No. 378/2015 Coll. Came into effect, amending the Consumer Protection Act and some other Acts, where this amendment introduced the institute of out-of-court settlement of consumer disputes, and Articles VI. and VII. of this amendment amended Section 129 of the Electronic Communications Act and Section 6a of the Postal Services Act. The out-of-court settlement of disputes has been taking place in the Office since 1 May 2005 when the Electronic Communications Act entered into effect, nevertheless the above-mentioned amendment introduced for example:

- three-month time limit for the settlement of the consumer dispute,
- new disclosure obligations of the Office during the proceedings concerning a consumer dispute,
- qualification conditions and conditions for the discharge of the office of the person deciding in the out-of-court settlement of consumer disputes,
- obligation to published on a website the information specified in Section 20i of the Consumer Protection Act,
- notification obligation to the Ministry of Industry and Trade.

Pursuant to Section 20k(4) of Act No. 634/1992 Coll., on consumer protection, as amended, the subject of the out-of-court settlement of consumer disputes shall provide the Ministry of Industry and Trade with the following information once every two years:

- a) on the number disputes submitted to it and the types of suggestions related to it.

For the year 2016 the Office received 376 requests regarding a dispute between the consumer and provider of electronic communication services or provider of postal services. The requests were related to the dispute proceedings regarding an objection against the handling of a complaint about the billing, complaint about the electronic communication service, concerning a dispute about non-pecuniary supply, and concerning an objection against the handling of a complaint about the defects of postal services.

b) on the percentage of out-of-court settlements of consumer disputes which were suspended or rejected without finding a solution, and the percentage of the reasons for the suspension or rejection, if known.

In 2016, proceedings were suspended in 35 % of the total number 376 requests received for out-of-court settlement of consumer disputes. Out of the total number of suspended proceedings (130 requests) the proceedings were suspended for the following reasons:

Reasons for suspension of the proceedings	%
Applicant withdrew the request	34
Request was evidently legally inadmissible	5
Applicant failed to rectify material defects of the request	13
Applicant failed to pay the administrative fee	37
Applicant died/ceased to exist	1
Request has become groundless	10

c) on the average time necessary for the settlement of the dispute.

The average time necessary for the settlement of the dispute within of the out-of-court settlement of consumer disputes was 96 days.

d) on the degree of compliance with the outcome of the out-of-court settlement of consumer disputes, if known.

Administrative proceedings conducted by the Czech Telecommunication Office has two instances. A decision issued by the Czech Telecommunication Office is binding upon the parties and enforceable by other procedures according to the law and legally.

e) on system or serious problems which occur frequently and lead to disputes between consumers and vendors.

The main reasons for disputes between consumers and providers of electronic communication services include increase of the price for the electronic communication services as a result of unilateral change by the provider. Another reason is billing of the contractual fine (payment) for early termination of the contract. In the area of postal services, the serious and recurring subject of dispute is the failure to make an attempt for delivery of a package to recipient or damage of the content of a postal item.

f) on cooperation, if any, of the subjects within a network of subjects of the out-of-court settlement of consumer disputes facilitating cross-border disputes and assessment of the effectiveness of this cooperation, if any.

In 2016 Czech Telecommunication Office did not receive any request related to a cross-border dispute.

g) on professional training of individuals for performing the out-of-court settlement of consumer disputes.

The employees responsible for performance of the out-of-court settlement of consumer disputes are trained on regular basis within the training of civil servants in the laws and regulations under which the disputes are processed.

h) on assessment of the effectiveness of the out-of-court settlement of consumer disputes and on potential improvement thereof.

With respect to the binding nature of the decision on the parties to the dispute and the procedures according to the laws, settlement of consumer disputes is considered sufficiently effective. The Electronic Communications Act as the substantive law regulation for the settlement of consumer disputes has been and is currently subject to amendment.

4 Information on handling complaints about the activities of CTU for the year 2016

In 2016 CTU handled 20 submissions which were assessed as complaints pursuant to Section 175 of Act No. 500/2004 Coll., Code of Administrative Procedure, as amended, taking into account the nature and contents thereof.

The complaints included objections against poor-quality and lengthy administrative proceedings, incorrect actions of CTU, or in appropriate actions of the employees of CTU or unprofessional or unethical conduct in the sense whether it involved was violation of Act No. 127/2005 Coll., on electronic communications and on the amendment of some related acts (Electronic Communications Act), as amended, Act No. 29/2000 Coll., on postal services and on the amendment of some Acts (Postal Services Act), as amended, and, as the case may be, Act No. 500/2004 Coll., Code of Administrative Procedure, as amended, or references to violations of these regulations. An overview of the number of complaints filed for the year 2016 is provided in Appendix No. 2 hereto.

