

CZECH TELECOMMUNICATION OFFICE

ANNUAL REPORT 2017



Czech **Telecommunication** Office

1. A Word of Introduction from the Chairman

The year 2017 was above all the year of remedying a wrong done to consumers as a result of an amendment of the Electronic Communications Act in 2014. Czech Telecommunication Office criticized the above-mentioned anti-consumer amendment for a long time, and in the defence of some of its decisions it was also given an opportunity to present its opinion before courts. The courts stated that where the operators were obliged to provide information only on substantial changes to contracts leading to impairment of the subscriber's position it was insufficient consumer protection. Thanks to coordinated efforts, a new amendment was passed last year, providing remedy to the absurdly reduced standard of customer protection in telecommunications.

In 2017 the Office also continued with activities fostering competition on the telecommunication market. These activities included a successfully completed auction of frequencies in the 3.7GHz band (one of the bands that can be used in the future for development of the 5th generation networks) and also a definition of new mobile data market which was subjected to the so-called three-criteria test which is the first necessary condition for regulation. Besides two existing mobile operators, two other providers which have been active in the Czech market for a long time were also successful in the auction. The actual situation on the mobile data market will serve as a basis for CTU in 2018 for the preparation of auction conditions in an important frequency band – 700 MHz – the first globally harmonized band for high-speed mobile Internet.

2017 was the last year of validity of the postal licence of Czech Post (Česká pošta). Therefore, CTU launched a selection procedure last year for granting a new licence. Due to the fact that Czech Post did not meet all conditions of the selection procedure, the Council of the Czech Telecommunication Office in the end granted the postal licence directly. By doing so, it ensured continuous nationwide availability of postal services in the defined quality for a period starting from 1 January 2018.

The Office was also given a new scope of powers: thanks to adoption of the act on measures aiming at reducing the costs of deployment of high-speed electronic communication networks, the Office has become a single information point for providing information on the existing passive infrastructure and it is also authorized to settle disputes arising from this legislation.

I am glad that CTU managed to support the development of digital environment in the Czech Republic with its regulatory activities as well as activities associated with open data. The Office has an ambition to continue with these activities also this year.

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

2 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 to 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 May 2017 the government extended Jaromír Novák's chairmanship, until 22 October 2020, and his membership in the Council until 2022.

The Office carries out its activities through individual units, i.e., sections, departments and separate units. It is based in Prague and has its regional 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 2017, 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").

3 Executive Summary

ELECTRONIC COMMUNICATIONS

In 2017 the Czech Telecommunication Office focused on fostering the development of competition when it completed the fourth round of analyses of relevant markets No. 3a, 3b and 4, successfully notified all analyses to the European Commission, and subsequently published them. It also performed a three-criteria test of the newly envisaged mobile data market as a necessary prerequisite for considerations on the possible regulation of that market. CTU stated that all three criteria have been fulfilled and after completion of the public consultation it sent this proposal to the Office for the Protection of Competition for commenting. In 2018 the document will be submitted for notification to the European Commission.

The Office also successfully completed an auction of frequencies in the 3600 – 3800 MHz band. Besides two existing operators (Vodafone and O2), two new entities were successful in the auction: Nordic Telecom and PODA. In addition, CTU is preparing conditions of another auction of frequencies, in the 700 MHz band, which should take place in 2019.

Strong growth of data consumption in mobile networks continued in 2017. According to estimates, 183 PB of data were transmitted, almost twice as much as in the previous year. The average monthly data consumption per SIM card is 1052 MB.

The importance of consumer protection as one of the key responsibilities of the Office is increasing. In the area of electronic communications, the Office processed 2,293 complaints which were mostly related to matters having impact on subscriber contracts and disagreements with billing of the price for the services (53.4 % complaints).

POSTAL SERVICES

The validity of the postal licence of the existing holder, Česká pošta, s.p., expired in 2017. CTU therefore performed a review, well ahead of time, whether there are still reasons for imposing the obligation to provide universal services, and based on the result of the review it announced a tender for a holder of the postal licence for the period 2018 – 2022.

The only registered entity in the tender was Czech Post (Česká pošta) which, however, failed to meet the conditions for participation in the tender as it did not submit, in spite of repeated requests, the cost orientation of its prices. Its request was therefore denied by the CTU Council.

The Office in such case, under the provisions of the Act, imposed the obligation upon Czech Post directly as to the provider who best fulfilled the evaluation criteria.

In the case of postal services, the number of objections to the processing of complaints is increasing. It is a tool for reviewing rejected or incorrectly processed complaints where the customers may contact CTU with a request that the Office settle their dispute authoritatively. In 2017 CTU commenced 338 objection procedures in the area of postal services (in 2016 it was 211 administrative proceedings).

CTU responded to the increase of the number of complaints and objections to the processing of complaints by performing two nationwide inspections focusing on the processing of complaints as well as on the delivery of registered postal items. The inspection revealed a breach of obligations in five cases which are being dealt with by the Office within administrative proceedings.

ECONOMIC MANAGEMENT OF THE OFFICE

In 2017 CTU reported CZK 2.117 billion in revenues and CZK 643 million in expenses. A significant portion of the non-tax revenues were proceeds from the auction of frequencies (CZK 1.015 billion) and revenues from the radio spectrum management (CZK 1.040 billion).

Out of the 2017 budget, CTU saved CZK 767 million, CZK 700 million of which were savings in the form of deferred expenses for the coverage of the loss from the provision of the postal service, CZK 42.8 million were savings of expenses for the coverage of the loss of the universal service in the area of telecommunications, and CZK 24.8 million were other expense items.

In 2017 CTU spent CZK 395.4 million on salaries of the employees and the associated mandatory payments. As of 31 December 2017, CTU had 582 employees and 643 systemized positions. Similarly to other administrative authorities, CTU also faced the problem of filling service vacancies in 2017.



Situation and Development of the Electronic Communication and Postal Services Market in 2017

Fostering the development of economic competition in the market of electronic communications, ensuring availability of the universal postal services in the necessary quality, and providing protection of the rights of the users of the services on both markets were a priority for the Czech Telecommunication Office in 2017.

In the market of electronic communications, CTU completed the fourth round of analyses of relevant markets No. 3a, 3b and 4 in 2017. The Office successfully notified all analyses to the European Commission, and subsequently published them. In addition to the currently defined markets, CTU prepared a proposal of the three-criteria test for the newly envisaged wholesale market of mobile (including data) services. In the segment of residential customers (i.e., households) the Office declared a failure to fulfil all three criteria for the market to be treated as relevant with the possibility to apply the relevant regulation. The 3K test was subjected to public consultation, comments by the Office for the Protection of Competition, and in 2018 it will be submitted to the European Commission for notification.

In order to intensify competition, in 2017 the Office successfully auctioned frequencies in the band of 3.6 – 3.8 GHz. In addition to the existing operators (Vodafone and O2), successful bidders were also Nordic Telecom 5G a.s. and PODA a.s.

The long-term trend of decrease of the average price per minute of call continued in 2017. According to the available information for the 1st half of 2017 this average price dropped by 3.9 % to CZK 0.98 for an actually called minute. But there are differences between the minute prices for businesses and consumers (call prices for consumers are approximately 39 % higher than those for businesses).

The prices of international roaming from 15 June 2017 were affected by the European roaming (Roam Like At Home). In this mode, operators must charge the same price for roaming in the countries of the European Union and European Economic Area as the one customers pay at home within their plan.

Rapid growth can be seen in 2017 in the use of data services in mobile networks and the associated growth of the volume of the data transmitted. Relative to 2011, this indicator has increased more than 16 times to approximately 183 PB of transmitted data. Approximately half of this traffic is due to the use of data services through mobile networks at a fixed location (fixed LTE).

The growth of data consumption of the users of mobile Internet, however, also accelerated year on year (without counting in the fixed LTE). The average monthly data consumption for one such SIM card is 971 MB.

In terms of the available infrastructure for the provision of high-speed Internet access services, the number of subscriptions for access via optical networks (FTTH/B) has slightly increased, namely to 589 thousand (13.9% share). On the other hand, in the case of xDSL access subscriptions, the trend of gradual decline continues – from the original number of 904 thousand in 2016 to 890 thousand subscriptions in 2017. Access via WiFi networks still have the largest share in the retail market (1.14 million subscriptions). The share of this method of connection has therefore increased to 27 %.

The decline in the number of ported numbers in mobile networks which started in 2015 after the coming into effect of the strongly anti-consumer amendment of the Electronic Communications Act stopped in 2017. The number of annual portations decreased by one third at that time. The remedy was provided by the amendment of the Act which restricted the termination notice periods and reduced the periods for number porting, which CTU considers a significant factor fostering competition.

There were 26 entities active in the market of **postal services** in 2017. It was also the last year of validity of the postal licence granted to Česká pošta, s.p. for the period 2013 – 2017. After the review, CTU announced a tender for a holder of the postal licence for the period 2018 – 2022. The only registered entity in the selection procedure was Czech Post (Česká pošta) which, however, failed to meet the conditions for participation in the tender as it did not submit the cost orientation of its prices. For this reason, the CTU Council denied its request and, pursuant to Section 22(9) of the Postal Services Act, imposed the obligation to provide and ensure the universal services upon the provider who best fits the evaluation criteria. Česká pošta, s.p. thus received the postal licence and the associated obligations directly.

1 Assessment of the electronic communication market

1.1 Regulation of the electronic communication market

In 2017 CTU focused in particular on the completion of the fourth round of analyses of the relevant markets which started in 2015 based on the voluntary separation of O2 Czech Republic a.s. (hereinafter referred to as “O2”). In the case of relevant markets No. 3a, 3b and 4, CTU completed the draft version of the analyses of the relevant markets and there were consultations associated with these analyses, both with the Office for the Protection of Competition and with the European Commission. In 2017 the Office managed to successfully notify all of the above-mentioned analyses of the relevant markets with the

European Commission and to publish them subsequently. In relation to this, the Office opened administrative proceedings concerning the declaration of an undertaking with significant market power with significant market power and subsequently also administrative proceedings concerning the imposition of remedial measures in the affected markets.

A draft version of the three-criteria test for the newly envisaged wholesale mobile services market was prepared and submitted for public consultation in 2017, focusing on the availability of mobile data services. In addition, in 2017 CTU focused on the evaluation of the situation in the market of mobile backhaul where it prepared a preliminary analysis of the mobile backhaul market. CTU intends to submit the conclusions of its observations for public consultation in the first quarter 2018.

1.1.1 Process of the analyses of the relevant markets in 2017

In 2017 CTU continued with the current process of analyses of the relevant markets, according to OOP/1/04.2015-2, within the 4th round of the previous year. Additional procedural steps therefore took place in 2017, according to the progress of the individual analyses of the relevant markets. The specific acts in the relevant markets in question are specified below. Furthermore, CTU, in addition to the above-mentioned OOP/1/04.2015-2 which defines relevant markets in the field of electronic communications, including the criteria for evaluation of significant market power, prepared and consulted with experts the draft version of the three-criteria test for the newly envisaged wholesale mobile services market in terms of assessment of the reasons for application of ex-ante regulation for the fostering of competition in the related retail market.

In 2017, based on the completed analyses of relevant markets No. 3a – wholesale local access provided at a fixed location, No. 3b – wholesale central access provided at a fixed location for mass-market products, and No. 4 – wholesale high-quality access provided at a fixed location, preparation started of a decision to impose an obligation upon an undertaking with significant market power REM on these markets. Specifically, administrative proceedings with Česká telekomunikační infrastruktura a.s. started on 8 September concerning the imposition of obligations upon an undertaking with significant market power in markets No. 3a and 3b, and subsequently on 3 October in market No. 4. In the period from 8 November to 8 December there was a public consultation of the draft versions of all of the above-mentioned decisions. The settlement of the comments and suggestions received as well as the further development of the proceedings will take place in the first half of 2018 when all three decisions are expected to be issued.

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 2015. In 2017 the process of preparation of the relevant analyses of the relevant markets continued with consultations of the draft versions of the analyses with the Office for the Protection of Competition and the European Commission.

The draft version of the analyses was submitted to the Office for the Protection of Competition for commenting and subsequently to the European Commission. After the discussion and settlement of the comments and suggestions, the analyses of markets No. 3a and 3b were subsequently published as measures of general nature No. A/3a/07.2017-3 and No. A/3b/07.2017-4, namely on 9 August 2017 in part 10/2017 of the Telecommunication Bulletin.

Based on the results of the analyses, CTU decided to declare Česká telekomunikační infrastruktura a.s. an undertaking with significant market power in markets No. 3a and 3b, namely in decisions No. SMP/3a/11.2017-1 and SMP/3b/11.2017-2 which entered into force on 4 December 2017. Subsequently CTU commenced administrative proceedings with this company concerning imposition of remedial measures in these markets. These administrative proceedings will not be completed until 2018.

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

Analysis of relevant market No. 4 was commenced together with the analyses of relevant markets No. 3a and 3b, already in 2015. The process of analysis of the relevant market in question therefore continued in 2017, namely with the completion of the draft version of the analysis and submission thereof for public consultation with experts. CTU also consulted the draft with the Office for the Protection of Competition and with the European Commission.

According to the factual definition, CTU divided the market into two segments – segment with services of high-quality access provided at a fixed location with speed not exceeding 6 Mbit/s (Segment A), and segment with services with speed exceeding 6 Mbit/s (Segment B). Based on the analysis performed, CTU concluded that segment B is an effectively competitive market. Regarding segment A, CTU concluded that it is a market when an undertaking with significant market power is active – Česká telekomunikační infrastruktura a.s., and where remedial measures under the national law or the law of the European Union in the area of competition are not sufficient to resolve the problem.

The draft version of the analysis of relevant market No. 4 was submitted in February 2017 for public consultation. After the settlement of the comments and suggestions, CTU submitted the draft version to the Office for the Protection of Competition for commenting, and after the settlement thereof to the European Commission for notification. The analysis of relevant market No. 4 was subsequently published as a measure of general nature No. A/4/08.2017-5 on 25 August 2017 in part 11/2017 of the Telecommunication Bulletin.

Based on the results of the analysis of the relevant market, CTU started in September 2017 administrative proceedings with Česká telekomunikační infrastruktura a.s. concerning the declaration of an undertaking with significant market power in segment A of relevant market No. 4. In 2017 CTU submitted the draft version for public consultation and subsequently to the Office for the Protection of Competition for an opinion. The administrative proceedings were completed by the issue of decision no. SMP/4/01.2018-1 in January 2018. CTU, similarly to markets No. 3a and 3b, subsequently opened administrative proceedings with this company concerning the imposition of remedial measures in this relevant market, which is expected to be completed in the first half of 2018.

ANALYSIS – THREE-CRITERIA TEST IN THE NEWLY ENVISAGED WHOLESALE MARKET OF MOBILE SERVICES FOCUSING ON THE AVAILABILITY OF MOBILE DATA SERVICES

Based on the doubts which CTU had regarding the functioning of the wholesale markets of inputs for the provision of mobile services (in particular data services), CTU took procedural steps which would, in a justified case, enable – through ex-ante regulation – improvement of the conditions of competition in this wholesale market, which would ultimately be shown also in the retail market in the form of better conditions for consumers of mobile services.

As the current list of relevant markets¹, based on *Commission Recommendation 2014/710/EU*, does not define the market of mobile services (including data services), CTU decided to perform, in accordance with Section 52 of the Act and the [Methodology of analysis of the relevant markets](https://www.ctu.cz/metodika-analyz-relevantnich-trhu) [available online at: <https://www.ctu.cz/metodika-analyz-relevantnich-trhu>] the *three-criteria test*. The purpose of the test is to check whether the following three criteria are fulfilled cumulatively in the defined market.

1. The presence of high and non-transitory barriers to entry. These may be of a structural, legal or regulatory nature.
2. A market structure which does not tend towards effective competition within the relevant time horizon. The application of this criterion involves examining the state of competition behind the barriers to entry.
3. The insufficiency of competition law alone to adequately address the market failure(s) concerned.

The result of the test performed was a finding that all three criteria are met for the segment of residential customers (i.e., households). CTU therefore subsequently, in the period from 17 August to 17 October

2017, performed [public consultation](https://www.ctu.cz/vyzva-k-uplatneni-pripominek-k-navrhu-testu-tri-kriterii-pro-trh-mobilnich-sluzeb) [available online at: <https://www.ctu.cz/vyzva-k-uplatneni-pripominek-k-navrhu-testu-tri-kriterii-pro-trh-mobilnich-sluzeb>] of the draft version of the three-criteria test in question and subsequently, on 20 November 2017, published a table with the settlement of the comments and suggestions. After having incorporated the suggestions received within the public consultation and prepared the final draft version of the document, CTU will consult its draft version with the Office for the Protection of Competition and subsequently also with the European Commission. CTU estimates that these consultations will take place during the first half of 2018. If CTU receives an approval from the European Commission regarding the three-criteria test it will be able to define the new relevant market and, after subsequent analysis thereof, apply the ex-ante regulation, if applicable.

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.

In 2017, in the area of price regulation, CTU mainly monitored the implementation of and compliance with the previously imposed remedial measures in the relevant markets of call termination and the unbundled access market. The decisions on prices in the relevant call termination markets were issued by CTU at the end of 2016. In these decisions, the Office imposed upon the undertakings with significant market power in relevant market No. 1 (call termination at a fixed location) price regulation in the form of maximum prices of CZK 0.033 per minute without VAT, and upon undertakings with significant market power in relevant market No. 2 (call termination in mobile networks) price regulation in the form of maximum prices of CZK 0.248 per minute without VAT.

In addition to the 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.

Subject to regulation are also the prices of wholesale services of access to 4G networks which are offered by Czech mobile network operators based on voluntarily assumed commitments from the auction of radio frequencies organized by CTU in 2013/2014. According to these commitments, operators are obliged to negotiate with all parties interested in the use of the mandatory wholesale (LTE) offer laid down by the conditions of the auction under such price conditions that allow an equally effective virtual operator to carry out profitable business activities in the downstream market. CTU continuously monitors the compliance with the obligations of the mobile network operators.

1.2 Development in the main segments of the retail market

1.2.1 Services provided in mobile networks

In addition to the network operators (hereinafter also referred to as MNO²) – T-Mobile Czech Republic a.s. (hereinafter referred to as “T-Mobile”), O2 Czech Republic a.s., Vodafone Czech Republic a.s. (hereinafter referred to as “Vodafone”) and Nordic Telecom s.r.o.³, also mobile virtual operators with and without property relation to the network operator (hereinafter also referred to as MVNO⁴) were also active in the retail market of mobile services in 2017 – e.g., O2 Family, s.r.o. (wholly owned by O2 Czech Republic a.s.), SAZKA a.s., Tesco Mobile ČR s.r.o. (with property relation to O2 Czech Republic a.s.), ČEZ Prodej, a.s., TERMS a.s. In addition, individual operators in the retail market of mobile services used specific sales channels to support the sales of their services, namely in the form of branded resellers⁵ – e.g., BLESKmobil, [Mobil.cz](https://www.mobil.cz), OpenCall, PREmobil, etc. Entities offering their commercial offers in the wholesale market of mobile services included network operators (other than Nordic Telecom s.r.o.) as well as MVNEs⁶ – e.g., Quadruple a.s., IPEX a.s., TERMS a.s., etc. The numbers of the different types of providers are shown in the following table and correspond to the status as of the first half of 2017. Relative to the previous year, there was no major change in these numbers, to which – in terms of the number of SIM cards – also the total market share of MVNO correlates, as it is the same as the last year, i.e., nearly 7 %.

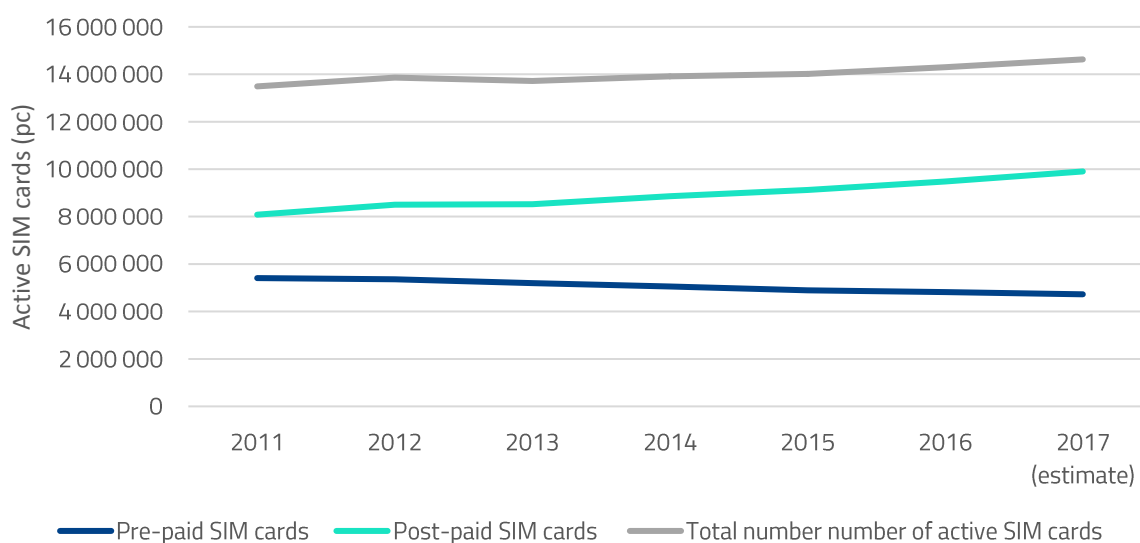
Similarly, the market share of the property-independent MVNOs is similar to that of 2016, i.e., 3.2 %. In general, after the dynamic development since 2013 when a large number of virtual operators entered the market, it is possible to expect in the following years rather a tendency toward stabilization of the number of entities in the market and consolidation of the positions of the existing providers.

Table 1:

Type of provider	Number of provider
MNO	4
MVNE	14
MVNO	155

Relative to 2016, there was again a slight growth in the number of active SIM cards which was, according to the current estimate of CTU, slightly over 14.6 million as of 31 December 2017. The estimated number of active post-paid SIM cards is approximately 9.9 million, and the number of active pre-paid SIM cards nearly 4.7 million.

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



The previous findings by CTU implied that in particular for small MVNOs with lower number of active SIM cards, the conditions of buying wholesale inputs can be restrictive, in particular in terms of the subsequent (im)possibility to offer in the retail market certain services, in particular data services, in the required price, quality and quantity. In terms of availability of mobile data services for MVNO in the wholesale market, CTU identified possible problems. As the current list of relevant markets⁷, based on *Commission Recommendation 2014/710/EU*, does not define the market of mobile services (including also data services), CTU decided to perform the three-criteria test in 2017 in order to verify whether it would be legitimate to apply ex-ante regulation to the newly defined market (of mobile services), if defined. The result of the test performed was a finding that all three criteria are met for the segment of residential customers (i.e., households). In 2018 CTU will consult its proposal with the Office for the Protection of Competition and subsequently also with the European Commission. If CTU receives an approval from the

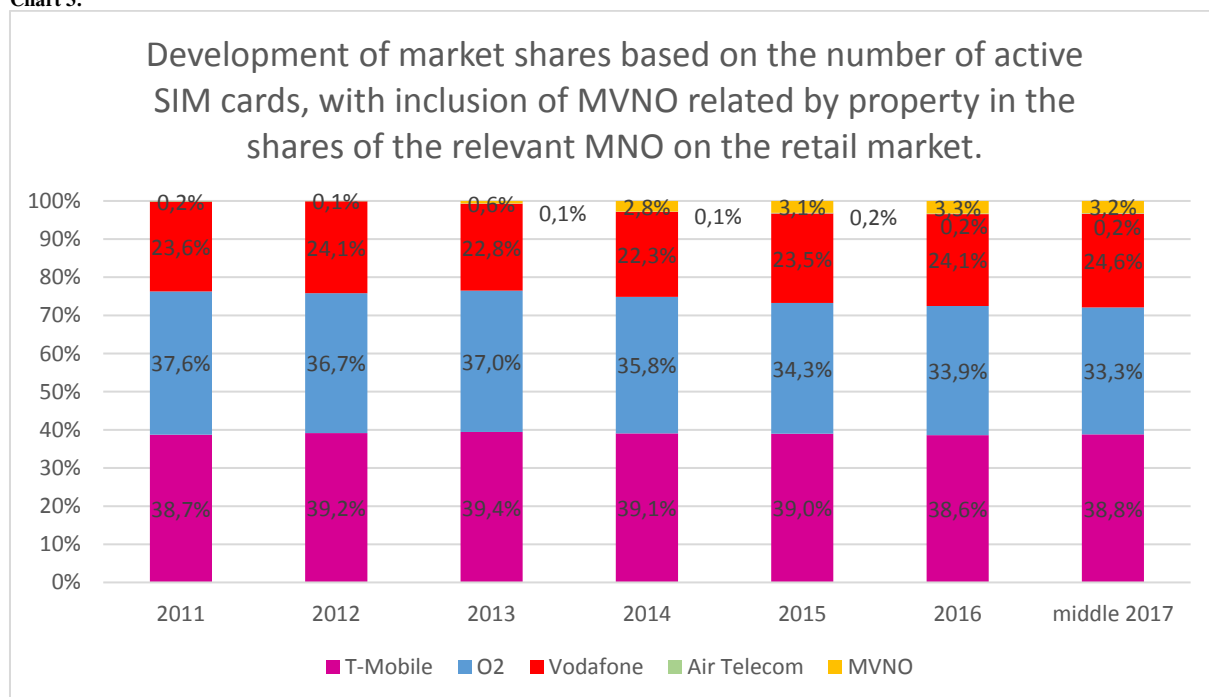
European Commission regarding the three-criteria test it will be able to define the new relevant market and, after subsequent analysis thereof, apply the ex-ante regulation, if applicable.

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. In 2017 CTU registered in the market in the Czech Republic one mobile virtual operator in the position of a full MVNO, namely Vectone Distribution Czech Republic s.r.o. offering services under the brand name Vectone mobile. This MVNO, however, is active in the market under a commercial agreement within the network of T-Mobile and currently is not among the most significant MNVOs in the market in terms of number of subscribers. Within the above-mentioned 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 following chart 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 chart in the shares of those undertakings with which they have a contract, based on which they offer services to end users.

CTU also dealt with the property relations between the individual MNOs and MVNOs. At the end of 2017, according to the available information of CTU, three MVNOs were connected in terms of assets with a network operator. It was COOP Mobil s.r.o. (1/3 owned by Vodafone Czech Republic a.s.), O2 Family, s.r.o. (100 % owned by O2 Czech Republic a.s.), and Tesco Mobile ČR s.r.o. (50 % owned by O2 Czech Republic a.s.). The chart below shows market shares of individual operators since 2011, whereas their market share takes into account (by addition) undertakings related by property.

Chart 3:

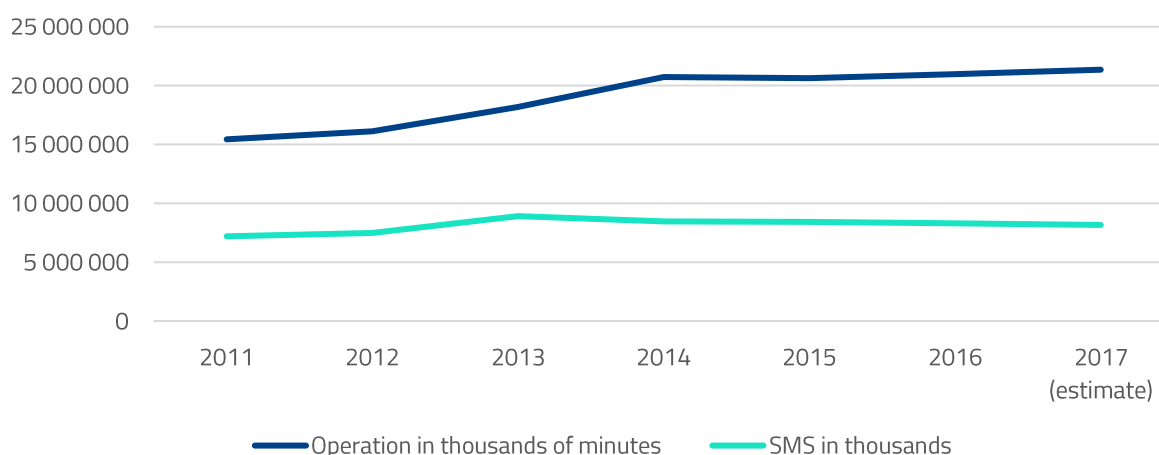


With respect to the fact that, in terms of active SIM cards, the total number of subscribers (given the market penetration⁸ 138 %) only grows slightly in time, there are greater movements of subscribers between individual service providers, including MVNOs. In connection with Internet of Things (IoT), an important aspect in the future will be the growth in the number of SIM cards used for M2M services. This, however, has been concentrated almost entirely (as of the 1st half of 2017 by 99.8 %) to MNOs so far. According to the information which the operators reported within the electronic data collection for the 1st

half of 2017, there are a total of 895 thousand active M2M SIM cards in the Czech Republic, more than 893 thousand of which are attributable to network operators.

Based on the available data, CTU estimates the year-on-year growth of the volume of traffic of voice calls generated by mobile network subscribers in 2017 will be 1.8 %, i.e., to 21.35 billion actual minutes. What also speaks in favour of the year-on-year growth is the data for the first half of 2017 and also the gradual increase of post-paid plans and expansion of the so-called unlimited (flat) plans. As for the number of sent SMS messages from mobile networks in 2017, CTU estimates continuation of the declining trend, namely by less than 1.6 % year on year, to 8.17 billion messages.

Chart 4:



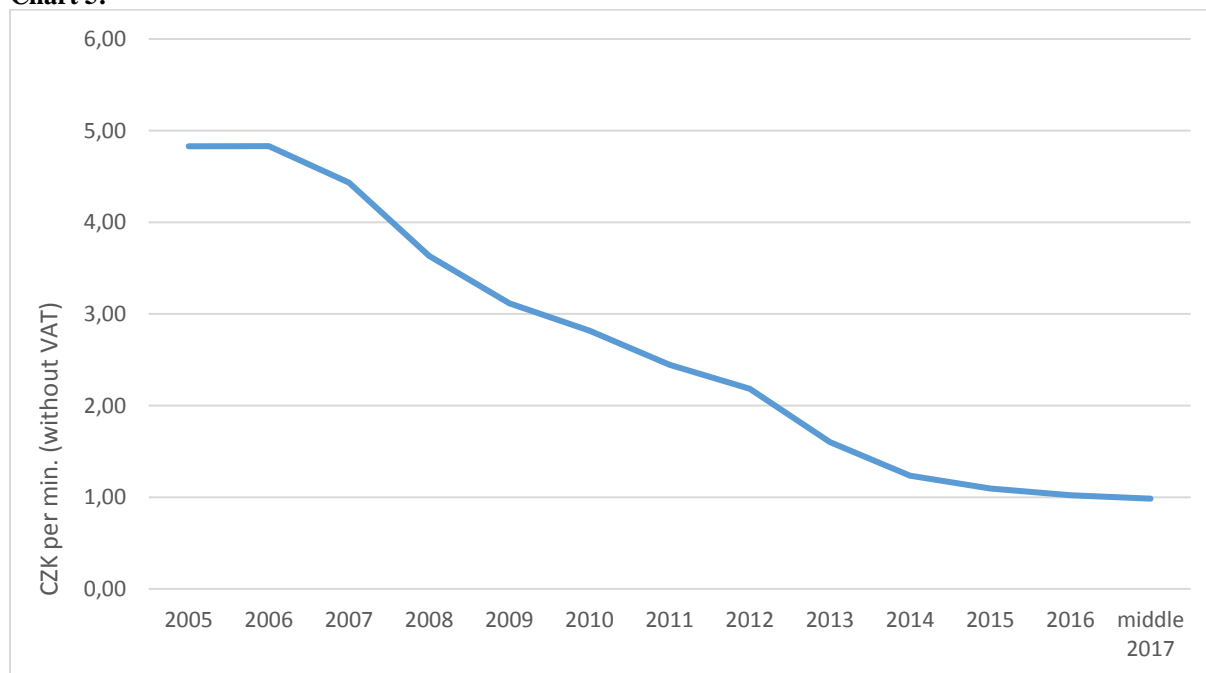
The major driver of development of the retail market in 2017, as shown in the previous chapter, was – similarly to the previous years – the significant growth of the volume of data traffic, namely by 82 % year on year to 183 PB⁹ according to CTU estimate. CTU expects further significant growth of the volume of data traffic also in the following period, in particular with respect to the continuing development of LTE networks, increasing penetration of terminals supporting LTE among subscribers, new offers of operators with higher data limits or with specialized services (e.g., Vodafone Pass, T-Mobile Stream On), and also the growing demand of users for data services, and also development of services for Internet of Things. An important role is played also by the growth of the number of users of high-speed Internet access services at a fixed location which are provided through SIM cards in mobile networks (in particular in the LTE network). This approach includes services of nomadic nature (so-called nomadic services)¹⁰ as well as the purely fixed services newly provided in 2017¹¹. These two services are labelled by CTU collectively as so-called fixed LTE services.

The prices of mobile voice services and SMS

CTU regularly monitors 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, if applicable, also 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 2017 are discussed below.

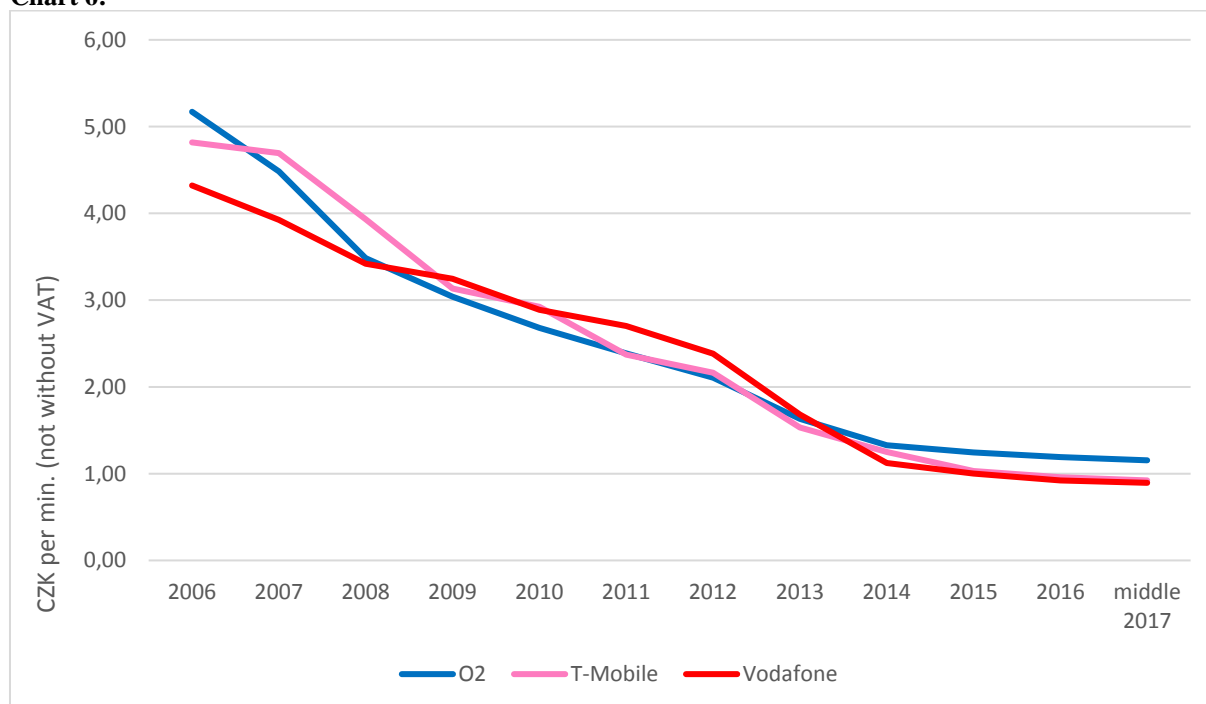
Price development according to average minute price

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 2017. There was a decrease in the average minute price for an actual call minute of around 3.9 % to CZK 0.98 per minute in the first half of 2017 in comparison with the previous year. 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).

Chart 5:

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 2017 was registered at T-Mobile, at around 4.17 % to CZK 0.92 per minute. The lowest average price for calls in the first half of 2017 was offered by Vodafone with price of CZK 0.89 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 2017 the average price for consumers at the three mobile operators in aggregated form was approximately 63.5 % higher in comparison with that for people undertaking business (CZK 1.21 per minute in the case of entities not undertaking business in comparison with CZK 0.74 per minute in the case of entities undertaking business).

