



Czech Telecommunication Office

A tall, lattice-structured telecommunications tower stands on the left side of the image, reaching towards the top. The background is a clear sky transitioning from a deep blue at the top to a warm orange and yellow near the horizon, indicating a sunset or sunrise. Silhouettes of trees are visible at the bottom of the frame.

THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2010



The Czech **Telecommunication** Office

**THE ANNUAL REPORT
OF THE CZECH TELECOMMUNICATION OFFICE
FOR 2010**

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 CTU's activities

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INTRODUCTION BY THE CHAIRMAN OF THE CTU COUNCIL / EXECUTIVE SUMMARY



The year 2010 was the year of the Fifth Anniversary of the passage of the Act on Electronic Communications (hereinafter “the Act”), which is the key act for the CTU’s activities. The Annual Report on the CTU’s activities for the year 2010 represents the cross-section of activities of the Office in harmony with its competencies and obligations which are determined by the Act, and, simultaneously, it documents the trends on the electronic communications markets from the viewpoint of the regulatory activity of the Office.

In 2010 we fixed our attention to continuation and subsequent termination of the second round of analyses of relevant markets in harmony with existing recommendations of the European Commission. We continuously assessed impacts of regulatory measures imposed on the basis of the first round of analyses of relevant markets and we monitored the whole market of electronic communications and the market of postal services. As a result, some measures were completed, and, on the contrary, some measures were cancelled.

We paid great attention to problems of the Universal Service where we further optimised the extent of its obligatory provision. On the basis of results of the examination of the reasons for regulating the obligation to provide one of partial services of the

Universal Service – the public pay telephone service, we, after discussions with public administration bodies in 2010, have adjusted the number of obligatory operated public pay telephones.

The implementation of the Amendment of the Electronic Communications Act and the works connected with the whole legislative process was our main focus from the legal point of view. The key issue for our Office is to find a method of solution which would reflect the growth of the number of administrative proceedings in the sphere of recovery of settlements for communication services (§ 129 of the Act). These activities create disproportional burden for the Office in relation to the Budget of the Office, in particular, because the numbers of cases resolved are growing in almost geometrical progression. Our Office is one of few among the European regulatory authorities which resolve these, in their principle private legal disputes, beyond the standard judicial proceedings.

During the last year we were also actively involved in the works connected with the preparation of the Amendment to the Act of Postal Services, which should bring about deregulation of the Czech postal market from 2013.

During the whole year of 2010 we also paid great attention to the formulation of the strategy of the next policy in the management of selected sectors of radio spectrum. At the end of the year we submitted to the Government a comprehensive material including concrete proposal for the execution of tender procedures for free frequencies. The Amendment of the Act, which is under preparation, will allow the implementation of tender procedures in the form of auction for allocation of frequencies in the bands of 800 and 1 800 MHz and 2.6 GHz, in harmony with the Strategy of Radio Spectrum Management endorsed by the Government and will thus provide for the efficient utilisation of radio spectrum, development of competition, innovation of technology and will support the offer of new services of high-speed access to the Internet network.

During the year of 2010 we actively participated in activities of working teams engaged in professional international organisations (ITU, ERG, CEPT) and in another international activities aimed at harmonisation of regulatory measures in the EU countries and the fulfilment of goals of international co-operation.

During the whole year of 2010 we also traditionally paid great attention to the systematic monitoring of results of the process of transition to the terrestrial digital television broadcasting. In harmony with the Government Order we promulgated two reports on the course of transition to the terrestrial digital television broadcasting. The data on the coverage reached by terrestrial analogue and digital signal were published on special Internet pages. Within the framework of continuing process of the transition to the digital television broadcasting, the experts of the Office continued to provide international co-ordination of frequencies and also the co-ordination of solution of technical issues of this process.

In harmony with the Act on Electronic Communications, the Czech Telecommunication Office, in performance of its activities in 2010, collaborated with other State authorities. Close co-operation continued with the Office for Protection of Economic Competition in the field of analyses of relevant markets of electronic communications.

In implementation of the process of transition to the terrestrial digital television broadcasting we collaborated with the Council for Radio and Television Broadcasting, the National co-ordinating Group for digital broadcasting and the Association of Regions. During 2010 traditionally standard and important role in the activities of the Czech Telecommunication Office belonged to close co-operation with the associations which are active in the market of electronic communications.

In 2010 we paid also great attention to rationalisation of our own activities and identification of potential savings of resources, particularly in connection with the preparation to limitation of budgetary means including resources earmarked for salaries of employees within the framework of the Budget for 2011. The analyses of processing of individual fields of integration activities, concerning the information systems, continued on the basis of modular administrative system (MOSS) and the system of automated monitoring of frequency spectrum (ASMKS). In this connection we paid considerable attention to potential utilization of resources from financial means of the European Union's programmes. We used workshops and public consultations for the solution of current professional problems and for the solution of key issues in order to provide transparent and objective policies.