An investigation in individual cases revealed that 18 out of the above-mentioned complaints are unjustified and 2 have been evaluated as legitimate complaints. The first legitimate complaint is a complaint about the incorrect conduct of the administrative body consisting of incorrect indication of the clause of legal force and enforceability of the decision. The other one is a complaint about the delivery of a document which did not belong to the complainant and, at the same time, for provision of personal data of the complainant, albeit unintentional, to a third party, and thus potential violation of the Personal Data Protection Act. CTU issued a written apology to the complainants for the inconvenience caused. One of the measures which should minimize such mistakes in the future was repeated instruction of the employees who are in charge of conducting administrative proceedings regarding careful assessment of the submissions received from the parties to the proceedings and proper evaluation thereof in accordance with Act No. 500/2004 Coll., Code of Administrative Procedure.

All complaints processed as unjustified concerned the possible incorrect actions of the administrative body, lengthy administrative proceedings, or allegedly inappropriate conduct of an employee of CTU which, however, were not proven during the investigation. No remedial actions were adopted in case of the complaints about incorrect actions of the administrative body assessed as unjustified. In case of the complaints about inconclusively inappropriate conduct of an employee of CTU, which were only supported by the complainants allegation,

the conduct of employees of CTU in accordance with the CTU code of conduct as well as their rights and obligations arising from the Inspection Code and the Electronic Communications Act were repeatedly discussed with the employees for the sake of prevention of incidents in interactions of CTU employees with the public.

In two cases the complaint was submitted to the Chairman of the CTU Council as the superior administrative body, about the actions of the first-instance administrative body. The first complaint was about poor-quality and lengthy administrative proceedings. Although the statutory time limits for issuing a decision were not complied with this fact did not affect the lawfulness and binding nature of the decisions issued by the first-instance administrative body. Chairman of the CTU Council issued an apology to the complainant for the failure to comply with the statutory time limits, which was caused by the year-on-year increase of subscriber disputes regarding payment of the price for services by 107% while the number of employees active in the settlement of disputes was reduced by 50%. But since none of the subscribers filed a request for application of a measure against inactivity of the first-instance administrative body pursuant to Section 80(3) of the Code of Administrative Procedure, the Chairman of the CTU Council, as the superior administrative body, did not learn about the duration of the administrative proceedings and therefore could not adopt any measures in that respect. None of the objections mentioned by the complainant affected the lawfulness of the administrative proceedings in question and the resolution of the first-instance administrative body or, more precisely, decision of the second-instance body. The complaint was therefore assessed as unjustified.

In the case of the second complaint, a request for a review was filed concerning the method of handling of the complaint about the actions of the administrative body when processing the complainant's request for commencement of the administrative proceedings concerning the imposition of a fine for administrative offence which was allegedly committed by the operator in connection with the porting of a telephone number to another operator. After having reviewed the handling of the complaint, CTU concluded that the first-instance administrative body acted according to the law and did not depart from the rules laid down by the law. In this case, too, the complaint was therefore assessed as unjustified.

In relation to the application of the set procedures in dealing with complaints according to Part Seven of the Code of Administrative Procedure, 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 in 2016.

In 2016 CTU received 2 petitions. One of the petitions was not related to the scope of powers of CTU, and CTU therefore referred it, pursuant to Section 5(2) of Act No. 85/1990, on petition right, to the relevant municipality and the competent building authority. The second petition was related to the scope of powers of CTU, although with the limitation that the Electronic Communications Act does not support CTU in asserting direct influence on the operator to ensure coverage of a specific location and thus ensure the signal in sufficient quality. The mobile service provider did not undertake to do so in the individual contracts. CTU therefore performed a control measurement of the signal level and provided the petitioners with information and advice regarding the remedy of the situation.

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 Code of Administrative Procedure.

In this context we state that in 2016 CTU received a report within one complaint about suspected corruption behaviour of an employee of CTU, as the first-instance administrative body, or, as appropriate, abuse of power of an official, consisting of an alleged preference of the (complainant's) respondent, manipulation, distortion of information, withholding information, etc. The complaint about the corruption without a single piece of evidence presented was assessed as unjustified. The complainant failed to use his right to examine the file and did not respond to the repeated invitation of the administrative body to examine it, not even in the Prague branch. The complainant also failed to use his right to file an ordinary appeal. In connection with the complaint, the complainant was advised about the criminal act of defamation pursuant to Section 184 of the Criminal Code or false accusation pursuant to Section 345 of the Criminal Code.