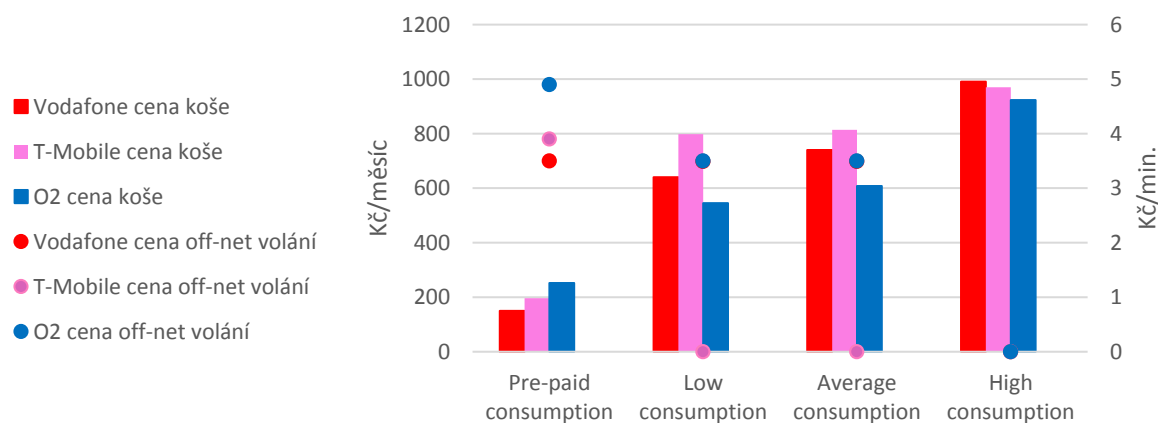
Chart 6:

Price development according to consumer baskets

The second method which CTU used additionally 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 2017. These are obligation-free tariffs for pre-paid and post-paid customers. The total monthly price of a basket is shown in the following chart 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 T-Mobile is around CZK 250 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 CZK 3.90 per minute, and in O2 the basic price of a call is CZK 4.90 per minute.

Chart 7:



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 operators Vodafone (CZK 3.49) and O2 (CZK 3.50) in almost the same amount; T-Mobile has unlimited calls in this category.

The development of mobile data services and the prices thereof

Mobile operators offered three basic types of Internet access services in 2017 – Internet on a mobile telephone (used in mobile phones and smart phones), mobile Internet, which is intended for portable devices (tablets, notebooks) with the use of a separate data SIM card, and also services of high-speed Internet access at a fixed location which are provided via SIM cards in mobile networks. This last category of services includes the above-mentioned services of nomadic nature and fixed nature. These services typically have a limited mobility – usually by means of a specific restrictive provision in the terms and conditions. On the market, these services are then offered primarily as an alternative to the services of high-speed Internet access at a fixed location 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-2017 the total number of subscribers of these services increased to approximately 180 thousand. As of 31 December 2017, the Office estimates the number of these subscribers at approximately 280 thousand.

The number of subscribers (SIM cards)¹² using Internet in a Mobile Phone continued to grow in 2017. According to the Office's estimates, the number of subscribers grew by more than 75.5 thousand to approximately 7.63 million. This growth is attributable mainly to the expansion of LTE networks in the recent period as well as to the emergence of more attractive mobile data plans which took place (in particular within offers of network operators) from the second quarter 2017. The development of the number of subscribers (SIM cards) using the service of using Internet in a Mobile Phone in the period 2011 to 2017 is documented by the following chart.

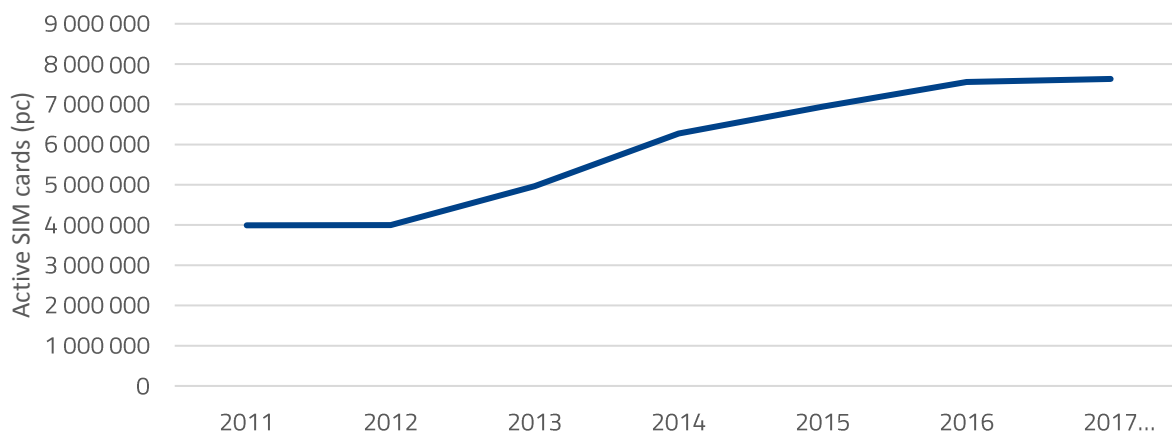
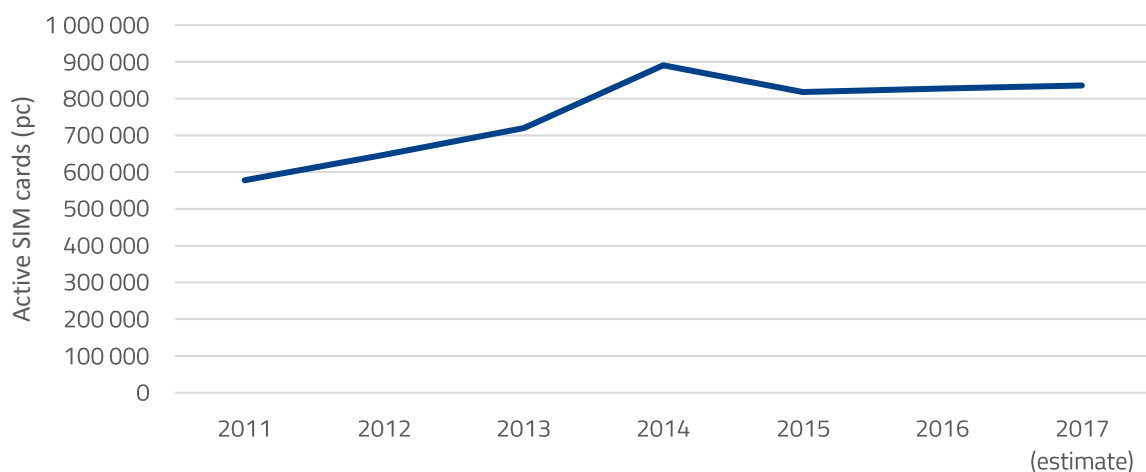


Chart 8:

A growing trend can be observed also in the number of subscribers using the services of Mobile Internet in the CDMA, UMTS and LTE networks. In comparison with the service of Internet in a Mobile Phone, however, a lower year-on-year growth is estimated in terms of absolute numbers. According to the CTU estimates, in 2017 the number of subscribers of the Mobile Internet services could grow by approximately 8.3 thousand to some 835 thousand users. This growth can be explained, similarly to Internet in a Mobile Phone, in particular by the expansion of the LTE network and availability of more attractive data plans for tablet PCs and notebooks. The development of the number of subscribers (SIM cards) using the Mobile Internet services is shown in the following chart¹³.

Chart 9:

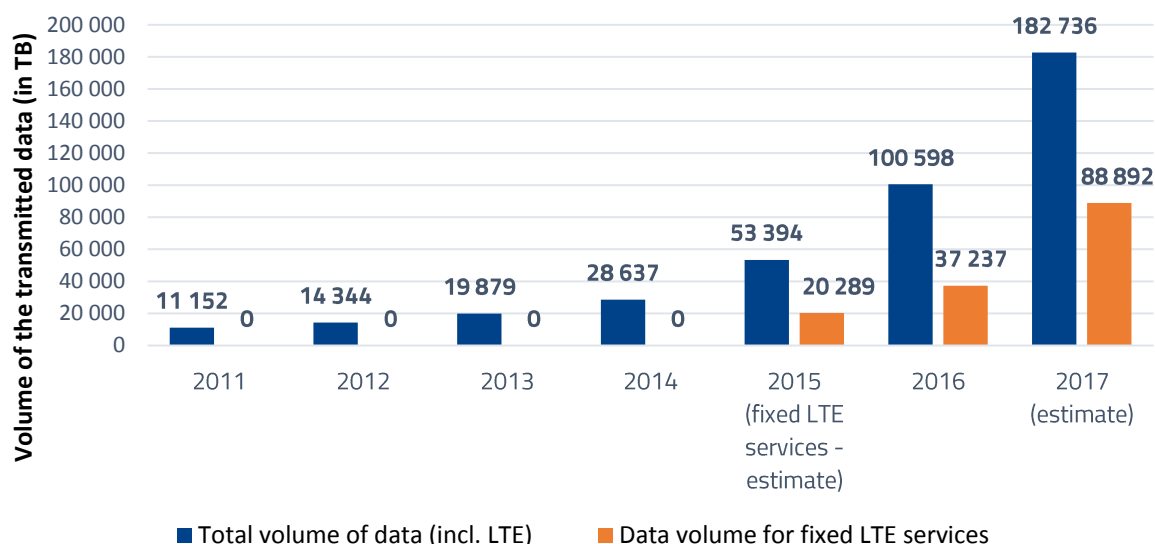


The volume of transmitted data

The use of data services in mobile networks has risen significantly in recent years and, in relation to this, also the volume of transmitted data has also suddenly increased, in particular relative to 2015. Supply and demand are adjusted to the expected growth. On the supply side, there has been, and will continue to be, introduction of new technologies, expansion and improvement of mobile networks, and increase in their capacities and in the speed of data transmission. The supply side also stimulates users to use mobile data even more, by means of more attractive offers of mobile plans with data and mobile internet or, as the case may be, special packages for a certain type of data consumption (e.g., social media, video, music, etc.). On the demand side, the percentage of terminals supporting the latest standards, such as smart phones, tablet PCs, modems for mobile networks, etc., increases every year. The use of applications in an environment of operating systems for mobile devices whose full functioning requires the users to have mobile data connection is also growing. It is clear from the chart below that there was a significant increase in the period from 2011 until the end of 2016 in the volume of the data transmitted in mobile networks. CTU estimates further increase of the volume of the data transmitted also for the year 2017 (see the following chart). According to the CTU current estimate, the volume of data transmitted in mobile networks for the year 2017 was approximately 183 PB. The volume of transmitted data has therefore increased more than

sixteen times relative to 2011. In connection with the data traffic, CTU also observes another major trend, namely growing volume of data consumed by the users of services provided by means of mobile networks at a fixed location (i.e., fixed LTE)¹⁴. Its share in the total data volume consumed for the year 2017 is estimated to be 49 % according to CTU. In absolute numbers, it is 88.9 PB.

Chart 10:



The table below shows the development of the average monthly price of data consumption (in MB) per subscriber. This is in terms of the total number of SIM cards as well as in terms of all SIM cards using mobile data services (including fixed LTE), and also in terms of SIM cards using mobile data services not including the services of the so-called fixed LTE¹⁵. As the table shows, since the beginning of the period in question the average monthly usage of data per SIM card has been growing. In particular since 2015 the growth is much faster than in the previous period, and this trend is expected to continue.

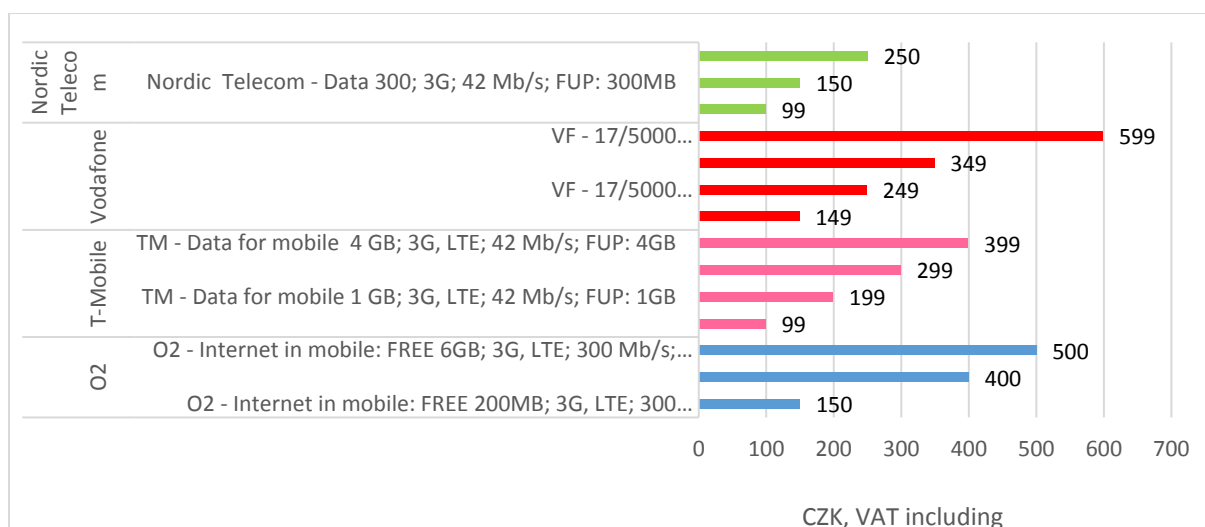
1. Table 2: Average monthly data usage per SIM card since 2011 (in MB)

	2011	2012	2013	2014	2015	2016	estimate 2017
Average consumption on total number of SIM cards (voice and data)	65	83	124	177	317	586	1052
Average consumption on total number of data SIM cards	203	257	272	347	573	983	1856
Average consumption on total number of data SIM cards without fixed LTE	-	-	-	-	-	630	971

Prices of mobile data services

Relative to 2016, there have been significant changes in the offer of data packages called Internet in a Mobile Phone. In offers with unlimited calls and SMS, two network operators increased the data limit from 1.5 GB, namely T-Mobile to 4 GB and Vodafone to 5 GB. The increase of the data limits was slightly reflected in the prices of the plans which were increased by T-Mobile by CZK 50 and by Vodafone by CZK 28. O2 kept the price of its offer unchanged and added an unlimited plan with 6 GB for a price increased by CZK 100.

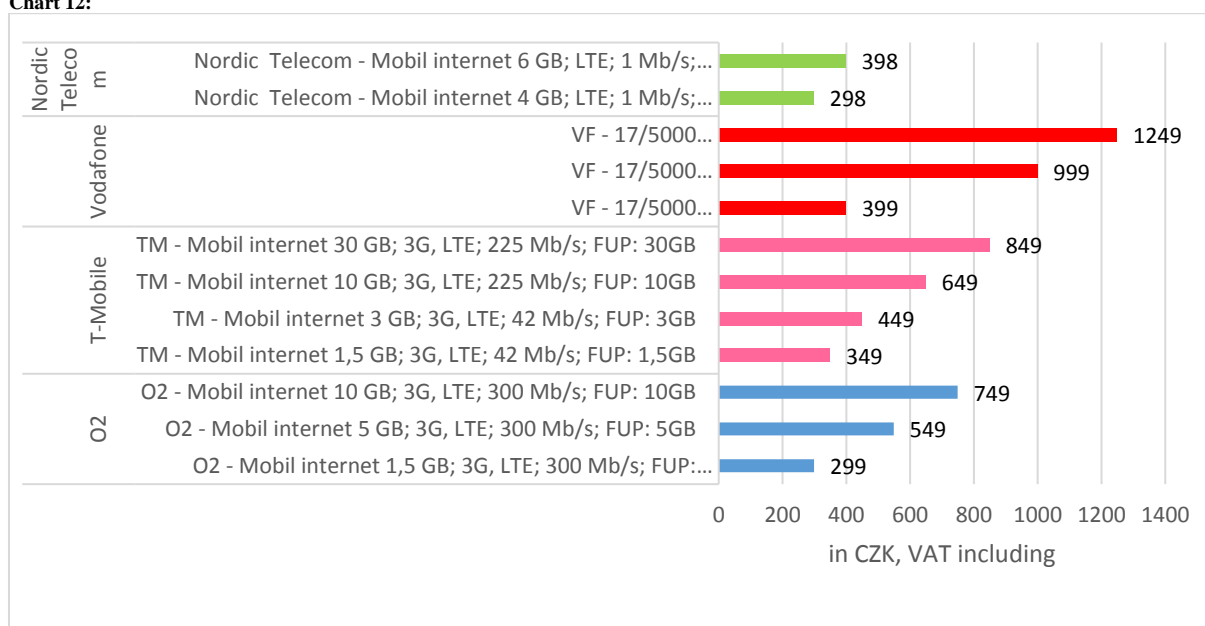
Chart 11:



Note: Prices in O2 reflect the offer of data plans intended for voice plan FREE 200 MB, FREE 1.5 GB and FREE 6 GB. The price of a specific data package of Internet in a Mobile Phone and the limit thereof is subsequently calculated as difference between the price of the respective voice plan which includes the data package of Internet in a Mobile Phone and the price of the lowest voice plan FREE O2 60 with data package of 50 MB.

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 2017 Nordic Telecom stopped offering data plans of unlimited mobile Internet and introduced a plan with a data limit of 6 GB.

Chart 12:



ARPU¹⁶ 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 2017 alone this growth was 8.4 % and the average revenue per subscriber of this service increased to CZK 99.40 per month. The following table shows the gradual growth of average revenues per subscriber (SIM card) using the Internet in mobile phone service since 2011.

Table 3: Development of ARPU of Internet use on a mobile telephone 2011 – the middle 2017 (CZK per month)

	2011	2012	2013	2014	2015	2016	middle 2017
Internet use on a mobile telephone	56,61	64,38	76,81	88,17	86,34	91,72	99,40

Since 2011 the monthly ARPU has been periodically reduced in the services of Mobile Internet, in the period between 2014 and 2015, save for an exception. The average revenue for the period of the 1st half of 2017 in the amount of CZK 198.5 per month suggests that relative to 2016 there could be approximately 12% growth. As the development in the previous periods shows, however, only data for the entire year 2017 will be relevant for the evaluation, if any, of the change of the trend. The development of the average monthly revenue per subscriber (SIM card) using the services of Mobile Internet is shown in the following table. CTU newly included in this table, starting with data for the year 2016¹⁷, also statistics regarding ARPU for the Mobile Internet services not including the services of fixed LTE.

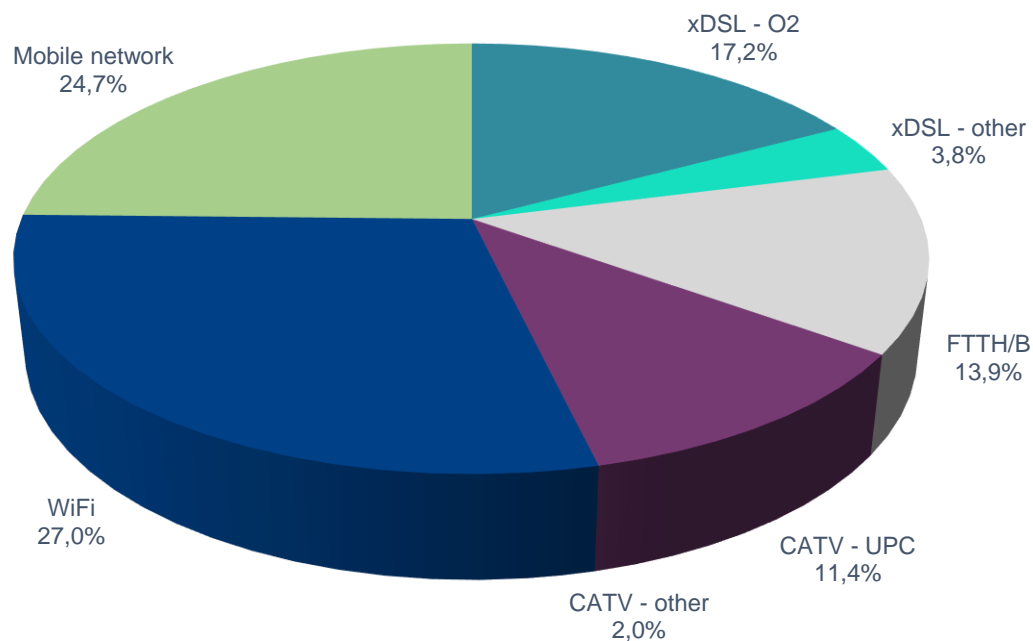
Table 4: Development of ARPU for mobile Internet 2011 – the middle of 2017 (CZK per month)

	2011	2012	2013	2014	2015	2016	middle 2017
Mobile Internet incl. fixed LTE	296,45	265,91	236,53	187,13	211,53	190,48	218,32
Mobile Internet without fixed LTE	-	-	-	-	-	177,04	198,52

1.2.2 High-speed access services

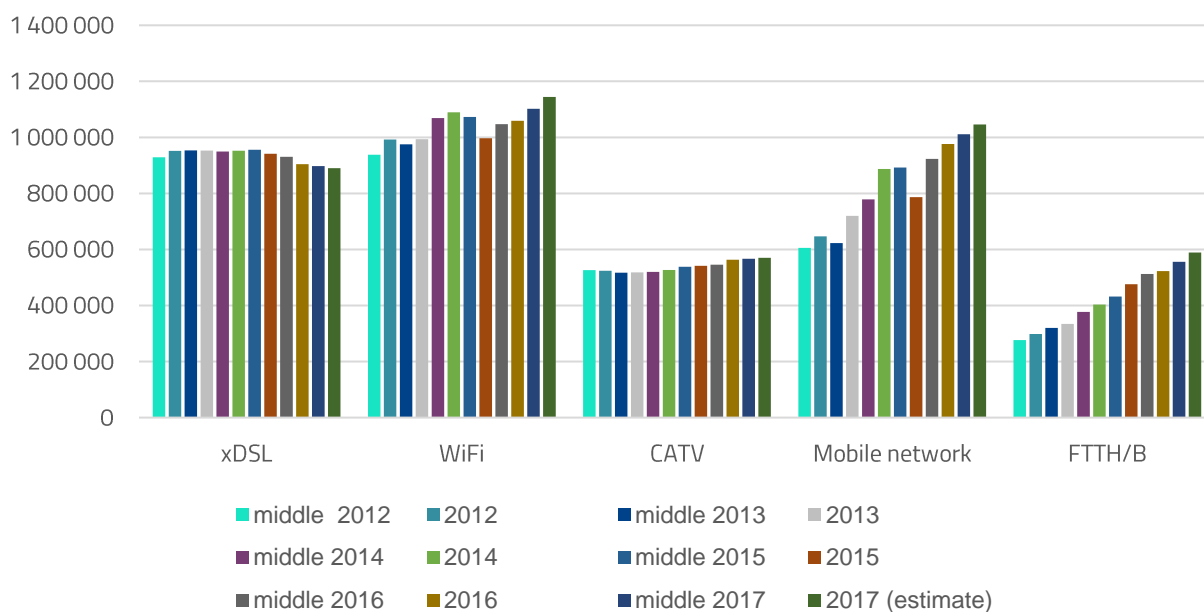
The situation on the retail high-speed Internet access market changed only minimally in 2017, according to number of subscriptions as well as from the perspective of the size of market shares in relation to individual technological solutions. Just like in the previous periods, CTU expects also in 2017 an increase of the number of subscriptions through optical networks (FTTH/B), from less than 523 thousand in 2016 to more than 589 thousand. In terms of the market share of FTTH/B access in the retail market, it is year-on-year increase from 13 % to 13.9 %. CTU expects further decrease of xDSL subscriptions in accordance with the trend of the previous years, namely from 904 thousand in 2016 to approximately 890 thousand subscriptions. According to CTU estimate, the market share of xDSL subscriptions in the retail market decreased from 22.5 % in 2016 to 21 % in 2017. The estimated market share of O2 should be 17.2 % at the end of 2017. In the area of access via mobile networks, according to the current estimates, there was an increase from 976 thousand in 2016 to almost 1.05 million access subscriptions in 2017. In terms of the market share, it is year-on-year increase from 24.3 % to 24.7 % at the end of 2017. The increase of access subscriptions via mobile networks is mainly due to the growth of the number of users of the services of the so-called fixed LTE, i.e., implementation of fixed high-speed access using high-speed mobile networks (in particular 4G networks). Access subscriptions via WiFi networks still maintain the highest share in the retail market where the growth is expected to be from less than 1.06 million subscriptions in 2016 to more than 1.14 million at the end of 2017. Market share of access subscriptions via WiFi networks, according to CTU estimate, therefore grew year on year from 26.3 % to 27 %. Subscriptions via cable television networks (CATV) are also significantly represented in the market of high-speed access, achieving only minimal year-on-year increase in 2017, according to the estimate, namely from 563 thousand in 2016 to approximately 570 thousand at the end of 2017. This relatively low increase of the number of subscriptions was manifested by a decline in the market share of subscriptions via cable television networks in 2017 from 14 % to 13.5 %. 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 estimated shares in the retail Internet access market at the end of 2017 and long-term development of the number of subscriptions by individual technological solutions are documented by the following charts.

Chart 13: Share of broadband access by individual technological solutions (including access via mobile network) at the date 31. 12. 2017*



Note: * qualified estimates used

Chart 14:

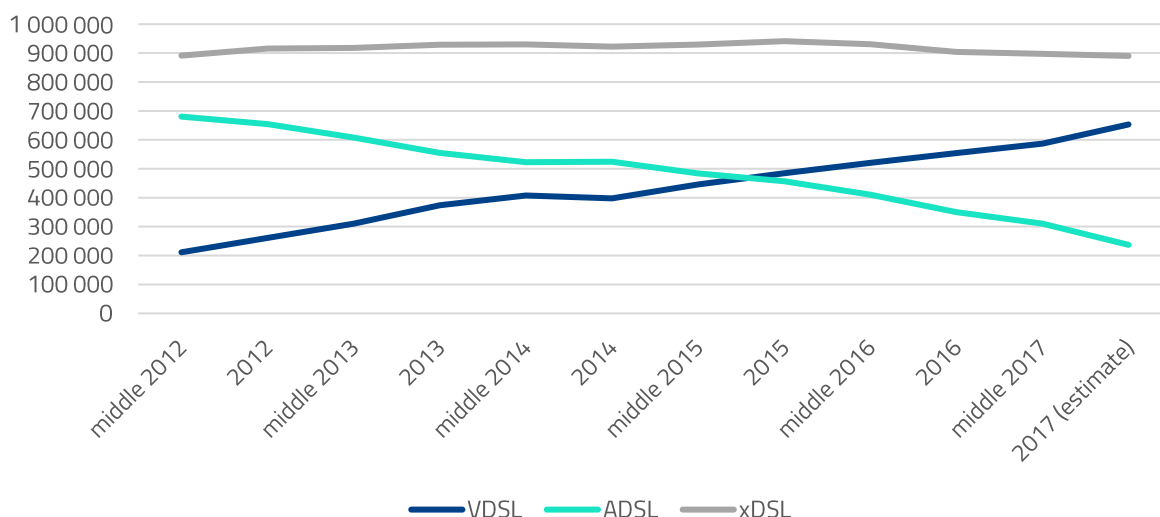


2017 saw continuation of the long-term trend of gradual increase of the market share of FTTH/B access in the market of high-speed Internet access as well as gradual growth of the market share of Internet access through mobile networks. The chart above also shows that the market share of xDSL subscriptions is gradually decreasing. This decrease of the market share of xDSL subscriptions is caused mainly by development of optical access networks (FTTH/B) as well as development of services of high-speed access at a fixed location provided via mobile networks. CTU estimates that this trend will continue in 2018. The market share of CATV subscriptions has been stagnating or slightly declining in the recent years. CTU, in spite of the slight increase of the number of subscribers of CATV access, does not expect a major change in the development of the market share of these subscriptions in the upcoming period. As opposed to the decrease of the market share of xDSL and CATV subscriptions, it is possible to witness recently a slight increase of the market share of WiFi subscriptions which is estimated year on year (relative to the situation

at the end of 2016) at 0.7 p.b. The wireless access, therefore, 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 is a result of historical factors and 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. This, however, can change in 2018 since T-Mobile, a company which currently uses mainly the network (subscriber metal loops) of Česká telekomunikační infrastruktura a.s. (CETIN) for the provision of high-speed Internet access services at a fixed location, announced at the beginning of the year that it plans to invest in the following years tens to hundreds of millions of EUR in the development of its own optical access network. On the other hand, it is necessary to state that the owner of the most extensive access network in the Czech Republic, 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 (FTTCab¹⁸). 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 chart.

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



The existing coverage with optical networks (FTTH/B) in the Czech Republic can be evaluated as slightly above average in all-European comparison, where e.g., according to the study of the European Commission Broadband Coverage in Europe in 2016 (available online at: <https://ec.europa.eu/digital-single-market/en/connectivity>) the household coverage in the Czech Republic of 35 % is above the EU28 average which is 23.7 % 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 2017 - available online at: <https://ec.europa.eu/digital-single-market/en/connectivity>), is above the EU28 average (54 % in comparison with 48 %). The above information on coverage with optical networks FTTH/B is related to coverage converted to the entire territory of the Czech Republic. Nevertheless if we focus on the

information on coverage in rural areas, the coverage in the Czech Republic, according to the study in question, is only 7.7 % households, and in comparison with the EU28 average it is 1.1 p.b. lower. The future development of high-speed access networks (in particular FTTH/B) in rural areas should be boosted by the implementation of the grant programme of public aid for the development of NGA networks or, more precisely, its second round which is under preparation.

Based on the continuing trend, CTU estimates in the following years, also with respect to the grant programme of public aid for the development of NGA networks which has not been implemented yet, increasing coverage with FTTH/B network including continued growth of the market share of FTTH/B subscriptions in the retail market. CTU also expects continued growth of high-speed subscriptions via mobile networks, in particular in connection with the development of services provided on 4th generation networks.

Another possible indicator for international comparison is the degree of penetration of high-speed Internet access at a fixed location. Unlike the coverage which indicates availability of high-speed networks (usually expressed as number of available lines divided by number of households), penetration is a percentage of the total number of high-speed subscriptions¹⁹ divided by total population (of the given state). 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 30.2 % at the end of June 2017). In comparison with other countries of the European Union, the Czech Republic is still below EU average, which is 33.7 %. Nevertheless, it is necessary to add that in 2016 the difference between the Czech Republic and the EU average was 4.1 p.b., while in 2017 it was 3.5 p.b. It is therefore possible to see slight approach to the average level in EU Member States.

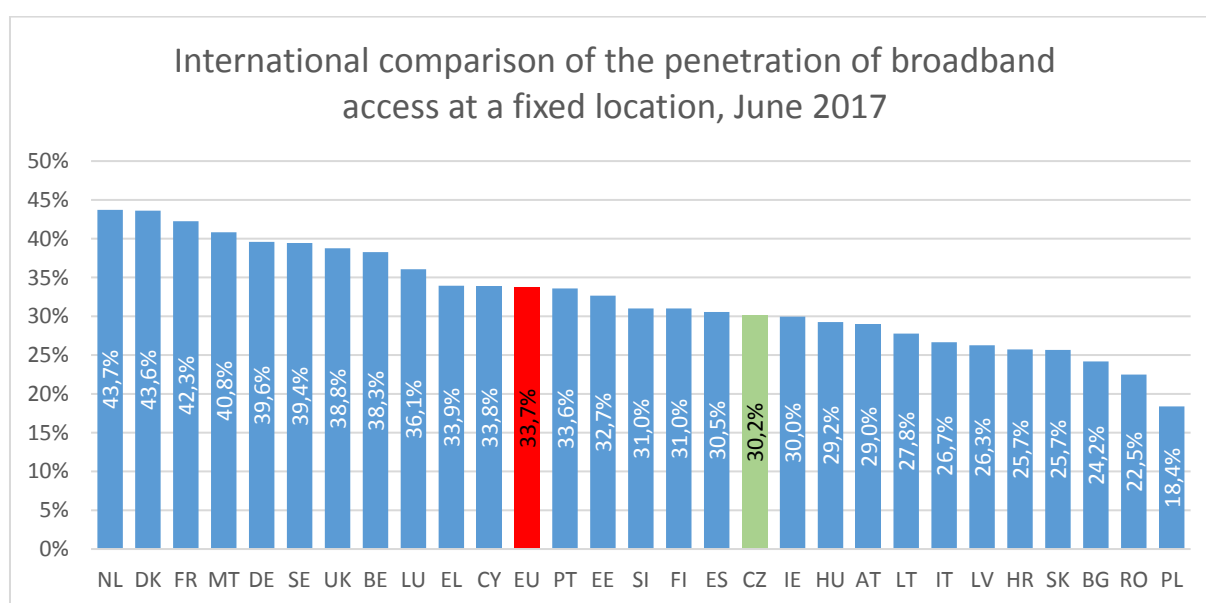


Chart 16: International comparison of the penetration of broadband access at a fixed location, June 2017
Source: European Commission, January 2018

1.2.3 The retail prices of high-speed access services

Retail market of fixed high-speed Internet access brought partial positive changes to customers in 2017, although in terms of the development of the prices of services, the changes were not so significant. Throughout the year 2017 the subscriber Internet connection speed was increasing, mostly in places where technical changes could be implemented in the metal access network. These changes include but are not limited to deployment of remote DSLAMs which reduce the length of the metal loop due to the placement closer to the subscribers, and thus make it possible to increase the data transmission speed.

It is possible to state that partial increase of the speed of the subscriber Internet connection was positively reflected in the reduction of the prices for the access converted to unit speed. The providers' standard

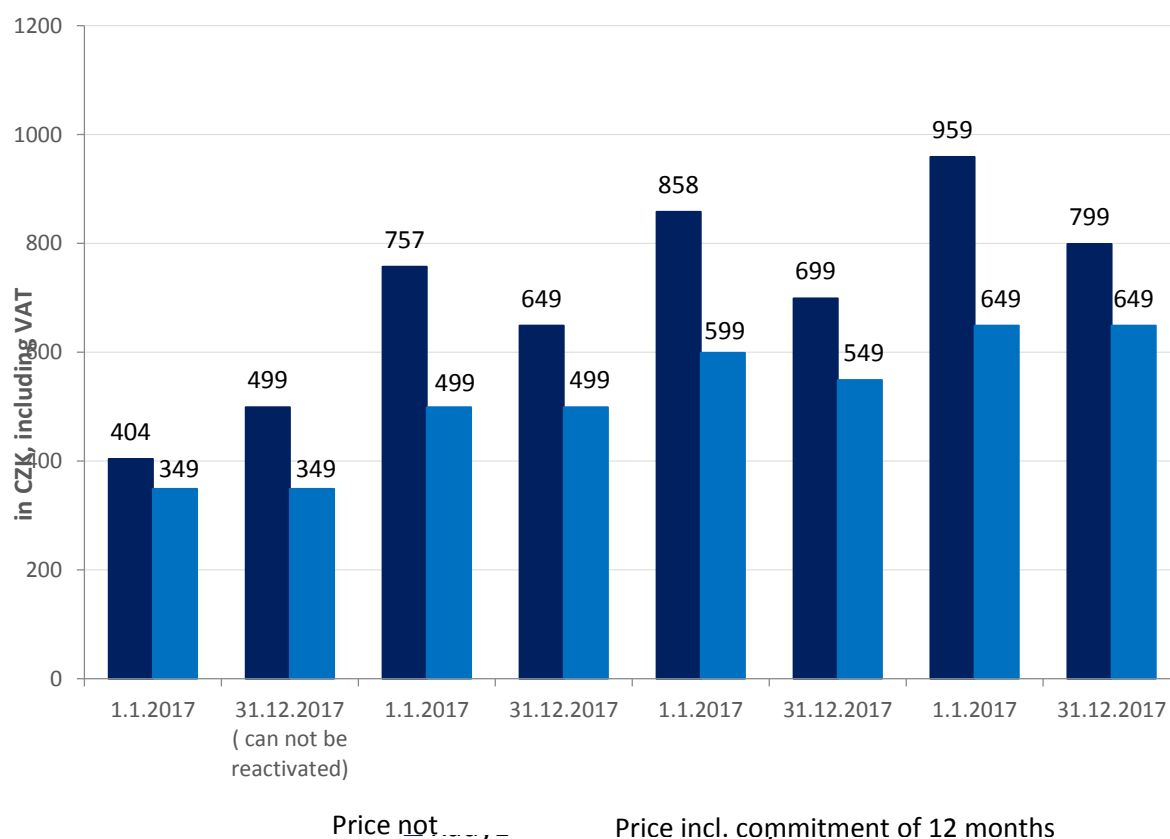
offering of Internet connection plans was usually accompanied also by short-term marketing events focused in particular on acquiring new customers or purchase of packages of services including, on top of the data connection, also reception of digital television over IP.