A comprehensive series of monthly monitoring reports, which is undoubtedly estimated source of information for the expert and entrepreneurial public and the expression of transparent behaviour of the Czech Telecommunication Office, was completed by another specialized reports published – for example by the Report on the overall development of telecommunication market. These monthly monitoring reports may supplement the Annual Report for the year 2010 with other specific data and surveys.

I believe that the year 2010 was another successful year for the CTU 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 CTU

The Czech Telecommunication Office (hereinafter the “CTU”) was established through the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain 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 CTU has a separate chapter in the state budget and is an accounting unit.

The Office has a five-member Council (hereinafter the “Council”). One of the Council members is the Chairman of the Council and heads the whole Office. The term of office of Council members is five years, while one Council member is named every year. The Chairman of the Council is PhDr. Pavel Dvořák, CSc., who was re-appointed in this position in April 2009 (Government Resolution No. 558).

Pursuant to § 107 of the Act No. 127/2005 Coll., on Electronic Communications, the CTU’s Council approves basic documents necessary for the operation of the Office (draft budgets, Organisational Order, etc.), takes decisions concerning principal regulatory measures and, simultaneously, it is the administrative authority of the II. degree in proceedings filed against decisions of the Chairman of the Office.

The Office 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 Office located outside Prague. The average converted number of employees of the Office in 2010 was 444.

This Annual Report (hereinafter the “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 the “Act”).

The first part of the Report is focused on the evaluation of the state and development of the electronic communications and postal services sector from the point of view of basic indicators of the decisive segments of the electronic communications and postal services market.

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 CTU is charged with, including a commentary on the international activities of the CTU and its activities within the framework of cooperation with other domestic bodies of public administration. The conclusion of the Report provides comprehensive information about the financial results of the CTU and its compliance with stipulated budget indicators for 2010, information about the personnel ensuring the CTU activities and about the provision of other support activities essential in terms of the proper fulfilment of the CTU’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 CTU 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

1. Legal framework

In 2010 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 the 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 later 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 CTU in 2010.

The following legal regulations with an impact on electronic communications or postal services were promulgated in 2010.

1.1 Amendment to the Electronic Communications Act

Act No. 153/2010 Coll., which amends the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain related Acts (the Electronic Communications Act), as later amended and some other Acts

This Amendment took into the consideration existing experience gained during more than four-years' application of the Act on Electronic Communications, and not only on the part of administrative authorities but also entrepreneurs in the field of electronic communications and the relevant public.

Since July 1, 2010 the above mentioned Amendment of the Act on Electronic Communications brought about the changes particularly in the field of radio spectrum management, where the possibility of change and withdrawal of radio frequencies was modified, and in the field of financing of the Universal Service, where the new mechanism of reimbursements from the State budget was introduced.

The complete wording of the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain related Acts (the Electronic Communications Act), as later amended

The complete wording of the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain related Acts (the Electronic Communications Act), as later amended, was published on September 8, 2010 in the Volume 95 of the Collection of Laws under the number 259/2010 Coll.

1.2 Amendment to the Postal Services Act

The Act No. 153/2010 Coll., which amends the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain related Acts (the Electronic Communications Act), as later amended and some other Acts

This Amendment, which became effective on July 1, 2010, is the reaction to the situation in the market of postal services, where postal services are provided, besides the holder of the Postal licence (and/or the holder of the Special Postal licence) other operators of postal services. However, if other operator of postal services violated provisions of the Act on postal services, the existing legal regulations did not allow imposing sanctions on this behaviour. The relevant change relates to administrative punishments, and therefore in § 37a of the Act on Postal services the new administrative tort was included for which the fine of up to CZK 500,000 can be imposed.

1.3 Other Legal Regulations

The Decree No. 105/2010 Coll., on the Plan of Allocation of frequency bands (the National Frequency Table)

This Decree, which became effective on May 1, 2010, replaces the Plan of Allocation of frequency bands (the National Table of Frequency Allocation) dated October 21, 2004, which was promulgated by The Czech Telecommunication Office pursuant to the Act No. 151/2000 Coll., on Telecommunications and on Amendments to some related Acts, as later amended.

The relevant Decree stipulates frequency bands for individual radiocommunication services and radio devices and general conditions for utilisation of radio frequencies, technical characteristics of broadcasting facilities, policies concerning the allocation of frequencies, relations among individual categories of the allocation of frequency bands to radiocommunication services and the National Frequency Table of allocation for the Czech Republic.

The allocation plan takes over terms and definitions stipulated by the Radio Regulations and takes into consideration the changes approved at the World Radiocommunication Conference WRC-07.