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.

In 2016 CTU received two submissions at the anti-corruption e-mail address; they reported unlawful conduct of an employee of CTU. One report was assessed as absolutely unjustified in relation to the previous complaint, and the other was related to possible manipulation of the information disclosed in the database of businesses in the area of electronic communications. An investigation of the situation revealed that the inconsistencies in the database in question were not caused by deliberate or culpable conduct of an employee CTU, but they resulted from the transfer of the database to the new web portal of CTU. The situation was rectified based on this submission.

In general, it can be therefore said that the anti-corruption e-mail address is frequently used by the general public instead of electronic mail room to submit reports related to businesses in the area of electronic communications. Such submissions are immediately referred to the relevant departments of CTU for processing. The e-mail address is also used for the submission of reports pursuant to Government Regulation No. 145/2015 Coll., on measures related to suspected illegal conduct in a civil service authority, which were processed according to this regulation.

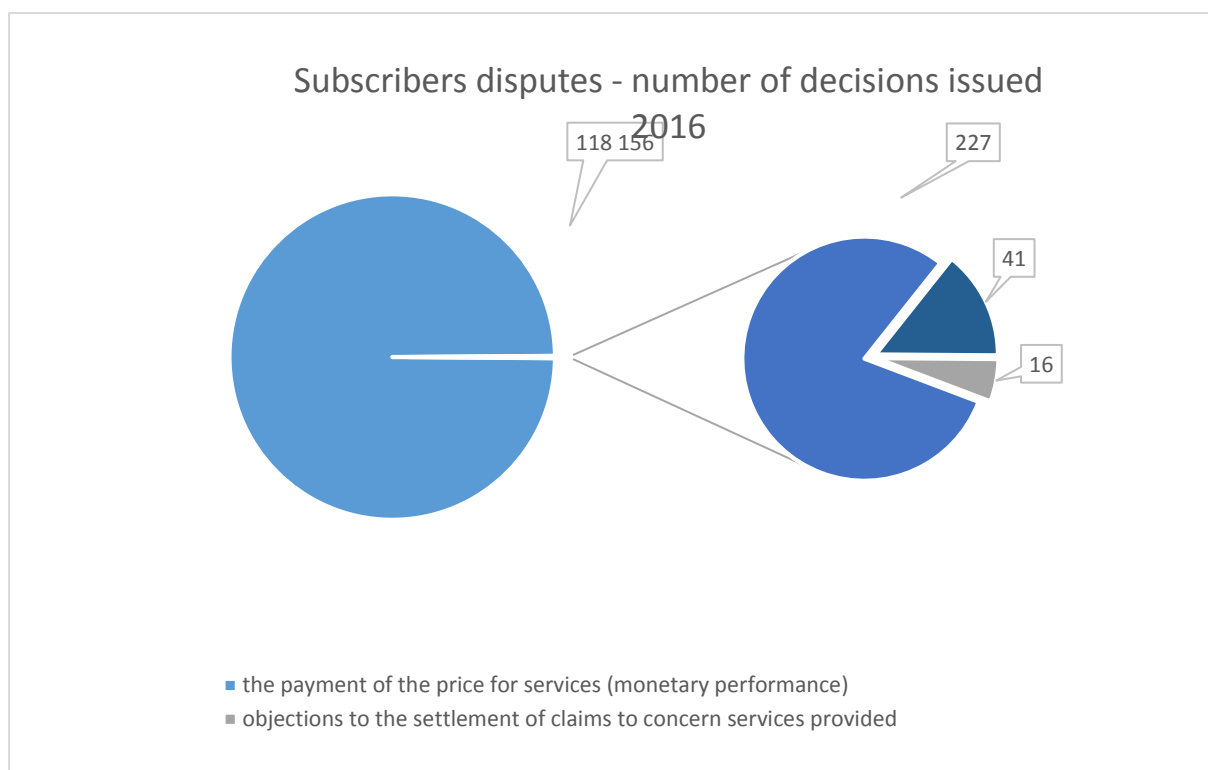
Appendices to the 2016 Annual Report

Overview of subscriber disputes regarding electronic communication services for the year 2016