Most providers of Internet connection services at a fixed location offered in 2017 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, made several changes in the offering of its plans in 2017. From August 2017 it was no longer possible to activate plans with speed 2 Mbit/s, but the lowest speed from that time was a plan with speed of 20 Mbit/s. at the same time, starting from 1 October 2017 O2 reduced the prices of the basic plans without time commitment by 20 %, and at the end of 2017 it also increased the maximum speed in the PREMIUM plan from 80 Mbit/s to 100 Mbit/s. The fastest fixed Internet connection in 2017, out of the major operators under review, however, was offered by UPC which declared the maximum speed of subscriber connection to be 500 Mbit/s downstream and 30 Mbit/s upstream.

The following overview shows the level of prices for individual speeds of retail Internet access at O2 in 2017.

Chart 17:

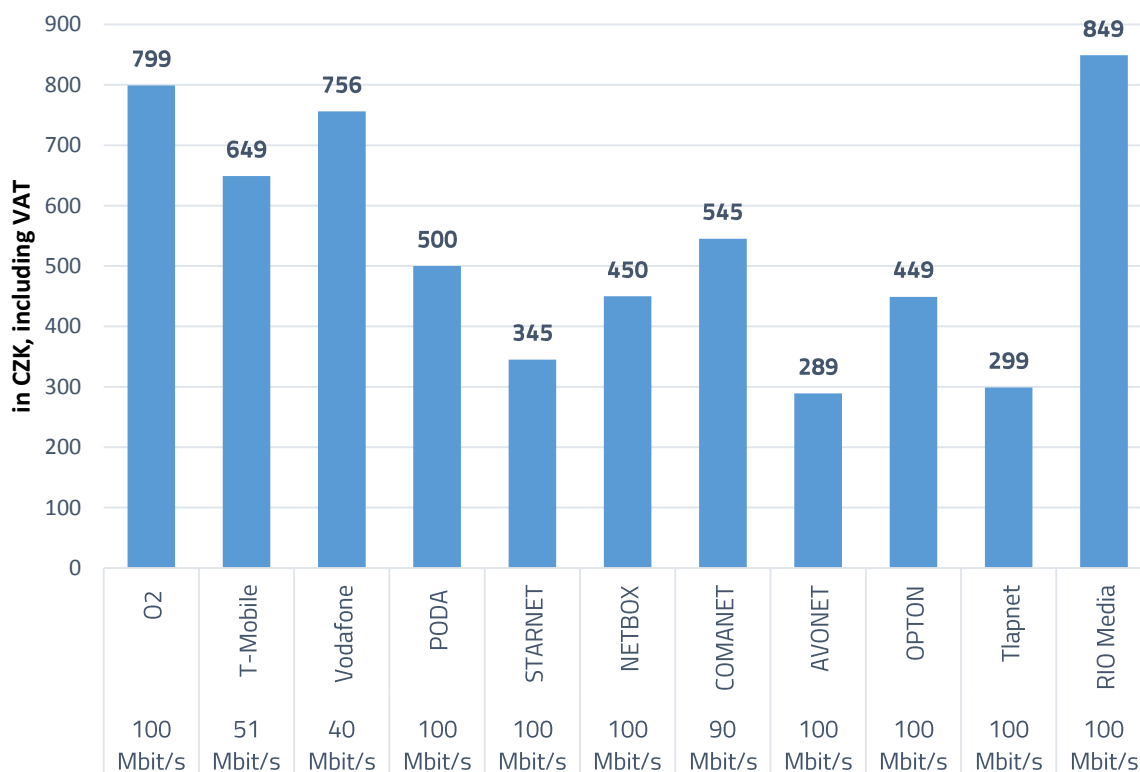


Although O2 tried to introduce new innovations into the operation of its existing networks and enable high-speed services (e.g., G-Fast), this activity has not much affected the supply of service on the market so far. Some technologies (e.g., vectoring), which have been recently opening new potential also for metal networks, still waited to be deployed broadly in 2017. It is necessary to admit objectively that technical possibilities of increasing the speed of data transmission over metal network are limited, and therefore, in

terms of the requirements existing for high-speed new generation networks in the future, also in relation to the achievement of the goals of the Digital Europe project, it will be necessary to search for a future-proof solution in broad use of optical cables in the access networks. In this area CTU registered increased investment activity in 2017 in regions in particular in local service providers and operators of alternative access networks.

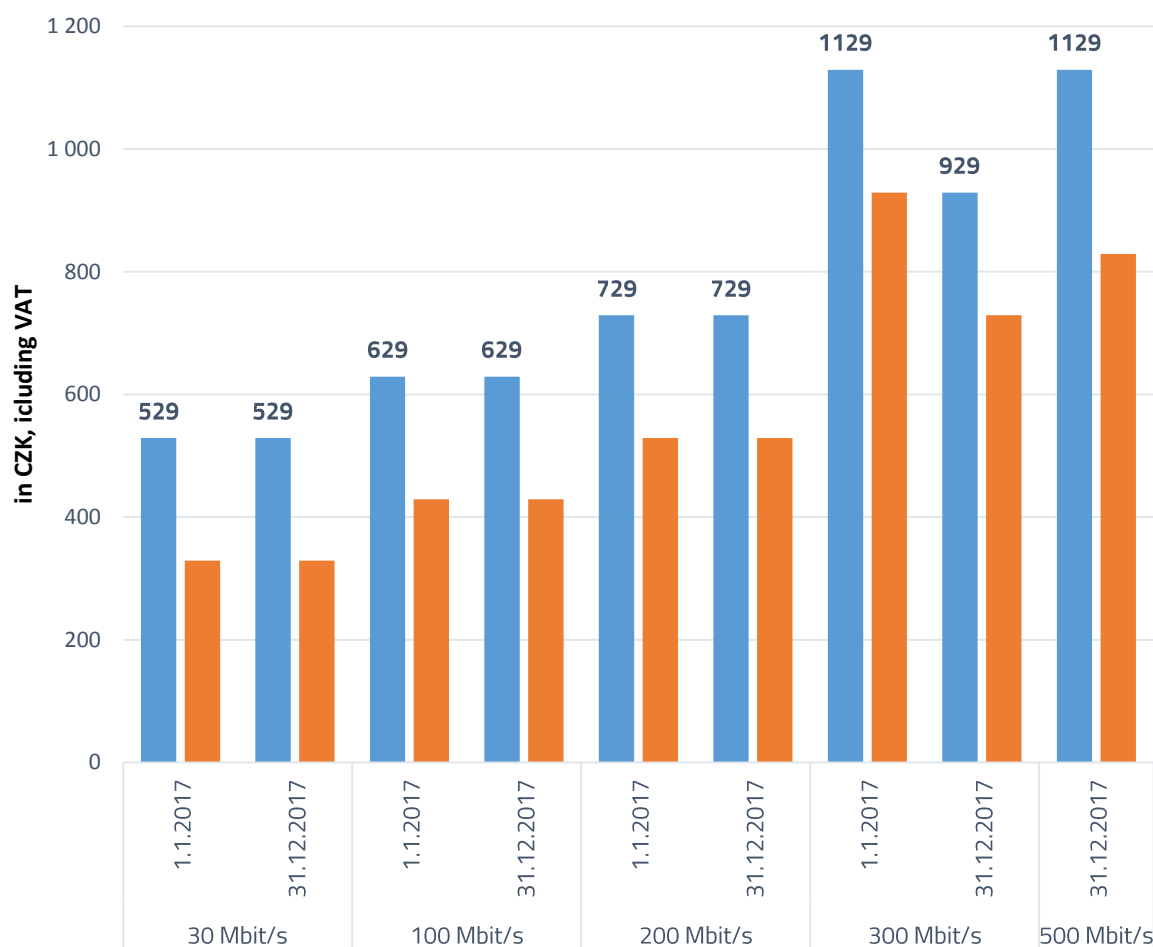
For the sake of comparison, the following chart shows the offers available from other selected operators on the Czech market that offer their services in the sphere of high-speed Internet access at a fixed location. It must be stated that the price offers are not easy to compare among providers since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

Chart 18:



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 this company's prices of high-speed Internet services in 2017.

Chart 19:



Note: In UPC, commitment means a loyalty discount

In 2017 UPC maintained relative stable level of prices of its Internet access services. Nevertheless, in the second half of the year it introduced changes the objective of which was to make the fastest versions of subscriber connection more attractive for customers. In addition to the reduction of the price for the service of connection with speed 300 Mbit/s by CZK 200 it also offered a new service with speed 500 Mbit/s at the original price of the service with speed 300 Mbit/s. 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 3.5 times cheaper (CZK 1129 for 500 Mbit/s v CZK 799 for 100 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.

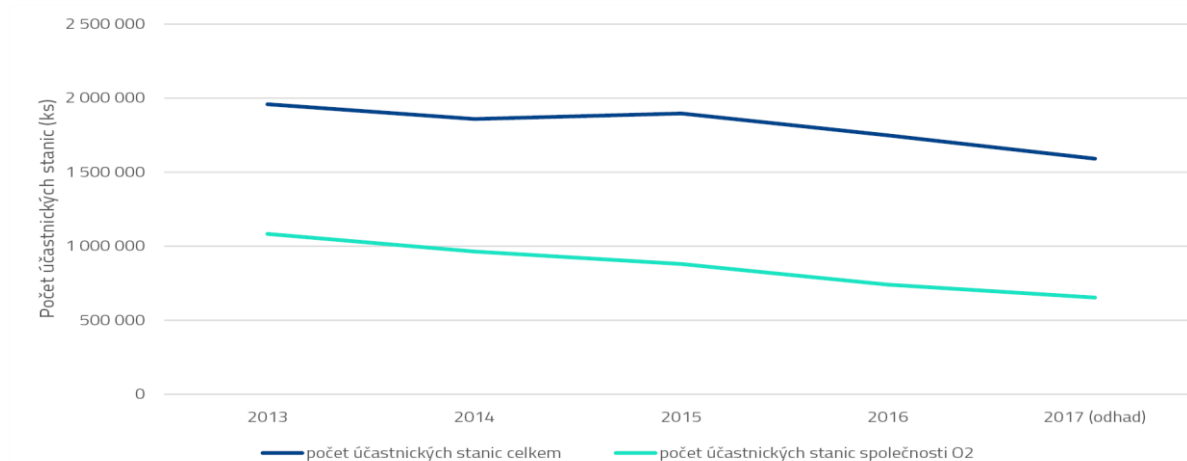
Voice services provided on fixed networks

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 2017 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 2017, in spite of the estimated further 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 2017. Further intensification of convergence is also characteristic, which is manifested in the market particularly as offer of different forms of packages which include voice services provided in a fixed network.

CTU estimates that in 2017 the total number of subscribers of voice services provided at a fixed location, expressed as the number of subscriber lines, decreased year on year by approximately 10 %, approximately to 1.6 million subscriber lines. While the number of subscriber lines of some major alternative providers of voice services at a fixed location slightly grew or stagnated, O2 is expected to see a year-on-year decrease (based on the preliminary data provided by the company) at approximately 12 %, namely to 653 thousand subscriber lines (see the following chart).

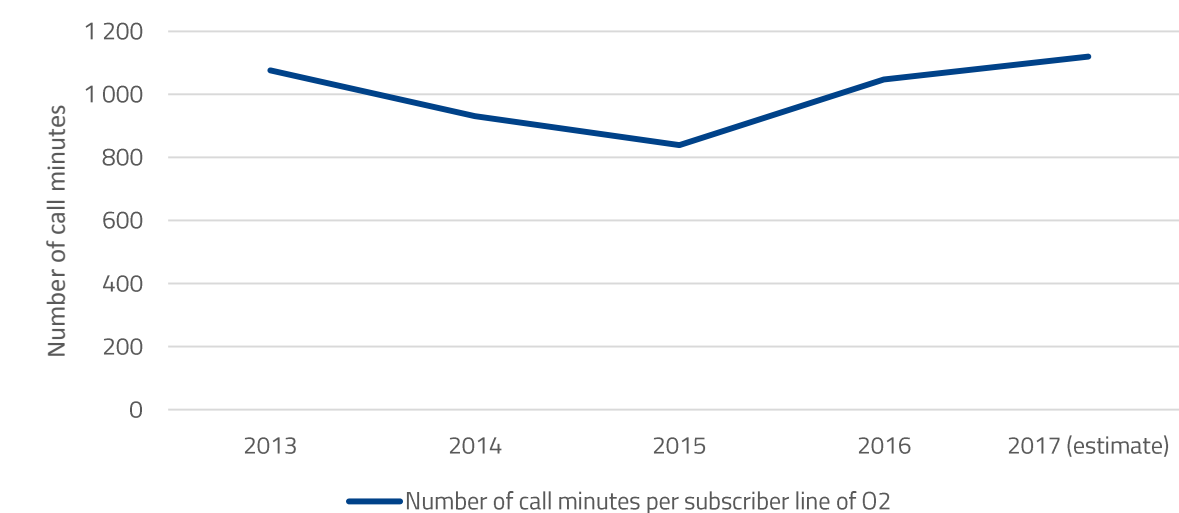
Chart 20:



As opposed to the declining trend in the last few years, in 2016 O2 saw year-on-year increase of the total traffic volume per subscriber. This trend of year-on-year increase of the traffic continued in 2017.

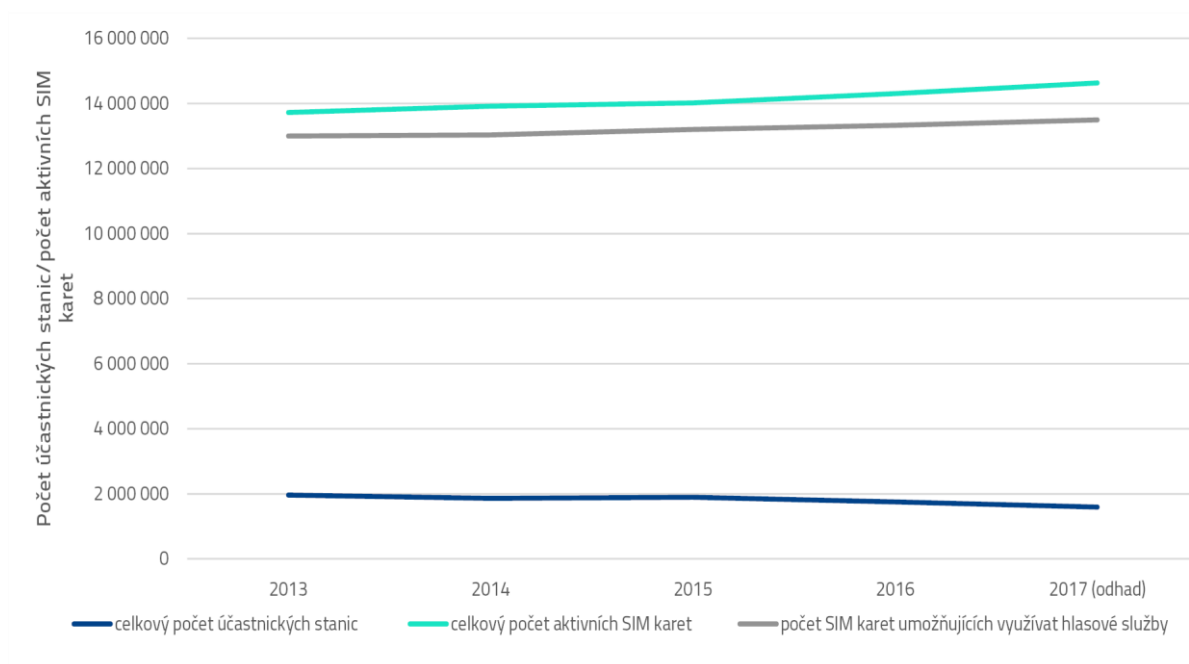
With respect to the above-mentioned trends, in 2017 the number of call minutes per subscriber line increased year-on-year in O2 by approximately 7 %, approximately to 1120 actual minutes (see the following chart).

Chart 21:



The below graph shows a comparison of the number of subscriber lines at a fixed location 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 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 at the same time.

Chart 22:

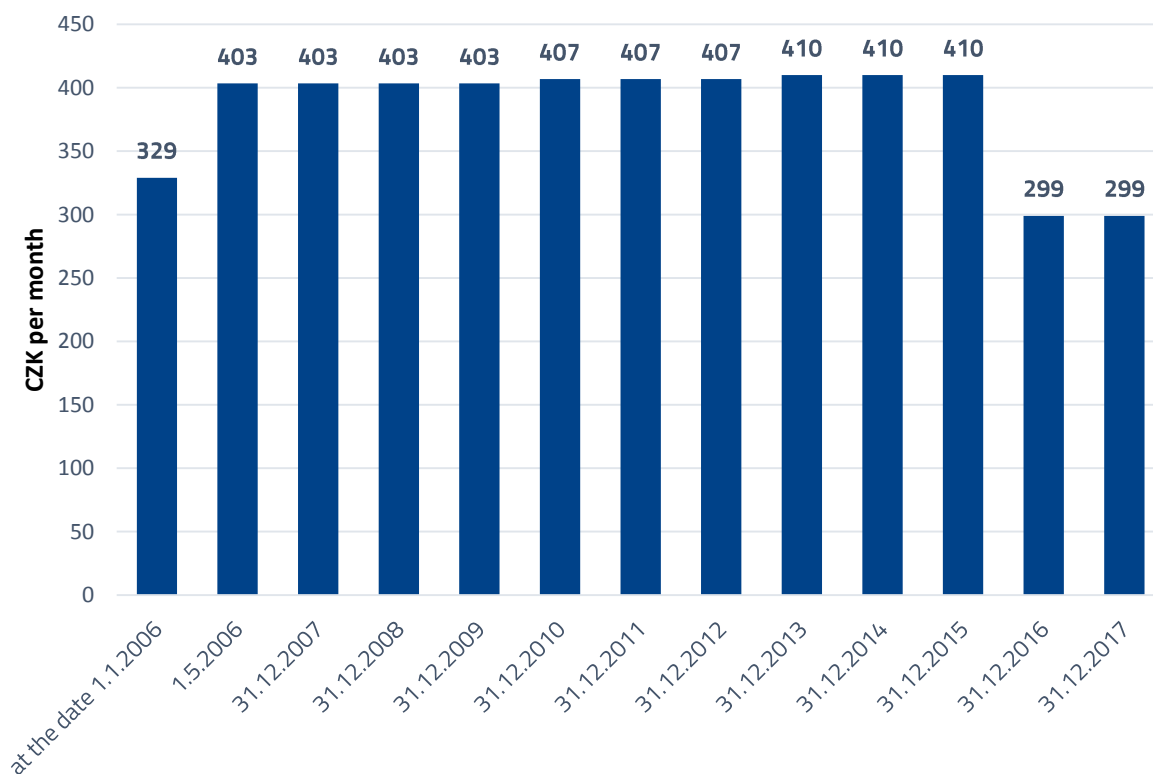


1.2.4 Development of the prices of voice services in fixed networks

The prices of voice services in fixed networks did not change in 2017 in comparison to the previous year. O2, which is the largest provider of voice services in fixed networks, still offers plans with unlimited number of free minutes for calls to fixed as well as mobile networks in the Czech Republic. 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.

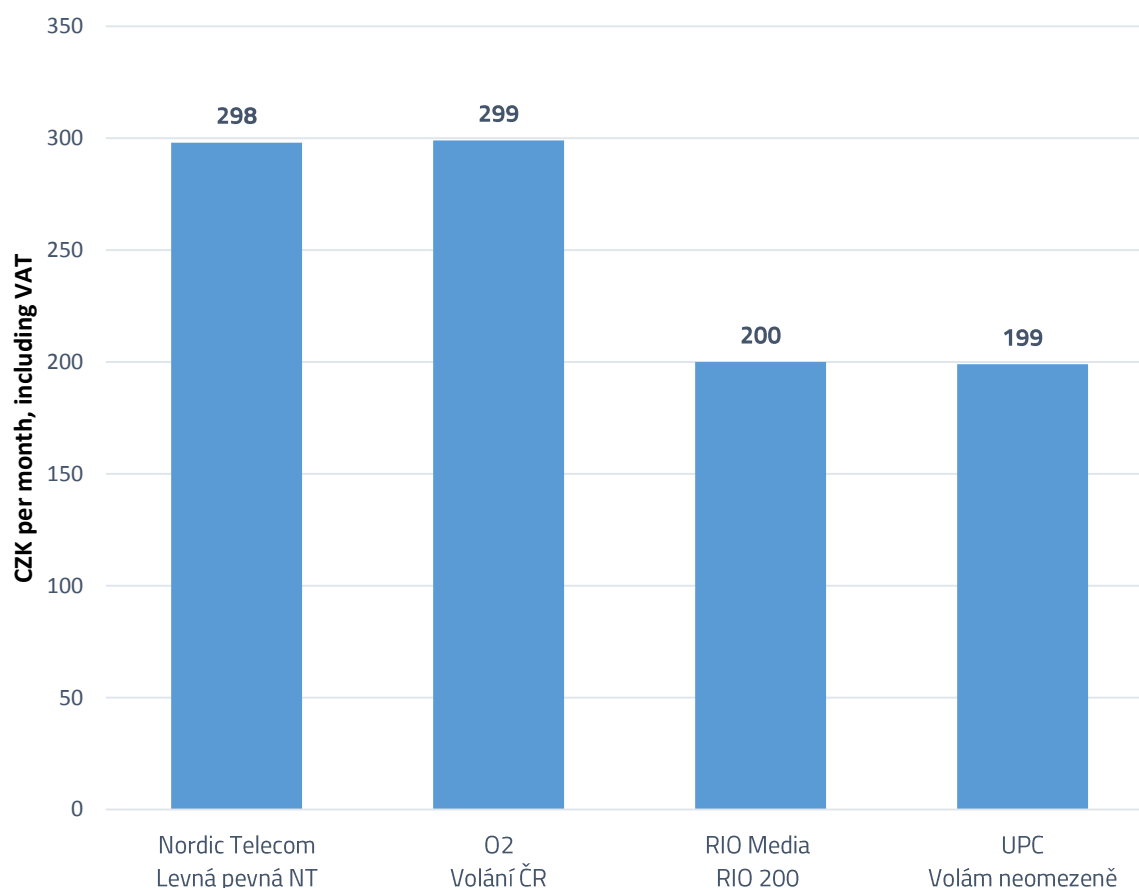
Chart 23:



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 in 2016, the graph shows the price of the Volání of the Czech Republic (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 chart.

Chart 24:



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. Nordic 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, 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. Nordic 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

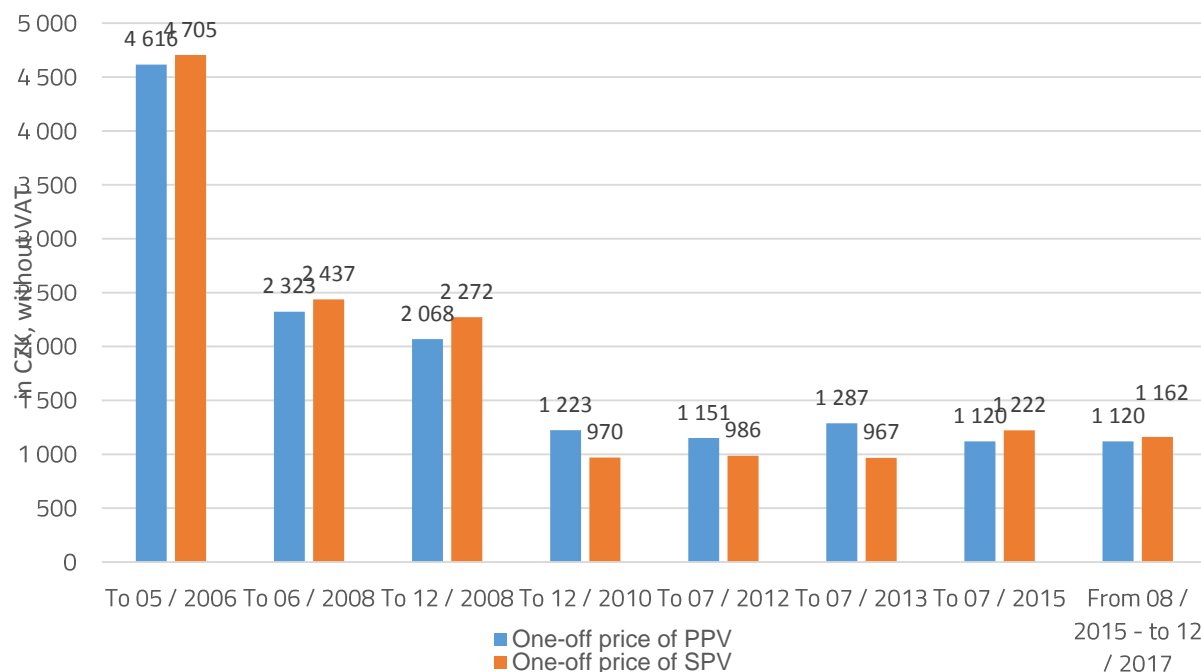
CTU only applies pricing regulation to relevant wholesale relevant markets based on the analysis of relevant markets. The aim of applied pricing regulation is to help the development of a competitive environment and to make it possible for alternative operators to offer competitive retail services to 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.

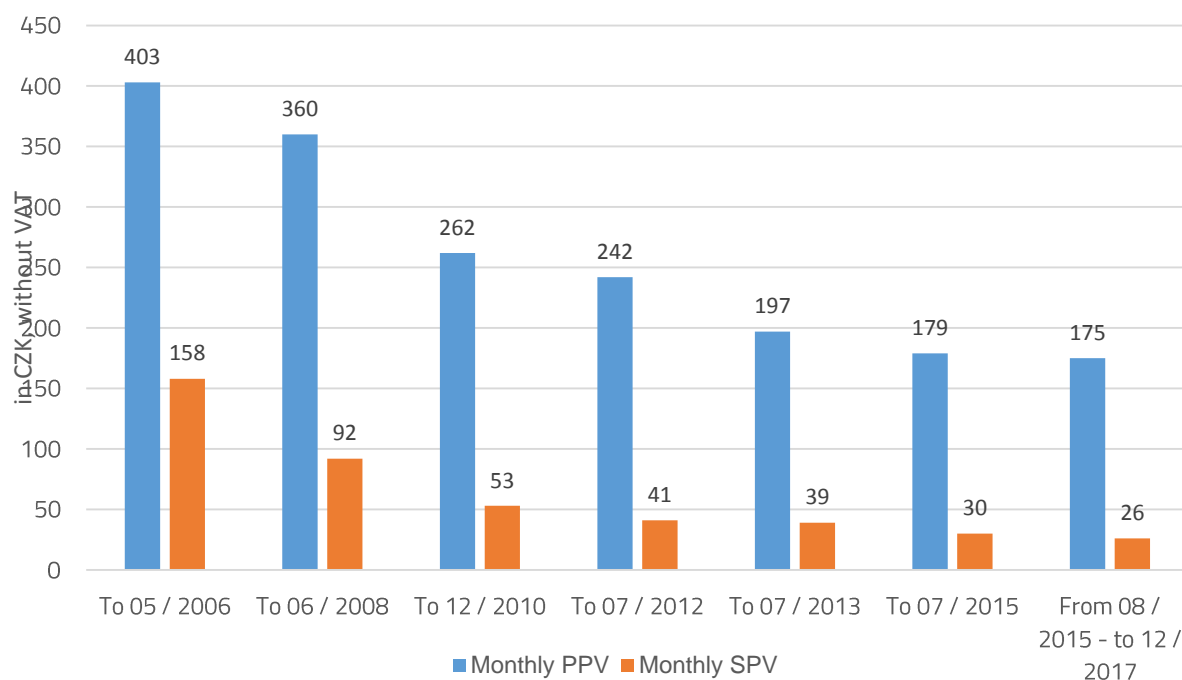
The development of the prices in the two basic wholesale services involving local copper loop unbundling is illustrated in the following charts where “PPV” means the full unbundled access and “SPV” means shared unbundled access.

Chart 25:



Note: In the case of the one-off prices involving the set-up of full or shared unbundling (graph No. 24) 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.

Chart 26:

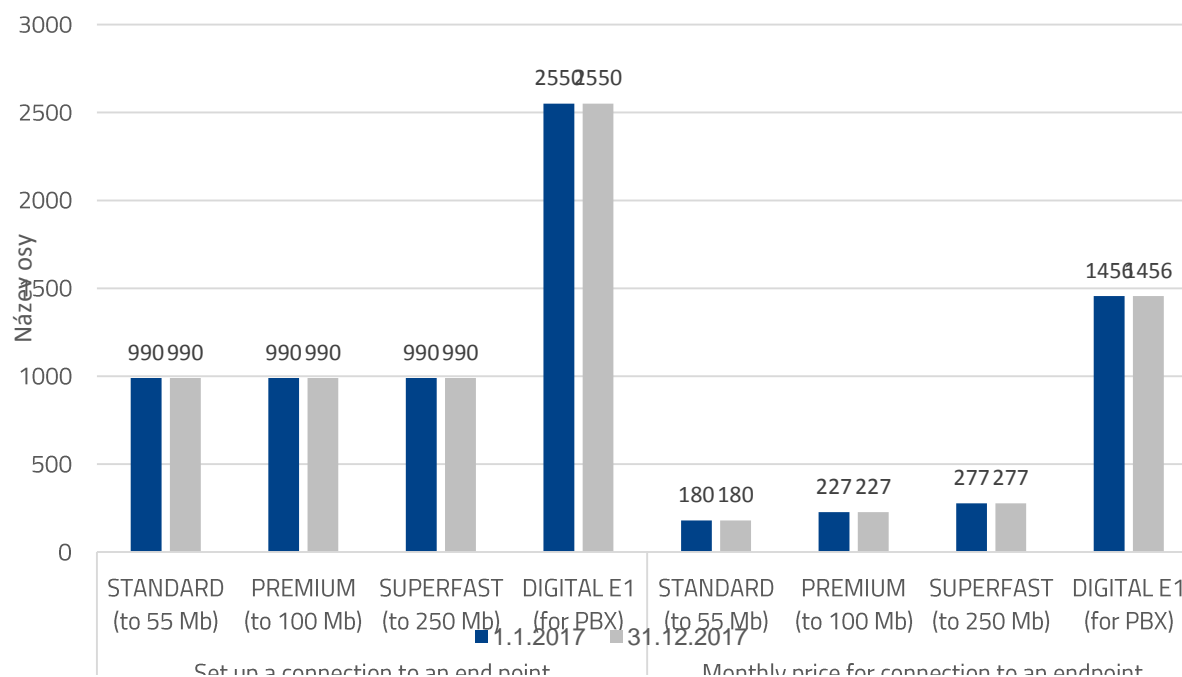


Given the recent technological changes, the service of local metal loop unbundling can be considered obsolete to a great extent, and its future development cannot be expected. On the other hand, a wholesale service with great potential which technologically (to a great extent) substitutes the service of local metal loop unbundling is the service of VULA²⁰ the increasing utilization of which is anticipated by CTU with the growing deployment of the so-called vectoring in SMP network of the operator.

1.3.1 Wholesale high-speed Internet access

No major changes occurred in the market of wholesale high-speed Internet access in 2017. After the arrival of the newly created company, CETIN, in the market in 2015 the general market situation has somewhat consolidated. The dominant provider of wholesale services of access to high-speed services was gradually finishing and modifying its newly structured reference MMO (Mass Market Offer). In addition to the expiring original offers CBB (Carrier Broadband) and CIPS (Carrier IP Stream), MMO brought along the possibility of deeper cooperation with telecommunication operators in the form of flexibility when creating their own services or possibility of access to the systems of the provider of wholesale services when ordering and performing diagnostics of the network operation. The wholesale MMO includes network connection at the end point, includes a one-off price for the establishment of the line and monthly recurrent payments for the operation of the line. Based on this connection, the user has an option of access to a number of services provided over the IP network, e.g., on top of the basic Internet connection, also TV and video signal dissemination. The user of MMO services can use the capabilities of the transport network of CETIN and concentrate its data traffic to the central or regional transfer point. MMO also makes possible for the users to influence, according to their needs and priorities, the dimensioning and throughput of the transport network capacity allocated to them. In addition to these sub-elements, the wholesale MMO also includes the possibility of ensuring access to the systems and technical support for troubleshooting including online monitoring system. The development of prices of the two basic services out of the wholesale MMO is illustrated by the following overview.

Chart 27:



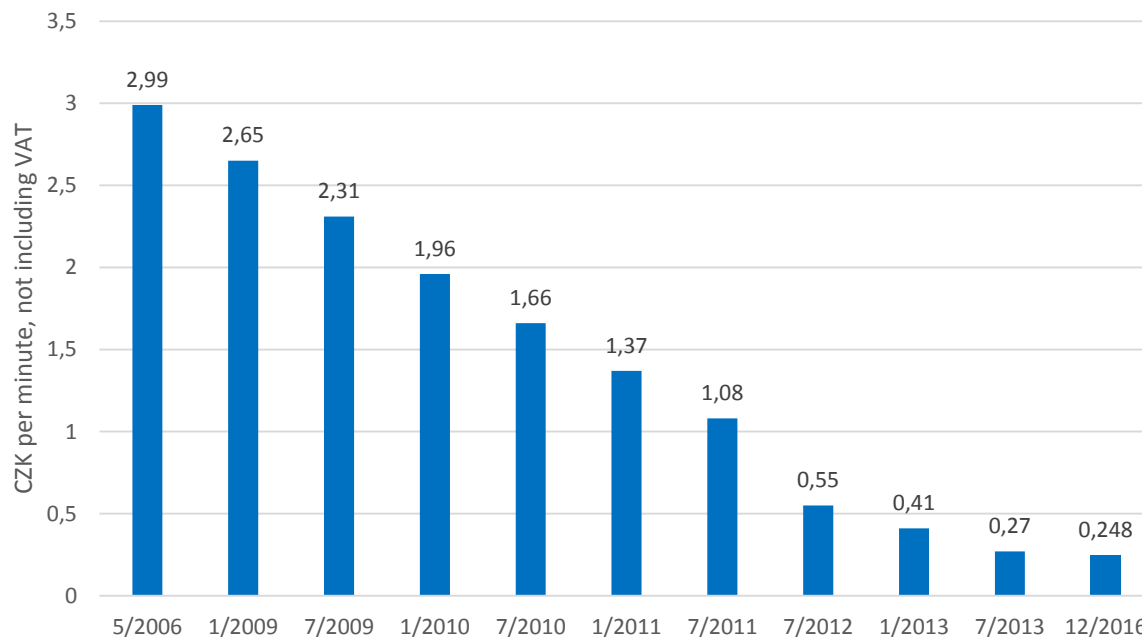
The overview clearly shows that the prices of installation of a subscriber line at the end point and the monthly price for this connection remained unchanged in 2017. In the area of the associated services of the IP transport network which provides connection of the subscribers to the network of the telecommunication operator, multiple modifications were gradually made with the aim to optimize the prices based on the suggestions gained from the market. With respect to the fact that the calculation of the prices of the services of the IP transport network depends on a number of parameters which are determined by the telecommunication operator, it is not possible to make a simple comparison of the price development without the danger of distortion of the results received.

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

The regulated price for termination determined by CTU at the end of 2016 in the amount of CZK 0.248 per minute excluding VAT (for the existing contracts CTU imposed an implementation period until 1 March 2017) remained valid in 2017. This regulated price, which was applied by regulated undertakings (Nordic 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).