The Decree No. 318/2010 Coll., stipulating the form of passing of registration records of operational and localisation data and the method of their transfer to The Czech Telecommunication Office

This Decree, which became effective on December 9, 2010, stipulates the form of registration records for compulsory subjects pursuant to § 97 Para. 10 of the Act on Electronic Communications and the method of its transfer in electronic form using the method allowing for remote access of the Czech Telecommunication Office. The purpose of the Decree is determination of the uniform way of elaboration of registration records transferred to the CTU pursuant to § 97 Para. 11 of the Act on Electronic Communications and the determination of the method of transfer of registration records to the CTU, i.e. on the relevant electronic form by means of electronic data collection within the system of electronic reporting of the CTU.

The Decree No. 360/2010 Coll., stipulating the model of electronic form of the proposal for resolution of dispute concerning the obligation of monetary performance and technical prerequisites of its utilisation

The purpose of the Decree is to stipulate the model of electronic form for compulsory subjects, including technical prerequisites of its utilisation, and in this way to ensure the uniform method of transfer of proposals for instigation of administrative proceedings concerning resolution of dispute related to the obligation of monetary performance pursuant to § 129 of the Act on Electronic Communications. The Decree became effective on January 1, 2011.

1.4 Regulations of the European Union

The Review of the European regulatory framework for electronic communications

In 2010 the process of transposition of regulations for electronic communications within the Regulatory framework, which were approved at the level of the European Union at the end of 2009 and published in the Official Bulletin of the European Union, began in the Czech Republic. This legislative activity is performed by the Ministry of Industry and Trade. Conclusions from the Review of the regulatory framework were reflected in the regulations of the European Parliament and the Council specified hereinafter and after the implementation in the domestic legislation will considerably influence performance of regulatory activities of the CTU. The following regulations will be transposed:

- a) **Directive 2009/136/EC of the European Parliament and of the Council of November 25, 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,
- b) **Directive 2009/140/EC of the European Parliament and of the Council of November 25, 2009** amending Directives 2002/21/EC on a Common regulatory framework for electronic communications networks and services, Directive 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities, and Directive 2002/20/EC on the authorisation for electronic communications networks and services,
- c) **Regulation (EC) No. 1211/2009 of the European Parliament and of the Council of November 25, 2009** establishing the Body of European Regulators for Electronic Communications (BEREC) and the Office.

This Regulation establishes the Body of European Regulators for electronic communications **BEREC – Body of European Regulators for Electronic Communications** - and identifies its bodies and competencies for the purposes of consistent application of regulatory framework for electronic communications in all Member States of European Union. BEREC's activities started in January 2010 as an exclusive forum of co-operation between domestic national regulatory authorities, these authorities and the European Commission and should also provide expertise and

consultancy services in this area.

1.5 Measures of general nature promulgated by the CTU

The principal regulatory measures, with the help of which the CTU determines conditions for doing business and performs analyses of relevant markets of electronic communications, are promulgated by the CTU pursuant to § 124 of the Act on Electronic Communications in the form of Measures of general nature. During the year 2010 the CTU prepared and discussed in public consultations 18 Measures of general nature, which were subsequently promulgated on the basis of the decision of the CTU's Council. These Measures are the following ones:

- a) the last analyses within the framework of the Second round of analyses of relevant markets were promulgated,
- b) the conditions of number portability were modified,
- c) the conditions of access to publicly available network and service of electronic communications under emergency situations were stipulated,
- d) the conditions of utilisation of radio frequencies and operation of facilities in selected frequency bands were newly modified.

The detailed survey of these Measures of general nature promulgated in 2010 can be found in the Annex No. 8 of this Report.

2. Evaluation of the Electronic Communications Market

During the year 2010 continued the consolidation of the market of electronic communications continued, characterised, for example, by transfer of residential customers and small and medium-sized enterprises of the company České Radiokomunikace a.s. (hereinafter "Č. Radiokomunikace") to the company T-Mobile Czech Republic a.s. (hereinafter "T-Mobile") (see Chapter 2.2.1), or by the purchase of the company ERKOR Olomouc, s.r.o. by the bigger provider of services of electronic communications, and namely the company RIO Media a.s., or by October's transfer of business customers of the company VOLNÝ, a.s. (hereinafter "VOLNÝ") to the parent company Dial Telecom a.s. with the proviso that VOLNÝ will continue in its exclusive orientation on residential customers.

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.

In 2010 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, despite the expansion of offer of services by means of new technologies, primarily voice services through VoIP. This decrease has slowed down, however, the trend of replacement of fixed line services by mobile services continued.

In 2010 approximately 80 % of the total volume of voice traffic was originated in mobile networks. However, the market of mobile services continues to approach itself to the

level of saturation of demand. 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 smaller rate. The number of ported numbers in mobile networks continued to rise and also the expansion of offer of data and voice services continued to increase by means of the so-called “packages”.