Type of activity	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions handed down	Decided in the favour of		Other	Number of administrative proceedings carried over to subsequent period
				the subscriber	the provider		
Deciding on subscriber disputes	116 386	67 609	118 440	22 588	80 377	15 475	65 555
a) on objections to the settlement of claims to concern services provided	30	22	16	5	0	11	36
b) on objections to the settlement of claims to concern the billing of prices for services	460	314	227	69	45	113	547
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)	115 485	67 192	118 156	22 503	80 325	15 328	64 521
d) other	411	81	41	11	7	23	451

1a. Subscribers disputes - number of decisions issued in 2016

the payment of the price for services (monetary performance)	118 156
objections to the settlement of claims to concern services provided	16
objections to the settlement of claims to concern the billing of prices for services	227
other	41



2. Complains made by subscribers/ users of electronic communication services in 2016

Subject-matter of complaint	I. q	II. q	III. q	IV. q	TOTAL
1. Electronic communication services	524	414	509	407	1 854
2. Radio communication services	3	0	0	3	6
3. Telephone number portability in a mobile network	20	8	15	21	64
4. Telephone number portability ina fixed network	3	1	3	2	9
5. Failure to set up or transfer a telephone station	2	1	1	4	8
6. Customer support service provided by electronic communication service provider	15	7	2	1	25
7. Method of customer acquisition by providers and dealers	2	0	2	0	4
8. TV signal reception	1	0	0	2	3
9. Deceptive advertisement	4	1	2	2	9
10. Consumer protection	0	35	19	18	72
11. Universal service	2	2	0	1	5
12. Other	62	151	100	185	498
TOTAL	638	620	653	646	2 557

2a. Complaints made by customers against postal services in 2016

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	29
	delivery of postal packages of up to 10 kg	5
	delivery of an amount of money by way of postal order	5
	delivery of registered consignments	47
	delivery of valuable consignments	5
	ree delivery of postal consignments of up to 7 kg for the blind	0
	basic foreign postal services	17
	delivery of postal packages of over 10 kg posted from abroad	2
	coupon-response international service	0
	response consignments in international payment	0
	delivery of printed matter bag service	0
TOTAL		110
2.	Complaints against postal services	
	long waiting times	1
	post office opening hours	4
	change of post office at which a consignment is stored for collection	3
	delivery of postal consignments	149
	dealing with complaints and returns.	116
	breach of postal secrecy	10
	postal consignments to/from abroad	2
	delivery of official instruments	3
	requests for information	6
TOTAL		294

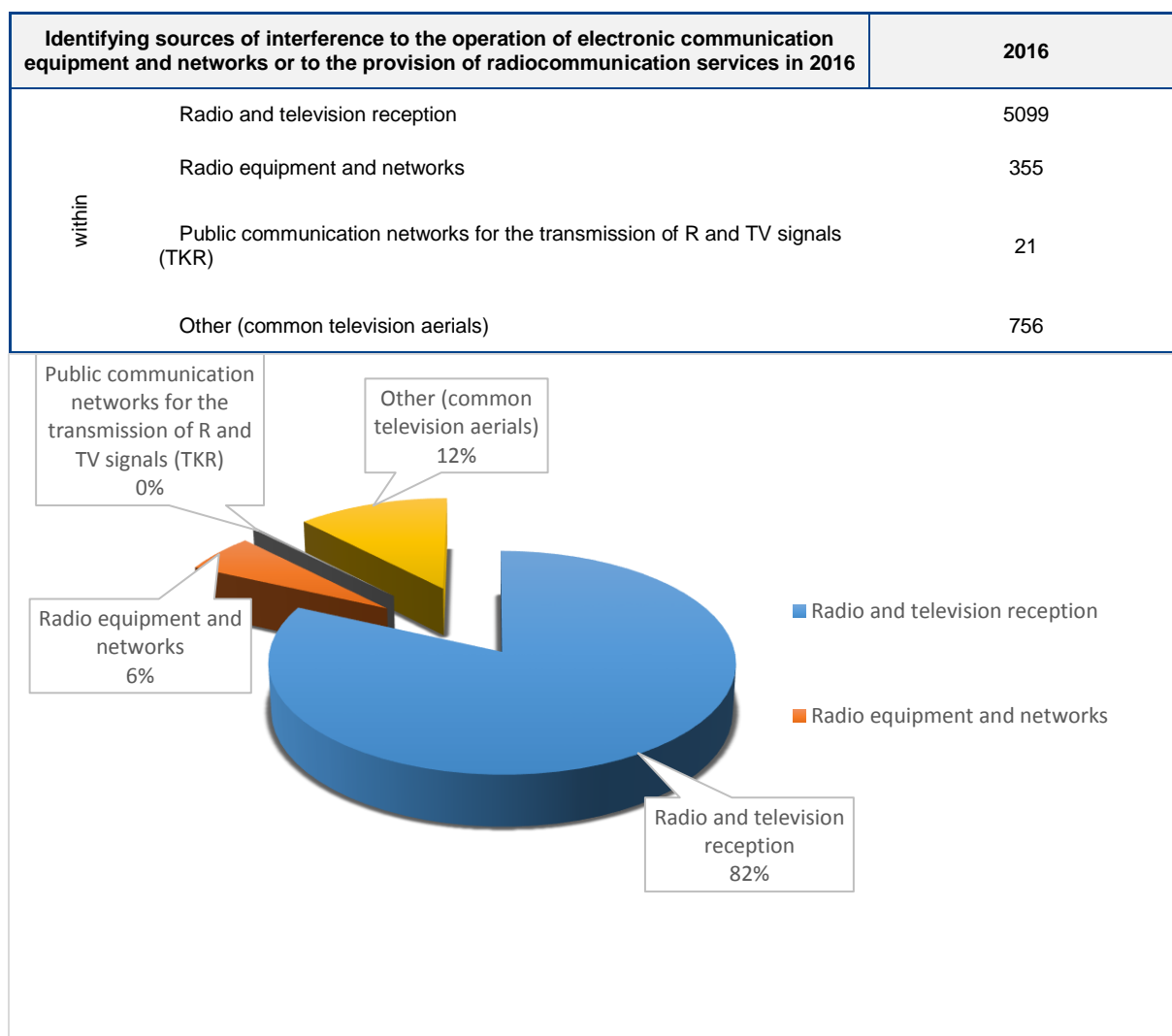
3. Issued decisions on individual authorisations to use radio frequencies in 2016