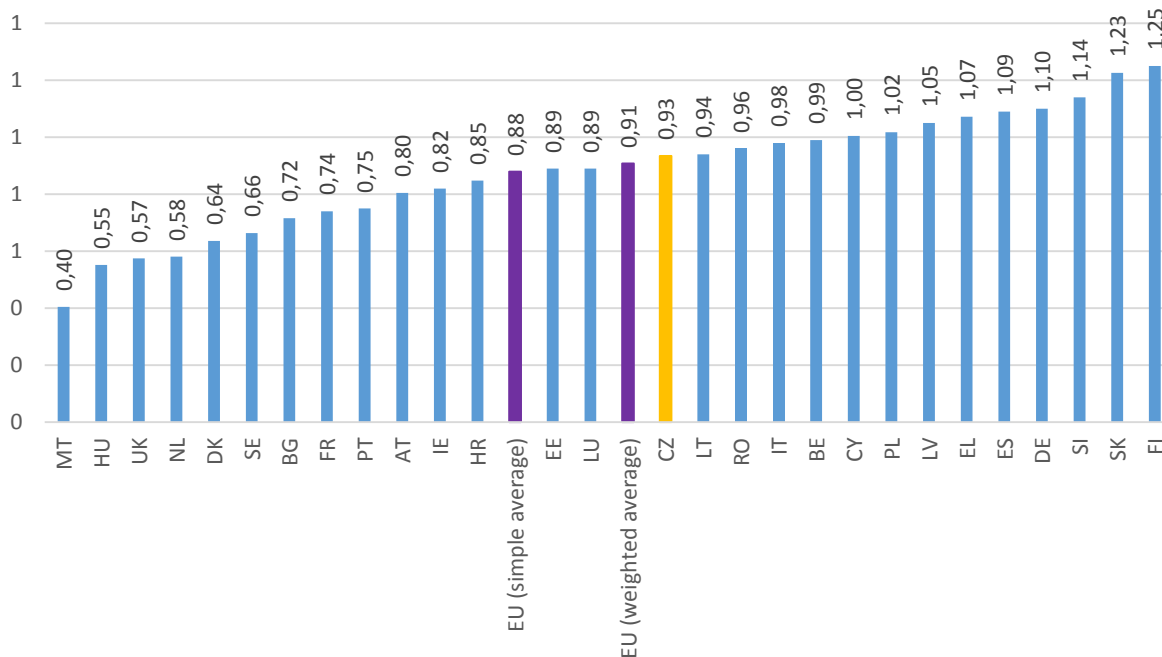
The development of the regulated prices for call termination since 2006 is shown in the following chart.

Chart 28:



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

Chart 29:



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

Similarly to the market of call termination in mobile telephone networks, the regulated price for call termination in telephone networks provided at a fixed location determined by CTU at the end of 2016 in the amount of CZK 0.033 per minute excluding VAT (for the existing contracts CTU imposed an implementation period until 1 March 2017) remained valid in 2017. This regulated price, which was applied by 23 regulated undertakings, 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).

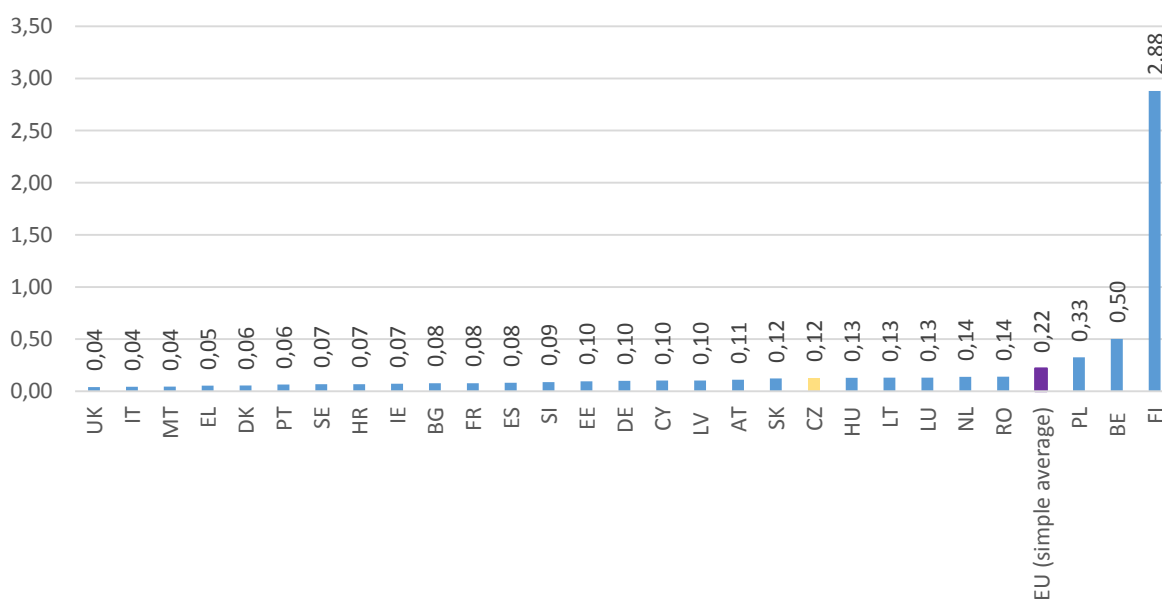
The following table shows the development of the maximum prices for call termination in the Czech Republic since 2008.

Table 5:

Level of interconnection	Operating time	XI.08	IV.10	V.14	XII.16
Local exchange	strong	0,3	0,3	0,03	0,033
	weak	0,15	0,15		
First transit exchange	weak	0,36	0,34		
	weak	0,18	0,17		

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 below the average in comparison with other countries of the EU in the prices stated in eurocents per minute (although this average is affected by the significantly higher price in Finland).

Chart 30:



1.4 Fulfilment of International Roaming Regulation

From 15 June 2017, based on the Regulation (EU) No 531/2012 of the European Parliament and of the Council of 13 June 2012 (hereinafter also referred to as “Regulation”), surcharges for the provision of retail roaming services in EEA countries were cancelled, and there was a smooth transition from the Roam Like At Home+ system (hereinafter referred to as “RLAH+”) which was in effect in the period from 30 April 2016 to 14 June 2017 to the system Roam Like At Home (hereinafter referred to as “RLAH”) where the operator must charge for roaming services in EEA countries, namely for calls, SMS and data services, the same price as the price the customers pay at home within their plans.

To ensure smooth transition to RLAH system starting from 15 June 2017 and harmonized actions on the level of the Member States of the EU and EEA, the European Commission issued the Commission Implementing Regulation (EU) 2016/2286 of 15 December 2016 (hereinafter referred to as “Implementing Regulation”), laying down detailed rules on the application of fair use policy („FUP“) 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. Based on the Implementing Regulation, BEREC issued on 27 March 2017 Guidelines entitled BoR (17) 56 (hereinafter referred to as “BEREC Guidelines”) which represent a detailed interpretation of the provisions of this regulation and the conditions under which surcharges to (RLAH) prices of roaming services will be applied. These can be applied by operators only if the FUP limit is exceeded, under the conditions laid down by the Implementing Regulation, and also in the event of approval by the regulator of a justified request of the operator for the possibility to charge surcharges also after 15 June 2017 based on an assessment of the sustainability of the domestic price level.

In connection with the assessment of the sustainability of cancellation of the retail surcharges for roaming, CTU received in 2017 3 requests for the possibility to charge surcharges to (RLAH) prices of roaming services from three companies running a mobile virtual operator, namely from ERBIA MOBILE s.r.o. (running an operator under the brand name “Laudatio”), miniTEL s.r.o. (running an operator under the brand name “Odorik.cz”), and Mundio Distribution Czech Republic s.r.o. (running an operator under the brand name “Vectone Mobile”). All requests were denied by CTU in the administrative proceedings as unjustified. In two cases the requests were assessed as unfounded, not containing all necessary information providing evidence of unsustainability of the domestic price level for the provision of roaming services, and in one case a positive net retail roaming margin was reported from the provision of retail roaming services (the Implementing Regulation makes possible to allow surcharges when negative roaming retail net margin is 3 % of the total mobile services margin).

The following table shows the maximum wholesale price caps for roaming services valid from 1 July 2016 and 15 June 2017, converted according to the exchange rate published in the Official Journal of the EU on 3 May 2016 and 2 May 2017, respectively.

Table 6:

CZK per minute, not including VAT	From 1. 7. 2016			From 15. 6. 2017		
	Outgoing call	SMS	Data	Outgoing call	SMS	Data
Regulated maximum price	1,35	0,54	1,35	0,86	0,26	0,2

On the retail level, the maximum retail price caps remained, but they shall only apply in cases where the operator charges, in exceptional cases (exceeding FUP or approval of the request for charging the surcharge, see above), customer surcharges to the prices of roaming services. In such case, the sum of the domestic retail price and the roaming surcharge applied must not exceed the retail roaming price caps. Wholesale price caps shown in the table above are also maximum retail surcharges to the prices of roaming services (the table above does not show the VAT, and the prices are rounded down to two decimal places).

The following table shows the development of the regulated maximum retail prices from 1 July 2015 converted to CZK. For the period from 15 June 2017 the sum of the domestic retail price and the surcharges to the price, if any, must not exceed EUR 0.19 per minute of call, EUR 0.06 per SMS, and EUR 0.20 per 1 MB of data.

Table 7:

CZK per minute, not including VAT	From 1. 7. 2015				From 1. 7. 2016				From 15. 6. 2017			
	Outgoing call	Incoming call	SMS	Data	Outgoing call	Incoming call	SMS	Data	Outgoing call	Incoming call	SMS	Data
Regulated maximum price	5,22	1,37	1,64	5,49	5,13	0,3	1,62	5,41	5,1	0,29	1,61	5,37
O2	5,21	1,36	1,61	5,46								
T-Mobile	5,2	1,37	1,64	5,48								
Vodafone	5,21	1,37	1,64	5,48								

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). CTU subsequently, in 2014, checked the fulfilment of the obligations in all three operators.

In early 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 should decrease such as to be consistent with the voluntary obligation of the operators. 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. These administrative proceedings, with regard to the administrative appeals filed, continued in 2017. 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 (O2 and Vodafone) continue breaching their voluntary obligation because 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. In the first half of 2017, CTU performed a similar check of fulfilment of the obligation also by T-Mobile, and this check resulted in another request pursuant to Section 114 of the Electronic Communications Act in June 2017 after which T-reduced in the first half of July 2017 the wholesale prices in the reference mandatory offer.

In August 2017 CTU also defined rules for all three mobile operators, as to how and how often the operators should, without a prior request by CTU, update the prices in the reference mandatory offers of access to the LTE network such that they would comply with their obligations assumed within the auction of radio frequencies. The operators should check the compliance of the prices twice a year, always as of mid and end of the calendar year, and subsequently submit the results of this check, including all relevant information, to CTU no later than the end of the 3rd and 9th month, respectively, of the calendar year, i.e., until 31 March and 30 September of the respective year. The operators should adjust the prices in the mandatory reference offers within 15 days of the submission of the calculation results to CTU.

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 8:

	Semptember 2014 – 29 April 2015	April 2015 – 10 March 2016	11 March 2016 – 17 February 2017	18 February 2017 – 14 October 2017	From 15 October 2017
One-off price	33 000 000	33 000 000	33 000 000	33 000 000	33 000 000
Monthly price for access	750 000	750 000	750 000	750 000	750 000
Monthly price for SIM	45	45	45	45	45
Price for 1 MB	0,51	0,44 - 0,51 *	0,29 - 0,51**	0,0908***	0,1041***
				0,0075****	0,0070****

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,

*** for the purpose of creating retail mobile services,

**** 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 from the reference offer of Vodafone (in CZK)

	Semptember 2014 – 29 April 2015	30 April 2015 – 17 February 2016	18 February 2017 – 12 October 2017	From 13 October 2017
One-off price	27 000 000	27 000 000	27 000 000	27 000 000
Monthly price for access	500 000 - 800 000*	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**	16,45 - 80**
Price for 1 MB	0,63	0,43	0,151***	0,104***
			0,0139****	0,0097****

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,

*** for the purpose of creating retail mobile services,

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

Table 10:

	Semptember 2014 – 29 April 2015	30 April 2015 – 10 March 2016	11 March 2016 – 9 July 2017	10 July 2017 – 14 October 2017	From 15 October 2017
One-off price	9 000 000	15 000 000	15 000 000	24 800 000	24 800 000
Monthly price for access	0	0	0	0	0
Monthly price for SIM	0	25 - 55*	25 - 55*	25 - 55*	40
				40	
Price for 1 MB	0,7	0,42 - 0,52**	0,28 - 0,46***	0,196****	0,135****
				0,0095*****	0,0135*****

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,

*** 0 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,

**** for the purpose of creating retail mobile services,

***** for the purpose of creating a retail offer of "fixed LTE" (connection of mobile network through a modem with limited mobility).

2 Auction of radio frequencies in the band of 3600–3800 MHz

On 27 March 2017 CTU announced a tender for the granting of rights to radio frequencies in the band of 3600 – 3800 MHz. The purpose of the auction was to create conditions for:

1. development of new services of electronic communications via wireless high-speed networks, including but not limited to the broadband high-speed Internet access services, and creation of conditions for technological innovation,
2. ensuring efficient use of radio frequencies in the band of 3600 – 3800 MHz for the benefit of consumers through the granting of rights to the allocated radio frequencies for providing technologically neutral public networks of electronic communications of fixed or mobile radiocommunication service for the provision of electronic communications,
3. intensification of competition in the area of services of electronic communications provided by means of public networks of electronic communications on wholesale and retail level with impact on the entire market of electronic communications, with the aim to benefit end users.

With respect to the above-mentioned goals, CTU defined, when laying down the conditions, in particular the conditions of the minimal scope of coverage of the population, auction blocks with the use of channel widths several times greater than the channel width 5 MHz defined in PVRS 7 so that the allocations of radio frequencies would allow operation of technologies offering sufficient transmission capacity. At the same time, spectrum limits for applicants among the existing operators were distinguished from limits for the other applicants for participation. The auction conditions envisaged distribution of frequencies among five applicants, which would make it possible to operate up to five independent nationwide radio networks of electronic communications in that frequency band.

Within the set time limit until 9 May 2017 CTU received seven applications from Vodafone Czech Republic a.s., T-Mobile Czech Republic a.s., PODA a.s., Suntel Net s.r.o., O2 Czech Republic a.s., Nordic Telecom 5G a.s., and Radio Spectrum CZ s.r.o.

After having checked the compliance with the formal conditions, Radio Spectrum CZ s.r.o. was excluded from further participation in the tender due to the failure to meet the condition of deposition of the money to the CTU account within the set time limit.

The phase of the auction started on 13 June 2017 and ended after the two-hundredth auction round on 11 July 2017. The winners were Vodafone Czech Republic a.s., PODA a.s., O2 Czech Republic a.s., which acquired one block of frequencies with the size of 40 MHz each, and Nordic Telecom 5G a.s. which acquired two blocks of frequencies with total size of 80 MHz. Within the auction phase, all 5 frequency sections with total size of 200 MHz were sold, and the total price achieved in the electronic auction was CZK 1,015 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 and the overview of frequency sections acquired by the individual winners of the auction was published by the Office after the completion of this phase on 30 August 2017.

Based on the results of the auction, in November 2017 CTU allocated the radio frequencies to the winners. CTU expects that according to the commitments for fulfilling the development criteria which were accepted by all auction participants, each operator will ensure within five years coverage with the electronic communication services of high-speed Internet access for 40 % municipalities of the Czech Republic in the population category of 2000 to 5000, and for 45 % municipalities of the Czech Republic in the population category of 5000 to 10000, always at least in 30 selected districts of the Czech Republic which they choose.

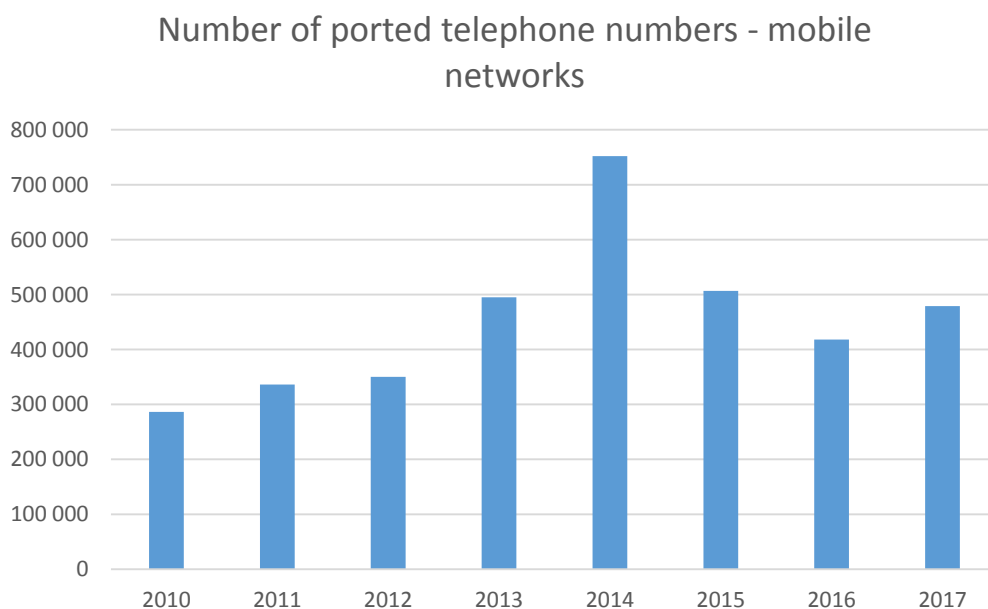
3 Telephone number portability

3.1 Portability in mobile networks

A total of 4,340,916 telephone numbers have been ported until 2017 (including 2017) since the introduction of telephone number portability in mobile networks in 2006, where some telephone numbers could be ported several times during the period. In comparison with the declining trend observed in the number of telephone numbers ported in mobile networks in 2015 and 2016, in 2017 there was again a year-on-year increase of the number of telephone numbers ported, approximately by 15 % to some 479,000 ported telephone numbers. Just like in the previous periods, the sum includes all portations of telephone numbers in 2017, i.e., including numbers which got back to the owner via subsequent transfers, transfers of telephone numbers between virtual mobile operators within one host network or across mobile networks, etc.

The trend of using telephone number portability in mobile networks in the period 2010 to 2017 is documented by the following chart.

Chart 31:



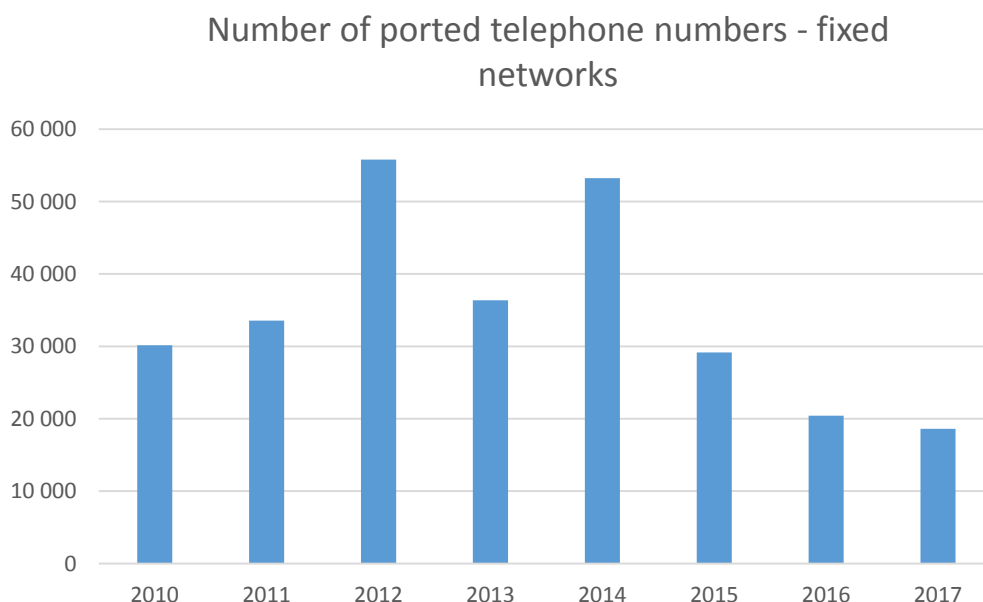
3.2 Portability in fixed networks

A total of 9,696,386 telephone numbers have been ported until 2017 (including 2017) since the introduction of telephone number portability in fixed networks in 2003, whereas in the same period a total of 387,650 telephone numbers were ported²¹ in fixed networks. In 2017 a total of 438,971 individual telephone numbers were ported, which represents a year-on-year decrease approximately by 13 %. The

number of telephone numbers ported in fixed networks decreased year on year in 2017 approximately by 9 % to 18,599 portations. In comparison with 2016, the number of telephone numbers ported in fixed networks has further decreased, a trend which has been persisting since 2015.

The trend of using telephone number portability in fixed networks in the period 2010 to 2017 is documented by the following chart.

Chart 32:



3.3 Number management

Throughout 2017, 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 2017 CTU issued 387 decisions in the area of number management, of which 85 decisions on granting a licence to use numbers, 28 decisions on a change of a licence, 193 decisions on extension of validity period of a licence, 58 decisions on revocation of a licence, 2 approvals of transfers of rights, 12 decisions on transfer of a licence, and 9 decisions on termination of administrative proceedings.

3.4 Introduction of eCall in the Czech Republic

In connection with Decision No 585/2014/EU of the European Parliament and of the Council of 15 May 2014 on the deployment of the interoperable EU-wide eCall service enabling emergency calls from a vehicle unit to the emergency hotline 112 across the EU from 1 October 2017, CTU [published](https://www.ctu.cz/tabulka-smerovani-tisnovych-volani-na-cislo-112-pomoci-nrn-pro-ecall) [available online at: <https://www.ctu.cz/tabulka-smerovani-tisnovych-volani-na-cislo-112-pomoci-nrn-pro-ecall>] Network Routing Numbers (NRN) for routing the calls of the eCall service to the single European emergency number 112. The network routing numbers NRN make it possible to distinguish cases for automatic a manual activation of the eCall system in the Czech Republic. The use of NRN for the implementation of eCall was discussed and accepted upon CTU request at the joint meeting of the representatives of the Ministry of the Interior – Directorate General of the Fire Rescue Service of the Czech Republic, Ministry of Industry and Trade of the Czech Republic, Ministry of Transport of the Czech Republic, O2 Czech Republic a.s., Česká telekomunikační infrastruktura a.s., T-Mobile Czech Republic a.s., Vodafone Czech Republic a.s., and CTU.

4 Evaluation of the postal services market

4.1 Situation of the postal market

Business activities in the postal services market in the Czech Republic are regulated by Act No. 29/2000 Coll., on postal services and on amendment to certain related acts (Postal Services Act), as amended.

As of 1 January 2017, 24 businesses had a licence to provide postal services in accordance with this Act. In 2017 two businesses terminated their business activities in the postal services market. These businesses did not actually provide postal services in the past although they had a licence to do so. Four new businesses announced that they intend to provide postal services or international postal services. At the end of 2017 there was 26 businesses licensed to offer postal services in the Czech Republic.

The above implies that in 2017, for a certain period, 28 businesses had a licence to carry out businesses activities in the area of postal services. Out of this number, however, only 20 actually provided postal services and transported postal items.

The posting of postal items in the entire Czech Republic was offered by 17 operators in the period in question. Other operators offered posting of postal items only in a part of the country which is limited to one or several districts, in the case of one operator to one whole region. Delivery of postal items in the entire Czech Republic was offered by 23 businesses. On other cases operators delivered postal items only within one or more districts but never in at least one whole region.

All information on the operators who were licensed in 2017 to offer and provide postal services is published by CTU on its website. At <https://www.ctu.cz/vyhledavaci-databaze/evidence-provozovatel-u-poskytujicich-nebo-zajistujicich-postovni-sluzby> it is possible to get information on particular operators, services notified by them, the geographical range for posting and delivery.

The table below shows how many operators were licensed to offer a particular postal service.

Table 11: Overview of the number of operators authorised to offer a specific postal service in 2017

Name of postal service	Number of operators authorised to offer the postal service
Delivery of postal consignment of up to 2 kg	18
Delivery of postal parcel of up to 10 kg	15
Delivery of postal parcel of over 10 kg	14
Delivery of registered consignment of up to 2 kg	12
Delivery of registered consignment of over 2 kg	10
Delivery of valuable consignment of up to 10 kg	10
Delivery of valuable consignment of over 10 kg	10
Delivery of a postal consignment of up to 7 kg for the blind	2
Delivery of a registered consignment of up to 7 kg for the blind	2
Delivery of printed matter bag	4

Delivery of registered printed matter bag	3
Other postal services	11

The table above does not contain the postal service of “delivery of a remitted amount of money”. The Postal Services Act sets a monopoly for this service, and only the holder of the postal licence is authorized to provide it; in 2017 it was Česká pošta, s.p (hereinafter referred to as “Czech Post”).

Under the Postal Services Act, CTU provides the state statistical service, including the collection of data in the area of postal services and international postal services. It collects the data through the Electronic Data Collection application which is available to all operators on the CTU website. Furthermore, in the area of the statistical service CTU works with the bodies of the European Union which process data on postal services provided in the European Union.

Operators providing postal services were imposed an obligation by CTU to provide statistical data for the year 2017 no later than 31 March 2018. CTU reviewed this data and requested a check and, if applicable, update thereof. All operators provided or updated, as the case may be, the statistical data an overview of which is provided below.

One of the basic indicators describing the development of the postal services market is the number of postal items transported within each service category. As the following table shows, there is a long-term decline of the volume of almost all items transported. Postal items containing a document are being replaced by electronic communications services, standard postal items (postal items up to 2 kg) are being replaced by e-mails, SMS or MMS messages. Registered letters are being replaced, in particular in the communication with public authorities, by message delivery via data mailboxes.

The usage of the service of delivery of a valuable postal item is also decreasing. Users of postal services replace this service with other services offered on commercial basis. Operators offer high quality standards with these services, e.g., guaranteed delivery time or, as the case may be, discounts when posting larger quantities of items which are attractive mainly for large businesses such as, in particular, e-shops.

On the other hand, the number of postal parcels transported has strongly increased. This increase is particularly caused by two operators who started their activities in 2017 and offer mainly delivery of goods from e-shops.

Although the following table shows that in the previous years the volume of other postal items grew strongly, in reality this strong growth is due to the fact that CTU received data from operators who newly declared themselves as operators of postal services in the period in question and newly also provided statistical data.

Table 12:

Name of postal service	2014	2015	2016	2017
Delivery of postal consignment of up to 2 kg	440 746 759	392 216 343	334 924 453	308 589 291
Delivery of a postal parcel	1 366 004	2 521 521	2 268 142	10 007 619
of which delivery of postal parcel of up to 10 kg	1 290 016	1 079 020	668 375	8 251 563

Delivery of a registered consignment	88 513 540	84 670 609	82 618 091	80 825 128
of which delivery of registered consignment of up to 2 kg	88 471 880	84 646 609	82 460 091	80 620 128
Delivery of valuable consignment	4 723 185	3 170 209	2 658 767	2 494 758
of which delivery of valuable consignment of up to 10 kg	4 632 152	3 115 815	2 619 716	2 460 517
Delivery of a postal consignment of up to 7 kg for the blind	104 570	90 442	78 867	78 033
of which delivery of a registered consignment of up to 7 kg for the blind	18 035	18 106	18 282	19 225
Delivery of printed matter bag	7 802	9 004	9 217	8 582
of which delivery of registered printed matter bag	2 146	2 105	2 134	1 931
Other	20 301 169	62 936 528	509 246 775	635 936 473

The overall development of the postal services market is realistically illustrated by economic indicators, sales, costs and investments associated with the provision of postal services. The development of these indicators clearly shows that the postal services market is stable. Costs and revenues associated with the provision of postal services only changed in fractions of per cent relative to 2015.

Table 13: Comparison of the development of the postal services market

Economic indicators	2014	2015	2016	2017
Total revenues from the provision of postal services	14 092 679 637	18 304 367 773	20 028 139 360	18 780 119 380
Total cost of the provision of postal services	16 676 390 907	19 918 241 020	21 966 783 970	20 858 161 778
Total investment made in the provision of postal services	365 610 628	542 173 671	619 145 646	613 901 000

A number of businesses make it possible to post postal items through their outlet networks. Some operators do not deliver postal items to the place specified in the postal address but only allow them to be collected at their outlet or at the outlet of their contractual partner. This method of delivery is possible also if the recipient cannot be reached at the place of delivery of the postal items. For these reasons, too, it is necessary that most operators have a functional network of outlets. The development of the number of outlets of all operators is shown in the table below.

Table 14: Number of post offices of business undertakings in postal services

Number of post offices	2014	2015	2016	2017
Own	3 211	3 199	3 081	2 894
of which Czech Post	3 162	3 124	2 984	2 807
Contractual partners	401	633	419	1 800
of which Czech Post	154	190	327	507
Total	3 612	3 832	3 500	4 694
of which this Czech Post	3 316	3 314	3 311	3 314
	2014	2015	2016	2017
Number of employment positions	24 017	24 107	23 958	23 777
of which Czech Post	23 789	23 521	23 387	23 132

Provision of postal services is specific due to large share of human labour. This mainly due to the fact that there are currently no technical means for delivery of postal items to the place specified in the postal address. This activity must be therefore carried out by delivery people. With respect to the fact that the total number of transported postal items is decreasing, in particular due to the decline in the number of transported letters, the number of work positions created by the operators for the provision of postal services is also decreasing.

Table 15: Employment positions created by operators for the purpose of providing postal services

	2014	2015	2016	2017
Number of employment positions	24 017	24 107	23 958	23 777
of which Czech Post	23 789	23 521	23 387	23 132

CTU also monitors the quality of the postal services provided. Based on the statistical data collected, it is possible to compare the development of the number of complaints about the provision of postal services. These indicators can be compared in absolute numbers, but the development of the quality of postal services can be also monitored by means of the ratio of the number of complaints and number of postal items carried.

Table 16: Number of claims regarding postal services

	2014	2015	2016	2017
Number of claims received	205 320	213 555	203 799	192 459
of which legitimate	40 365	46 765	45 115	39 385
Ratio of claims to number of carried consignments	0,03%	0,03%	0,02%	0,02%

The number of complaints is stable in comparison to the previous periods. In 2017 there was a slight decrease of the number of complaints evaluated as justified by the operators. In comparison to the previous periods, the number of complaints per number of postal services provided is stable with respect to the number of postal items carried.

4.2 Development of the universal services in 2017

2017 was the last year of validity of the postal licence which was granted to Czech Post for the period 2013 – 2017. Czech Post was obliged according to the [decision](https://www.ctu.cz/cs/download/postovni_sluzby/rozhodnuti_cj_ctu-562_2013-610_udeleni-postovni-licence_ceska_posta.pdf) [available online at: https://www.ctu.cz/cs/download/postovni_sluzby/rozhodnuti_cj_ctu-562_2013-610_udeleni-postovni-licence_ceska_posta.pdf] on granting of postal licence to ensure provision of the minimum scope of postal services which are defined as universal services by the Postal Services Act.

The number of postal items posted with Czech Post within the universal services for the period of validity of the above-mentioned postal licence was gradually decreasing. The declining trend is visible in the following table which shows the numbers of postal items and postal orders delivered by Czech Post within the individual universal services. This continuous process is a result of the fact that in the postal services market, in particular in the area of parcels, there are also other entities offering comparable services. Czech Post offered other products comparable to the universal services on top of its obligation imposed by the postal licence.

Table 17: Universal services provided by Czech Post (in thousands) (2013-2017)

Indicator	2013	2014	2015	2016
Number of carried postal consignments up to 2 kg (standard consignments)	337 731	291 204	269 901	239 415
Number of carried postal consignments up to 10 kg (standard consignments)	1 331	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	80 676	83 131	79 927	72 275
Number of carried registered consignments up to 7 kg for the blind	14	14	14	13
Number of carried valuable consignments up to 10 kg (parcels)	5 216	4 503	2 854	2 362
Number of carried printed matter bags	2,836	1,72	0,685	0,867
Number of carried registered printed matter bags	0,057	0,045	0,051	0,016

Number of received postal orders	52 585	46 820	41 873	37 831
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Source: Czech Post

The decrease of the volume of postal items carried is most visible in standard postal items, i.e., postal items up to 2 kg, parcels up to 10 kg and postal items for the blind up to 7 kg. during the validity period of the postal licence the number of this type of postal items dropped by 35.4 %.

The decrease in the number of delivered postal items up to 2 kg is caused by the switch of customers to other modes of message delivery such as SMS, e-mail, and newly also VoIP or electronic messaging via services such as Messenger, etc.

The decline of the service of delivery of registered letter up to 2 kg is not so significant, mainly because this service is used by public authorities or local government bodies for communication with people who are not obliged to set up a data mailbox. Some special laws and regulations (e.g., Code of Civil Procedure) also define the method of delivery of official documents which is fulfilled by this service. It makes it possible for the sender to get a receipt of delivery of postal items to the recipient as well as other required parameters allowing the send to apply the so-called delivery presumption which other services do not allow.

Within the universal services, there is also decline in the number of postal items carried which do not contain a document, i.e., parcels up to 10 kg and valuable postal items up to 10 kg. The volume of these services is declining mainly due to the customers switching to other commercially offered services typically with added value, either offered by Czech Post, or by other operators of postal services.

The number of postal orders delivered is declining mainly due to the replacement of this service by electronic banking.

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 universal services and the mode of use thereof. 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 basic quality requirements. With respect to the expiry of the postal licence as of 31 December 2017, 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 which was completed in early 2017.

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 is available at <https://www.ctu.cz/vyzva-k-uplatneni-pripominek-k-zameru-ulozit-jako-povinnost-poskytovat-zajistovat-jednotlive>. Suggestions to the proposal to impose the obligation to provide and ensure individual universal services were only raised by Czech Post. An overview of the suggestions of Czech Post including the settlement thereof by means of public consultation is provided at <https://www.ctu.cz/vyzva-k-uplatneni-pripominek-k-zameru-ulozit-jako-povinnost-poskytovat-zajistovat-jednotlive>.

Based on the plan to impose the obligation to provide and ensure individual universal services with the entities in question approved by the Council, CTU announced, pursuant to Section 22(2) of the Postal Services Act, on 28 June 2017, a tender for the holder of the postal licence for the period from 1 January 2018 to 31 December 2022 (download at: <https://www.ctu.cz/postovni-vestnik-castka-8-z-30-cervna-2017>)

In accordance with the schedule of the tender, only one entity, namely Czech Post, submitted an application for the tender by 31 August 2017. Since Czech Post failed to meet the conditions for participation in the tender because it did not submit the cost orientation of the prices of the universal services, the Council rejected the application of Czech Post. By the Council decision the tender was terminated. This decision was published in the Postal Bulletin, part No. 14/2017 (<https://www.ctu.cz/postovni-vestnik-castka-14-z-8-listopadu-2017>).

As the holder of the postal licence was not selected within the tender, the Council, in order to ensure continuously nationwide availability of the universal services in the defined quality for the period from 1 January 2018, opened administrative proceedings with Czech Post concerning the granting of the postal licence for the period from 1 January 2018 to 31 December 2022 pursuant to Section 22(9) of the Postal Services Act. According to this provision, if no operator is selected in the tender procedure due to failure to meet the conditions for participation, the Office shall impose, by a decision on granting of the postal licence, the obligation to provide and ensure universal services specified in the announcement of the tender upon the operator who best meets the criteria of evaluation of the application. On 12 December 2017 the Council granted the postal licence to Czech Post; the Office published this decision in the Postal Bulletin, part No. 16/2017 (<https://www.ctu.cz/postovni-vestnik-castka-16-z-12-prosince-2017>).

One of the main activities of the Office is to supervise the availability of the universal services which must be ensured in accordance with the requirements of Decree No. 464/2012 Coll., on specification of individual universal services and the basic quality requirements for the provision thereof, as amended by Decree No. 203/2016 Coll. With effect from 1 January 2016, these criteria are complemented by Government Order No. 178/2015 Coll., on determination of the minimum number of establishments for the provision of universal services. This regulation provides, based on a statutory authorization, that universal services must be provided by means of a network of at least 3200 post offices.

Czech Post is obliged to provide information on a temporary closing of a post office of Czech Post, in which one of the universal services included in its postal licence is provided, in the defined manner to the affected users and also to CTU and the affected municipalities. In 2017 Czech Post announced temporary closure of 510 post offices. The most frequently stated reason was closure due to a change to Partner post office, namely in the case of 199 post offices.

Some of the post offices were closed repeatedly in the period in question. A total of 16 post offices were closed five or more times. The reason for these recurrent closures was most often personnel reasons, including but not limited to sudden sickness of an employee.

The main obligation in the case of the universal services is to deliver a postal item or a remitted amount of money to the place specified in the postal address, except for places according to Section 16 of Decree No. 464/2012 Coll., according to which Czech Post exceptionally is not obliged to deliver. Czech Post has an obligation to disclose this information on its website [available online at: <https://www.ceskaposta.cz/ke-stazeni/zakaznicke-vystupy>].

One of the main criteria of quality of the service provided is speed at which the service is provided. The requirement that a postal item or a remitted amount of money be delivered as quickly as possible is one of the parameters which can be quantified relatively clearly. Measurement of carriage times of standard postal items according to EN 13850 was used for that purpose. Section 22 of Decree No. 464/2012 Coll. Imposes an obligation upon the holder of the postal licence to perform such measurement. The Decree defines as a sufficient indicator of quality achievement of at least 92 % of postal items with weight up to 50 g delivered the following business day after the date of posting. Czech Post fulfilled this indicator. In 2017 it achieved a result of 93.44 %.

The basic 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 basic 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 Order 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 2017

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).

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. In 2017 there was no reason to apply such measure.

