



Czech Telecommunication Office

# THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2009





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# The Annual Report of the Czech Telecommunication Office for 2009

Including:

- The Annual Report on the Universal Service
- The Report on the Management of the Radiocommunication Account Funds
- The Annual Report on the Provision of Information pursuant to Act No. 106/1999 Coll.
- The Information on handling of Complaints against the CTO's activities



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# INTRODUCTION BY THE CHAIRMAN OF THE CTO COUNCIL / EXECUTIVE SUMMARY



This Annual Report on the activities of the Czech Telecommunication Office (hereinafter only the "CTO") for 2009 (hereinafter only the "Report") presents the activities undertaken in that year corresponding to the competencies and the obligations of the CTO. The Annual Report has been elaborated in the extent corresponding to the tasks of our Office and is in accordance with the requirements of the Electronic Communications Act.

In 2009 we have fully focused on the continuation of the second round of the relevant market analyses in accordance with current recommendations and on the monitoring and evaluation of the impacts of regulatory measures imposed on the basis of the first round of relevant market analyses. During the evaluated year we continuously monitored the whole electronic communications and postal services markets.

We paid great attention to problems of the Universal Service where we further optimised the extent of its obligatory provision. On the basis of discussions with public administration bodies regarding the results of the examination of the reasons for regulating the obligation to provide one of partial services within the framework of the Universal Service – the public pay telephone service, we recently adjusted the number of obligatory operated public pay telephones.

Particularly during the Czech Presidency we traditionally closely cooperated with the Ministry of Industry and Trade both on the preparation of materials for the active participation in negotiations concerning the review of the regulatory framework for the area of electronic communications and the preparation of "technical amendment" of the Electronic Communications Act.

During 2009 we actively participated in activities within the framework of working teams, in particular within the ITU, ERG and CEPT and in other international events with the aim of harmonising the regulatory measures in the EU and ensuring the tasks of international cooperation. In May 2009 our Office organised in Prague the meeting of the European Regulators Group (IRG/ERG).

During the whole year 2009 we were involved in the systematic monitoring of results concerning the process of the transition to terrestrial digital television broadcasting and in accordance with the Government Decree we, in predetermined deadlines, issued two reports on the course of the transition to terrestrial digital broadcasting. The information about the achieved coverage by the terrestrial analogue and digital signal were published on specialized web sites. Within the framework of the continuous process of the transition to terrestrial digital broadcasting our frequency

experts continued with the international coordination of frequencies as well as the coordination of solutions to technical issues arising from this process. In connection with the discussion on the issue of the digital dividend, where the Czech Telecommunication Office already realised second round of professional discussion in spring 2009, we initiated works on the Strategy of the Radio Spectrum Management.

In 2009, in accordance with the Electronic Communications Act, the Czech Telecommunication Office, promoting the performance of its activities, closely collaborated with other State authorities. Regarding the monitoring and analysis of the electronic communications market, the CTO continued its close cooperation with the Office for the Protection of Competition. Within the framework of the implementation of the process of the transition to terrestrial digital broadcasting we continued in our cooperation with the Council for Radio and Television Broadcasting, the National Coordination Group for Digital Broadcasting and the Association of Regions. As per tradition, the close cooperation with associations active on the electronic communications markets, was also a matter of course of activities of the Czech Telecommunication Office in 2009.

In 2009 the CTO continued its focus on the rationalization of its own activities and identification of

potentials for cost-saving measures. This involved, for example, the continuation of process analyses of the individual areas of the CTO's activities and work on the integration of the information systems on the basis of modular management system (MOSS). The system of automatic monitoring of frequency spectrum (hereinafter only the "ASMKS") was put in operation. Using the transparent and objective procedure we continued to utilize methods of workshops and public consultations for solving of current expert problems and key issues.

A coherent series of monthly monitoring reports, which is undoubtedly an appreciated source of relevant and valid information for the expert and business public, as well as evidence of the transparent behaviour of the CTO, was supplemented with other detailed published reports – for example with the report on the overall development of the telecommunication market. These monthly monitoring reports can therefore complete this Annual Report by further more detailed information and surveys.

I believe that 2009 was another successful year for the CTO and one in which we succeeded in fulfilling, responsibly and effectively, the tasks of the central public administration authority for the electronic communications and postal services sector.



# BASIC INFORMATION ABOUT THE CTO

The Czech Telecommunication Office (hereinafter only the "CTO") was established through **the Act No. 127/2005 Coll.**, on Electronic Communications and on amendments to some related Acts (the Electronic Communications Act), as amended (effective as of May 1, 2005), as the central administrative authority for the performance of public administration in the matters specified by this Act, including the regulation of the market and specification of conditions for conducting business in the sphere of electronic communications and postal services. The CTO has a separate chapter in the state budget and is an accounting unit.

The CTO has a five-member council (hereinafter only the "Council"). One of the Council members is the Chairman of the Council and heads the whole CTO. The term of office of Council members is five years, while one Council member is named every year. In April 2009, PhDr. Pavel Dvořák, CSc., who held this position in the preceding period since 2006, was re-appointed the Chairman of the Council (Government Resolution No. 558). Other Council members were Ing. Jana Fürstová, Mgr. Petr Štěpánek, Ing. Zdeněk Švrček, Bc. Michal Frankl until April 2009, and from May 2009 Ing. Milan Šimonovský, who was appointed the Member of the Council on the basis of Government Resolution No. 558 for the term of office of five years.

The CTO has its headquarters in Prague. It performs its competencies through its units, i.e. sections, departments and independent divisions. The departments for the South Bohemian, West Bohemian, North Bohemian, East Bohemian, South Moravian and North Moravian regions are detached units of the CTO located outside Prague. The average converted number of employees of the CTO in 2009 was 447.

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This Annual Report has been prepared pursuant to Section 110, (1) of Act No. 127/2005 Coll., on Electronic Communications and on amendments to certain related Acts (the Electronic Communications Act), as amended (hereinafter only the "Act").

The first part of the Report focuses on the evaluation of the state and development of the electronic communications and postal services sector. In this part of the Report the evaluation of the decisive segments of the electronic communications and postal services market is provided on the basis of the development of basic indicators. As part of the evaluation of the development of basic services, attention has also been paid to the question of the development of prices from the perspective of end users (consumers).

This part of the Annual Report also includes information about the process of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting. This transition was commenced during 2008 after some delays over the previous years.

For the sake of completeness the part focusing on the evaluation of the electronic communications and postal services market also includes general information on the main findings from the results of the consumer survey started by the CTO in 2008 and continued throughout 2009.

In the following parts of the Annual Report you can find a detailed examination of other activities and the results achieved in the individual expert areas the CTO is charged with, including a commentary on the international activities of the CTO and its activities within the framework of cooperation with other public administration bodies. The conclusion of the Report provides comprehensive information about the financial results of the CTO and its compliance with stipulated budget indicators for 2009, information about the personnel ensuring the CTO activities and about the provision of other support activities essential in terms of the proper fulfilment of the CTO's mission.

Pursuant to the requirements of Section 110 and other applicable provisions of the Act, the Report also includes the Annual Report on the Universal Service (pursuant to Section 50 of the Act) and the Report on the Management of the Radiocommunication Account Funds (pursuant to Section 27, (4) of the Act). The Report also includes the Annual Report on the Provision of Information pursuant to Act No. 106/1999 Coll., on Free access to information, as amended, and also summary information about the approach of the CTO regarding handling complaints pursuant to Section 175 of Act No. 500/2004 Coll., the Administrative Procedure Code, as amended.



# Chapter I.

## THE STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS IN 2009

### 1. Legal Framework

In 2009 the legal framework for the market of networks and electronic communications services and the postal services market was composed in particular of the basic legal standards adopted in previous years, in particular Act No. 127/2005 Coll., on Electronic Communications and on amendments to certain related Acts (the Electronic Communications Act), as amended, and Act No. 29/2000 Coll., on postal services and on amendments to certain related Acts (the Postal Services Act), as amended, including their implementing regulations. Act No. 500/2004 Coll., the Administrative Procedure Code, as amended, was of fundamental importance for the procedural perspective of the activities of the CTO in 2009.

The following legal Directives with an impact on electronic communications or postal services and also the activities of the CTO were issued in 2009.

#### 1.1 Amendments to the Electronic Communications Act

**Act No. 227/2009 Coll., which amends some acts in connection with the passage of the Act on Basic registers**

- effective from July 1, 2010
- this Act follows the legal arrangement passed through the Act No. 111/2009 Coll., on Basic registers and amends some acts affected by the passage of this Act including the Electronic Communications Act. As its new competence the CTO will perform the powers of agenda place for registration of the above mentioned persons. Section 13 and Section 14 of the Electronic Communications Act has been amended so that CTO can duly perform this agenda, in particular as far as the allocation of

identification number to a person which notifies the CTO of its business in electronic communications is concerned. This Act further amends § 134 of the Electronic Communications Act which it harmonizes with the extent of data included in the Basic register of population which the CTO will be able to utilize in performance of its other administrative activities, particularly as far as the settlement of disputes with subscribers is concerned.

**Act No. 281/2009 Coll., which amends some acts in connection with the passage of the Taxation order**

- effective from January 1, 2011
- this Act follows the legal arrangement passed through the Act No. 280/2009 Coll., the Taxation order, and amends some acts affected by the passage of this Act including the Electronic Communications Act and the Postal Services Act. In both instances there were legislative-technical amendments.

#### 1.2 Amendments to the Postal Services Act

**Act No. 41/2009 Coll., on amendments of some acts in connection with the passage of the Criminal Code**

- effective from January 1, 2010
- this Act, particularly its Section 64, on amendments of the Act on Postal Services and on amendments of some acts (the Postal Services Act) as subsequently amended, however, only the part concerning the amendment of the Criminal Code (Section 17) has been amended. This Section was abrogated within the framework of the Act No. 41/2009 Coll., In this respect it is the change of a legislative nature which does not constitute the change of the valid legal order concerning Postal Services.

**Act No. 281/2009 Coll., which amends some acts in connection with the passage of the Taxation order**

- effective from January 1, 2011
- the comments concerning the impact of this Act can be found in the section dealing with amendments of the Electronic Communications Act. Moreover, in case of the Postal Services Act, materially divided administration has been removed (§ 37, (b) of the Postal Services Act), what practically means the enlargement of current competency of the CTO, namely in the sphere of recovery of fines imposed pursuant to the Postal Services Act. According to the yet valid legal arrangement these fines are imposed by the CTO and recovered by the locally competent customs authority, whereas pursuant to the new legal arrangement, it will be the CTO which will be in charge of both imposition and recovery of these fines (therefore similar arrangement which is now in force in the area of Electronic Communications).

**Act No. 285/2009 Coll., which amends some acts in connection with the passage of the Act on the System of payments**

- effective from November 1, 2009
- this Act continues the legal arrangement endorsed by the Act No. 284/2009 Coll., on the System of payments and amends some acts affected by the endorsement of this Act, including the Postal Services Act, concretely in the part of §18, (2) of this Act. Pursuant to the new legal arrangement the Postal licence, and/or special Postal licence, is the precondition for operation of postal services the purpose of which is delivery of a document or newly also delivery of monetary amount remitted by Postal order.

**1.3 Other Legal Regulations****Act No. 300/2008 Coll., on Electronic acts and on authorized conversion of documents**

- effective from July 1, 2009
- the Act No. 300/2008 Coll., on Electronic acts and on authorized conversion of documents (hereinafter only the “Act on Data boxes”) introduces a new legal arrangement the subject-matter of which is particularly the introduction of data boxes for communication of authorities active within the sphere of public power, provision of unambiguous identification of subjects involved in electronic communication through data boxes and conditions for authorized conversion of documents.

Communication and delivery with the help of data boxes should make communication between a citizen and public authorities and mutual communication between and among public authorities more effective.

In connection with the passage of the Act on Data boxes and its entry into legal force, some hereafter specified legal Directives were promulgated.

**Act No. 7/2009 Coll., which amends Act No. 99/1963 Coll., on the Civil court procedures, as later amended, and some related acts**

- effective from July 1, 2009
- this Act, and/or, its Section (18), regulates the sphere of delivery in the administrative proceedings pursuant to the Act No. 500/2004 Coll., the Administrative Procedure Code, as later amended, in connection with the force of legislation of the Act on Data boxes (the Act No. 300/2008 Coll., on Electronic acts and on authorized conversion of documents). The changes endorsed include, in particular, the choice of methods of delivery, deadline for the deposition of documents pursuant to § 23 of the Administrative Procedure Code or issues concerning “supervisory administrative authority” (§ 178, (2) of the Administrative Procedure Code). In connection with the force of legislation of this Act, the CTO made decisions relating to amendments of the Postal terms of the Česká pošta a.s. during 2009.

**Act No. 111/2009 Coll., on Basic registers**

- effective from July 1, 2010
- this Act, inter alia, defines the contents of basic registers (the Register of population, the Register of territorial identification, the Register of rights and obligations) and information system of territorial identification and stipulates rights and obligations related to their creation, usage and operation. Regarding the fact that the CTO, in accordance with the Electronic Communications Act is the public administration authority securing registration of entrepreneurs involved in electronic communications, it will be particularly responsible for the operation of agenda place for the above mentioned Register of persons (§ 24 of the Act No. 111/2009 Coll.). Simultaneously, the data from the system of basic registers will be considerably utilized for the performance of other administrative activities of the CTO, in particular as far as the resolution of subscribers’ disputes is concerned.

Among other legal Directives passed in 2009, having impact on the activities of the CTO, belong:

**Act No. 196/2009 Coll., which amends the Act No. 231/2001 Coll., on Operation of radio and television broadcasting and on amendments of other acts, as later amended, and the Act No. 484/1991 Coll., on the Czech radio, as later amended**

- effective from July 1, 2009
- in one part of the amendment of the Act No. 231/2001 Coll., this Act in its temporary provisions contains, apart from the arrangement of the sphere of media (the change of the limit of income for full-area radio broadcasting, directive of proprietary relations among operators of broadcasting, plurality of information in local and regional broadcasting, the sphere of creation of programme networks), also the arrangement concerning problems of digita-

lization of terrestrial radio broadcasting and in this connection it introduces the institution of the so-called transformation licence and regulates issuing licence for terrestrial analogue broadcasting so that their validity terminates on October 10, 2025 at the latest.

**Act No. 222/2009 Coll., on Free movement of services**

- effective from December 28, 2009
- Through this Act, the Directive of the European Parliament and Council No. 2006/123/EC of December 12, 2006 on Services in the Internal market, has been implemented. In accordance with this Directive, the legal arrangement endorsed by the Act No. 222/2009 Coll., does not affect the services of electronic communications [§ 2, (1), (h) of the Act No. 222/2009 Coll.]. By the operation of this Act the provision of postal services belongs among “the services of general interest having economic nature” for which possibility of cross-border provision of the service does not apply (§ 5 of the Act No. 222/2009 Coll.).

**Government Decree No. 228/2009 Coll., which amends Government Decree No. 154/2005 Coll., on Specifying the level and method of calculating fees for the use of radio frequencies and numbers, as later amended.**

- effective from August 1, 2009
- this Government Decree, in its part relating to fees for the use of radio frequencies and numbers, regulates the amount of fees for the multimedia wireless systems (MWS) in categories of multipoint, multichannel distribution system (MMDS), multi-channel video distribution system (MVDS), or local multipoint distribution system (LMDS) with the proviso that for these systems the coefficient P1 = 1 applies (the note in item 1 of part C2 Television broadcasting). Also the fees for the use of numbers have been newly regulated, concretely it is a new fee for the use of telephone number having the access code DNe = 61 at the amount of CZK 1 annually (item 2 of the part B.3 of the Government Decree, and the new fee for the use of telephone number having the access code SAC = 905 at the amount of CZK 30,000 annually has been introduced (item 2 of the part C.5 of the Government Decree).

**Decree No. 267/2009 Coll., which amends Decree No. 117/2007, on numbering plans of electronic communications networks and services as amended by the Decree No. 231/2008 Coll.**

- effective from September 1, 2009
- the purpose of this Decree is to specify conditions for the use of telephone numbers having the access code SAC = 11, 13 and 15, specifies in more detail conditions for the use of telephone numbers having the access codes to public mobile telephone networks and also creates reserve of numbering

capacity for public communication networks earmarked for the access to converged services (the access code to the network DNe = 61 as specific purpose reserve). The relevant Decree also includes arrangement necessary for safeguarding of effective use of numbers in the sphere of access codes of electronic communications services corresponding to needs of entrepreneurs safeguarding networks and providing services of electronic communications (SAC = 900 to 908). Last but not the least, the new code of signalling area 6-234 assigned by the International Telecommunication Union, has been added among the codes of signalling areas for the Czech Republic. Thereby the number of signalling points for international operation has been increased.

**Decree No. 268/2009 Coll., on Technical requirements for buildings**

- effective from August 26, 2009
- this Decree replaces former decrees regulating technical requirements for construction works and buildings for agriculture (Decree No. 137/1998 Coll. and Decree No. 191/2002 Coll.) and it regulates, inter alia, conditions for connection of buildings to networks of technical facilities, consequently also networks of electronic communications.

**Act No. 280/2009 Coll., Taxation order**

- effective from January 1, 2011
- this Act replaces currently valid Act No. 337/1992 Coll., on Administration of Taxes and Charges, as later amended, according to which the CTO proceeds particularly in proceedings concerning administrative charges, in recovering charges for the rights of use of radio frequencies and numbers, in recovering penalties and in other cases stipulated by the Act on Electronic Communications, the Act on Postal Services and/or other legal regulation.

**Decree No. 398/2009 Coll., on General Technical requirements safeguarding use of buildings without barriers**

- effective from November 18, 2009
- this Decree abrogates previous Decree No. 369/2001 Coll., on General Technical requirements safeguarding use of buildings by persons with limited capability of movement and orientation. The relevant change affects primarily the area of universal service in electronic communications, concretely performance of the obligation of the CTO to secure partial service of public telephones (safeguarding of accessibility for handicapped end users).

**Act No. 403/2009 Coll., which amends the Act No. 526/1990 Coll., on Prices, as later amended, and the Act No. 265/1991 Coll., on competencies of the authorities of the Czech Republic in the sphere of prices, as later amended**

- effective from November 18, 2009
- this Act extends, inter alia, potential range of price interventions to cases where legal regulations of



European Communities so require. The whole sphere of violation of price regulations including safeguarding of greater enforceability of law (for example, increase of upper limits of sanctions for delicts) is now resolved in a new way. Other changes respond to new arrangement of bodies of the State administration and to the inception of new, branch regulation authorities endowed with competencies for regulation and control of prices and these changes affect also the formal and procedural spheres. In the regulation of postal services the CTO and the Ministry of Finance observe The Act on Prices.

#### 1.4 Regulations of the European Union

**Regulation (EC) No. 544/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No. 717/2007 on Roaming on public mobile telephone networks within the Community and Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services**

- The Regulation was published on June 29, 2009 in the Official journal of the EU (L 167) and comes into the legal force the first day after its promulgation;
- the relevant Regulation was promulgated on the basis of review realised by the European Commission pursuant to the Article 11 of the Regulation No. 717/2007 which found it necessary that the Regulation No. 717/2007 preserves its validity and further that the scope of competence of this Regulation is extended to the provision of roaming SMS and roaming data services within the Community. Taking into account these conclusions, the Regulation No. 544/2009 made arrangements of the rules for wholesale and retail prices introduced by the Regulation No. 717/2007, and simultaneously, set rules for these prices for provision of the above mentioned roaming services (roaming SMS and roaming data services).

**Directive 2009/114/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directive 87/372/EEC on the frequency bands to be reserved for the coordinated introduction of public pan-European cellular digital land-based mobile communications in the Community**

- The Directive was published on October 20, 2009 in the Official journal of the EU (L 274) and comes into the legal force the twentieth day after its promulgation with the proviso that harmonization of domestic Directives of the Czech Republic with this Directive must be executed before May 9, 2010;
- the relevant Directive regulates conditions for use of frequency band 900 MHz (so-called GSM band). This liberalization of use therefore makes possible the use of other technologies besides GSM in the given part of radio spectrum, simultaneously respecting conditions prescribed for the prevention of harmful interference.

#### Review of the European regulatory framework for electronic communications

At the end of 2009 the process of review of European regulatory framework for electronic communications was terminated at the level of European Union. The conclusions were reflected in the Directives of the European Parliament and the Council specified hereunder which, after their implementation into the national legislation, will have a considerable impact on the execution of mainly regulatory activities of the CTO. These are the following directives:

**Directive 2009/136/EC of the European Parliament and of the Council of 25 November 2009 amending Directive 2002/22/EC on Universal service and users' rights relating to electronic communications networks and services, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector and Regulation (EC) No. 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws**

- The Directive was published on December 18, 2009 in the Official journal of the EU (L 337) and comes into the legal force the first day after its promulgation with the proviso that harmonization of domestic regulations of the Czech Republic with this Directive must be executed before May 25, 2011;
- this Directive is a part of the so-called review of the regulatory framework for electronic communications networks and services from 2002. This regulatory framework was reviewed taking into account the development of technologies and market. The Directive 2009/136/EC encompasses changes in the Universal Service Directive, the Directive on privacy and electronic communications and legislative-technical arrangement of the Directive (EC) No. 2006/2004. The Ministry of Industry and Trade will start the process of transposition of the relevant Directive in 2010.

**Directive 2009/140/EC of the European Parliament and of the Council of 25 November 2009 amending Directives 2002/21/EC on a Common regulatory framework for electronic communications networks and services, 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities, and 2002/20/EC on the authorisation of electronic communications networks and services**

- The Directive was published on December 18, 2009 in the Official journal of the EU (L 337) and comes into the legal force the first day after its promulgation with the proviso that harmonization of domestic regulations of the Czech Republic with this Directive must be executed before May 25, 2011;
- this Directive is a part of the review of the regulatory framework for networks and services of electronic communications from 2002 and encompasses changes of Framework Directive, Access Directive and Authorisation Directive. The Ministry of Industry and Trade will start the process of transposition of the relevant Directive in 2010.

**Regulation (EC) No. 1211/2009 of the European Parliament and of the Council of 25 November 2009 establishing the Body of European Regulators for Electronic Communications (BEREC) and the Office**

- The Regulation was published on December 18, 2009 in the Official journal of the EU (L 337) and comes into the legal force the twentieth day after its promulgation;
- this Regulation is also included in the package of European regulations implementing the results of the review of the regulatory framework for networks and services of electronic communications from 2002. In order to secure consistent enforcement of the regulatory framework for electronic communications, in all Member States of the European Union, the Regulation establishes the Body of European Regulators for electronic communications (BEREC) and identifies its bodies and competencies. BEREC should, therefore, operate as an exclusive forum of cooperation between domestic national regulatory authorities, these authorities and the Commission and should also provide expertise and consultancy services in this area.

## 2. Evaluation of the Electronic Communications Market

Last year the consolidation of electronic communications market continued. In the first place a part of the enterprise České Radiokomunikace a.s. was sold to the company T-Mobile Czech Republic a.s. (hereinafter only "T-Mobile"). Mobile operator T-Mobile thus expanded its activities in the area of fixed line services and has become the biggest alternative operator providing services of broadband access with the help of xDSL and simultaneously has become the second convergent operator offering solution within the framework of mobile and fixed line networks [besides the company Telefónica O2 Czech Republic a.s. (hereinafter only "Telefonica O2", also abbreviated "TO2")]. On September 1, 2009 the company BroadNet Czech a.s. was dissolved without the liquidation through its merger with the company Vodafone Czech Republic a.s. (hereinafter only "Vodafone"). Important provider of VoIP services, the company MATTES spol. s r.o. became an integral part of the company RIO Media a.s.

Competition based on the infrastructure was the principal determining element for the development of broadband market. The speed of broadband services continued to rise and simultaneously the rate of increase of the number of broadband accesses has decelerated. At the end of 2009 the company Vodafone started the operation of broadband access on a commercial basis in one part of Prague with the help of the UMTS network.

In 2009 the fall in the number of fixed line subscribers and subscriber lines continued and was accompanied by a further fall in the volume of calls realised on fixed lines. This trend continued despite the expansion of offer of services by means of new technologies, primarily voice services through VoIP and the expansion of offer of services by means

of various forms of privileged "packages", and the trend of replacement of fixed line services by mobile services also continued.

In 2009 more than 70 % of the total volume of voice traffic was originated in mobile networks. Nevertheless, in the same period of time both the number of active SIM cards and the number of voice calls and dispatched SMS continued to rise in a lesser rate. The number of ported numbers in mobile networks continued to rise. Also the expansion of offer of data and voice services continued to increase and included the form of "packages" connecting services of mobile and fixed line networks.

In 2009 the gradual transition from terrestrial analogue broadcasting to terrestrial digital broadcasting success fully continued. The process of switching-off of analogue broadcasting continued and during that year this process finished in two regions (Praha and Plzeň).

### 2.1 Market Analyses and Monitoring

During 2009 the CTO monitored continuously development in all market segments of electronic communications and principal development trends in both mobile and fixed line networks. The CTO paid big attention to the development of prices of electronic communications services. The CTO regularly publishes surveys of valid prices and their comparisons on its web sites.

At the end of August the CTO issued a comprehensive Report on the development of the market of communications services which was elaborated on the basis of data obtained within the framework of Electronic Data Collection System(ESD) by means of gateway <http://monitoringtrhu.ctu.cz> focused both on monitoring of basic trends in the development of the branch as a whole and on evaluation of individual parts of the market.

During 2009 the CTO continued in the second round of analyses of relevant markets. The CTO worked on analysis of all markets included in the Measure of General Nature No. OOP/1/02.2008-2 determining relevant markets in the branch of electronic communications.

At the same time, in the middle of the last year, the CTO finished the process of review of markets which were determined as relevant markets in original the Measure of General Nature No. OOP/1/07/2005-2 and which are not anymore included in the list of relevant markets in the Measure of General Nature No. OOP/1/02.2008-2 elaborated on the basis of Recommendation of the European Commission (hereinafter only "EC").

For the second round of analyses of relevant markets in 2009 the information was completely gathered by means of electronic data collection. Gathering of complete and correct information about services from approximately 3,000 service providers was very demanding as far as time and personal issues are concerned.

In elaboration of analyses of relevant markets the established system of so-called workshops was used where

the professional public has the opportunity to raise its comments and opinions concerning proposals of analyses of relevant markets before the beginning of public consultations. In 2009 the CTO organised 11 of those workshops in total.

Within the framework of the second round of analyses of relevant markets the trend of gradual reduction of regulation was consistently followed.

### 2.1.1 Analyses of relevant markets pursuant to OOP/1/02.2008-2

#### Market No. 1 – The Access to the public telephone network at a fixed location

The relevant market No.1 is defined as the possibility of an end-user to connect terminal facility physically to the public telephone network for the purposes of performance of publicly available telephone service provided at a fixed location. The position of terminal point remains unchanged and is permanently defined by the geographic address and/or has a limited extent surrounding this terminal point. In 2009 public consultation of the draft analysis of relevant market No.1 took place and also consultations with the Office for the Protection of Competition; in the first quarter of 2010, after the analysis is endorsed by the European Commission, the promulgation of General Nature – the analysis of relevant market No.1 is expected. The CTO has stated that the market under evaluation is not effectively competitive market because within this market a company with significant market power is active – the company Telefónica O2. In comparison with previous analysis the extent of proposed obligations remained preserved.

The CTO, within the framework of the analysis, has proposed to impose to the company Telefónica O2 the obligation of separated documentation of costs and revenues pursuant to § 86 of the Act on Electronic Communications so that, in determining prices on the wholesale and retail levels, can be demonstrated that no unjustified cross financing occurs and that documentation necessary for verification of costs and revenues for individual services and availability of selection and preselection (dialling) pursuant to § 86 of the Act on Electronic Communications are available.

#### Market No. 2 – Call origination on the public telephone network provided at a fixed location

After the maximum deadline stipulated by Law expired, i.e. after three years the Measure of General Nature, i.e. the analysis of relevant market No. A/8/03.2006-16 was promulgated, the CTO submitted the relevant market No. 2, former market No. 8 – Origination of call in public telephone network at a fixed location to a new analysis. The relevant market No. 2 encompasses that part of call transmission from termination point of the network to the exchange or other similar facility providing access and connection in public telephone networks. It is the market of electronic communications earmarked for entrepreneurs operating public telephone networks and providing publicly available telephone service. The analysis was promulgated as the Measure of General Nature No. A/2/10.2009-12 in October 2009.

On the basis of the analysis the CTO has stated that the market under evaluation is not effectively competitive

market because within this market a company with significant market power is active – the company Telefónica O2.

Within the analysis the CTO has proposed to impose to the company Telefónica O2 the following obligations:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, particularly the obligation to publish reference offer for access and interconnection and to publish information concerning access and interconnection,
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs, to provide services and information to other entrepreneurs on equal conditions as they are provided for its own services and the obligation to offer corresponding wholesale service or product in the form of access to any service or product which it offers on the retail level,
- c) separated documentation of costs and revenues pursuant to § 86 of the Act on Electronic Communications so that documentation necessary for verification of costs and revenues are available,
- d) access to facilities and capacity sharing pursuant to § 84 of the Act on Electronic Communications, in particular the obligation to interconnect networks or networks facilities, the obligation to comply with reasonable demands of other entrepreneur to use and access to its specific networks elements and the obligation to comply with reasonable demands of other entrepreneur regarding of use and access to its assigned facilities,
- e) related to price regulation pursuant to § 56 and § 57 of the Act on Electronic Communications.

The CTO presumes that administrative proceedings concerning imposition of these obligations will be finished in the first quarter of 2010.

#### Market No. 3 – Call termination on individual public telephone networks provided at a fixed location

After the maximum deadline stipulated by Law expired, i.e. after three years the Measure of General Nature, i.e. the analysis of relevant market No. A/9/04.2006-19, was promulgated, the CTO submitted former market No. 9 – Call termination on individual public telephone networks at a fixed location to a new analysis.

The relevant market No. 3 encompasses that part of call transmission which is defined by the exchange or other similar facility providing access and connection in public telephone network (and/or access) and termination point of a network regardless of technology employed whereas exchange assigned is local or last transit exchange in which networks are interconnected and in its access part the termination point of public telephone network can be found. To provide access to publicly accessible telephone service it is possible to use, with the exception of classical telephone network with subscriber metallic lines, also for example optical networks, television cable distribution frames, as well as other wireless networks (for example FWA, WiFi) and the service may be provided by means of mobile networks in case that



the mobility of services for end-user was limited or abolished by service provider by, for example, a technical or technological solution of termination point or access network (for example services for connecting branch exchange at a fixed location) – i.e. where it is not the case of publicly available mobile service. It is a relevant market of electronic communications for entrepreneurs providing publicly available telephone services by means of public telephone network provided at a fixed location, i.e. position of termination point remains unchanged, is permanently defined by exact geographic address and has potentially limited extent situated around this termination point. The analysis was published through measure of general nature in October 2009.

There were 24 subjects active on the above mentioned relevant market at the time of analysis of relevant market: BT Limited – organizational unit, CASABLANCA INT spol. s r.o., COPROSYS a.s., ČD-Telematika a.s., České Radiokomunikace a.s., Český bezdrát spol. s r.o., ČEZ ICT Services a.s., Dial Telecom a.s., Faster CZ spol. s r.o., GTS Novera spol. s r.o., ha-vel internet spol. s r.o., Kabelová televize Třinec spol. s r.o., MaRcom-Eko spol. s r.o., RIO Media a.s. (formerly MATTES AD spol. s r.o.), MAXPROGRES spol. s r.o., Mobikom a.s., Michal Najman, Telefónica O2 Czech republic a.s., T-Mobile Czech republic a.s., T-Systems Czech Republic a.s., Unient Communications a.s., UPC Česká republika a. s., Vodafone Czech Republic a.s. and VOLNY a.s. Regarding the character of termination market each entrepreneur active on the relevant market No. 3 was considered as undertaking with significant market power, however, the extent of proposed measures correspond to their position on the analysed market. In the conclusion of its analysis the CTO claims that the market is not effectively competitive market because undertakings with significant market power are active on that market which is not heading for the development of effective competition within a reasonable time period. The conditions determined for business must correspond to the share of these detected providers on the total termination in fixed line networks and to existing differences in criterion evaluated for the purposes of application of significant market power, i.e. among the company Telefónica O2 and other providers on the market No. 3.

The CTO proposed to impose to the company Telefónica O2 the same extent of remedies as in the first round of analyses, i.e. obligations:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, in particular to publish reference offer of interconnection for the service of call termination and to publish information concerning interconnection of networks for the service of call termination,
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs and to provide services and information to other entrepreneurs on the same conditions and in the same quality as they are provided for its own services,
- c) separated documentation of costs and revenues pursuant to § 86 of the Act on Electronic Communications so that documentation necessary for

verification of costs and revenues of individual services are available,

- d) access to specific networks elements and assigned facilities pursuant to § 84 of the Act on Electronic Communications, in particular the obligation to comply with reasonable demands of other entrepreneur for interconnection of networks or networks facilities for the service of call termination, the obligation to comply with reasonable demands of other entrepreneur to use and access to its assigned facilities for the service of termination of call,
- e) related to price regulation pursuant to § 56 and § 57 of the Act on Electronic Communications.

To the remaining subjects on the relevant market No. 3 the CTO proposed to impose following remedy measures:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, in particular to publish information concerning interconnection of networks for the service of call termination,
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs and to provide services and information to other entrepreneurs on the same conditions and in the same quality as they are provided for its own services,

For alternative operators this means reduction of the extent of imposed obligations by price Directive. The CTO expects that the proceedings concerning imposition of these obligations will be finished in the first quarter of 2010.

#### **The Market No. 4 – Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location**

Relevant market No. 4 represents such an approach permitting interconnection of terminal point of a network with the main frame or similar corresponding facility in the public network of electronic communications. This approach is made possible with the help of a method permitting physical access to the terminal point of a network.

In 2009 the public consultation of the proposal for the analysis of relevant market No. 4 and consultations with the Office for the Protection of Competition were organized. In the first quarter of 2010 the proposal for the analysis will be submitted to the notification and after inclusion of potential remarks from the European Commission a promulgation of a measure of a general nature concerning the analysis of relevant market No. 4 is expected to be issued before the middle of 2010.

The CTO claimed that market under review is not effectively competitive market because undertaking with significant market power, the company Telefónica O2, is active on that market. The CTO, in comparison with the obligations imposed in the first round of analyses, newly proposes the obligation of separated documentation of costs and revenues both for the existing networks of subscriber metallic lines and for FTTx networks.

The CTO proposed to impose to the company Telefónica O2 the following extent of obligations:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, in particular to publish information concerning access to network and to publish information concerning accessibility. Taking into account expected development of optical networks in the company Telefónica O2 and in order to safeguard continuity of provided accessibility services, the CTO also intends to impose the obligation to publish information concerning the intention to terminate provision of access by means of subscriber metallic lines for reasons of transition to FTTx access lines. This precaution will facilitate timely start of negotiations among operators concerning implementation of modification of wholesale service so that provision of services of alternative operator to the end-user is not interrupted.
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs and to provide services and information to other entrepreneurs on the same conditions and in the same quality as they are provided for its own services,
- c) separated documentation of costs and revenues pursuant to § 86 of the Act on Electronic Communications so that documentation necessary for verification of costs and revenues of individual services are available,
- d) access to specific network elements and assigned facilities pursuant to § 84 of the Act on Electronic Communications, in particular the obligation to comply with reasonable demands of other entrepreneur to use and access to its specific network elements, the obligation to comply with reasonable demands of other entrepreneur to use of and access to its assigned facilities,
- e) related to price regulation pursuant to § 56 and § 57 of the Act on Electronic Communications.

#### The Market No. 5 – Wholesale broadband access

The analysis of relevant market No. 5 was finished and issued as late as in 2008, the CTO will commence with the execution of a new analysis in 2010.

However, in 2009 the obligations of the company Telefónica O2 concerning this came into force, particularly a newly imposed obligation of accessibility in the form of the so-called “naked DSL”. Telefónica O2 offered this approach on the wholesale market and after two months started to offer also its own retail broadband access of naked DSL. The wholesale service naked DSL was also utilized during the year, in particular by the company T-Mobile a.s., which can thus combine the services of broadband access with mobile services. During the year more than 30,000 customers employed retail services naked DSL (See the Chapter Broadband access for more information).

#### The Market No. 6 – Wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity

In case of relevant market No. 6 the term of terminal segment of leased circuit will designate such a portion of leased circuit of which one terminal point is located with end-user and the second one at the first nodal point of the network in which transmissions of signals from individual end-users are concentrated.

In 2009 the public consultation of the proposal for the analysis of relevant market No. 6 and consultations with the Office for the Protection of Competition were organized. In the first half of 2010 the analysis will be completed on the basis of remarks from the European Commission within the framework of the notification process. The CTO expects that the analysis of relevant market No. 6 will be issued in the form of a measure of general nature in the second half of 2010.

The CTO claimed that the market under review is not effectively competitive market because undertaking with significant market power, the company Telefónica O2, is active on that market.

The CTO, in comparison with the last analysis, does not propose obligations connected with the regulation of prices because the analysis has not proved that unreasonably high price is applied in the market disfavours the end-users. The degree of competition on adjacent markets creates a sufficient pressure on the price level. The CTO does not expect unfavourable price development if price Directive is not imposed.

Within the framework of analysis the CTO proposed to impose to the company Telefónica O2 these obligations:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, in particular to publish reference offer of access in the extent necessary for the service of wholesale provision of terminal segments of leased domains in circuits of electronic communications having capacity of max. 2048 kbit/sec., to publish information concerning accessibility to circuit,
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs and to provide services and information to other entrepreneurs on the same conditions and in the same quality as they are provided for its own services,
- c) separated documentation of costs and revenues pursuant to § 86 of the Act on Electronic Communications so that documentation necessary for verification of costs and revenues of individual services are available,
- d) access to specific network elements and assigned facilities pursuant to § 84 of the Act on Electronic Communications, in particular the obligation to comply with reasonable demands of other entrepreneur to use and access to its assigned facilities earmarked for the service of wholesale provision of termination segments of leased domains in circuits of elec-

tronic communications having capacity of max. 2048 kbit/sec.

### The Market No. 7 – Voice call termination on individual mobile networks

After the maximum deadline stipulated by the Law expired, i.e. after three years the Measure of General Nature No. A/16/04.2006-20 was promulgated, formerly the Market No. 16 – Termination of voice calls in individual public mobile telephone networks, the CTO submitted the Market No. 7 to a new analysis.

Material definition of market which is in accordance with the valid Recommendation of the European Commission on relevant markets was not changed in comparison with the previous analysis of this market.

In defining relevant market and subsequent analysis the CTO respected the fact that there are four business subjects on the mobile market operating public mobile networks – T-Mobile, Telefónica O 2, Vodafone and MobilKom a.s. which entered the market as a new subject after the previous analysis of the market was finished.

In its conclusion of the analysis of the market the CTO claims that market is not effectively competitive market because undertakings with significant market power are active on that market and because this market is not heading for the development of effective competition in reasonable period of time. The conditions stipulated for making business must correspond to the share of these providers detected on the total termination in mobile networks and existing differences in evaluated criterion for the exercise of significant market power between the company MobilKom a.s. and remaining providers of services in that market and therefore imposition of identical remedial measures would mean inappropriate regulatory burden for this company.

Therefore, pursuant to individual provisions of § 51, (3) of the Act on Electronic Communications, the CTO proposed to impose to undertakings with significant market power, T-Mobile, Telefónica O2 and Vodafone the following obligations:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, in particular to publish reference offer for the service of call termination, to publish information concerning interconnection of networks and to publish information concerning the service of call termination,
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs and to provide services and information to other entrepreneurs on the same conditions and in the same quality as they are provided for its own services,
- c) separated documentation of costs and revenues pursuant to § 86 of the Act on Electronic Communications so that documentation necessary for verification of costs and revenues of individual services is available,

- d) access to specific network elements and assigned facilities pursuant to § 84 of the Act on Electronic Communications, in particular the obligation to interconnect networks or network facilities, the obligation to comply with reasonable demands of other entrepreneur to the use and access to its assigned facilities for the service of call termination,
- e) related to price regulation pursuant to § 56 and § 57 of the Act on Electronic Communications.

Taking into account negligible share of the company MobilKom a.s. in the market, CTO proposed to impose to this company the following obligations:

- a) transparency pursuant to § 82 of the Act on Electronic Communications, in particular to publish information concerning interconnection of networks for the service of call termination,
- b) non-discrimination pursuant to § 81 of the Act on Electronic Communications, particularly the obligation to apply equal conditions and equal circumstances for other entrepreneurs and to provide services and information to other entrepreneurs on the same conditions and in the same quality as they are provided for its own services,

In its statement the European Commission raised comments on the imposition of symmetric regulation to all undertakings with significant market power and, simultaneously, requested that the CTO reassess the proposed method of price determination. The CTO, however, maintained the extent of proposed measures so that they correspond to the situation detected by the market analysis and position of individual undertakings in the market under examination.

In determining price regulation which will enter into its operation from July 1, 2010, the CTO intends to stipulate the new price so that the principles of the Recommendation of the European Commission No. 2009/396/EC on Directive of tariffs concerning termination of calls in fixed and mobile networks are respected in maximum extent possible.

After the analysis promulgated as the Measure of General Nature No. A/7/09.2009-11 enters into its legal force; the CTO will commence administration proceedings the result of which will be declaration of all above mentioned subjects as undertakings with significant market power and imposition of proposed obligations.

### 2.1.2 Markets which are no longer regulated

During the course of January 2009 the three-criterion test of the relevant market No. 4 was finished – **publicly available international telephone services provided at a fixed location for non-entrepreneurial natural persons.** Taking into account conclusions of the analysis according to which the given market is no more a relevant one and therefore eligible for the regulation ex-ante, the CTO, after the termination of public consultations in the middle of April, decided on cancellation of declaration of the company Telefónica O2 as undertaking with significant market power



and, simultaneously, the obligations of separated documentation of costs and revenues were cancelled.

In January 2009 the three-criterion test of the relevant market No. 5 was also carried out – **publicly available national telephone services provided at a fixed location for legal persons and entrepreneurial natural persons.** Taking into account conclusions of the analysis according to which the given market is no more a relevant one and therefore eligible for the regulation ex-ante, the CTO, after the termination of public consultations in the middle of April, decided on cancellation of declaration of the company Telefónica O2 as undertaking with significant market power and, simultaneously, the obligations of separated documentation of costs and revenues were cancelled.

At the beginning of February 2009 the three-criterion test of the original relevant market No. 7 was finished – **the Minimum file of leased circuits.** Taking into account conclusions of the analysis according to which the given market is no more a relevant one and therefore eligible for the regulation ex-ante, the CTO, after the termination of public consultations in the middle of April, decided on cancellation of declaration of the company Telefónica O2 as undertaking with significant market power and, simultaneously, the obligations of non-discrimination, separated documentation of costs and revenues, provision of the service of lease of circuits in the extent of minimum file of leased circuits partially or wholly on the territory of the State and price regulation were cancelled.

At the end of May the three-criterion test of the original relevant market No. 18 was finished – Broadcasting Transmission services to deliver broadcast content to end users. The second round of analysis discovered that this market is no more a relevant one and therefore eligible for the regulation ex-ante. In the first round of analysis the undertaking with significant market power, which was the company České radiokomunikace a.s., was imposed the obligations of non-discrimination, separated documentation of costs and revenues, access to means and sharing of capacities and price regulation. On the basis of the second round of analysis the above mentioned obligations concerning the company were cancelled.

Pursuant to formerly valid measure the CTO did not declare any undertaking with significant market power on the original relevant markets No. 6 – Publicly available national telephone services provided at a fixed location for legal persons and entrepreneurial natural persons, No. 10 – Transit services on fixed telephone networks, No. 14 – Wholesale provision of backbone segments in leased circuits of electronic communications, No. 15 – Call origination on public mobile telephone networks and No. 17 – Wholesale market of international roaming on public mobile telephone networks. In 2009 new analyses of the above mentioned relevant markets were not performed because pursuant to new measure of general nature there were no more relevant markets, i.e. markets suitable for ex-ante regulation.

## 2.2 Development of Selected Services in the Main Retail Market Segments

### 2.2.1 Voice services provided in fixed networks

Several important events occurred in 2009 on the market of services provided in fixed networks. First of all, a part of the company České Radiokomunikace a.s. was sold to the company T-Mobile a.s. Thus the mobile operator T-Mobile expanded its scope of operation into the sphere of fixed services and has become the biggest alternative operator providing broadband services by means of xDSL. Important provider of voice VOiP services, the company MATTES AD, spol. s.r.o. became a part of the company RIO Media a.s.

Among the most important companies which were in 2009 active on the market of telephone services belonged Telefónica O2, T-Mobile, GTS Novera s.r.o., České Radiokomunikace a.s., MobilKom a.s., T-Systems Czech Republic a.s., BT Limited – organizational unit, ČD-Telematika a.s., ČEZ ICT Services a.s. and UPC Česká republika a.s. The company Telefónica O2 has preserved for itself the most important position in the sphere of provision of the publicly available telephone service in the fixed network.