Type of authorisation		Number of decisions	
		to award ¹⁾	to revoke
		authorisation	
1.	Fixed line service		
	total	7248	3707
	of which point - point	7127	3656
	point - multipoint	121	51
2.	Amateur service		
	total	1328	4
	of which individuals	1226	4
	club stations	57	0
	repeaters and packet nodes	45	0
3.	Satellite service		
	total	10	3
	of which VSAT	6	2
	SNG	4	1
4.	Aeronautical service		
	total	825	177
	of which aircraft stations	729	142
	aeronautical stations	96	35
5.	Maritime service		
	total	97	30
	of which ship stations	97	30
	shore stations	0	0
6.	Broadcasting service		
	total	324	0
	of which television transmitters	87	0
	radio transmitters	237	0
7.	Land mobile service		
	total	466	157
8.	Other radiocommunication services		
	total	16	0
	radio location service	16	0
9.	Short-term authorisations		
	total	249	0
	of which fixed line service	71	0
	amateur service	3	0
	and mobile service	125	0
	aeronautical mobile service	1	0
	satellite service	36	0
	broadcasting service	13	0

4. Verification of professional competence to operate radio equipment in 2016

Type of professional competence certificate		Number of certificates			
		issued based on examination	whose period of validity was extended	issued within a year of their becoming invalid	duplicates, changes, recognition of competence
1	Restricted Radiotelephone Operator's Certificate of Maritime Mobile Service (OF, OFN)	346	374	139	13
2	Restricted Radiotelephone Operator's Certificate of Aeronautical Mobile Service (OFC, OFM, OFL)	655	723	198	22
3	General Radiotelephone Operator's Certificate of Maritime Mobile Service (VF, VFN)	48	130	67	1
4	General Radiotelephone Operator's Certificate of Aeronautical Mobile Service (VF, VFL)	188	405	127	127
5	Restricted Operator's Certificate of Maritime Mobile Service (SRC)	3	18	3	7
6	General Operator's Certificate of Maritime Mobile Service (LRC)	0	2	6	0
7	General Operator's Certificate of Maritime Mobile Service (GOC, GO)	13	12	2	6
8	Restricted Operator's Certificate of Maritime Mobile Service (ROC)	0	0	0	0
9	Radiotelegraph Operator's Certificate	0	3	0	0
10	Harmonised Amateur Radio Examination Certificate (HAREC)	67	0	0	0
11	Amateur Radio Operator's Certificate (NOVICE)	9	0	0	0
TOTAL		1253	1667	542	176

5. Identifying sources of interference to the operation of electronic communication equipment and networks or to the provision of radiocommunication services