The most significant change in the area of prices in 2017 was the increase of the price of standard postal items and registered letters and valuable items sent abroad by CZK 5 in all categories and weight levels for all destinations from 1 January 2017. The previous increase of price took place on 1 May 2016. Prices were increased flatly by CZK 20 in all weight categories of standard and valuable parcels, both priority and economy, to all countries of the world. These prices were increased since 2000 for the first time. The price of domestic registered parcels and valuable parcels was increased by CZK 10. Czech Post increased the price of postal money order cash – account (money orders A) by CZK 1. Czech Post also increased the prices of cash of delivery service (from CZK 12 to CZK 14) and the basic price of the top-up payment for unpaid or partially paid national postal items from CZK 5 to CZK 15. Prices of national standard, registered and valuable letters were increased also for the users of postal services with the Customer Card of Czech Post. For users of payment machines or upon payment of the price using the Credit and for customers of Hybrid Post the price of registered letters and valuable letters was increased in all weight categories within

the Czech Republic. The price increase ranges between CZK 1 and CZK 3. Czech Post also reduced by 1 % the bulk discounts for posting items with annual turnover over CZK 100,000,000.

With effect from 1 February 2017, Czech Post increased the prices of other postal services included in the category of universal postal services. This price increase was an addition to the price increase which occurred from 1 January 2017. Czech Post increased the prices of registered parcels for the users of payment machines or upon payment of the price using the Credit and for customers of Hybrid Post with annual revenue up to CZK 200 million in all weight categories by CZK 10. Changes were made also to the categorization of some, mostly European countries in price categories of standard priority and economy parcels sent abroad. The result of these changes is reduction of the price of the standard economy parcel ranging from CZK 70 to CZK 363, depending on the weight thereof and the destination to selected European countries (e.g., to Croatia, Bulgaria, Slovenia, Ukraine, Hungary, Ireland or France).

With effect from 1 July 2017, Czech Post increased the prices of other postal services included in the category of universal postal services. The price was increased for users of payment machines and for payments of the price using the Credit in case of standard postal items, registered letters and valuable letters sent abroad by CZK 5 in all categories and weight categories for all destinations.

Table 18: Increase of prices of universal services to abroad from 1.1.2017

	Price until 31. 12. 2016 (CZK per unit)	Price from 1. 1. 2017 (CZK per unit)
Standard consignment - european countries priority		
to 50 g inclusive	27	32
to 100 g inclusive	43	48
to 250 g inclusive	78	83
to 500 g inclusive	112	117
to 1 kg inclusive	192	197
to 2 kg inclusive	332	337
Standard consignment - overseas priority		
to 50 g inclusive	32	37
to 100 g inclusive	49	54
to 250 g inclusive	95	100
to 500 g inclusive	154	159
to 1 kg inclusive	272	277
to 2 kg inclusive	482	487
Standard consignment - overseas economy		

to 50 g inclusive	27	32
to 100 g inclusive	43	48
to 250 g inclusive	78	83
to 500 g inclusive	112	117
to 1 kg inclusive	192	197
to 2 kg inclusive	332	337
Registered consignment - european countries priority		
to 50 g inclusive	72	77
to 100 g inclusive	94	99
to 250 g inclusive	129	134
to 500 g inclusive	162	167
to 1 kg inclusive	242	247
to 2 kg inclusive	382	387
Registered consignment - overseas priority		
to 50 g inclusive	77	82
to 100 g inclusive	100	105
to 250 g inclusive	145	150
to 500 g inclusive	204	209
to 1 kg inclusive	323	328
to 2 kg inclusive	533	538

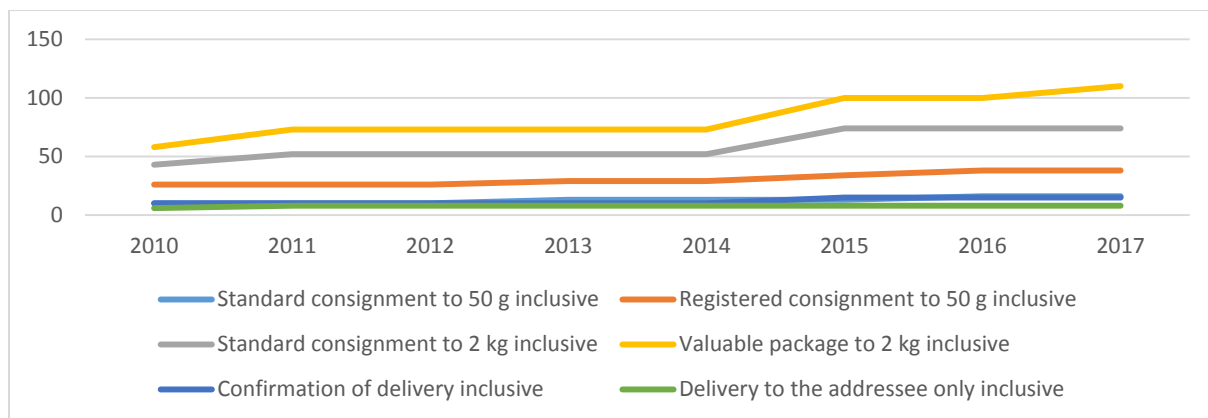
As of the same date (1 May 2016) the prices of international standard letter, registered letter and valuable letter was also increased. The price of international standard letter was increased by CZK 2, the prices of international registered letter and international valuable letter were increased by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

Development of the prices of selected domestic universal postal services in the period 2010 – 2017 is shown by the table below and also by the following chart.

Table 19: Prices of selected inland universal services in the period 2010 - 2017 (CZK per unit)

	2010	2011	2012	2013	2014	2015	2016	2017
Standard consignment to 50 g inclusive	10	10	10	13	13	13	16	16
Registered consignment to 50 g inclusive	26	26	26	29	29	34	38	38
Standard consignment to 2 kg inclusive	43	52	52	52	52	74	74	74
Valuable package to 2 kg inclusive	58	73	73	73	73	100	100	110
Confirmation of delivery inclusive	10	10	10	10	10	15	15	15
Delivery to the addressee only inclusive	6	8	8	8	8	8	8	8

Chart 33:

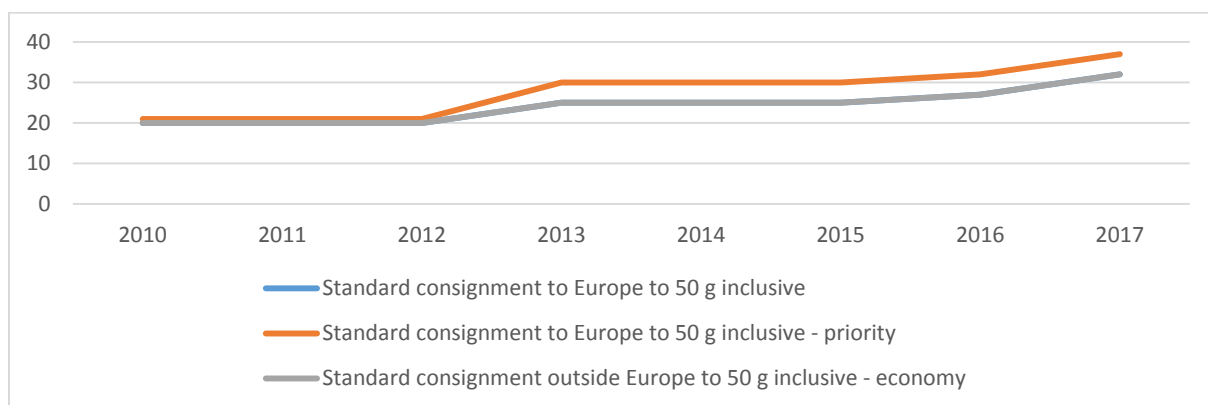


Development of the prices of selected international universal postal services in the period 2010 – 2017 is shown by the table below and also by the following chart.

Table 21: Prices of selected international universal services in the period 2010 - 2017 (CZK per unit)

	2010	2011	2012	2013	2014	2015	2016	2017
Standard consignment to Europe to 50 g inclusive	20	20	20	25	25	25	27	32
Standard consignment to Europe to 50 g inclusive - priority	21	21	21	30	30	30	32	37
Standard consignment outside Europe to 50 g inclusive - economy	20	20	20	25	25	25	27	32

Graf 34: Prices of selected universal services sent abroad in the period 2010–2017 (CZK per item)



Czech Post increases the prices of its services within its obligation²² to provide them at cost-oriented prices. The unit costs of provision of the universal postal services incurred by Czech Post are increasing due to the long-term decline in demand for these services. Because the total costs of Czech Post are fixed to a great extent, when distributing these costs into decreasing volume of universal postal services provided the unit costs are increasing in time.

4.2.3 Funding of the universal services

Pre-notification negotiations with the European Commission continued in 2017 concerning the mechanism of funding of the net costs of the universal services for the years 2013 to 2017. These negotiations were commenced in connection with the amendment of the Postal Services Act (Act No. 319/2015 Coll.) which newly introduced funding of the net costs from the state budget. During the negotiations 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 the government decision dated 12 October 2016 by which the government acknowledged the inability to use the compensation fund and ordered the minister of industry and trade and the minister of the interior to prepare a draft measure aimed at preventing losses, if any, and minimizing the risks, CTU discontinued the administrative proceedings concerning the determination of the amount of the shares of the individual payers in the funding of the net costs. The change of the funding of the net costs for the years 2013 and 2014 will be addressed by the upcoming amendment of the Postal Services Act.

Also the administrative proceedings concerning the determination of the net costs for the year 2015, which was commenced by submission of an application of Czech Post, s.p. on 22 August 2016, was discontinued until the completion of the notification process. Česká pošta, s.p. 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. Based on the result of the notification process with the European Commission, the reimbursement of the verified amount of the net costs for the year 2015 should be made, pursuant to the amendment of the Postal Services Act (Act No. 319/2015 Coll.), from the state budget, in maximum amount of CZK 700,000,000.

On 30 August 2017 Česká pošta, s.p. filed an application for reimbursement of the net costs for the year 2016 in total amount of CZK 2,093,847,272. The net costs of the post office network were quantified by the provider in the amount of CZK 1,420,748,853, the net costs of the delivery network in the amount of CZK 727,891,679, and the net costs of the supporting processes induced by the obligation to provide universal services were quantified in the amount of CZK 28,025,918. The intangible and market benefits reducing the net costs were determined in the amount of CZK 82,819,178. As of the date of submission of the application, administrative proceedings commenced in which CTU verified the accuracy and completeness of all information submitted and consistency of the calculation with the Postal Services Act as well as 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. Pursuant 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 2016 will be made from the state budget, in maximum amount of CZK 600,000,000. The administrative proceedings concerning the determination of the net costs for the year 2016 and determination whether they represent unfair financial burden for the postal license holder have not been completed as of the end of 2017. The decision in these administrative proceedings can be issued only following the receipt of the decision of the European Commission concerning the notification of the funding of the net costs for the period 2013 – 2017.

5 Terrestrial digital television and digital radio broadcasting

5.1 Television broadcasting

In 2017 the national broadcasting networks DVB-T or the regional broadcasting networks did not develop significantly. Changes occurred in the regional broadcasting networks and these changes followed from the update of a part of the radio spectrum utilization plan No. PV-P/10/09.2017-7 for the frequency band 470 – 960 MHz which took effect on 15 October 2017 and regulated, among other things, the conditions for the broadcasting of regional broadcasting networks also after 31 December 2017 when this broadcasting was supposed to end. Some regional networks reduced the number of their transmitters, some modified the technical parameters of the transmitters.

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

Table 22: Regional broadcasting networks

Regional network No.	Coverage	Area covered
Broadcasting network1	99,90%	Nationwide broadcasting in the Czech Republic
Broadcasting network 2	99,90%	Nationwide broadcasting in the Czech Republic
Broadcasting network3	98,10%	Nationwide broadcasting in the Czech Republic
Broadcasting network4	95,10%	Nationwide broadcasting in the Czech Republic

Reg 1	1,90%	Different regions in Bohemia
Reg 2	5,60%	Regional broadcasting – Moravia and Silesia
Reg 4	17,10%	Regional broadcasting in Praha
Reg 5	0,20%	Local broadcasting in Svitavy
Regionální síť 6	4,30%	Regional broadcasting in Praha
Reg 7	84,30%	Almost nationwide broadcasting in the Czech Republic
Reg 8	55,10%	Regional broadcasting in the Czech Republic
Reg 9	1,40%	Local broadcasting in Ústecko
Reg 10	0,50%	Local broadcasting – in the Czech Republic
Reg 11	0,60%	Local broadcasting in Jihlava
Reg 12	17%	Regional broadcasting in Praha
Reg 13	16,60%	Different regions in the Czech Republic
Reg 14	0,40%	Local broadcasting in South Bohemia
Reg 15	0,10%	Local broadcasting in Adamov
Reg 16	0,40%	Local broadcasting in Příbram
Reg 17	2,60%	Regional broadcasting in Plzeň
Reg 18	0,20%	Local broadcasting in Český Krumlov
Reg 19	1,10%	Local broadcasting in Říčany
Reg 20	18,20%	Different regions in the Czech Republic
Reg 21	0,20%	Local broadcasting in Mariánské lázně

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

5.1.1 Preparation of Migration to DVB-T2

The decision on co-primary utilization of the frequency band 694 – 790 MHz (hereinafter referred to as “700 MHz band”) for radio and mobile service was made by the World Radiocommunication Conference organized by the International Telecommunication Union WRC-12. The conference passed a decision that, with effect from the following World Radiocommunication Conference WRC-15, the 700MHz frequency band will be allocated, except for the radio service, also for mobile service with the aim to enable the use thereof also for high-speed mobile networks. With respect to the requirement for preservation of

sufficient future capacity of terrestrial digital television broadcasting (hereinafter referred to as “DTT”) in the Czech Republic, it was necessary to perform comprehensive re-planning of the use of a part of the UHF band remaining for television broadcasting and, at the same time, switch to a more efficient mode of dissemination of television broadcasting. Although, with respect to the anticipated European harmonization of utilization of the 700MHz band, this issue affects also other Member States of the European Union, i.e., all neighbouring countries, the scope of utilization of DTT is different in each Member State. The solution which therefore the different states approached individually must also respect the principle of equal distribution of radio frequencies on the joint borders, mutual national solution, and also to accept the results of the negotiations with other related neighbouring states in order to create a compatible frequency plan. For the sake of preserving sustainability of DTT, however, the EU Member States usually migrate, just like the Czech Republic, from DVB-T to the DVB-T2 system using the latest principles of compression HEVC (H265). As early as in September 2014 the Czech Republic therefore adopted the update of the Recommendation of technical specification of digital receivers and equipment necessary for ensuring trouble-free reception of terrestrial digital television broadcasting (so-called [D-Book](https://www.ctu.cz/sites/default/files/obsah/d-book.pdf) [available online at: <https://www.ctu.cz/sites/default/files/obsah/d-book.pdf>]), which was an important step in terms of market supply with suitable receivers and the continuing replacement thereof and spontaneous penetration in households.

Within the expert coordination group of the Ministry of Industry and Trade, CTU participated in the amendments of Government Order No. 153/2005 Coll. and Government Order 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 entered into force on 30 January 2017. In particular, the amendment of Government Order No. 154/2005 Coll. which laid down the specific amount of charges for concurrent broadcasting, contributed to significant expansion of the transition networks of the concurrent DVB-T2 broadcasting.

The current overview of transition broadcasting networks and the scope of coverage of the population with the DVB-T2 television signal disseminated therein is shown in the following table.

TV broadcasting network	Extend of coverage	Area of coverage
Temporary transition networks 11	0%	
Temporary transition networks 12	97,50%	Nationwide broadcasting in the Czech Republic
Temporary transition networks 13	33,10%	Region Praha, Brno a Ostrava

It is in particular Decision (EU) 2017/899 of the European Parliament and of the Council of 17 May 2017 on the use of the 470-790 MHz frequency band in the Union, Article 1(2) ([EU Decision 2017/899](http://eur-lex.europa.eu/legal-content/CS/TXT/?uri=CELEX:32017D0899) [available online at: <http://eur-lex.europa.eu/legal-content/CS/TXT/?uri=CELEX:32017D0899>]) that is binding upon the Czech Republic. The decision stated that “*In order to allow the use of the 700 MHz frequency band in accordance with paragraph 1, Member States shall, by 31 December 2017, conclude all the necessary cross-border frequency-coordination agreements within the Union.*”

In the second half of 2017 CTU managed to conclude bilateral coordination agreements with the administrations of all neighbouring countries (Germany, Austria, Poland, Slovakia and Hungary). The agreements mostly contain determination of radio frequencies for defined group allocations (in the Czech Republic, these are territories of the individual regions) as well as technical parameters usable for individual transmitters. The results of these coordination efforts basically guarantee future provision of the same scope of coverage of the population of the Czech Republic with DVB-T2 signal for all four existing nationwide broadcasting networks.

In addition, the Member States are supposed to, according to the same Decision (EU) 2017/899, adopt no later than 30 June 2018, Member States shall adopt and make public their national plan and schedule including detailed steps concerning the release of the 700 MHz frequency band and utilization thereof for high-speed mobile networks of electronic communications. In the Czech Republic, the party responsible for the adoption and publication of the national plan is the Ministry of Industry and Trade.

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 2017, submitted by foreign administrations as well as by the operators of radio broadcasting in the Czech Republic through the Council for Radio and Television Broadcasting.

Regarding the possibility to commence regular terrestrial digital radio broadcasting (T-DAB), no major change occurred in 2017 in terms of the expectations of CTU. In the first half of the year the experimental digital radio broadcasting continued, thanks to the initiative of Czech Radio 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. Nevertheless, it was continuation of experimental broadcasting which took place during the whole year 2016, and with respect to the anticipated commencement of the long-term broadcasting of Czech Radio it was extended until the end of May 2017.

The concept of development of digital radio broadcasting which was discussed and approved by the government allowed Czech Radio to commence time-limited terrestrial digital radio broadcasting the geographical coverage of which was 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 relevant individual authorizations were granted to Czech Radio gradually in 2017. Currently this digital broadcasting is transmitted from transmitters Praha City, Beroun and Plzeň Radeč on frequency block 12C, and also from transmitters Brno Hády and Ostrava on frequency block 12D.

In addition, terrestrial digital radio broadcasting in the Czech Republic can 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). No development of broadcasting radio networks in L band is envisaged. 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 obligatory use of the band in harmonized manner for mobile services and the technical conditions of compatibility of individual services. Neighbouring countries therefore refuse to coordinate any further requirements for T-DAB transmitters that do not comply with these compatibility conditions, which, given the size and nature of the territory of the Czech Republic, does not allow any development of broadcasting in this band.

6 Legal Framework

In 2017 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 the Electronic Communications Act and the Postal Services Act, including the regulations issued for the implementation thereof. The legal framework for the area of electronic communications was newly enhanced in 2017 to include Act No. 194/2017 Coll., on measures to reduce the costs of implementation of high-speed networks of electronic communications and on amendment of some related Acts. In procedural terms, CTU acted according to the Code of Administrative Procedure in all proceedings.

The following laws and regulations were enacted in 2017 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. 183/2017 Coll. which amends some Acts in relation to the enactment of the Act on liability for misdemeanours and proceedings concerning the misdemeanours, and the Act on some misdemeanours

Act No. 183/2017 Coll., which amends some Acts in relation to the enactment of the Act on liability for misdemeanours and proceedings concerning the misdemeanours, and the Act on some misdemeanours, entered into effect on 1 July 2017, i.e., same as Act No. 250/2016 Coll. on liability for misdemeanours and proceedings concerning the misdemeanours which represents new legislation of procedural nature in the area of administrative punishment. In relation to the coming into effect of the Act on liability for misdemeanours and proceedings concerning the misdemeanours it was necessary to make changes to all laws and regulations affected by this new legislation n. these changes are provided by Act No. 183/2017 Coll. which, in addition to the unification of the terminology, introduces also the industrially necessary deviations from the new general legislation.

Act No. 183/2017 Coll. thus includes, in terms of the area of electronic communications, in part ONE HUNDRED AND SIXTY-THREE, amendment of Act No. 127/2005 Coll., on electronic communications and on amendment to certain related Acts (Electronic Communications Act), as amended. In addition to the general regulation unifying the Electronic Communications Act with Act No. 250/2016 Coll., it is necessary to draw attention to the change of Section 120(4) under which the period of limitation for misdemeanours is 5 years, and if the period of limitation was interrupted, the liability for a for misdemeanour ceases 8 years after it was committed at the latest.

Act No. 194/2017 Coll. on measures to reduce the costs of implementation of high-speed networks of electronic communications and on amendment of some related Acts

Act No. 194/2017 Coll., on measures to reduce the costs of implementation of high-speed networks of electronic communications **and on amendment of some related Acts**, entered into effect on 25 July 2017, with the exception of the second part of clauses 12 through 17 [amendment of the Electronic Communications Act, provisions of Section 118 (penalties)] which entered into effect when promulgated, i.e., on 10 July 2017. The Act is primarily a transposition of Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks. The purpose of this Directive is to define certain minimum rights and obligations valid across the EU and thus make it easier to implement high-speed networks of electronic communications and coordinate between sectors. In order to fulfil the purpose, the Act establishes the so-called single information point (JIM) which is supposed to ensure, in order to facilitate the implementation of high-speed networks of electronic communications, in particular coordinated approach of the authorized persons to the information on the physical infrastructure or construction work. CTU is commissioned to operate JIM and also to act as a body settling disputes arising from the fulfilment of this Act (e.g., regarding provision of information or justification of refusal to provide information, disputes about the access to the physical infrastructure, regarding on-site survey, coordination of the construction work or access to the physical infrastructure inside a building).

The Act also includes a part regulating the amendments of other Acts affected by this transposition of the Directive, namely amendment of the Electronic Communications Act, of the Administrative Fees Act, of the Building Act, and of the Act on acceleration of the construction of transport, water and energy infrastructure. In this context, a declaration of existence of public interest in the implementation of high-speed networks of electronic communications was added to the Electronic Communications Act. In addition, the conditions for the protective zone of underground communication line (Section 102) and conditions of authorization to use other persons' properties (Section 104) were modified.

Beyond the transposition of the Directive, the amendment affected the area of notification of business activities where the conditions laid down in Section 8 (general conditions for business activities) of the

Electronic Communications Act are modified, inclusion of the new provision of Section 16b which focuses on the changes of the individual authorizations to use radio frequencies, allocations of radio frequencies as well as general authorizations if they are inconsistent with the Radio Spectrum Utilization Plan in the section regulating the limitation of technological neutrality and neutrality toward services, and also changes to Section 118 (penalties for misdemeanours) where penalization provisions of the Electronic Communications Act newly include elements and penalties for the breach 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.

Act No. 252/2017 Coll., which amends Act No. 127/2005 Coll., on electronic communications and on amendment to certain related Acts (Electronic Communications Act), as amended, and Act No. 483/1991 Coll., on Czech Television, as amended

Act No. 252/2017 Coll., which amends Act No. 127/2005 Coll., on electronic communications and on amendment to certain related Acts (Electronic Communications Act), as amended, and Act No. 483/1991 Coll., on Czech Television, as amended, came to effect on the fifteenth day after its promulgation, i.e., on 2 September 2017, except for article I(7) (new conditions for telephone number portability) which came to effect on the first day of the sixth calendar month following the date of promulgation thereof, i.e., on 1 February 2017. This Act focuses on two areas; first of all it lays down the basic legal conditions according to the requirements of Decision (EU) 2017/899 of the European Parliament and of the Council of 17 May 2017 on the use of the 470–790 MHz frequency band in the Union, for the implementation of the release of the 700MHz band which currently used in the Czech Republic for terrestrial digital television broadcasting for future use by terrestrial systems capable of providing wireless broadband services of electronic communications, and also, in the context, it regulates the conditions for the transition of terrestrial digital television broadcasting from the DVB-T standard to DVB-T2 standard. In this context, the Act on Czech Television is also amended, so that this provider of television broadcasting could take the necessary steps for the fulfilment of the entire process as well as the public service provided by it under the law within the process of releasing the radio frequencies and transition to the new broadcasting standard.

The second area of changes to the Electronic Communications Act is the regulation strengthening consumer protection in the area of electronic communications. Here, in particular the following areas are worth noting:

1. Amendment of the mandatory parts of the contract pursuant to Section 63(1)(r) of the Electronic Communications Act, when the contract between the customer and the provider of the service of electronic communications will newly have to include also the scope of possible unilateral changes of the contract and the method of notification thereof to the subscriber, including the possibility to withdraw from the contract (see also Section 1752 of the Civil Code). At the same time, the law limited the termination notice period to no more than 30 days (Section 63(1)(g) of the Electronic Communications Act).
2. Amendment of Section 63(6) of the Electronic Communications Act – modification of the notification of the provider of the service of electronic communications to its customer (the subscriber must be informed of his/her right to withdraw from the contract without a penalty in the event of a change to the contract terms).
3. Amendment of Section 63(10) of the Electronic Communications Act – new regulation of the conditions for extension of the contract term (scope of the company's notification duty and existence of demonstrable consent of the subscriber to the extension of the contract for a definite period).
4. New regulation of the telephone number portability conditions – Section 63(12) of the Electronic Communications Act newly defines the maximum period in which the number is to be ported without the application of the standard notice period. This period is 10 days and starts at the moment when the subscriber performed a legal act toward the company which provides the service of electronic

communications directed at termination of the contract on provision of that services and also requested that his/her telephone number be ported.

5. New regulation in Section 118 of the Electronic Communications Act regarding penalties – the maximum rate which is a fixed sum is increased (the current maximum amounts of CZK 2,000,000; CZK 10,000,000; and CZK 20,000,000 are increased to CZK 5,000,000; CZK 15,000,000; and CZK 50,000,000), there is also a new possibility to determine the amount of the fine by a percentage of net sales of the party committing the misdemeanour (depending on the severity of the misdemeanour: 5 % or 10 % of the sales for its last completed financial period), whichever is higher.

6.2 Amendments of the Postal Services Act

Act No. 183/2017 Coll. which amends some Acts in relation to the enactment of the Act on liability for misdemeanours and proceedings concerning the misdemeanours, and the Act on some misdemeanours

Act No. 183/2017 Coll., which amends some Acts in relation to the enactment of the Act on liability for misdemeanours and proceedings concerning the misdemeanours, and the Act on some misdemeanours, entered into effect on 1 July 2017, i.e., same as Act No. 250/2016 Coll. on liability for misdemeanours and proceedings concerning the misdemeanours which represents new legislation of procedural nature in the area of administrative punishment. In relation to the coming into effect of the Act on liability for misdemeanours and proceedings concerning the misdemeanours it was necessary to make changes to all laws and regulations affected by this new legislation n. these changes are provided by Act No. 183/2017 Coll. which, in addition to the unification of the terminology, introduces also the industrially necessary deviations from the new general legislation.

Act No. 183/2017 Coll. thus includes, in terms of the area of postal services, in part SEVENTY-NINE, amendment of Act No. 29/2000 Coll., on postal services and on amendment to certain related Acts (Postal Services Act), as amended. In addition to the general regulation unifying the Postal Services Act with Act No. 250/2016 Coll., it is necessary to draw attention to the change of Section 37b where misdemeanours according to this Act are not only heard and the fines are collected, but newly also enforced by Czech Telecommunication Office.

6.3 Other laws and regulations

Government Order No. 42/2017 Coll. which amends Government Order No. 153/2005 Coll., on definition of the method and amount of creation of the funds of the Radiocommunication Account and on the method of use of these funds

Government Order No. 42/2017 Coll., which amends Government Order No. 153/2005 Coll., on definition of the method and amount of creation of the funds of the Radiocommunication Account and on the method of use of these funds, entered into effect on 7 March 2017. The change of legislation introduced by this Government Regulation represents the fulfilment of one of the measures related to the implementation of the process of migration of terrestrial digital television broadcasting from DVB-T standard to DVB-T2 standard. The Government Order in question regulates the percentage of fees paid for the use of radio frequencies to the Radiocommunication Account, for subsequent coverage of the costs of the migration. The current amount of 6 % is thus increased to 30 %.

Government Order No. 43/2017 Coll. which amends Government Order No. 154/2005 Coll., on determination of the amount and method of calculation of the fees for the use of radio frequencies and numbers, as amended

Government Order No. 43/2017 Coll., which amends Government Order No. 154/2005 Coll., on determination of the amount and method of calculation of the fees for the use of radio frequencies and numbers, **as amended**, entered into effect on 7 March 2017. The change of legislation introduced by this Government Order represents the fulfilment of one of the measures related to the implementation of the process of migration of terrestrial digital television broadcasting from DVB-T standard to DVB-T2 standard. The Government Order in question regulates and, more precisely, amends the amount of fees for the use of radio frequencies for terrestrial digital television broadcasting which will be valid for the transmission of digital broadcasting by means of the so-called transition networks.

Decree No. 180/2017 Coll. which amends Decree No. 360/2010 Coll. which defines the template of the electronic form of request for settlement of a dispute about the obligation to pay and the technical requisites of the use thereof

Decree No. 180/2017 Coll., which amends Decree No. 360/2010 Coll. which defines the template of the electronic form of request for settlement of a dispute about the obligation to pay and the technical requisites of the use thereof, entered into effect on 11 July 2017. This Decree responds in particular to the technical changes of electronic systems through which it is possible to submit the request form for commencement of proceedings pursuant to Section 129 of the Electronic Communications Act to the Czech Telecommunication Office. The maximum size of the data file containing the form including all attachments shall be 20 MB which corresponds to the current capabilities of the Information system of data mailboxes and also e-mail inbox of the Czech Telecommunication Office. The Decree also deals with some formal changes such as more accurate specification of the name of the form included in the annex to the Decree or cancellation of Section 2(5) where the mode of signing of the submission to the administrative body is regulated by general laws and regulations (Code of Administrative Procedure).

Decree No. 209/2017 Coll., on template of the identification card of an employee of the Czech Telecommunication Office authorized to perform inspections of electronic communications and postal services

Decree No. 209/2017 Coll., on template of the identification card of an employee of the Czech Telecommunication Office authorized to perform inspections of electronic communications and postal services, entered into effect on 1 September 2017. In accordance with the statutory authorization (Section 113(8) of the Electronic Communications Act, Section 41(3) of the Postal Services Act), this Decree defines the new template of the identification card of an employee of the Czech Telecommunication Office authorized to perform inspections in the area of electronic communications and postal services. The template in the form of graphic representation of the identification card is included in the annex to the Decree.

Decree No. 267/2017 Coll., on localization and identification of the caller when calling emergency numbers

Decree No. 267/2017 Coll., on localization and identification of the caller when calling emergency numbers, entered into effect on 1 September 2017. Localization of the caller's position and identification of other information when making an emergency call is necessary when processing emergency calls. Correct and timely localization significantly helps mitigate the consequences of emergencies. It is also important for identification and minimization of malicious calls and abuses of emergency telephone numbers. Decree No. 267/2010 Coll., therefore, in accordance with the statutory authorization (Section 33(9) of the Electronic Communications Act) newly regulates the scope, form and method of transfer of information pursuant to Section 33(2) of the Electronic Communications Act, the form and method of keeping a database pursuant to Section 33(3)(a), and the scope, form and method of transfer of information pursuant to Section 33(3)(b) and Section 33(5) of the same Act.

In addition to the existing legislation, the Decree includes the issue of eCall as a pan-European system of automatic emergency calls from vehicles. With effect from 31 March 2018, all passenger and light utility motor vehicles will have to be equipped with eCall system. This system will be based on the single European emergency number 112, the communication with the emergency call centre in the event of an accident will also include transfer of a minimal set of data about the accident which should contribute to a more effective dispatch of the rescue and the supporting equipment to the place of the accident, and ultimately to overall improvement of safety in traffic.

Due to the technological development where telephone communication is increasingly made via the Internet, Decree No. 267/2017 Coll. also responds to this reality, and since there currently no knowledge of a generally applicable and credible method of localization of the position of the terminal in this mode, the Decree introduces an alternative solution where the centre receiving such emergency calls where standard localization is not possible should proceed in cooperation with the relevant undertaking providing the communication network through which the caller is provided the Internet access service.

With respect to the new legislation, the previous legislation, namely Decree No. 238/2007 Coll., on the scope, form and method of transfer of personal and identification data, the form of database of this information, and the scope, form and method of transfer of this information to the entity which operates the centre receiving the emergency calls (Decree on transfer of information for the purpose of emergency calls), is cancelled.

Decree No. 404/2017 Coll. which amends Decree No. 465/2012 Coll., on the method of keeping separate records of costs and revenues of the postal license holder

Decree No. 404/2017 Coll. which amends Decree No. 465/2012 Coll., on the method of keeping separate records of costs and revenues of the postal license holder, entered into effect on 1 January 2018. This Decree regulates the amount of reasonable profit for the postal licence holders, newly in the amount of 6.36 % of the economically eligible costs attributable to universal postal services and services associated with access to postal infrastructure. It also changes the structure of information reported in the results of the separate records of costs and revenues of the postal license holder, so that it would be more consistent with the application practice and regulation needs.

Decree No. 423/2017 Coll. which amends Decree No. 105/2010 Coll., on the plan of allocation of frequency bands (national frequency table)

Decree No. 423/2017 Coll. which amends Decree No. 105/2010 Coll., on the plan of allocation of frequency bands (national frequency table), entered into effect on 1 January 2018. This Decree regulates the plan of allocation of frequency bands (national frequency table) and is a national application of the Radio Rules of the International Telecommunication Union (ITU), and therefore this Decree regulates this plan directly based on the current wording of the Radio Rules which apply the results of the negotiations of the ITU member countries summarized in the final documents of the World Radiocommunication Conferences WRC-12 and WRC-15.

¹ See [Measure of general nature No. OOP/1/04.2015-2](https://www.ctu.cz/opatreni-obecne-povahy-c-oo1042015-2) [available online at: <https://www.ctu.cz/opatreni-obecne-povahy-c-oo1042015-2>].

² MNO (Mobile Network Operator) is an entity providing mobile services to end subscribers on its behalf, having its own radio access network.

³ Formerly also MobilKom, a.s., Air Telecom a.s., U:fon a.s. In the past it operated the mobile network using the CDMA technologies. It currently puts into service first transmitters of its own LTE network. It also operates as MVNO within the network of T-Mobile Czech Republic a.s.

⁴ 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).

⁵ As of 30 June 2017, there were 18 active in the market.

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 See [Measure of general nature No. OOP/1/04.2015-2](https://www.ctu.cz/opatreni-obecne-povahy-c-oo1042015-2) [available online at: <https://www.ctu.cz/opatreni-obecne-povahy-c-oo1042015-2>].

⁸ An indicator expressing in per cent the ratio between the number of active SIM cards and the population of the Czech Republic.

⁹ Petabyte = 10¹⁵ bytes.

¹⁰ Nomadic service shall mean such mode of provision of a service that is not limited to a particular fixed location but can be accessed from anywhere within the network coverage, whereas the service is not ensured or the functioning thereof is not guaranteed during the movement of the end point (device) of the network.

¹¹ These services are provided at a single particular connection place which the subscriber chooses for the use of the service in the subscriber contract – typically it is the so-called installation address.

¹² It includes active SIM cards which were used at least once in the last 3 months for high-speed Internet access.

¹³ The number of users of Mobile Internet does not include users of the services of the so-called fixed LTE.

¹⁴ CTU has been monitoring them since 2016 within the regular electronic data collection.

¹⁵ Since 2016 CTU has been monitoring through the electronic data collection also separate information for the services of the so-called fixed LTE.

¹⁶ Average revenues per customer.

[17](#) Since that time CTU has been monitoring through the electronic data collection also separate information for the services of the so-called fixed LTE.

[18](#) Fibre to the cabinet

[19](#) Where the number of subscriptions is expressed as number of lines on which the Internet access service is provided.

[20](#) Virtual Unbundling of the Local Access

[21](#) 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).

[22](#) Pursuant to Section 33(5) of the Postal Services Act.

Expert and administrative activities of CTU

Consumer protection in the area of electronic communications and postal services was important in 2017, too. It is one of the important responsibilities of CTU, similarly to the area of settlement of subscriber disputes which is removed from the jurisdiction of general courts.

CTU therefore continues to settle disputes between service providers and service recipients, whereas most of them are disputes about payments (unpaid invoices).

CTU settled 109,462 such disputes in 2017. The Office thus succeeds in reducing the burden of unresolved cases from the previous years when it was unclear whether these disputes will be referred to the jurisdiction of the courts. On the other hand, the number of pending administrative appeals (appeals against decisions). At the end of 2017 there were 19,556 pending proceedings (while at the end of 2016 there were 16,334 pending administrative appeals).