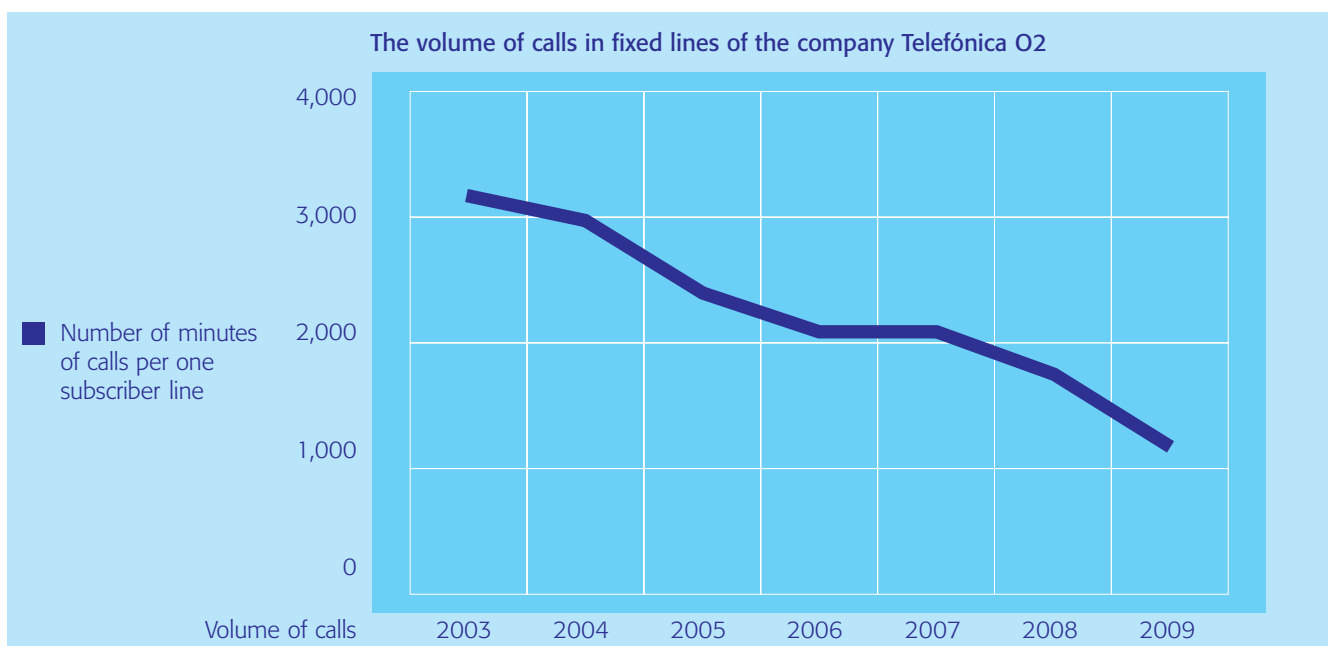
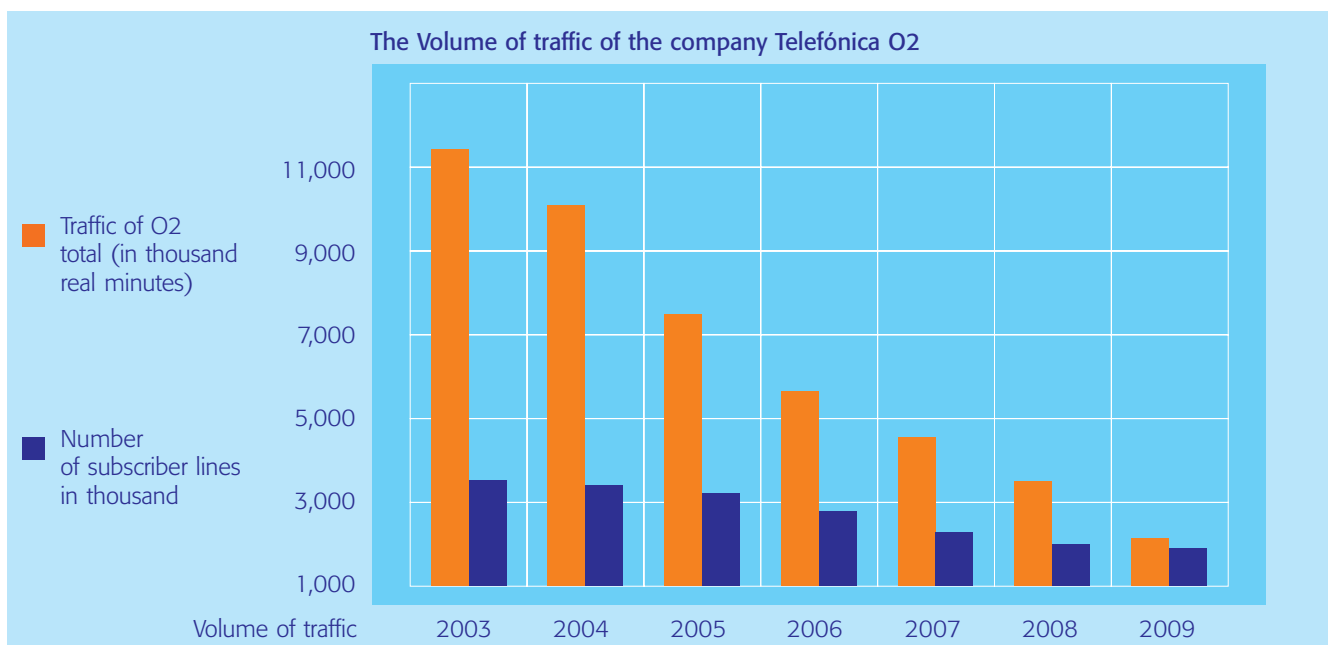
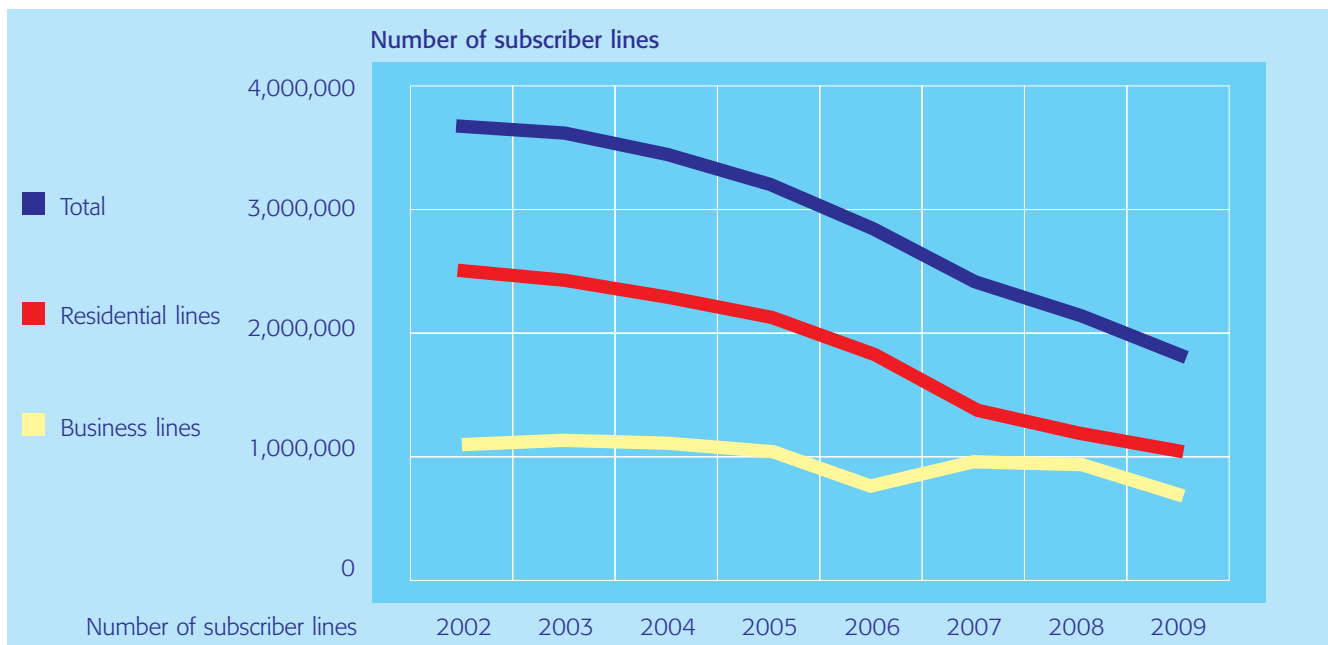
The trend of expanding offers of voice services through new technologies continued, in particular services using VoIP and the migration of subscribers from the fixed networks to mobile networks. Operators continued offering their customers a larger number of services in various package formats. Also in 2009 the principal source of revenues in the sphere of services provided in fixed networks was a classical publicly available telephone service. Losses of revenue from the classic publicly available telephone service were partially compensated by revenues from broadband access services provided over fixed networks.

In 2009 the total number of subscribers of voice services expressed through the number of subscriber lines provided over fixed networks compared with the previous year fell by almost 326,000 (i.e. appr. by 15 %) to 1,820,000 lines. Residential lines continued to prevail over business ones (by almost 347,000). However, as compared with the drop in number of residential lines the number of business lines was falling almost twice more quickly (see the following graph on the next page).

Together with the falling number of subscribers also falls the volume of traffic in fixed lines as is demonstrated in the following graph which also includes information concerning development of the volume of traffic of the company Telefónica O2 as it is documented by the following graphs (on the next page).

In 2009 also the volume of calls expressed in minutes pertaining to one subscriber line continued to fall what is documented by data of the company Telefónica O2 in the following graph (on the next page).

In 2009 the number of minutes of calls per one subscriber line fell by almost 35 % to 1,134 minutes as compared with the previous year. This fall may be attributed obviously to the transfer of part of voice traffic to mobile networks, on the one hand, and to the use of the VOiP service provided by alternative operators, on the other hand.



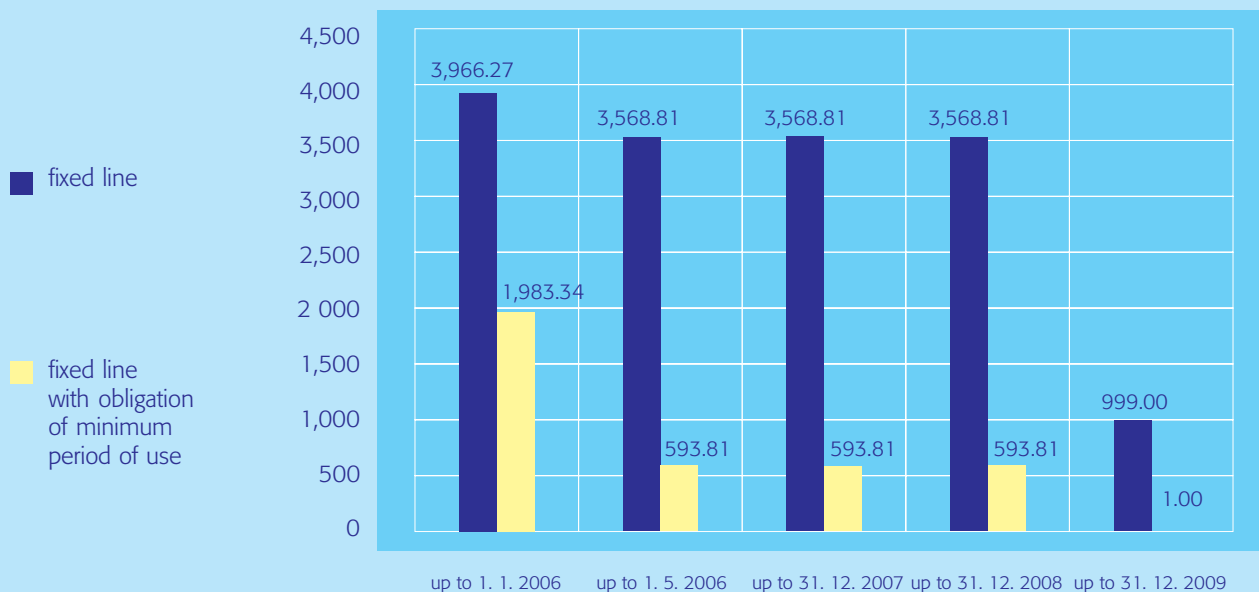
## Development in Prices of Voice Services in Fixed Networks

The development of prices of voice services is given in the following graphs. In view of the position of Telefónica O2, the prices for the services of setting up and using a fixed line for this company are given in the graphs. During the course of the year 2009 some changes in charging of services

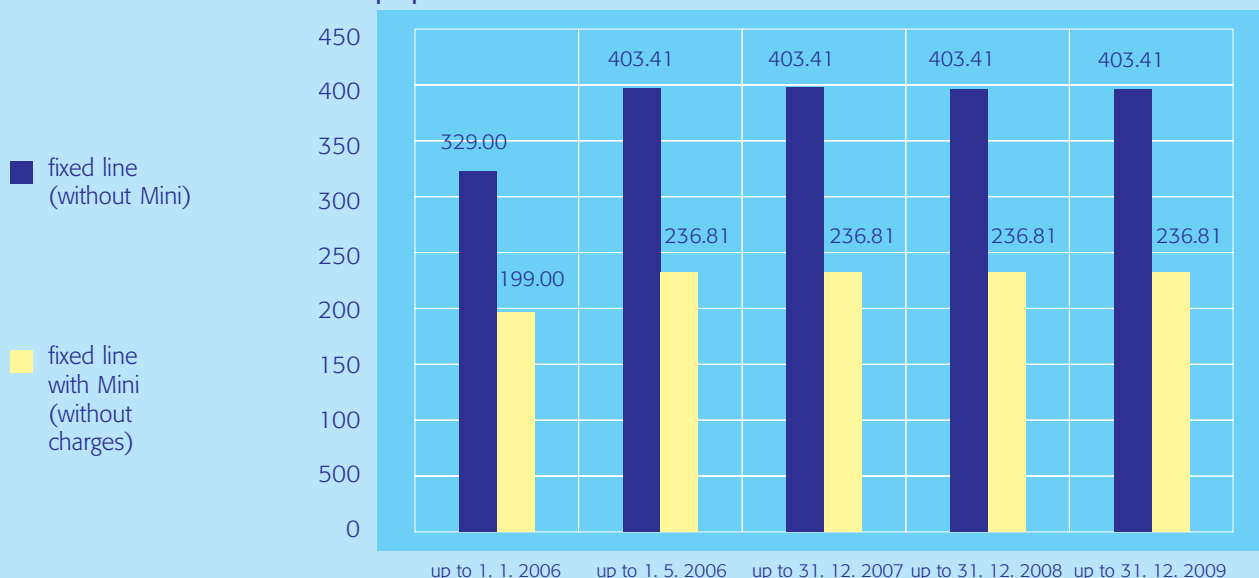
provided took place. The subscribers can now combine voice services, ADSL and TV transmission. The graph demonstrating the development of prices for use of fixed line for residential purposes shows the monthly prices when only voice services are used.

For voice services (calls) the graph shows the prices of the important operators providing telephone services via fixed telephone networks.

Development of prices for setting up a Telefónica O2 fixed line

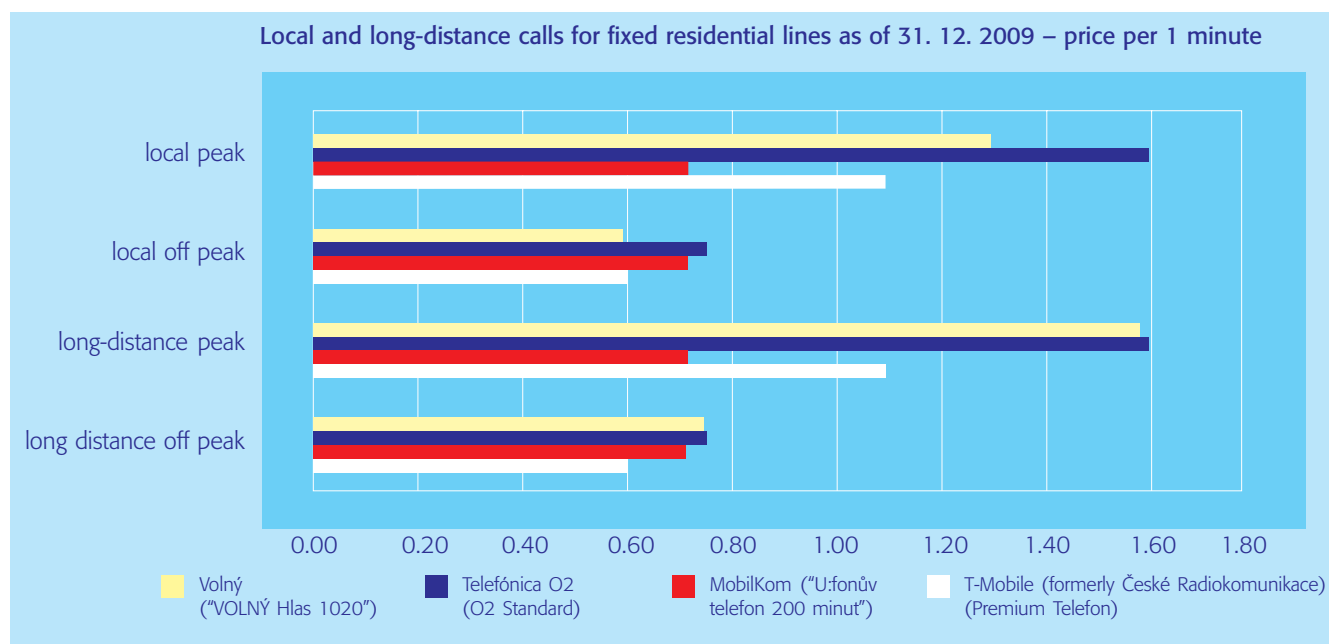


Development of prices for setting up a Telefónica O2 fixed line for residential purposes



The following graph gives a comparison of prices in 2009 for local and long-distance calls in fixed lines according to the offers of the individual important operators.





Note: Neither free minutes nor tariff system are taken into account

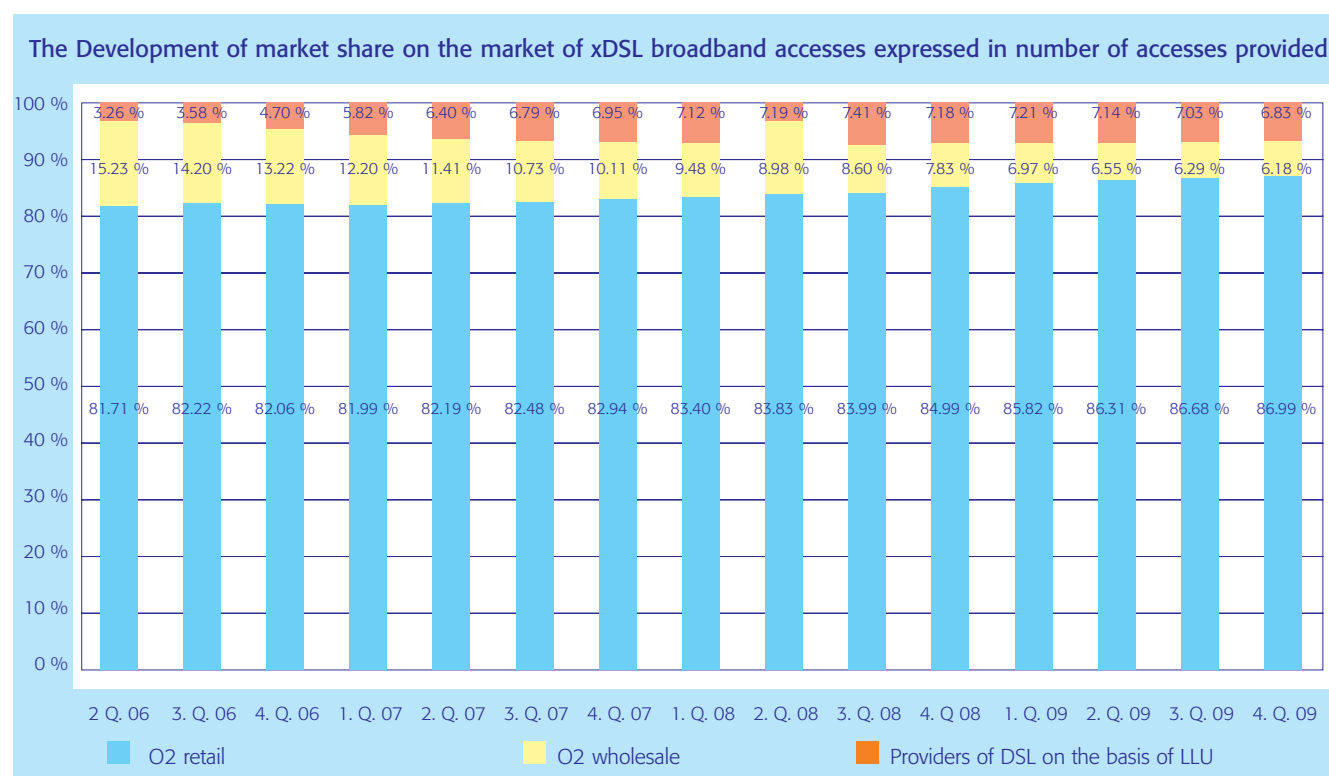
## 2.2.2 Broadband services

From the perspective of the technologies used for the retail broadband access service, the situation on the retail market as regards the market share of the individual technologies has remained basically unchanged in comparison to past years. WLL accesses (including all fixed radio access and access using a WiFi network) retained an important market share. Increase of share was registered in access provided by means of optical fibre (FTTx) the number of which was estimated by the CTO at more than 100,000. The total number of accesses in retail market (including the broadband access provided by means of mobile networks) was estimated

by the CTO at more than 2,430,000 what corresponds to service penetration of broadband access (i.e. the number of accesses to 100 inhabitants) at the level of 23,7 %.

From the perspective of regulation applied the principal attention of the CTO is focused on that part of the market where services based on the xDSL technology are provided.

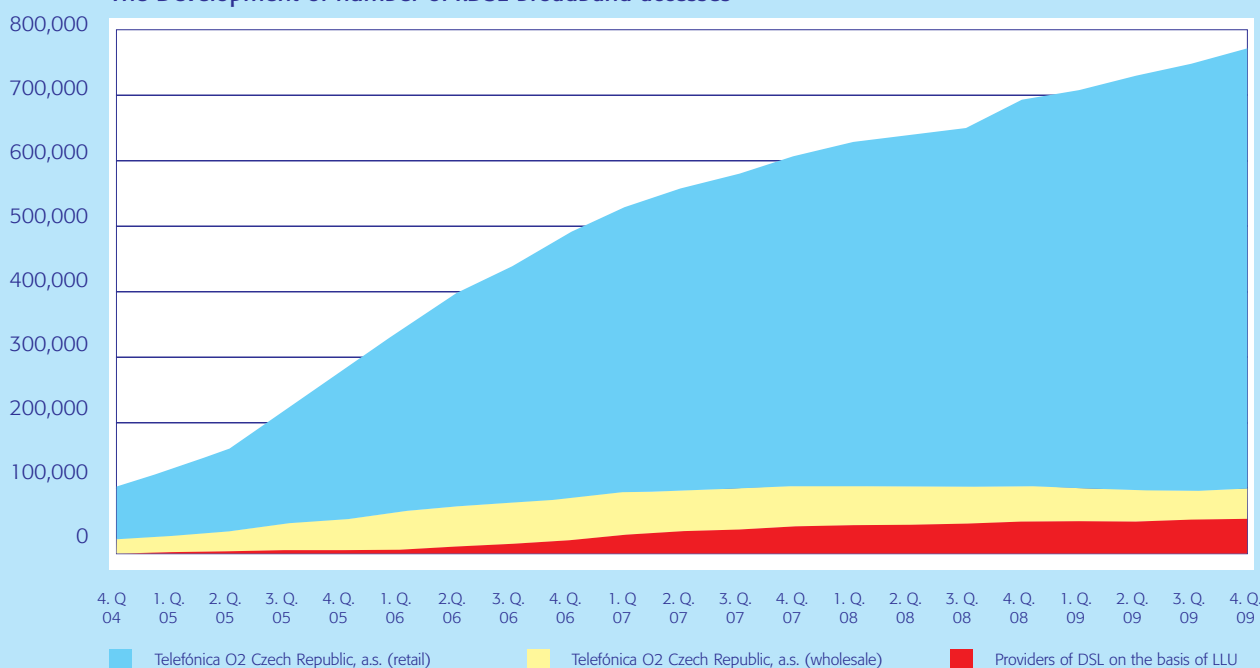
In 2009 the trend from previous years continued and the company Telefónica O2 continued to strengthen its position of the most important provider of xDSL accesses (see the following graph on the next page). This situation is



created, inter alia, by the fact that other providers do not orientate themselves to the residential segment in such an extent as Telefónica O2. This assertion is supported also by the fact that the second largest provider of DSL access, the company České Radiokomunikace a.s. during the year announced that it would no longer provide services to residential customers and sold this division to the company T-Mobile. At the end of the year the company T-Mobile entered the market with the offer of DSL services within its

package with the option to use mobile services. At that the company employed also the option to offer wholesale broadband access in the so-called "naked DSL". Thus the company T-Mobile became the first competitor of the company Telefónica O2 which offers on the market the combination of fixed broadband access and mobile services (data and voice services). The obligation to offer this service for the company Telefónica O2 was put in force in 2009. During that year more than 30,000 customers made use of this service.

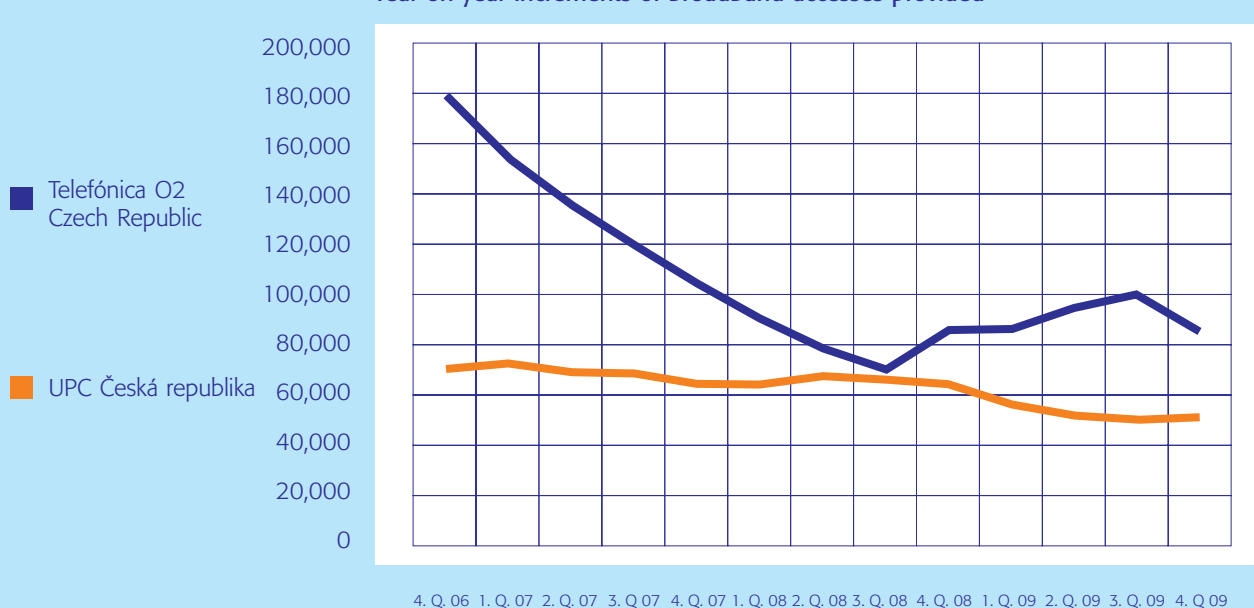
The Development of number of xDSL broadband accesses



Since the last quarter of 2008 Telefónica O2 considerably strengthened its position on the xDSL market what can be explained by its more stable position on the retail market of broadband access where it maintains the position of the largest provider /by the end of 2009 the number of xDSL accesses provided was 677,000 whereas

its largest competitor, UPC Česká republika, recorded 362,000 accesses to the same date). This is documented also by the following graph illustrating year on year increments in accesses provided by the company Telefónica O2 and the company UPC Česká republika which provides its services by means of cableTV distribution.

Year on year increments of broadband accesses provided



The company UPC Česká republika has announced for the year 2010 the transition to the services of broadband access pursuant to DOCSIS 3.0 what means that it would enter the market with the offer of higher speeds (up to 100 Mbit/sec.) comparable with offers of providers of broadband accesses on optical fibres. It is also expected that the company T-Mobile may enter DSL market in a larger extent and could therefore be an important competitor for the company Telefónica O2.

The importance of retail broadband access gradually increases. This is directly related to the development of mobile

networks CDMA and UMTS. The accesses by means of mobile networks occupy an important position on retail market. At the present time, all four mobile operators provide broadband accesses and the last one offering these services was the company Vodafone by means of UMTS network. This company started to offer these services during 2010. In 2010, the company Telefónica O2, due to more than 90 % coverage by CDMA network in combination with UMTS coverage, was the most important provider of these services. The following table presents the number of "special" monthly tariffs which provide permanent access to broadband services to end-users, the access to Internet in particular.

	4. Q 05	4. Q 06	4. Q 07	4. Q 08	2. Q 09	4. Q 09
<b>Mobile networks</b> (CDMA, UMTS)	70,342	119,405	182,495	276,672	330,539	375,493

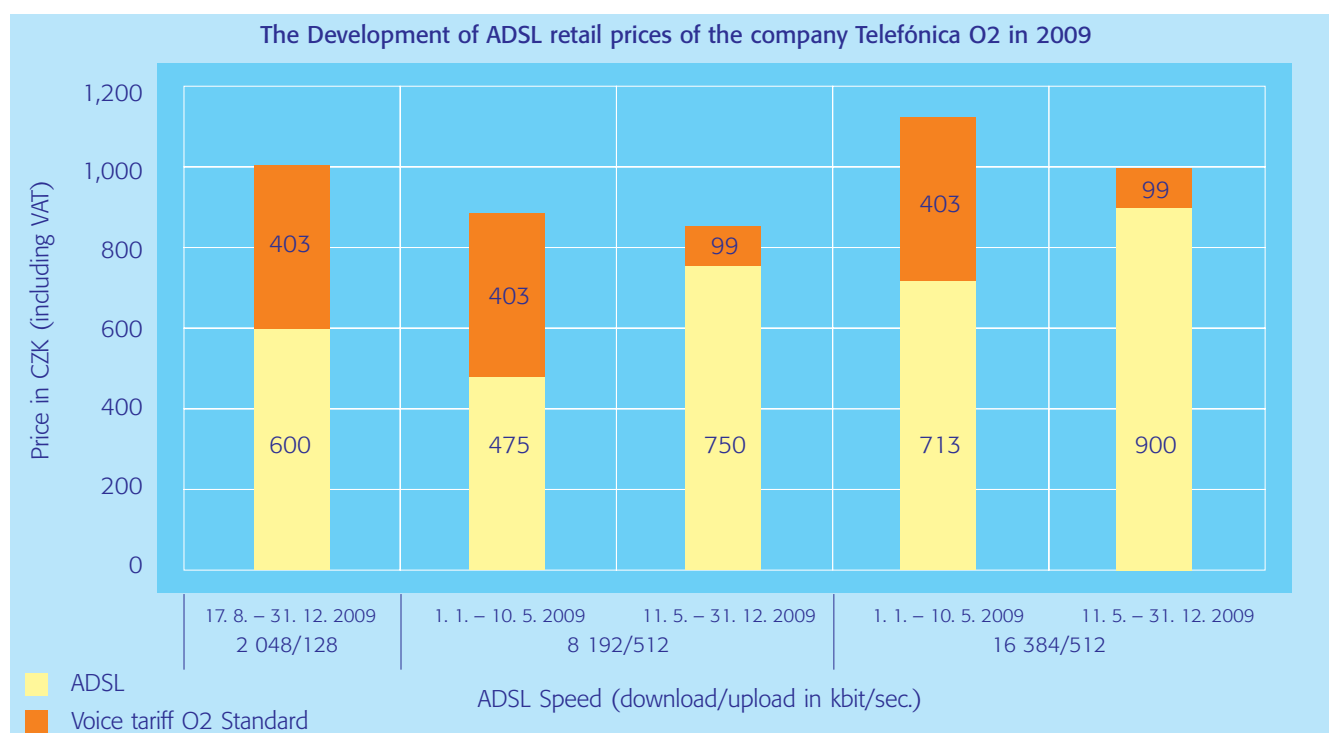
Note: the data are the total figures for all operators

### The prices of services of broadband access

In 2009 the company Telefónica O2 changed the structure of its offer of services to the end-users which was connected with the change of charging. There is no more any independently charged price of monthly flat fee which became a part of the basic service selected by a client ADSL, telephone service or IPTV). Therefore, if user is interested only in ADSL service he/she need not simultaneously use

also independent service of access to the public telephone service (so-called monthly flat fee with the fixed line). The ADSL service in such configuration represents thus so-called naked ADSL.

The following graph shows the development of individual speeds of retail offer of Internet access provided by the company Telefónica O2.



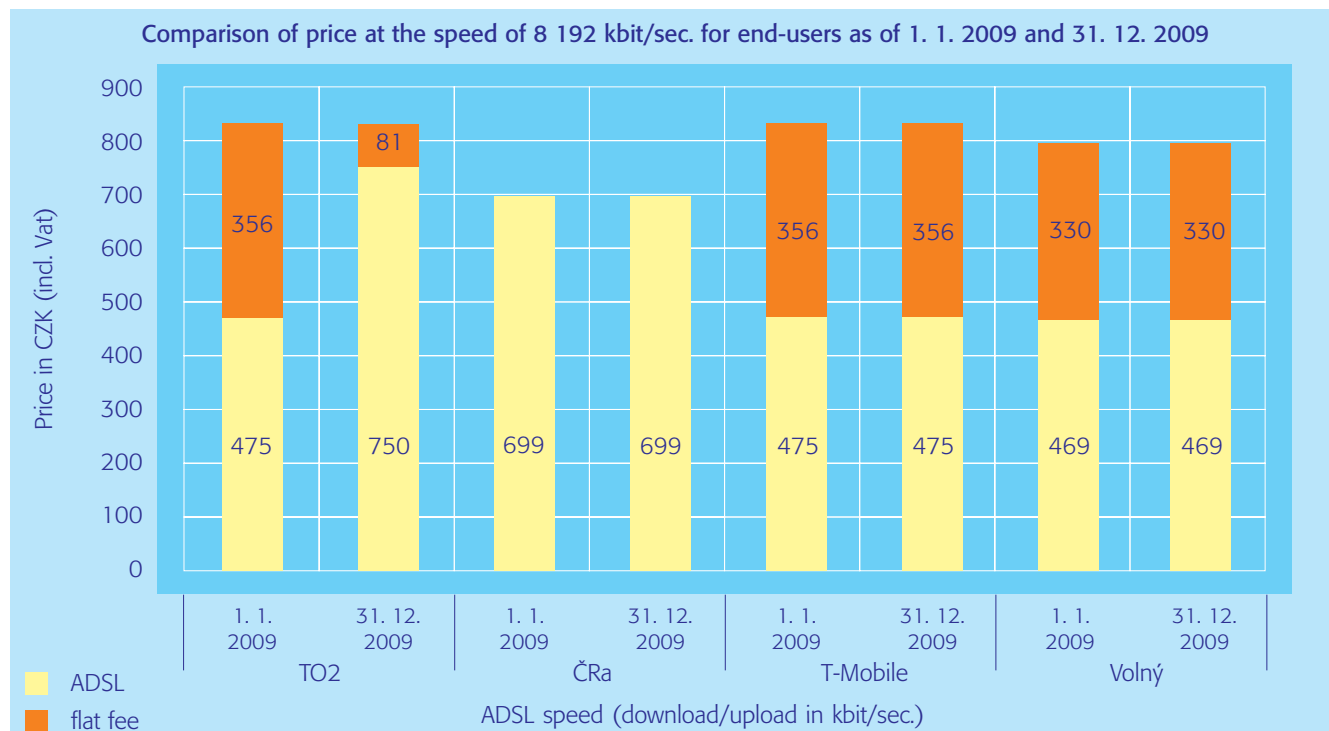
The following graph shows a comparison of the offers of the four largest operators on the domestic market. As the basis for the graph were used the services or their combinations encompassing both high-speed access to the Internet network by means of ADSL technology (with the speed of 8 Mbit/sec.) and publicly available telephone service (provided on the basis of classic PSTN network or VOiP).

From the graph it is evident that despite the fact that the structure of prices of services of the company Telefónica O2 changed, the total price which user paid for the combination of services O2 Internet (with the speed of 8 Mbit/sec.) and O2 Mini during the year did not change at all. The price for the access to the public telephone service is a part of price for the basic service, in this case of ADSL.



The cheapest price throughout the year was the offer from the company České Radiokomunikace a.s. (CZK 699/month), the prices from the companies Telefónica O2 and

T-Mobile had the same level (CZK 831/month). All companies offer their services without any time limit.

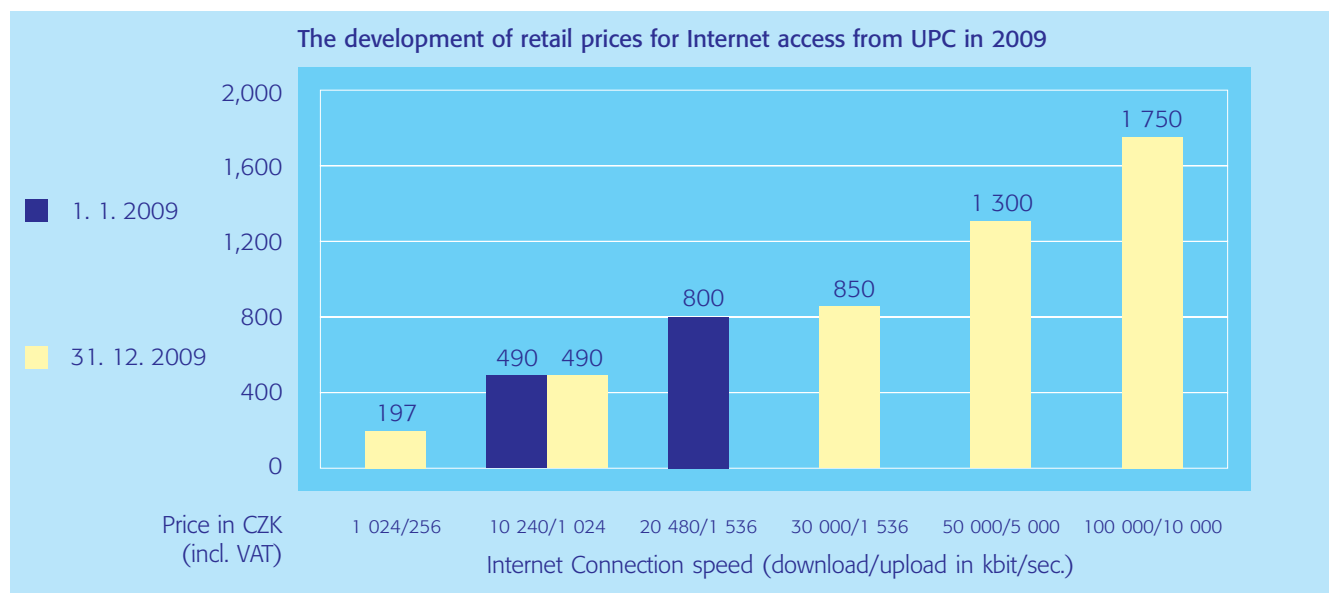


Note: With the company Telefónica O2 there were services O2 Internet and O2 Mini with the company České Radiokomunikace a.s. it was the service Premium ADSL 8192/512/kbit/sec. 1:50 Voice, with the company T-Mobile there were services Internet ADSL Standard together with the service O2 Mini reimbursed by the company Telefónica O2, a.s. and with the company Volný, a.s. it was the service Volný Komplet 8M.

Another important company on the retail broadband market is the company UPC Česká republika a.s. The company UPC Česká republika a.s. started the year 2009 with two Internet tariffs with the speed of 10 and 20 Mbit/sec. (blue columns in the graph). The company extended its offer in June 2009 by the speed of 30 Mbit/sec. for the price of CZK 850/month and a month later it withdrew the tariff with the speed of 20 Mbit/sec. In September the offer was extended by speeds of 50 and 100Mbit/sec. and in November by the cheapest tariff with the speed of 1 Mbit/sec. (plus tariff with

the speed of 256 kbit/sec. provided free of charge together with the service of cable television. Unlike classic operators it is possible to get the Internet from the company UPC Česká republika without the obligation to pay for the price of access network (both in voice and data services), and therefore price comparison of the Internet access confirms that the best conditions offers the company UPC Česká republika a.s.

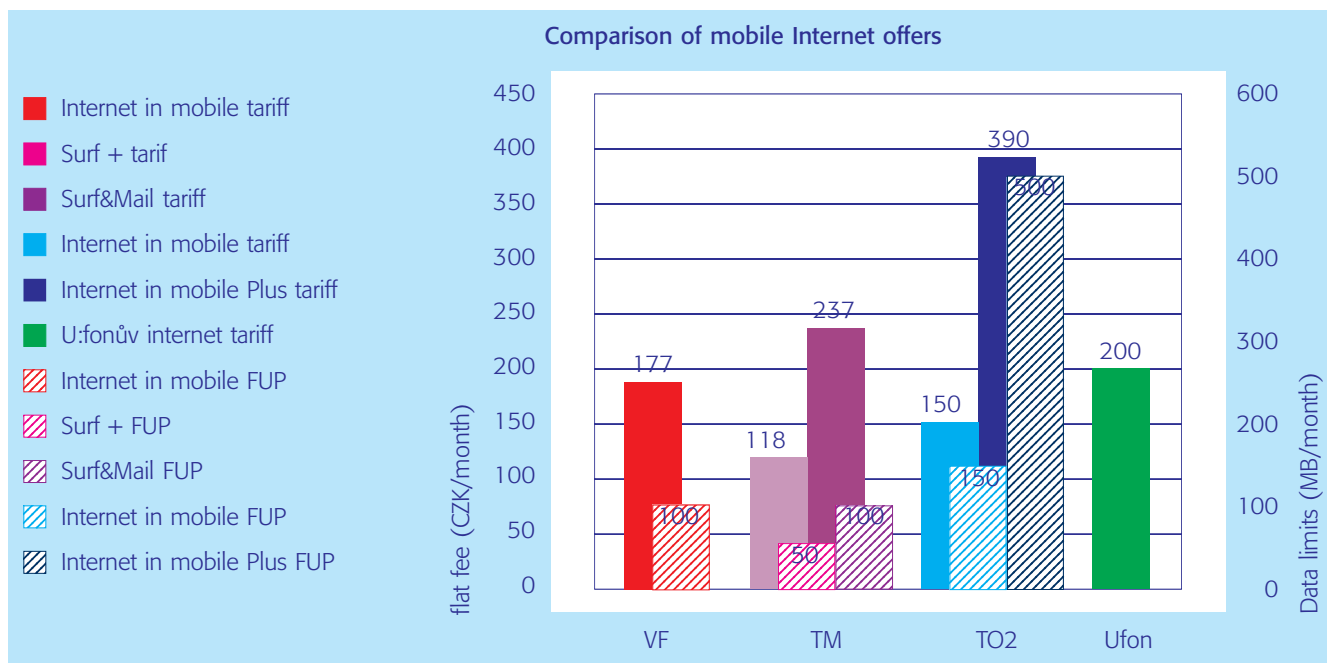
The following graph documents the development of the prices of their broadband services between January 1, 2009 and December 31, 2009.



## Services of Internet access on mobile network

Services of mobile Internet access can serve as potential alternative to broadband access in fixed networks. Mobile operators offer two types of mobile access – Internet

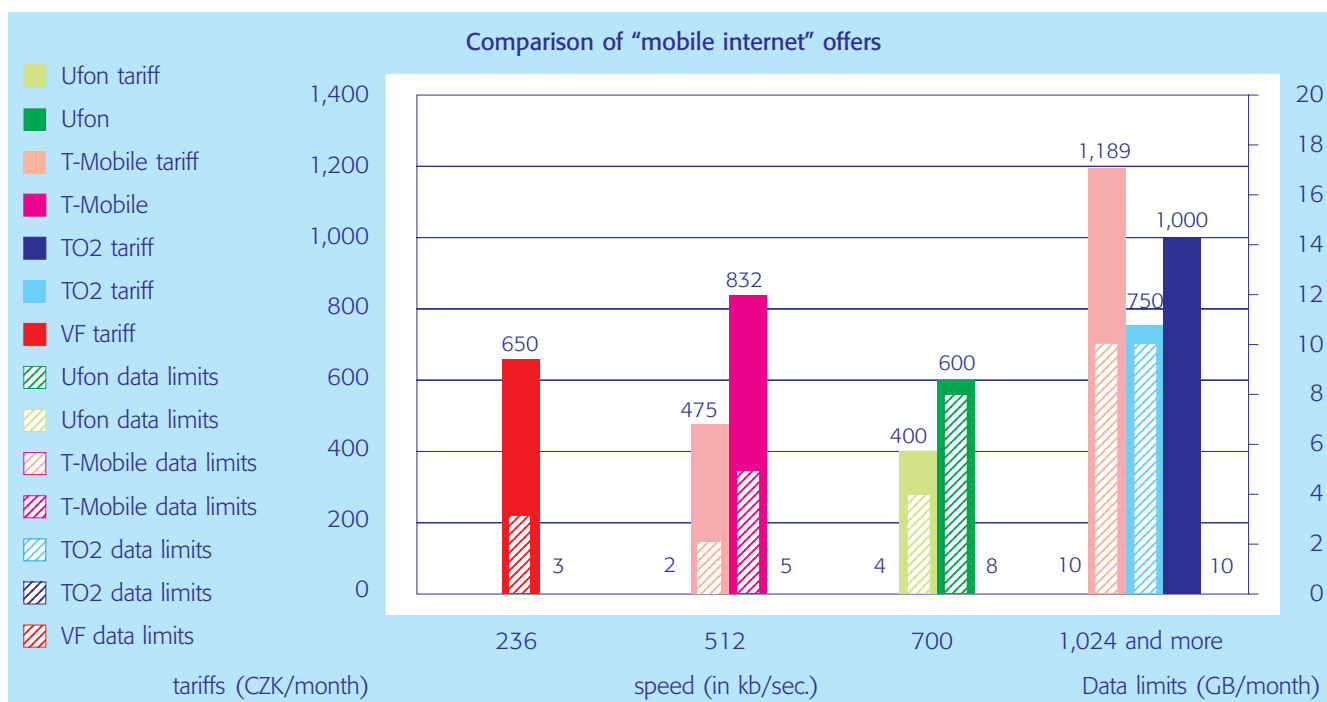
in mobile and mobile Internet using modem. The following graph records one of them (Internet in mobile) and compares offers of Internet service in mobile of individual mobile operators. The offers differ both by data limits and the price.



Note: VF – Vodafone, TM – T-Mobile, TO2 – Telefónica O2, Ufon – MobilKom.

As regards the mobile internet using modem, the company Telefónica O2 changed its offer during the year 2009 and began to provide high-speed Internet access only. Also the company MobilKom a.s. made a change and unified its tariffs of mobile Internet and in case of cheaper tariff limited the maximum level of data downloaded.

The following graph compares individual prices per month according to maximum speed of download (full columns) and data limits (cross-hatched columns). The offer without a data column represents unlimited internet access.

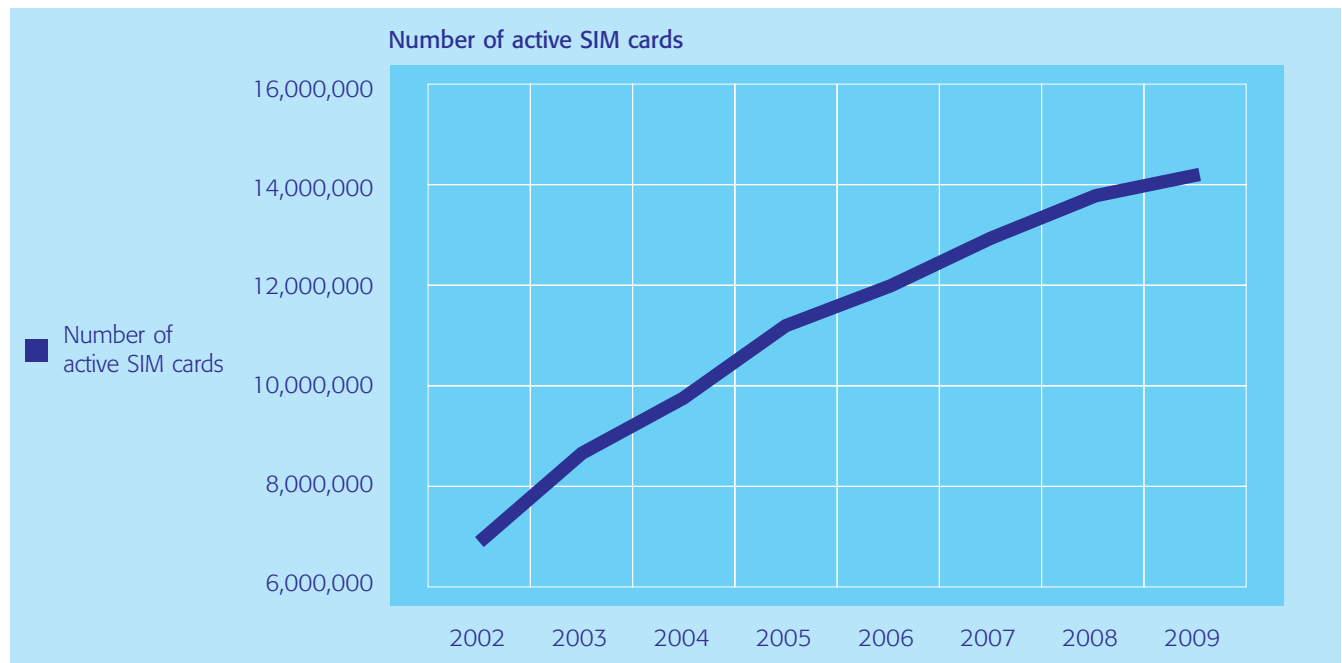


### 2.2.3 Voice services provided in mobile networks

There were four operators providing mobile services in the monitored period, namely Telefónica O2, T-Mobile, Vodafone and MobilKom a.s.. The development of the market shares of the traditional service providers in terms of the number of SIM cards were relatively stable. The new mobile operator MobilKom a.s. which is active on the market since the middle of 2008, continued to develop its offer of mobile

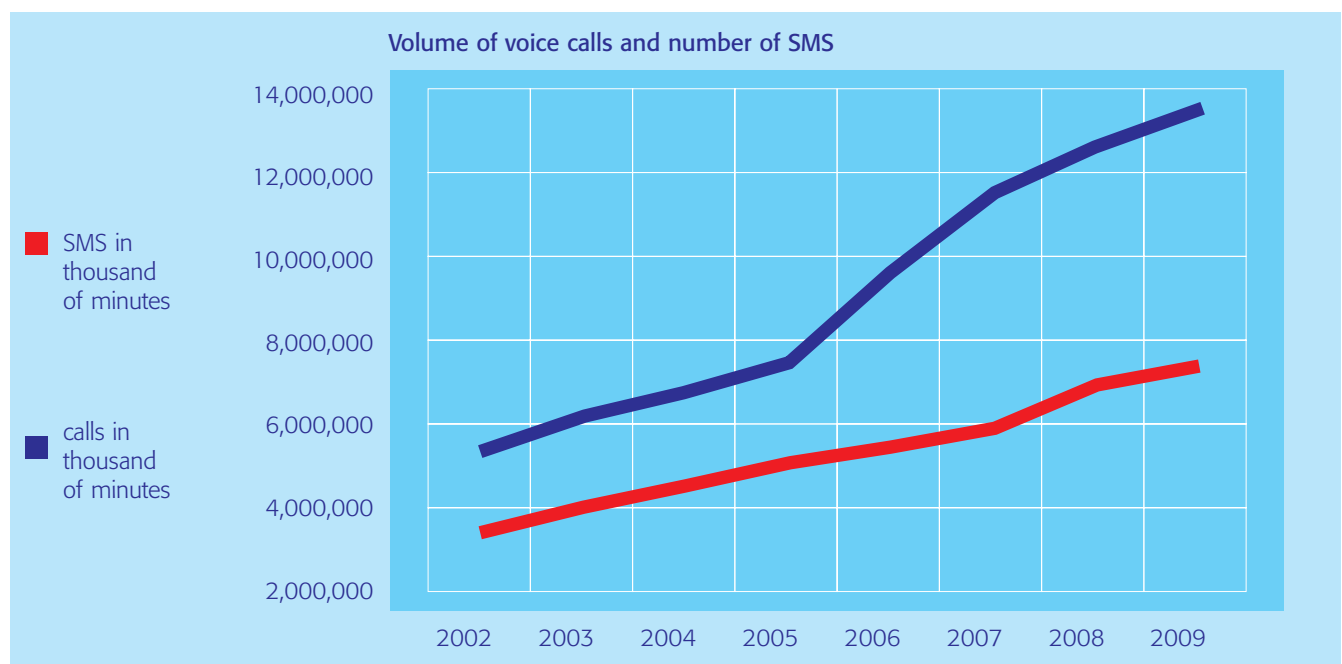
voice and data services in 2009 via its CDMA network. During 2009 further expansion of UMTS networks coverage took place. At the end of 2009 the company Vodafone started its commercial offer of high-speed Internet access to the Internet network via UMTS network in selected localities of Prague.