6. Overview of activities in the exercise of control of postal services and subscriber disputes in 2016

Type of activity	Number of certificates or inspections		Number of measures in the	Number of administrative	Number of administrative	Number of decisions	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	7	0	0	0	0	0	0	0	0	0	0	0
2. Number of changes to certificates of notification of operating a business	9	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 regulation	127	0	0	0	0	0	0	0	0	0	0	0
a) adherence to postal terms and conditions according to Section 6 of the Act on Postal Services	0	66	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	61	0	0	0	0	0	0	0	0	0	0
5. Decision-making on objections to the settlement of claims according to Section 6a of the Act on Postal Services	0	0	0	29	211	174	28	78	68	0	0	66
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	1	1	0	0	0	1	10000	0
8. Other	38	0	0	3	13	13	0	0	0	13	416000	3
TOTAL	181	127	0	32	225	188	28	78	68	14	426000	69

7. Overview of activities in the exercise of control of electronic communications in 2016

Type of activity	Number of certificates or inspections		Number of calls to rectify shortcomings	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions handed down	Other	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	20	0	0	2	20	22	0	19	204700	0
2. Adherence to the terms and conditions of general authorisations	489	0	24 1	13	22 5	22 9	0	22 5	657000 0	9
a) in relation to providing public communication networks and associated facilities	0	0	0	0	0	0	0	0	0	0
b) in relation to providing electronic communication services	0	4	0	2	11	12	0	11	228000	1
c) in relation to the use of radio frequencies and the operation of devices (radio equipment)	0	485	24 1	11	21 4	21 7	0	21 4	634200 0	8
3. Inspection of radio frequencies	135	0	6	4	69	73	0	63	752500	0
a) the use of radio frequencies without authorisation to do so	0	121	0	3	56	59	0	51	587500	0
b) adherence to the conditions of an individual authorisation for the use of radio frequencies	0	14	6	1	13	14	0	12	165000	0
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	6231	0	0	2	26	27	0	27	212000	1
a) radio and television reception (radio service)	0	509 9	0	0	3	2	0	2	2000	1
b) radio equipment and networks	0	355	0	2	23	25	0	25	210000	0
c) public communication networks for the transmission of R and TV signals (TKR)	0	21	0	0	0	0	0	0	0	0
d) other	0	756	0	0	0	0	0	0	0	0
5. Inspection of numbers for the purposes of number administration (number of inspection calls)	3158	0	0	0	5	7	0	7	41000	0
a) the use of numbers without authorisation to do so	0	315 6	0	0	5	7	0	7	41000	0
b) the use of numbers in conflict with authorisation for their use	0	2	0	0	0	0	0	0	0	0
7. Monitoring the radio spectrum for the purposes of administering the radio spectrum	1812	0	0	0	0	0	0	0	0	0
a) measuring the time use of frequencies and frequency bands	0	655	0	0	0	0	0	0	0	0
b) measuring territorial coverage with radio signal	0	21	0	0	0	0	0	0	0	0

c) measuring the intensity of the electromagnetic field	0	4	0	0	0	0	0	0	0	0
d) other	0	113 2	0	0	0	0	0	0	0	0
8. Failure to provide information according to Section 115 of the Act on Electronic Communications	0	0	0	15	26	23	0	23	265000	18
9. Other	1066	0	58	23	35 7	34 6	0	30 0	1,3E+07	34
TOTAL	1291 1		30 5	59	72 8	72 7	0	66 4	2,1E+07	62

8. Measures of a General Nature issued in 2016 according to the Act on Electronic Communications

OOP - General authorisations

Serial No.	Number of Measure of a General Nature (OOP)	Name of OOP	OOP dated	Number of TV (telecommunications bulletin) dated	Effective date of OOP
1.	VO-R/1/06.2016-8	OOP (VO) for the operation the user's terminals of the radio networks of the electronic communications according to Section 9(2)	14.6.2016	11/2016 of 17.6.2016	1.7.2016
2.	VO-R/3/06.2016-9	OOP (VO) for the use of radio frequencies and the operation of PMR 446 equipment according to Section 9(2)	14.6.2016	11/2016 of 17.6.2016	1.7.2016
3.	VO-R/7/11.2016-12	OOP (VO) for the use of radio frequencies and for the operation of citizen band radio stations in the 27 MHz band according to Section 9(2)	22.11.2016	21/2016 of 30.11.2016	15.12.2016
4.	VO-R/10/11.2016-13	OOP (VO) for the use of radio frequencies and for the operation of short range devices according to Section 9(2)	22.11.2016	21/2016 of 30.11.2016	15.12.2016