In the area of postal services there is an increasing number of objections to the processing of a complaint. Customers who are not successful with their complaint with the provider (or their complaint is not processed within the statutory period) are entitled to contact the Office with a request to commence objection proceedings. CTU thus reviews their case and decides authoritatively.

In addition, CTU was processing 2,293 complaints, of which more than one third (803) was unfounded. CTU did not have jurisdiction to process 155 complaints and therefore referred them to the relevant public authorities. 1,335 complaints were processed using a procedure in accordance with the Electronic Communications Act.

The complaints were mostly about subscriber contracts (32.2 %) and disagreements with the billing of the price for the services (21.2 %). There were also suggestions informing about a breach of the prohibition of unfair business practices.

The Office responded to the increase in the number of complaints in the area of postal services by performing two nationwide inspections focusing on the processing of complaints and on delivery of registered letters. While the inspection of complaint processing in selected universal postal services did not reveal any errors, in the area of delivery of selected types of parcels CTU found breach of obligations of Czech Post in five cases and opened administrative proceedings.

CTU provides information on the proceedings where issues are addressed which also affect other disputes due to their significance in the regular monitoring reports. The monitoring reports are issued every month and are one of the pillars of the communication mix used by the Office. In addition, in 2017 the Office issued 57 press releases. IN the press releases it informed about the conclusions of the meeting of the CTU Council, often concerning activities related to the auctions of frequencies and legislative changes affecting the end users.

Another communication channel of the Office is its responsive website (www.ctu.cz). In 2017 it was accessed by 164 thousand users within 376 thousand visits. We also register an increasing number of visits from mobile devices (14.5 %).

453 COMPLAINTS WERE RECEIVED ABOUT POSTAL SERVICES, MOST OFTEN DUE TO FAILED ATTEMPT TO MAKE A DELIVERY AND PROCESSING OF COMPLAINTS.

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” [<https://www.ctu.cz/akreditace-cenovych-kalkulacek>], 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 2017 for the previously-accredited price calculators Tarifomat and Tarifon.

In 2017 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 2018.

Links to the accredited price calculators can be found on the CTU website [<https://www.ctu.cz/cenove-kalkulacky>].

1.2 Price barometer

CTU still operates on its website the so-called price barometer [<https://www.ctu.cz/cenovy-barometr>] 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.

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 MVNOs).

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

The European Union, in order to protect the rights and legitimate interests of the end users of Internet services, passed 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 Regulation regulates, going beyond the Electronic Communications Act, some matters of Internet access contracts which may have impact on the quality of Internet connection and operation and also the rights of consumers of the Internet service provider fails to meet its obligations. Pursuant to Article 4, everyone who uses the Internet access service should have information in the contract on restriction of access to the Internet content and on the conditions of the

restriction; the subscriber contract should define the minimum, normally available, maximum and advertised downstream and upstream speed for Internet access through fixed networks and estimated maximum and advertised downstream and upstream speed for Internet access through mobile networks, remedies in the event that the agreed-upon parameters of the Internet access service are not met, cases where the traffic in the network may be managed by the provider, and some other.

Incorporation of the contract requisites specified by the Regulation as well as compliance with the rules of access to open Internet were checked by CTU in 2017 in 75 providers of Internet services. In the five largest providers (O2, T-Mobile, Vodafone, Nordic Telecom, UPC), deficiencies were found regarding insufficient provision of the above-mentioned required information pursuant to the Regulation. Here CTU decided to impose an obligation to make a change in the contract consisting of amendment or modification of the contract terms such that they comply with the Regulation. Smaller providers of Internet services are still subject to inspection acts or acts within administrative proceedings.

Subscriber contracts and their contents in 2017 were affected, in addition to the above-mentioned Regulation, also by the amendment of the Electronic Communications Act. With effect from 2 September 2017, for example, the notice period was unified and according to the amendment it must not exceed 30 days. At the same time, the amendment imposed new obligations upon providers in connection with the extension of the contract concluded for a definite period. Subscribers in the position of consumer must now grant demonstrably their consent to the extension of the contract not before 3 months and not later than 1 month prior to the expiry of the contract concluded for a definite period. If the subscriber does not give this consent to the provider the contract will become a contract for indefinite period.

Some provisions of the amendment of the Electronic Communications Act have deferred effect until 1 February 2018. This applies in particular to the provision regulating telephone number portability where in the case of porting of a telephone number the contract with the original provider shall terminate no later than 10 days after the submission of the request for telephone number porting, unless the parties agree on a longer period.

Incorporation of the amendment into the contract terms of the providers will be checked by the Office in 2018.

1.4 Net neutrality – Internet access (open Internet)

In 2017 CTU was actively involved in the work of an expert group EWG NN (Expert Working Group, Net Neutrality) of BEREC. Within this working group, CTU participated in the preparation of documents related to the compliance 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"). These documents described the methodology and technical procedures when measuring the quality of Internet access service for the purpose of assessment of compliance with the Regulation. Within the working group, the representatives of the different regulators exchanged experience from the application practice when fulfilling the requirements of the Regulation. The working group keeps a database of specific cases and conclusions drawn within the process of assessing them. This database then serves the regulators as one of the tools for assessment of specific situations at their local markets. In 2017 CTU also prepared and submitted to the European Commission the first annual report on compliance with the Regulation which is published on the CTU website [<https://www.ctu.cz/netneutrality-berec-zprava-2016>].

In terms of possible breach of the Regulation, CTU checked the compliance of the services of T-Mobile Stream On, Vodafone Pass and O2 Spotify not only with the relevant provisions of the Regulation but also BEREC guidelines on implementing European net neutrality rules by national regulators, and the laws and regulations of the Czech Republic, including but not limited to the Consumer Protection Act. CTU focuses mainly on contractually set data traffic management measures, exclusion of the so-called third-party

content in the services provided, and compliance with the “roam like at home” rule. The investigation was not completed in 2017.

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 2017 CTU settled 109,462 subscriber disputes of which 65,555 pending disputes were transferred from 2016 and 43,907 cases of administrative proceedings were newly commenced. A total of 52,073 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 51,825 decisions on the matter. CTU issued 205 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 188 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 2017 the number of subscriber disputes processed dropped by 40.5 % relative to 2016. Just as in 2016, in 2017 the Office issued more decisions than the number of newly commenced administrative proceedings, despite the fact that in 2017 CTU issued 66,367 fewer decisions than in 2016, a drop by 56 %. The number of pending disputes from the previous years transferred from the previous years therefore gradually decreases.

Overviews of subscriber disputes for the year 2017 are provided in annexes No. 1 and 1a) hereto.

2.2 Second-instance administrative proceedings

SUBSCRIBER DISPUTES – private law decisions of CTU pursuant to the Electronic Communications Act and the Postal Services Act

In 2017 the decision review department newly received 8,792 administrative appeals **in disputes about the payment of a price for the services of electronic communications** (Section 129(1) in conjunction with Section 64(1) of the Electronic Communications Act). As of 31 December 2017, the total number of pending administrative appeals (i.e., including the administrative appeals not completed in the previous period) in these disputes was 19 556. Relative to 2016, when the total number of pending administrative appeals at the end of the year was 16,334, the number of such pending cases has increased. In spite of the persisting time delays when issuing decisions in this decision-making area, the decision review department did not observe an increase of formally made requests for measures against inaction pursuant to Section 80 of the Code of Administrative Procedure. Similarly to the last year, however, the Office often answered informal (telephone) questions of subscribers related to the duration of the administrative proceedings in question. The issue of time limit for issuing a decision of CTU, stipulated in Section 129 of the Electronic Communications Act, was commented on in 2017 by the Constitutional Court of the Czech Republic, namely in connection with a constitutional complaint filed by the complainant – party to the administrative proceedings conducted by the Office concerning the request for payment of the price for services of electronic communications provided where the complainant pointed out the length of the proceedings. The Constitutional Court of the Czech Republic voiced an opinion in its decision dated 9 August 2017, ref. No. I. ÚS 1584/17, that a failure to comply with this time limit alone does not constitute infringement of the right to due process. It is a procedural time limit.

Decisions on administrative appeals in disputes about the payment of the price for electronic communication services were made in 5,627 cases. Service providers usually objected to incorrect conclusion of CTU regarding non-awarding of a contractual fine and disagreement with the amount of the

awarded compensation of the costs of the proceedings. In such cases the decision review department relies on the already relatively established decision-making practice related to the assessment of the claim for reimbursement of contractual fines and assessment of effectiveness of the costs of the proceedings claimed by the claimant if it concerns assigned receivables under contracts on provision of services of electronic communications.

As for the awarding of reduced compensation of the costs of the proceedings as opposed to the compensation claimed in the request, the decision review department, and thus CTU, still relies on the principles expressed e.g., in the rulings of the Constitutional Court of the Czech Republic I. ÚS 3923/11 and I. ÚS 988/12, and in such cases it concludes that when deciding on compensation of the costs of the proceedings it is necessary to take into account the aspect of effectiveness of the expenditure because the aspect of effectiveness of the expenditure of the costs reflects the very constitutional-law principle of justice, whereas, depending on the particular circumstances of the case, it is still necessary to keep in mind the proportionality between the amount of the amount claimed and the required fee for representation. As also implied by the conclusions of the Constitutional Court of the Czech Republic, it is necessary that administrative bodies, just like courts, do not decide – in the event of full success of the claimant – on the compensation of the costs “mechanically” but assess the effectiveness of the legal representation of the claimant, in particular in specific cases when the proceedings were opened by a “form” action, the claim is brought against a consumer and it originated from the contract or based on other legal grounds, but the consumer is basically excluded from the possibility to negotiate conditions of performance with different contents.

A total of 72 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 (65 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 (7 decided cases). In several cases the subscribers objected that they were not properly and well in advance informed about a unilateral change of the contract as the service provider is obliged under the Electronic Communications Act, and as a result of a change to the contract they received a bill with a higher amount than the originally agreed-upon amount, and they complained to the service provider about such billing and subsequently requested a review within the objection procedure before the Office. In this context, the decision review department addressed as a preliminary question within the objection procedure the issue of the change of the contract and compliance with Section 63(6) of the Electronic Communications Act, in wording effective until 1 September 2017. In specific disputes it was stated that the an increase of the price for the service constitutes a major change of the contract leading to a worse position of the subscriber, and the service provider therefore, pursuant to Section 63(6) of the Electronic Communications Act, in the wording effective until 1 September 2017, was obliged to inform the subscriber about the change of the contract and about his/her right to terminate the contract as of the effective date of the change using a method the subscriber chose for receiving bills.

Within the factual powers and responsibilities of the Office related to the **decisions on objections against the handling of a complaint of postal services** (Section 6a(1) of the Postal Services Act), there is a growing trend which was manifested by arrival of cases in administrative appeal proceedings (as of 31 December 2017 there were 74 new administrative appeals in cases of objections filed to the processing of a complaint about the defects of postal services) and also by settlement of these cases (as of 31 December 2017 a total of 64 administrative appeals were settled). The most frequent objections of the customers of Czech Post in these disputes are: destruction, damage or non-delivery of a parcels to the recipient, non-delivery of a remitted amount of money to the authorized recipient, delivery of a postal item to an unauthorized recipient. Relative to 2016 there was an increase of the number of decisions which complied with the objections of the customers of Czech Post, mostly due to evidence that postal items were damaged during the postal carriage, i.e., in the period from the posting until delivery. The decisions usually also included an

award of compensation for the damage resulting from the damage to the postal item. In a relatively high number of cases of objections to the processing of complaints about the defects of postal services, Česká pošta s.p. was the successful party, usually because in specific cases the claimant (customer of Czech Post s.p.) raised the objection late, (i.e., after the expiry of the statutory period of limitation pursuant to Section 6a(1) of the Postal Services Act) or failed to substantiate a proof (compensation for damage to the postal item). The reason for not complying with the objection was often the fact that the customer of Czech Post s.p. – the sender failed to prove that the postal item and its preparation (i.e., packaging) meet the postal conditions, and thus the customer failed to substantiate the proof.

Regarding the issue of **factual powers**, in 2017, 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. For the period in question there were no legal actions filed, other than actions where the opinion of the special (conflict) panel is already known, in cases where the interpretation practice has not been unified within the settlement of private-law disputes, and no decision of the special panel was issued regarding the powers of the Office or a general court. The special panel, in decision No. Konf 50/2017-11 dated 14 December 2017, only confirmed – in accordance with its previous decision history – its opinion regarding the scope of powers of the court regarding the connection fee, i.e., newly also in the case that this fee for connection applies to cable TV.

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 2017. CTU is not a party to the proceedings (judicial dispute) in such proceedings on actions according to Part Five of the Code of Civil Procedure. 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 and makes a statement on the lawsuit if called upon to do so by the court. For the above reason, the Office only has information on the proceedings in which it was requested by a general court to provide a statement or, as the case may be, was sent the judgment of the case. Such judgment of a general court substitutes a decision of the Office because the proceedings before this court are first-instance (trial) proceedings and not review (appeal) proceedings.

According to the information available to the Office, general courts still agree with the established decision history of CTU regarding the assessment of the claim to the payment of contractual fine which is raised by claimants in cases where the consumer is a party to the dispute, i.e., the subscriber contract needs to be viewed as a consumer contract pursuant to Section 52 of the Civil Code (in the wording in force until 31 December 2013). The ruling history of the general courts in these cases therefore upholds the conclusions of the Office that if the contractual fine provision was not included directly in the contract but ensued from the terms and conditions the claimant breached the principle of honesty and such conduct cannot enjoy legal protection (see, e.g., judgment of the District Court in Mělník dated 31 January 2017, ref. No. 5 C 199/2016-82).

In another issue which was subject to a review by a general court as a legal action according to part five of the Code of Civil Procedure, namely regarding the issue of inferiority of the so-called important customer contract pursuant to the Electronic Communications Act, the court also entirely agreed with the opinion of the Office. The important customer contract is governed by the Electronic Communications Act because the existence of the important customer contract and provision of the associated benefits and services of electronic communications cannot take place without the existence of a subscriber contract and without the provision of the services of electronic communications pursuant to this Act. This opinion was also voiced e.g., by District Court in Česká Lípa in its judgment dated 16 February 2017, ref. No. 38 C 300/2016-48.

The subject of the legal action in this case was also the issue of application of the provision which pertains to limitation of payments for early termination of the contract pursuant to the amendment of the Electronic Communications Act by Act No. 214/2013 Coll. On this issue, the District Court in Česká Lípa

held a clear opinion which is based also on the ruling of the Constitutional Court of the Czech Republic dated 22 November 2016, file No. IV. ÚS 2989/2016, which confirms the established decision history of CTU. Limitation of the payment for early termination of the contract, provided by the amendment of the Electronic Communications Act in Section 63(1)(p) of the Electronic Communications Act, applies also to subscriber contracts concluded before the effective date thereof, i.e., before 8 August 2013.

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 complaints 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 2017 CTU decided in 404 cases and issued 321 decisions. 83 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. Two nationwide inspections took place in 2017. The first inspection focused on the processing of complaints and the second one on delivery of registered letters. The details of these inspections are provided in the text dealing with the inspection activities of the Office. In addition, 15 local investigations took place, checking the availability of the information prescribed by the applicable regulations, and other 43 local investigations took place to check specific complaints of customers.

Based on suggestions from the general public or findings from the Office's own activities, in 2017 the Office commenced 34 proceedings concerning administrative offences. The result of the proceedings conducted by CTU in 2017 is 21 fines imposed in total amount of CZK 97,500.

Table 23:[illegible]

	a) Compliance with the postal conditions according to § 6 of ZPS	0	13	0	0	1	1	0	0	0	1	7000	0
	b) Adherence to the conditions for quality requirements according to Decree No. 464/2012	0	2	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	66	338	321	45	197	79	0	0	83
6.	Settlement of the disputes according to § 37 paragraph 3 letter a) of ZPS	0	0	0	0	0	0	0	0	0	0	0	0
7.	Failure to provide information according to § 32a of ZPS	0	0	0	0	0	0	0	0	0	0	0	0
8.	Other	43	0	0	3	33	23	0	0	0	20	90500	13
TOTAL		67	15	0	69	372	345	45	197	79	21	97500	96

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 2017 CTU registered 2,293 complaints, of which: 803 (35 %) complaints were not justified and there was no breach of the Electronic Communications Act, 155 (6.8 %) complaints could not be

processed by CTU due to lack of jurisdiction and were referred to the public administration bodies having jurisdiction, and 1,335 (58.2 %) complaints were handled by CTU using the procedure according to the Electronic Communications Act. For the year 2017 registers 264 less complaints processed than in 2016 (i.e., a drop by 10.3 %). 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, automatic extension of the commitment, problems with the termination of contracts, or when filing a complaint about the services or billing, etc.

The most complaints in 2017, similarly to the previous years, pertained to subscriber contracts (738 complaints, which represents 32.2 % of the total number of complaints) and billing of the services (487 complaints, which represents 21.2 % 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.

Since 2012 the Office also started registering the number of written inquiries related to the services of electronic communications. In 2017 a total of 4,209 inquiries were answered, which is 16.1 % less than in 2016. 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. There is an increasing number of inquiries whether the provider acts in a way that constitutes unfair business practice.

The number of complaints about the services provided within the universal service was minimal, it was only 4 complaints (0.2 % of all complaints) and they were related to the access to and possibility of using the services by low-income individuals and access of people with disabilities to the publicly available telephone network.

The overview of complaints of subscribers/users of electronic communication services is provided in Annex 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 2017 CTU registered 87 complaints about the universal postal services and 366 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 87 complaints, 33 were unjustified (almost 37.9 %) and the remaining 54 complaints (62.1 %) were handled by CTU using the procedure according to the Postal Services Act. In the period in question, the complaints were most often related to the delivery of registered postal items and universal international postal services. The number of complaints about the processing of complaints/claims is one of the most frequent areas where customers encounter problems. In comparison with the previous year there was an increase in this category of complaints by 21 %. In addition, there were complaints about the delivery of postal items not included in the definition of universal postal services, about the opening hours of post office, failure to respect the agreement on the change of the deposition post office, and complaints about the delivery of postal items from abroad or to abroad.

Table 24: Complaints of the customers about postal services for the year 2017

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	7
	delivery of postal packages of up to 10 kg	1
	delivery of an amount of money by way of postal order	7
	delivery of registered consignments	42
	delivery of valuable consignments	9
	free delivery of postal consignments of up to 7 kg for the blind	0
	universal foreign postal services	19
	delivery of postal packages of over 10 kg posted from abroad	1
	coupon-response international service	0
	response consignments in international payment	1
	delivery of printed matter bag service	0
	TOTAL	87
2.	Complaints against postal services	
	long waiting times	3
	post office opening hours	3
	change of post office at which a consignment is stored for collection	6
	the delivery of postal consignments	176
	dealing with complaints and returns	140
	breach of postal secrecy	4
	postal consignments to/from abroad	20
	the delivery of official instruments	3
	requests for information	11
	TOTAL	366

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, 7,678 cases were entered through ASMKS, of which:

- 2,561 requirements for monitoring of the radio spectrum and other measurements,
- 824 requirements for inspections of radio and electrical equipment, electronic equipment, networks and services, and postal services, and
- 3,136 requirements for investigation of the interference with the radiocommunication services.

A total of 6,440 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 Annex entitled “Overview of Inspection Activity in the Performance

of Inspection of Electronic Communications for the year 2017“ (Annex No. 7), the structure of the equipment and networks of electronic communications interfered with is provided in the Annex 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 – 2017“ (Annex No. 5).

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 2017 CTU issued 117 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 363 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 37 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 4 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 5 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. VO-R/12/09-2010-12

In 2017 the Office performed 310 inspections in 212 different operators, and checked approximately 3,350 RLAN devices operated. The percentage of non-compliant checks due to the failure to comply with the set conditions is 79 % (which is somewhat worse relative to 2016 when the number was 59.3 %).

Out of the total number of inspections, 57 were carried out based on complaints about interference with meteorological radars of ČHMÚ. After restoration and testing of both radars in 2015–6 the new technology is able, using filtering algorithms, to eliminate the interference effects from the screen, but the interference by the operation of RLAN 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 27 inspections carried out in 25 operators revealed operation of RLAN equipment without licence outside of the bands defined by General Authorization No. 12.

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

In 2017 the Office carried out 14 inspections of the frequency band of 9200 MHz to 9975 MHz by monitoring in Bohemia and South Moravia; no defects were found. In addition, the Office carried out 31 inspections in the band of 5 GHz; defects were found in 25 cases. The cases of noncompliance are dealt with in administrative proceedings.

4.2.3 Inspection of public payphones

In the period from August 2016 to January 2017 there was an inspection aimed at checking the coverage with the signal of publicly available mobile telephone service at the place of location of public payphones (hereinafter referred to as “payphones”), i.e., availability and quality of the signal of three mobile operators in the location of all 4,652 payphones included in the universal service. IN seven locations there was no signal of any of the three mobile operators available.

In the period from 2016 to January 2017 a total of 810 payphones were inspected; the purpose of the inspection was to check compliance with the obligation of the sub-service of payphones in selected places provided within the universal service pursuant to Section 38(2)(e) of the Electronic Communications Act for the year 2017. The Office checked the physical existence and function of payphones included in the universal service. Out of the total number of 810 payphones checked, one payphone was missing. Out of the total number of 809 payphones checked, which were physically available, 6 payphones were not functional.

Since October 2017 there has been an inspection aimed at checking the coverage with the signal of publicly available mobile telephone service at the place of location of public payphones or, more precisely, public telephone station, i.e., availability and quality of the signal of three mobile operators in the location of each payphone checked included in the universal service in accordance with the recommendation of CEPT/ECC/REC (05)08 and single methodology of the Office for checking the level of the signal of the GSM network. The inspection will check signal coverage of 1,196 locations of payphones or public telephone stations. This inspection activity will be completed in April 2018.

4.2.4 Additional inspection activities

Check of the disclosure of information on subscribers in public directories and provision of information on telephone numbers

In the period from April to May 2017 the Office checked the disclosure of information on subscribers in public directories and the provision of information on telephone numbers. The companies checked included O2, T-Mobile, and Vodafone. The check in T-Mobile and O2 revealed minor defects which were rectified during the inspection. The inspection in Vodafone revealed that since 1 January 2015 it has not had an agreement on transfer of personal and identification data of subscribers signed with any entity that provides subscriber directories pursuant to Section 66 of the Electronic Communications Act and has not been providing information on the subscribers for publication. An administrative procedure was opened with Vodafone concerning this matter.

Check of conclusion of subscriber contracts using remote communication systems

In the period from February to April 2017 the Office checked the conclusion of subscriber contracts using remote communication systems and compliance with the obligations pursuant to Section 63(9) of the Electronic Communications Act in selected providers of services of electronic communications. The inspection was carried out in UPC, O2, T-Mobile and Vodafone. The inspection in UPC and T-Mobile did not reveal any defects in the area checked. O2, in the case of a contract concluded by means of remote communication, did not provide the consumer with all information pursuant to Section 63(9) of the Electronic Communications Act. During the inspection the operator rectified the defects found. Vodafone, in the case of a contract concluded by means of remote communication, provides the consumer with written information pursuant to Section 63(9) of the Electronic Communications Act only if the consumer is sent a SIM card in connection with the contract. In the case of a change of contract made by means of remote communication the consumer does not receive the information pursuant to Section 63(9) of the Electronic Communications Act in writing, which can be viewed as a breach of the Electronic Communications Act. In this matter, the Office takes steps prior to the commencement of administrative proceedings.

Check of delivery of selected types of parcels of Czech Post

In the period from October to November 2017 the Office carried out a nationwide 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 parcels included in universal postal services.

8 selected postal depots of Czech Post were inspected. The inspection revealed inconsistency with Section 3(2)(d) of the Postal Services Act, regarding the compliance with the obligation to make at least one attempt for delivery every business day at the address of every individual for valuable and registered parcels included pursuant to Section 3(1)(b) of the Postal Services Act, in the category of universal postal services, namely in 5 cases. The defects found will be subject of administrative proceedings.

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

In the period from May to August 2017 the Office carried out a nationwide check of the handling of complaints about selected universal postal inland registered services at 14 selected post offices and 7 regional directorates of Czech Post.

The inspection authority did not find during the inspection that Czech Post breached the Postal Services Act or the Consumer Protection Act in the process of handling complaints about the postal items subject to the inspection which would give rise to a suspected misdemeanour.

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, on 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 2017 LTE operators operated in the band of 800 MHz 1,301 stations in test operation and 14,700 stations in permanent operation; the total number of LTE base stations operated was 16,001. In 2017 the Office received 2,470 submissions of television viewers about the interference with DVB-T, whereas as of 31 December 2017 2,621 submissions (including cases from the previous years) regarding interference with television (including community antennas) have been closed. Interference caused by the LTE signal was proven in 1,176 cases; the remaining 1,445 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 7.35 cases of interference with the signal of terrestrial digital television per 100 LTE stations operated. Relative to 2016, the number of submissions received and processed has a declining trend.

4.4 Cooperation with Czech Trade Inspection Authority

In 2017 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 40 joint inspections. Shortcomings were mainly identified in remote controlled toys, wireless doorbells and other short-range equipment. 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 2017 was decision-making on individual authorisations for the use of radio frequencies, determining the charges for their use, in particular organization of the bidding procedure – auction of radio frequencies for the purpose of granting the rights to use radio frequencies for providing networks of electronic communications in frequency band of 3600–3800 MHz. The significant development of coverage of the area and population with public high-speed mobile LTE networks operated in bands 800 MHz, 1800 MHz, 2100 and 2600 MHz continued throughout 2017.

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 2017 CTU decided on the following cases of allocations of radio frequencies:

1. Based on the results of the auction of radio frequencies in the 3.7GHz band, CTU issued on 24 November 2017 allocations of radio frequencies in the 3.7GHz band to four entities – auction winners.
2. After 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 performed in 2016, CTU ordered in 2017 an expert assessment of the right of Vodafone Czech Republic a.s. to use frequencies in the frequency bands of 880–915/925–960 MHz and 1,710–1,785 / 1,805–1,880 MHz which will make it possible to extend the validity of the allocation of radio frequencies in these frequency bands until 30 June 2029, which is the valid date of the newly issued block allocations in these frequency bands.
3. After a review whether there are still reasons for limitation of the number of rights to use radio frequencies in frequency band 451.3–455.74/461.3–465.74 MHz and the subsequent expert assessment of the right to use these frequencies, on 19 September 2017 CTU issued an allocation of radio frequencies in this band which replaced the allocation which expired on 7 February 2018.
4. In 2017 CTU also commenced a review whether there are still reasons for limitation of the number of rights to use radio frequencies in frequency band 1910.1–1915.1 MHz.

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 Annex No. 3 to this Report.

In comparison with the previous years, the number of the decisions issued is similar, in some radio services the number has increased; in some the number of individual authorizations issued has decreased. As in previous years, greatest interest is shown in radio frequencies required to ensure a public electronic communication service consisting mainly of wireless access to high-speed data services (e.g., Internet access) or used for radio connection of the base stations of mobile operators. Reasons for this include the continually ongoing optimisation of existing networks within the framework of which mobile operators

simultaneously increase transmission speed, which is a consequence of the ever greater quantity of data required by customers in connection with new applications and the increase in the number of smart phones as well as the fact that the development of new networks in the 800MHz band continued. While 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 devices able to use fast data transmission, in 2017 the transmission capacity of these networks was increased. The development of these networks continued in 2017 also in the 1800 MHz band. In the 800 MHz band 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 2017 the holders of block allocations of radio frequencies also expanded the use of frequencies for LTE technology in the 2600 MHz band.

From the perspective of other radiocommunication services, there was a forced change during the whole 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 limited 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. In 2017, within the third phase of completion of the transition to the frequency raster of 8,33 kHz in all aeronautical stations and in most aircraft stations. The implementation of this transition was a reason for the higher number of individual authorizations issued in aeronautical mobile service for the year 2017. The remaining individual authorizations must be changed by the end of 2018.

5.3 Use of radio frequencies under general authorizations

In 2017 CTU issued a new general authorization for the use of radio frequencies No. [VO-R/25/11.2017-8](#) [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/25/11.2017-8/obrazky/vo-r25-112017-8.pdf>] for the use of radio frequencies and for operation of dog movement monitoring equipment. This new general authorization was proposed based on the knowledge gained from experience, public interest in this use of radio frequencies, comparison with the practice in the other EU countries, and due to the supply of the relevant radio equipment in the EU market. The general authorization makes it possible to use radio equipment in frequency 155.45 MHz by the general public for the purpose of monitoring dog movement.

In addition, CTU issued updates of the following three general authorizations:

1. General authorization No. [VO-R/1/05.2017-2](#) [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/1/05.2017-2/obrazky/vo-r01-052017-2.pdf>] for the operation of user terminals of radio networks of electronic communications; update in particular for the purpose of implementation of Commission Implementing Decision (EU) 2016/2317 regarding the operation of MCA systems on board aircraft;
2. General authorization No. [VO-R/10/12.2017-10](#) [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/10/12.2017-10/obrazky/vo-r10-122017-10.pdf>] for the use of radio frequencies and for the operation of short-range equipment; update in particular for the purpose of implementation of Commission Implementing Decision (EU) 2017/1483 of 8 August 2017 amending Decision 2006/771/EC on harmonisation of the radio spectrum for use by short-range devices and repealing Decision 2006/804/EC. This general authorization in particular specifies more fully the conditions for the transmission of

image information in accordance with the Commission Decision, introduces a new frequency band 430–440 MHz for medical capsules for wireless endoscopy with ultralow power, and introduces a new frequency band 863.0–868.0 MHz for broadband short-range devices;

3. General authorization No. [VO-R/23/08.2017-6](https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/23/08.2017-6/obrazky/vo-r23-082017-6.pdf) [available online at: <https://www.ctu.cz/sites/default/files/obsah/ctu/vseobecne-opravneni-c.vo-r/23/08.2017-6/obrazky/vo-r23-082017-6.pdf>] for the use of radio frequencies and for the operation of fixed service equipment in frequency bands 71–76 GHz and 81–86 GHz; update in particular for the purpose of allowing more effective use of these frequency bands, taking into account of the change of the market requirements, and change of ČSN ETSI EN 302 217-3.

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 Act, only a person having a valid professional qualification certificate for the relevant radio equipment may operate that equipment. The CTU examination committee verifies the 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 aeronautical and nautical mobile service. The numbers of professional qualification certificates newly-issued based on examinations in 2017 remained at roughly the same level as in the 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 2017, in particular in the case of recognition of the qualification for acquiring general certificates of radio telephone operators of the aeronautical mobile service. In 2017 also the process of updating the test questions for written tests for acquiring the qualification started. The updated questions as well as the outlines of the oral tests for selected certificates will be published in early 2018 on the CTU website.

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 Annex 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 development criteria have already been met, the criteria arising for the holders of radio frequency block allocations from the conditions of the tender.

1. 5.6 Fees for the use of radio frequencies

In accordance with Government Order 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 2017 is CZK 1,158.3 million.

Although there was a reduction in the size of charges for the use of radio frequencies for a mobile service in some frequency bands, 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, use of all allocated frequencies for the LTE network started, including the frequencies in the bands of 1800 MHz and 2600 MHz. relative to 2016 there was an increase of the amount of fees collected by more than CZK 30 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 2017 in the area of electronic communications slightly decreased on the previous year.

In 2017, pursuant to Section 127 of the Electronic Communications Act, 9 administrative proceedings concerning disputes were opened. The administrative body also continued with the administrative proceedings commenced and not completed in 2016 or referred to new proceedings based on a second-instance decision of the administrative body on a previously filed administrative appeal. A total of 22 were heard, of which 3 disputes commenced in 2014, 1 dispute commenced in 2015, 9 disputes commenced in 2016, and 9 disputes commenced in 2017. A total 12 disputes have been finally settled, of which 3 disputes commenced in 2014, 7 disputes commenced in 2016, and 2 disputes commenced in 2017. A total of 10 disputes are pending, of which 1 dispute commenced in 2015, 2 disputes commenced in 2016, and 7 disputes commenced in 2017.

In terms of the subject of the disputes dealt with in 2017 pursuant to Section 127 of the Electronic Communications Act, it is possible to summarize that most requests for commencement of administrative proceedings were related to disputes about payments (payment of due amounts of money for the services of electronic communications provided). Only few cases were related to different issues, namely one case was related to the requirement for imposition of an obligation to act and supply wholesale services in accordance with the contract signed, one case was dealing with unauthorized use of internal communication network, and other two cases were dealing with the issue of using telephone numbers and the conditions of porting these numbers within wholesale relationships.

In the course of the administrative proceedings, passivity of the parties was often shown, not only on the part of the respondents where this could be expected to a certain degree. The administrative body was therefore forced to require repeatedly from the parties to the dispute statements including their procedural positions as well as evidence to support their claims and other assistance and cooperation in order to collect information correctly and make a decision. Such conduct prolongs the proceedings. In these cases the 1st instance administrative body tried to use all procedural vehicles available to it under the Code of Administrative Procedure, so that it could, subject to fulfilment of all necessary procedural acts, ensure completion of the case with maximum respect to the statutory time limit for a decision.

As in the previous years, there were no disputes in 2017 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.

In 2017 the administrative body heard 3 disputes regarding this issue, of which 2 disputes commenced in 2014 and 1 dispute commenced in 2017. A total of 2 disputes were finally settled, of which 1 dispute commenced in 2014 and 1 dispute commenced in 2017. 1 dispute commenced in 2014 is still pending.

Administrative proceedings regarding a dispute, which was commenced in 2014 and finally settled in 2017, constituted a request of an authorized operator of postal services who, pursuant to Section 148 of the Code of Administrative Procedure, requested division into two parts due to the extensive and complicated issues. First, a decision was made on the part of the case related to the service of delivery to addresses specified on the postal items and service of redirection, and after this decision in the first part has entered into force, the administrative body decided in 2017 on the remaining part of the case. It was concerning 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 (operator of postal services). The administrative body also decided on this request in 2017, but not finally, and therefore the proceedings are still registered as pending.

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 also 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. As it was revealed during the administrative proceedings, in both cases the parties to the dispute have an entirely different idea about how the approach to the elements of the postal infrastructure should be implemented and in particular for what the cost-oriented price should be paid. 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., and therefore the decision on the conditions of the access had to be made by the administrative body within the dispute settlement.

There was a slightly different situation in the proceedings commenced in 2017 and also finally settled in the same year. It was a case of ensuring continuation of a contract between an authorized entity and the obliged holder of the postal licence also after 2017. With respect to the requirements of Section 34 of the Postal Services Act, the request was complied with.

The final decisions issued in administrative proceedings conducted pursuant to Section 34 of the Postal Services Act concerning disputes about access to postal infrastructure are available at www.ctu.cz.

8 Settlement of disputes pursuant to Sections 5, 9, 10 and 14 of Act No. 194/2017 Coll.

With effect from 25 July 2017, Act No. 194/2017 Coll. was enacted on measures to reduce the costs of implementation of high-speed networks of electronic communications and on amendment of some related Acts which is a transposition of Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks. The purpose of this Directive is to lay down certain minimum rights and obligations valid throughout the EU for the purpose of implementation of high-speed networks of electronic communications and coordination between sectors. In order to fulfil the purpose, the Act establishes the so-called single information point (JIM) which is supposed to ensure, in order to facilitate the implementation of high-speed networks of electronic communications, in particular coordinated approach of the authorized persons to the information on the physical infrastructure or construction work. The Czech Telecommunication Office is commissioned to provide JIM. The Office is also defined to act as a body settling disputes arising from the fulfilment of this Act. These are disputes about provision of information or justification of refusal to provide information, whereas the settlement of these disputes is within the powers of JIM which generally deals with the access to such information. The disputes are also about access to the physical infrastructure (Section 5), on-site survey (Section 9), coordination of the construction work (Section 10), or access to the physical infrastructure inside a building (Section 14). With respect to the relatively short effective period of this Act and probably also the fact that within the application practice the main entities in question were used to mutual cooperation, no dispute was commenced in 2017 with CTU pursuant to Section 5, 9, 10 or 14 of Act No. 194/2017 Coll.

9 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 2017 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 2017. They included but were not limited to Act No. 194/2017 Coll., on measures to reduce the costs of implementation of high-speed networks of electronic communications and on amendment of some related Acts, which, in the relevant part, entered into effect on 25 July 2017. This Act, which is a transposition of Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks, ordered CTU in Section 3 to prepare and disclose in a manner allowing remote access the template of the agreement on access to the physical infrastructure for the purpose of implementation of high-speed network of electronic communications, agreement on on-site survey of the physical infrastructure, and agreement on coordination of the construction work for the purpose of implementation of high-speed network of electronic communications. In order to fulfil this statutory obligation, CTU created an external working group where the issue was discussed, in addition to the state authorities, in particular by representatives of the affected sectors of electronic communications and energy, and representatives of local governments were also invited.