The development of the number of active SIM cards in GSM networks pursuant to CTO methodology is given in the following graph.



In 2009 there was a year-on-year rise in the number of new SIM cards of 3 % to 14,217,162. In comparison with the preceding year the rate of increase slowed down what confirms the opinion that the market in the Czech Republic is saturated.

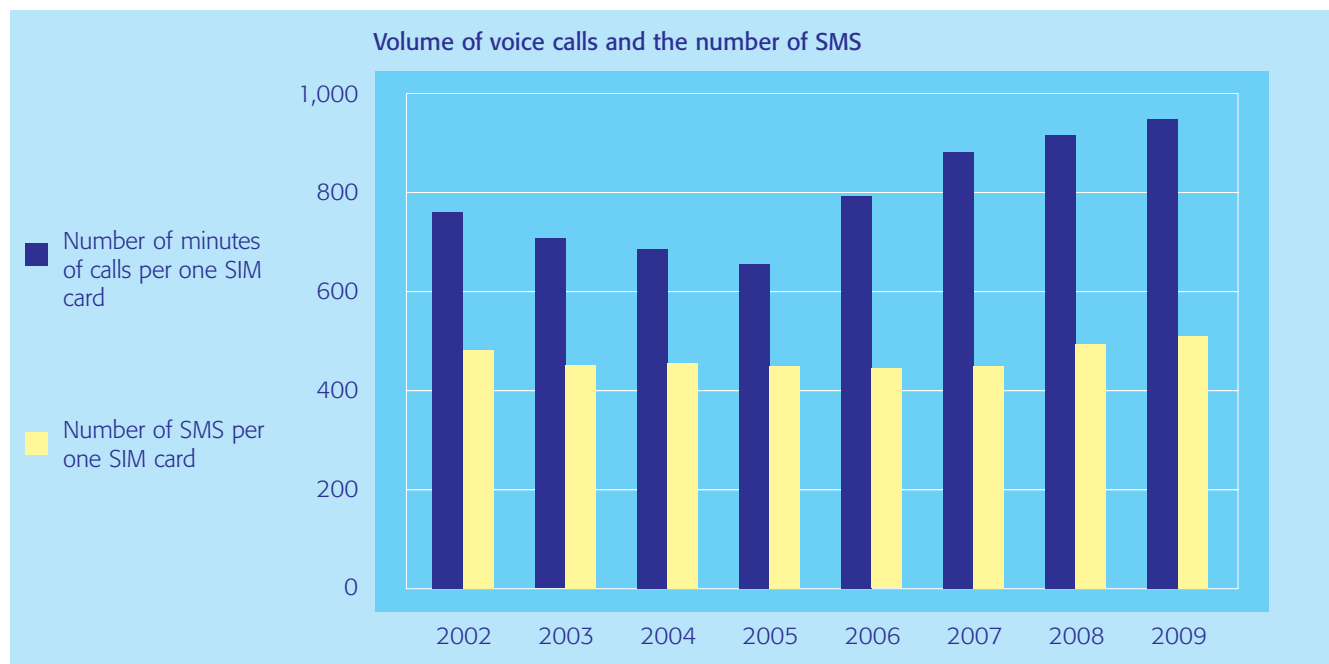
2009 also saw the continuation of the rise in the volume of voice calls and also in the number of SMS messages sent in mobile networks, as shown in the following graph (excluding roaming).





2009 also saw the continuation of the rise in the volume of voice calls expressed in minutes of call per one active SIM card (i.e. per one subscriber excluding roaming) by 34 real minutes to 949 and the number of SMS messages

by 18 messages to 516. Whereas the rate of increase of the volume of traffic per one SIM card increased moderately, but, on the other hand, with the number of dispatched SMS messages per one SIM card the rate of increase decreased by almost 7 %.

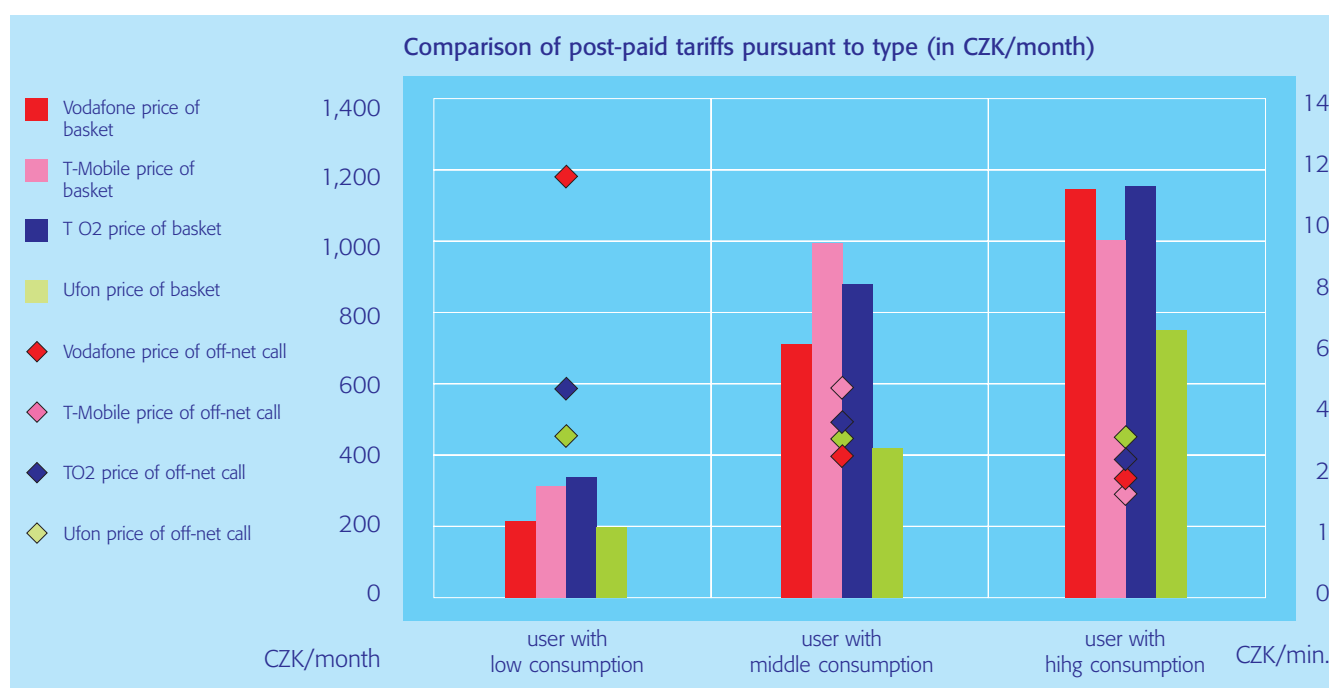


### Comparison of Prices for Services Provided in Mobile Networks

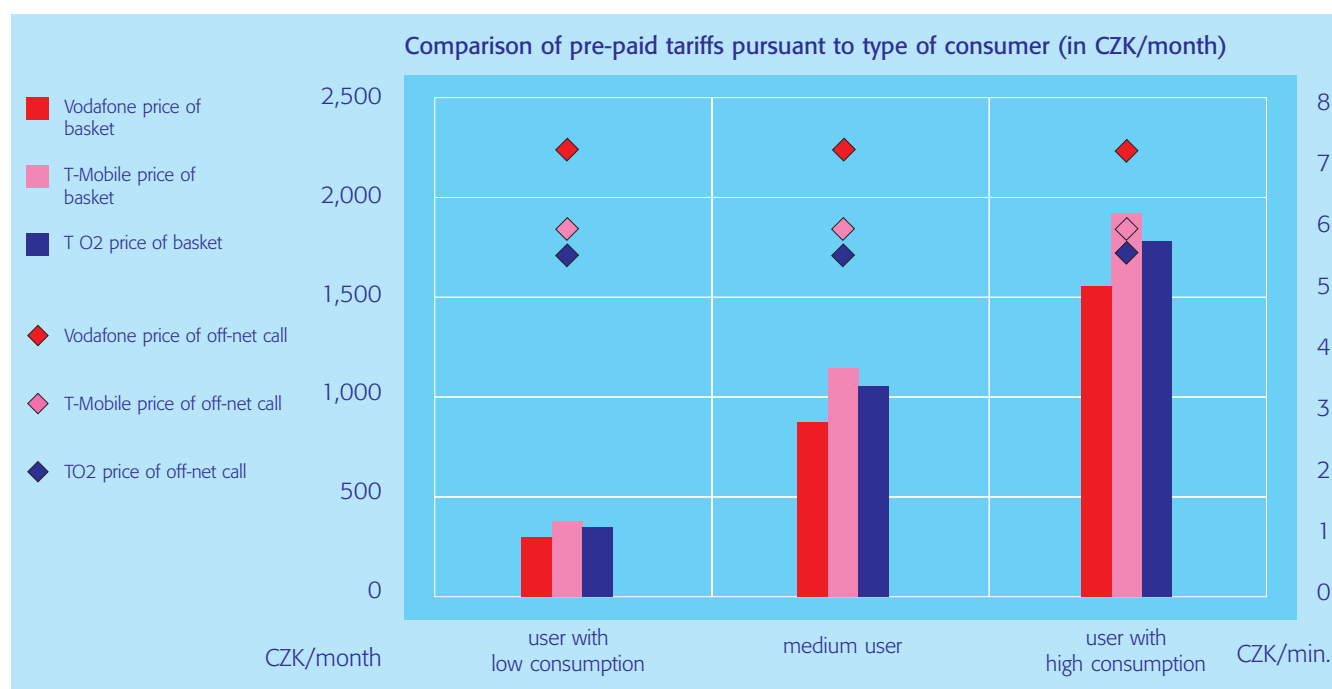
The CTO monitored the development of prices for mobile services provided at retail prices and for the purposes of their comparison it used consumer baskets which start from the baskets determined by the OECD and are adapted

to Czech environment (closer specification of baskets – see the Monthly monitoring report No. 40 for November 2009).

The prices are compared separately for tariff (post-paid) customers and customers with pre-paid card. The total value of baskets and the price per call/minute to another network (off-net call) are illustrated by coloured points in the following two tables.



Note: Price for T-mobile off-net calls with the user with low consumption is the same level as the price with Telefónica O2 (points overlap).



The following table gives names of tariff structures of individual operators which were used for comparison of baskets of mobile services pursuant to the type of user.

	user with low consumption	user with medium consumption	user with high consumption
<b>postpaid</b>	VF Odepiš	VF Nabito 700	VF Nabito 1150
	TM Kredit 300	TM Kredit 300	TM Kredit 1000
	TO2 Zero	TO2 Neon M	TO2 Neon L+
	Ufon Za 100	Ufon Za 100	Ufon Za 100
<b>prepaid</b>	VF Divoká karta	VF Divoká karta	VF Divoká karta
	TM Twist Start	TM Twist Start	TM Twist Start
	TO2 Na!hlas	TO2 Na!hlas	TO2 Na!hlas

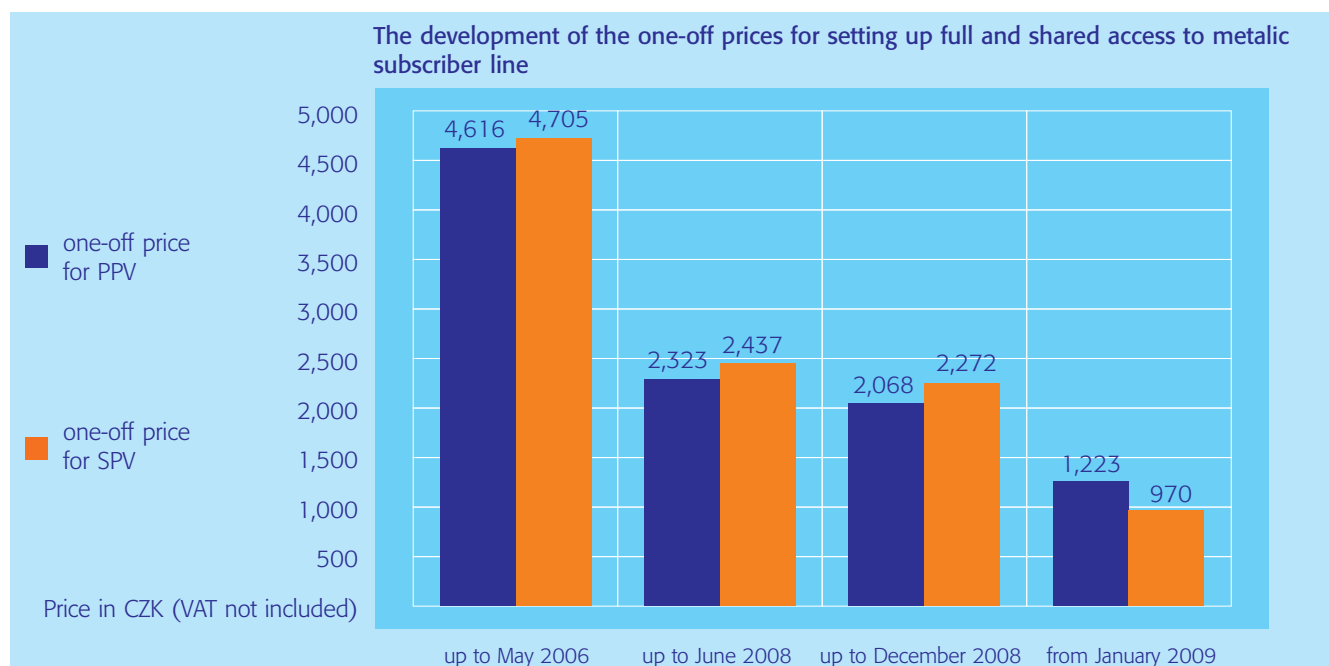
Note: VF – Vodafone, TM – T-Mobile, TO2 – Telefónica O2, Ufon – MobilKom

## 2.3 Development of Prices for Selected Wholesale Markets

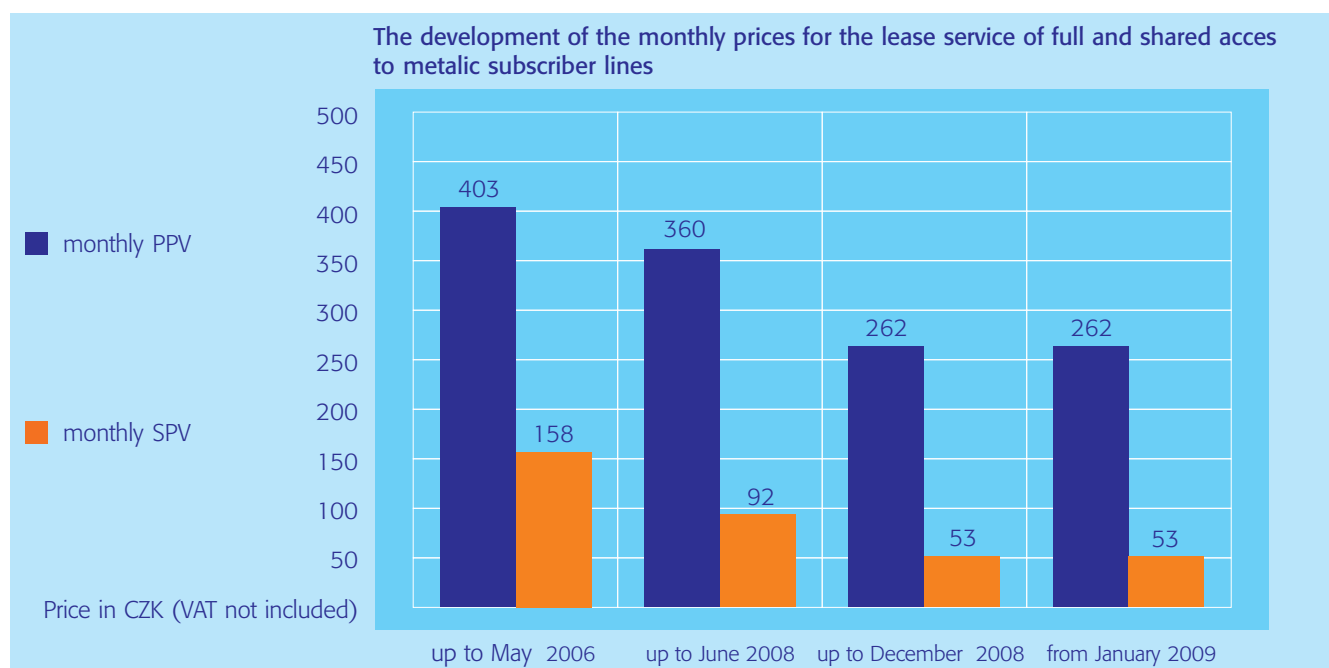
During 2009 the CTO again focused on evaluating price levels on selected wholesale markets that have a fundamental influence on price creation and the development of prices on related segments of the retail market.

### Wholesale Full and Shared Access to Metallic Subscriber Lines

The access one-off prices changed in 2009, and namely instantly starting January 1, 2009, pursuant to the decision of price decision issued on December 16, 2008 (CEN/11/12.2008-13). The development of the one-off and monthly prices for the decisive access services until the beginning of 2009 is shown in the following two graphs.



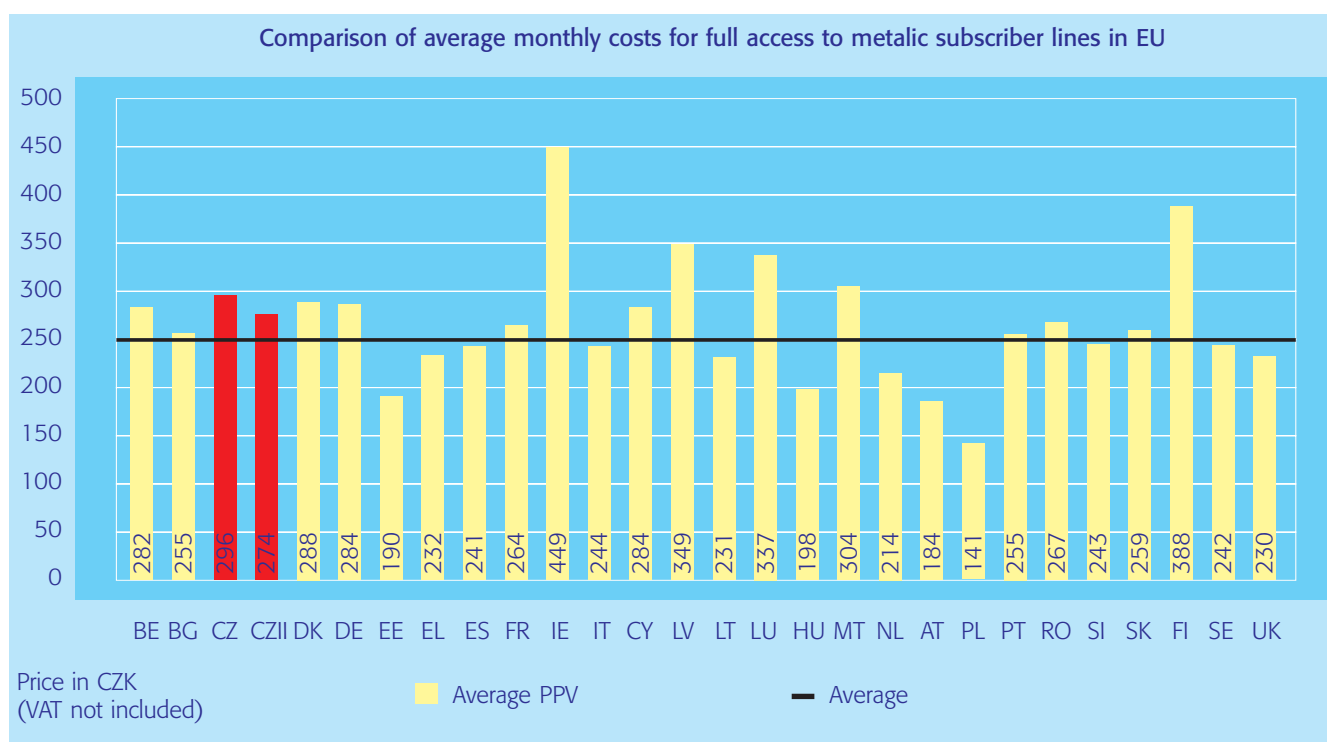
Note: PPV – full access to lines, SPV – shared access to lines



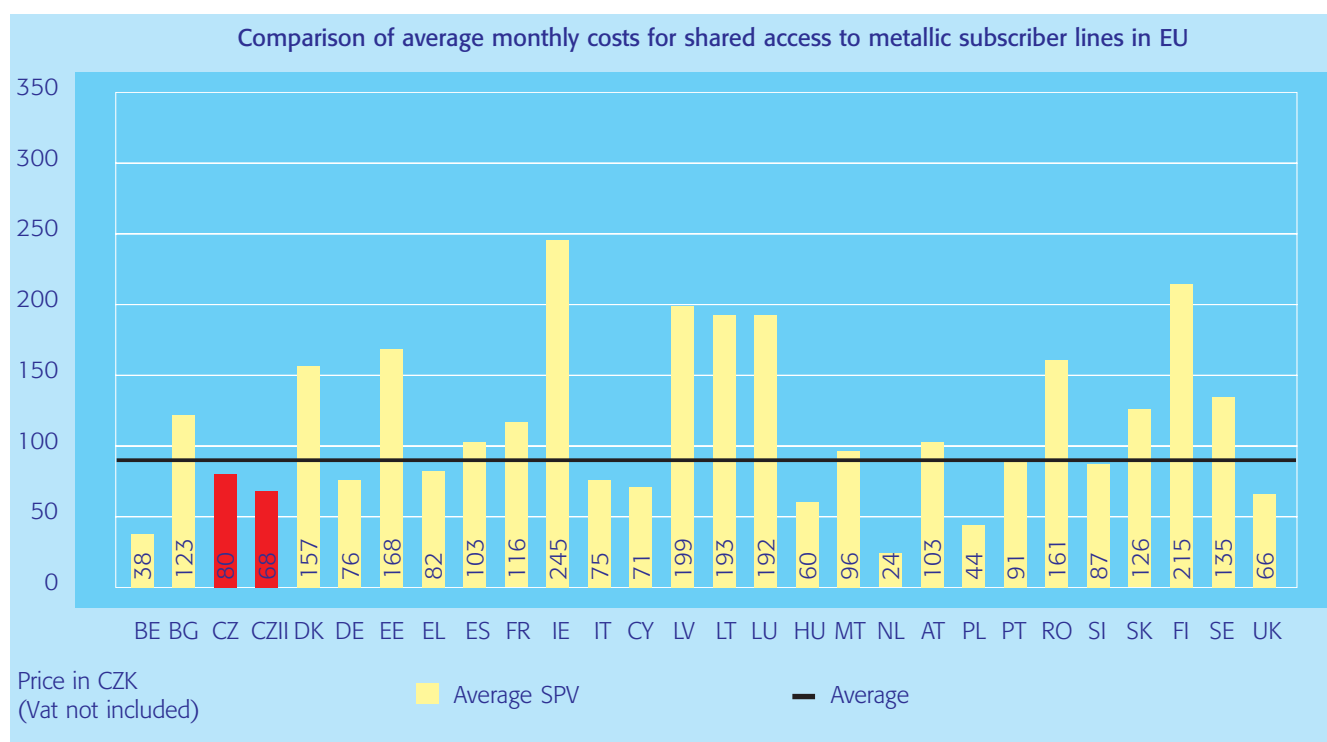
Note: PPV – full access to line, SPV – shared access to lines

The following graphs document a European comparison of the values of the average monthly costs for shared or full access. Because this indicator includes both the monthly price and also part of the one-off price (broken down over 3 years) it represents a more comprehensive overview of the price level for full and shared access in the individual countries. Between 2005 and 2009, as can be seen from the implementation report, the average monthly price for full access fell by 19.8 % (from EUR 12.16 to EUR 9.75) and for shared access by 30 % (from EUR 5.05 to EUR 3.53). In the

same period in the Czech Republic there was a fall in the average monthly price for full access by 44.28 % and in the average monthly price for shared access by 72.3 %. The value for the average monthly costs of full access remains slightly over the European average while, on the contrary, the value of the average monthly costs of shared access under the European average.



Source: 15<sup>th</sup> Implementation Report of the EC, prices from pricing decision for item CZII. Prices which will be in legal force during the year 2010. Exchange rate: 25.41 CZK/EUR on October 1, 2009.



Source: 15<sup>th</sup> Implementation Report of the EC, prices from pricing decision for item CZII. Prices which will be in legal force during the year 2010. Exchange rate: 25.41 CZK/EUR on October 1, 2009.

### Wholesale Broadband Internet Access

At the beginning of May 2009 changes of wholesale offers for ADSL services of the company Telefónica O2, and simultaneously the new conception of retail services for households resting on new possibilities to combine services, became valid. On this wholesale market of broadband Internet

access some important changes took place in connection with the analysis of relevant market No. 5 and imposition of corrective remedies.

On May 11, 2009, the company Telefónica O2 began to offer to its wholesale customers also "the naked xDSL", namely broadband internet access without the



obligation of end-user to refund independently so-called voice tariff (the independent price for the access to the public telephone network). The company Telefónica O2 published its wholesale offer, respecting obligatory two-month advance, as early as at the beginning of March 2009. Therefore, the wholesale services of broadband Internet access are offered in two versions from May, 2009.

The first version of access service is offered with respect to the payment of voice tariff by end-user and with the second version end-users do not pay any voice tariff.

There was the second significant change to the wholesale network access offer from Telefónica O2, namely introduction of a new service with the speed of 3 Mbit/sec. and extension of speeds provided to three (3 Mbit/sec., 8 Mbit/sec. and 16 Mbit/sec.). The new speed is available for CZK 225 without VAT (with voice tariff) or for CZK 430 without VAT (the version "the naked xDSL"). The price of basic services in a new wholesale offer is represented in the following table.

#### Prices of selected services in the new wholesale network access of the company Telefónica O2

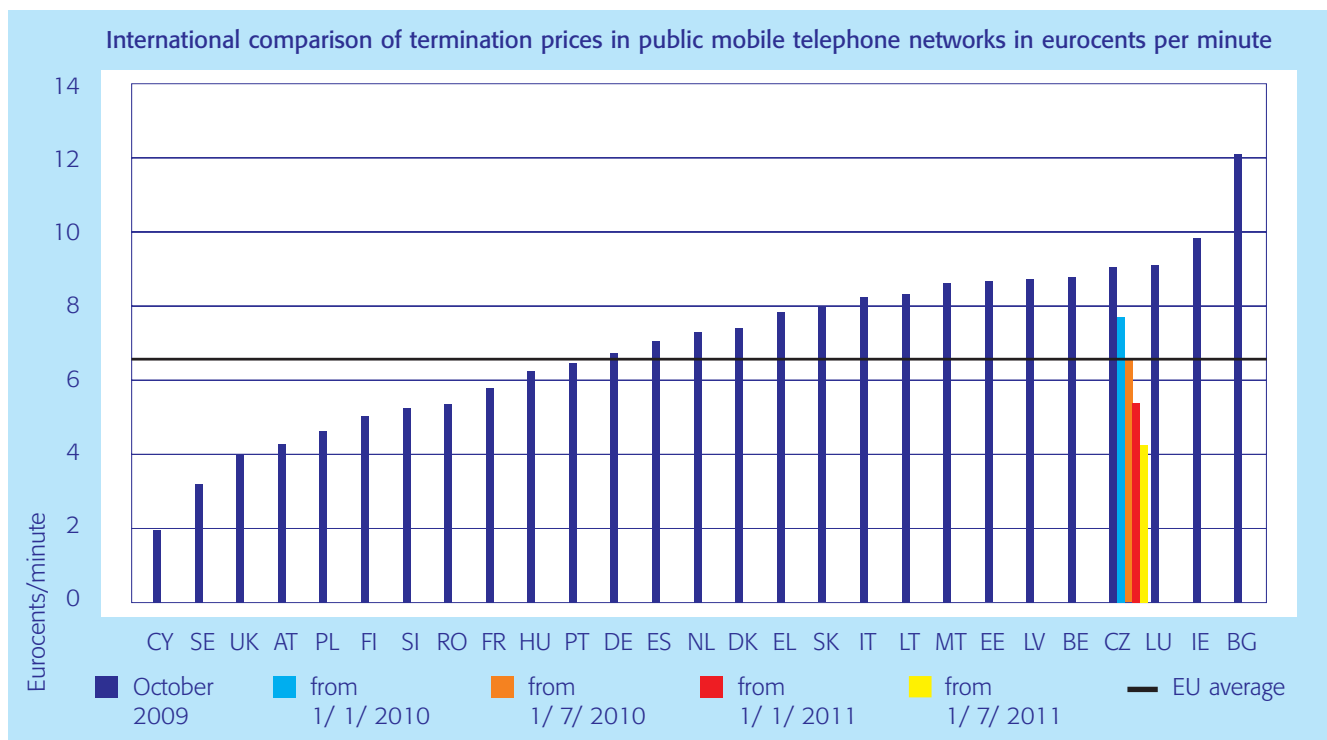
Speed (download) (in Mbit/sec.)	Wholesale access to ADSL, where user pays independently for so-called monthly tariff (in CZK)	"Naked ADSL" (user does not pay for monthly tariff) (in CZK)
3	225	430
8	282	487
16	430	635

#### Wholesale Termination Market in Individual Public Mobile Telephone Networks

During 2009, two reductions of maximum termination prices in mobile networks occurred, namely since February 1, 2009 when reduction from CZK/min. 2.99 to CZK/min. 2.65 took place and since July 1, 2009 when the price was reduced by almost 13 % to CZK/min. 2.31. Another reduction took place from January 1, 2010 when the maximum price was reduced to CZK/min. 1.96.

In the second half of 2009 the CTO started to prepare a new pricing decision which continues in further

reduction of maximum price for termination. This pricing decision will be issued for 3 undertakings with significant market power: Telefónica O2, T-Mobile and Vodafone. The CTO suggests that maximum prices for three consecutive periods are determined in the following manner: from July 1, 2010 at the amount of CZK/min. 1.66, from January 1, 2011 at the amount of CZK/min. 1.37 and from July 1, 2011 at the amount of CZK/min. 1.08. From the comparison with other EU countries (the following graph) it is obvious that the Czech Republic will gradually fall under the EU average.



Source: Working materials for the draft 15<sup>th</sup> EC Implementation Report

## 2.4 Regulation on International Roaming

The Regulation (EC) of June 18, 2009 No. 544/2009 of the European Parliament and of the Council amending the Regulation (EC) No. 717/2007 on Roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC on a common regulatory framework for electronic communications networks and services (hereinafter only the "Regulation") came into force on June 30, 2009. As of that date the Regulation was binding in full and directly applicable in all Member States. This Regulation extended a unified approach for ensuring reasonable prices to the users of public mobile telephone networks when travelling in the Community and modified the rules for prices that mobile operators can charge for the provision of international roaming services within the Community, at both retail and wholesale levels.

Since July 1, 2009, in connection with this Regulation, the prices for outgoing SMS from abroad were reduced in the EU to the maximum of EUR/min. 0.11. Outgoing call in another EU country may not cost more than EUR/min. 0.43 and incoming call may not exceed EUR/min. 0.19. Outgoing roaming calls are charged per second with the possibility of initial set-up interval of 30 seconds, incoming calls are charged per second throughout the whole duration of connection.

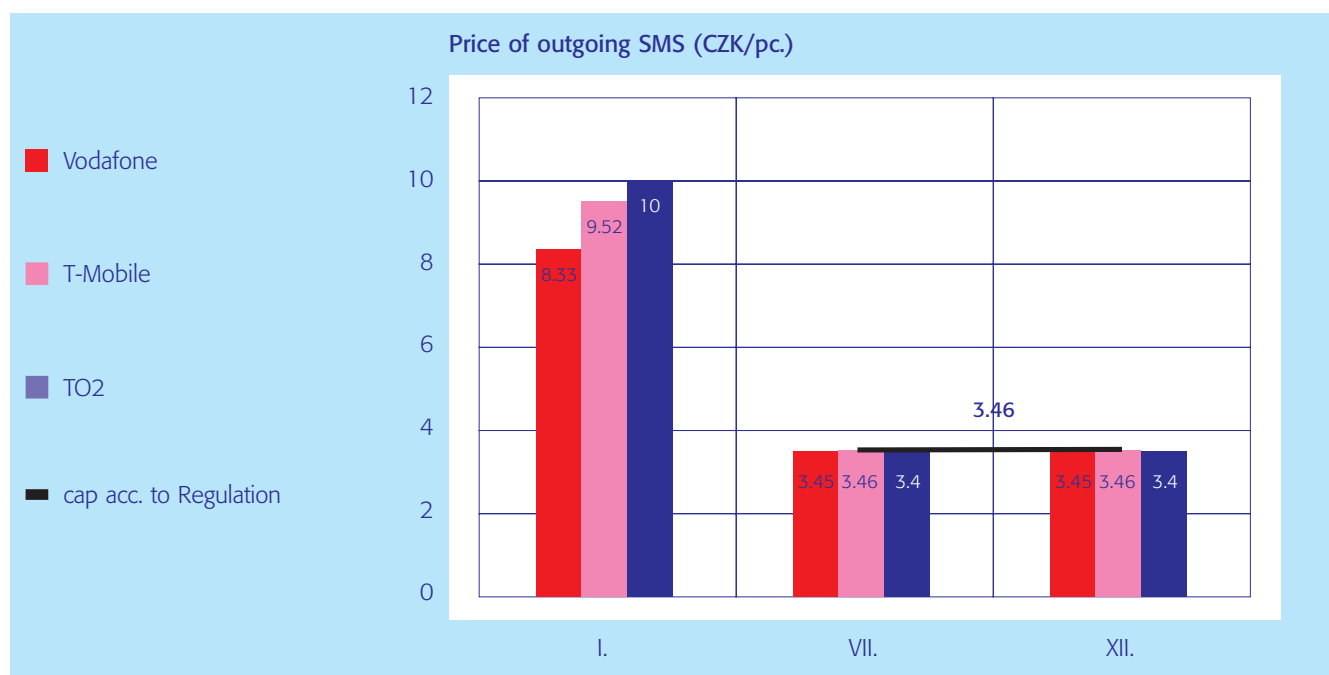
The Regulation, inter alia, also regulates average wholesale prices of regulated voice, data and SMS services and conditions for correct information of customers on type and price of services they employ abroad.

Also in 2009 the CTO participated in the joint activities of all national regulators, in particular in the collection of data and facts on the fulfilment of obligations arising from this Regulation. On the basis of an evaluation of the data collected, the CTO came to the conclusion that the operators are fulfilling their obligations stipulated by the Regulation; however it considers it of benefit to continue to monitor the performance of these obligations. The data collected forms part of the summary report issued by the European Regulators Group (ERG) at the beginning of 2010.

According to information that the CTO has at its disposal, all Czech mobile operators are fulfilling their obligations stipulated by the Regulation hereabove and are preparing to cope with obligatory prescriptions which they must introduce during 2010.

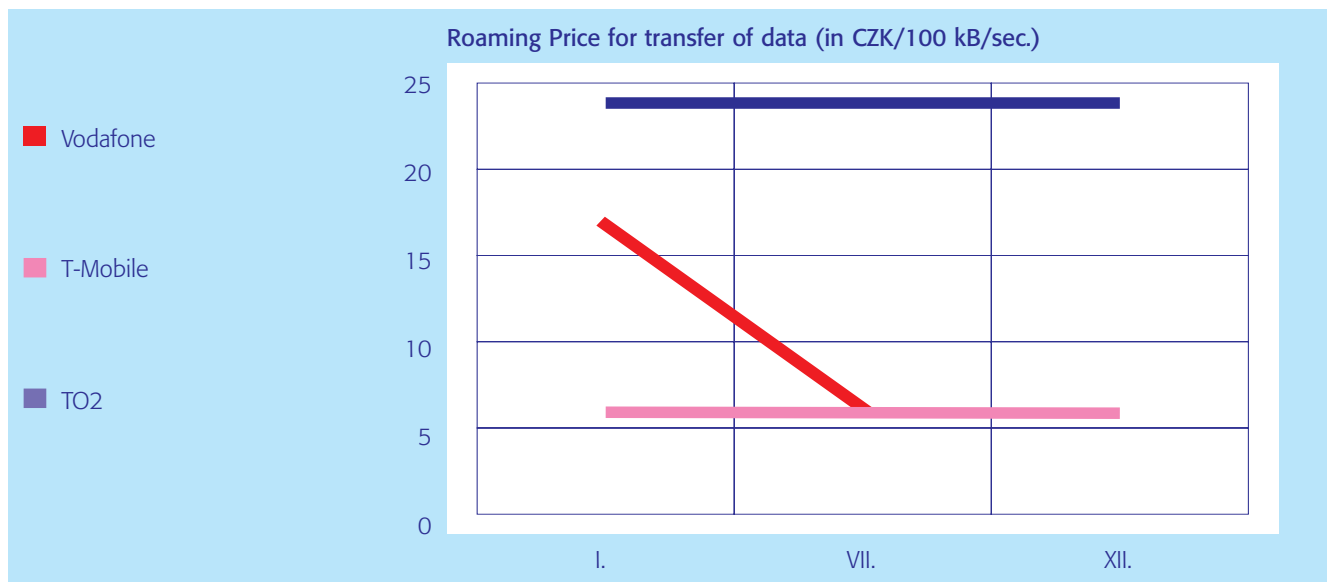
	Up to 30/ 6/ 2009		From 1/ 7/ 2009	
	outgoing call	incoming call	outgoing call	incoming call
<b>Regulated maximum prices</b> (in CZK/min.)	<b>12.98</b>	<b>6.20</b>	<b>13.72</b>	<b>6.06</b>
<b>Vodafone</b>	12.90	6.20	12.90	6.00
<b>T-Mobile</b>	12.98	6.19	12.98	6.06
<b>Telefónica O2</b>	13.10	6.25	13.10	6.00

The Regulation also introduced maximum price cap for the price of outgoing roaming SMS within the EU which shall not exceed CZK 3.46 (including VAT). From the following graph it is evident that none of the three mobile operators exceeded the price cap of a given service.



The Regulation also introduced price regulation for downloading roaming data, however, only at the wholesale level. From the following graph it is evident that in 2009 this

regulation of wholesale prices had an impact on the change of retail prices for downloading roaming data abroad only by the mobile operator Vodafone.



## 2.5 Telephone Number Portability

The extent of telephone number portability service both within mobile and fixed networks is documented hereafter.

Important step in supporting telephone number portability, however, was the decision of the CTO which amended the Measure of General Nature No. OOP/10/07.2005-3, through which it stipulated the technical and organizational conditions for implementation of telephone number portability and fundamentals for charging between undertakings in connection with number portability, as amended (hereinafter only "OOP 10").

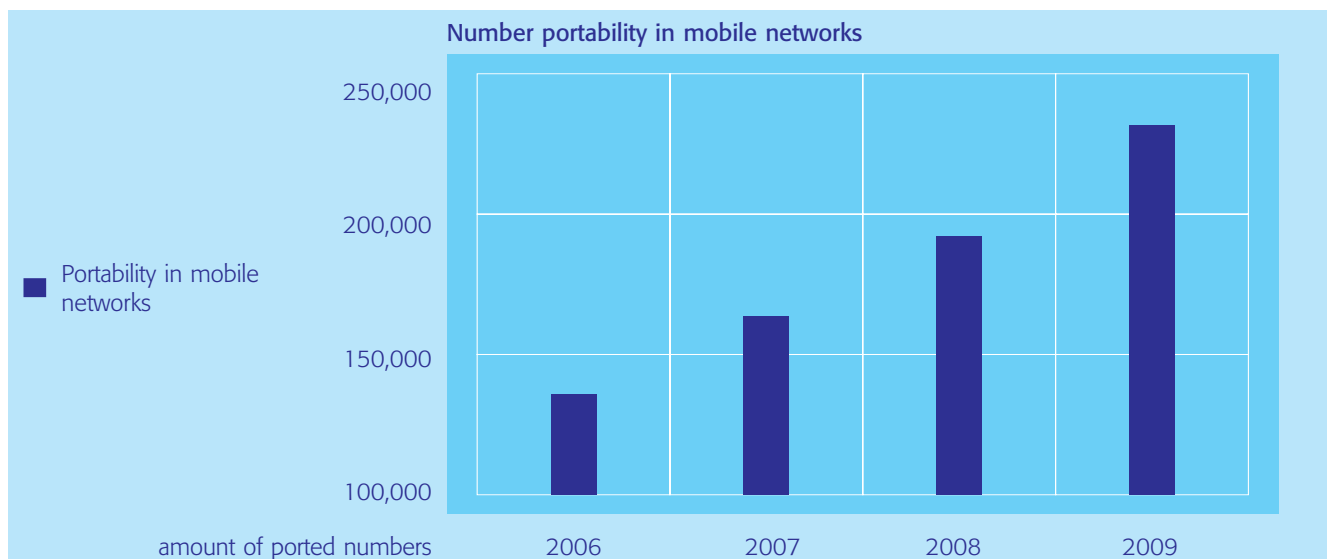
These changes concretely related to processes during the porting of numbers between fixed operators. The procedural deadlines, within which subscriber must notify the operator he/she is leaving about his/her intention to terminate the contract, within which the accepting undertaking must realise technical investigation and within which subscriber must deliver the notice of cancellation of the contract, were shortened from ten to five working days, thereby reducing the total duration of porting of telephone numbers between

fixed operators. In connection with this change other procedural deadlines were put more precisely and some proceedings regulating porting of telephone numbers between fixed line operators were modified.

The amending the Measure of General Nature No. OOP/10/09.2009-10 was published in the Telecommunications Journal, part 16/2009, of September 11, 2009. Changes in processes of porting of telephone numbers between fixed operators entered into legal effect on 120th day of the day the amending measure of general nature was published in the Telecommunications Journal, i.e. on January 9, 2010.

### Number portability in mobile networks

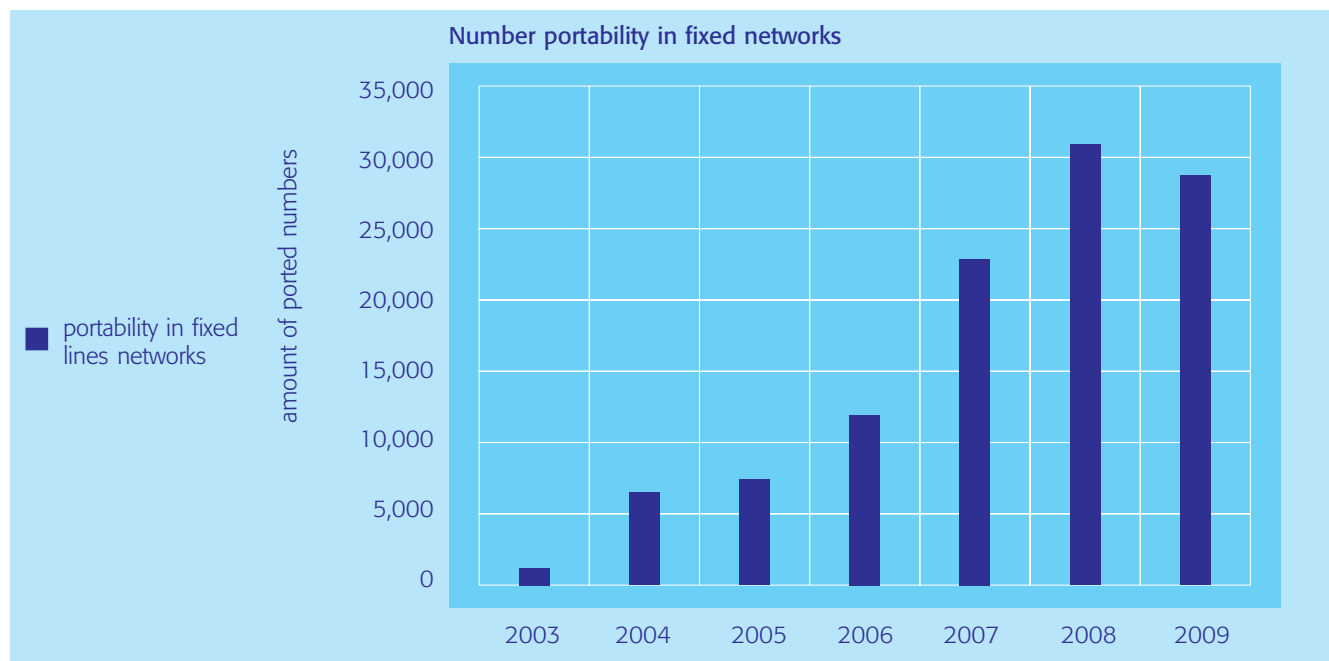
Since the introduction of portability for mobile telephone numbers (2006) a total of 717,972 mobile telephone numbers were ported by the end of 2009. Out of this number 229,917 numbers were ported in 2009 so that there was more than 20 % year-on-year growth in the number of ported mobile telephone numbers in 2009 (See the following graph).



In the case of mobile operators, either no price is charged to subscribers to the publicly available telephone service for the porting of numbers or there is only an activation fee of CZK 1. The prices charged for the porting of a fixed telephone number are stipulated in the price lists of the individual operators and their amounts are fundamentally based on wholesale prices charged between the undertakings. Recipient operators can then pass on to the subscriber either all or only part of these prices, including their own costs.

### Number portability in fixed networks

The number of ported telephone numbers in fixed networks in 2009 on year-on-year basis had fallen by 7 % for 28,922 portings. However, the growth in simple ports on year-on-year basis was reduced by almost 29 %. (See the following graph).