OOP – Radio spectrum use plan

Serial No.	Number of Measure of a General Nature (OOP)	Name of OOP	OOP dated	Number of TV (telecommunications bulletin) dated	Effective date of OOP
5.	PV-P/20/1.2016-1	Part of Radio Spectrum Use Plan for the 960-1700 MHz according to Section 16(2)	1.1.2016	1/2016 of 15.1.2016	1.2.2016
6.	PV-P/15/04.2016-7	Part of Radio Spectrum Use Plan for the 380-470 MHz according to Section 16(2)	19.4.2016	9/2016 of 4.5.2016	16.5.2016
7.	PV-P/10/08.2016-10	Part of Radio Spectrum Use Plan for the 470-960 MHz according to Section 16(2)	8.8.2016	15/2016 of 10.8.2016	25.8.2016
8.	PV-P/21/11.2016-11	Part of Radio Spectrum Use Plan for the 174-380 MHz according to Section 16(2)	15.11.2016	21/2016 of 30.11.2016	15.12.2016

9.	PV- P/1/11.2016-14	Part of Radio Spectrum Use Plan for the 146-174 MHz according to Section 16(2)	22.11.2016	21/2016 of 30.11.2016	15.12.2016
OOP - Analyses of relevant markets					
Serial No.	Number of Measure of a General Nature (OOP)	Name of OOP	OOP dated	Number of TV (telecommunications bulletin) dated	Effective date of OOP
10.	A/8/03.2016-2	Access and call origination on public mobile telephone networks	2.3.2016	5/2016 of 14.3.2016	15. day after publication in the TV (telecommunications bulletin)
11.	A/1S/03.2016-3	Access to the public telephone network at a fixed location	22.3.2016	7/2016 of 8.4.2016	15. day after publication in the TV (telecommunications bulletin)
12.	A/2S/03.2016-4	Call origination on the public telephone network provided at a fixed location	22.3.2016	7/2016 of 8.4.2016	15. day after publication in the TV (telecommunications bulletin)
13.	A/1/04.2016-5	Wholesale call termination on individual public telephone networks provided at a fixed location	5.4.2016	8/2016 of 13.4.2016	15. day after publication in the TV (telecommunications bulletin)
14.	A/2/04.2016-6	Wholesale voice call termination on individual mobile networks	5.4.2016	8/2016 of 13.4.2016	15. day after publication in the TV (telecommunications bulletin)

9. Achievement of binding indicators of the state budget in 2016

Indicators	Budget		Final budget	Actual situation as at 31.12. 2016	% achievement (5/4)
	approved	after amendments			
1	2	3	4	5	6
Aggregate indicators					
Total income	2 447 294,00	2 447 294,00	2 447 294,00	4 372 300,26	178,66%
Total costs	1 497 507,08	1 500 176,07	1 694 970,05	709 322,00	41,85%
Specific indicators - incomes					
Tax incomes	34 735,00	34 735,00	34 735,00	48 967,35	140,97%
Non-tax incomes, capital incomes and received transfers in total	2 412 559,00	2 412 559,00	2 412 559,00	4 323 332,90	179,20%
therein: total incomes from European Union budget, not including common agricultural policy	0,00	0,00	0,00	2 136,01	0,00%
other non-tax incomes, capital incomes and received transfers in total	2 412 559,00	2 412 559,00	2 412 559,00	4 321 196,89	179,11%
Specific indicators - costs					
Costs of ensuring the achievement of tasks at the Czech Telecommunication Office	1 497 507,08	1 500 176,07	1 694 970,05	709 322,00	41,85%
therein: costs of the coverage of loss on the provision of the universal service "Special prices"	105 000,00	105 000,00	105 000,00	85 932,51	81,84%
costs of the coverage of loss on the provision of the universal service – net costs	53 000,00	53 000,00	53 000,00	37 548,68	70,85%
other costs of ensuring the achievement of tasks at the Czech Telecommunication Office	1 339 507,08	1 342 176,07	1 536 970,05	585 840,81	38,12%
Cross-sectional indicators					
The salaries of employees and other payments for work done	243 994,32	249 964,05	252 908,91	247 115,11	97,71%