CTU was also actively involved in working group established with the Ministry of Industry and Trade for the purpose of fulfilment of the requirements of Decision (EU) 2017/899 of the European Parliament and of the Council of 17 May 2017 on the use of the 470-790 MHz frequency band in the Union, regarding the release of the 700MHz band which is currently used in the Czech Republic for terrestrial digital television broadcasting,

to be used in the future by terrestrial systems capable of providing wireless high-speed services of electronic communications. The result of the activity of this working group is the draft version of an act which was enacted as Act No. 252/2017 Coll. which amends Act No. 127/2005 Coll., on electronic communications and on amendment to certain related Acts (the Electronic Communications Act), as amended, and Act No. 483/1991 Coll., on Czech Television, as amended, which entered into effect, in the relevant part, on 2 September 2017.

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 2017 in the sphere of electronic communications and postal services is presented in chapters 6.1 to 6.3 hereof.

Out of the main tasks of CTU in the area of external legislation in 2017, it is necessary to draw attention also 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 was to identify the areas where the laws of the Czech Republic will have to be adapted. CTU was actively involved in the activities of this working group, whereas it expects that the experience gained there can be used within the work on the revision of the European regulatory framework for the area of electronic communications where Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector is currently being reviewed (Directive on privacy and electronic communications). Protection of privacy, which also undoubtedly applies to protection of personal data, should be also newly addressed in the area of electronic communications by means of a European regulation, and it is necessary to ensure mutual compatibility of the legislation with the General Data Protection Regulation which has been already enacted.

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 2017 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 the issue of priorities of consumer protection or a project related to the matter of reducing the administrative burden imposed by legislation. CTU continuously gives the necessary evaluation reports on this issue. Another long-term work group is the group of contact persons for the issues of SOLVIT also 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 2017 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. CTU actively participated in the work groups Strategic Objectives, Legislation, Mapping, Funding and Implementation and operation created as a part of the Working Committee for National Coordination of development of new generation networks under the auspices of the Ministry of the Interior. The activities of these groups will continue at least in 2018.

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 2017 and no fundamental shortcomings of a factual or evidentiary character were identified in this regard.

It is also necessary to mention CTU activities 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. Attention must be also paid to the interpretation of European regulations which affect the scope of powers and responsibilities of CTU.

10 Crisis management and security

In terms of its scope of powers and responsibilities, the Czech Telecommunication Office 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 and 99 and the relevant implementing decrees.

The inspection activity focused on practical fulfilment of the obligations imposed by Section 88 of the Electronic Communications Act with emphasis on the monitoring of the status of entities carrying out business activities in the sector of electronic communications which have obligations in the area of protection of the operating and localization data and confidentiality of communication. In the area of security and protection of information the inspection activity focused on compliance with Section 99 of the Electronic Communications Act which focuses on the security and integrity of public communication networks and the services of electronic communications in emergency situations. In accordance with the tasks assigned to CTU in Section 88 and Section 99 of the Electronic Communications Act, six inspections were carried out in 2017 in entities carrying out business activities in the area of electronic communications. In three entities it was a check combined with physical inspection at the offices or establishment of the company and three companies were requested to submit the documentation defined by the law for a review. These companies were ČD – Telematika a.s., O2 Family, s.r.o., Axofone s.r.o., Nordic Telecom s.r.o., NGI Service s.r.o., and ALFA TELECOM s.r.o. In all of the above-mentioned companies the inspection activity was carried out with focus on the above-described obligations. The inspection revealed that the entities fulfil the tasks defined in the Electronic Communications Act on different level and quality. Therefore the inspection group of CTU ordered the entities inspected to implement corrective measures aimed at fulfilling all legal obligations. In NGI Service s. r. o. the inspection was not carried out due to dissolution of the company.

Pursuant to Section 98(4) and (5) of the Electronic Communications Act CTU is also responsible for gathering information on serious breaches of security and loss of network integrity from entities that ensure 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 Cyber and Information Security Agency is in place and is developed in terms of the development and introduction of security standards for cybernetic security in significant information systems at the Office.

In 2017 CTU was involved on national level in the area of electronic communications in the preparation, implementation and partial evaluation of the international exercise of the emergency management bodies of NATO CMX – 2017.

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. 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.

Protection of classified information was ensured in CTU in 2017 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 system.

11 Media activities

Within the media activities, CTU prepared and published press releases, answered the questions of journalists and the public, coordinated the web presentation of CTU, published the Telecommunication Bulletin and the Postal Bulletin and the Monitoring Reports, and also carried out activities on social media. By organizing regular Telecommunication academies it also ensures awareness among the most vulnerable groups of consumers, mostly elderly people. The purpose of these academies is to raise legal awareness among these groups of population in the area of electronic communications and postal services.

11.1 Press releases and monitoring reports

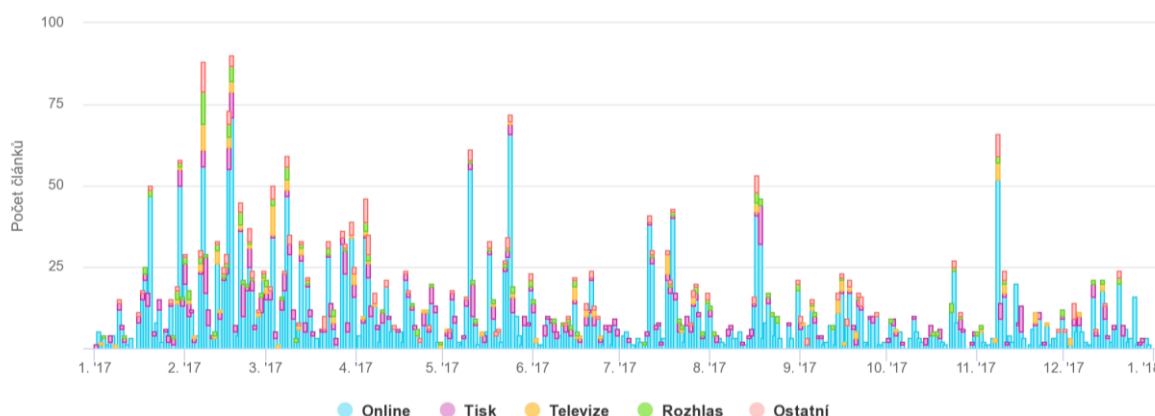
In 2017 CTU published 57 press releases. In the press releases it informs on the conclusions of the meetings of the Council of CTU, on the Office's activities related to the auctions of frequencies, on legislative changes having impact on the end users, etc. In 2017 four press releases addressed the auction in the 3.7GHz band, two separate press releases provided information on matters related to the postal licence.

Every month CTU publishes the Monitoring Report. Its design is discussed by the Council of CTU on regular basis. From January 2017 the concept of the monitoring reports changed, and since that year the reports have not been capturing strictly only the events that occurred in the previous calendar month but they monitor the events continuously, from the publication of the last monitoring report (it is typically published in the middle of the month). The Office therefore changed the name from Monthly Monitoring Report to Monitoring Report and changed the graphic layout of the report.

The monitoring reports are divided into some periodical sections (From Decision-Making Practice, Market Analyses, CTU Working for the Consumer, Telecommunication Regulation in the EU). In these regular sections the Office explains its activities and attitudes, and thus also affects the regulated entities. For example, the information based on the decision-making practice explains to the general public the procedures of CTU in specific cases which were dealt with in the administrative proceedings.

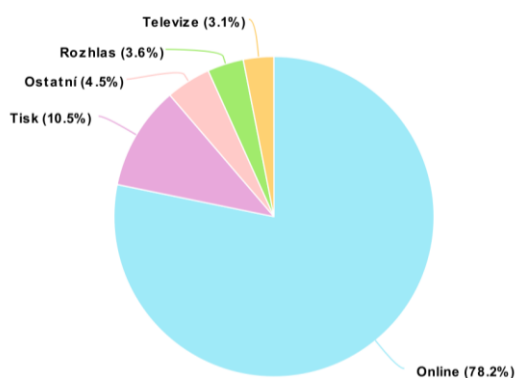
In 2017 the media mentioned 4 055 times the work of CTU, with media impact of 5765 GRP (Gross Rating Points)¹.

Chart 36:



According to the type of media, the main channel of CTU media presentation is online media (78 %) followed by printed media (10.5 %).

Chart 37:



11.2 Bulletins

The Electronic Communications Act (Section 126) or the Postal Services Act (Section 40) orders CTU to publish the Telecommunication Bulletin and the Postal Bulletin. These bulletins are available electronically on the CTU website and at the public administration portal (www.portal.gov.cz).

15 parts of the Telecommunication Bulletin and 71 contributions and 16 parts of the Postal Bulletin and 52 contributions were published in 2017.

11.3 CTU website

In 2017 the CTU website (www.ctu.cz) had 376 thousand visits, of which the highest number of weekly visits (9.7 thousand) was in the week from 27 February to 5 March 2017.

CTU website is fully responsive, and therefore adapts to the device from which it is accessed. This characteristic is valued in particular by users of mobile devices. The number of visits at the CTU website accessed from these devices grew in 2017.

11.4 Telecommunication academy

In 2017 CTU continued with education activities in order to raise legal awareness among consumers. I targeted its presentations focusing on problematic areas of services of electronic communications to community centres and retirement homes. In the presentation which lasts about an hour the speaker explains correct complaint procedures, how to conclude and terminate a contract, or how to understand the new rules of European roaming.

11.5 Social media

The communication activities in particular directed at the general public is combined by CTU presence on social media (Facebook, Twitter, Instagram, LinkedIn). Through this channel CTU refers to the information published on the Office website, and it also serves as an interactive tool for direct communication with other users.

12 International Activities

CTU was involved in international relations in 2017 in line with the Government Resolution No. 507/2011 of 29 June 2011. In accordance with this Government Resolution and in accordance with the performance of tasks which arise from the Electronic Communications Act, in 2017 CTU coordinated and ensured direct participation at workshops in European Commission advisory committees, in the BEREC workgroups and the bodies or working groups of international organisations (ITU, CEPT, OECD, ETSI and NATO), bilateral and multilateral meetings and at specialised events.

12.1 CTU activities with respect to the European Union

Within the European Union, CTU is represented mainly in BEREC and also in advisory committees of the European Commission and working bodies of other organizations, including but not limited to 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 bodies of European Union Member States. The prime objective at BEREC is to contribute toward the development and better functioning of the internal market in the sphere of electronic communications, in that it endeavours to apply the regulatory framework of the EU in a uniform way, primarily by developing and sharing trusted regulatory procedures among national regulatory bodies. BEREC also issues statements on material doubts of the Commission regarding the measures proposed by national regulatory bodies to concern market determination, determining business undertakings having significant market power and imposing remedial measures in accordance with Article 7 and 7a of the Framework Directive. It also provides national regulatory bodies, on request, with assistance in connection with analyses of relevant markets, issues statements on draft legislation compiled by the European Commission and provides expert opinions to the European Parliament and the Council of the European Union. BEREC is managed by the Board of Regulators, consisting of the 28 representatives of domestic regulatory bodies from individual European Union Member States. Its meetings are also attended by representatives of the European Commission and other observers. The BEREC Office, with its headquarters in Riga, Latvia, provides a base for the work done by BEREC.

The fulfilment of the working programme of BEREC for the year 2017 is summarized in the BEREC annual report.

Key tasks of BEREC in 2017 included, for example, evaluation of the implementation of the new European legislation, in particular Regulation 2015/2120. Here BEREC issued a report on the application of the net neutrality rules and the related methodology of BEREC. In connection with this Regulation, BEREC also worked on the implementation of a tool for user (crowdsourcing) measurement of quality of the service. CTU was actively involved in this work and sought maximum synergies of this BEREC project with MOQOS project.

BEREC also updated its guidelines on international roaming. The first report on the fulfilment of the Directive on reduction of costs of building high-speed networks was issued. Furthermore, BEREC prepared several regular comparative and descriptive reports. BEREC was also actively participating in the debate on revision of the Directives of the regulatory framework for electronic communications.

The Midterm Strategy of BEREC for the period 2018–2020 was adopted for its further functioning, and also with regard to the current debate on the future form of BEREC.

IRG – INDEPENDENT REGULATORS GROUP

BEREC meetings are accompanied by meetings of IRG. IRG is a platform on which regulatory bodies are able to share information and experience, in that there are no representatives of the European Commission at its meetings. Four regular joint sessions of BEREC and IRG took place in 2017 in which the regulatory bodies were represented by their top people.

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 2017 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. ERGP was actively involved in the debate on the discussed regulation on cross-border delivery of parcels.

COCOM – COMMUNICATION COMMITTEE

COCOM is the advisory body 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 sponsor and coordinator, Ministry of Industry and Trade.

In 2017 the committee dealt with the Regulation, regarding the support of Internet connection in local communities (WiFi4EU) which was approved in October 2017. The working group COCOM MSS 2 GHz dealing with the implementation of the framework for pan-European system ensuring mobile satellite services was also active. The committee also discussed the upcoming steps of the Commission in the event of non-implementation of Article 6 of Regulation (ES) 2120/2015 which ordered Member States to include in national regulations penalties for the breach of the Regulation, i.e., net neutrality rules. Also a new working group was created within the committee: “National plans 5G and evaluation of national plans of broadband connection”.

RSPG – RADIO SPECTRUM POLICY GROUP

RSPG is the advisory body to the European Commission in strategic matters to concern the use of the radio spectrum. It makes statements on fundamental current issues and primarily formulates its conclusions in RSPG Opinions and RSPG Reports. CTU is represented at RSPG together with the manager – the Ministry of Industry and Trade. In accordance with the work plan for 2017, RSPG compiled and, following public consultation, adopted RSPG Opinions on the aspect of radio spectrum for Internet of Things (IoT) including M2M and the aspects of radio spectrum for smart transport systems, on the initial formulation of the joint objectives for WRC-19, on matters of radio spectrum in the draft version of the Regulation of the European Parliament and of the Council on single framework of electronic communications, and on the long-term strategy of needs and use of wireless audio and video applications of PMSE. The RSPG working groups also started preparation of the draft of the second Opinion on 5G

electronic communication networks, organized a work meeting on authorization of the spectrum for mobile networks, and also provided assistance in bilateral coordination negotiations associated with the reorganization of the 700MHz band.

RSC – RADIO SPECTRUM COMMITTEE

RSC is the advisory body to the European Commission which participates in the preparation of measures aimed at achieving the harmonised and effective use of the radio spectrum in the European Union. It also includes submissions for CEPT regarding the conducting of technical studies and the compilation of draft regulatory measures in the form of handing down European Commission mandates. CTU is represented in RSC as a sponsor/coordinator together with MPO. In 2017 the main topics were CEPT mandates for the preparation of the draft of harmonized technical conditions in selected parts of the spectrum, draft version of regulatory provisions for the frequency band of 1.5 GHz, drafts of the update of the Commission Decision on UWB devices, and Commission Decision on short-range devices, harmonization of technical conditions for the use of the frequency bands of 900 and 1800 MHz for IoT, harmonization of the frequency band of 870-876/915-921 MHz for SRD, etc.

TCAM – TELECOMMUNICATION CONFORMITY ASSESSMENT AND MARKET SURVEILLANCE COMMITTEE

In 2017 TCAM and its group for administrative cooperation ADCO R&TTE worked mainly on the implementation and application 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, elimination of harmful interference, addressing of the issue of harmonized standards and cyber security of radio devices.

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. In 2017 the issue of cyber security was also intensively discussed. In accordance with the applicable legislation, CTU as the national regulatory body regularly sends to ENISA the basic information on serious incidents which occurred in networks and services of electronic communications in the respective calendar year. The reports are analyzed by CTU on national level and then entered to ENISA portal in anonymized form. In 2017 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.

Other activities in relation to the EU in 2017 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 2017 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 2017 CTU organized a meeting of REWG in Prague.

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

INTERNATIONAL TELECOMMUNICATION UNION (ITU)

In 2017 the main activity was involvement in selected study groups of the ITU-R sector, in particular in relation to the preparation for the items of the agenda of the World Radiocommunication Conference WRC-2019. With its participation in the study groups and project teams for mobile communications, broadcasting radiocommunication service and satellite service, CTU contributed to the preparation and adoption of a number of reports and recommendations of ITU-R which serve the member states as guidelines for the management and use of the radio spectrum on national level and for prevention of mutual interference of radiocommunication services. CTU also 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 1.5 GHz, 870-876/915-921 MHz bands, on expansion of harmonization for short-range devices (SRD), preparation for the implementation of 5th generation communication systems, and coordination of the preparation of European countries for the World Radiocommunication Conference WRC-19.

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 2017 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 2017 CTU was involved in the working group for industrial resources and communication services (Industrial Resources and Communications Services Group hereinafter referred to as “IRCSG”) which focuses on ensuring the development of the issues of security of electronic communications and post for state defence purposes and support of security processes at the time of an emergency. In 2017 IRCSG thematically discussed the issues of cyber security and prepared an extensive analysis of the security situation including recommendations aimed at improving resilience of the networks and services of electronic communications. The above will be subject to further discussions at the NATO summit in 2018. Subsequent application thereof will improve the level of the area of crisis management in the Czech Republic.

CTU also participated in the CaP3 panel which consists of the representatives of civil and military frequency bodies of the NATO member states and deals with the issue of ensuring availability of radio spectrum for the needs of the NATO armies. The preparation of the position of NATO on the individual items of the agenda of the World Radiocommunication Conference of ITU (WRC-19), the solution of which may affect the interests or capabilities of the armies of NATO member states in relation to the use of the individual frequency bands, continued in 2017.

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. In 2017 CTU ensured preparation of a number of OECD questionnaires on the issue of development of the networks and services of electronic communications. 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.

12.2 Other international activities

CTU employees continued their participation in bilateral and multilateral discussions in 2017 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 (hereinafter also referred to as “HCM Agreement”). 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 RAINWAT (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.

The requirement for the release of the 700MHz band has different impact in different countries. In order to preserve equal access to the spectrum it was necessary to newly distribute frequencies among the states as replacement of the still valid International Frequency Plan for terrestrial digital television and radio broadcasting of 2006 (Plan GE06). Plan GE06 basically failed to ensure even distribution of radio frequencies below 694 MHz and above 694 MHz among the individual states.

In the second half of 2013 therefore the representatives of the German administration presented the idea of necessity to rework Plan GE06 and newly comprehensively evenly distribute radio frequencies from the remaining frequency band of 470–694 MHz mainly in the border regions. In early 2014 the coordination negotiations started with the aim to find a solution making it possible to use the existing transmitters with

high output and also to ensure more efficient method of transmission of the broadcasting. Individual frequency plans were prepared first with the neighbouring Germany and the adjacent region in Poland. Subsequently, new frequency plans were prepared also for the remaining part of the border to Poland and states neighbouring the southern and eastern border of the Czech Republic including Hungary. Thanks to this the idea of a new frequency plan could be brought further beyond the east border of the Czech Republic. This success is largely due to other international activities of the administrations of Austria and Hungary whose representatives similarly passed the coordination process on to other neighbour countries (Croatia, Romania, Serbia, Bosnia and Herzegovina, Turkey, Greece and other countries).

In spite of the poor initial conditions resulting from the fact that the current operated high power transmitters (hereinafter also referred to as “HP/HT”) are located in high altitudes and near state borders, the Czech Republic managed to coordinate the radio frequencies for 6 frequency layers and thus ensure such technical parameters for the different transmitters that are more or less identical with the current operated parameters.

During the three-year period there were numerous bilateral and multilateral negotiations where the new frequency plans were discussed and prepared, and the representatives of CTU participated in more than 35 such negotiations.

By the end of 2017 CTU managed to conclude bilateral coordination agreements with the administrations of all neighbour countries (Germany, Austria, Poland, Slovakia and Hungary).

Within the radio service there were also coordination negotiations on the requirements for digital radio broadcasting T-DAB, where the coordination of frequencies on the dominant sites of the current broadcasting infrastructure seems to be problematic, in particular in cases where such site is located near the state border. Limitations of the technical parameters required by the foreign administrations in the case of these sites do not allow economically effective use of frequencies. CTU therefore, in an effort to ensure effective use of the current infrastructure of HP/HT transmitters, proposed at the end of 2017 to release group allocations determined according to Plan GE06 for television broadcasting in favour of radio broadcasting. This step is possible also because all materials which have not yet been approved and the steps taken in relation to the migration of terrestrial television broadcasting DVB-T to DVB-T2 do not envisage the use of frequencies out of the VHF band. The Czech Republic thus follows the approach of Germany and Austria which have already adopted a similar decision.

The issue of 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.

¹ 1 GRP corresponds to one per cent of the population of the Czech Republic older than fifteen years, i.e., group of 90,000 readers, listeners or viewers who could be reached by the published piece. A reader who could read more than one piece is counted several times.

Information on the need to pass new regulations or amend the existing regulations

1 Electronic communications

1.1 The need for an amendment of the Electronic Communications Act

In spite of the pending revision of the regulatory framework for the area of electronic communications on European level it would be advisable to make a more comprehensive assessment of the applicable legislation within the Electronic Communications Act, namely in terms of effectiveness and fulfilment of the goals of the regulation introduced by it and, as the case may be, also elimination of the legislative-technical problems which have negative impact on the application practice. The last time a similar amendment of the Electronic Communications Act was made was 2011 (Act No. 468/2011 Coll.), and therefore one can only embrace the fact that the Ministry of Industry and Trade included the plan for such technical amendment in the Government's Plan of Legislative Work for the year 2018.

In connection with the enactment of Decision (EU) 2017/899 of the European Parliament and of the Council of 17 May 2017 on the use of the 470–790 MHz frequency band in the Union, in 2017 the parliament passed Act No. 252/2017 Coll. which amends Act No. 127/2005 Coll., on electronic communications and on amendment to certain related Acts (Electronic Communications Act), as amended, and Act No. 483/1991 Coll., on Czech Television, as amended, whose part related to the implementation of the release of the 700MHz band entered into effect on 2 September 2017. This Act envisages, within the transitory provisions, adoption of a new implementing regulation in the form of Government Order laying down the conditions for the release of the 700MHz band and the associated migration of terrestrial digital television broadcasting from DVB-T standard to DVB-T2 standard. The sponsor and coordinator of this legislation is the Ministry of Industry and Trade.

The need for more profound changes of a more comprehensive nature of the national legislation is anticipated only in connection with the results of the pending revision of the European regulatory framework for the area of electronic communications, but it will probably occur no sooner than 2019.

1.1.1 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. 157/2005 Coll., on the requisites of the application for the examination for providing evidence of qualification to operate broadcasting radio equipment, on the scope of

knowledge necessary for the individual types of qualification, on the method of examination, on types of certificates of qualification and the validity period thereof,

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

In 2017, Decree No. 209/2017 Coll., on template of the identification card of an employee of the Czech Telecommunication Office authorized to perform inspections of electronic communications and postal services, was issued, with effect from 1 September 2017. The respective template of the identification card is designed such that the front side consists of the current identification card of an employee of CTU and the rear side contains the relevant authorization for performing the inspection. Based on Act No. 234/2014 Coll., on state service, its implementing decree, Decree No. 388/2017 Coll., on template of the identification card of a civil servant, was issued in 2017 and is effective from 1 January 2018. This Decree should ensure that no later than 31 December 2019 all civil servants performing duties under Act No. 234/2014 Coll. will have uniform official identification cards. This Decree also envisages that it is possible to write other information, including the information on the authorization to perform an inspection pursuant to Act No. 255/2012 Coll., on inspection (Code of Inspection Procedure), on the rear side of this official identification card. With respect to the above, it is therefore necessary to ensure consistency of legislation for the area of electronic communications and for the area of postal services. The sponsor and coordinator of Decree No. 209/2017 Coll. is the Ministry of Industry and Trade of the Czech Republic.

2 Postal services

2.1 The need for an amendment of the Postal Services Act

Preparation of the draft version of the Regulation of the European Parliament and of the Council on cross-border parcel delivery services was taking place on European level in 2017. This Regulation should be enacted in 2018. According to the currently available wording of the draft version of the Regulation, it will be necessary to adapt the laws of the Czech Republic to this Regulation, at least in the part of the penalties for noncompliance with the obligations laid down by this Regulation. The Ministry of Industry and Trade, as sponsor and coordinator of this legislation, included the proposal for such amendment regulation of the Postal Services Act in the Government's Plan of Legislative Work for the year 2018.

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

Similarly to the area of electronic communications, here, too, the legislation related to the template of the identification card of an employee of the Czech Telecommunication Office for performing inspections of electronic communications and postal services (Decree No. 209/2017 Coll.) should be unified with Decree No. 388/2017 Coll., on template of the identification card of a civil servant, when all civil servants performing duties under Act No. 234/2014 Coll. should have uniform official identification cards no later than 31 December 2019. The sponsor and coordinator of Decree No. 209/2017 Coll. is the Ministry of Industry and Trade.

Already within the preparation of the Plan of Legislative Work for the year 2017, CTU identified the need for changes to the implementing regulations for the Postal Services Act which are within its scope of powers and responsibilities. Specifically, it was 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. This Decree, however, was not amended in 2017 as its factual amendment was supposed to be based on the final position of the European Commission on the issues of determination of the net costs of fulfilment of the obligation to provide universal services. CTU therefore envisages amending the Decree in 2018 when the respective position of the European Commission can be expected to have been issued.



Organization and operation of CTU

In 2017 CTU reported revenues in the amount of CZK 2,117 billion and costs in the amount of CZK 643 million. A substantial part of non-tax revenues is receipts from the auction of frequencies (CZK 1.015 billion) and receipts from the radio spectrum management (CZK 1.040 billion).

For the year 2017 the Office collected fines imposed within administrative proceedings in the amount of CZK 11.15 million. In the year in question, CZK 304 million was transferred to the Radiocommunication Account where a part of the revenues from the radio spectrum management is directed.

Out of the 2017 budget, CTU saved CZK 767 million, of which CZK 700 million were savings of expenses for the coverage of the loss from the provision of the postal service, CZK 42.8 million were savings of expenses for the coverage of the loss from the provision of the universal service, and CZK 24.8 million are attributable to other items of expenses.

In 2017 CTU spent CZK 395/4 million for payroll and the associated mandatory payments. As of 31 December 2017 CTU had 582 employees and 643 systematized positions. Although CTU has all service positions systemized as service positions, it is possible, under the Civil Service Act, in certain cases to hire an employee in this position under an employment contract (for a definite period, e.g., as a replacement for a temporarily absent employee).

The clerical test was taken by 40 employees in 2017, most of them in the field of Electronic Communications and Postal Services. Other employees improved their knowledge within the follow-up training events, sessions, etc.

CTU puts great emphasis on transparency of disclosure of information on its activities. Therefore it continued with the open data project. In this format it updated more than seventy data sets, and in cooperation with the Supreme Audit Office it organized in the autumn the First Hackathon of Public Administration directly focusing on open data of public administration bodies. The results of this competition are available at hackujstat.cz.

1 Financial results of CTU

The binding indicators of Chapter 328 – CTU – ensue from Act No. 457/2016 Coll., on the state budget of the Czech Republic for 2017, as amended. An overview of the achievement of these indicators is provided in Annex No. 9, while Annex No. 10 presents an overview of binding indicators for 2018 (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 1,220,729,000 was not adjusted in 2017. The actual amount is CZK 2,117,934,758.98, i.e., the adjusted budget was achieved at a level of 173.50 % and was exceeded by CZK 897,205,758.98.

Tax income / administrative fees amounting to CZK 44,836,604.27 were collected, meaning that the adjusted budget was achieved at a level of 216.47 % and exceeded by CZK 24,123,604.27.

A significant part of non-tax income, capital gains and transfer payments received is the income arising from CTU activity, i.e., income from the Auction of frequencies, which accounted for CZK 1,015,000,000, income from the radio spectrum management in the amount of CZK 735,372,542.67, and income from the number management in the amount of CZK 104,936,005.04.

For the year 2017 CTU collected fines imposed in administrative proceedings in the amount of CZK 11,158,086.

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 order. The sum of CZK 304,689,275 was transferred into this account in 2017, and the actual income for the year 2017 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 income for the year 2017 are presented in Annex No. 9 and planned income for the year 2018 is presented in Annex No. 10 to this Report.

TOTAL EXPENSES

In 2017, CTU received budget resources from the VPS chapter amounting to CZK 5,122,807 which ensued from Resolution of the government of the Czech Republic No. 674 of 25 September 2017 č. 674 on consolidating the expenditures of selected budget chapters in 2017.

In 2017 CTU used the opportunity to draw “entitlements” in the amount of CZK 51,025,227.97 for needs not secured by the budget.

Savings were made from the 2017 budget in the amount of CZK 767,682,657.77 of which CZK 700,000,000 were savings on expenditure on covering loss from the provision of the postal service, CZK 42,882,332.51 were savings on expenditure on covering the loss from the provision of the universal service, and CZK 24,800,325.26 was attributable to other expenditure items.

Total expenses for the year 2017 were used in the amount of CZK 643,823,529.23 i.e., use of 45.61 % of the adjusted budget.

The expenses budget of CTU is structured according to the budget composition in terms of sectors into 5 sections, namely:

Section 241100 – Post 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 2017	Adjusted budget 2017	Actual result at the date 31. 12. 2017	% of use (3/2)
a	1	2	3	4
Total expenditure of which:	1 406 383 380	1 411 506 187	643 823 529,23	45,61
§ 241100	700 000 000	700 000 000	0,00	0,00
§ 241200	158 000 000	158 000 000	115 117 667,49	72,86
§ 246100	535 658 380	542 551 688	521 966 116,50	96,21
§ 249100	12 645 000	10 874 499	6 707 679,24	61,68
§ 527334	80 000	80 000	32 066,00	40,08

Expenditures are further segmented into current expenses and capital expenditures.

Indicator/Section	Approved budget 2017	Adjusted budget 2017	Actual result at the date 31. 12. 2017	% of use (3/2)
a	1	2	3	4
Total expenditure of which:	1 406 383 380	1 411 506 187	643 823 529,23	45,61
Current expenditure	1 359 606 976	1 364 729 783	615 330 393,62	45,09
Capital expenditure	46 776 404	46 776 404	28 493 135,61	60,91

Current expenses

In 2017, current expenses were used in the amount of CZK 615,330,393.62, i.e., 45.09 % of the adjusted budget.

SECTION 241100 – POST MATTERS

It is here that the expenditure on covering loss from the provision of universal postal services is budgeted.

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 2016, was evaluated in 2017. The total coverage of the loss incurred by the company was CZK 79,295,355.36.

The net costs of the provision of a universal service by Telefónica in 2016 were evaluated in 2017. The total coverage of these costs was CZK 35,822,312.13.

SECTION 246100 – ACTIVITY OF CENTRAL BODIES OF STATE ADMINISTRATION IN COMMUNICATIONS

The predominant part of expenditures incurred by CTU is budgeted in this section. Of the total volume of current expenditures

- 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 (72.68 % of the adjusted budget or 73.56 % of the actual amount),

the remainder

- is used to purchase materials, water, fuel and energy, services, other purchases, such as repairs and maintenance, software, inland travel and hospitality, non-investment contributions provided and payments – mainly for discharging the position of “custodians” – the payment of taxes and duties and compensation for pay during illness.

SECTION 249100 – INTERNATIONAL COOPERATION IN COMMUNICATIONS

It is in this section 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 2017 and the actual amount was CZK 32,066, i.e., use of 40.08 % of the adjusted budget.

Capital expenditures

Capital expenditures were used by CTU for two programmes registered in the SMVS system (Management of State-Owned Property) 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). In 2-17, programme 128 01 was funded by means of claims from unused expenditures, the approved budget for programme 128 02 for the year 2017 was CZK 46,776,404. Capital expenditures were used in the amount of CZK 28,493,135.61, i.e., use of 60.91 % of the adjusted budget.

Salaries of employees and other payments for the work performed

The budget for the salaries of civil servants in administration bodies was increased during the year by CZK 5,068,610 by a budget measure in connection with the implementation of Decision of the Government of the Czech Republic No. 674 dated 25 September 2017. Such adjusted budget for the year 2017 was used by 100.00 %.

1. 1.2 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 Order 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 30 % 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 for the coverage of effectively and practically spent costs incurred by the holders of individual authorizations to use radio frequencies who incurred these costs as a result of the changes in the use of radio spectrum for reasons due to the Electronic Communications Act. They can be further used for the coverage of the expenses associated with the fulfilment of the obligation of CTU within the radio spectrum management. In 2017 CTU paid from the radiocommunication account expenses in total amount of CZK 39,344,124.52 .

Account balance as of 1 January 2017	316,383,623.97
Budgeting for the year 2017	304,689,275.00
Drawing for the year 2017	39,344,124.52
Account balance as of 31 December 2017	581,728,774.45

1. 2 Civil Service Act

Czech Telecommunication Office, as the central administrative body, is also a civil service authority pursuant to Act No. 234/2014 Coll., on civil service, as amended. Every civil service authority has an approved systemization in which civil service positions are defined for civil servants and job positions for employees, including the criteria for these positions. CTU has all positions systemized as civil service positions.

Civil servants are subject to civil service evaluation which takes place once a year in the first quarter for the previous calendar year. 538 CTU employees at that time were evaluated according to the Civil Service Act in the first quarter of 2017.

In order to ensure proper operation of CTU, bidding procedures are announced for all vacant civil service positions so that each department would have the highest possible staffing rate. 198 bidding procedures were announced in 2017 and most civil service vacancies could be filled.

CTU is also a sponsor and coordinator of the special part of the clerical test for the field of civil service No. 45 Electronic Communications and Postal Services in which also the Ministry of Industry and Trade has powers and responsibilities. CTU has 3 examination committees in place, whereas one member of the

examination committee is always a civil servant of the Ministry of Industry and Trade. The clerical test in the field of civil service No. 45 Electronic Communications and Postal Services was held on 5 dates in 2017.

In addition, CTU prepared and submitted a proposal of the change of the systemization effective from 15 July 2017 in order to ensure the work implied by Act No. 194/2017 Coll., on measures to reduce the costs of implementation of high-speed networks of electronic communications and on amendment to certain related Acts. The proposal of new systemization of CTU for the year 2018 was prepared and submitted via OSYS in July and August 2017 and subsequently also approved by the Government.

1.3 Human resources

Based on the bidding procedures organized, 66 employees (of which: 4 as employees under an employment contract and 62 in civil service status) started working in CTU in 2017. Although CTU has all service positions systemized as service positions, it is possible, under the Civil Service Act, in certain cases to hire an employee in the systemized position under an employment contract (these are employment contracts for a definite period, mainly as a replacement for a temporarily absent employee, e.g., a female employee taking maternity leave).

CTU also supports private and family life of its employees, either by means of different benefits, or e.g., by allowing a flexible working service. In 2017, 11 female employees started maternity leave and 6 female employees returned from maternity leave.

Even CTU is a place which some employees leave to look for career opportunities elsewhere. Some employees, of course, retire. Civil service or employment with CTU was terminated by 60 employees (7 employment contracts and 53 civil service contracts) in 2017. As of 31 December 2017, 34 employees received old-age pension.

The average number of FTE was 584. As of 31 December 2016, the registration number of employees was 582.

Table 25: Headcount (in comparison to 2015 and 2016)

Indicator/period	2015	2016	2017
Systemized number of employees	622	633	643
Average FTEs	620	601	584
Number of newly hired employees	71	56	66
Number of civil service/employment contracts terminated	76	86	60
Number of employees in post-productive age at the date 31.12..	50	55	20

3.1 2017 budget

On 7 December 2016 the Chamber of Deputies of the Parliament of the Czech Republic passed the Act on state budget of the Czech Republic for the year 2017 by its resolution No. 1449.

In a letter of the Ministry of Finance of the Czech Republic, ref. No. MF-43 849/2016/1903-2, dated 16 December 2016, 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 2017“ of Chapter 328 – Czech Telecommunication Office.

Limit of funds for salaries and other payments for the work done	CZK 259,217,803
of which: – salaries of civil servants	CZK 251,118,026
other payments for the work done	CZK 8,099,777
Limit of the number of employees	633 people (from 15 July 2017 643 people)

As in the previous year, in 2017, too, the salary scales for civil servants and employees under employment contract were increased.

By its resolution No. 676 dated 25 September 2017, on a Government Order amending Government Order No. 304/2014 Coll., on the emoluments of state employees, the government of the Czech Republic increased the scales of salaries from 1 November 2017 for civil servants.

By its resolution No. 677 dated 25 September 2017, on a Government Order amending Government Order No. 564/2006 Coll., on the emoluments of employees in public services and administration, the Government of the Czech Republic increased the scales of salaries from 1 November 2017 also for employees under employment contract.