In 2009 the company Telefónica O2 reduced wholesale prices charged between the operators and namely for simple order from CZK 1,057 to CZK 863 what means a decrease by 18.4 % and for a complex order from CZK 2,804 to CZK 1,826 what means a decrease by 34.9 %.

### 3. Evaluation of the Postal Services Market

During 2009 there were no extraordinary changes on the Postal Services Market as compared with the situation in 2008.

Česká pošta, s.p. (hereinafter only "Czech Post") continues to be the highly dominant operator on the postal services market and was granted a postal licence until 2012.

The establishment of other postal operators was permitted on July 1, 2000 when the new Act on Postal Services came into effect. Although, in view of all the competitive advantages of Czech Post (its extensive nationwide branch network, its well-established services with customers, the possibility of using letter boxes and postal stamps, bulk and range savings) competition has so far only appeared in a relatively minor measure.

Possibilities of competition are still limited as a consequence of Česká pošta monopoly for delivery of written messages (letters) of the weight of up to 50 g for the price lower than CZK 18. Originally, this monopoly was to be cancelled before January 1, 2009 as the continuation of full market opening within the EU framework. However, after many meetings within the framework of the preparation of a new wording of the Directive 97/67/EC were held, the originally envisaged deadline of market opening was shifted to January 1, 2011 with the proviso that the Czech Republic is free to prolong this deadline until January 1, 2013.

The postal reform in the EU countries is under way since 1992 already. Its goal is the full opening of the market to the competition. The termination of existing monopoly of state posts should provide a fundamental impulse to the development of competition on this market. On the basis of experience from other countries it is, however, envisaged that for the foreseeable future Czech Post will remain the highly dominant operator in the Czech Republic.

The goal of full opening of the postal market within the EU is establishment of at least certain degree of real competition which will force the highly dominant operators to increase the quality and efficiency.

The Czech Post has been, on a long term basis, preparing itself for the situation that full opening of the market



will come as early as to 1.1.2009. Now, in the new situation of adjournment of the measure the Czech Post must prepare well to the development of the competition. On the other hand, there exists no threat that dramatic changes would occur instantly after this opening. The experience from several countries that have already undergone liberalization shows that in order to achieve this goal a market penetration of 10 % by new competitors is sufficient.

The importance of full opening of the market lies rather in the fact that even such a small competition is sufficient to change the mode of behaviour of the present almost monopoly operator (in our case Czech Post) towards its customers and to care about their needs.

The new legal regulation concerning the postal market leaves to the Member states to decide which method to employ for securing the most important basic services after full opening of the market. In particular, it is the question if those services will be financed using prices paid by customers (this model is envisaged in the Czech Republic), or if those services will be financed from collateral sources.

Competition in basic services (regular consignments, registered mail, packages and postal orders) is as yet only minimal and does not have any real influence on the functioning of the market. The single exception is express and courier services for packages, where the customer can choose from, apart from the Czech Post "EMS package"

service, several other similar services provided by other postal operators.

In direct mail (addressed mail containing advertisements), which is a very dynamic market; there has never been a Czech Post monopoly, unlike the situation in several other EU member states. Thanks to this, in past years effective competition has developed, in particular between Czech Post and Mediaservis. However, even here, Czech Post continues to have a dominant position on this market (estimated at around 80 %).

The company Mediaservis is currently the only other operator apart from Czech Post that is capable of providing deliveries throughout the Czech Republic. Another large operator, TNT Post, is gradually approaching 100 % coverage of the Czech Republic with its own network.

For the development of competition on the postal market the neighbouring market of deliveries of press and non-addressed mail is important (as a rule of an advertising nature – flyers, brochures and so on). For the economic success of the newly established operators it is important that they are able to use facilities, means of transportation and staff in a parallel fashion on both the postal market and also on the market for delivering newspapers and magazines and non-addressed consignments. In this respect it is the company Mediaservis which successfully established itself in the market of deliveries of press (approximately 90 %) what facilitated its expansion on the postal market then.

#### Basic Services Provided by Czech Post (in thousands of units) (2005 to 2009)

Indicator	2005	2006	2007	2008	2009
Number of delivered ordinary consignments	561,600	534,200	575,200	526,900	513,200
Number of delivered registred consignments	107,900	108,000	117,500	114,200	110,000
Number of delivered packages	7,900	10,600	28,700	30,900	11,300
Number of accepted postal orders	100,000	102,000	92,200	101,600	92,600

Source: Česká pošta, s.p.

In the area of postal services discussions continued at international level on the new wording of Directive 97/67/EC on common rules for the development of the internal market of Community postal services and the improvement of quality of service. There have been two regular meetings of the so-called Postal Directive Committee under the European Commission. This committee deals with questions connected with the application of Directive 97/67/EC in current practice. The deadline for the full market opening on January 1, 2011 will mean a fundamental change in the function of the postal market.

#### 4. Transition to Terrestrial Digital television Broadcasting

As a follow-up of successful start of digital television broadcasting in the second half of 2008, the development of broadcasting networks 1 – 3 in 2009 continued in

accordance with the time schedule stipulated in the Government Directive No. 161/2008 Coll., on the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting (hereinafter only the "TPT"). April 2009 saw the first important turning point in transition to digital television broadcasting by termination of existing analogue television broadcasting of the transmitter Praha město. This process then continued in September and October by switching off of analogue transmitters with large output on whole territorial regions Praha and Plzeň. With regard to insignificant number of negative reactions, which the CTO and/or operators of broadcasting networks and/or National Co-ordination Group received from inhabitants of respective regions, it is possible to claim that the audience in the Czech Republic and/or in territorial regions affected by switching off of analogue broadcasting is well prepared for the reception of terrestrial digital television broadcasting. Results of investigations of some reported cases of low-quality reception of digital television broadcasting confirm that in overwhelming majority of these cases low-

quality reception was caused by properties or problems originating inside reception system of claimants.

In connection with termination of analogue television broadcasting the CTO, in collaboration with České Radiokomunikace a.s., performed a large number of measurements on the basis of which evaluation of coverage of individual municipalities by digital television signal in territorial regions affected by switching off of analogue broadcasting was evaluated. The results of measurements and evaluation, as well as resulting conclusions, were ahead of schedule provided to operators of broadcasting networks and operators of existing analogue television broadcasting to serve them as basic documents necessary for evaluation of demands for further coverage of the territory by digital television signal.

As far as the development of broadcasting networks is concerned, in 2009 the greatest development was experienced in the broadcasting network 1 reserved for the broadcasting of a public service multiplex within which supplementary high-output transmitters were also switched on thus exceeding the framework stipulated in TPT.

Simultaneously, in order to reach a high-quality reception of digital television signal in some locations having demonstrably insufficient coverage, first low-output repeaters of digital television signal were installed. Coverage of the population of the Czech Republic by digital television signal of individual digital broadcasting networks has reached, pursuant to calculations executed up to the date of 11.12.2009, the following values: the broadcasting network 1 – 94.3 % of the population, the broadcasting network 2 – 64.2 % of the population, the broadcasting network 3 – 55 % of the population. To finish fully the coverage of the Czech Republic by digital broadcasting of a public service, multiplex transmitters in territorial regions of Jeseník, Zlín and in the area of Pardubice must be installed. The development of broadcasting network 2 and 3 is followed, with some delay, by the development of the broadcasting network 1. The development of broadcasting network 4 was completely discontinued due to absolute absence of customers whose programmes can be distributed in this broadcasting network and during the course of the year operation of some transmitters, which were put in operation before, was even reduced (for example, in Plzeň the digital broadcasting was completely stopped in this network). In broadcasting network 4 in Prague, Brno and Ostrava only one DVB-T transmitter was in operation as per 31.12.2009. In the mode of experimental broadcasting these transmitters broadcast only some programmes and within the framework of this broadcasting also the programs of ČT 1 and Nova with high definition are broadcasted (HDTV).

As a reaction to gradual termination of analogue television broadcasting, the total coverage of the population of the Czech Republic by individual analogue programmes decreased in the following way: programme ČT1 from 99.6 % to 89.1 % of the population, programme ČT2 from 90.8 % to 46.4 % of the population, programme Nova from 97.7 % to 92 % of the population and programme Prima from 73 % to 47.2 % of the population. The substantial decrease recorded with the programme ČT2 has been caused by the fact that radio channels on which analogue programme of ČT2 was transmitted were used for the start of broadcasting

of digital broadcasting network 1 in some locations. On the other hand, relatively low value of decrease with other analogue programmes results from continuing parallel transmission of analogue and digital broadcasting.

In accordance with the TPT the CTO prepared as per March 15, 2009 and September 15, 2009 reports evaluating the process of the transition and the current situation of coverage of the population of the Czech Republic with television broadcasting and published these reports. To inform the population, the results of calculations of coverage, which the CTO performs within the scope of evaluation of the transition, are published also at informational website <http://dtv.ctu.cz>, on which the results of calculations of coverage, exceeding the framework stipulated by the TPT, were updated on top of that as per the deadlines of June and December 2009.

On an instigation from the CTO, during the months of May and October 2009 there was a repeated nationwide survey of the adult population of the Czech Republic over 15 years of age on the subject of the awareness of the population about the transition to digital broadcasting and the readiness of households to receive digital broadcasting. As a standard 1,859 respondents participated in this survey. The basic data resulting from this survey were included in the reports on the course of the process of transition to digital broadcasting. The comprehensive results are available on the CTO's website: (<http://www.ctu.cz/pusobnost-ctu/digitalni-vysilani/celostatni-vyzkum-k-dvb-t.html>).

The issue of the transition to terrestrial digital broadcasting is closely connected with the problems of the so-called digital dividends, which relate to the future use of part of the frequencies reserved for terrestrial television broadcasting released after the transfer of the current analogue broadcasting to digital broadcasting. In this connection the CTO continued in public discussion started as early as in 2008 and in February 2009 organized another workshop (already the third one) on which representatives of some foreign administrations presented their findings from other European countries. Respecting the forthcoming deadline of termination of analogue broadcasting in the Czech Republic and appeals of the European Commission for acceleration of the release of digital dividend, the CTO considers it necessary to prepare all, in particular legislative conditions, which will allow the future use of the digital dividend. Considering the documents endorsed and other intentions of the European Commission the CTO envisages that a national strategy respecting the intentions of the European Commission will be prepared.

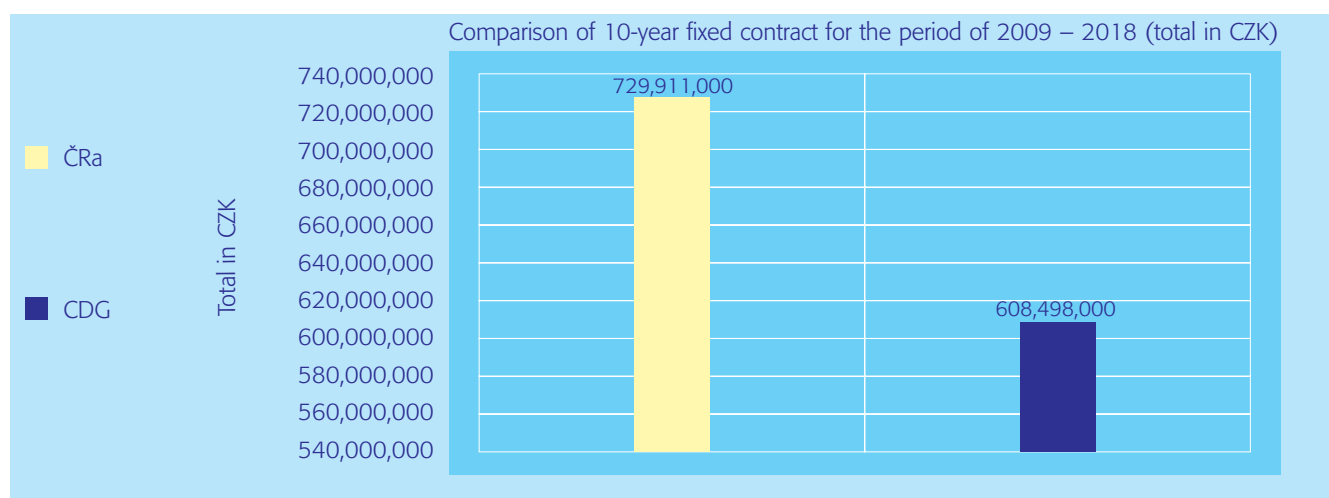
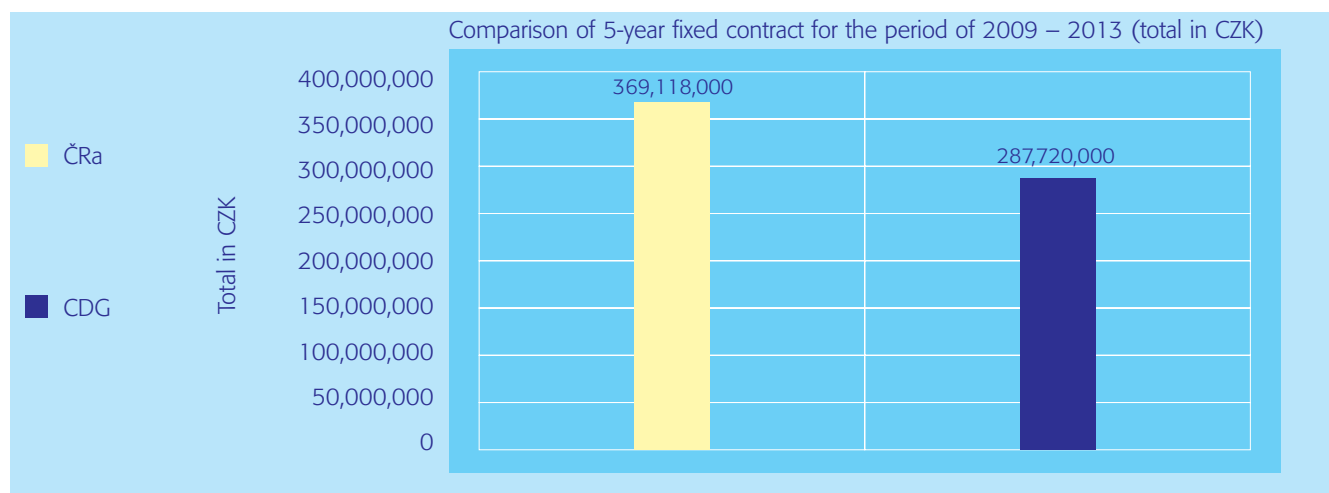
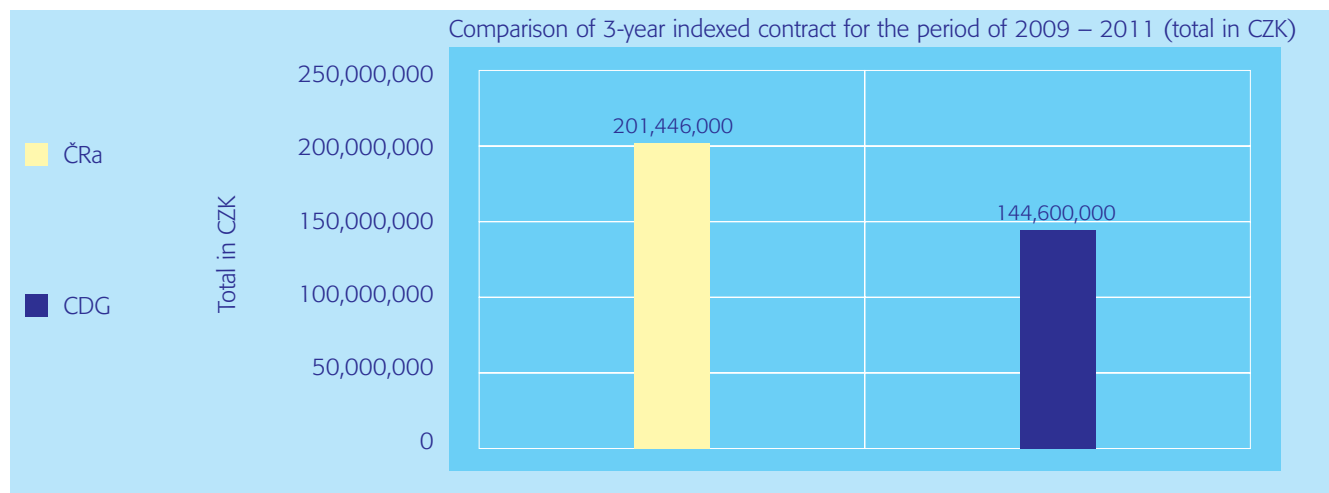
### **The Development of prices charged for the broadcasting of the digital television signal**

During 2009 the CTO also focused on the monitoring of price development for the provision of services of terrestrial digital television broadcasting.

The following three graphs compare the prices applied by broadcasters of television signal, i.e. the companies' České Radiokomunikace a.s. and Czech Digital Group, towards contents providers. There are the contracts for 3, 5 and 10 years with the option of fixed prices or indexed prices. Whereas fixed price does not change during the duration of

commitment, indexed price during the duration of commitment changes under the influence of indexing based

on the development of inflation rate for the previous calendar year.



## 5. The Electronic Communications Services Monitoring Project

During 2009 the CTO continued in a project focused on survey of behaviours of customers in the sphere of electronic communications services entitled "Electronic Communications Services Monitoring Project (MOSEK)". The project was started in 2008.

The survey combined different instruments of obtaining information and its implementation was divided to three parts (information perimeters). Individual parts applied to comprehensive monitoring of satisfaction of citizens and companies with electronic communications services (nation-wide surveys of opinion of citizens and companies), obtaining opinion of selected age group of young generation on electronic communications services and their future development (youth panel) and the confrontation of results obtained with opinions of experts (expert panel). To obtain information from young people aged between 12 to 22 years of age the form of internet interactive panel was used corresponding by its character to acceptable method of survey in this age group. The results of individual parts of the survey were continuously published on web sites of the CTO and in the form of presentation at conferences of experts focused on electronic communications. The information obtained related to the problems of universal service were used by the CTO for the review of universal service and evaluation of necessity for imposing some obligations.

In 2009 the customer survey continued in a lesser extent and its goal was to complement and specify some results from the preceding year. The nationwide survey was focused on selected questions of use of services provided within the framework of universal service, use of services of alternative operators and the use of service packages. The discussion on the youth panel was primarily focused on use of mobile access to Internet network and exploitation of services of radio and television broadcasting. Results of both surveys were submitted to the CTO in the form of presentations.

From the results gathered within the framework of continuation of the project during the course of 2009, the following interesting facts concerning electronic communications market emerged, in particular:

- only a minimum of the Czech population at the age over 15 years has no communication facility available, 2 % of respondents does not have any mobile phone nor fixed telephone line. Two thirds of the population makes calls from mobile phone only, 4 % from fixed telephone line only and more than one fourth employs both forms of electronic communication.
- At the present time less than one third of respondents have a fixed telephone line at home available, similarly as in 2008, whereas 27 % employs this line for voice services only and 14 % for the connection with the Internet network only.
- The share of households ordering package of services with their operator is increasing – in October 2009 it was 22 % as compared with 14 % in May

2008; the main reason is the price. The most frequent combination in the package is fixed line + access to the Internet network. A good perspective would have a combination including services by means of mobile telephone and access to the Internet network. This package (eventually complemented by television broadcasting) registered the biggest interest (17 %).

- Less than one half of respondents have some awareness of alternative operators providing services by means of fixed line, however, only a small percentage of them use these services. The main reason is particularly satisfaction with services of dominant operator Telefónica O2.
- Most of the respondents use for internet connection services provided by wireless Wi-Fi or ADSL, almost 70 % consider their connection sufficiently quick. Most of customers who consider their connection slow, mention loss of time (49 %), slow down-loading (16 %) or delay in work (10 %) as consequences.
- Only 17 % of respondents use mobile Internet connection.
- Some knowledge about the digital radio broadcasting of Český rozhlas in digital television multiplex 1 (multiplex of Česká televize public service) have 51 % of respondents, however, only 14 % is listening to that broadcasting sometimes. 39 % of respondents expressed interest in digital radio broadcasting, 46 % does not know.
- 97 % of respondents are informed about the transition from analogue terrestrial broadcasting to the digital terrestrial broadcasting, however, only 34 % of that number say that they know the reason of this transition. Most of respondents (68 %) heard about television broadcasting with high definition (HDTV) of which 79 % expressed interest in this type of broadcasting.

## 6. Important International Events and CTO's Activities

### 6.1 Czech Presidency in the Council of the EU

From January 1 until June 30, 2009 the Czech Republic presided over the Council of the EU (hereinafter only "CZ PRES"). In the first half of the year main activities of the CTO were influenced by this Presidency and during the Presidency the Office focused on its obligations to support the Ministry of Industry and Trade and the Permanent Representation in Brussels governing all activities associated with CZ PRES in the area of electronic communications networks and services.

During the CZ PRES the CTO organized two international events at top level, and namely:

1. The meeting of the top representatives of European regulatory authorities (IRG/ERG) which took place between 27 to 29 May 2009 (hereinafter only "IRG/



/ERG" meeting). It was a regular meeting of the Independent Regulators Group/ European Regulators Group in which participated representatives of national regulatory authorities of the EU Member states, representatives of regulatory authorities of states – candidates for the EU membership, and representatives of the European Commission (DG INFO and DG Competition). The meeting of IRG/ /ERG is always organised by the presiding country; therefore in 2009 this meeting was for the first time held in Prague. The ninety of participants took part in the meeting.

2. The meeting of representatives of permanent representations of the EU Member states for the sphere of electronic communications held from 22 to 23 June, 2009 (hereinafter "The meeting of permanent representations"). This second international action event was held on the basis of demand a request of Permanent representation of the Czech Republic with the EU in Brussels. In its programme the meeting of permanent representatives discussed, inter alia, a presentation for foreign participants concerning the emergency call number 112; by which the European Commission highly appreciates the way of implementation and solutions applied in the Czech Republic. Participants of the meeting visited the Centre of Integrated Rescue System where they were demonstrated the flawless collaboration between firemen, sanitarians, police and other branches in solving extraordinary situations.

Within the framework of the CTO activities during the Presidency, and after this period in the following part of the year 2009, in the sphere of electronic communications the largest emphasis was put on activities connected with review of the Regulatory framework for electronic communications services and networks from 2002. The European Commission initiated the review as early as in November 2007, however, decisive discussions took place during 2008 and 2009 and resulted in the promulgation of the so-called Telecommunication package including updated Directives of the Regulatory framework for electronic communications services and networks. The CTO was actively involved in negotiations at the level of regulatory authorities of all EU Member states and the European Commission, coordinated the participation of representatives of the CTO in working groups of IRG/ERG, prepared positions for meetings of the Working Group for telecommunications and information society of the EU Council which was engaged in the review of the Regulatory framework for electronic communications services and networks. The CTO collaborated with the Ministry of Industry and Trade and with its foreign partners, in particular with other regulatory authorities for electronic communications.

Within the framework of its responsibility and in performance of its work the CTO participated in other international activities, activities of other international authorities and institutions. The results attained by the Czech Presidency in the sphere of electronic communications were highly appreciated.

## 6.2 The Review of the Regulatory Framework for Electronic Communications Networks and Services

Regulatory framework for electronic communications forms a harmonized package for regulation of services and networks of electronic communications, assigned facilities and supplementary services. It determines tasks of national regulatory authorities and introduces a set of proceedings aimed at harmonized of implementation of the regulatory framework within the whole Community.

The regulations of regulatory framework for networks and services of electronic communications became effective by publication in the Official Journal of the European Union on April 24, 2002. They were transposed into the Czech legal code by the Act No. 127/2005 Coll., on Electronic Communications and amendment of some related Laws (the Act on Electronic Communications).

The European Commission consequently, in accordance with provision concerning review proceedings which is included in each of the relevant directives and pursuant to which the European Commission is bound to review application of the regulatory framework for electronic communications networks and services before July 25, 2006, issued the Communication concerning review of the regulatory framework for electronic communications networks and services as of June 29, 2006. Simultaneously, the European Commission issued supporting working document in which it presented its conclusions on functioning of regulatory framework and its conceptions of necessary changes. It also elaborated evaluation of impacts concerning proposed changes. All the documents were discussed during public consultation lasting two-months.

The legislative part of the review of the regulatory framework was started on November 13, 2007 by publication of proposals of the European Commission and lasted more than two years then.

The main purpose of European institutions concerning the whole revision of regulatory framework was to attain its upgrading and more flexible operation so that it corresponds to new trends and technological development in the branch, particularly the expansion of new generation networks. Besides, at the beginning of the whole process, the following five principal goals, which the European Commission had planned to attain, were defined.

### 1. Radio spectrum management

Changes concerning radio spectrum management can be found in the Authorisation Directive, on the one hand, but particularly, in Article 9 etc. all. of the Framework Directive. The principles of technologically and service neutrality were included in it, too. Also adjustments concerning trading with individual rights of use were extended. The European Commission acquired certain powers to determine the bands in which spectrum trading will be guaranteed. However, other powers, which the European Commission wanted to acquire in the sphere of spectrum management (for example to determine the bands which could be used on the basis of

general authorisation, or to select companies to which certain rights might be granted), were not granted to the EC.

## 2. More effective market analysis

One of the conclusions of the review emphasized that it is necessary to reduce the administrative burden of regulatory authorities and to simplify the process of notification of proposed measures (so-called notifications). To attain this goal the European Commission did not choose amendments of directives but promulgation of recommendations. At first the EC issued a new Recommendation on December 17, 2007 on relevant markets and after that a Recommendation on proceedings pursuant to Article 7 of the Framework Directive. It was promulgated on October 15, 2008 and brought about simplified notification form for certain types of market analyses.

## 3. The consolidation of internal market

In order to consolidate the internal market the European Commission sought to put in force the maximum number of measures leading to harmonization of approaches to regulation and elimination of differences of conditions for business activities in the sphere of electronic communications in individual Member States.

One of the instruments should have been an expansion of the veto powers of the EC in relation to proposals of obligations which regulatory authorities intend to impose on undertakings with significant market power and which at the present time they must submit to the European Commission for comments pursuant to the Article 7 of the Framework Directive. The EC did not get this power. However, where the European Commission has serious doubts concerning compatibility of the proposed obligations with the European Law, the procedure has been included in a new separate Article 7a. The whole procedure is very comprehensive and emphasizes co-operation of regulatory authorities and the European Commission and expert standpoint of BEREC.

The new Regulation establishes BEREC, the Body of European Regulators for Electronic Communications having the task to strengthen the collaboration among regulatory authorities and co-operation with the European Commission, to fix this co-operation in regulatory framework and to strengthen the importance of joint standpoint of regulators. BEREC will be an advisory body without any power to issue binding regulations, nevertheless, regulatory authorities and the European Commission will have to take the utmost account of its opinion.

BEREC will replace the European Regulators Group (ERG) which is an advisory body of the European Commission established by its decision. As soon as BEREC becomes fully operational, the EC will abolish this decision and ERG will cease to exist.

The new regulation further establishes the Office which will provide administrative facilities for BEREC. In view of the fact that this regulation was published in the EU Official Journal on December 18, 2009, BEREC and the Office will exist as early as in the first half of January 2010, i.e. 20 days of the publication. The first constitutive meeting of BEREC is

envisaged for January 28, 2010 and will take place in Brussels. There rules of procedure of both new bodies, budget and other measures necessary for the operation of BEREC and its Office should be endorsed.

## 4. Reinforcement of rights of consumers and users

Throughout the directives is emphasized the brand-new request to secure the availability of comparable services for disabled end-users in the same extent as for the other end-users.

The list of information, which providers of connection to at public communication network and providers of publicly available electronic communications services must provide to a consumer before a contract is signed and subsequently during the validity of the contract, was extended and clarified.

To support the interests of end-users the regulatory authorities will receive new powers on the basis of new directives. Among those new powers belong, for example, the competence to determine requirements for minimum quality of services, to determine procedure regulating numbers portability during the change of service provider etc.

The review of the regulatory framework does not bring about a comprehensive change of the concept of the Universal Service as, for example, introduction of unified system of financing or inclusion of broadband access among services provided on obligatory basis. The European Commission did not propose such changes, however, during the review of the regulatory framework it promulgated, on September 25, 2009, the Communication on the second regular review of the extent of the Universal Service which initiated a wider discussion concerning the future of Universal Service as such. Within the regulatory framework, therefore, the obligation to ensure sufficient speed of connection securing functional access to the Internet still remains. Moreover, the recital No. 6 of the Citizens' Rights Directive contains the information that each Member State can specify for itself the notion of "functional access to the Internet" according to specific characteristics of its national markets.

## 5. Improvement of security

The amendment is heading for the improvement of security in two directions. First of all, there is a new chapter of the Framework Directive called "Security and Integrity of networks and services". Above all, this chapter sets a task for the Member States to secure that operators of public communication networks safeguard integrity of their networks and consequently also the continuity of services provided and that operators of these networks and providers of publicly available services of electronic communications adopt suitable technical and organizational measures that will cope with networks and services security risks. The chapter further determines the system of notification of breach of security and loss of integrity. Also the European Commission may influence the requirements on undertakings by adopting implementing legislation.

The second direction concerns safeguarding of security during personal data processing and protection of privacy in electronic communications. The new definition of

the notion of "the personal data breach" was created and, for example, the system of notification of breach of security was introduced.

Final version of the so-called Telecommunication package was endorsed by the European Parliament on November 24, 2009 on its Plenary Session in Strasbourg. The package of measures for the telecommunications reform includes "Better regulation Directive", i.e. the amendments of the Framework Directive 2002/21/EC, the Access Directive (2002/19/EC) and the Authorisation Directive (2002/20/EC), Citizens Rights Directive amending the Universal Service Directive (2002/22/EC) and the Directive on personal data processing and protection of privacy (2002/58/EC) and the Regulation on the Body of European Regulators for Electronic Communications (BEREC). The Regulation on BEREC entered into force 20 days of its publication in the Official Journal of the EU. The deadline of 18 months was agreed for the implementation of amending directives in national legislation.

### 6.3 Evaluation Report of the European Commission

On its Internet pages the European Commission published its already 14<sup>th</sup> Implementation Report on March 24, 2009. This Report presents the information on the state of the single electronic communications market in the EU and evaluates development in markets of electronic communications, regulation and its impacts on the market in 2008.

([http://ec.europa.eu/information\\_society/policy/ecomm/library/communications\\_reports/annualreports/14th/index\\_en.htm](http://ec.europa.eu/information_society/policy/ecomm/library/communications_reports/annualreports/14th/index_en.htm)).

Each year the CTO participates in preparation of background materials for the Implementation Report and also in 2009 an extensive volume of information, in particular the data about electronic communications markets, radio and television broadcasting, tariffs and indicators of broadband access, were provided.

## Chapter II.

# CTO'S EXPERT AND ADMINISTRATIVE ACTIVITIES

## 1. Domestic Activities

### 1.1 Market Monitoring and Data Collection

Also in 2009 the CTO continued in implementation of the concept of data collection by means of the portal for electronic data collection (ESD). During the whole year all forms earmarked for regularly repeating data collection were placed on ESD portal (particularly for the purposes of analyses of relevant markets, recording of parameters of service quality, information on prices, background materials concerning Universal Service, operational and location information, etc.). The information collected are further utilized by the Czech Statistical Office (hereinafter only the "CSO") for the publication of selected indicators of electronic communications in the CSO Yearbook, are provided to international organizations and serve as a basis for publication of reports about market development.

Portal for the ESD can be reached on the web portal (<https://monitoringtrhu.ctu.cz>). Electronic forms facilitate elaboration of received data by the CTO and simultaneously provide the comfort for entrepreneurs through handing over the data by means of the Internet and other functions as are, for example, checking of transferred data, mathematic functions, sending of information concerning deadlines of handing over of forms, allotment of a new form, etc. Throughout the year works continued on further development of the portal, including in connection with other CTO databases. On the websites of CTO there is a determination calendar together with other information on handing over information for the CTO.

In comparison with previous years the quality of elaboration of the data received from entrepreneurs was increased in accordance with the conception of data collection. The system of the management of quality of data elaboration results from the verification of data transferred as continuation of the data handed over by entrepreneurs in the registration ledger of entrepreneurs administered by the CTO. Within the framework of intense co-operation with the CSO mutual exchange of indicators monitored and experience between the two offices together with their evaluation took place.

The CTO, on a regular basis, published monthly monitoring reports containing summary of the most important events on the market of electronic communications and postal services from the viewpoint of regulator and summary information about decisive activities of the CTO for the past month. The CTO's monitoring reports are published on its internet page.

### 1.2. Price Regulation

#### Price regulation on relevant markets

During 2009 the fourteen price decisions, changing the level of regulated maximum prices of SMP enterprises on original relevant markets, entered into their legal power:

- a) Market No. 8 Call origination on the public telephone network at a fixed location
- b) Market No. 9 – Call termination on public telephone networks provided at a fixed location
- c) Market No. 11 – Wholesale unbundled access (including shared access) to metallic loops and sub-loops for the purposes of providing electronic communications services.

On the relevant market No. 16 – termination of calls in individual public mobile telephone networks the price decisions were promulgated for three mobile operators – Telefónica O2, T-Mobile and Vodafone. These price decisions entered into their legal force on February 1, 2009 and, for the first time, set down gradual reduction of maximum prices for termination of calls in individual public mobile telephone networks in three steps in half-year intervals.

In 2009 the Office promulgated also one price decision in which it cancelled obligation related to the price Directive concerning former enterprise with significant market force on the Market No. 18 – services of broadcasting radio and television in networks of electronic communications rendering contents of broadcasting to end-users of the company České Radiokomunikace a.s.

In connection with remedies imposed on the enterprises with significant market force determined on the basis of results of the second round of analyses of relevant markets, price calculations for termination and origination in public fixed telecommunication networks was made using the method of LRIC (Long Run Incremental Cost) and entry data for this method were verified taking into account recommendation of the European Commission – Recommendation on the regulation of tariffs for termination of call in public fixed and mobile networks (2009/396/EC). Also the calculation of prices for termination of call in public mobile telecommunication networks was effected. When determining the price the Office utilized the calculation according to the FAC method (fully allocated historical costs) taking also good account of the above mentioned recommendation of the



European Commission. The Office also checked entry data of the new calculation for unbundling of metallic subscriber line LLU and collocations.

### Monitoring and inspection in the field of prices

In continuation to the Measure of General Nature No. OOP/14/12.2005-43 the Office, analogically to previous years, published information on current prices and conditions of available services of electronic communications provided to the public in selected services on the basis of demands of individual operators.

Also in 2009 the Office monitored the development of prices of services which are or might be regulated. The survey of price development is published twice a year on the Internet pages of the Office and several times a year it is also a part of monthly monitoring reports issued by the Office.

During 2009 the State performed 14 inspections in the field of prices. The following inspections belong to the most important:

- a) the control of performance of obligations imposed related to the price regulation of enterprise with significant market power;
- b) the control of entry data for the calculation of regulated prices;
- c) verification of calculation of the prices for transmission of digital television broadcasting which are published in retail offers of two entrepreneurs providing the service of transmission of digital television broadcasting;
- d) verification of performance of obligations pursuant to § 55, (1) of the Act whether wholesale prices for transferability are cost-oriented;
- e) verification of cost orientation of one-off prices charged in wholesale for establishment of CPS pursuant to § 55 of the Act;
- f) verification of entries into the price model for determination of maximum prices for unbundling and collocation;
- g) verification of correctness of the sum charged by the company Telefónica O2 for the management of database of subscribers for workplace earmarked for the reception of emergency calls; the inspection was started on the basis of instigation of the Fire Rescue Corps and the Police Presidium;
- h) verification of correctness of documents serving for the determination of contributions at the account of the Universal Service;
- i) verification of correctness of documents serving for the determination of price for the termination and origination at a fixed place by means of the LRIC method.

In connection with notifications of the European Commission concerning consistent application of principles of the Recommendation on the regulation of tariffs for termination of calls in fixed and mobile networks of the EU (2009/396/EC) in preparation of new decisions concerning price regulation on the market of mobile termination, the

CTO decided to begin with the creation of a model for the determination of prices with the help of the method LRIC (Long Run Incremental Cost) with mobile networks. To this end the CTO utilized the opportunity to provide co-financing by means of the Operational Programme "Human Resources and Employment" and, on the basis of the call No. 48 "Effective administrative office", the CTO submitted application to this project on December 15, 2009.

### 1.3 Subscriber Disputes

The settlement of subscriber disputes is one of the most important activities of the CTO within the framework of the protection of users of services of electronic communications.

#### Administrative proceedings in the first degree

In 2009 the Office decided 107,064 subscriber disputes of which the totals of 101,682 of Administrative proceedings were initiated. In the monitored period altogether 72,462 meritorious decisions were issued. The Office decided in disputes concerning payment of price for services (monetary performance) and issued 71,931 meritorious decisions. The Office issued 431 decisions concerning objections against settlement of complaint for service provided and objections against settlement of complaint for charging the price for service provided, of which 314 were decisions dealing with objections against settlement of complaint for charging the price for services.

In comparison with the year 2008, the number of subscriber disputes increased by 37.1 % in 2009. The number of subscriber disputes concerning payment of price for services (monetary performance) increased on a year-by-year basis by 22.9 %. In contrast to that, the Office decided in only one case of subscriber disputes concerning the access to data services with determined price provided on the Internet network or on other data networks (diallers) in 2009. This decreasing trend is particularly influenced by use of modern technologies of access to the Internet network by subscribers/users.

Together with great increase of voice services provided by means of the Internet protocol (VoIP) the Office resolves subscriber disputes concerning objection against settlement of complaint for charging the price for voice services (VoIP) provided in data networks where, owing to insufficient security of VoIP software in exchange, unauthorized and fraudulent penetration into its system took place together with realisation of a large number of international calls which service provider charged to subscriber. Taking into account the amount of damage incurred and also possibility of future repetition of this kind of frauds, the Office informed the public of these facts by means of press release "(tiskové Zprávy)" including measures recommended to minimize impacts of fraudulent behaviour.

The survey of subscriber disputes for 2009 together with graphic demonstration are included in Annexes 1 and 1a) of this Report.

## Administrative proceedings in the second degree

Remonstrances against decisions promulgated, pursuant to § 129, (1) of the Act on Electronic Communications, concerning disputes between providers of publicly accessible services of electronic communications and subscribers or users of these services (and/or their legal successors) on settlement of default payments for service provided, were resolved in 1,028 cases in the year 2009. The subject-matter of this remonstrance in these cases was, in particular, valid or invalid conclusion of contractual fine securing performance of the contract, demonstration of partnership, observation of contractual conditions as far as charging is concerned.

Remonstrances, concerning decisions on other rights and obligations of service providers and their consumers pursuant to the Act on Electronic Communications or on objections against settlement of complaint concerning the amount of telephone bill, were decided in the same period in 130 cases. Also in those cases the subject-matter of this remonstrance was, in particular, dispute concerning the existence or contents of the contract between provider of the service of electronic communications and subscriber or user of these services and evaluation of technical parameters of service provided.

In all categories mentioned here above remonstrances were submitted by both subscribers (users) of publicly accessible services of electronic communications and by providers of those services, and namely in the same proportion. The reason of these disputes were particularly confused and, very frequently, insufficiently demonstrable or unclear terms of contract on the one hand, and insufficient legal consciousness of participants concerning the need to take care of one's rights as early as in the phase of conclusion of contracts, on the other hand.

Last but not least, the number of competency suits (active and passive ones) is still increasing submitted to a special senate established in accordance with the Act No. 131/2002 Coll., at the Supreme Administrative Court, in which the Office claims the competency of the CTO concerning disputes ensuing from rights and obligations of providers of electronic communications (or their legal successors) and subscribers (and/or users and their legal successors) ensuing from the Act on Electronic Communications in matters incorrectly decided by courts, or in which the Office denies its competence if rights and obligations in dispute do not ensue from the Act on Electronic Communications and, despite that, the courts refuse to deal with these disputes and delegate them to the Office. In 2009, one hundred and thirty-nine competency suits were submitted what means that the extent of vagueness in competencies of courts and administrative authority in the field of decision-making process connected with electronic communications is still increasing.

## Complaints of subscribers and users of electronic communications

The Office, within the scope of its competence, settles also complaints of subscribers and/or users of electronic communications. These complaints do not fit in

the definition of complaint pursuant to § 175 of the Act No. 500/2004/Coll., the Administrative Procedure Code, as later amended, (complaints against unsuitable behaviour of administrative persons or against procedure of administrative authority).

During 2009 the Office registered 1,556 complaints of which 363 (22.6 %) complaints were unjustified and the Act on Electronic Communications was not violated, 200 (12.9 %) complaints were not within the legal competence of the Office and 1,003 (64.5 %) complaints were resolved by the Office in proceedings pursuant to the Act on Electronic Communications. In 2009 the Office has registered altogether by 11.1 % more complaints than in 2008. The reasons of the increase of the number of complaints can be seen in rising of number of subscribers on the one hand, and in the offer of electronic communication services with much easier access of citizens to information on the other hand, and/or in the increase of legal consciousness of citizens.

According to the subject-matter of complaints is obvious that most complaints for 2009 were raised in connection with charging the price for service (493 complaints, i.e. 31.7 %). These cases are decided in administrative proceedings pursuant to § 129 of the Act on Electronic Communications (disputes with subscribers).

The number of complaints concerning services rendered within the framework of Universal Service was at minimum level (6 complaints, i.e. 0.4 %). These complaints have their origin rather in the lack of information on the part of subscribers and/or users of the service and/or they do not belong in the competence of the Office.

In 2009 a year on year increase (by 23 %) of the number of complaints concerning reception of TV signal in connection with digitalization of transmission occurred. However, the number of complaints decreased as a consequence of gradual coverage of the territory of the Czech Republic by digital TV signal.

In 2009 increase in the number of complaints took place concerning the service of porting of number in mobile network. This increase was caused, in its major part, by technical troubles connected with introduction of a new customer system CRM (Customer Relationship Management) of the company Telefónica O2. On the basis of complaints as well as its own investigation, the Office promulgated on December 29, 2009 the decision on imposition of fine to the company Telefónica O2 in case of non-performance of conditions of the Measure of General Nature No. OOP/10/07.2005-3 "(opatření obecné povahy č. OOP/10/07.2005-3)" determining technical and organizational conditions for implementation of transferability of telephone numbers and principles for charging of price among entrepreneurs in connection with transferability (porting) of numbers, as later amended. This decision entered into its legal power.

The survey of complaints of subscribers and/or users is given in the table and illustrated in the Annex No. 2 of this Report.

## 1.4 Radio Spectrum Management

Among the most important activities within the framework of the Radio Spectrum Management in 2009 belonged, besides routine agenda concerning decision-making process of individual authorisation to use radio frequencies and provision of radio frequencies necessary for continuation of transition to terrestrial digital broadcasting, also decision-making process concerning rights to use of radio frequencies in the radio band of GSM 900 MHz and the preparation and subsequent opening of public tender procedure for the award of the rights to use of radio frequencies in order to provide full-area network of electronic communications for the provision of the service of terrestrial digital radio broadcasting and mobile multimedia applications within the range of frequencies 1 455.616 – 1 457.152 MHz.

In June the CTO published the proposal of principles and conditions of the above mentioned public tender to be judged in public discussion. On the basis of evaluation of received suggestions final terms of public tender were subsequently determined. Although the public tender was promulgated in accordance with valid legal regulations at the beginning of November, the selection of the best offer, with respect to deadlines determined by the Administrative Procedure Code for public tenders, was not finished before the end of 2009.

During 2009 the transition of terrestrial analogue television broadcasting to terrestrial digital television broadcasting, which started in 2008, continued. Its result was a remarkable extension of the coverage of the territory of the Czech Republic by the signal of the terrestrial digital television broadcasting. More detailed description of the development in this field can be found in the Chapter I, point 4 "The transition to terrestrial digital broadcasting" of this Report. Simultaneously the CTO realised also other activities ensuing from the performance of administration of radio spectrum.

### Decision-making process concerning allocations of radio frequencies

In some frequency bands (particularly the bands earmarked for use by full-area public networks providing public services of electronic communications) it is necessary to determine, in accordance with the Law, so-called limitation of the number of rights to use radio frequencies (licences) for use of radio frequencies. Radio frequencies in these bands can then be used only by holders of licences. In the present time the CTO awards the allocations of radio frequencies on the basis of results of public tender only.

In the first half of 2009 public tender procedures were held in order to award licences for use of radio frequencies to secure operation of public mobile services of electronic communications in standard GSM, and namely, the companies Telefónica O2, T-Mobile and Vodafone acquired the number of channels of frequencies which were in the GSM band released from previous non-civil utilisation. On the basis of terms of contract of declared public tender and its results, the CTO awarded relevant radio frequencies to mentioned subjects and issued relevant licences of radio frequencies.

### Decision-making process concerning licences for use of radio frequencies

Radio frequencies earmarked for civil (non-military) use can be used only on the basis of general or individual authorisation to use radio frequencies. The CTO, within the framework of performance of State administration, awards, changes and prolongates the period of validity or revokes individual authorisation to use radio frequencies. The total numbers of decisions in related administrative proceedings, divided according to individual radiocommunication services, are synoptically presented in the Annex No. 3 of this Report.

Similar to the previous periods it can be claimed that the largest interest remains in radio frequencies with the help of which public services of electronic communications are provided, consisting particularly in wireless access to high speed data services (for example, the access to the Internet) or serving for radio connectivity of base stations of mobile operators. Relatively high number of issued individual authorisation to use radio frequencies in the fixed service is primarily caused by requirements of GSM operators who manage very dense network of radio connectivity and request the Office to change valid individual authorisation to use radio frequencies because of continuing reconfiguration of current radio networks directed at increase of transmission data rate. Operators of these radio frequencies also very frequently ask for prolongation of period of validity of formerly issued individual authorisation to use radio frequencies.

From the point of view of radiocommunication services a slight increase of the number of issued licences occurred, in particular in the field of aeronautical mobile service and amateur service. As compared with previous years the increased number of revoked individual authorisation to use radio frequencies in the broadcasting service was caused by termination of analogue television broadcasting which already took place in two territorial areas.

### Classification of selected fees according to radiocommunication services

radiocommunication services	collected fees (in mill. CZK)
the fixed service	608
the land mobile service	380
the broadcasting service	31
the aeronautical service	3
the maritime service	1
the satellite service	1
<b>total</b>	<b>1,024</b>

In accordance with the Government Decree No. 154/2005 Coll., on Specifying the level and method of calculating fees for the use of radio frequencies and numbers, as later amended, fees in the total amount of CZK 1,024 million were imposed and collected. Changes in individual authorisations to use radio frequencies issued, their withdrawal in particular, were the reason for reimbursement of overpayments in the total amount of CZK 75 million. The total incomes, at the end of December 31, 2009, ensuing



from fees for use of radio frequencies amounted to CZK 949 million. The amount of fees collected increased by CZK 52 million as compared with the year 2008.

Conditions for use of radio frequencies ensuing from general authorisations to use radio frequencies were adapted in 2009 by means of amendments of the following general authorisations to use radio frequencies given hereunder.

- a) General Authorisation No. VO-R/4/05.2009-6, for the operation of data terminals for communication with the help of satellites within frequency bands of 10 to 30 GHz, which entered into legal power on June 1, 2009;
- b) General Authorisation No. VO-R/9/05.2009-07, for the operation of data terminals for communication with the help of satellites within frequency bands of 1 525 to 2 200 MHz, which entered into legal power on June 1, 2009;
- c) General Authorisation No. VO-R/10/06.2009-09, for the use of radio frequencies and for operation of facility having short range reach, which entered into legal power on July 2, 2009;
- d) General Authorisation No. VO-R/23/10.2009-16, for the use of radio frequencies and for operation of fixed line facility in frequency bands of 74 to 76 GHz and 84 to 86 GHz, which entered into legal power on November 1, 2009;
- e) General Authorisation No. VO-R/11/07.2005-21, for the operation of facility of non-public radio networks of terrestrial mobile service for the purposes of railway transport in frequency bands of 150 MHz and 450 MHz, which entered into legal power on January 1, 2010.