Mandatory insurance premium paid by the employer	83 005,31	83 675,02	84 592,2 2	84 538,27	99,94%
Transfer to the cultural and social needs fund	3 545,53	3 575,08	3 615,5 4	3 615,54	100,00%
Salaries of employees having labour relations except employees in the civil service	0,00	0,00	0,00	0,00	0,00%
Salaries of employees in the civil service according to the Law on the civil service	236 368,54	238 338,28	241 035,9 2	238 546,91	98,97%
Ensuring readiness for crisis situations according to Act No. 240/2000 Coll.	80,00	80,00	80,00	3,47	4,34%
Total costs jointly-financed by the European Union budget without SZP	0,00	0,00	0,00	0,00	0,00%
therein: from the state budget	0,00	0,00	0,00	0,00	0,00%
share of European Union budget	0,00	0,00	0,00	0,00	0,00%
Total costs maintained in the EDS/SMVS programme financing information systém	125 310,00	125 310,00	238 747,9 3	112 278,28	47,03%

10. Chapter indicators – budget overview for the year 2017

Aggregate indicators	
Total income	1 220 729
Total expenses	1 406 383
Specific indicators - income	
Tax income ⁵⁾	20 713
Non-tax income, capital income and received transfers in total	1 200 016
therein: total income from European Union budget, not including common agricultural policy	0
other non-tax income, capital income and received transfers in total	1 200 016
Specific indicators - expenses	
expenses of ensuring the achievement of tasks at the Czech Telecommunication Office	1 406 383
therein: expenses of the coverage of loss on the provision of the universal service - special prices	105 000
expenses of the coverage of loss on the provision of the universal service – net costs	53 000
net costs representing an unfair financial burden for holders of postal licence	700 000
other expenses of ensuring the achievement of tasks at the Czech Telecommunication Office	548 383
Cross-sectional indicators	
The salaries of employees and other payments for work done	259 218
Mandatory insurance premium paid by the employer ¹⁾	88 185
Transfer to the cultural and social needs fund	5 022
Salaries of employees having labour relations except employees in the civil service	0
Salaries of employees in the civil service according to the Law on the civil service	251 118
Ensuring readiness for crisis situations according to Act No. 240/2000 Coll.	80
Total expenses 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 expenses maintained in the EDS/SMVS programme financing information system	46 776

¹⁾ mandatory insurance premium for social security and contribution to the state employment policy and insurance premium for public health insurance

⁵⁾ not including income from mandatory insurance premium for social security and contribution to the state employment policy

11. Basic personnel data – 2016

1. SEGMENTATION OF EMPLOYEES BY AGE AND SEX - as of 31 December 2016

age	men	women	total	%
up to 20 years	-	-	0	-
21 - 30 years	33	69	102	17,06
31 - 40 years	59	93	152	25,42
41 - 50 years	38	81	119	19,90
51 - 60 years	63	89	152	25,42
61 years and over	48	25	73	12,21
total	241	357	598	100,00

%	40,30	59,70	100,00	x
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2. SEGMENTATION OF EMPLOYEES BY EDUCATION AND SEX - as of 31 December 2016

level of education	men	women	total	%
primary	0	2	2	0,33
apprenticeship	1	5	6	1,00
specialised secondary	0	0	0	-
full secondary	2	20	22	3,68
full specialised secondary	46	140	186	31,10
college	1	8	9	1,51
university	191	182	373	62,37
total	241	357	598	100,00

3. OVERALL DATA ON AVERAGE PAY as of 31 December 2016

	total
average gross monthly pay	33 077 Kč

4. OVERALL DATA ON THE CREATION AND TERMINATION OF LABOUR/SERVICE RELATIONS OF EMPLOYEES IN 2016

	labour relations	service relations	total
arrivals	3	53	56
departures	3	83	86

5. DURATION OF LABOUR/SERVICE RELATIONS OF EMPLOYEES - as of 31 December 2016

period of duration	number	%
up to 5 years	327	54,68
up to 10 years	84	14,05
up to 15 years	81	13,55
up to 20 years	45	7,53
over 20 years	61	10,20
total	598	100,00

6. LANGUAGE ABILITIES OF EMPLOYEES - 2016

type of language	number of selected positions for which standardised language tests were determined as a qualification requirement, ordered by level of knowledge			total number of determined requirements for systemised
	Level 1	Level 2	Level 3	
English	–	3	1	4
German	–	–	–	–
French	–	–	–	–
Total	0	3	1	4

12. List of petitions and complaints as of 31 December 2016

Type of submission		Number of submissions					
		Received	From previous period	Settled	Justified	Unjustified	Carried over to subsequent period
1.	Petitions	2	0	2	0	0	0
2.	Complaints	20	0	20	2	18	0
3.	Reporting of unlawful conduct	3	0	3	0	3	0
4.	Suggestions	0	0	0	0	0	0