A new regulation was issued for the determination of the salary of employees under employment contract in the second half of 2017. On 19 October 2017 Government Order No. 341/2017 which, with effect from 1 January 2018, repeals and replaces Government Order No. 564/2006 Coll. on salaries of employees in public services and administration, was promulgated in the Collection of Laws.

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 2017 was CZK 251,118,026.

The budget of funds for the salaries of civil servants was increased by a resolution of the government of the Czech Republic No. 515 dated 10 July 2017 by CZK 1,301,840, and by a resolution of the government of the Czech Republic No. 674 dated 25 September 2017 by CZK 3,766,770.

The average salary of a CTU employee in 2017 was CZK 36,561.

3.3 Number of systemized positions

The number of systemized positions in 2017 from 1 January 2017 was the same as in 2016, i.e., 633. From 15 July 2017 the number of systemized positions was increased and defined as 643.

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 2017.

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.

3.5 The CTU Council

CTU is headed by a five-member Council of the Czech Telecommunication Office (CTU Council) whereas one member of the CTU Council is always chairman of the CTU Council. Members of the CTU Council and its chairman are appointed and removed by the Government upon request of the Minister of Industry and Trade for the period of five years. A member is appointed chairman of the CTU Council for the period remaining until the end of his/her membership in the CTU Council, but no more than for three years.

Members of the CTU Council are remunerated from the budget of other payments for work done out of the item called “salaries for the representatives of state authority”. This budget for the year 2017 was CZK 6,412,800. The salary base of the members of the CTU Council for the year 2017 was CZK 65,733.5 and was announced by a communication of the Ministry of Labour and Social Affairs No. 401/2016 Coll. dated 28 November 2016 on announcement of the salary base for determination of salary and some compensation items of the representatives pursuant to Act No. 236/1995 Coll.

3.6 Training

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. 15/2016 which lays down the procedures for improvement and increasing of education of CTU employees.

Training sessions and events were organised and held according to the CTU Employee Training Plan for the year 2017 and primarily concentrated on electronic communications, postal services, the relevant legal regulations, information technology, foreign languages, personal skills, and managerial skills 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 used in CTU, 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.

40 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 in the form of e-learning ending with a test which contains the topic of cyber security and corruption, ethics and whistleblowing were completed by all employees of CTU.

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.

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 Code of Inspection Procedure, the Consumer Protection Act, etc.).

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, dealing with conflict situations, time management, leadership and evaluation interviews.

Selected employees attended courses to concern the development of personal skills.

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

The costs of training and education services as of 31 December 2016 were CZK 6,175,000, and the expenditures on conference fees CZK 316,000.

Table 26: Number of employees who completed training programmes in 2017

Type of training	2017
Introductory initial training	64
Follow-up initial training	40
Continuous training	3 732
Training for senior officers	111
Language training	186

An overview of personnel data for the year 2017 is shown in Annex No. 11 to this Annual Report.

4 Information technologies

In relation to the fulfilment of obligations under Act No. 181/2014 Coll., on cyber security and on amendment of related Acts, the Technical Concept was prepared, and subsequently also Feasibility Study for the project of “Detection and evaluation of cyber security incidents in the information systems of CTU”. The application for a grant was filed within the Integrated Regional Operational Programme in the continuous call No. 10. The purpose of the project is to improve cyber security of important information systems of CTU by means of Implementation of tools for recording the activities of important information systems, their users and administrators, and tools for detection and evaluation of cyber security incidents.

In the area of data collection and market monitoring, adjustments to the Electronic data collection information system have been finished, with respect to geographic data collection and link to the GINIS registry system.

Distribution of qualified vehicles for creating electronic signatures for users in CTU started on 1 July 2017, and qualified certificates are now newly issued only as qualified certificates for creating qualified electronic signatures in accordance with the eIDAS regulation. Until the expiry of the exemption stipulated by Act No. 297/2016 Coll., on trust services for electronic transactions, which makes it possible to use within the Czech Republic also electronic signatures which are not stored on a qualified vehicle (token), all users will therefore be able to create qualified electronic signatures as required by the eIDAS regulation and Act No. 297/2016 Coll.

In accordance with the requirement of Act No. 365/2000 Coll., on public administration information systems and on amendment of some other Acts, as amended by the related regulations, the Information Strategy (version 1.1.) was updated and approved by the chairman of the CTU Council on 19 December 2017.

A project entitled “Preparation of the relevant part of the model of the business layer and application layer of Enterprise Architecture (EA) of CTU model” commenced at the end of 2017. The main reason for preparation of the model is preparation for the requirements of GDPR, preparation for the fulfilment of the

notified requirement of the Ministry of the Interior for registration of objects (items) which are contained in the different information systems in the Register of Rights and Obligations (RPP) and optimization of CTU IS.

4.1 Open data

Activities in the area of open data have been carried out by CTU since 2013. Subsequently, in cooperation with the University of Economics in Prague and Charles University it opened the first data in its open data catalogue.

With the launch of the new open data catalogue in 2016 at data.ctu.cz, the Office offers a modern portal with data structured in individual categories, and individual data sets can be directly viewed there. There is also an overview of web-based applications and databases linked to the open data. The open data catalogue of CTU publishes data at least in the CSV format (three starts of openness - [available online at: <http://5stardata.info/en/>]), and through API it is connected to the National Open Data Catalogue which provides connection to European data portal [available online at: <https://www.europeandataportal.eu/data/cs/organization/czech-national-open-data-portal>]. This constitutes fulfilment of the requirements of Act No. 106/1999 Coll. on free access to information.

More than seventy data sets were updated in 2017. Of this quantity, 18 data sets are updated automatically every day. The most visited data set in 2017 was the data set called Inspections and Fines [available online at: <http://data.ctu.cz/dataset/kontroly-pokuty>]. CTU also develops a successful application over the open data, Spektrum [available online at: <http://spektrum.ctu.cz>], which visualizes the information on radio spectrum usage. Together with other public administration bodies it publishes data from invoices in an application called [Supervizor](#).

In cooperation with the Supreme Audit Office, CTU organized in the autumn the First Hackathon of Public Administration directly focusing on open data of public administration bodies. This project was joint also by the Czech Statistical Office, Czech Social Security Administration, Ministry of the Interior, Ministry of Finance, University of Economics in Prague, and Otakar Motejl Fund. The results of the project as well as other information can be found at hackujstat.cz. Another activity in the area of open data in which CTU participated was the second annual Central European V4 Hackathon co-organized with AT&T, an international telecommunication company. CTU also participated in other projects and activities in the area of open data, such as the Open Data Expo or annual conference Open Data in public administration.

In 2017 CTU participated also in international activities supporting open data. One of the activities is its active participation in the international project of MoQoS (Open crowdsourcing data related to the quality of service of high-speed Internet) [available online at: <http://moqos.eu>]. The MoQoS project started in January 2017 and its scope is in particular creation of the European standard for the measurement of quality of the services of high-speed Internet, creation of a mobile application [available online at: <https://play.google.com/store/apps/details?id=com.specure.nettest>], and collection of data on the ICT infrastructure and availability of high-speed Internet. The project received The Best 2017 award in the Egovernment contest.

The Working group for open data within the Working committee for architecture and strategy, which is one of the bodies of the Government Council for information society started its activities in 2017. The working group coordinates, promotes and supports public administration bodies in the implementation and expansion of open data. Its members are open data coordinators of the ministries and selected institutions, including the Czech Telecommunication Office.

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 2017. The auditors proposed 26 recommendations for rectification of the defect found in the reports and subsequently in the approval clauses from the audits, of which all recommendations were accepted by the audited parties and approved by the chairman of the CTU Council.

Within the audits performed, emphasis was put particularly on the area of compliance with legal and internal regulations, reflection of the laws and regulations in the internal standards of the Office, and ensuring protection of public funds against risks.

In 2017 the auditors focused on consulting activities and the related services the nature and scope of which have been agreed upon with the relevant department and have led to improvement of the management of the control and inspection processes.

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 2016 were also compiled. In 2017 the auditors prepared and submitted to the chairman of the CTU Council for information the report on the internal evaluation of the quality of internal audit at CTU.

In December 2017, the “Plan of activities of the separate internal audit department for the year 2018”, which includes five audits and one follow-up audit whose goal is to monitor the degree of fulfilment of the recommendations from the previous audits, was prepared and approved by the chairman of the CTU Council.

The internal auditors acted impartially and without bias when carrying out the audit and avoided any conflict of interests. There was no evident or actual violation of the independence or objectiveness of CTU internal auditors during work in 2017.

In 2017, just like in the previous years, emphasis was put on improvement of the performance of internal audit, among others by means of continuous training of the internal auditors, provision of feedback by the audited departments, and greater awareness about the activities of internal audit.



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 2017, 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, 2017.

Certain partial services and obligations of the universal service were mandatorily provided in 2017 based on the decisions of CTU. In the area of partial services which are provided in sufficient quality and scope on commercial basis, CTU did not impose the obligation by its decision.

The most important information on the universal service in 2017 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 (hereinafter referred to as „VTA“) (Section 38(2)(e) of the Electronic Communications Act was imposed on O2 Czech Republic a.s. (hereinafter referred to as „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.

After the review and based on the public consultation of the plan to impose in the following period the payphone service, CTU announced on 20 April 2017 a tender for the provider of this sub-service. The only

application for this tender was filed by O2. This company was subsequently imposed, by a decision of the Council, ref. No.. CTU-41 366/2017-610/VI. vyř., which entered into effect on 10 December 2017, the obligation to provide payphone services in the period from 1 January 2018 to 31 December 2020. The decision includes an annex containing the list of public payphones included in the universal service in 2018. CTU set the conditions of the decision such that it continues gradually reducing the number of public payphones operated within the universal 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 devices (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 No. CTU-754/2014-610/[XI.vyř](#) in the period from 3 July 2014 to 3 July 2017. After the end of this period the obligation was imposed, based on a tender in 2017, upon O2 by a decision of CTU which entered into effect on 8 June 2017, namely until 4 July 2020.

1. 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 the publicly available telephone service at a fixed location (Section 38(2)(b) of the Electronic Communications Act),
- periodical publication of subscriber directories and access of end users to these directories (Section 38(2)(c) of the Electronic Communications Act),
- information service on telephone numbers of the subscribers of the publicly available telephone service, available for end users (Section 38(2)(d) of the Electronic Communications Act),
- supplemental services to services specified in paragraphs a) and b) of the Electronic Communications Act (Section 38(2)(g) of the Electronic Communications Act), namely:

gradual repayment of the price for the set-up of the connection to the 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.

The services in question are subject to regular monitoring, on the evaluation of which CTU issues a report every year. CTU found in April 2017, based on monitoring for the year 2016, that there are no reasons to impose the obligations specified above in this area.

The monitoring of partial services for the year 2017 will be evaluated in 2018 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 to 2016.

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.

Based on the judgments of the Municipal Court in Prague upheld by the Supreme Administrative Court in Prague, CTU was reconsidering in 2016 and 2017 the administrative proceedings in the case of verification of demonstrable loss for the years 2004–2006. During the new hearing, in accordance with the EU Directive on universal service which, according to the courts, has direct effects in this case, CTU quantified the intangible benefits of the provider of the universal service and evaluated whether the verified loss constitutes unfair burden for the provider. Intangible 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. Based on the new decisions in the case of demonstrable loss which serve as a basis for determination of the payments to the universal service account, CTU announced to the parties to the administrative proceedings concerning the determination of the amount of the payment to the universal service account for the years 2004 to 2006 that these administrative proceedings would continue.

Loss for the year 2004

In 2013, the Municipal 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 Court of Justice of the European Union (CJEU) related to the legitimacy of including reasonable profit into the calculation and the applicative priority of the Universal Service Directive. The Court of Justice of the European Union 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. Two parties filed administrative appeals which, however, were dismissed by the second-instance decision. Again, a legal action is filed concerning this matter to the Municipal Court in Prague.

CONTRIBUTIONS FOR THE YEAR 2004

According to the judgment of the Municipal Court in Prague, ref. No. 9A 132/2012-146, dated 29 June 2016, the appellate body cancelled the decision on determination of the amount of the payment to the universal service account for the year 2004. The reason was the fact that the underlying decision concerning the verification of the amount of demonstrable loss from the provision of the universal service for the year 2004 was cancelled, which was pointed out by the judgment of the Municipal Court in Prague. CTU therefore continued with the administrative proceedings concerning the determination of the amount of the payment to the universal service account for the year 2004. These proceedings were pending in 2017.

LOSS FOR THE YEAR 2005

In 2016 the Municipal 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. On 31 January 2017 it issued a decision by which it verified the demonstrable loss in the amount of CZK 286,966,147, it did not identify market intangible benefits related to the loss-making services, and decided that the verified loss constitutes unfair burden for O2. Two parties filed administrative appeals which, however, were dismissed by the second-instance decision. Again, a legal action is filed concerning this matter to the Municipal Court in Prague.

CONTRIBUTIONS FOR THE YEAR 2005

According to the judgment of the Municipal Court in Prague, ref. No. 9A 134/2012-99, dated 29 September 2016, the appellate body cancelled the decision on the determination of the amount of the payment to the universal service account for the year 2005. The reason was the fact that the underlying decision concerning the verification of the amount of demonstrable loss from the provision of the universal service for the year 2005 was cancelled, which was pointed out by the judgment of the Municipal Court in Prague. CTU therefore continued with the administrative proceedings concerning the determination of the amount of the payment to the universal service account for the year 2005. These proceedings were pending in 2017.

LOSS FOR THE YEAR 2006

In 2015 the Municipal 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. Two parties filed administrative appeals which, however, were dismissed by the second-instance decision. Again, a legal action is filed concerning this matter to the Municipal Court in Prague.

CONTRIBUTIONS FOR THE YEAR 2006

A decision of the Municipal Court in Prague, ref. No. 8 A 136/2012-63-65, dated 29 April 2016, cancelled the decision of CTU concerning the determination of the amount of the payment to the universal

service account for the year 2006. The Municipal Court in Prague justified its decision by the fact that the judgment of the Municipal Court in Prague cancelled the decision on the verification of the amount of demonstrable loss from the provision of the universal service for the year 2006 which serves as a basis for the determination of the amount of the financial contribution to the universal service account for the year 2006. CTU therefore continued with the administrative proceedings concerning the determination of the amount of the payment to the universal service account for the year 2006, and after the new decision on the amount of demonstrable loss from the provision of the universal service for the year 2006 has come into effect, on 19 September 2017 it issued a new decision on the determination of the amount of the payment to the universal service account for the year 2006. This decision has not come into effect in 2017 because T-Mobile Czech Republic a.s. filed an administrative appeal against this decision.

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 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 Municipal Court in Prague returned a decision on an appeal in this case for further proceedings on 3 December 2015. CTU continued with the administrative proceedings, added evidence regarding the intangible benefits, in particular regarding the issue of non-inclusion of the name of the provider of the universal service on telephone booths in the municipalities with population up to 5 thousand, and on 24 March 2017 it issued a new decision in which it added arguments regarding the method of allocation of the overhead costs and intangible benefits and, when assessing the unbearable burden, it took into account all criteria according to the ruling history of the court of justice of the EU. Subsequently two parties to the proceedings filed administrative appeals against this decision. The new first-instance decision, however, was cancelled and the proceedings discontinued because based on the concurrently heard cassation complaint the Supreme Administrative Court cancelled the judgment of the Municipal Court in Prague dated 3 December 2015.

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 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 Municipal Court in Prague overturned the decision on the net costs and returned the case for further proceedings. CTU continued with the administrative proceedings and on 27 March 2017 it issued a new decision in which it added arguments regarding the method of allocation of the overhead costs and intangible benefits, in particular regarding the issue of non-inclusion of the name of the provider of the universal service on telephone booths in the municipalities with population up to 5 thousand, and, when assessing the unbearable burden, it took into account all criteria according to the ruling history of the court of justice of the EU. Two parties to the proceedings filed administrative appeals the decision on which has not been made.

NET COSTS FOR THE YEAR 2009

CTU determined net costs for the year 2009 by a 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 2017 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 Municipal Court in Prague overturned the decision on the net costs and returned the case for further proceedings. CTU continued with the administrative proceedings, added more evidence regarding the intangible benefits and unbearable burden, and asked the parties to the proceedings to make a statement before issuing a decision. But on 16 November 2016 the Supreme Administrative Court cancelled the judgment of the Municipal Court in Prague dated 3 December 2015. The administrative proceedings concerning the net costs for the year 2009 were therefore suspended. On 27 June 2017 the Municipal Court in Prague referred the case back to CTU for further proceeding; in 2017 CTU newly discussed the net costs for the year 2009.

NET COSTS FOR THE YEAR 2010–2016

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 2010–2016.

NET COSTS FOR THE YEAR 2016

On 31 July 2017 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 2016. CTU reviewed the data submitted, in particular by comparison with the results of the separate records of costs and revenues, including the verification of the allocation keys, assessment of the timelines of the costs, and verification of the procedure of calculating the invested capital. The provision of the service of public payphones was verified in 2016. Regarding the sale of specially equipped telecommunication terminals, CTU checked the legal entitlement of the buyers to the provision of the service. After the rectification of the deficiencies found it re-verified the presented calculations. The net costs of the service of public payphones were quantified as CZK 35,759,424.13 and the net costs of the sale of special telecommunication terminals were included in the amount of the limit for this service of CZK 62,888. Intangible benefits were not identified. Total net costs in the amount of CZK 35,822,312.13 were assessed as unbearable burden. The reimbursement of the net costs which were verified in a final and conclusive decision of CTU of 24 October 2017 was fully made from the state budget on 9 November 2017 to O2 which ensured the provision of the universal service in 2016.

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 2017 when the loss from the provision of special prices for the year 2016 was covered.

On 31 July 2017 O2 submitted a request for reimbursement of the loss from the provision of special prices in 2016, CTU reviewed the data submitted and, after rectification of the errors found, verified again the calculations submitted. On 25 October 2017 CTU issued a decision on determination of the loss from the provision of special prices within the universal service in the amount of CZK 79,295,355.36. The verified loss was reimbursed to O2 after the decision has come into effect on 9 November 2017.

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 year 2017

The Czech Telecommunication Office publishes this Annual Report on the Provision of Information in the Year 2017 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 on amendment to 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 particular in the spheres of electronic communications and postal services. Within its scope of powers and responsibilities laid down by the law, i.e. as the body of state administration, it supervises adherence to legal regulations in the spheres of electronic communications and postal services and also compliance with the obligations in the above-mentioned areas aimed at consumer protection, as stipulated by Act No. 634/1992 Coll., the Consumer Protection Act, as amended, as well as compliance with the obligations laid down by Act No. 194/2017 Coll., on measures to reduce the costs of implementation of high-speed networks of electronic communications and on amendment of some related Acts.

Basic information on the organisation structure and activity of CTU is available to the general public on the CTU website at 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.:

a) **Number of requests for information submitted**

62 written requests for information were submitted to CTU and put on record in 2017.

The requests for information primarily concerned CTU activities in the area of electronic communications, specifically the areas of awarding rights to use radio frequencies (7 requests), undertaking business in the area of electronic communications, and the market situation (5 requests), in the area of postal services (17 requests), whereas all 17 inquiries came from a single individual, general administrative activities of CTU or decisions issued by it (11 requests), administrative court proceedings to which CTU is a party, or compensation for damage pursuant to Act No. 82/1998 Coll., on liability for damage caused in the performance of public authority by a decision or incorrect official acts and on amendment of Czech National Council Act No. 358/1992 Coll., on notaries and their activities (Notarial Rules), as amended (3 requests). Also provided was information on economic management of CTU (1 request), regarding personnel issues (7 requests) and questions about legislation of the Czech Republic or the EU (4 requests).

Other requests for information were related to the interpretation of legal norms (2 requests), interpretation of the measures of general nature including technical information (3 requests), provision of publicly available telephone services and use of telephone numbers (2 requests).

b) **Number of decisions on the rejection of a request**

17 decisions on the rejection of a request were issued in 2017, 9 of which concerning only rejection of a part of the request where information was provided in part.

c) **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 2017 CTU partially put aside 1 request for information, namely because the requesting person did not pay the required amount of costs within the statutory time limit. The remaining parts of the request were processed by a partial provision of the requested information.

d) **Number of administrative appeals filed against a decision**

2 administrative appeals were filed in 2017 against a decision to reject a request.

No administrative appeal was filed in 2017 against a decision to suspend a request for information.

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

In 2017 the court did not settle **any** case of rejection of a request for information by CTU.

f) **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 2017 CTU handled 1 complaint pursuant to Section 16a of Act No. 106/1999 Coll. about the actions of CTU as the obliged entity when handling a request for information in relation to public aid in the area of postal services. In the complaint the complainant disputed previously provided information.

The superior body assessed the complaint as unjustified and upheld the actions of the obliged entity pursuant to Section 16a(6)(a) of the Free Access to Information Act.

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

In 2017 CTU did not provide **any** exclusive licence.

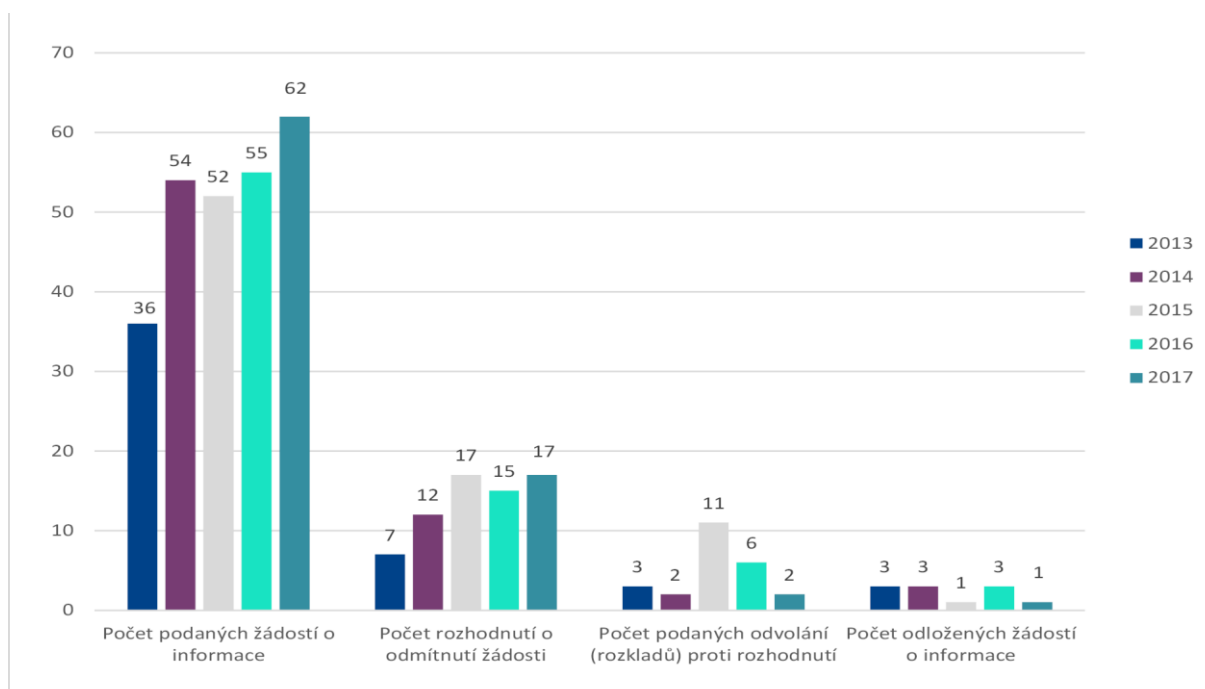
h) **Other information relating to the application of Act No. 106/1999 Coll.**

In 2017 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 188**.

The written requests for the provision of information included in the records for 2017 were handled in accordance with the law and the internal regulations at CTU. CTU did not put requests for the provision of information made by telephone on record and operatively handled them in the same way with regard to the quantity and character of such requests.

The information provided is published on the CTU website in accordance with Act No. 106/1999 Coll.

An overview of the written requests for the provision of information dealt with in 2017 in comparison with previous years, beginning 2013, is shown in the following chart:



Prague, 13 February 2018

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

Note: This Annual Report was published on 20 February 2018 in a manner allowing remote access, i.e., on the website of CTU (www.ctu.cz).

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 2017 consisted in particular of Act No. 127/2005 Coll., on electronic communications and on amendment to certain related acts (Electronic Communications Act), as amended, and Act No. 29/2000 Coll., on postal services and on amendment to certain related 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.

Settlement of disputes in the area of electronic communications has been provided by the Office since 1 July 2000 when the Telecommunications Act came into effect. In the area of postal services the Office has been dealing with this type of disputes since 1 January 2013 when the amendment of the Postal Services Act came into effect.

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 legally introduced the institute of out-of-court settlement of consumer disputes, and Articles VI. and VII. amended Section 129 of the Electronic Communications Act and Section 6a of the Postal Services Act. This amendment of the Consumer Protection Act stipulated, 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 2017 the Office received 418 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 2017, proceedings were suspended in 27 % of the total number 418 requests received for out-of-court settlement of consumer disputes.

- 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 110 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;**

Main causes of disputes between consumers and providers include failure to comply with the legal obligations related to unilateral changes to contracts consisting of e.g., increase of the price for the agreed-upon services, changes of parameters of the agreed-upon service of electronic communications. Another reason is inadequate awareness of consumers about the rights and obligations under the contract, incorrect interpretation of these provisions by consumers.

In the area of postal services, a serious and recurrent subject of dispute is damage to the contents of postal items and compensation for the damage contents and, as the case may be, failure to make an attempt to deliver and failure to comply with the guaranteed time of delivery of Personal delivery of Parcels (Balík do ruky).

- 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 2017 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, we consider settlement of consumer disputes to be sufficiently effective. The Electronic Communications Act i Postal Services Act, as the substantive law regulations for the settlement of consumer disputes, have been subject to major amendment.

4 Information on handling complaints about the activities of CTU for the year 2017

In 2017 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.

In one case the complainant raised objections with respect to the possible bias within an inspection, but the specialized department of CTU finally assessed the submission not as an objection of bias pursuant to Section 10(1)(b) of Act No. 255/2012 Coll., on inspection (Code of Inspection Procedure), but rather as a complaint pursuant to Section 175 of the Code of Administrative Procedure and found it unjustified.

The other complaints included reservations to the allegedly incorrect or negligent actions of officials or their bias when conducting administrative proceedings, alleging that it constituted breach of Act No. 500/2004 Coll., Code of Administrative Procedure, as amended, of Act No. 127/2005 Coll., on electronic communications and on amendment to certain related acts (Electronic Communications Act), as amended, Act No. 29/2000 Coll., on postal services and on amendment to certain related Acts (Postal Services Act), as amended, or Act No. 634/1992 Coll., on consumer protection, as amended. An overview of the complaints raised for the year 2017 is provided in Annex No. 12 hereto.

An investigation in individual cases thus revealed that 10 complaints are unjustified and one complaint is only partially justified. It was a complaint about incorrect conduct of the administrative body consisting of the fact that the issued procedural decision of CTU did not sufficiently indicate which substantial requisites are missing in the complainant's submission according to the administrative body. The complainant did not consider the advice about remedy, i.e., correction of the defect of the submission identified, to be accurate, unambiguously and comprehensibly worded. CTU admitted the not entirely correct conduct in this matter and apologize to the complainant in writing. At the same time, CTU adopted measures in order to prevent other similar incidents. The measures specifically included provision of information to the officials on the correct manner of conducting such official acts with emphasis on unambiguous phrasing of the advice which is understandable for the party to the proceedings.

The complaints processed as unjustified concerned the possible incorrect actions of the administrative body, namely poor-quality and lengthy administrative proceedings when processing requests for commencement of proceedings concerning an administrative misdemeanour in the area of electronic communications, postal services, or consumer protection, 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.

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 2017.

In 2017 CTU did not receive any petition.

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 2017 CTU received a report about suspected corruption behaviour of an employee of CTU consisting of an alleged failure to meet the obligations of an official following from his/her powers within administrative proceedings before the first-instance administrative body. The submission was assessed as unjustified. CTU explained to the complainant that in the position of a central administrative authority it cannot interfere unlimitedly in all cases where the parties to the proceedings may (rightly or ostensibly) feel wrongdoing or injustice. CTU, as a central administrative authority, may only act in cases, within the limits and in ways specified by the Electronic Communications Act. Some pieces of information contained in the complainant's submission were evaluated as partial formal defects in the operation of CTU. These defects have been rectified and the conclusions of the evaluation of the causes thereof have been generalized and used in further application practice, which has helped to improve the work of CTU.

As far as messages received at the anti-corruption e-mail address (korupce@ctu.cz) 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, where 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.

The anti-corruption e-mail address also serves for submitting reports pursuant to Government Order No. 145/2015 Coll., on measures related to the reporting of suspected unlawful acts in a civil service authority which was processed pursuant to this Regulation. For the sake of completeness, it is necessary to state that the address korupce@ctu.cz is used by the public for submitting suggestions in the event of suspected unlawful acts of businesses in electronic communications or postal services, i.e., for submissions of different nature than what it is supposed to serve. Such submissions are nevertheless referred to the relevant department of CTU for processing within the relevant legal framework.

Appendices to the 2017 Annual Report

1. Overview of subscriber disputes regarding electronic communication services for the year 2017

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	65 555	43 907	52 073	12 256	35 192	4 625	57 389
a) on objections to the settlement of claims to concern services provided	36	13	17	4	1	12	32
b) on objections to the settlement of claims to concern the billing of prices for services	547	221	188	71	23	94	580
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)	64 521	43 649	51 825	12 172	35 165	4 488	56 345

d) other	451	24	43	9	3	31	432
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1a. Subscribers disputes - number of decisions issued in 2017

the payment of the price for services (monetary performance)		52 073
	objections to the settlement of claims to concern services provided	17
	objections to the settlement of claims to concern the billing of prices for services	188
	other	43

2. Complains made by subscribers/ users of electronic communication services in 2017

Subject-matter of complaint	I.Q	II.Q	III.Q	IV. Q	TOTAL
1. Electronic communication services	424	370	352	322	1 468
2. Radio communication services	1	2	2	20	25
3. Telephone number portability in a mobile network	11	16	15	19	61
4. Telephone number portability in a fixed network	3	3	3	1	10
5. Failure to set up or transfer a telephone station	0	0	0	0	0
6. Customer support service provided by electronic communication service provider	3	2	3	0	8
7. Method of customer acquisition by providers and dealers	1	1	0	0	2
8. TV signal reception	0	1	2	0	3

9. Deceptive advertisement	1	5	1	1	8
10. Consumer protection	17	21	14	11	63
11. Universal service	3	0	1	0	4
12. Other	170	175	151	145	641
TOTAL	634	596	544	519	2 293

2a. Complaints made by customers against postal services in 2017

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	7
	delivery of postal packages of up to 10 kg	1
	delivery of an amount of money by way of postal order	7
	delivery of registered consignments	42
	delivery of valuable consignments	9
	free delivery of postal consignments of up to 7 kg for the blind	0
	basic foreign postal services	19

	delivery of postal packages of over 10 kg posted from abroad	1
	coupon-response international service	0
	response consignments in international payment	1
	delivery of printed matter bag service	0
TOTAL		87
2.	Complaints against postal services	
	long waiting times	3
	post office opening hours	3
	change of post office at which a consignment is stored for collection	6
	delivery of postal consignments	176
	dealing with complaints and returns.	140
	breach of postal secrecy	4
	postal consignments to/from abroad	20
	delivery of official instruments	3

	requests for information	11
TOTAL		366

3. Issued decisions on individual authorisations to use radio frequencies in 2017

Type of authorisation				Number of decision	
				to award ^{a)}	to revoke
				authorisation	
1.	Fixed line service				
			total	5615	4618
	of which	point-point		5550	4564
		point-multipoint		65	54
2.	Amateur service				
			total	894	1
	of which	individuals		841	1
		club stations		31	0
		repeaters and packet nodes		22	0

3.	Satellite service				
			total	7	5
	of which	VSAT		3	1
		SNG		4	4
4.	Aeronautical service				
			total	1465	327
	of which	aircraft stations		1299	208
		aeronautical stations		166	119
5.	Maritime service				
			total	136	32
	of which	ship stations		125	32
		shore stations		0	0
6.	Broadcasting service				
			total	481	0
	of which	television transmitters		164	0
		radio transmitters		317	0
7.	Land mobile service				

			total	601	153
8.	Other radiocommunication services				
			total	54	7
	of which	radio location service		54	7
9.	Short-term authorisation				
			total	266	0
	of which	fixed line service		77	0
		amateur service		7	0
		land mobile service		145	0
		aeronautical mobile service		5	0
		satellite service		27	0
		broadcasting service		5	0

4. Verification of professional competence to operate radio equipment in 2017

		Number of certificates			
	Type of professional competence certificate	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	406	412	176	6

	Operator's Certificate of Maritime Mobile Service (OF, OFN)				
2	Restricted Radiotelephone Operator's Certificate of Aeronautical Mobile Service (OFC, OFM, OFL)	695	771	232	16
3	General Radiotelephone Operator's Certificate of Maritime Mobile Service (VF, VFN)	59	134	71	2
4	General Radiotelephone Operator's Certificate of Aeronautical Mobile Service (VF, VFL)	256	376	142	195
5	Restricted Operator's Certificate of Maritime Mobile Service (SRC)	4	12	2	7
6	General Operator's Certificate of Maritime Mobile Service (LRC)	0	2	1	0
7	General Operator's Certificate of Maritime Mobile Service (GOC, GO)	4	14	2	0
8	Restricted Operator's Certificate of Maritime Mobile Service (ROC)	0	0	0	0
9	Radiotelegraph Operator's Certificate	0	0	0	0
10	Harmonised Amateur Radio Examination Certificate (HAREC)	59	0	0	0
11	Amateur Radio Operator's Certificate (NOVICE)	9	0	0	0
TOTAL		1492	1721	626	226

5. Identifying sources of interference to the operation of electronic communication equipment and networks or to the provision of radiocommunication services - 2017

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	15	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	13	0	0	1	1	0	0	0	1	7000	0
	b) adherence to the terms and conditions of qualitative requirements according to Decree No. 464/2012	0	2	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	66	338	321	45	197	79	0	0	83

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	0	0	0	0	0	0	0	0
8	Other	43	0	0	3	33	23	0	0	0	20	90500	13
TOTAL		67	15	0	69	372	345	45	197	79	21	97500	96

7. Overview of activities in the exercise of control of electronic communications in 2017

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	37	0	0	0	6	6	0	6	20 200	0
2.	Adherence to the terms and conditions of general authorisations	424	0	222	9	229	229	0	226	5 765 500	9

	a) in relation to providing public communication networks and associated facilities	0	2	1	0	0	0	0	0	0	0
	b) in relation to providing electronic communication services	0	10	0	1	1	1	0	1	5 000	1
	c) in relation to the use of radio frequencies and the operation of devices (radio equipment)	0	412	221	8	228	228	0	225	5 760 500	8
3.	Inspection of radio frequencies	173	0	8	0	80	80	0	76	1 321 500	0
	a) the use of radio frequencies without authorisation to do so	0	142	0	0	77	77	0	73	1 297 500	0
	b) adherence to the conditions of an individual authorisation for the use of radio frequencies	0	31	8	0	3	3	0	3	24 000	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	3224	0	0	1	17	18	0	16	109 000	0

	a) radio and television reception (radio service)	0	2230	0	1	3	4	0	2	2 000	0
	b) radio equipment and networks	0	485	0	0	14	14	0	14	107 000	0
	c) public communication networks for the transmission of R and TV signals (TKR)	0	19	0	0	0	0	0	0	0	0
	d) other	0	490	0	0	0	0	0	0	0	0
5.	Inspection of numbers for the purposes of number administration (number of inspection calls)	0	0	0	0	2	1	0	1	10 000	1
	a) the use of numbers without authorisation to do so	0	0	0	0	2	1	0	1	10 000	1
	b) the use of numbers in conflict with authorisation for their use	0	0	0	0	0	0	0	0	0	0
7.	Monitoring the radio spectrum for the purposes of administering the radio spectrum	1951	0	0	0	0	0	0	0	0	0
	a) measuring the time use of frequencies and frequency bands	0	321	0	0	0	0	0	0	0	0

	b) measuring territorial coverage with radio signal	0	9	0	0	0	0	0	0	0	0
	c) measuring the intensity of the electromagnetic field	0	14	0	0	0	0	0	0	0	0
	d) other	0	1607	0	0	0	0	0	0	0	0
8.	Failure to provide information according to Section 115 of the Act on Electronic Communications	114	0	0	18	21	19	0	18	162 000	20
9.	Other	180	0	72	34	32	36	0	33	7 222 500	30
		6103		302	62	381	383	0	370	14 590 500	60