### Coordination of frequencies

In connection with awarding of individual licences for use of radio frequencies, domestic, and in determined cases even international coordination of all requested radio frequencies were realised. At the international level 516 international requests were coordinated in the land mobile service, 62 in the broadcasting service (for digital terrestrial TV broadcasting), 74 (for FM broadcasting) and 3 856 in the fixed service (RR fixed lines and PMP systems), all these were coordinating requests from the part of the Czech Republic. Because international coordination relates also to foreign requests which might influence use of frequency spectrum in the territory of Czech Republic, 1 476 frequency requests of administration of neighbouring states concerning terrestrial mobile service, 100 in radio service and 13 663 in the fixed service were reviewed.

Other international frequency coordinations were dealt with within the framework of bilateral negotiations between the CTO and administrations of neighbouring states. More detailed information concerning coordinations within the framework of radio service is listed in Chapter II, Point 2.4 – “Other international contacts – Bilateral and multilateral contacts”.

### Other activities in the field of Radio Spectrum Management

In the middle of 2009 operators of television broadcasting expressed their interest in acceleration of the process of transition to digital broadcasting. In particular, the operators raised the demand to shorten the length of idle period connected with the beginning of digital broadcasting of individual broadcasting networks in individual territorial areas and to shorten the length of the period of parallel broadcasting.

On the basis of these demands the CTO prepared a proposal for adaptation of the current wording of technical plan of transition (TPT) where, except for the problems mentioned above, also changes of some radio channels in some territorial areas were proposed, what would enable to minimize negative impacts on the population ensuing from limited use of transient radio channels limited by time. In some locations transient radio channels were proposed in order to preserve undisturbed analogue broadcasting which was one of demands of operators of broadcasting when TPT was created. Discussions over the prepared plan and any other further demands was stopped with respect to limitations ensuing from contractual relations concluded between operators of broadcasting networks and operators of broadcasting. Therefore the transition to digital broadcasting according to the original time schedule and conditions stipulated in TPT will continue also in the next period.

### Verification of professional qualification

Section 26, (1) of the Act stipulates cases in which professional qualification for the attendance of broadcasting radio facilities is requested and pursuant to § 26, (2) of the Act only persons having valid certification of professional qualification to service those facilities may operate relevant facilities. Testing commissions of the Office verify professional qualification of applicants for general and limited certification of radiotelephonist of aerial mobile service, certification of naval mobile service, and certifications HAREC and NOVICE of operators of amateur stations. During 2009 no changes occurred in Testing questions and correct answers or in synopses of oral examinations. Long-term development shows that the number of applicants for certification of radiotelephonist is increasing, particularly in naval mobile service. More detailed information concerning number of individual types of certifications awarded and also of certifications the validity of which was prolonged by the Office, can be found in the Annex No. 4 of this Report.

### Other Inspection activities in the field of radio spectrum:

- continuous checking of frequency band of 2.4 GHz and 5 GHz regarding observance of conditions in use of frequencies pursuant to general license No. VO-R/12/05.2007-6 amending general license No. VO-R/12/08.2005-34,
- continuous checking of use of radio spectrum in bands of 420 MHz, 170 MHz, 150 MHz after validity of relevant individual license for its use expires,

- continuous checking of frequency band of 300 MHz which, starting from January 1, 2006 is reserved exclusively for military use,
- continuous checking of observance of general licence conditions No. VO-R/2/03.2007-5, for use of radio frequencies and for operation of stations of wireless information systems (BMIS) in frequency band of 70 MHz,
- continuous checking of observance of individual licences conditions for use of radio spectrum of the land mobile service,
- checking of observance of individual licences conditions for use of radio spectrum of the naval mobile service emphasizing use of code of automatic system for identification of the radio stations on waterways (hereinafter only the "ATIS") on the basis of information of foreign regulators (Belgium, Netherlands) concerning non-observance of conditions for transmission of the ATIS Code with some vessels sailing on the territory of these states under Czech flag. The ATIS identification codes are assigned to ship stations by the CTU and ships must use these codes in traffic on specified waterways in the Czech Republic and on waterways abroad, in accordance with relevant authorisation,
- continuous checking of observance of individual licence conditions for use of radio spectrum in the broadcasting service. Inspection of observance of radio transmitters' parameters in the VHF range was executed and focused on aerial measurement of the Office for Civil Aviation,
- checking of observance of General Authorisation conditions No. VO-R/10/10.2008-14 for use of radio frequencies and for operation of short – range devices,
- checking of observance of conditions of General Authorisation No. VO-R/16/08.2005-28 for use of radio frequencies and for operation of facilities operated jointly on determined frequencies ranging from 27 to 450 MHz,
- coverage measurement of territory by the signal DVB-T while driving and at the fixed locations in 587 municipalities in Sušice region, and in Western and Central Bohemian regions,
- measurement of terrestrial analogue television broadcasting signals in UHF band transmitted from the television transmitter Liberec – Ještěd,
- coverage measurement of territory by the signal of analogue and digital television broadcasting in selected municipalities of territorial regions of Plzeň, Ústí nad Labem, Central Bohemia,
- TVP checking in Stříbrná, District Sokolov, after the transmitter retuning in connection with liquidation and transition to DVB-T,
- completing of coverage measurement in the territory by the signal DVB-T with networks No. 1, 2 and 3. Measurement was executed in point houses in selected towns (Chomutov, Jirkov, Holoubkov, Domažlice, Nejdek) focused on the quality of television reception from transmitters Krašov, Klínovec, Chomutov and Ústí nad Labem,
- monitoring of construction of wind-power plants in Krušné Hory and their impact on potential interference of television reception,
- measurement of radio spectrum of 160 MHz, 170 MHz and 385 MHz (Integrated Rescue System) in Hluboká nad Vltavou at the occasion of the Meeting of Foreign Ministers of the European Union,
- checking of interference of meteorological radars of the Český meteorologický ústav (ČHMÚ) at frequencies of 5 630 MHz and 5 645 MHz by operation of WIMAX networks facilities in the range of 5 GHz,
- checking of broadcasting reception (the television signal) in view of interference caused by the operation of facility CDMA operated by the company MobilKom a.s. in the band 420 MHz. The CTO resolves cases of interference in collaboration with the company MobilKom a.s. in accordance with conditions stipulated in license for use of frequencies.

### The automated system of monitoring the frequency spectrum (ASMKS)

The implementation of "The automated system of monitoring the frequency spectrum" (hereinafter only the "ASMKS"), which has been initiated on October 19, 2004 by signature of "the Framework Agreement on the implementation of the project ASMKs in the form of systemic integration", was materially concluded in 2008. On January 27, 2009 "The Final Protocol on hand-over and take-over of the ASMKs" was signed between representatives of the CTO (Client) and ROHDE & SCHWARZ – Prague, s.r.o. (Contractor). During 2009 defects and backlog of work were resolved, particularly as for the application of programme equipment.

At the end of 2009 the activities of management and executive bodies managing the ASMKs project were finished and all other processes necessary for operation of the ASMKs will be realised within organizational structures of the CTO. During the course of the year negotiations with the Contractor and system integrator of the ASMKs project were under way concerning the extent and method of maintenance and support of the ASMKs operation as a whole, however, together with structuring to individual components of the system. On October 6, 2009 the Framework Agreement on the provision of technical support services for the operation and maintenance of the ASMKs (for the period of 10 years) was signed as the principal document forming the extent, time periodicity and financial intensity of individual acts, the continuation of which are implementing contracts for individual years.

As indirect continuation of implemented the ASMKs system the works have been started on the preparation of project for construction of new centre, department of radio spectrum monitoring (OMRS) Karlovice. After the new territorial plan of the municipality has been approved, purchase contract on transfer of real property and establishment of easement affecting real property in question was concluded.



The survey of cases concerning detection of sources of interference is given in the Annex No. 5 of this Report, including graphic formulation.

## 1.5 Number Management

An activity that was provided continuously by the CTO, throughout the year 2009 was making decisions on the requests of undertakings for granting authorisations to use numbers, number series and codes, addresses and names (hereinafter only "numbers"), or on the requests of undertakings for changes, extensions or withdrawals of use authorisations for the use of numbers from the numbering plans pursuant to § 30 and subsequent of the Electronic

Communications Act. Thus 254 decisions on authorisation to use numbers, 70 decisions on changes to authorisations, 47 decisions on extending the validity of authorisations and 96 decisions on withdrawal authorisations were issued in 2009. In the field of number management the CTO issued in total 467 decisions. In all specified cases and on the basis of the Government Decree No. 154/2005 Coll., on Specifying the level and method of calculating fees for the use of radio frequencies and numbers, as later amended use, relevant fees were prescribed and collected (besides administrative fees) at the amount of CZK 114,333,000. Apart from this, in two cases the CTO granted agreement with the transfer of rights arising from authorisations for the use of numbers to another undertaking.

The survey of use authorisations to use numbers issued in 2009 is given in the following table:

Authorisations to use numbers use (Number series and codes, Addresses and Names)		
Access Codes to Services or Networks	Types of Services or Networks	Authorisations issued
1000 – 1059	Carrier selection and Pre-selection Codes (CS/CPS)	2
11 – 19	Shortened telephone numbers for access to services	18
21 – 59	Public fixed telephone network	32
600	Public paging network	0
601 – 608, 72, 73, 77, 7900 – 7999	Public mobile telephone network	1
700, 701	Public network of universal personal telecommunications and access to this network (UPT, UPTAN)	0
800 AB (AB not equal to 00)	Access to services charge to the called party	63
800 AB (A=0, B=0)	Access to services of direct calls from abroad to own country (Home Country Direct)	0
810 – 819, 830 až 839, 843 – 849	Access to services with shared costs	21
820 – 829	Access to services of virtual calling cards	4
840 – 842, 847 – 849	Access to services of universal access number	13
900	Access to premium rate services – in particular commercial, professional, advertising and competition services	24
905	Access to premium rate services – voice services – one-off price for connection	0
906	Access to premium rate services – in particular commercial, professional, advertising and competition services	19
908	Access to premium rate services – voice services – one-off price for connection	1
909	Access to premium rate services – entertainment services for adults	17
910	Public communication networks for the transmission of voice over Internet Protocol	7
93, 960 – 969	Nationwide answering machine service and service of passing of voice messages	0
9500 – 9599	Access to non-public telephone networks	1
971	Access to the Internet via service access provider	4
972 – 974	Access to non-public telephone networks	0
976	Premium rate access to the Internet via service access provider	1
980, 983	Access to virtual private telephone network (VPN)	0
989	Access to virtual private telecommunication network (VPN)	0
MNC	Public mobile telephone network code	0
DNIC	Public data network identification code	0
ExID	Exchange identification number	1
OpID	Identification number of the network	10
ISPC	International signalling point code	4
SPC	Signalling point code	10
IIN	Identifier of card emitter	1
ADMD	Administrative-management domain	0
<b>The total for 2009</b>		<b>254</b>

In continuation to promulgation of the Decree No. 231/2008 Coll., amending the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications as amended by the Decree No. 231/2008 Coll. (hereinafter only "Decree No. 117/2007 Coll."), the CTO prepared the change of conditions for services of carrier selection and pre-selection of operator (services CS/CPS). On January 6, 2009, in Volume 1/2009 of the Telecommunication Journal, the CTO published the Measure of General Nature No. OOP/11/12.2008-19 amending the Measure of General Nature No. OOP/11/10.2005-42 determining technical and organizational conditions for the implementation of carrier selection and pre-selection of operator and principles for charging price among entrepreneurs in connection with selection and pre-selection of operator according to the Measure of General nature No. OOP/11/06.2007-9. Through this change the CTO determined that the number range between 9890 and 9899 earmarked for the access to virtual private communication network (VPN) is not subject-matter of the service of selection and pre-selection of operator pursuant to § 70 of the Act on Electronic communications.

## 1.6 Regulation of Communication Activities

In the course of 2009 the Office paid maximum attention to regulatory rules necessary for the development of networks and services of electronic communications.

### The attitude of the CTO towards Regulation of access networks of new generation

On December 17, 2009 the CTO published on its Internet pages the document called "The Problems of regulation of access networks of new generation (NGA)" which introduces its attitude to problems of these networks. Meaning of this document is to provide information, in particular to subjects operating on the market of electronic communications.

The fundamental materials necessary for the creation of the document were, inter alia, the second version of the Draft Recommendation of the European Commission concerning NGA, joint standpoint of the CTO and the Ministry of Industry and Trade (hereinafter only the relevant Recommendation) and the document I/ERG Report on Next Generation Access – Economic Analysis and Regulatory Principles. The document was discussed on the workshop held by the CTO on November 3, 2009, whereas conclusions of this workshop were also taken into account.

The document should also serve as a foundation for future collaboration and negotiations with authorities of public administration dealing with relevant problems, with entrepreneurs operating on the market of electronic communications and with associations of operators acting in the same field of business.

### Technical standardization

Since 2009, the creation, promulgation and distribution of Czech technical standards is within the

competence of The Office for technical standardisation, metrology and State Quality Control (hereinafter only "the UNMZ") in the extent and under such conditions which are stipulated by the Act No. 22/1997 Coll., on Technical requirements on products and on amendments of some Laws, as later amended.

The CTO was, as the central authority of State administration (hereinafter only the "USU"), gradually included in active co-operation with the UNMZ in the field of technical standardisation (hereinafter only the "PTN") by means of Technical commission for standardisation TNK 96 – Telecommunications (hereinafter only the "TNK"), TNK – 801-USU and Technical commission of the UNMZ for standardisation in connection with the introduction of new telecommunication standards into the collection of Czech technical standards. If any new task is to be included into the PTN and financially covered from the State budget, the proposal for this must be accompanied with standpoint of the TNK and opinion of the USU. In case of the CTO there are, in particular, harmonised standards of ETSI belonging to the field of telecommunications and in a lesser extent also documents of other international organizations, for example ITU, IEC, CEN, CENELEC. The documents are used for safeguarding of integrity, compatibility and security of public communications networks and services and for operation of only such devices which comply with determined technical requirements.

### Standardisation and international activities

The CTO is a full-fledged member of the ETSI in the category of State administration. Within the framework of its rights and obligations the CTO co-operates in creation and endorsement of standards and other documents and provides further mutual collaboration. The CTO also participates in meetings of the General Assembly which is the supreme body of the ETSI.

## 1.7 Regulation of Postal Services

The competence of the Office in the field of Directive of postal services results from the Act on Postal Services.

In the field of postal services there is only one operator which is regulated, i.e. Česká pošta, s.p. This operator received postal licence for the period of 2009 – 2012.

The regulation is focused on the area of so-called basic services. Basic services are the most important postal services (regular consignments, registered mail, packages and postal orders) and international postal services which play irreplaceable role for the whole public. The regulation supervises if these services are provided in accordance with the needs of customers. Among those customers belong de facto all natural and legal persons in the Czech Republic and, therefore, their needs are very different.

The principal tasks of the Office in the field of basic services are the following:

- a) to secure general accessibility of high-quality basic services,

- b) to secure provision of information to the public concerning optimal use of basic services,
- c) to protect customers against negative impacts of dominant position of Česká pošta.

Among regulatory instruments of the Office belong declaration of consent to postal terms under which Česká pošta will offer basic services (their significance consists in the fact that the provisions concerning selected service become contents of contract concluded between a sender and Česká pošta) and determination of basic quality requirements which Česká pošta is bound to observe in provision of basic services (for example, density of post offices, business hours, settlement of complaints, requirements concerning service of handicapped customers and many others).

During the year the Office issued 11 decisions expressing consent with changes of postal conditions. During the year the Office also issued 3 decisions determining basic quality requirements.

With the help of different methods the Office supervises methods by means of which Česká pošta performs its obligations. During the year 2009 the Office performed 14 inspections with 64 premises of Česká pošta. Defects were discovered in all cases. Summary report on fulfilment of obligations imposed on Česká pošta requested by both the Act on Postal Services and the Directive No. 97/67/EC will be published before the end of April 2010.

Moreover, the Office assists the customers with solving their disputes with Česká pošta. There are, in particular, the cases where communication of customers with Česká pošta did not lead to satisfactory solution of the problem or cases where customers feel a certain sense of harm affecting their rights. During the last year the Office processed 325 applications concerning basic services and, where necessary, imposed relevant remedy on Česká pošta.

During the year 2009 the Office imposed on Česká pošta 16 fines in the total amount of CZK 2,292,000 for infringement of legal obligations. During the year 2009 another 26 administrative proceedings were commenced concerning imposition of fine. However, these proceedings have not been terminated before the end of the year 2009.

Among the most serious deficiencies discovered, for which fines were imposed belongs detection of more than 39,000 foreign postal shipments which were stolen and concealed in a hidden place by employee of the post-office Břeclav; unknown person stole mailbag containing postal shipments which post woman left unattended; incorrect delivery of postal shipments to other persons and wide-spread deposit of postal shipments without any attempt to deliver them in addressees' home.

Among competencies of the Office belongs also supervision over observance of statutory monopoly of the Česká pošta from the part of other operators (concerning postal shipments whereas the price for the service is lower than CZK 18 and the weight of postal shipment is less than 50 g). No such a case was discovered in practice so far.

In the field of postal services the Office co-operates with the European Commission. It also participates in regular plenary meetings of The Committee of European Postal Regulators (CERP). Representatives of practically all postal regulators from European countries are present here and representatives of the European Union are taking part in these meetings on a regular basis. The main purpose of those negotiations is mutual consultations among individual postal regulators, various methodical problems of regulatory activities and exchange of experience.

At the international level in the field of postal services continued the negotiations connected with the new wording of the Directive No. 97/67/EC on Common Rules for the development of the internal market Community postal services and the improvement of quality of the service. The deadline of full market opening as per January 1, 2011 will constitute a principal change in the functioning of postal market. Afterwards and continuously, principal changes in its Directive will also happen what will influence the preparation of future Act on Postal Services.

### **The regulation of prices of international postal services**

Pursuant to the Act on Postal Services the Office also regulates prices of international postal services. In 2009 therefore the Office started price control with the Česká pošta focused, pursuant to § 14, (2), (b) of the Act on Prices, as later amended, at verification of correctness of working papers for certification of cost orientation of prices of international postal services valid for the year 2010 including the results of separated registration of costs and revenues connected with the operation of individual services subject to postal obligation.

The survey of principal activities of the CTO in the field of Directive of postal services is given in the Annex No. 6 of this Report.

## **1.8 The Performance of State inspections**

### **The Document registration and inspection of entrepreneurs in the field of electronic communications**

Pursuant to § 14 of the Act on Electronic communications, the Office promulgated 203 certifications confirming that a person wishing to be engaged in electronic communications business fulfilled its obligations pursuant to § 13 of the same Act and informed the Office about this fact. Also 395 certifications were promulgated concerning notification of the change in data specified in announcement of business pursuant to § 13, (6) of the Act on Electronic communications. The Office performs continually inspection of entrepreneurs in electronic communications in order to find out if activity performed is in accordance with the notified activity pursuant to § 13 of this Act.

## Inspection of fulfilment of decisions of the Office

- The State inspection fulfils the decision No. 466/2006-610/II. vyř. as of March 13, 2006 imposing the obligation to the company Telefónica O2 to provide, within the framework of the Universal service, a Partial service – services of public telephone boxes (hereinafter only "VTA"). Seven hundred and twenty-one VTA were checked, i.e. approximately 8 % from the total number of VTA operated within the framework of the Universal service. The inspection stated that only 1 % out of the total number of checked VTA were functionless and did not comply with conditions of the decision (permanent access, free of charge access, call number in place, information about price, emergency calls and information service).
- Inspection of VTA operated within the framework of the Universal service. The inspection was started in December 2009 pursuant to the decision No. 20 583/2008-610/IX. vyř. as of March 25, 2009. The Assessment of the inspection will be realised at the beginning of 2010.
- The State inspection of observance of the obligation of non-discrimination imposed by the decision No. č. REM/12/10.2006-69 in part I. of the clause 3, letter b). Checking of real status of provision of wholesale access for retail service for the company Nakladatelství FORUM, and namely, checking of implementation of the requirement for increase of speed, inspection focused on fulfilment of the obligation to increase the speed of retail products of Telefónica O2 also within the framework of wholesale services provided to other providers in the given period (10/2008 – 03/2009). On the basis of cases submitted and result of the analysis of relevant market, the Office did not find breach of obligation of non-discrimination imposed on the company Telefónica O2 by the decision No.( č. REM/12/10.2006-69) because the company Telefónica O2 proceeded in the same manner both in the settlement of retail and wholesale order.
- The inspection of observance of the obligations and conditions imposed by the decision of the Office No. 22 211/2002-610 as of October 4, 2002, as amended by the Amendment No. 1, No. 22 644/2003-610 as of July 25, 2003 concerning the allocation of Series numerical for national (significant) numbers of public mobile telephone GSM network. The inspection was performed in connection with the fact that since September 1, 2009 entered into its legal force the Decree No. 267/2009 Coll., amending the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications, as amended by the Decree No. 231/2008 Coll. The inspection was focused on contracts concerning provision of publicly accessible telephone service at a fixed location using telephone numbers having network access codes (DNe) pertaining to public mobile telephone network. The inspection was performed with the companies Telefónica O2, T-Mobile and Vodafone.

## Other inspection activities

- The inspection of observance of the obligations imposed by § 70, (1) of the Act on Electronic communications focused on the observance of the obligation to provide the service selection and pre-selection of operator in selected telephone numbers 95x.
- The inspection of identification data of SIM cards identifying emitter of SIM cards with the company Vodafone and Správa železniční dopravní cesty. The problem consisted in use of SIM cards described by numbers identifying emitter of SIM cards which do not correspond to the Decree No. 117/2007 Coll., and the Decision of the Office No. 54 650/5006-610 as of November 10, 2006; pursuant to § 114, (1) of the Act on Electronic communications the Office asked person obliged to remove discovered defects within the determined deadline.
- The inspection of providers of the Universal service (Telefónica O2, T-Mobile and Vodafone) pursuant to § 38, (3) of the Act on Electronic communications managing the database of subscribers against whom they exercise claim as compensation for provision of discount from the price of service of electronic communications and/or peer to peer access to publicly accessible telephone service, in particular, by means of specially equipped telecommunication terminal facilities. The inspection of legitimacy of compensation of this demonstrable loss was done (inspection of documents).

## Inspection activity in the field of use of allocated numbers

In 2009 the Office executed inspection focused on numbers having price expressed with access code of the service (SAC) 90X. Approximately 1,330 of control calls were realised. With the numbers were checked particularly their:

- use in accordance with the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications and relevant decision of the Office concerning the award of the licence to utilize the number,
- use of a number after validity of the decision of the Office, concerning the award of the licence to utilize the number, has expired and/or after the decision of the Office concerning the amendment of the licence to utilize the number (withdrawal of number) has entered into its legal power,
- correct charging of control calls, observation of ATX Codex which has been promulgated by APVTS and APMS. The Office informs the mentioned institutions about the facts discovered provided they are not regulated by the Act on Electronic communications.

Besides this inspection also continuous checks of use of numbers and fulfilment of conditions of the decision concerning use of numbers in testing workplaces were under way. Altogether 640 control calls were executed.



On the basis of finding that holder of the licence for use of numbers (obligatory person ) does not meet the conditions of the licence, the Office asked obligatory person to remove defects discovered within the deadline prescribed pursuant to § 114, (1) of the Act on Electronic communications.

The summary table of the survey of inspection activities in performing functions of State control of electronic communications for the year 2009 is given in the Annex No. 7 of this Report.

### **Collaboration with Česká obchodní inspekce (Czech Commercial Inspection)**

In 2009 collaboration with Česká obchodní inspekce (hereinafter only the "COI") continued pursuant to the Agreement concluded between the CTO and the COI in 2007. This collaboration consisted, in particular, in participation of the CTO's employee in inspections of telecommunication terminal facilities and products employing radio frequencies, introduced in the market. The CTO provides co-operation in verification of radio facilities right in the field or at the measurement of specimen taken during the COI's inspection.

Models of automobiles controlled by radio, wireless earphones, wireless handbells, toys and other similar transmitting facilities can be operated in the Czech Republic on frequencies specified in relevant general licences for use of frequencies or operation of instruments. These frequencies for the above mentioned facilities are identical for the whole of Europe.

Any facilities operating in inappropriate frequency ranges, which are imported in the Czech Republic and introduced on the market, are violating the Act No. 22/1997 Coll., on Technical requirements for products and amendments of certain Laws as later amended.

In 2009, in contrast to the previous period, was registered a large-scale sale of wireless handbells in frequency ranges between 230 – 350 MHz which may jam equipment working on frequencies reserved for the Ministry of Defence of the Czech Republic.

Frequency bands in the Czech Republic, which are determined for transmission of models controlled by radio, wireless earphones and microphones, wireless handbells, toys and other similar transmitting facilities are specified in relevant general licences published on the internet pages of the CTO.

Operation of these facilities without licence for use of radio frequencies may bring about jamming of operation of electronic communication facilities and networks, problems with provision of services of electronic communications or operation of radiocommunication services. Discovered defects were resolved by the the COI within its competence.

### **1.9 Making Decisions of Disputes between Entities Performing Communication Activities**

Concerning the problems of decision-making of disputes among persons engaged in communication activities pursuant to § 127 of the Act on Electronic communications, in which the Chairman of the CTO's Council decides in the first degree, its is possible to claim that in 2009 the number of newly commenced disputes, as compared with previous period, remains constant. In total 11 new proposals for the commencement of disputable administrative proceedings were filed with the CTO in 2009 pursuant to § 127 of the Act on Electronic communications and administrative proceedings commenced in 2008, which remain unfinished so far, continued.

During the course of 2009 the sixteen decisions in total were promulgated by the administrative authority of the first degree in disputable administrative proceedings. Of which number 12 administrative proceedings were terminated with final ruling whereas in 11 cases proceedings were terminated with final ruling of administrative authority of the first degree and in one case decision of the administrative authority of the first degree was confirmed by the ruling of the administrative authority of the second degree. In three cases decisions promulgated in 2009 were on the basis of appeals against the decisions of administrative authority of the first degree abolished and the cases were returned to this authority for new proceedings. The relevant administrative authority will take new decision on these disputable administrative proceedings at the beginning of 2010. In case of one proceeding, the deadline for filing appeal against decision promulgated has not yet expired. In case of another 7 disputable administrative proceedings, which were commenced in 2009, no decision of administrative authority of the first degree has been promulgated. In 4 cases administrative proceedings were interrupted at the request of participants and in remaining 3 proceedings the decision will be promulgated at the beginning of 2010.

The information given here above make it clear that in 2009 the CTO's Council, in the position of the administrative authority of the second degree, took decisions (on the basis of recommendation of the Commission of appeals of the CTO's Council) concerning 4 remonstrances filed against decisions of the Chairman of the CTO's Council in disputes among persons engaged in communication activities.

In the course of these disputable administrative proceedings the CTO executed and evaluated material evidence submitted by participants of proceedings in order that these proceedings can be terminated by the final ruling as soon as possible. However, in some cases the deadline determined by the Law for promulgation of the decision on the merit cannot be observed and is therefore exceeded because of obstructive behaviour of individual participants of proceedings.

Final rulings promulgated in administrative proceedings judged on the basis of § 127 of the Act on Electronic communications in cases of disputes among persons engaged in communication activities are available on the website [www.ctu.cz](http://www.ctu.cz).



### 1.10 External Legislation

In the field of external legislation the CTO in 2009 prepared and applied, taking into account the Legislative Rules of the Cabinet, comments on drafts of legal regulations and other materials, of conceptual or evaluative character in particular, the contents of which had reference to the CTO's field of activity. The CTO implemented this activity both within the framework of interdepartmental commentary proceedings and often as a member of different preparatory working groups at the interdepartmental level, created for the purpose of implementation of relevant tasks of State authorities.

Among the principal legislative tasks of the CTO in the field of external legislation in 2009 belonged the participation of the Office in the legislative process of amendments of the Act on Electronic communications and also in the preparation of amendments of implementing legal regulations to this Act. In 2009 the CTO also participated in processes of some amendments of the Act on Postal Services. During these activities the CTO closely collaborated with the Ministry of Industry and Trade of the Czech Republic and also with other State authorities and relevant public.

Specific laws and legal regulations implementing laws, with the help of which amendments of legal framework in the field of electronic communications and postal services were executed in 2009, are given in Chapter I. of this Report.

Out of these laws and implementing legal regulations in the field of electronic communications it is necessary to draw particular attention to the Act No. 227/2009 Coll., amending some Laws in connection with the endorsement of the Act on Basic Registers. Out of implementing legal regulations to the Act on Electronic communications the following changes endorsed are important:

- Government Decree No. 228/2009 Coll., amending the Government Decree No. 154/2005 Coll., on Specifying the level and method of calculating fees for the use of radio frequencies and numbers, as later amended, use
- Decree No. 267/2009 Coll., amending the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications, as amended by the Decree No. 231/2008 Coll.

The impact of the above mentioned Directives in more details is given in Part 1.1 of this Report.

In 2009 the Ministry of Industry and Trade also prepared amendment of the decree and/or a new decree to implement § 97, (4) of the Act on Electronic communications (at present time the Decree No. 485/2005 Coll., on the Extent of operational and localisation factors, period of their storage and form and method of their handover to authorities which are authorized to use them). In view of the fact that legal regulation of the Decree No. 485/2005 Coll., is narrowly connected to legal regulation of the Decree No. 486/2005 Coll., determining level and method of defrayment of effectively spent costs for establishment and safeguarding of interface for connecting of termination telecommunication equipment serving for monitoring and recording of reports, for storage and provision of operational and localisation data

and for provision of information from databases of subscribers of publicly accessible telephone service which is issued by the CTO, the CTO participated in commentary process of the submitted proposal of changes. However, the legislative process was not finished in 2009.

The legal regulation of a principal character in the field of postal services is the Act No. 285/2009 Coll., which amends some Laws in connection with endorsement of the Act on System of Payments which is the continuation of legal Directive introduced by the Act No. 284/2009 Coll., on System of Payments and amends, inter alia, also the Act on Postal Services, concretely a part of § 18, (2). Pursuant to new legal regulation the postal licence and/or special postal licence is a prerequisite for operation of postal service the purpose of which is delivery of document or newly also money amount sent by money order.

Concerning general competence of the CTO as administrative authority, it is worthwhile to mention its active participation in the preparation of the new legislation in the field of implementation of State control, which is not regulated by the Act No. 552/1991 Coll., on the State control, as later amended. The CTO already took part in the works of inter-ministerial working group at the CR (hereinafter only "Ministry of the Interior") which was active in 2008 in particular, but also within the framework of inter-ministerial commentary process concerning the draft of the new accompanying law amending some related Laws (including the Act on Electronic communications and the Act on Postal Services) which took place in 2009. The goal of prepared new legislation is creation of unified new legislation which would operate across individual fields of implementation of State administration and which would, in the maximum extent possible, unify proceedings of individual administrative authorities during performance of State control. Thereby larger legal security of controlled public would be reached.

Another important issue was the involvement of the CTO in the process of creation and implementation of the concept concerning problems of unification of legislation of proceedings of individual administrative agendas having minimum exceptions and variations in the amendment of the Act No. 500/2004 Coll., the Administrative Procedure Code, as later amended. In this respect the CTO tries to practically apply requirements of a given concept by means of its proposals within the framework of the so-called comprehensive amendment of the Act on Electronic communications.

In this context it is necessary to mention participation of the CTO in another project concerning reduction of administrative burden of entrepreneurs by existing legislation. Here also the CTO tried to practically apply requirements of a given concept by means of its proposals within the framework of the so-called comprehensive amendment of the Act on Electronic communications.

The CTO also tried to actively participate in the legislative process within the framework of activities of the Panel for regulatory reform and effective public administration, particularly of its working body – the Committee for control of quality of regulatory assessment (RIA). These bodies were created by the Government Resolution No. 927 as of August

22, 2007 for the purposes of implementation of the process of discussion and evaluation of legislative materials prepared by central administrative authorities taking into account evaluation of quality of regulatory impacts prepared. Within the framework of activities of these authorities the CTO raised principal comments concerning submitted materials of a legislative nature.

The CTO is also engaged in the system of allocation of competences and fulfilment of legislative obligations ensuing from the membership of the CR in the EU – Information system for approximation of Law (ISAP) serving for registration and control of fulfilment of obligations of authorities of State administration in implementing the Law of the European Union. In 2009 the CTO duly performed its obligations connected with this system and no serious defects were found on its part, both in the material and documentary sense.

### Other legislative activities of the Office

Besides implementing legal Directives, the Act on Electronic communications envisages also promulgation of other acts of a normative nature, so-called measures of a general nature by means of which the CTO determines further conditions for the performance of communication activities or executes analyses of relevant markets. In 2009 the CTO promulgated in total 19 measures of general nature. Individual measures of general nature are specified in more detail in relevant chapters of this Report. The summary of promulgated measures can be found in the Annex No. 8 of this Report.

### Other information

During 2009 the CTO's Council endorsed amendment of the Signing Rules of the CTO the purpose of which was to modify authorisations to sign documents on behalf of the CTO, with respect to execution of acts and decision-making process in administrative procedures in particular. The amendment in question is significant mainly as far as the public is concerned, because in accordance with relevant legal regulations individual natural responsible persons are appointed together with the scope of their competencies to act, and namely not only as far as their relation to the CTO's activities as the administrative authority is concerned but also as organizational units of the State.

In the area of another internal legislation of the CTO, altogether 9 internal regulations were promulgated in 2009 regulating new issues or intervening in a more comprehensive manner into the current regulations. Besides, some partial amendments and changes of prior obligatory instructions of the CTO through which internal legislation responded not only to changes of legal regulations but to the needs for optimization of setting of the CTO's internal processes in particular.

## 1.11 Crisis Management and Security

The activities and principal tasks of the CTO in the field of crisis management were focused on the application of statutory provisions of the Act on Electronic communications No. 127/2005 Coll., and amendments of some related Laws, in activities of subjects providing support of electronic communications for the needs of security a defence of the country.

In the month of March, pursuant to § 97, (11) of the Act on Electronic communications, the process of collection and elaboration of data necessary for creation of "The Registration of operational and localization data provided by juristic or natural persons to competent authorities" was finished. Documented registration data of a statistical nature were subsequently sent to relevant authorities in the European Commission.

The amendment of the Act on Electronic communications, which is now in the stage of preparation, also reflects changes in the field of "security, integrity and provision of services in the situation of crisis", and these changes has been proposed by the CTO in collaboration with the Ministry of Industry and Trade. Within the framework of other legislation proposals and tasks ensuing from the EU Directive No. 2006/24/EC, the CTO participated in elaboration of answers in the questionnaire of the European Commission related to the issues of "Data retention" in quantitative and qualitative context.

In accordance with tasks imposed on the CTO in § 88 and § 99 of the Act on Electronic communications, three comprehensive inspections were executed with telecommunication companies INTV spol. s r.o., UPC Česká republika and Mobikom a.s. The inspection was performed in the field of protection of operational and localization data and safeguarding of electronic communications during periods of crisis. Remedial measures were imposed on companies UPC Česká republika and Mobikom a.s. consisting in completing of technical-organizational regulations for data protection and of technical-organizational rules pursuant to the Measure of General Nature No. OOP/9/07.2005-13.

In 2009, under active participation of the CTO, meetings of the Committee for Civil emergency planning (hereinafter only the "VCNP") and its working group took place. The tasks of the CTO were fulfilled, in particular, it concerned mainly contribution for the preparation of security of critical infrastructure of electronic communications of the Czech Republic as continuation to EU Measure, prevention of potential crisis in the field of gas deliveries and elaboration of documentary data in the VCNP plan for 2010.

The CTO also participated in meetings of the Committee for Defensive Planning which discussed amendment of "The Dictionary of Terms from the field of crisis management and planning of the State defence." Similarly, "Starting data for the CME Exercise 2009", managed by the EU security authorities, were discussed and submitted to further process of approval. The CTO representatives participated in the preparation and amendments of both documents as well as in implementation of CME Exercise 2009.

By means of employees of crisis management the CTO is also represented in inter-ministerial professional working group with the Ministry of Defence of the Czech Republic (hereinafter only the "MO"), appointed for the purposes of elaboration and updating of "The Plan of operational readiness of the territory of the State". Within the framework of the Plan the non-military infrastructure is defined, the parts of which are communication and information systems. The Plan encompasses the co-operation between the MO and the CTO in the field of the management of frequency spectrum, execution of State administration and the ASMKs and it also includes co-operation of entrepreneurial subjects in the field of electronic communications within the framework of defence planning. The CTO also participated in specification of "Objects important for defence of the State" and "Objects which might be attacked in the situation of danger for the State or under state of war".

As a follow-up to the amendment of the National system of reaction to crises, new catalogue sheets were elaborated on the basis of instructions of competent ministries regulating activities of the CTO during military and non-military crisis situations. Also the Plan of communication, fire rescue plans of individual units of the CTO were updated together with measures focused against pandemic or epidemic. The CTO also participated in updating of the National action plan of fight against the terrorism. The documents mentioned are the part of updated Crisis plan of the CTO.

On the university campus and together with security units of the State the representatives of the CTO took part in some meetings focused on "Cybernetic security". The cybernetic security on the territory of the Czech Republic can be generally assessed as undervalued and potential assault on information and communication systems may have unpredictable consequences in all fields of the society life. The CTO is prepared for further collaboration in this field, in particular in coordination of mutual ties between the State administration and entrepreneurial subjects in electronic communications.

During short-term flash floods in June 2009, the CTO checked, through the Department of crisis management, information necessary for safeguarding of integrity and security of networks with six dominant providers of services of electronic communications and Česká pošta. The floods caused momentary local drop-outs in provision of services of electronic communications and almost all providers were affected by these floods. In majority of cases the reason of drop-outs was interruption of supplies of electrical energy. With regard to configuration of networks in the territory of the Republic, total drop-out of these services did not occur. Among the most inflicted regions belonged East and North-East of the Czech Republic.

The economic measures valid for the crisis situations in the field of electronic communications were performed in line with instructions and plans which were sent to the CTO by the Chairman of State material reserves. The CTO collaborated with the Ministry of Industry and Trade on further reduction of emergency reserves deposited in storehouses for the purposes of provision of necessary supplies of technology for reconstruction of telecommunication networks in the amount of approximately CZK 34 million. For the

purposes of substitution of dissemination of digital broadcasting (television signal) the project of reconstruction of middle wave radio station (container version) to mobile digital television transmitter is under preparation in the total amount of CZK 5 million. The implementation of this project (within the competence of the Ministry of Industry and Trade and the CTO will depend on allocation of financing means from the State material reserves in years 2011 – 2012. At this occasion the inspection of emergency reserves in Litovel was performed.

The protection of secret information within the CTO was secured in accordance with the Act No. 412/2005 Coll., on Protection of Classified Information and security qualification as later amended, and focused on personal, administrative and physical security. The National Security Office performed inspection with the CTO in this field. The inspection did not discover any principal defects and the CTO executes protection of classified information in accordance with the above mentioned Act.

On behalf of the CTO the Department of crisis management provided collaboration during the implementation of the European satellite locating system Galileo. In collaboration with the Department of State Control of electronic communications, the requirements for the use of this system in the CTO and in telecommunications, and namely in security applications of Galileo, in particular of the Public Regulated Service and Safety of Life (SoL), were lodged. Also the participation of representative of the CTO in the Coordinating Council of the Minister of Transportation for global navigation satellite systems was provided.

## 2. The CTO's International Activities in 2009

The main activities of the CTO were represented by the performance of obligations ensuing from the regulatory framework of the European Union for electronic communications networks and services and from the regulation of post offices. They included involvement in a number of bodies, in particular in the Independent Regulators Group (IRG), the European Regulators Group (ERG), the Communication Committee (COCOM), the Radio Spectrum Policy Group (RSPG), the Radio Spectrum Committee (RSC) and the Committee for the Assessment of Conformity and Control of the Market of Telecommunication facilities (TCAM). Among important activities in 2009 belonged the co-operation with the Ministry of Industry and Trade on the review of the regulatory framework and during the Czech Presidency over the European Union. The CTO provided, for example, the co-ordination of analyses and preparation of viewpoints of the CTO to legislative proposals of the European Commission, the participation of experts in working groups during the Czech Presidency in CZ PRES, notification duty pursuant to Article 7 of the Framework Directive, the co-ordination of participation in working groups of IRG/ERG, preparation of viewpoints for plenary session of IRG/ERG and implementation of harmonising decisions of the European Commission ensuing from RSC. Within the framework of its responsibility and in performance of its work, the CTO participated in international



activities, in activities of other international authorities and institutions.

## 2.1 International Cooperation at the Level of Regulatory Authorities

**The Independent Regulators Group (IRG)** is an organization formed by European national regulatory authorities of Member and Non-Member States of the EU. The task of the IRG is to share experience connected with problems of common interest in the development of the European market of electronic communications. The CTO employs this experience in regulation of the electronic communications markets and in elaboration of proposals and opinions on legislative measures under preparation. Employees of the Office participated in activities of working groups of IRG focused on individual problems of regulation. Reports prepared by these groups were submitted to meetings of IRG and ERG.

**The European Regulators Group (ERG)** is an advisory body of the EC and its members are national regulatory authorities of Member States of the European Union and representatives of the European Commission. Its activity followed the Work programme of ERG for 2009. During 2009 joint meeting of IRG and ERG took place in which the Chairman of the Council of the Office regularly participated and the issues connected with the review of the regulatory framework for electronic communications networks and services belonged to main issues of the discussion. Concerning professional problems, issues of co-ordinated regulatory measures, application of best practices in ex ante regulation were discussed and great emphasis was given to future, new organization of the Body of European Regulators (BEREC) in order to strengthen their collaboration and importance of their common standpoint.

## 2.2 Cooperation within the European Commission

**Communication Committee (COCOM)** – is a legislative-advisory body of the European Commission. In its meetings the representatives of the Office participated in preparation of documents jointly with representatives of the Ministry of Industry and Trade. Besides international roaming and implementation of its regulation, the review of the regulatory framework, simplification of the process of analysis of relevant markets, also other issues were discussed, as for example, reservation of national numbering extent 116 for harmonized numbers having social value and implementation of these free of charge harmonized numbers, authorization of Pan-European satellite services (MSS), harmonized price regulation for call termination and regulation of next generation access networks (NGA), issues of transition to terrestrial digital broadcasting and acceleration of release of digital dividend. Employees of the Office participated in activities of ad hoc working groups resolving these issues.

**The European Network and information Security Agency (ENISA)** – is an advisory body of the European Commission and, since 2008, on its activities participates a representative of the CTO together with, the so-called

National Liaison Officer (NLO), of the relevant ministry which is the Ministry of the Interior. In 2009 the CTO prepared for the purposes of ENISA background materials examining, inter alia, the role of national coordinator in the process of regulation and safeguarding of resistance, safety and integrity of networks of electronic communications. The CTO also participated in preparation of questionnaire concerning activities of ENISA in connection with prolongation of its activities until 2012. The CTO continuously participates in the analysis of experience from this area and in proposals of measures aimed at strengthening the resistance of networks of electronic communications including potential prognoses of development and building of next generation networks.

### Other authorities of the European Commission

– in co-operation with the Ministry of the Interior the CTO also participates in elaboration of background materials for newly established expert groups of the European Commission in the field of building and protection of critical infrastructure of electronic communications. The CTO also participates on preparatory works for activities of another special group of the European Commission (TASK FORCE) aimed at establishment of the European Reference Network for protection of critical infrastructure (ERN-CIP). For these activities the CTO, as the authority of central administration, appointed its representative in the inter-ministerial group.

### Radio Spectrum Policy Group (RSPG)

– Radio Spectrum Policy Group is advisory body of the European Commission for strategic issues of use of radio spectrum. It expresses its opinion concerning principal themes, as for example, digitalization of television broadcasting, the method of use of spectrum released through digitalization (digital dividend), making methods of spectrum management more effective, flexible use of spectrum, priorities of use for development of unified market and creation of information society. It formulates its conclusions particularly in opinions of the RSPG and reports of RSPG. Approved RSPG documents serve as a guideline for preparation of specific measures in other bodies, particularly in RSC and COCOM. The CTO is represented both in RSPG and its representative participate in activities of work groups established ad hoc for the preparation of RSPG documents for individual themes.

### Radio Spectrum Committee (RSC)

– is the authority of the European Commission proposing measures aimed at harmonized and effective use of radio spectrum in the EU. The Office participates in activities of the RSC and has its representative there. In 2009 the RSC accepted a number of the EC Resolutions – for the use of spectrum for facilities employing ultra wide band technologies (UWB), on harmonization of spectrum for short range devices (SRD), on selection of operators of all-European systems providing mobile satellite services (MSS), on harmonization of spectrum frequencies of bands of 900 MHz and 1 800 MHz for terrestrial systems capable to provide all-European services of electronic communications. The EC Resolutions are obligatory measure and Member States are bound to implement them in determined deadlines. The EC Resolutions are implemented in the form of measures of general nature promulgated by the CTO.

**The Telecommunication Conformity Assessment and Market Surveillance Committee (TCAM)** – The Telecommunication Conformity Assessment and Market Surveillance Committee, and within its framework operating group for administrative collaboration RTTE – ADCO, were primarily engaged in problems of harmonization of radio facilities in the field of uniform use of radio frequencies and uniform approach to the problems of surveillance over the market of telecommunication facilities. The Office has its representatives in both authorities.

## 2.3 The International activities in connection with other International authorities and organizations

### The International Telecommunication Union (ITU)

The Office has been involved in activities of the ITU at many levels, from representation in ITU managing and advisory bodies up to the involvement of experts at the level of study groups, for example in the Radiocommunication Sector (ITU-R) in groups for broadcasting services, terrestrial services, spectrum management and the related satellite services. Among important events of the last year belonged the 9<sup>th</sup> Global symposium of regulators. The main theme of symposium was new approach to the regulation in converged world in order to strengthen the fundamentals of global information society, support of convergence for the development of markets of information communication technologies including their benefits and use of regulatory instruments for stimulation of investments.

### The ITU Council

The ITU Council discussed issues of Union's operation, co-ordination of working and legislative processes, fulfilment of the Constitution and Convention of the ITU, fulfilment of the conclusions endorsed by the Conference of Government plenipotentiaries (PP) and other ITU bodies (WTSA Assembly, WTPF Forum, WRC Conference). The profit and loss statement of the ITU for the year 2008 was discussed and draft budget for the years 2010 – 2011 was approved. Also the terms of participation of sector members and associations of the ITU were discussed together with organizational issues related to the preparation of the World Conference for development of telecommunications WTDC-10, the Conference of Government plenipotentiaries PP-10, and the World Radiocommunication Conference WRC-12.

### Advisory Commission for standardization in telecommunications (TSAG)

Meetings of Advisory Commission of the Sector for standardization in telecommunications ITU-T (TSAG) is engaged primarily in the state of implementation of conclusions of the World Telecommunications Standardization Assembly (WTSA-08), in measures dealing with fulfilment of the Action Plan endorsed by WTSA-08, results of the World Forum on telecommunication policy, the role of the sector within the framework of activities of ITU related to the problems of climate changes and the state of collaboration with other ITU sectors.

### Advisory Commission of the ITU Sector for development of telecommunications (RAG)

Meeting of Advisory Commission for radiocommunications (RAG) dealt with the implementation of conclusions of the World Radiocommunications Conference in 2007 and the preparation of the World Radiocommunications Conference in 2012. The Operational Plan for the period of 2009 – 2012, the Budget of ITU-R for the period of 2009 – 2010 and the possibility of specifications of requirements for the World Radiocommunications Conferences were discussed. The Commission also discussed other routine issues related to the activity of the Sector ITU-R, as for example, the reimbursement of expenditures spent for preliminary publication of the satellite networks, free-of-charge access to ITU-R documents, the role of study groups ITU-R in the field of determination of protection criterion, specification of some problems related to ITU-R recommendations and use of ITU official languages.

### Advisory Commission of the ITU-D Sector for development of telecommunications (TDAG)

Meeting of Advisory Commission for development of telecommunications (TDAG) discussed the state of implementation of programmes and projects from the Action Plan of the Sector for development of telecommunications (ITU-D), the activities of the Sector aimed at fulfilment of the Action Plan of the World Summit Meeting on Information Society (WSIS), the state of preparations of the World Conference for development of telecommunications in 2010, the state of implementation of regional activities, the Survey of activities of study groups of the Sector and the preparation of the Operational Plan for the period of 2009 – 2012. TDAG further discussed other issues related to routine activities of the Sector ITU-D, for example, the Activity Report of the Office for ITU telecommunications development and membership issues of this Sector.

## 2.4 Other International Activities

### The European Conference on Postal and telecommunications Administrations (CEPT)

The Office participates in CEPT activities within the framework of delegated competencies by means of its working involvement in individual working groups and committees with the aim to pursue the interest of the Czech Republic in the process of co-ordination and harmonization of electronic communications in European countries.

### CEPT Assembly

The CEPT Assembly is the supreme body of this organization. In 2009 it primarily dealt with the problems of amendments of the Agreement the purpose of which is to preserve the position and secure adequate reactions of this organization to new challenges in connection with development within the EU and changing conditions in the market of electronic communications. Therefore, the principal issue was recommendation of working group (High Level Task Force) concerning the problems of CEPT reform and ensuing amendments of the CEPT Agreement and the Rules of Procedure. The proposals were implemented and the reorganization of the CEPT was realised. Now, the organization has three committees and at the head of the organization are now Chairmen of committees, i.e. the Electronic



Communications Committee (ECC), the European Committee for Postal regulation (CERP) and the Committee for ITU Policy (ComITU).

### Electronic Communications Committee (ECC)

In accordance with its long-term working plan the Electronic Communications Committee (ECC) of the European Conference on Postal and Telecommunications Administrations (CEPT) during its three meetings in 2009, besides the update of the Rules of Procedure, Working methods and the ECC Strategic Plan, discussed and endorsed also the documents preparing conditions for support of principal European projects to which, among others, belong, in particular, harmonized use of spectrum released by the transition to terrestrial television broadcasting (the so-called digital dividend), support of development of software defined radio and cognitive radio and harmonization of mobile communications in frequency range of 900/1 800 MHz and 2 GHz. To the most important documents endorsed, submitted by working groups of ECC, belong the documents regulating in a harmonized way issues of GSM on boards of aircraft and ships, intelligent transportation systems, short-range devices and equipment employing ultra wide band technology.

**CPG** – the main goal of the group within the framework of preparation of member administrations for World Radiocommunication Conference WRC-12 was the preparation of proposals of position and analytic documents for individual programme points and the co-ordination of procedure of representatives of European countries in ITU working groups. Significant part of activity of the group was also collaboration with other regional organizations (CITEL, APT, ATU, Arab Group and international organizations (ICAO, NATO).

**WG SE** – the group provided implementation of studies of sharing for the purposes of determination of technical parameters for use of bands by different services and their applications.

**WG FM** – the group was engaged in issues of determination of conditions of use of frequency bands by radiocommunication services and their applications. The main attention was focused on the preparation of harmonizing documents for use of radio spectrum and other activities among which belonged, for example, the update of frequency table ECA (European Common Allocations) and ECO information system EFIS (European Frequency Information System). The group was engaged in issues of SRD (Short Range Device), ultra wide band technologies (UWB), conditions of use of spectrum by new communication systems etc. Important part of the group activities are also issues of civil-military collaboration.

**WG RA** – principally the work was focused on issues of regulatory character, discussion over and endorsement of documents concerning new regimes of licensing (Light licensing and License Exempt/ /Commons), on flexible bands, method of publi-

cation of interface (so-called RIS Template), preparation of rules for frequency trading, assessment of the methodology of the process of the preparation of decisions of CEPT/ECC with the help of electronic means, etc.

**WG NNA** – the main attention was focused on the themes related to numbering and addressing in networks of electronic communications and revision of documents respecting newly introduced the EU regulatory framework in the field of numbering, possibilities of introduction of harmonized text messages starting with the number "116" in the European countries, the Report on Increase of reliability of identification of subscriber's line (CLI) and use of numbering for establishing and addressing of service modules M2M. Conditions, concerning development and use of geographic numbers including assessment of monitoring of further potential extent of numbers in individual countries, were discussed, accompanied by recommendation for their use for other services introduced.

**EFIS** – is the European information system operated on the server [www.ero.dk](http://www.ero.dk) of the European Communication Office (ECO) in Copenhagen which serves as a portal of information concerning radio spectrum in countries whose telecommunication administrations are members of CEPT. The Decision of the European Commission No. 2007/344/EC on Harmonized accessibility of information concerning spectrum use in the Community imposing to Member States the obligation to publish and update in EFIS system determined national information concerning radio spectrum is simultaneously fulfilled by providing of accessibility of information. The data are gradually extended and the information concerning individual rights to utilize radio frequencies were updated. The CTO continually provides for the administration of national data on radio spectrum in EFIS system including related activities and within the framework of EFIS Maintenance Group it participates on testing of EFIS system and its further development.

### CEPT Committee for ITU affairs

The Committee coordinates activities of European countries in matters discussed by ITU. It determines principal goals and priorities of European countries and in the form of European Common proposals (ECP) it prepares common contributions to main points of negotiations of the World conferences. During negotiations of conferences it coordinates actions of delegations of member administrations. It acts as the representative of regional association of countries at meetings with other regional associations in preparation of important decisions approved by the ITU. In 2009 its activities were focused particularly at preparation of meeting of the supreme body of the ITU, i.e. the Conference of all plenipotentiaries in 2010 (PP-10) and at preparation of the World conference for development of telecommunications (WTDC-10).

## OECD

The CTO is represented in the OECD working group engaged in the policy of communication infrastructures and telecommunication and information services (WP CISP) which is one of subordinated groups of the OECD Committee for the policy in the fields of information, computer technology and communications. In 2009 WP CISP was involved, in particular, in topical themes of development of wide band networks, results of analyses and recommendations intended for services of international roaming, the methodology of monitoring of mobile wide band access, revision of methodology of creation of telecommunication price baskets, problems of Internet economics, problems of provision of packages of wide band services, the Internet addressing under the IPv6 Protocol, investments, regulation and price policy in telecommunications. The CTO participated in the work of the group including preparation of background materials for materials elaborated.

## The European Telecommunication Standards Institute (ETSI)

The ETSI is the European Institute acting in the field of standardisation. The strategic goals of the ETSI activities are aimed at creation of global and European standards in the field of ICT for communication networks and electronic communications services, at the field of testing of technology interoperability including development of testing methods and specifications. The CTO is a regular member of the ETSI in the category of State Administration. Within the framework of its rights and obligations the CTO co-operates in creation and endorsement of standards and other documents and participates in activities of its supreme body – the General Assembly. The General Assembly decides, inter alia, the issues of amendments of the Statutes and Rules of Procedure, elects officers of the organization, adopts new members, approves working and financial plans and endorses profit and loss statements.

## The North Atlantic Treaty Organization (NATO)

**FMSC** – The Frequency Sub-committee of the NATO (FMSC) and the policy working group of the Frequency Sub-committee of the NATO (PWG FMSC) of the military-civil group of the NATO for radio spectrum use were, in particular, issues related to the preparation of common army position of the NATO Member States concerning individual points of the programme of the World Radiocommunication Conference WRC-12 concerning the impact on the interests of the army related to the radio spectrum use for the purposes of the army. The emphasis was put mainly on more detailed explanation of opinions of the army including some technical data which would make possible to implement relevant compatibility studies inevitable for attainment of undisturbed radio spectrum use. Within the framework of negotiations the information concerning development of WRC-12 programme at the regional level represented by CEPT in Europe and by CITEL in the American region, were submitted. Simultaneously, the presentation of the European Defence Agency (EDA) concerning problems of European military requirements, as far as pilotless crafts are concerned, was submitted.

**CCPC** – The Committee for civil communications planning in which the CTO represents the Czech Republic and operates in its working groups for telecommunications and posts. This planning committee is one of planning committees subordinated to the Senior Civil Emergency Planning Committee – SCEPC. The CCPC resolves primarily the issues of security and integrity of networks of electronic communications and provision of postal services in the situations of crisis of military and/or non-military character, for example ensuring of functionality of networks of electronic communications under conditions of use of weapons with increased devastating effect, weapons of mass destruction – Chemical, Bacteriological, Radiological and Nuclear/Weapons (CBRN/WMD) and problems of the so-called cyber attacks/defence. One part of these problems is also solution of impacts of electromagnetic fields with high energy on activities of networks of electronic communications. The CTO directly participates in solution of this task. The problems of electronic communications activities under critical situations are solved both under the NATO umbrella or the Euro – Atlantic Partnership Council (EAPC) and through collaboration of the NATO with other international organizations.

## 2.5 Bilateral and multilateral relations

### Organization of international meetings

Within the framework of preparation for the World Radiocommunication Conference in 2012 the Office organised in Prague, between April 21 and 23 of 2009, the international meeting of the Conference Preparatory Group WRC-12. The meeting discussed and endorsed proposals of position documents concerning individual points of the Conference programme and primary proposals of the European Common Proposals (ECP).

In March 2009 the Office organised in Prague the workshop with international participation "Digitalization and digital dividend II." The main theme of which was, besides evaluation of the state of transition to digital television broadcasting, also problems of digital dividend and its use from the point of view of new technologies and services in the conditions of the Czech Republic.

The Office organised also the meeting of the work group ECC/TG4 solving technical questions connected with transition to terrestrial digital broadcasting and use of digital dividend.

### The Regional Treaty on Radiotelephone Service on Inland Waterways

The representatives of the Office participated in two meetings of the committee RAINWAT – Regional Arrangement concerning the Radiotelephone Service on Inland Waterways (hereinafter only the "Treaty") the member of which is also the Czech Republic. The main task of the Treaty is, inter alia, to introduce, at the European level, harmonization and to

determine conditions of operation of ship radio stations in the VHF frequency band (160 MHz) on European inland waterways. The main task of meetings of the Treaty signatories was to prepare the update of the text of the Treaty.

Reflecting the interest of other countries to accede to the Treaty other important issues were discussed concerning frequencies for the purposes of the Automatic Identification System (AIS) and their protection in connection with the introduction of the River Information Services (RIS) in the EU Member States. Simultaneously problems concerning codes management of the Automatic Transmitter Identification System (ATIS) were resolved, together with forwarding of information and enlargement of the Treaty.

### **The problems of international co-ordination of radio frequencies**

Conditions and proceedings of international frequency co-ordination regulates multilateral international agreement for co-ordination within the frequency range between 29.7 MHz and 39.5 GHz for fixed service and terrestrial mobile service (Vilnius 2005 – HCM Agreement). The representatives of the Office regularly, twice a year, participate in meetings of working sub-groups established for individual radiocommunication services. There are working sub-groups for terrestrial fixed and mobile service. Within the framework of these negotiations were discussed questions related, in particular, to too long periods necessary for implementation of repairs of co-ordination software, revision of rules determining format and method of electronic exchange of data or international frequency co-ordinating stations of terrestrial mobile service, problems of future harmonized use of radio frequencies within the range of 169.40 – 169.8125 MHz (formerly European paging system ERMES), and particularly monitoring and search systems.

The employees of the Office also held number of meetings with workers of telecommunication administrations of neighbouring countries during implementation of frequency co-ordination, during working and consultancy meetings in workplaces of regulatory bodies of Slovakia, Germany, Austria and Poland.

In spring of 2009 the working meeting took place in Bratislava focused on the problems of frequency co-ordination in terrestrial mobile service. During negotiations questions of international co-ordination, including problematic issues which accumulated during implementation of co-ordinations between the Czech Republic and the Slovak Republic, were discussed and clarified. Participating parties informed each other of their activities and problems related to frequency planning and agreed on joint actions.

In the first half of 2009 intense bilateral coordinating negotiations with employees of administrations of neighbouring countries continued with the intention to finish, pursuant to requirements of operators of broadcasting networks for dissemination of digital television broadcasting, the international co-ordination of radio frequencies inevitable for development of those networks at the end of 2009 and in 2010. Within the framework of these negotiations more than 130 coordination requirements of the Czech Republic

and 300 coordination requirements of foreign administrations were approved for digital television broadcasting. Simultaneously, the CTO endorsed more than 500 coordination requirements of foreign administrations for digital radio broadcasting.

In October 2009 the meeting of representatives of Central European administrations took place in Prague focused on exchange of information and experience from current development of transition to digital broadcasting in individual countries and on discussion concerning the strategy of approach of foreign administrations of neighbouring countries towards future utilisation of digital dividend. Simultaneously, discussion was opened on problems of compensation for frequencies lost within the framework of digital dividend for the purposes of television broadcasting, i.e. the possibility of solution of acquisition of compensations for radio channels allocated to individual states by the GE06 Plan, if they are released for other services.

In December 2009 the meeting of the Working group for the preparation of the proposal of implementation of electrically tilted antennas in multilateral coordination agreement (HCM Agreement) was held. The meeting discussed experience obtained so far from operation of electrically tilted antennas, results of measurements executed, and the selection of description of radiation of antenna. The compatibility of newly introduced codes with existing codes was discussed jointly with influence of the changes proposed on coordination software. Subsequently the proposal for the amendment of the Annex No. 6 of the above mentioned coordination agreement was prepared.

## Chapter III.

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

### 1. Electronic Communications

#### 1.1. The Need to Amend the Electronic Communications Act

The need still persists to amend the Electronic Communications Act the draft of which was prepared on the basis of mutual collaboration between the Ministry of Industry and Trade and the CTO as early as in the previous period (the draft of the Act amending the Act No. 127/2005 Coll., on Electronic Communications and amendments of some other related Laws (the Electronic Communications Act) as later amended and some other Laws).

The legislative process concerning this Act has been started as early as in 2008, however, this process could not be finished neither in 2009 when, on the basis of the Government Resolution No. 449 as of April 20, 2009, the relevant draft Act was withdrawn from further discussion in the Chamber of Deputies of the Parliament of the Czech Republic (the Print No. 658 of the Chamber).

The second round of approval of the Government's Draft Act amending the Act No. 127/2005 Coll., on Electronic Communications and amendments of some other related Laws (the Electronic Communications Act) as later amended and some other Laws, was started at the end of 2009 with the proviso that its termination should be reached in the middle of 2010.

Considering the fact that more detailed information concerning contents and reasons of amendments of legal Directives included in the relevant draft of the Act were already stated in the Annual Report of the Czech Telecommunication Office for the year 2008, only some basic circles of changes of the Electronic Communications Act proposed by the CTO, are briefly summarized here:

- a) the introduction of the possibility to change and withdraw the allocation of radio frequencies,
- b) the change of financing of the universal service and/or unification of the method of financing of the

universal service in all cases of partial services, and namely from the State budget,

- c) the reinforcement of the CTO instruments in order to secure protection of consumer,
- d) regarding related field of medial legislation, it is, in particular, to the cancellation of the prohibition of cross-ownership and also to the cancellation of the restriction of ownership of networks of electronic communications and subordinated facilities permitting dissemination of radio broadcasting and terrestrial digital television broadcasting,
- e) in the field of copyright it is the amendment of the copyright law based on the cancellation of fees for common reception of television broadcasting.

Another amendment of the Electronic Communications Act is expected in relation to the inevitability of transposition of regulations of the European Law, when, in the second half of 2009, the following Directives, reviewing regulatory framework for networks and services of electronic communications from 2002, were endorsed:

- a) The Directive of the European Parliament and the Council No. 2009/114/EC as of September 16, 2009 which amends the Directive of the Council No. 87/372/EEC on Sequential bands reserved for coordinated introduction of public all-European cellular digital terrestrial mobile communication systems in the Community,
- b) The Directive of the European Parliament and the Council No. 2009/136/EC as of November 25, 2009 which amends the Directive No. 2002/22/EC on Universal Service and the rights of citizen related to networks and services of electronic communications, the Directive No. 2002/58/EC on Elaboration of personal data and protection of privacy in the field of electronic communications and the Regulation (EC) No. 2006/2004 on Collaboration between domestic authorities responsible for the enforcement of observation of the Laws protecting interests of consumer,



- c) The Directive of the European Parliament and the Council No. 2009/140/EC as of November 25, 2009 which amends the Directive 2002/21/EC on Common regulatory framework for networks and services of electronic communications, the Directive No. 2002/19/EC on access to networks of electronic communications and subordinated facilities and their mutual interconnection and the Directive No. 2002/20/EC on Licences for networks and services of electronic communications,
- d) the Regulation of the European Parliament and the Council (EC) No. 1211/2009/140 as of November 25, 2009 on the Establishment of the Association of European regulatory authorities in the field of electronic communications (BEREC) and the Office.

The draft of the Act, by means of which the above mentioned regulations of the European Law will be transposed into the legal order of the Czech Republic, should be, in accordance with the Plan of legislative works of the Government of the Czech Republic and respecting the deadlines determined for their transposition, prepared, discussed and submitted to the Government of the Czech Republic during 2010. The Act should enter into its legal power in April 2011. The draft of the Act will submit the Ministry of Industry and Trade of the Czech Republic; however, the CTO anticipates narrow collaboration with this Ministry in the same extent as was the case in previous instances of amendments of legal regulations in the field of electronic communications.

## 1.2 The Need to promulgate implementing regulations to the Act of Electronic communications.

The amendments of legal framework of electronic communications are also related to constantly existing need to promulgate also the remaining part of implementing regulations to this Act. However, their promulgation is within the competence of the Ministry of Industry and Trade:

- the Government Resolution pursuant to § 99, (11) of the Act on Electronic Communications appointing bodies authorized to submit lists of registered users and their updates, the amount of fee for registration and keeping of the user in the database of registered users, the method of their submission and observance of the obligation of preference schemes pursuant to § 99, (7) of the Act on Electronic Communications,
- the Decree pursuant to § 16, (1) of the Act on Electronic Communications determining the Plan of allocation of frequency bands,
- the Decree pursuant to § 99, (12) of the Act on Electronic Communications determining the operational-technical reasons on the basis of which it is possible to refuse registration of the user in the international or domestic preference scheme, deadlines of its implementation, the extent and format of data and the method of keeping of database of registered users,

- the Decree pursuant to § 39, (3) of the Act No. 273/2008 Coll., on the Police of the Czech Republic, determining conditions of implementation of interference and problems related to settlement of damages incurred and the method of disbursement of the costs spent effectively (the Decree in co-operation with the Ministry of Interior),
- the Amendment of the Decree pursuant to § 97, (4) of the Act on Electronic Communications (today the Decree No. 485/2005 Coll., on the Extent of operational and localization data, period of their storage and the form and method of their transfer to authorities competent for their use) – the legislative process (the preparation of the draft) was started in connection with approval of the Act No. 274/2008 Coll., (the transposition of the Directive No. 2006/24/EC) in the first half of 2009, however, the process has not been yet finished.

## 2. Postal Services

Considering complete formation of the postal services market, the Directive No. 2008/6/EC of the European Parliament and the Council of February 20, 1997 was published in the Official Journal of the EU (L 52) on February 27, 2008, amending the Directive No. 97/67/EC. Through this Directive the process of revision of the Directive of the European Parliament and the Council No. 97/67/EC on Common rules for the development of domestic market of postal services of the Community and improvement of quality of the service was concluded. On the basis of results of this revision new conditions for complete opening of the postal services market and increase of competition in the given field were set.

The Directive No. 2008/6/EC became effective on the day of its promulgation with the proviso that the Member States were obliged to bring their domestic regulations in accordance with this Directive before December 31, 2010. Some states, and among them is the Czech Republic, have the possibility to postpone implementation of this Directive until December 31, 2012. Considering the above facts, the Ministry of Industry and Trade, as the submitter of the relevant bill through which the transposition of the Directive will be effected, postponed the preparatory works until the years 2011 and 2012. In this case the CTO envisages intense collaboration with this Ministry in the preparation of relevant act similarly to the preparation of legal regulations in the field of electronic communications.



## Chapter IV.

# ORGANIZATION AND SUPPORT OF THE CTO'S ACTIVITY

### 1. The CTO's Economic Results

The breakdown of indicators for the year 2009 received the CTO from the Ministry of Finance of the Czech Republic (hereinafter only the "MF") with the letter of the Minister of Finance No. 19/104 439/2008-193 as of December 17, 2008 which contained mandatory indicators of the Chapter 328 – the CTO ensuing from the Act No. 475 of December 10, 2008 on the State Budget for the year 2009. The Annex No. 9 brings forward the survey of these mandatory indicators for the year 2009 and simultaneously the Annex No. 10 specifies the survey of mandatory indicators of the Budget for the year 2010 (the obligation determined by the Act on Electronic Communications).

#### 1.1 The Evaluation of the fulfilment of indicators of the Chapter 328 – the CTO

##### Total incomes

For the first time since 2009 administration fees and penalties are shown in incomes of the CTO Chapter. The total budget of incomes approved for 2009 (including administration fees and penalties in administration procedure) was not only met but even highly surpassed. The percentage of drawing of incomes reached the value of 139.2 %. In the absolute amount it represents the volume of CZK 1,607,746,590 what means overrun of approved budget of incomes for the year 2009 by CZK 452,746,590.

This overrun can be attributed mainly to incomes incurred by the activities proper of the CTO which were surpassed by CZK 445,172,220 primarily thanks to incomes incurred by collection of fees for the administration of radio spectrum, allocation of numbers and extraordinary incomes at the amount of CZK 231,495,000 ensuing from the tender procedure promulgated by the CTO in 2009 for allocation of radio frequencies to current GSM operators in order to ensure public mobile network of electronic communications in GSM standard. In comparison with the last year's figures these incomes are higher by CZK 283,775,840. At the same time, also the last instalment from the company Vodafone at the amount of CZK 250,000,000 for the UMTS licence award is included in these incomes.

The incomes incurred from collection of administration fees reached the amount of CZK 58,557,900 i.e. the budget approved for the year 2009 was accomplished on 117.12 %. In the absolute values it represents overrun by CZK 8,557,900.

The penalties in administrative procedures, imposed by the CTO, reached the amount of CZK 2,147,100 i.e. the budget approved for the year 2009 was accomplished on 42.94 %, whereas the annual volume prescribed was not met by CZK 2,852,900. The lower amount of penalties collected was caused by the fact that on the basis of the decision of the Municipal Court in Prague, the CTO had to return to the Česká pošta several penalties imposed in previous years.

In 2009 the CTO also planned budget incomes incurred from the lease of other real estates and namely at the amount of CZK 62,000. These incomes reached the amount of CZK 116,800 what means that the budget approved for the year 2009 was accomplished on 188.39 % and surpassed by CZK 54,800. There are incomes incurred from hire of a room in the CTO head office in Sokolovská street leased to the administrator of the building and the lease of space serving for location of selling machine for drinkable beverages.

The incomes shown in other income items have the nature of random incomes, therefore they are not a part of the budget. They are interests incurred from banking accounts, incomes from the sale of scrapped inventory, principals in tender procedures, credit notes to expenditures of previous years, damages received from natural persons and transfer of the balance of deposit account concerning account of salaries for December of 2008.

Besides, it is necessary to mention that the radio-communication account is formed by incomes ensuing from the administration of radio spectrum. Its formation, pursuant to the Government Decree No. 153/2005 Coll., on Determination of the method and level of formation of financial means of the radiocommunication account and the method of their drawing, is set at the level of 6 % of fees collected for the administration of radio spectrum, and is transferred to the account after the relevant quarter has elapsed. For the

year 2009 the amount of CZK 58,880,000 was transferred to the radiocommunication account and the amount of only CZK 82,160 was drawn for the whole year. The survey bringing forward the situation of financial means on the radio-communication account can be found in Point 1.2 of this Part.

The survey of all incomes, split in individual income items, is stated in the enclosed Balance sheet evaluating fulfilment of the budget by individual administrators of chapters as per December 31, 2009.

### Total expenditures

In 2009 altogether three budgetary measures were taken subject to approval of the Ministry of Finance, which had impact on the change of mandatory indicators of the chapter of which one had impact on the change of volume of total expenditure. There were the following budgetary measures (hereinafter only the "BM"):

- the BM ensuing from the Government Resolution No. 363 as of March 23, 2009 aimed at the coverage of increased social and mandatory expenditures of the Chapter of the Ministry of Labour and Social Affairs of the Czech Republic (hereinafter only the "MPSV"), by which total expenditures of the CTO were reduced by CZK 18,121,000 of which by CZK 10,621,000 the expenditures for programmes included in ISPROFIN in the field of capital investments were reduced and CZK 7,500,000 in the field of expenditures earmarked for the compensation of the loss incurred in connection with provision of universal service,
- the BM at the request of the CTO in order to reinforce the item earmarked for the reimbursement of postage charges by CZK 3,140,000 was realised by reduction of mandatory expenditure for programmes included in ISPROFIN also in the field of capital investments,
- the BM at the request of the CTO in order to reinforce the item earmarked for the reimbursement of severance pay at the amount of CZK 91,000 to the employees motivated by reduction of the number of jobs within the CTO. This BM was implemented by transfer of this amount from the mandatory indicator to salaries of employees. In consequence of the reduction of the salaries indicator another mandatory indicator had to be reduced, and namely transfer to the FKSP Fund (the Fund of cultural and social needs) by CZK 2,000,
- during 2009 the CTO had to cope with the fact that the expenditures spared in 2008, which the Office intended to utilize in 2009 for the needs not covered by the budget (for example, for reimbursement of the membership contribution in the Group of Independent Regulators – IRG, in which the CTO became the member on the basis of the Government Resolution No. 15 as of January 5, 2009), could not be drawn without the previous consent of the Government and/or the Minister of Finance – see the Government Resolution No. 122 as of January 26, 2009,

- therefore the Chairman of the CTO's Council sent two personal letters to the Minister of Finance requesting consent to drawing of financial amounts needed. Firstly, it was the letter No. 18 459/2009-602 dated March 16, 2009, which requested the amount of CZK 3,017,770, of which:
- CZK 620,000 to cover reimbursement of the above mentioned membership contribution (EUR 20,000),
- CZK 1,747,770 to cover the costs of international meetings held by the CTO within the framework of the CR Presidency in the Council of Europe, and
- CZK 650,000 for disbursement of wages during temporary incapacity to work which were not included in the 2009 budget at all.

In another letter No. 37 158/2009-602 dated May 5, 2009 the CTO requested consent to drawing of expenditures originated from claims from expenditures unexpended at the amount of:

- CZK 9,528,000 for disbursement of custodial expenditures of attorneys-at-law in accordance with § 79, (4) of the Act No. 500/2004 Coll., the Administrative Procedure Code,
- CZK 11,274,000 for safeguarding of inevitable support of operation and obligatory maintenance of the ASMKS in the first year of its operation including licence support of managing and service SW,
- CZK 6,115,000 for safeguarding of inevitable support of operation the data centre (licence support of database systems Oracle, systems Linux, Veritas, SAN, Cisco and Hewlett-Packard) exploited by all information and database systems of the CTO.

The requirements of the CTO were met only partially as late as on October 22, 2009 when personal letter of the Minister of Finance No. 19/42 002/2009-193 dated October 20, 2009 gave consent to drawing of claims from expenditures unexpended originated in 2008 to cover expenditures exceeding the framework of budgetary chapter at the total amount of CZK 26,917,000, thus within the extent requested in the second letter and in concordant purpose of determination.

Out of the total amount permitted altogether CZK 18,428,090 were drawn and altogether CZK 8,488,910 remained unspent, of which

- CZK 1,126,600 was used for custodians, CZK 8,401,400 remained unexpended,
- for the support and maintenance of the ASMKS the amount of CZK 11,197,860 was used, CZK 76,140 remained unspent,
- for the support of the data centre operation the amount of CZK 6,103,630 was used CZK 11,370 remained unspent.

The budget of total expenditures for 2009 thus adjusted was drawn up to 101.56 % which corresponds to the volume of CZK 590,387,480, i.e. the adjusted budget was exceeded by CZK 9,066,480. In comparison with the same period of the last year the reality reached in 2009 is lower by CZK 177,552,850 (the 2008 budget was CZK

987,901,000) and the percentage of drawing was 77.73 % only. The detailed drawing of expenditures is specified in the enclosed Balance sheet evaluating fulfilment of the budget by individual administrators of chapters as per December 31, 2009.

### Running expenditures

Running expenditures for 2009 were drawn at 102.2 %, i.e. in the volume of CZK 536,570,380. In comparison with

the reality of the last year the volume of the volume running expenditures for 2009 is higher by CZK 18,428,680. (Reality reached in 2008 was CZK 518,141,700, drawing 74.33 %).

Running expenditures were budgeted in 4 paragraphs of budget structure and their survey specifying reality and percentage of drawing as per December 31, 2009 is given in the following table:

(in CZK thousands)

	approved budget 2009	adjusted budget 2009	reality as per December 31, 2009	drawing (in %)
a	1	2	3	4
<b>total running expenditures</b>	<b>529,357</b>	<b>524,997</b>	<b>536,570.38</b>	<b>102.20</b>
of which:				
§ 2412	150,000	142,500	140,919.81	98.89
§ 2461	364,520	367,660	381,434.39	103.75
§ 2491	14,737	14,737	14,117.29	95.79
§ 5273	100	100	98.89	98.89

From the survey here above it is evident that the approved budget of running expenditures was in total reduced by CZK 4,360,000, of which running expenditures of § 2412 were reduced in total by CZK 7,500,000 by BM pursuant to the Government Resolution No. 363, whereas running expenditures of § 2461 were increased by CZK 3,140,000 by transfer from capital expenditures.

Concerning running expenditures split on individual paragraphs and groupings of expenditure items in the budget structure, we bring forward the following:

#### § 2412 – Telecommunications issues

In this paragraph the budget expenditures are earmarked for settlement of loss, originating from provision of universal service for special prices to handicapped persons and to persons with low income, which incurred to its provider and which the State is obliged to reimburse via the CTO pursuant to § 38, (3) of the Act on Electronic Communications. In 2008 the loss incurred to providers of universal service was rated separately for the first half-year and separately for the second half-year of 2008 because in the second half-year of 2008 the legal adjustment reduced the number of circle of persons having the right for drawing special prices. In the second half-year of 2008, persons with low income and persons dependent on the help of other person in the degree of dependency I., had no more the right for drawing special prices.

The companies Telefónica O2, T-Mobile and Vodafone submitted, within the deadline prescribed (pursuant to § 49 of the Act on Electronic Communications), the petition demanding the reimbursement of the loss incurred in 2008 within the framework of the universal service in providing special prices to handicapped persons and to persons with low income. The loss was determined separately for each half-year. The company T-Mobile provided special prices within

the framework of the universal service until June 30, 2008 only, in the second half-year of 2008 this company was not a provider of the universal service.

After verification of calculation and related documentary evidence, the CTO, on December 17, 2009, promulgated the decision on determination of these losses for individual providers. Considering the fact that participants to the procedure waived their rights of appeal, the decision took its legal effect and the CTO reimbursed losses incurred to the providers in the total amount of CZK 140,919,808 from its own budgetary financial means, and namely:

- to the company Telefónica O2 the amount of CZK 136,201,450,
- to the company T-Mobile the amount of CZK 2,899,133,
- to the company Vodafone the amount of CZK 1,819,225.

The amount of CZK 1,580,192 remained unexpended and will be shown in the Statement of claims from unexpended expenditures for the year 2009 and might be utilized in next years.

#### § 2461 – The Activities of Central bodies of State administration in Communications

Out of this paragraph the prevailing part of CTO's expenditures is covered. Allowed excess of expenditures at the amount of CZK 26,917,000 and real drawing at the amount of CZK 18,428,090 were fully reflected just in this paragraph. Out of the total amount of allowed excess of expenditures the following amounts were used:

- CZK 830,030 for the expenditure item 5137 – DDHM, Procurement of computer technology for ensuring support and maintenance of the ASMKs,



- CZK 15,120,000 for the expenditure item 5169 – Purchase of other services – ICT – of which CZK 10,305,000 for the support and maintenance of the ASMKS and CZK 4,815,000 for the support and operation of data center,
- CZK 1,351,470 for the expenditure item 5172 – Purchase of software, of which CZK 62,830 for the support and maintenance of the ASMKS and CZK 463,110 for the support and operation of data center,
- CZK 1,126,600 for reimbursement of custodianship expenditures incurred to of attorneys-at-law (altogether 4,319 cases were resolved in administrative proceedings in this manner).

The largest part of expenditures, and namely 61.58 %, belongs to mandatory expenditures, i.e. to salaries and other payments related to work done including obligatory insurance premiums payments and the transfer to the Cultural and Social Welfare Fund.

Another important item, as far as the volume is concerned, is the grouping of items 516 – the Purchase of services which is responsible for 30 % of the total expenditures. Out of this grouping are reimbursed the expenditures for postage, purchase of telecommunication and radiotelecommunication services, services of financial institutions, vehicle insurance, rent for non-housing premises, consultancy and legal services, training and education and purchase of other services (cleaning, meal allowances, purchase of information in electronic form, electronic signatures, radio and television fees, adjustment and technical support of software, services related to lease, centralised protection desks, translations, the print of the Journal, expert opinions, facilities checks, preventive medical inspections, etc.).

Out of other groupings of expenditure items 3.41 % pertains to other purchases, where travel expenses represent the largest item, followed by repairs and maintenance, purchase of software, participant fees for conferences, treatment expenses and other purchases.

The remaining expenditures, and namely 2.37 % fall in the purchase of material, 2.14 % in the purchase of water, fuel and energy and remaining 0.49 % in expenditures related to non-investment purchases (custodianship and expenditures incurred from judicial proceedings, material presents), in the purchase of toll stickers and compensation of salaries reimbursed to employees during their temporary disability to work.

#### **§ 2491 – International co-operation in communications**

In this paragraph of the budget the CTO brings forward expenditures related to international activities, expenditures for foreign business trips and contributions to international organizations in which the CTO represents the Czech Republic, in particular. Simultaneously, expenditures related to Czech Presidency in the EU Council were included in this paragraph and more detailed comments to these expenditures can be found in the next part.

The largest portion of expenditures, and namely 72.6 % pertains to the grouping of expenditures 517 out of which particularly foreign business trips, entertainment during foreign business trips, fees for participation in conferences and other purchases (purchase of visas and foreign toll stickers). Majority of foreign business trips results from the execution of competence, to which the CTO is authorized by the Government Resolution No. 676 as of June 1, 2005, and/or collaboration with relevant branch ministry. There are activities in bodies of international organizations as, for example, in the EU authorities, International Telecommunication Union (ITU), the Conference of the European Posts and Telecommunications (CEPT), the European Institute for standardisation in Telecommunications (ETSI), the North Atlantic Treaty Organization (NATO).

Grouping 551 reimbursed membership fees for the European Institute for standardisation in Telecommunications (ETSI), and, quite recently, for IRG – Independent Regulators Group. Grouping 516 reimbursed expenditures for the lease of conference rooms at the occasion of events organised within the framework of CZ PRES, expenditures for training and purchase of other services, mostly also during international meetings within the framework of CZ PRES, and the remaining part pertained to material presents and purchase of books.

#### **§ 5273 – Remaining administration in the field of crisis management**

In this paragraph of the budget the CTO brings forward expenditures related to activities of the unit for crisis management. Routine expenditures were used for the purchase of low-value tangible fixed assets for the workplace of crisis management.

#### **Capital expenditures**

Two budgetary measures were taken with these expenditures having impact on their total reduction by CZK 13,761,000, of which CZK 10,621,000 represented reduction realised on the basis of the Government Resolution No. 363 dated March 23, 2009. Considering unfavourable development of the budget in the field of drawing of routine expenditures, particularly with postage, and because the Ministry of Finance until October 2009 did not react to requests of the CTO for release of and/or consent to drawing of rights ensuing from unexpended expenses, the CTO had to accede to partial suspension of drawing of capital expenditures and to reinforce routine expenditures by means of savings of capital expenditures. This approach was endorsed by the Ministry of Finance and in the letter No. 19/81622/2009-193 dated October 22, 2009 and the volume of capital expenditures at the amount of CZK 3,140,000 was transferred in routine expenditures to cover expenses for postage.

The drawing of capital expenditures budget thus adjusted for 2009 reached 95.55 %, i.e. the amount of CZK 53,817,100. In comparison with the reality of the previous year the drawing in percentage increased from 85.9 % but in absolute value it decreased by CZK 195,981,530 (2008 budget was CZK 290,797,000).



The CTO draws capital expenditures for the Programme registered in the Register ISPROFIN with the Ministry of Finance having the registration number 128010 – The Development and Reconstruction of material-technical base of the CTO.

**Pursuant to the budgetary structure, capital expenditures were used for the following expenditure items:**

The item Programme equipment was used for the purchase of special software application employed for the work with background documents for the maps serving for the operation of measuring vehicles monitoring radio spectrum. Out of this item were covered also invoices for the delivery of the software employed for the conversion of documents in PDF format using electronic signature and for the delivery of the programme application equipment named Software registration which will replace the current unsatisfactory programme utilized for the software registration. Besides, this software was upgraded pursuant to demands of users. Also the software PASW Statistics was upgraded serving for analyses and presentation of extensive data files and the special software Radiolab, used in the Radio Spectrum Management, was upgraded as well. The upgrade was also implemented with the GINIS system employed for documentary records of the CTO and then with the information system employed for data collection in monitoring of markets. The invoice for the creation of graphic design of the form of electronic payment order was reimbursed. The accounting programme IN-SY-CO was enlarged by the module allowing the existence of claims ensuing from unexpended expenses of organizational units of the State. The invoice for the design, development and implementation of the formation and mapping system dtv.ctu.cz related to the transition to terrestrial digital broadcasting was also reimbursed. The modular administration system (MOSS) which will become the instrument for the management of the agenda of administrative proceedings of the CTO was also upgraded, and the invoices for three stages of implementation of the project Business Intelligence (BI) were reimbursed. In connection with the project Business Intelligence the software VMWARE, serving for testing and operation of BI, was also procured. Then also four licences NetBackup, inevitable for the backing up of servers were procured and View from LANdesk, serving as background for the project of software registration of the Office, was elaborated. The invoice for the implementation of new domain of the CTO was reimbursed and within the framework of data boxes the module "time stamp" was procured. In connection with the purchase of the new cluster it was necessary to buy two licences for its use. Works commenced on the creation of new interface to the database Spectrum Plus permitting data sharing with other information systems of the CTO.

Out of the Item "Remaining purchase of DNM" the invoices made out on the basis of the agreement on elaboration of processing models of selected agendas for some departments of the CTO were reimbursed.

Out of the Item "the Building, the halls and constructions", invoices were reimbursed for building adaptations of the seat of the Office in Sokolovská street, resting in reinforcement of air-conditioning system of the

object, the adaptation of entry opening on the roof of the building and enlargement of the data network in the object. Further, the works related to reinforcement of power supply of the data center of the building, were executed. In order to increase safety and continuous surveillance, camera system was installed on individual monitoring stations which were procured within the framework of the ASMKS project already before. In connection with the construction of the new object of the CTU, OMRS Karlovice, the geometric plan of the object was created and the first stage of project documentation of the construction was reimbursed.

Out of the Item "Machines, instruments, equipment" two logarithmic – periodical antennas were procured, one omnidirectional active antenna and two special spectrum analysers. For the needs of the Department for the North Bohemian Region the branch telephone exchange, five photocopying machines, one paper shredder as replacement for unsatisfactory one and video camera for making video documentation of fixed assets (particularly fixed assets placed on the ASMKS poles), were procured.

Out of the Item "Transportation means" two cars Škoda Fabia Combi were purchased as replacement of decommissioned pieces and equipment was built in the technological delivery van Mercedes earmarked for support of CTO's monitoring stations. All 18 monitoring vehicles, procured before within the framework of the ASMKS project, were also equipped with satellite security system Sherlog.

Out of the Item earmarked for purchase of computer technology one notebook was procured and for the needs of computer network in the seat of the CTO three switches and six servers were procured. Furthermore, hardware equipment for enlargement of disc field aimed at increase of storage space for the data created in individual applications employed in the CTO's environment was purchased. In this connection two reserve UPS sources were procured. Also a new information terminal, as replacement of original irreparable equipment, was procured.

In connection with the construction of the new CTO's object under preparation, "OMRS Morava", expert opinion concerning the price of the plot of land, on which the object will be standing, was elaborated and, eventually, the plot was purchased at the total amount of CZK 888,510. The petition requesting the entry of the right of management to the plot was filed in December and was registered in the real estate cadastre with the Cadastre Office for the Region of Zlín on December 22, 2009. Consequently, in December of the same year the plot was put in the property register of the CTO.

**The Expenditures connected with the Presidency in the EU Council**

For the year 2009 these expenditures were budgeted at the amount of CZK 2,389,000 and were drawn at the amount of CZK 2,372,580, i.e. drawing at the level of 99.13 %.

During the Presidency the CTO actively participated in everyday professional support in elaboration of topical requirements laid on activities connected with the Presidency

for the Ministry of Industry and Trade and for the Permanent Representation of the Czech Republic in Brussels.

Two international activities at top level were included in the plan of actions organized by the CTO in 2009 during the Presidency. Both these actions were organized by the CTO in Prague:

1. The Meeting of top representatives of European regulation authorities (IRG/ERG) from May 27 – 29, 2009. It was a regular meeting of the Group of independent regulators / the Group of European regulators, in which representatives of national regulation authorities of the EU Member States, representatives of regulation authorities of countries – candidates for the membership in the EU and representatives of the European Commission (DG INFOS and DG Competition), participate.  
The total amount of expenditures reached CZK 1,653,000 of which CZK 500,000 fell to the lease of conference halls including technical equipment, CZK 1,129,000 to catering and dinner party for 90 participants of the meeting and CZK 24,000 to material gifts (glass).
2. The Meeting of representatives of the Permanent Representations of the EU Member States in the field of electronic communications and information society held from June 22 – 23, 2009. This second international action was included on the basis of request of the Permanent Representation of the Czech Republic with the EU in Brussels. The total amount of expenditures spent in this action reached CZK 467,000 of which CZK 332,000 fell to the catering and luncheon, CZK 120,000 to accompanying programme and CZK 15,000 to guide services.

It is obvious that the majority of financial means was used for financing of the above mentioned activities. Remaining means were used for disbursement of wages in the total amount of CZK 182,000 and were paid as motivation elements for employees participating in the preparation of Presidency and related reimbursement of obligatory insurance premiums and transfer to the Cultural and Social Welfare Fund in the total amount of CZK 65,880.

### **The Salaries of CTO Employees and other Payments for Work Done**

Within the framework of this indicator three BM were performed which, however, had no impact on the change of its total volume, CZK 91,000 was transferred from the Item Other personnel expenditures in favour of the Item disbursement of redundancy payments, another CZK 91,000 was transferred from salaries also in favour of the Item disbursement of redundancy payments and the last BM applied to transfer of the amount saved of CZK 25,000 from the Item earmarked for salaries of members of the CTO Council in favour of other personnel expenditures.

This obligatory indicator shows 100 % drawing at the amount of CZK 172,821,000 because the amount was transferred to the modified budget in the deposit account earmarked for the disbursement of salaries for the month of

December 2009. After the salaries for the month of December 2009 were accounted for (pay-day January 14, 2010), the unspent amount of CZK 2,335 remained in the deposit account, of which fell:

- CZK 88 for salaries,
- CZK 122 for other personnel expenditures,
- CZK 718 for salaries members of the CTO Council,
- CZK 907 for redundancy payments,
- CZK 500 for severance payments.

Pursuant to the instructions of the Ministry of Finance this balance was transferred to incomes of the CTO in January 2010.

### **Mandatory Insurance Payable by the Employer**

This kind of expenditures is drawn depending on the salaries actually disbursed. Considering the obligation to transfer, during the month of December to the deposit account, financial means for insurance premium for the month of December, the amount not exceeding approved budget, i.e. CZK 58,760,000 was transferred. Therefore, this indicator also shows 100 % drawing. After the insurance premium for the month of December was paid, unexpended amount of CZK 336,879 remained in the deposit account, of which CZK 311,952 falls into social insurance and CZK 24,927 into health insurance.

Pursuant to the instructions of the Ministry of Finance also this balance was transferred to incomes of the CTO in January 2010.

### **Transfer to the Cultural and Social Welfare Fund**

The amount corresponding to the approved or adjusted budget for 2009 at the level of CZK 3,303,000 was transferred to the Cultural and Social Welfare Fund what represents budget use of 100 %.

### **Ensuring Preparations for Crisis Situations Pursuant to Act No. 240/2000 Coll.**

Since 2005 the CTO has been budgeting expenses for the activities of the crisis management centre on account 5273 – Other Administration in the Area of Crisis Management of the Budget Structure. The approved budget for 2009 of CZK 100,000 of current expenses shows use of 98.89 %. i.e. in the amount of CZK 98,890. Current expenses were utilised for the purchase of DDHM for the crisis management centre (PC and shelves for archives).

### **The expenditures of programmes registered in ISPROFIN**

These expenditures are purposefully bound for the financing of the Programme 128 010 – the Development and Reconstruction of materially – technical basis of the CTO. For the year 2009 these expenditures were budgeted at the level of CZK 137,606,000 of which capital expenditures were

CZK 70,085,000 and current expenditures CZK 67,521,000. Ensuing from the Government Resolution No. 363 dated March 23, 2009 they reflect (in the area of capital expenditures) the total reduction by CZK 10,621,000, thus to the amount of CZK 126,985,000. Another reduction by CZK 3,140,000 (also in the area of capital expenditures) was caused by the situation in the field of drawing of current expenditures where these financial means were transferred for the purposes of postage reimbursement with the previous consent of the Ministry of Finance.

After these adjustments the budget of expenditures registered in ISPROFIN was CZK 123,845,000 of which CZK 56,324,000 were capital expenditures and CZK 67,521,000 were current expenditures.

On the other hand, the Ministry of Finance permitted to the CTO to use entitlements ensuing from unexpended expenditures for the year 2008 earmarked for budgetary coverage of unsecured needs at the total amount of CZK 26,917,000 of which CZK 15,120,000 were used for expenditures managed in ISPROFIN in the field of current expenditures, of which CZK 10,305,000 was intended for the support and maintenance of the ASMKS system and CZK 4,815,000 for the support and operation of the data center.

The adjusted budget was in 2009 drawn at the amount of CZK 133,425,070, which represents budget use of 107.74 % of which capital expenditures represent CZK 53,817,100 (budget use of 95.55 %) and current expenditures the amount of CZK 79,607,970 (budget use of 117.90 %).

In comparison with the reality of 2008 when the financial means were drawn at 84.74 %, which represents CZK 296,043,970, their absolute level decreased by CZK 162,618,900 of which capital expenditures are lower by CZK 195,981,530 and current expenditures are higher by the amount of CZK 33,362,630.

Comments on use of capital expenditures were in the previous part. Current expenditures were mainly used on:

- update and technical assistance of software products utilized in the CTO,
- purchase of telecommunication and radiocommunication services,
- purchase of materials, protective aids, energy, lease of non-housing premises, training, repairs and maintenance, mostly for employees participating on the ASMKS and for objects built within the project ASMKS,
- purchase of expendable supplies for the purposes of information and communication technologies and their repairs, etc.

## 1.2 Management of Non-Budgetary Funds

### Account for the Payment of Losses from the Universal Service

Besides the loss from the Universal Service covered by the State and included in the budget head of the CTO, the Office performs since 2005 also the administration of the

account of the Universal Service, set up in 2002 as a foreign funds account with the extended prefix "16010" and the title Foreign Funds – Universal Service at the Czech National Bank, Prague branch. The account was set up pursuant to Section 32 of Act No. 151/2000 Coll., on Telecommunications and on amendments to some other Acts, as later amended (hereinafter only the "Act on Telecommunications"), out of which the demonstrable losses of the provider of the Universal Service are paid through this account from contributions from other operators. During 2009 the amount of CZK 13,389 was reimbursed to the company Telefónica O2, then the amount of CZK 122,639 was reimbursed to the company Telefónica O2 – overcharges which were remitted to individual companies. The balance on this account was CZK 43,459.09 as of December 31, 2009 what represents the overcharge from one company.

In 2008 another foreign funds account was set up for the payment of net costs of the provider of the Universal Service pursuant to Section 49, (3) of Act No. 127/2005 Coll., on Electronic communications. The bank account was set up with the Czech National Bank, Prague branch with the extended prefix "46017". During 2009 contributions from individual operators were credited to this account in the total amount of CZK 37,565,837, the amount of CZK 37,533,749 was reimbursed to the company Telefónica O2 and the difference at the level of CZK 32,088 were overpayments which were reimbursed to two companies. The balance on this account was zero as of December 31, 2009.

### Radiocommunication Account

The balance of the Radiocommunication Account, which the CTO administers and was obliged to establish pursuant to the Electronic Communications Act, was CZK 172,421,069.82 as of December 31, 2009. The Radiocommunication Account is made up, pursuant to Government Decree No. 153/2005 Coll., on Specifying the manner and level of the creation of funds for the Radiocommunication Account and the method it is drawn upon, of 6 % of the collected fees for the use of radio frequencies. The funds to this account are transferred on quarterly basis, during the I. – IV. Quarters of 2009, income totalling CZK 58,880,004 was transferred to the Radiocommunication Account.

During the monitored period the invoice at the amount of CZK 82,155 of the company České radiokomunikace a.s. was reimbursed, covering the costs of elimination of interference of analogue television broadcasting and elimination of technical incompatibility, after the operation of new transmitters on the territory of the Czech Republic and abroad was started in TVP Kraslice Stříbrná, Velké Březno, Bečov nad Teplou and Mariánské Lázně.

The balance on this account was CZK 172,421,069.82 as of December 31, 2009.

### Account for the Development of Terrestrial Digital Television Broadcasting

Since 2008, pursuant to the Act No. 304/2007 Coll., which amends some Acts in connection with the completion



of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, the CTO set up the account for the development of terrestrial digital television broadcasting, which it administers. To this account the Czech Television transfers the funds from proceeds it receives from advertising at the amount of CZK 1,250,000 monthly, always at the latest by the end of the subsequent calendar month for the previous calendar month. The CTO uses the funds deposited on this account exclusively to support and develop terrestrial digital television broadcasting in the Czech Republic, in particular to develop electronic communications networks for terrestrial digital television broadcasting.

The account was set up with the Czech National Bank, Prague branch as a foreign funds account with the extended prefix "36011".

During the monitored period, Czech Television made 12 payments of CZK 1,250,000 (for the month of December 2008 and January – December 2009), i.e. altogether CZK 15,000,000.

During the monitored period the following expenses were covered from this account:

- CZK 933,872 for the International meeting of Working group of CEPT/ECC/TG4, the Digital dividend, held by the CTO on March 2 – 6, 2009 in Prague,
- CZK 2,000,340 for the International workshop – the Digital dividend and transition to terrestrial digital television broadcasting, held by the CTO on March 17 – 18, 2009 in Prague,
- CZK 240,000 for the elaboration of the study of employment of released frequencies in the television frequency range of 470 – 862 MHz,
- CZK 122,064.30 for the lease of technology and information materials concerning digitalization in the Czech Republic in the Conference "The Internet in the State administration and local government", held on April 6 – 7, 2009 in Hradec Králové,
- CZK 8,575,068.80 for comprehensive support of the CTO in connection with provision of digitalization of television and radio broadcasting,
- CZK 390,000 for the elaboration of background materials and preparation of the World Conference WRC-12,
- CZK 2,998,800 for all-national outputs of data collection – the first and the second cycle,
- the balance on this account was CZK 1,429,993.25 as of December 31, 2009.

### Current Bank Account for Payment Cards

Since 2002 the CTO has had (after the prior agreement of the Ministry of Finance) a current account at ČSOB a.s., Prague 9 branch, for the purpose of obtaining VISA BUSINESS payment cards in particular for the payment of expenses for accommodation during business trips abroad.

On January 1, 2009 this account showed a balance of CZK 655.33. In January 2009 the amount of CZK 400,000 was transferred to this account from the CTO expense budget. The payments made with the VISA cards during 2009 totalled CZK 611,263.48, and were settled with expense account at the amount of CZK 613,578.88, bank fees for 2009 totalled CZK 10,552 and were settled with expense account at the amount of CZK 9,721.

In 2009 interest was accrued to this account totalling CZK 384.69 and was transferred to the Ministry of Finance of the Czech Republic at the total amount of CZK 380.32 (the interest for December 2009 is transferred to the Ministry of Finance in January 2010). In total CZK 381,600 was returned to the CTO expense account, the balance on December 31, 2009 was CZK 1,102.10 (the mandatory minimum balance for the retention of cards is CZK 1,000).

## 1.3 Results of External Inspections

### Prague's Social security insurance administration

In 2009, from April 6 – 10, 2009 Prague's social security insurance administration, branch office in Prague – 8, carried out the inspection of insurance premium and fulfilment of tasks in sickness and retirement insurance pursuant to provisions of § 6, (4), (o) of the Act No. 582/1991 Coll., as later amended and § 84, (2), (i) of the Act No. 187/2006 Coll., as later amended. The period from April 1, 2007 to December 31, 2008 was inspected.

The Inspection record No. 810/2009 was made out and pursuant to the payment order No. 260/810/09, arrears of insurance premium at the amount of CZK 9,016 was detected and disbursed by the CTO on April 20, 2009. No penalty was imposed.

### The Labour Office of the Capital of Prague

On May 13, 2009 the Labour Office of the Capital of Prague, branch office in Prague 9, executed inspection in the field of observance of labour regulations pursuant to the Act No. 435/2004 Coll., on Employment, as later amended, which was performed, pursuant to provisions of § 8, (1), (l), § 126, § 130, § 131 and § 132 with reference to § 15 of the Act No. 552/1991 Coll., on the State Control, by employees of the inspection body of the Labour Office of the Capital of Prague, branch office in Prague 9. The inspection was focused on fulfilment of obligatory quota to employ disabled persons in 2008.

The Inspection record No. K/3/2009 was made out, concluding that, "the Employer did not breach Act No. 435/2004 Coll., on Employment, as later amended, concerning fulfilment of obligatory quota of disabled persons on the total number of employees".



## 2. Human Resources

In 2009, forty-eight employees began to work at the CTO, 4 employees went on maternal leave, and 50 employees terminated their employment (of which 6 employees terminated their employment pursuant to

Section 52, (c) of Act No. 262/2006 Coll., the Labour Code, 14 employees retired, 2 employees died).

As of December 31, 2009 the CTO had 445 employees, the recalculated average for the year being 447.

Number of Employees (comparison with 2007 and 2008)			
Indicator / period	2007	2008	2009
systemized number of employees	473	460	447
average recalculated number of employees	463	453	447
number of newly hired employees	64	60	48
number of employment terminations	68	69	50
number of employees in postproductive age as of December 31	67	62	63
– of which women:	45	43	40

On December 10, 2008 The Chamber of Deputies of the Parliament of the Czech Republic approved, through its Resolution No. 965, the Act No. 475/2008 Coll., on the State Budget of the Czech Republic for 2009.

Trough letter from the Ministry of Finance of the Czech Republic No. 19/104 439/2008-193 of December 17, 2008 "Binding volumes of funds for salaries and other payments for work done (limits of funds for salaries) and the numbers of employees for 2009" of budget head 328 – the CTO.

The limit of funds for salaries and other payments for work done  
 CZK 172,821,000  
 of which: funds for salaries CZK 165,171,000  
 other payments for work done CZK 7,650,000

Limit on the number of employees 447 persons

### Czech Presidency in the EU Council

In connection with Czech Presidency in the EU Council in the first half of 2009 the funds were detached in the budget head 328 – the CTO – item Salaries of employees – at the level of CZK 182,000. These funds were earmarked for the stimulation of employees engaged in work in working groups in connection with Czech Presidency in the EU Council.

### Funds for salaries of the CTO's employees

The budget of funds for salaries of employees for 2009 was CZK 165,262,000.

Since November 2009 the budget of funds for salaries of employees was CZK 165,171,000.

The Government Decree No. 130/2009 Coll., which took its legal effect on June 1, 2009, amended the Government Decree No. 564/2006 Coll., on Salaries of employees in public services and administration, as amended

by the Government Decree No. 74/2009 Coll. Through this Decree the change in the Scale of salaries took place pursuant to grades of salaries and categories of salaries (increase by 3.5 %).

Comparing the limit of funds for salaries of employees for 2009 (reality of CZK 165,171,000) with the reality of 2008 (CZK 159,005,000) it can be claimed the increase by CZK 6,166,000. This amount was drawn on to increase scales of salaries, increase of categories of salaries, increase of personal bonuses and acknowledgement of work merits at the occasion of anniversaries of life and extraordinary work tasks fulfilled in 2009.

The budget of funds for salaries of employees for 2009 secured the increase of average salary in 2009 (CZK 30,793) as compared with the year 2008 (CZK 29,250) by CZK 1,543.

### Reduction in Job Levels

Pursuant to Government Resolution No. 323 of April 2, 2007 (on reform steps taken between 2007 and 2010 to achieve stipulated public budget deficits) and the Government Resolution No. 436 of April 25, 2007 (on the proposal for reducing the number of jobs in public administration through 2010 by at least 3 % per year) there will be a reduction in the number of jobs at the CTO.

In the draft budget for 2009 a reduction in the number of jobs at the CTO by 14 jobs was included (i.e. 447 of jobs at the CTO).

Through the Measure No. 24/2008 No. 70 680/ /2008-601 dated August 13, 2008, on Organizational changes and on the issue of new systemisation, issued by the Chairman of the CTO Council, independent Department of public relations was liquidated from January 1, 2009.

The employment relationships of 2 employees were terminated for reason of redundancy pursuant to Section 52,

(c) of the Labour Code. At the termination of their employment relationship these employees were entitled to severance pay of three times their average salaries (Section 67, (1) of Act No. 262/2006 Coll., the Labour Code).

In view of the fact that in the approved 2009 budget the funds necessary for defrayment of the severance pay were not included, the CTO requested the Ministry of Finance for the approval of budgetary measure by the letter No. 96 496/2009-602. The CTO proposed to use saved funds earmarked for salaries of employees (Item 5011) for defrayment of the severance. The Ministry of Finance gave its consent to this request in its letter No. 19/89 966/2009-193 dated November 26, 2009.

Starting from November 26, 2009 the volumes of funds for employee salaries and other payments for work done and number of employees for 2009 were as follows:

The limit of funds for salaries and other payments for work done	CZK 172,821,000
of which: funds for salaries	CZK 165,171,000
other payments for work done	CZK 7,650,000

The limit of number employee	447 persons
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### Other Payments for Work Done

The budget of other payments for work done (without funds earmarked for salaries of representatives of the State Authorities) for 2009 was CZK 1,048,000.

Starting from November 26, 2009 the budget of other payments for work done (without funds earmarked for salaries of representatives of the State Authorities) was CZK 1,164,000.

The budget for other payments for work done was only used to cover activities that could not be performed through the CTO's own resources. This mainly involves work connected with the evaluation of cases of remedies against CTO decisions pursuant to Section 123 of the Electronic Communications Act, i.e. the activity of the appeals commission of the Chairman of the CTO Council and the appeals commission of the CTO Council, and the work of testing commissars for tests of radio operators and radio amateurs, the payment of severance pay and for work connected with the activities of expert lecturers at courses and seminars held for CTO employees.

Severance pay totalling CZK 181,093 was paid to 2 CTO employees.

The budget for other payments for work done (without funds for the salaries of representatives of state authority) for 2009 remained unexpended CZK 122 and CZK 907 in the Item Severance pay.

Pursuant to Government Resolution No. 715 of June 8, 2009 on Medium-term expenditure frameworks of the Cabinet for the years 2010 to 2012, the Chairman of the CTO Council issued the Measure No. 15/2009 on Organizational changes and on the issue of new systemisation (of September 29, 2009 No. 82 851/2009-601). This Measure determined further reduction in the number of jobs

at the CTO so that, starting from January 1, 2010, the number of jobs was reduced from 447 (situation on December 31, 2009) newly to 444 jobs.

### CTO Council

The budget for other payments for work done – "Salaries of representatives of authority" for 2009 was CZK 6,511,000. Starting from November 26, 2009 the budget of other payments for work done – "Salaries of representatives of State authority" was CZK 6,486,000.

Through Notice No. 582/2006 Coll., on the notification of the salary base for stipulating salary and some compensation of expenses pursuant to Act No. 236/1995 Coll., in 2007 the Ministry of Labour and Social Affairs of the Czech Republic announced, pursuant to Section 3, (3) of Act No. 236/1995 Coll., on the salary and other indemnities associated with the execution of the office of representatives of state power and some State bodies and judges and Deputies of the European Parliament, as amended, a salary base for 2007 of CZK 56,847 monthly. Pursuant to Act No. 261/2007 Coll., on public finance stabilisation (part thirty) the salary base for 2009 remained the same as in 2007.

On March 31, 2009 the term of office of the Chairman of the CTO's Council, PhDr. Pavel Dvořák, CSc., came to an end (Government Resolution No. 317 of March 29, 2006), however, Mr. Dvořák remained in the position of the member of the CTO Council.

On April 30, 2009 the term of office of the member of the CTO's Council, Bc. Michal Frankl came to an end (Government Resolution No. 450 of April 13, 2005). Pursuant to Section 109, (2) of Act No. 127/2005 Coll., on Electronic communications, members of the Council are entitled to a monthly salary at the level of their average monthly salary during their term of office for a period of 6 months after the end of their term of office in the Council. Simultaneously, members of the Council are entitled to Severance pay pursuant to Section 7 of Act No. 236/1995 Coll.

Pursuant to Section 107, (2) of Act No. 127/2005 Coll., on Electronic communications, one Member of the CTO Council is appointed each year. Members of the Council are appointed and removed by the Government on the proposal of the Minister of Industry and Trade. The term of office of a member of the CTO Council is 5 years.

On the basis of Government Resolution No. 558 of April 27, 2009, PhDr. Pavel Dvořák, CSc., was appointed the Chairman of the CTO's Council, and namely until his membership in the CTO Council, lasting five years, terminates. By the same Resolution Ing. Milan Šimonovský was appointed a new member of the CTO's Council for the period of five years.

In the budget of Other payments for work done – Funds for salaries for Representatives of State Authority for 2009 – CZK 718 and CZK 500 in the Item Severance pay remained unexpended.

## Employee Education

Employee education was carried out according to the CTO's Employee Education Plan for 2009 pursuant to Act No. 262/2006 Coll., the Labour Code, as amended, the Rules Laying Down the Method of Professional Preparation of Employees in Administration Bodies, approved by Government Resolution No. 1542 of November 30, 2005 and the CTO's Binding Instruction No. 15/2006, which specifies the improvement and increase of the qualifications of CTO's employees. The education of employees was focused primarily on electronic communications, information technologies, law, foreign languages, European affairs and managerial skills.

Newly hired CTO employees went through an entry educational programme during which they were provided with basic information on public administration and were introduced to the specific activities performed by the CTO.

Professional training realised in the individual divisions of the CTO were focused primarily on the issues of

electronic communications and the Administrative Procedure Code. Selected employees took courses focused on technologies and services in electronic communications, which were prepared by the Faculty of Electrical Engineering of the Czech Technical University in Prague and the Faculty of Electrical Engineering and Communication at the Brno University of Technology. The relevant employees took courses on the information systems used by the CTO. In 2009 also 5 training courses took place focused on acquisition of professional qualification in electronics pursuant to the Degree No. 50/1978 Coll., as amended by the Degree No. 98/1982 Coll.

Individual employees took language lessons and various educational courses were provided for employees, depending on their actual educational requirements, from the offer of the Institute of the State Administration and other educational companies.

Overviews of the employment regulation limit, the basic human resources information and itemised binding indicators for 2009 are presented in Annex Nos. 11, 12 and 13 of this Annual Report.

**The Number of Graduates of Various Educational Events (in comparison to 2007 and 2008)**

<b>Orientation</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
language courses	154	146	130
education in European Union Affairs	32	57	73
courses oriented on Information Technology	230	84	333
other educational Events	1,153	931	998
<b>costs for Education (in CZK thousands)</b>	<b>5,153</b>	<b>3,877</b>	<b>4,275</b>

## 3. Informatics

In 2009 works continued on the development of the Modular Administration System (hereinafter only the "MOSS"). Important step in this direction was particularly full operational engagement of the Module for the support of Administration Proceedings (first degree – S1) including a new user interface (GUI-2). After 102 employees finished their training the Module was gradually introduced in all departments for regions. Within the framework of the MOSS the first stage of the module for administrative punishments was dealt with and partial adaptations of other selected modules were realised.

In April 2009, on the basis of precedent public order, the project "Solution of data store and applications of Business Intelligence for the purposes of the CTO" was started. Its target is creation of management superstructure over selected source systems – the MOSS and Spectra+ System (System for administration of radio frequency spectrum). The whole project is divided in five stages. In 2009 the first three stages were completed according to the schedule.

In connection with commencement of the operation of the information system of data boxes (hereinafter only the "ISDS"), selected information system of the CTO were adapted to its requirements. It was, in particular, the system of

electronic documentation service GINIS providing all communication with the ISDS. Further, complementary module for the MOSS system was developed, procuring conversion of created output documents in PDF format, and in co-operation with programme equipment of third parties ensures their signature by qualified employee's certificate and insertion of time stamp. Simultaneously, the module with the help of documentation services provides dispatch of documents created via the documentation service system in the ISDS so that user working in the MOSS system is not compelled to change individual systems.

For the purposes of the data center and other works on the change of infrastructure of the CTO's computer network new domains were established for all workplaces of the CTO. Relations were defined among these new domains and applications and stations were prepared for the transition in new structures. After this transition is completed, what is planned for 2010, it will be possible to leave the current non-homogenous domain structure containing both domain Windows 2003 and Windows 2000 and is the source of many limitations in the field of service availability, potentials of management of stations and, in particular, as far as safety of the CTU network is concerned.

Taking into account increasing volume of data stored in information systems of the CTO and considering changes

in infrastructure and management of network safety, it was necessary to increase, in a principal manner, storage capacity of the central data field. By means of addition of disc capacity and increase of disc capacity from original 6 TB to 17 TB. Simultaneously, renovation of basic database cluster in the data center was executed considering both insufficient output parameters and the duration of its operation.

#### 4. Internal Audit

Pursuant to the Plan endorsed by the Chairman of the CTO Council a total of 5 regular audits and 3 follow-up audits were carried out in 2009. In addition to the internal audit plan 1 extraordinary audit was carried out on the basis of a request by the Deputy Chairman of the CTO Council.

The following audits were involved:

- a) SPO audit.
- b) Audit of public tenders in 2008.
- c) Audit of the GINIS system.
- d) The update of map of risks in the CTO.
- e) Audit of use of technical means for the ASMKs.
- f) The follow-up audit of fulfilment of measures ensuing from audit of processes connected with the issue of the restricted radiotelephone operator's certificate of the aeronautical mobile service.
- g) The follow-up audit of fulfilment of measures ensuing from audit of movable property (HW).
- h) The follow-up audit of fulfilment of measures ensuing from audit of the Modular administration system (MOSS).
- i) The extraordinary audit focused on inspection of processes connected to use of credit cards during business trips.

In implementing all audits the emphasis was given on control and observance of legislative and internal standards. All audits were executed within the stipulated deadlines and, besides recommendations ensuing from the Audit of update of map of risks, all further recommendations were accepted in the form of Note of approval as the task of the meeting of the Chairman of the CTO Council.

Pursuant to the Act on Financial Control, the annual report on the results of the financial inspections for the previous year was prepared and submitted to the Ministry of Finance of the Czech Republic in the stipulated form and by the stipulated date. The annual report was also prepared on the activities of the independent internal audit department for 2008, the report on the results of inspections by management for 2008 and in December 2009 the plan for the independent internal audit department for 2010 was approved. Also in 2009 a report from the internal evaluation of the quality of the internal audit at CTO was prepared by the Head of the independent internal audit department and presented for informational purposes to the Chairman of the CTO Council.

Also in 2009, much like in previous years, the emphasis was given on increase of quality of internal audit, provision of feed-back, increase of inflow of information concerning activity of internal audit, and accessibility of information from individual audits to all employees of the CTO.

Work of internal auditors continues to be a stable part of the activity of the Office and the instrument for detecting eventual irregularities, including recommendations concerning their systematic removal and prevention of future risks.



## Chapter V.

# MANDATORY COMPONENT PARTS OF THE ANNUAL REPORT

### 1. The Annual Report on the Universal Service (pursuant to Section 50, (2) of the Electronic Communications Act)

The Annual Report on the Universal Service is prepared pursuant to Section 50 of the Electronic Communications Act. In addition to the information on the scope of the services provided within the framework of the Universal Service for 2009, the Annual Report also contains legally stipulated information on the method of financing the Universal Service in 2009.

It is important to note that during 2009 the Universal Service was completely provided under the regime of the Electronic Communications Act (for the third year already).

All decisive information relating to the issue of the Universal Service for 2009 is given below in this Report.

#### A. Services Provided in 2009 within the Framework of the Universal Service

##### 1. Public Pay Telephone Services (Section 38, (2), (e) of the Electronic Communications Act)

The CTO, by issuing its decision which came into effect on March 14, 2006, imposed the obligation to begin providing Public Pay Telephone services (abbreviated to "PPT") on the provider of this partial service, the company Telefónica O2.

At the beginning of 2009 the CTO completed the review of this partial service. The study found that the interest in the use of PPT services is significantly falling. The CTO did, however, find that reasons for the imposition of the obligation to provide the PPT partial service in fact persisted.

In view of result of review of conditions of provision of this service, the CTO proposed to amend the existing decision, i.e. to change density criteria, reduce the number of mandatorily operated PPT services according to categories of municipalities and, simultaneously, to determine particular

PPT services operated in the mode of this partial service by means of an Annex.

Therefore, the administrative proceedings were commenced with the company Telefónica O2 and the decision was taken to change the obligation imposed to provide this partial service, so that starting from July 1, 2009 a newly stipulated lesser extent of PPT services would be provided. The integral part of the decision is the concrete list of PPT services included in the Universal Service.

In the second half of 2009 the new administrative proceedings were commenced and within its framework the new extent of the PPT services set for 2010 was stipulated. The integral part of the decision is the list of particular PPT services which will be operated within the framework in of the Universal Service.

##### 2. Access for disabled persons to the publicly available telephone service at the same level of quality as the access enjoyed by all other end-users, based on, in particular, specially provided terminal equipment (Section 38, (2), (f) of the Electronic Communications Act).

On July 12, 2006 the CTO issued the decision in which it imposed the obligation on company Telefónica O2 to provide the service of access to the publicly available telephone service for handicapped people. The validity of this decision was determined until July 13, 2009.

At the beginning of 2009 the CTO completed the review of this partial service which commenced already in 2008.

Considering the results of review it was found that the service of the access for disabled persons to the publicly available telephone service is not offered or provided by any other undertaking than Telefónica O2 on the basis of the obligation imposed on it.

On the basis of the results of review the CTO published its intention to impose obligation to provide, within the framework of the Universal Service, this partial service. During the public consultations no comments were raised

towards this intention, and therefore, the CTO, on April 22, 2009, declared public tender on provider of this partial service in the Telecommunication Journal.

The company Telefónica O2 sent its offer to this tender procedure and because it complied with all conditions for participation in tender procedure, administrative proceedings were commenced with this company concerning the obligation to provide this service.

The decision concerning the obligation to provide this service came into effect on July 14, 2009, therefore provision of the service for end-users was not interrupted. The obligation to provide this service has been imposed for the period of three years.

**3. Additional Services** to connection services at a fixed location to a publicly available telephone network and access at a fixed location to a publicly available telephone service (Section 38, (2) (g) of the Electronic Communications Act), which are:

- a) phased payment of the price for the establishment of connection to the public telephone network for consumers,
- b) free selective barring of outgoing calls for the subscribers,
- c) free itemised billing of the price for consumers.

In 2006 the CTO issued the decision imposing on Telefónica O2 the obligation to provide the partial service within the additional service. The validity of this decision was determined until July 29, 2009.

At the beginning of 2009 the CTO completed the review of this partial service which commenced already in 2008.

Considering the results of review it was found that in connection with the development of competition environment and efforts of providers to maintain current customers and acquire additional, partial services are provided under conditions comparable with those prevailing in the mode of the Universal Service, and even by those providers who are not under this obligation.

The CTO therefore published its intention not to impose new obligation to provide, within the framework of the Universal Service, partial service of the additional service. Within the framework of public consultations no comments were raised towards this intention, and therefore, since July 30, 2009, this partial service is not imposed within the framework of the Universal Service and services within it are provided on the commercial basis only.

**4. Special prices or price plans** for people with special social needs

In 2008 the CTO, on the basis of public tender, imposed the obligation to provide this service to companies Telefónica O2 and Vodafone.

Both decisions took their legal effect on July 1, 2008 and their validity has been determined for three years, consequently until July 1, 2011.

## 5. Other Partial Services

Among the services which were not provided in 2009 within the framework of partial service within the Universal Service belonged newly the regular issuance of telephone directories of numbers of subscribers and end-users' access to those directories (Section 38, (2), (c) of the Electronic Communications Act) and information about the telephone numbers of the subscribers of publicly available telephone service (Section 38, (2), (d) of the Electronic Communications Act).

This means that from December 22, 2008 these partial services are provided exclusively on a commercial basis in the Czech Republic without the imposition of any obligation.

In 2009 the CTO continued to monitor these partial services and found that provision of these partial services sufficiently satisfy reasonable needs of end-users as if they would be provided within the framework of the Universal Service.

In 2009 the obligation to provide the following partial services within the framework of the Universal Service remained not imposed:

- a) connection at a fixed point to the public telephone network pursuant to Section 38, (2), (a) of the Electronic Communications Act;
- b) access at a fixed point to the publicly available telephone service pursuant to Section 38, (2), (b) of the Electronic Communications Act;

In the case of these services the CTO, on the basis of a study carried out pursuant to Section 143, (2) of the Electronic Communications Act in 2006, came to the conclusion that the provision of the given partial services is ensured through commercially offered services in the telecommunications market, including the availability of an alternative in the form of mobile telephone services. The CTO therefore did not impose an obligation to provide these services. Also these services are continuously monitored and in 2009 it was confirmed that under current conditions it is not necessary to impose their provision within the framework of the Universal Service.

## B. The Financing of the Universal Service

In 2009 the financing of the Universal Service account was performed through two legal regimes, when:

- a) for financing of the Universal Service for 2001, 2002, 2003, 2004, 2005 and part of 2006 the procedure adopted was pursuant to the Telecommunications Act,
- b) for financing of the Universal Service for that part of 2006 when the obligation was imposed pursuant to the Electronic Communications Act and for 2007 and 2008, the procedure adopted was pursuant to the Electronic Communications Act..

### **B.1 The Loss pursuant to Act No. 151/2000 Coll., on Telecommunications**

In 2009 the CTO administered the Universal Service account, which was set up in 2002 as a foreign funds account with the extended prefix "16010" and the title Foreign Funds – Universal Service at the Czech National Bank, Prague branch. The account was established pursuant to Section 32 of Act on Telecommunications and the payments are made from it to cover the demonstrable losses of the Universal Service provider from contributions from other service providers pursuant to Electronic Communications Act.

On the basis of lawsuits against previous legal acts by the CTO filed by the Universal Service provider and undertakings that should have contributed to the Universal Service account, the Supreme Administrative Court decided to cancel the legal acts by which the demonstrable loss and the amount of payments to the Universal Service account from 2001 to 2003 were determined. Thus the CTO held repeated proceedings throughout 2006 and 2008 regarding the demonstrable losses from the provision of the Universal Service for that period and in which the company Telefónica O2 was considered the only party.

In verifying the amount of demonstrable loss from of the Universal Service provided throughout the years 2001 and 2006 the Office proceeded in accordance with the Act No. 151/2000, on Telecommunications which did not impose on the Office, in verifying the amount of this loss, the obligation to take into account market advantages incurred to the entrepreneur in providing the Universal Service. This procedure has not been prescribed until the Act No. 127/2005, on Electronic Communications and on amendments to other Acts. Nevertheless, in determination of verified amount of the loss, the Office in its calculation always took into account the proceeds accruing to the provider of the service in connection with the lease of the publicly available telephone service for the purposes of advertisement.

Contributors to the account of the Universal Service demanded that they become parties in individual administrative proceedings in the case of verification of demonstrable loss for the years 2001 – 2006. First, they raised appeals against individual decisions in the case of verification of loss, then appeals against decisions stating that they are not the parties and consequently actions at the Municipal Court in Prague. The first action which was resolved related to 2005 and the Municipal Court in Prague decided this case on December 21, 2008 under the No. Ca 293/ /2007. This ruling was consequently confirmed by the Judgement of the Supreme Administrative Court No. 3 As 3/ /2009-151 dated August 12, 2009. Another judgement followed in the course of 2009.

The Municipal Court in Prague pronounced binding legal opinion that by the decision of administrative body, verifying the amount of demonstrable loss of the company Telefónica O2 ensuing from the provision of the Universal Service for the year 2005, the company T-Mobile might be directly affected in its rights or obligations. For this reason the company T-Mobile is the party of the administrative proceeding in question pursuant to § 14, (1) of the Administrative Procedure Code. On the basis of these

decisions the Administrative Court of Appeal issued the new ruling on administrative appeals and cancelled the decision of the court of the first degree. Therefore the Office in 2009 commenced new hearing in administrative proceeding concerning the amount of loss for the years 2002, 2003 and 2004 and it will continue in these proceeding in 2010. Simultaneously, in 2010 it will again open hearings in the verification of loss for the years 2001, 2005 and 2006.

Following is the situation in individual proceedings up to December 31, 2009.

#### **Losses for 2001**

The decision on the verification of the losses for 2001 No. 42 478/2006-611/V. vyř. was issued on December 8, 2006. The loss for 2001 was verified as CZK 195,042,676 and the company Telefónica O2 was considered the only party of the administrative proceeding .

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2001. These administrative proceedings were held with the individual undertakings individually; in total there were 16 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 141,878,321, while the remaining amount of the demonstrable loss of CZK 53,164,355 should be paid to Telefónica O2 from the Universal Service account. A total of CZK 52,986,978 was transferred to Telefónica O2 for 2001. At the present time only bad claims totalling CZK 177,377 remain for payment.

On November 30, 2009 the Municipal Court in Prague by its ruling No. 7 Ca 165/2007-64 decided on the cancellation of the Judgement No. 18 935/2007-603 disapproving the administrative appeal of the company T-Mobile because this company is a party of proceedings in question in the position of affected party pursuant to § 14, (1) of the Administrative Procedure Code. The authority of appeal is bound by this ruling so that it will issue a new decision cancelling the decision No. 42 478/2006-611/V. vyř. and the case will be returned to new hearing in 2010.

On the basis of hereabove ruling and subsequent cancellation of the judgement on verification of the amount of the loss for 2001, a new trial will be ordered by the body of appeal concerning the amount of payments to the account of the Universal Service for 2001 with the proviso that renewed administration proceeding will be only one and will be held as one administration proceeding common for all payers on the account of the Universal Service.

#### **Losses for 2002**

The decision on the verification of the losses for 2002 No. 35 038/2006-611/VI. vyř. was issued on February 14, 2007. The loss for 2002 was verified as CZK 257,494,476 and the company Telefónica O2 was considered the only party of the administrative proceeding.



In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2002. These administrative proceedings were held with the individual undertakings individually; in total there were 25 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 172,788,762, while the remaining amount of the demonstrable loss of CZK 84,575,912 should be paid to Telefónica O2 from the Universal Service account. At the present time only bad claims totalling CZK 129,802 remain for payment.

On June 19, 2009 the company Vodafone filed administrative appeal against the decision on verification of demonstrable loss for 2002, No. 35 038/2006-611/VI. vyř. dated February 14, 2007. The body of appeal satisfied the appeal and cancelled decision contested referring to the Judgment of the Municipal Court in Prague by its ruling No. 10 Ca 257/2007-62 dated April 23, 2009 in which it pronounced binding legal opinion that by decision of administrative body by which the amount of demonstrable losses of the company Telefónica O2 incurred from the provision of the Universal Service the company Vodafone might be directly affected in its rights or obligations. For this reason the company Vodafone is a party of proceedings in question in the position of affected party pursuant to § 14, (1) of the Administrative Procedure Code.

At the present time the Office prepares a new trial in the case of determination of the amount of payment to the account of the Universal Service for 2002. In accordance with the latest judgments concerning the Universal Service, this proceeding will be held as one common administrative proceeding for all payers on the account of the Universal Service for this year. Each payer to the account will therefore have the opportunity to be acquainted with the documents submitted by other payers.

### Losses for 2003

The decision on the verification of the losses for 2003 No. 26 993/2006-611/X. vyř. was issued on July 9, 2007. The loss for 2003 was verified as CZK 290,510,226 and the company Telefónica O2 was considered the only party of the administrative proceeding.

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2003. These administrative proceedings were held with the individual undertakings individually; in total there were 23 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 183,190,034, while the remaining amount of the demonstrable loss of CZK 107,320,192 should be paid to Telefónica O2 from the Universal Service account. A total of CZK 107,313,202 was transferred to the company Telefónica O2. At the present time only bad claims totalling CZK 6,990 remain for payment.

On June 19, 2009 the company Vodafone filed administrative appeal against the decision on verification of demonstrable loss for 2003, No. 26 993/2006-611/X. vyř. dated July 9, 2007. The body of appeal satisfied the appeal

and cancelled decision contested referring to the Judgment of the Municipal Court in Prague by its ruling No. 10 Ca 249/2007-72 dated April 23, 2009 in which it pronounced its binding legal opinion that by decision of administrative body, by which the amount of demonstrable losses of the company Telefónica O2 incurred from the provision of the Universal Service for the year 2003 is verified, the company Vodafone might be directly affected in its rights or obligations. For this reason the company Vodafone is a party of proceedings in question in the position of affected party pursuant to § 14, (1) of the Administrative Procedure Code.

At the present time the Office prepares a new trial in the case of determination of the amount of payment to the account of the Universal Service for 2003. In accordance with the latest judgments concerning the Universal Service, this proceeding will be held as one common administrative proceeding for all payers on the account of the Universal Service for this year. Each payer will have the opportunity to get acquainted with documents submitted by remaining payers.

### Losses for 2004

The decision on the verification of the losses for 2004 No. 28 799/05-611/IV. vyř. was issued on March 15, 2006. The loss for 2004 was verified as CZK 302,622,498 and the company Telefónica O2 was considered the only party of the administrative proceeding.

In 2007 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2004. These administrative proceedings were held with the individual undertakings individually; in total there were 30 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 174,661,874, while the remaining amount of the demonstrable loss of CZK 127,960,624 should be paid to Telefónica O2 from the Universal Service account. A total of CZK 127,959,955 was transferred to the company Telefónica O2. At the present time only bad claims totalling CZK 669 remain for payment.

By the decision No. 19 102/2007-603/VI., dated October 26, 2009 the Chairman of the Council, in the position of the body of appeal, cancelled the decision No. 28 799/2005-611/V. vyř. dated March 15, 2006, in the case of verification of the amount of demonstrable losses incurred from the provision of the Universal Service for 2004 and returned the case to the administrative body of the first degree to new hearing and decision. The Chairman of the Council proceeded in accordance with the legal opinion of the Municipal Court in Prague stated in its ruling No. 8 Ca 255/2007-108 dated September 14, 2009, by which the decision No. 19 102/07-603/III. concerning the case of appeal of the company T-Mobile against the decision No. 28 799/05-611/IV was cancelled. The Municipal Court in Prague pronounced its binding legal opinion that by decision of administrative body, by which the amount of demonstrable losses the company Telefónica O2 incurred from the provision of the Universal Service for the year 2004 is verified, the company T-Mobile might be directly affected in its rights or obligations. For this reason the company T-Mobile is a party



of proceedings in question in the position of affected party pursuant to § 14, (1) of the Administrative Procedure Code.

At the present time the Office prepares a new trial in the case of determination of the amount of payment to the account of the Universal Service for 2004. In accordance with the latest judgments concerning the Universal Service, this proceeding will be held as one common administrative proceeding for all payers on the account of the Universal Service for this year. Each payer will have the opportunity to get acquainted with documents submitted by remaining payers.

### Losses for 2005

The decision on the verification of the losses for 2005 No. 38 173/2006-611/IV. vyř. was issued on March 5, 2007. The loss for 2005 was verified as CZK 286,966,147 and the company Telefónica O2 was considered the only party of the administrative proceeding.

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2005. These administrative proceedings were held with the individual undertakings individually; in total there were 51 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 158,505,761, while the remaining amount of the demonstrable loss of CZK 128,460,386 should be paid to Telefónica O2 from the Universal Service account. At the present time only bad claims totalling CZK 5,483 remain for payment.

The Municipal Court in Prague in its ruling No. 9 Ca 293/2007-65 dated November 21, 2008 resolved the issue of the legal position of a participant in the case of verification of the amount of demonstrable loss for the year 2005 of a different entrepreneur than the provider of the Universal Service and claimed that the company T-Mobile in the position of the payer to the account of the Universal Service might be directly affected in its rights or obligations. Therefore, the company T-Mobile should be considered the party of the administrative proceeding in question as the affected party.

### Losses for 2006

The decision No. 63 445/2006-61/IV. vyř. on the verification of the demonstrable losses from the service of providing non-stop free access to emergency call numbers through public telephones without the need for coins or cards

for the period from January 1, 2006 to May 10, 2006 was issued on December 21, 2006 and the company Telefónica O2 was considered the only party of the administrative proceeding. The verified loss was CZK 815,203.

On August 29, 2007 the Chairman of the CTO Council issued a decision on the verification of the losses from the provision of the Universal Service for 2006 through decision No. 45 789/2007-611/XII. vyř., with the exception of service providing emergency calls from PTs, and the company Telefónica O2 was considered the only party of the administrative proceeding. The demonstrable loss was stipulated as CZK 279,459,304.

In accordance with the judgments of the Municipal Court in Prague the Office considers all payers on the account of the Universal Service parties to the proceedings and, therefore, it sent additionally counterparts of both decisions above to all parties to the proceedings. The company T-Mobile filed appeals against both decisions which will be decided in 2010.

The Office gathered documents necessary for determining the amount of contribution from companies providing publicly available service in 2006 or companies which operated public network of electronic communications, and in 2008 commenced administrative proceedings with 61 companies concerning determination of the amount of contribution to demonstrable losses incurred in 2006 pursuant to the Act on Telecommunications.

During 2009 the Office continued in dealing with the administrative proceedings concerning the amount of payment to the account of the Universal Service for 2006. Considering mergers of some companies, the number of administrative proceedings decreased from 61 to 59. In November 2009, by means of a resolution, individual administrative proceedings were consolidated in one administrative proceeding dealing with the case of determination of the amount of payment of all payers to the account of the Universal Service for 2006. The reason for consolidation in one proceeding was the fact that the determination of the amount of share of one participant of a proceeding influences shares of remaining participants. All 59 participants were informed of the possibility to get acquainted with the contents of the document composed of background materials from original administrative proceedings. In January 2010 this administrative proceeding was interrupted until the time when the amount of loss, incurred from the provision of the Universal Service for 2006, is finally determined by a decision which will be the final judgement.

The Universal Service Account pursuant to the Telecommunications Act – balance on the account as per December 31, 2009 (in CZK)	
Balance on the Universal Service account as of 01/01/2009	56,848.09
Account income – total contributions paid	0.00
Account expenses – contributions transferred to the Universal Service by providers	13,389.00
Balance on the Universal Service account as of 31/12/2009	43,459.09 <sup>1)</sup>

1) The balance on the account is due to an excess payment by Zephyr Communications, spol. s r. o.

## B.2 Net costs of the provision of the Universal Service pursuant to the Electronic Communications Act

### Net Costs for 2006

On January 27, 2009 the Decision No. 57 438/2007-611/XIII. vyř. was promulgated in the case of determination of net costs for the provision of the Universal Service at the amount of CZK 73 875 953,-, and the company Telefónica O2 was considered the only party of the administrative proceeding.

In accordance with the judgments of the Municipal Court in Prague the Office considers all payers on the account of the Universal Service parties to the proceedings and, therefore, it sent additionally counterparts of decision No. 57 438/2007-611/XIII. vyř. to all parties to the proceedings. The company T-Mobile filed appeal against both the decision about which will be decided in 2010.

On July 17, 2009 the CTO Council issued the Measure of General Nature No. OOP/16/07/2008-7 which determines percentual share of earnings for the provision of services specified in § 49 (5) of the Act. The Measure was published in the Telecommunication Journal on July 25, 2008. The sixty-one companies contribute to the account of the Universal Service.

In 2009 the Office dealt with proceedings concerning the determination of the amount of payment pursuant to the Act No. 337/1992 Coll., on the Administration of Taxes and Fees, as later amended. As per April 12, 2009 all payments to the account of the Universal Service at the amount of CZK 37,533,749 were settled. Contribution of the company Telefónica O2 was determined at CZK 36,342,204 however, this provider of the Universal Service does not pay to the account of the Universal Service. All payments received were transferred from the account of the Universal Service to the account of the company Telefónica O2. The companies: eNET s.r.o., T-Mobile, Vodafone, GTS Novera filed appeals against the payment order. All appeals were rejected.

### Net costs for 2007

On July 31, 2008 the company Telefónica O2 submitted to the CTO, pursuant to Sections 48 and Section 49 of the Electronic Communications Act and pursuant to Decree No. 388/2006 Coll., on the net costs of the Universal Service in electronic communications, the request for the settlement of the net costs for the provision of the Universal Service. The net costs were calculated at CZK 118,666,047 of which CZK 101,091,878.84 for public telephone service, CZK 748,311.77 for the lease of specially equipped end equipment, CZK 41,834.87 for the sale of specially equipped end facilities and CZK 11,905,386.25 for additional services. Within the framework of administrative proceedings the Office commenced verification of data submitted and requested completion of original documents including evidence of partial calculations concerning individual items. Part of the calculation of net costs was also specification of indirect market advantages and assessment as to whether the provision of

the Universal Service does not represent unbearable burden for the company Telefónica O2.

Taking into consideration the judgment of the Municipal Court in Prague No. 9 Ca 293/2007-65 dated November 21, 2008, in which the court dealt with the question of position of a party to the proceeding in the case of verification of demonstrable loss for the year 2005 in case of entrepreneur different from the provider of the Universal Service, the Office announced on March 23, 2009 that in terms of § 27, (2) of the Administrative Procedure Code it will consider, besides the company Telefónica O2, all entrepreneurial subjects, which complied with the condition specified in § 49, (5) and (6) of the Act on Electronic Communications and will contribute to the account of the Universal Service in 2007, parties to the proceeding.

On May 22, 2009 the Office issued the Decision No. 70 399/2008-611/VI.vyř. in which it verified correctness and completeness of background documents concerning calculation of net costs and stipulated the amount of net costs for 2007. The Office determined net costs for the provision of the Universal Service for 2007 at the amount of CZK 105,478,583. Simultaneously, the Office decided that net costs represent unbearable burden for the provider of the Universal Service. The decision was delivered to 96 parties to the proceeding.

The parties to the proceeding, T-Mobile and Vodafone raised complaints against the Decision No. 70 399/2008-611/VI.vyř. On September 15, 2009 the Council of the Czech Telecommunication Office, in the position of the administrative body of the second degree, issued the Decision No. 63 541/2009-603, in which it cancelled the Decision No. 70 399/2008-611/VI.vyř. and returned the case to new hearing. Decision entered into its legal power on October 6, 2009.

On December 4, 2009 the Office issued a public Decree in which it published a concept of verdict and statement of reasons of the decision on the Official board of the Czech Telecommunication Office pursuant to § 122, (7) of the Act on Electronic Communications. The decision accompanied by settlement of complaints submitted will be issued in 2010.

On October 7, 2009 the Council issued the Measure of General Nature No. OOP/17/10.2009-14 stipulating percentage shares of earnings for the provision of services specified in § 49, (5) of the Act. The Measure was published in the Telecommunication Journal No. 18 on October 16, 2009. The ninety-six companies will contribute to the account of the Universal Service. In 2010 the Office will deal with the proceedings concerning stipulation of the amount of payment pursuant to the Act No. 337/1992 Coll., on the Administration of Taxes and Fees, as later amended.

### Net Costs for 2008

On July 31, 2009 the company Telefónica O2 submitted billing of net costs for the provision of the Universal Service. The costs were calculated according to individual

services and the total requirement of the company Telefónica O2 was CZK 114,934,482.95.

On August 10, 2009 the commencement of the administrative procedure was announced to 107 participants of the procedure in the form of public Decree on the Official board and the State control of electronic communications verifying submitted calculation and supporting documents started. Within the framework of this control the numbers of physical units and correctness of the amount of costs and earnings included in the calculation of net costs were verified.

The Office asked for completion of original documents including documentary evidence of partial calculations concerning individual items. The control has not yet been finished.

Simultaneously the Office collects other evidence necessary for the calculation of the intangible advantages and insupportable burden. In particular, search for documentary evidence necessary for the calculation of average prices for the lease of advertising areas is time consuming. The decision concerning determination of net costs for 2008 will be issued in 2010.

The Universal Service account – development of payments imposed pursuant to the Electronic Communications Act in 2009 (in CZK)				
	Request for Payment in CZK Submitted by the Provider	Verified Net Costs from Providing the Universal Service in CZK	Payments Made to the Account, as of Dec. 31, 2008	Note
Net costs for 2006	84,169,933	73,875,953	37,533,749	The amount of the contribution of the Company TO2 has been set at 36,342,204
Net costs for 2007	118,666,047	–	–	The decision did not come into force in 2009
Net costs for 2008	114,934,483	–	–	The decision did not come into force in 2009

### B.3 The Loss from the Provision of the Universal Service “Special Prices” pursuant to the Electronic Communications Act

A partial service “Special Prices” pursuant to § 38, (3) of the Act is the only one service reimbursed from the State Budget. In case of this service the CTO verifies amount of loss shown by determined entrepreneurs and subsequently it provides for the reimbursement from the State Budget. Hereafter the state of reimbursement of the loss incurred from the provision of this service as per December 31, 2009 is specified.

#### The Settlement of the loss incurred from the provision of special prices in 2007

On July 31, 2008 the company Telefónica O2 submitted a request for the payment of the loss for the provision of special prices in 2007 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated at CZK 140,262,051, of which CZK 1,158,281 for the mobile network.

On July 31, 2008 the company T-Mobile submitted a request for the payment of the loss for the provision of special prices pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 4,242,682.02.

On July 31, 2008 the company Vodafone submitted a request for the payment of the loss for the provision of special prices pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 1,356,908.

After the completion of the verification process and on the basis of newly submitted data, the CTO issued to all three Universal Service providers a decision on the stipulation of the loss from the provision of special prices within the framework of the Universal Service. The loss of Telefónica O2 was CZK 140,202,310, the loss of Vodafone was CZK 1,348,150 and the loss of T-Mobile was CZK 4,192,360. The losses were reimbursed to all providers of special prices from the State Budget.

#### The Settlement of the loss incurred from the provision of special prices in 2008

On July 30, 2009 the company Telefónica O2 submitted a request for the payment of the loss for the provision of special prices in 2008 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated at CZK 136,559,810 of which CZK 2,131,252 for the mobile network.

On July 31, 2009 the company T-Mobile submitted a request for the payment of the loss for the provision of special prices in 2008 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 2,903,275.

On July 31, 2009 the company Vodafone submitted a request for the payment of the loss for the provision of special prices in 2008 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 1,832,222.

After the completion of the verification process and on the basis of newly submitted data, the CTO issued to all three Universal Service providers a decision on the stipulation

of the loss from the provision of special prices within the framework of the Universal Service. The loss of Telefónica O2 was CZK 136,201,450 the loss of Vodafone was CZK

1,819,225 and the loss of T-Mobile was CZK 2,899,133. The losses were reimbursed to these companies.

### Special prices for 2008

Provider US in 2008	Submitted loss (in CZK)	Recognized loss (in CZK)			The number of participants				
	in total	in total	1. st half year	2.nd half year	in total		handicapped		socially weak
					1. st half year	2. nd half year	1. st half year	2. nd half year	1. st half year
TO2	136,559,810	136,201,450							
– fixed network	134,428,558	134,074,671	73,936,261	60,138,410	66,235	57,011	65,989	57,011	246
– mobile network	2,131,252	2,126,779	1,008,377	1,118,402	1,046	1,122	959	1,122	87
T-Mobile	2,903,275	2,899,133	2,899,133	0	2,834	0	2,418	0	416
Vodafone	1,832,222	1,819,225	1,005,413	813,812	1,003	795	900	795	103
<b>In total (CZK)</b>	<b>141,295,306</b>	<b>140,919,808</b>	<b>78,849,184</b>	<b>62,070,624</b>	<b>71,118</b>	<b>58,928</b>	<b>70,266</b>	<b>58,928</b>	<b>852</b>

## 2. Report on the Management of the Radiocommunication Account Funds (pursuant to Section 27, (4) of the Electronic Communications Act)

Pursuant to Section 27, (4) of the Electronic Communications Act, the Annual Report on the activities of the CTO includes the Report on the Management of the Radiocommunication Account Funds, including supplementary information.

The CTO established and administers the Radiocommunication Account on the basis of competency pursuant to Section 27 of the Electronic Communications Act. This account is meant for the payment of effectively and purposefully invested costs incurred by the holders of authorisations to use radio frequencies or by the Ministry of Defence of the Czech Republic when using radio frequencies for military purposes due to changes in the use of the radio spectrum for reasons specified in Section 19, (1), (a) and (b) of the Electronic Communications Act. The Radiocommunication Account is not a part of the state budget; the balance on the account at the end of the calendar year is transferred to the following year.

The Radiocommunication Account's revenue is based on fees for the use of frequencies in amounts specified

by Government Directive No. 153/2005 Coll., on specifying the manner and level of the creation of funds for the Radiocommunication Account and the method it is drawn upon, of April 6, 2005. The six percent of collected fees for the use of radio frequencies are transferred to the Radiocommunication Account. The Radiocommunication Account has been established at the Czech National Bank, Prague branch, as a foreign funds account with the extended prefix of "26016."

The amount of CZK 58,880,004 was transferred to the Radiocommunication Account in 2009 was drawn in favour of České radiokomunikace a.s. in order to compensate the costs of this company incurred in connection with elimination of interference of analogue television signal and technical incompatibility after the commencement of operation of new DVB-T transmitters on the territory of the Czech Republic and abroad at TVP Kraslice, Stříbrná, Velké Březno, Bečov nad Teplou and Mariánské Lázně. The CTO confirms the effectiveness and purposefulness of the invested funds claimed in the individual requests from the undertaking in question through an evaluation of the submitted materials by a commission of experts established for this purpose.

The balance on the Radiocommunication Account as of December 31, 2009 was CZK 172,421,069.82.

The following table gives an overview of the balance on the Radiocommunication Account:

(in CZK)

<b>Balanace as per 1. 1. 2009</b>	<b>113,623,220.82</b>
Additions for the 4th quarter of 2008 – supplementary payment	35,344.00
Additions for the 1st quarter of 2009	57,246,630.00
Additions for the 2nd quarter of 2009	0.00
Additions for the 3rd quarter of 2009	1,014,129.00
additions for the 4th quarter of 2009 – 1st part	583,901.00
<b>Additions in total</b>	<b>58,880,004.00</b>
Drawings as per 31. 12. 2009	82,155.00
<b>Balance as per 31. 12. 2009</b>	<b>172,421,069.82</b>



### 3. Annual Report of the CTO on the Provision of Information for 2009 (pursuant to Act No. 106/1999 Coll., on free access to information, as amended)

The Czech Telecommunication Office (hereinafter only the "CTO") hereby publishes this Annual Report on the Provision of Information in 2009, prepared in accordance with Section 18 of Act No. 106/1999 Coll., on Free access to information, as amended (hereinafter only the "Act").

Pursuant to Section 3 of Act No. 127/2005 Coll., on Electronic communications and on amendments to some related Acts (the Electronic Communications Act), as amended (effective as of May 1, 2005), the CTO is the central administrative authority for the performance of public administration in the matters specified by the Act, including the regulation of the market and specification of conditions for conducting business in electronic communications and postal services. Within the framework of the competencies specified by the Act, it therefore performs supervision on compliance with legal regulations in electronic communications and postal services as a public administration body.

The basic information about the CTO's organizational structure and its activities are available for the general public both on the CTO's website ([www.ctu.cz](http://www.ctu.cz)), which includes an electronic information board, and on the information board located on the bulletin board in the CTO's entrance hall, and is also published in the promotional material issued by the CTO. Information about the handling of life situations pursuant to Decree No. 442/2006 Coll., which stipulates the structure of information published about the mandatory subject in a way enabling remote access pursuant to Decree No. 416/2008 Coll., is also available through the public administration portal ([www.portal.gov.cz](http://www.portal.gov.cz)).

#### a) The Number of Requests for Information

In 2009, 12 written (or electronically submitted) requests for information were submitted and registered at the CTO. These primarily concerned electronic communications and, to a certain extent, radiocommunications and personal affairs. As far as postal service Directive is concerned, the CTO did not register or handle any submission asking for information of this kind to be provided.

The contents of the questions regarding radio-communications concerned was the provision of information regarding:

- ongoing or terminated judicial proceedings related to the Universal service,
- handover of all data of electronic communications specified in relevant databases on the internet pages of the Office which can be provided pursuant to the Act on Electronic communications,
- the obligation to report business activities pursuant to § 13, (1) of the Act on Electronic communications under certain circumstances if an entrepreneur providing publicly available services of electronic

communications leaves the unused part of its capacity of services provided (telephone lines and Internet services) to another person for consideration,

- provision of copies of all decisions by means of which the Ministry (the predecessor of the Office) awarded in the past the company Elektronika TVS, spol. s r.o. the licence to establish and operate the network of electronic communications in Přeborn,
- issues of portability of telephone numbers (between fixed lines telephone networks and between public mobile telephone networks) regulated in the Act on Electronic communications and in measures of general nature issued by the Office on the basis of the Act on Electronic communications,
- interpretation of procedure pursuant to § 36, (1), (a) and (d) of the Act on Electronic communications – it concerns the conditions which must be complied with if the Office is to promulgate the change of the licence to utilize numbers,
- interpretation of terms specified in the Act on Electronic communications ("Telecommunication services in the networks of cable television networks", the "subject in the position of the enterprise with considerable market force"),
- the application of specific provisions employed by the Chairman of the Council of the Office in assessing the administrative appeal filed by the company The BRITISH SCHOOL, s.r.o. against the decision of the Office No. 052 751/2008-631/+Ste/G XVII. vyř.,
- potential replacement of cable distributions of the UPC Česká republika, a.s. by means of installation of the antenna system serving for the reception of television broadcasting,
- the amount of funds spent by the Office for the use of postal services and services of electronic communications during the years 2007 – 2008.

One interpellation was from the field of radio-communications and asked for information concerning the number of issued certificates for radiotelephonists and operators of the naval mobile service during the years 2005 – 2009.

In the personnel field one interpellation demanded provision of information related to the Register of announcements pursuant to the Act No. 159/2006 Coll., on Conflict of interests, as later amended, administered by the Office, the endorsed limit of the number of ranking positions of the Office as per December 31, 2008 and for the year 2009 and remuneration of the Chairman of the Office and its directors.

#### b) The Number of Decisions to Not Provide Information

In 2009 a decision was made in one case to not provide some information required (with regard to the provisions of Section 8, (a) of Act No. 106/1999 Coll.)

**c) The Number of Appeals Filed Against Decisions**

One appeal was filed against a decision to not provide some information required in 2009.

**d) Copies of Substantial Parts of Court Rulings (Section 16, (4) of Act No. 106/1999 Coll.)**

The courts did not make any decisions in any case relating to the rejection of requests for information in 2009.

**e) The Number of Complaints Submitted Pursuant to Section 16, (a) of Act No. 106/1999 Coll., the reasons for their submission and a brief description of the settlement method.**

In 2009 the CTO did not address any complaint in connection with an alleged breach of legally stipulated procedures in dealing with a request for information.

**f) A List of Exclusive Licenses Provided, including the justification for the necessity of providing an exclusive license (Section 14, (a) of Act No. 106/1999 Coll.)**

The CTO did not provide any exclusive licenses in 2009.

**g) Other Information Relating to the Application of the Act**

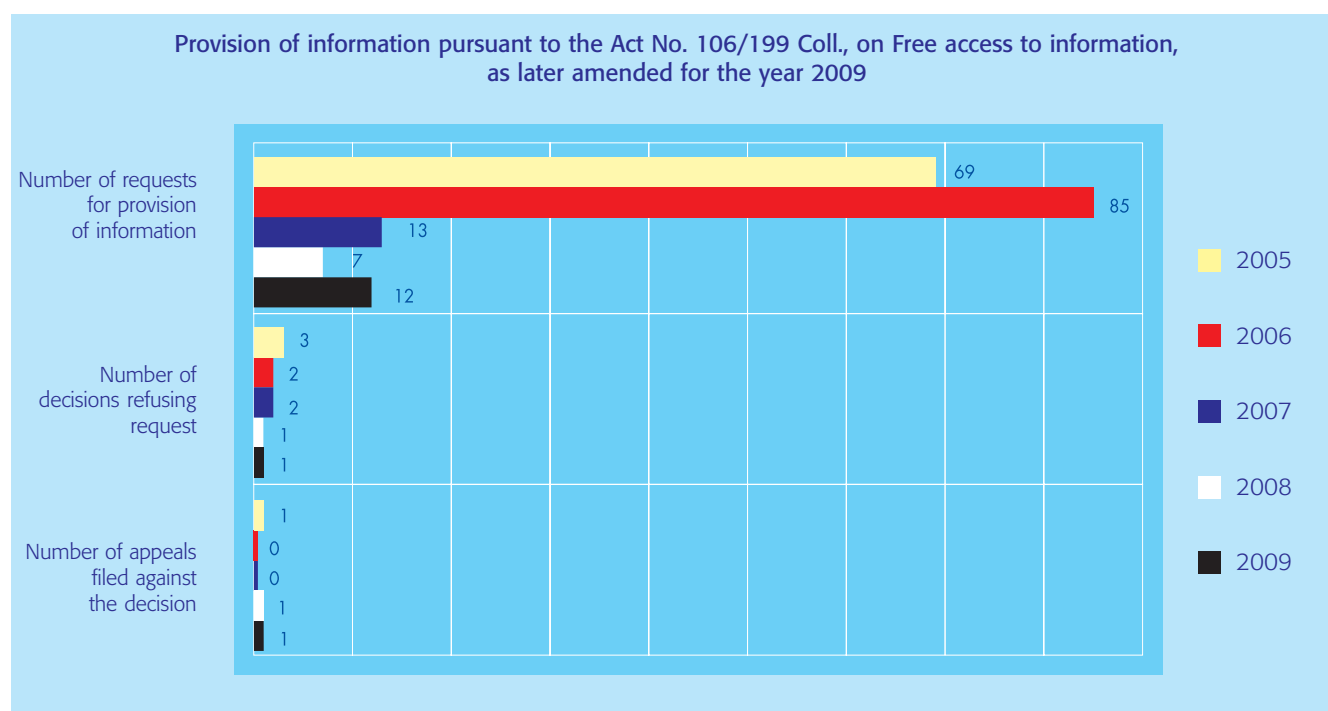
In 2009, the CTO did not collect and deliver any amount representing compensation for the costs of the provision of information pursuant to Act No. 106/1999 Coll., on Free access to information, as amended.

The written applications for information included in the 2009 records were resolved in compliance with the Act and with the CTO's internal Directives. The CTO did not maintain records of telephoned requests for information, and in view of their quantity and nature it operationally resolved them in the same manner.

An overview of the resolved written requests for information for 2009 in comparison with the previous periods starting with 2005 is given in the annex and in the following graph:

**Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as Amended, in 2009**

	2005	2006	2007	2008	2009
1. Number of information requests submitted	69	85	13	7	12
2. Number of decisions to not provide information	3	2	2	1	1
3. Number of appeals submitted against decisions	1	0	0	1	1



#### 4. Complaints against the CTO's activities

In 2009 the CTO settled a total of 3 submissions that were judged, with regard to their character and content, as complaints in accordance with the provisions of Section 175 of Act No. 500/2004 Coll., the Administrative Procedure Code, as amended.

The contents of the complaints were criticisms of the CTO's activities or CTO employees' working procedures in the sense of whether they had not thereby breached Act No. 127/2005 Coll., on electronic communications and on amendments to some connected Acts (the Electronic Communications Act), as later amended, or indicated a significant breach of that Act. An overview (list) of the submissions made to the CTO in 2009 is given in Annex No. 14 to this Annual Report.

The investigations found that two of the aforementioned complaints were unjustified and in one case the complaint was justified.

In comparison with previous periods it can be stated, however, that in 2009 both the number of asserted complaints and their justification significantly fell, primarily in connection with the longer period of application of the Electronic Communications Act in practice.

The complaints settled as unjustified referred to allegedly incorrect procedures or unsuitable behaviour by CTO employees, which was not demonstrated, however, during the investigations. No remedies had to be taken for complaints that were judged to be unjustified.

One justified complaint criticized protractions in proceedings (non-observance of the deadline stipulated for promulgation of administrative decision). As a corrective measure a disciplinary action was imposed on responsible employee emphasizing consistent observance of legal deadlines by administrative body in handling a case in administrative proceedings.

In connection with compliance with procedures when handling complaints in accordance with part seven of the Administrative Procedure Code, the CTO regularly adopts other essential measures in the sense of more detailed administrative records of the relevant complaints in the „Complaint Records“ database, including complying with the principles for maintaining clear complaint files and the thorough performance of regular analyses of settled complaints connected with the CTO's operations. Emphasis is in particular placed on the timely and complete processing of submitted complaints. In light of the aforementioned information, it can be stated that the division settling complaints enjoys exceptional and consistent attention in the CTO.

Apart from the handling of the aforementioned complaints, no anonymous submission was delivered to the CTO in 2009. The CTO did not have to address any instigation, nor did it receive any petition suggesting how to resolve any specific situation.

In the field of handling complaints concerning activities of the CTO belong also the cases resolved by the Ombudsman pursuant to Act No. 349/1999 Coll., on Ombudsman, as later amended, although this regulation exceeds the framework of the provisions of § 175 of the Administrative Procedure Code.

In 2009 the CTO collaborated with the Ombudsman in handling of 3 instigations submitted by natural persons pursuant to the Act on Ombudsman. In all three cases these demanded protection of the Ombudsman against activities of the CTO in the position of the administrative body acting in the field of resolving disputes pursuant to § 129 of the Electronic Communications Act, consequently the disputes between persons performing communications activities and their subscribers, and/or users of services.

In the first case the CTO reviewed its activities and using the instruments of the Administrative Procedure Code it cancelled its original decision in dispute concerning delayed payment. The case was then returned to the administrative body of the 1<sup>st</sup> degree for a new hearing. In the second case, related to the question of assessment of CTO's competence to decide and perform the obligations to inform, the CTO is of the opinion that its action was in accordance with legal regulations. As a preventive measure a special training, similarly to the first case, was held of competent employees of the CTO to deepen their knowledge in the field of the administrative law with special emphasis to situations which were subject of above mentioned instigations submitted to the Ombudsman. In both cases the Ombudsman found corrective measures taken by the CTO adequate. The third instigation related in material aspects to the issues of appointment of guardian in the administrative proceedings. The CTO decided that this instigation was unjustified, however, the Ombudsman has not closed this case so far.

The CTO also maintains records regarding all notified or delivered submissions in matters of suspicion of corruption or fraud involving CTO employees, and within its competence investigates them and regularly assesses them, through an analysis of the complaints on the basis of the provisions of Section 175 of the Administrative Procedure Code (a part of the Annual Report on the Activities of the CTO for the calendar year in question).

In this regard we can state that in 2009 the CTO was not notified, either orally or in writing, at the electronic information board or at the anti-corruption email address, of any relevant submission relating to the suspicion of corruption or fraud by CTO employees.

The receipt of mail at the e-mail address (korupce@ctu.cz) set up on July 10, 2007 is very thoroughly monitored and regularly evaluated. The anti-corruption e-mail address serves as a potential source of information on the possible corrupt behaviour of CTO employees. The CTO is prepared to actively react to any submission of this nature in the sense of its internal binding instructions as well as generally valid legal regulations. In 2009 one e-mail message was delivered to this e-mail address, which was, however, reclassified as complaint after being evaluated (it related to allegedly incorrect procedures from the provider of electronic

communications services against user of those services) and in this sense was subsequently addressed by the CTO.

It can be claimed that the public has shown practically no interest in the anti-corruption e-mail address during its operation to date. The existence of an e-mail contact has no influence of the activities of the CTO from a practical perspective, while the costs for its operation are negligible from the economic perspective.

The benefit of the anti-corruption e-mail address can, however, be seen in the possibility for the CTO to react immediately to a submission and to take without delay any required preventive and corrective measures. In view of the fact that the toll-free anti-corruption line 199 ([www.linka199.cz](http://www.linka199.cz)) which was officially launched in September, 2009, does not provide the authority in question with feedback, the continued existence of the CTO anti-corruption e-mail address remains justified.

PhDr. Pavel Dvořák, CSc.  
Chairman of the Council  
Czech Telecommunication Office



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## Annexes

To the Annual Report  
of the Czech Telecommunication Office for 2009

## OVERVIEW OF SUBSCRIBER DISPUTES FOR 2009

Type of activity		Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued <sup>1)</sup>	Decision in favour of		Other <sup>2)</sup>	Number of administrative proceedings left to next period
					The subscriber	The provider		
1.	Decision-making on subscriber disputes	5,382	101,682	72,462	2,127	66,801	3,534	34,602
	a) on objections about the settlement of a complaint against a service provided	51	80	117	34	40	43	14
	b) on objections about the settlement of a complaint about prices charged for a service	45	320	314	66	113	135	51
	ba) of access to premium-rate services (data and voice)	5	9	13	4	6	3	1
	baa) of access to premium-rate services provided on the internet or on other data networks (Dialer)	0	1	0	0	0	0	1
	c) on the payment of a price for a service (financial performance)	5,286	101,178	71,931	1,985	66,626	3,320	34,533
	d) other	0	104	100	42	22	36	4

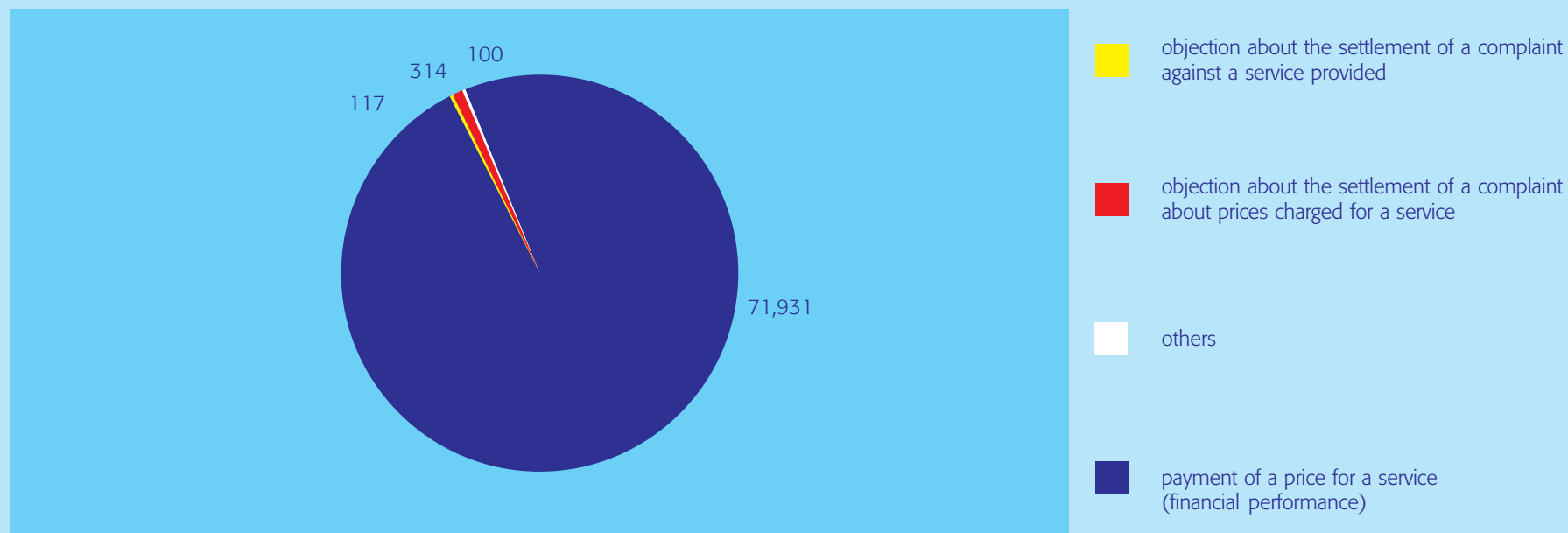
1) The number of decisions issued in 1st instance administrative proceedings (irrespective of whether they are final).

2) Cases of the completion of administrative proceedings with a resolution, i. e. cases of the death of a subscriber, the dissolution of an undertaking, the suspension of proceedings for legal reasons (bankruptcy), lack of competency and so on.

## SUBSCRIBER DISPUTES – NUMBER OF DECISIONS ISSUED IN 2009

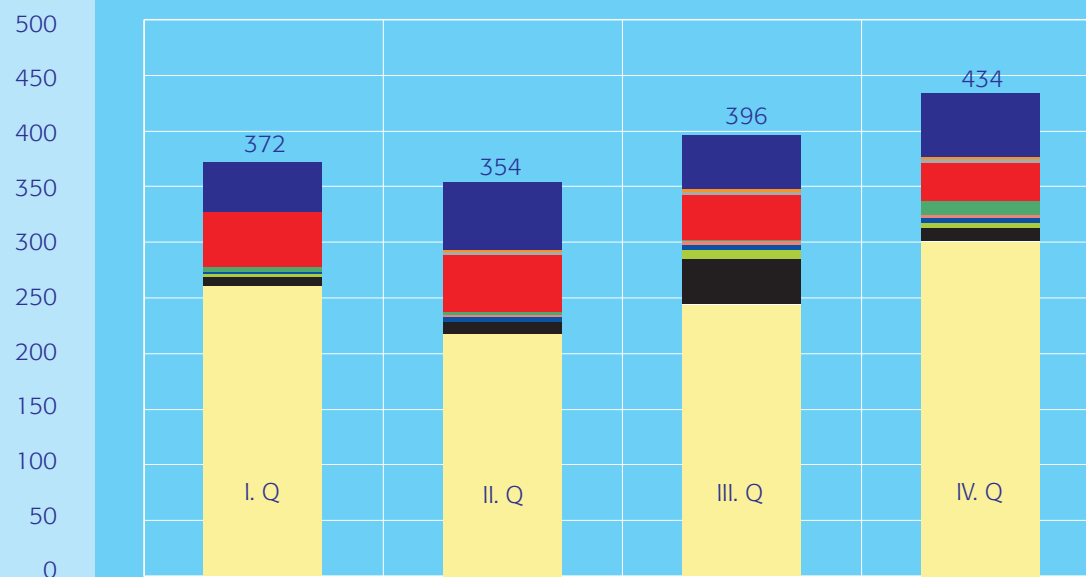
ANNEX NO. 1 A

		2009
Number of decisions issued		72,642
of which	a) objection about the settlement of a complaint against a service provided	117
	b) objection about the settlement of a complaint about prices charged for a service	314
	c) payment of a price for a service (financial performance)	71,931
	d) others	100





Subject of the complaint	I. Q	II. Q	III. Q	IV. Q	Σ
1. Electronic communications services	261	218	244	300	1,023
2. Radiocommunications services	0	0	1	2	3
3. Telephone number portability in a mobile network	8	11	40	11	70
4. Telephone number portability in a fixed network	2	0	8	4	14
5. Failure to set up or transfer a telephone subscriber line	2	4	5	5	16
6. Customer support service of an electronic communications service provider	1	2	3	3	9
7. Method of acquiring customers used by providers and dealers	4	2	1	12	19
8. Reception of TV signal in connection with digitisation of broadcasting	49	51	41	35	176
9. Misleading advertising	0	4	2	3	9
10. Universal Service	0	1	3	2	6
11. Other	45	61	48	57	211
<b>Σ</b>	<b>372</b>	<b>354</b>	<b>396</b>	<b>434</b>	<b>1,556</b>



- 11. Other
- 10. Universal Service
- 9. Misleading advertising
- 8. Reception of TV signal in connection with digitisation of broadcasting
- 7. Method of acquiring customers used by providers and dealers
- 6. Customer support service of an electronic communications services provider
- 5. Failure to set up or transfer a telephone subscriber line
- 4. Telephone number portability in a fixed network
- 3. Telephone number portability in a mobile network
- 2. Radiocommunications services
- 1. Electronic communications services

## OVERVIEW OF NUMBER OF DECISIONS ON INDIVIDUAL LICENCES TO USE RADIO EQUIPMENT IN 2009

Type of Licence			Number of Decisions	
			to grant <sup>1)</sup>	to withdraw
			a licence	
1.	Fixed service			
	Total		5,538	1,773
	of this	point – point	5,319	1,690
		point – multipoint	219	83
2.	Amateur service			
	Total		857	1
	of this	individuals	736	1
		Club Stations	88	0
		Foreigners <sup>2)</sup>	12	0
		Repeaters and Packet Nodes	21	0
3.	Satellite Service			
	Total		11	2
	of this	VSAT	5	2
		SNG	6	0
4.	Aeronautical Service			
	Total		759	179
	of this	Aircraft Stations <sup>3)</sup>	732	173
		Aeronautical Stations <sup>4)</sup>	27	6
5.	Maritime Service			
	Total		124	41
	of this	Ship Stations	116	36
		Shore Stations	8	5
6.	Broadcasting Service			
	Total		170	108
	of this	Television Transmitters	96	100
		Broadcasting (Sound) Transmitters	74	8
7.	Land Mobile Service			
	Total		415	289
8.	Other Radiocommunication services			
	Total		19	5
		Radiolocation Service	19	5
9.	Short-term Licences			
	Total		417	0
	of this	Fixed Service	144	0
		Land Mobile Service	184	0
		Aeronautical Mobile Service	17	0
		Satellite Service	60	0
		Broadcasting service	12	0

1) There are the new issued licences and also the licences with prolonged validity.

2) Citizens of other countries having licences for radio transmission on the territory of the Czech Republic.

3) Mobile stations aboard aircraft other than rescue stations.

4) Stations located on the ground.

Explanation of Abbreviations:

VSAT – Very Small Aperture Terminal

SNG – Satellite News Gathering.

## VERIFICATION OF THE SPECIAL QUALIFICATIONS TO OPERATE RADIO TRANSMITTING EQUIPMENT IN 2009

Type of Special Qualification Certificate <sup>1)</sup>		Number of Certificates issued on the Basis of	
		Exams	Applications for an Extension or Duplicate
1.	General radiotelephone operator's certificate of aeronautical service	295	509
2.	Restricted radiotelephone operator's certificate of aeronautical service	727	642
3.	General operator's certificate of maritime mobile service (GOC)	4	20
4.	General operator's certificate of maritime mobile service (LRC)	6	0
5.	Restricted operator's certificate of maritime mobile service (ROC)	0	0
6.	Restricted operator's certificate of maritime mobile service (SRC)	15	0
7.	Radiotelephone operator's general certificate (of maritime mobile service)	194	115
8.	Radiotelephone operator's restricted certificate (of maritime mobile service)	472	238
9.	Terrestrial radiotelegraphy operator's certificate	0	0
10.	Amateur radio operator's certificate (HAREC certificate)	68	0
11.	Amateur radio operator's certificate (NOVICE certificate)	10	0
<b>Total</b>		<b>1,791</b>	<b>1,524</b>

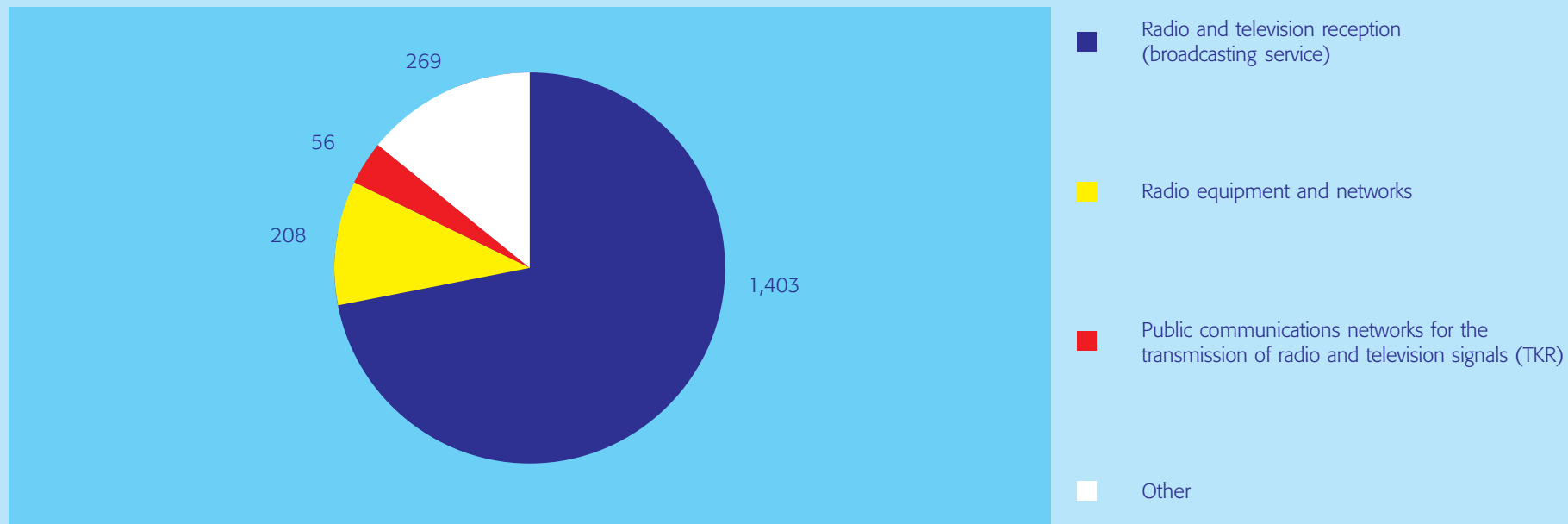
<sup>1)</sup> Section 2 of Decree No. 157/2005 Coll., on the requisites of the application for admission to examination to prove special qualifications to operate radio transmitting equipment, on the extent of knowledge required for different types of special qualification, on the methods of the examinations, on the types of special qualifications certificates and the period of their validity.

**DETECTION OF SOURCES OF INTERFERENCE OF ELECTRONIC COMMUNICATIONS EQUIPMENT AND NETWORKS,  
THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICE OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2009**

ANNEX NO. 5

	2009
Radio and television reception (broadcasting service)	1,403
Radio equipment and networks	208
Public communications networks for the transmission of radio and television signals (TKR)	56
Other	269

Detection of sources of interference of electronic communications equipment and networks,  
the provision of electronic communications services or the operation of radiocommunications service – 2009





OVERVIEW OF THE MAIN ACTIVITIES IN THE AREA OF POSTAL SERVICES REGULATION<sup>1)</sup> FOR 2009

Focus of Activity		Number	Amount (in CZK)
1.	<b>Regulatory Measures</b>		2,292,000
	Decision on expressing approval with postal conditions	11	
	Decision on specifying basic qualitative requirements	3	
2.	<b>Supervision on Czech Post Compliance with its Obligations in the Area of Basic Services</b>		
	<b>a) Inspection Activities on the CTO's Suggestion</b>		
	Inspection actions	14	
	Inspected buildings	64	
	<b>b) Settled customer submissions total</b>	351	
	Of this Settled customer submissions relating to basic services	325	
	<b>c) Fines imposed on Czech Post</b>	16	

1) Act No. 29/2000 Coll., on postal services and on amendments to certain Acts (the Postal Services Act), as amended.

## OVERVIEW OF INSPECTION ACTIVITIES DURING THE PERFORMANCE OF STATE ELECTRONIC COMMUNICATIONS INSPECTION IN 2009

Type of activity	Number of verifications or inspections <sup>1)</sup>		Number of calls for rectification	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued <sup>2)</sup>	Decision in favour of		Other <sup>3)</sup>	Fines imposed		Number of administrative proceedings left to next period
	total	of which					The subscriber	The provider		Number	Amount (in CZK)	
1. Performance of communication activities without authorisation	27			1	52	51				45	947,500	2
2. Compliance with the conditions of the General Authorisation	590		132	2	22	18				18	184,500	6
a) To provide the public communications networks and the associated facilities		31	5	0	1	0				0	0	1
b) To provide electronic communications services		55	17	2	13	13				13	116,000	2
c) To use radio frequencies and operate devices (radio devices)		504	110	0	8	5				5	68,500	3
3. Radio frequencies inspection	421		36	1	36	35				33	300,000	2
a) The utilisation of radio frequencies without authorisation		105		0	34	32				30	294,000	2
b) Compliance with the conditions of individual authorisations for using radio frequencies		316	36	1	2	3				3	6,000	0
4. Discovering sources of interference in electronic communications equipment and networks, provision of electronic communications services or the operation of radiocommunications services	1,936		117	0	14	2				1	10,000	12
a) in radio and television reception (broadcasting service)		1,403	47	0	2	2				1	10,000	0
b) in radio equipment and networks		208	54	0	12	0				0	0	12
c) in public communications networks for radio and television signal transmission (TKR)		56	1	0	0	0				0	0	0
d) other		269	15	0	0	0				0	0	0
5. Inspections of numbers for the purpose of number administration (number of inspection calls) <sup>4)</sup>	1,970		2	0	1	0				0	0	1
a) the use of numbers without authorisation		0		0	0	0				0	0	0
b) the use of numbers in contradiction to the authorisation for their use		203	2	0	1	0				0	0	1
6. Monitoring the radio spectrum for the purpose of radio spectrum management	4,128											
a) measuring the use of frequencies and frequency bands over time		3,007										
b) measuring radio signal coverage		578										
c) measuring electromagnetic field intensity		184										
d) other		359										
7. Failure to provide information pursuant to Section 115 of ECA				3	34	27				27	104,000	10
8. Other <sup>5)</sup>	529		158	15	159	145				131	6,582,900	29
<b>TOTAL</b>	<b>9,777</b>		<b>445</b>	<b>22</b>	<b>318</b>	<b>278</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>255</b>	<b>8,128,900</b>	<b>62</b>

<sup>1)</sup> The inspection is completed with its physical performance.

<sup>2)</sup> The number of decisions issued in 1st instance administrative proceedings (irrespective of whether they are final) is showed.

<sup>3)</sup> Cases of the completion of administrative proceedings with a resolution, i. e. cases of the death of a subscriber, the dissolution of an undertaking, the suspension of proceedings for legal reasons (bankruptcy), lack of competency and so on, are showed.

<sup>4)</sup> The total number of calls to telephone numbers in the given month is presented.

<sup>5)</sup> The sum of specific problems is demonstrated.

## MEASURES OF A GENERAL NATURE (MGN) ISSUED IN 2009 UNDER THE ELECTRONIC COMMUNICATIONS ACT

MGN – other					
Ord. No.	MGN No.	Name of Measure of a General Nature	MGN dated	TB No. dated	MGN effective from
1.	OOP/10/01.2009-2	The MGN, modifying the Measure of General Nature No. OOP/10/07.2005-3, as amended	7/01/2009	3/2009 dated 19/01/2009	90 <sup>th</sup> day after publication in the TB, points 1 and 4 – 180 <sup>th</sup> day after publication in TB
2.	OOP/10/09.2009-10	The MGN, modifying the Measure of General Nature No. OOP/10/07.2005-3, as amended	08/09/2009	16/2009 dated 11/09/2009	Points 1 and 3 of decision—the date of publication in the TB, point 2 – 120 <sup>th</sup> day after publication in TB
3.	OOP/17/10.2009-14	The MGN, that stipulates percent proportions of the service provision revenues under Section 49, Subsection 4 – for the year 2007	07/10/2009	18/2009 dated 16/10/2009	15 <sup>th</sup> day after publication in TB
MGN – General Authorisation					
Ord. No.	MGN No.	Name of Measure of a General Natur	MGN dated	TB No. dated	MGN effective from
4.	VO-R/4/05.2009-6	The MGN (General Authorisation) to operate terminals for communication using satellites in the 10 to 30 GHz frequency bands under Section 9, Subsection 2	14/05/2009	9/2009 dated 20/05/2009	01/06/2009
5.	VO-R/9/05.2009-7	The MGN (General Authorisation) to operate terminals for communication using satellites in the 1525 to 2200 MHz frequency bands under Section 9, Subsection 2	14/05/2009	9/2009 dated 20/05/2009	01/06/2009
6.	VO-R/10/06.2009-9	The MGN (General Authorisation) for the use of radio frequencies and for the operation of short-range devices under Section 9, Subsection 2	16/06/2009	13/2009 dated 17/06/2009	02/07/2009
7.	VO-R/23/10.2009-16	The MGN (General Authorisation) for the use of radio frequencies and for the operation of fixed service equipment in the 74 to 76 GHz and 84 to 86 GHz frequency bands under Section 9, Subsection 2	13/10/2009	18/2009 dated 16/10/2009	01/11/2009
8.	VO-R/11/11.2009-17	The MGN (General Authorisation) for the operation of the equipment of the non-public radio network of the land mobile service in the 150 MHz and 450 MHz bands for use in rail transport under Section 9, Subsection 2	25/11/2009	21/2009 dated 27/11/2009	01/01/2010
MGN – Radio Spectrum Utilisation Plan					
Ord. No.	MGN No.	Name of Measure of a General Nature	MGN dated	TB No. dated	MGN effective from
9.	PV-P/15/02.2009-4	Part of the Radio Spectrum Utilisation Plan for the frequency band 380–470 MHz under Section 16, Subsection 2	04/02/2009	4/2009 dated 16/02/2009	01/03/2009
10.	PV-P/1/10.2009-15	Part of the Radio Spectrum Utilisation Plan for the frequency band 146–174 MHz under Section 16, Subsection 2	13/10/2009	18/2009 dated 16/10/2009	01/11/2009
11.	PV-P/10/12.2009-18	Part of the Radio Spectrum Utilisation Plan for the frequency band 470–960 MHz under Section 16, Subsection 2	09/12/2009	22/2009 dated 18/12/2009	10/01/2010
12.	PV-P/12/12.2009-19	Part of the Radio Spectrum Utilisation Plan for the frequency band 1700–1900 MHz under Section 16, Subsection 2	16/12/2009	22/2009 dated 18/12/2009	10/01/2010

Note: TB=Telecommunication Bulletin

MGN – Relevant Market Analyses						
Ord. No.	MGN No.	Name of Measure of a General Nature	MGN dated	TB No. dated	MGN effective from	
13.	A/4/01.2009-1	Publicly available international telephone services provided at fixed location for residential customers – Section 51, Subsection 1	07/01/2009	2/2009 dated 12/01/2009	15 <sup>th</sup> day after publication in TB	
14.	A/5/01.2009-3	Publicly available national telephone services provided at fixed location for non-residential customers – Section 51, Subsection 1	13/01/2009	3/2009 dated 19/01/2009	15 <sup>th</sup> day after publication in TB	
15.	A/7/02.2009-5	Minimum set of leased lines – Section 51, Subsection 1	11/02/2009	4/2009 dated 16/02/2009	15 <sup>th</sup> day after publication in TB	
16.	A/18/05.2009-8	Radio and television broadcasting transmission services to deliver broadcast content to end users in electronic communication networks – Section 51, Subsection 1	26/05/2009	11/2009 dated 02/06/2009	15 <sup>th</sup> day after publication in TB	
17.	A/7/09.2009-11	Voice call termination on individual mobile networks	22/09/2009	17/2009 dated 02/10/2009	15 <sup>th</sup> day after publication in TB	
18.	A/2/10.2009-12	Call origination on the public telephone network provided at a fixed location	07/10/2009	18/2009 dated 16/10/2009	15 <sup>th</sup> day after publication in TB	
19.	A/3/10.2009-13	Voice termination on individual public telephone networks provided at a fixed location	07/10/2009	18/2009 dated 16/10/2009	15 <sup>th</sup> day after publication in TB	



**COMPLIANCE WITH BINDING INDICATORS OF THE STATE BUDGET FOR 2009  
(IN CZK THOUSANDS)**

Indicators		Approved budget 2009	Adjusted budget 2009	Actual 2009	Compliance %
		1	2	3	4
<b>I.</b>	<b>Summarising indicators</b>				
1.	Total income	1,155,000.00	1,155,000.00	1,607,746.59	139.20
2.	Total expenses	599,442.00	581,321.00	590,387.48 <sup>a)</sup>	101.56
<b>II.</b>	<b>Specific indicators</b>				
1.	Specific indicators – income				
	Tax income <sup>5)</sup>	50,000.00	50,000.00	58,557.90	117.12
	Non-tax income, capital income and transfers received total	1,105,000.00	1,105,000.00	1,549,188.69	140.20
2.	Specific indicators – expenses				
	Expenses for ensuring the fulfilment of Czech Telecommunication Office tasks	599,442.00	581,321.00	590,387.48 <sup>a)</sup>	101.56
	in which:				
	a) Expenses connected with the Czech presidency of the Council of the EU	2,389.00	2,389.00	2,372.58	99.31
	b) Other expenses for ensuring the fulfilment of CTO tasks	597,053.00	578,932.00	588,014.90	101.57
<b>III.</b>	<b>Cross-section indicagtors</b>				
1.	Employee salaries and other payments for work done	172,821.00	172,821.00	172,821.00	100.00
2.	Mandatory insurance paid by employer <sup>1)</sup>	58,760.00	58,760.00	58,760.00	100.00
3.	Allocation to Cultural and Social Welfare Fund	3,305.00	3,303.00	3,303.00	100.00
4.	Employee salaries in employment relationship	165,262.00	165,171.00	165,171.00	100.00
5.	Ensuring preparation for crisis situation pursuant to Act No. 240/2000 Coll.	100.00	100.00	98.89	98.89
6.	Expenses for programs under ISPROFIN total	137,606.00	123,845.00	133,425.06 <sup>b)</sup>	107.74

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

5) without income from the mandatory social insurance premium and contribution to the state employment policy.

a) including 26,917.00 from the requirements of non-consumed expenses from previous year, approved by the Ministry of Finance ref. No. 19/42 002/2009-193 dated 20/10/2009, actual consumed 18,428.09.

b) including 15,120.00 from the requirements of non consumed expenses from previous year, approved by the Ministry of Finance ref. No. 19/42 00/2009-193 dated 20/10/2009, actual consumed 15,120.00.

**BUDGET HEAD INDICATORS – BREAKDOWN OF THE BUDGET FOR 2010  
(IN CZK THOUSANDS)**

Indicators		Breakdown of 2010 budget
<b>I.</b>	<b>Summarising indicators</b>	
1.	Total income	908,452
2.	Total expenses	560,116
<b>II.</b>	<b>Specific indicators – income</b>	
1.	Tax income <sup>5)</sup>	50,000
	Non-tax income, capital income and transfers received, total	858,452
	in which:	
	a) income from the budget EU without SPZ total	3,452
	b) other non-tax income, capital income and transfer received total	855,000
	Specific indicators – expenses	
2.	Expenses for ensuring the fulfilment of CTO tasks total	560,116
	in which:	
	a) expenses for the payment of Losses from the Universal Service	150,000
	b) other expenses for ensuring the fulfilment of CTO tasks	410,116
<b>III.</b>	<b>Cross-section indicators</b>	
1.	Employee salaries and other payments for work done	171,410
2.	Mandatory insurance paid by employer <sup>1)</sup>	58,279
3.	Allocation to Cultural and Social Welfare Fund	3,283
4.	Employee salaries in employment relationship	164,153
5.	Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	80
6.	Expenses co-financed from the budget of EU without SPZ total	4,061
	in which:	
	a) from the State budget	609
	b) EU budget share	3,452
7.	Expenses registered in Information System of Programmed Financing total	93,829

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

5) without income from the mandatory social insurance premium and contribution to the state employment policy.

**OVERVIEW OF EMPLOYMENT REGULATION LIMITS AS OF 31/12/2009  
(IN CZK THOUSANDS)**

Indicator	Actual 2008	Approved budget 2009	Adjusted budget 2009	Actual 2009	% Compliance	Difference between columns 5 – 2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done:	165,941.40	172,821.00	172,821.00	172,821.00	100.00	6,880
of which:						
Limit of funds for salaries	159,005.00	165,262.00	165,171.00	165,171.00	100.00	6,166
Limit of other payments for work done	6,936.40	7,559.00	7,650.00	7,650.00	100.00	714
Limit of the number of employees (average full-time equivalent)	453	447	447	447	100.00	– 6
Number of employees as of December 31, 2009	460	447	447	445	99.55	– 15

**BASIC PERSONNEL DATA – 2009****1. CLASSIFICATION OF EMPLOYEES ACCORDING AGE AND SEX  
– STATE AS OF 31/12/2009**

Age	Men	Women	Total	%
up to 20 years	0	0	0	0
21 – 30 years	29	26	55	12.36
31 – 40 years	37	35	72	16.18
41 – 50 years	35	60	95	21.35
51 – 60 years	88	93	181	40.67
61 years and over	32	10	42	9.44
<b>Total</b>	<b>221</b>	<b>224</b>	<b>445</b>	<b>100.00</b>
<b>%</b>	<b>49.66</b>	<b>50.34</b>	<b>100.00</b>	<b>x</b>

**2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION  
AND SEX – STATE AS OF 31/12/2009**

Education achieved	Men	Women	Total	%
Primary	1	2	3	0.67
Trained	3	4	7	1.57
Secondary vocational	0	5	5	1.12
Secondary complete	4	33	37	8.31
Secondary voc. compl.	72	86	158	35.51
Higher vocational	1	2	3	0.67
University	140	92	232	52.13
<b>Total</b>	<b>221</b>	<b>224</b>	<b>445</b>	<b>100.00</b>

**3. OVERALL DATA ON AVERAGE  
SALARIES AS OF 31/12/2009**

	Total
Average gross monthly salary	30,793

**4. OVERALL DATA ON THE ORIGIN AND TERMINATION  
OF EMPLOYMENT RELATIONSHIPS IN 2009**

	Number
Hired	48
Terminated	50

**5. DURATION OF EMPLOYMENT  
– STATE AS OF 31/12/2009**

Duration	Number	%
Up to 5 years	153	34.38
Up to 10 years	100	22.47
Up to 15 years	53	11.91
Up to 20 years	79	17.75
Over 20 years	60	13.48
<b>Total</b>	<b>445</b>	<b>100.00</b>

**6. EMPLOYEES' LANGUAGE SKILLS**

	Number of selected positions for which a qualification requirement of standardised language examinations was specified, classed according to level of knowledge			Total number of specified requirements for jobs positions
Type of language	1st level	2nd level	3rd level	
English	–	8	–	8
German	–	–	–	–
French	–	–	–	–
<b>Total</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>8</b>



## OVERVIEW OF ITEMISED BINDING INDICATORS – 2009

(in CZK thousands)

Indicator	Budget		Actual
	approved	after changes	
a	1	2	3
Limit of funds for salaries and other payment for work done	172,821.00	172,821.00	172,821.00
from which:			
Limit of funds for salaries	165,262.00	165,171.00	165,171.00
Limit for other payment for work done	7,559.00	7,650.00	7,650.00
Limit of number of employees (average full-time)	447	447	447

## THE LIST OF COMPLAINTS AS OF 31/12/2009

(Section 175 of Act No. 500/2004 Coll., the Administrative Code, as amended)

Type of submission	Number of submission					
	Received	From previous period	Resolved	Justified	Unjustified	Continuing to next period
1. Petitions *)	0	0	0	0	0	0
2. Complaints **)	3	0	3	1	2	0
3. Notifications **)	0	0	0	0	0	0
4. Suggestions **)	0	0	0	0	0	0

\*) Act No. 85/1990 Coll., on the right to petition.

\*\*) Act No. 500/2004 coll., the Administrative Code, as amended, Section 175.



Cover photographs:

1st page: Buildings and technical equipment of CTO at Tehov

last page: Offices of the CTO at Sokolovská street, Prague 9 and the buildings of OMRS Tehov



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