In harmony with provisions of the Act on Electronic Communications, and within the framework of monitoring of market development, the CTU paid great attention to the development of prices of services of electronic communications during 2010. The CTU regularly publishes Surveys of current prices and their comparisons on its Internet pages.

In monitoring the development and situation of the market of electronic communications, and also in resolving specific cases, the CTU, much like in the preceding years, closely co-operates with the Office for the Protection of Economic Competition.

At the end of July 2010, the CTU promulgated a comprehensive report on the development of the market of electronic communications, which pursues the course of the first report on market development promulgated in 2009. The source of information for these reports services is the electronic data collection (ESD) realised by means of the portal <http://monitoringtrhu.ctu.cz>, which is focused both at monitoring of principal trends of development of the branch as a whole, and market results and evaluation of individual market segments as well.

During the year 2010 the CTU elaborated, and following the public consultation, also published on its Internet pages the documents dedicated to principal issues of regulatory approach in the field of building the access to the Next generation networks (NGA networks) and the issues of voice services provided by means of IP protocol (services of VoIP – Voice over IP).

2.1 Market Analyses and Monitoring

During 2010 the CTU monitored continuously development in all market segments of electronic communications and principal development trends in both mobile and fixed line networks. Before the end of the year the second round of analyses of relevant markets was closed by terminating and promulgation of all analyses of relevant markets. In this connection the extent of the regulation imposed was gradually and significantly reduced so that the regulation is imposed in well-founded cases only.

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. The data for the Second round of analyses of relevant markets were obtained mostly by means of electronic data collection from approximately 3 thousand registered service providers.

Within the framework of the Second round of analyses of relevant markets the CTU performed and, in the form of Measures of general nature promulgated, the analysis of the following markets, determined by the Measure of General Nature OOP/1/02.2008-2.

In each of markets the CTU subsequently determined enterprise or enterprises with significant market power and imposed on them obligations corresponding to the market situation discovered.

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

In March 2010 the CTU promulgated the analysis of this relevant market which was, for the purposes of the analysis, was divided in two segments - segment A “The Access to the public telephone network at a fixed location by means of analogue and digital ISDN extension line (with the exception of high capacity ISDN 30 extension line) and the extension lines realised with the help of broadband access (realised by means of optical line, television cable distribution frames, FWA or WiFi wireless networks), if they provide publicly available telephone service”, and segment B “The Access to the public telephone network at a fixed location by means of ISDN 30 extension lines and 2 Mbit extension lines”.

In both segments the company Telefónica O2 Czech Republic, a.s. (hereinafter “Telefónica O2”) was determined to be the enterprise with significant market power and in June 2010 the obligations were imposed on it to allow for the selection and pre-selection of operator and to keep separated costs and proceeds accounting. The analysis did not prove fulfilment of conditions for the application of price regulation on the relevant market. In consequence of development of publicly available telephone service, provided by means of VoIP technology, the number of operators on that market rises and the market share of the number of extension lines operated by the incumbent decreases. The price regulation imposed on the original market No. 1 was cancelled as early as in April 2008 and was further reduced by the access obligation imposed earlier, which is provided by the company Telefónica O2 on the commercial basis.

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

On the basis of the analysis of this relevant market the company Telefónica O2 was determined to be the enterprise with significant market power and in April 2010 the obligations were imposed on it to allow access to specific networks elements and associated facilities for the purposes of call origination, the obligation of transparency – to publish reference of offer and connection and information concerning access to network and interconnection of networks, the obligation of non-discrimination, the obligation to keep separated costs and proceeds accounting and price regulation (determination of maximum price for origination). Therefore, the CTU has kept the same obligations for the above mentioned company which were imposed on it on the basis of the First round of analysis.

The market share of the incumbent on this market gradually decreases as far as the total number of originated minutes is concerned.

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

In October 2009 the CTU promulgated the analysis of this relevant market and determined on it 24 enterprises with

significant market power which represents significant increase as compared to the first round of analyses. This fact is due to the development of publicly available telephone service, provided by means of VoIP technology.

In April 2010 the CTU imposed on the company Telefónica O2 (considering the size of its share on the volume of total number of minutes terminated) the obligations to allow access to specific networks elements and associated facilities for the purposes of call termination, the obligation of transparency – to publish reference of offer and connection and information concerning access to network and interconnection of networks, the obligation of non-discrimination, the obligation to keep separated costs and proceeds accounting and price regulation (determination of maximum price for termination). In comparison with the first round of analyses, the CTU imposed conspicuously lower extent of obligations on alternative operators, where the obligation of non-discrimination was preserved, access obligation was replaced by the obligation to publish information and the price regulation was cancelled completely taking into account a weak negotiating position of alternative operators vis-a-vis incumbent. On the basis of results of the analysis, the obligations imposed on enterprises which are not more active on the market were cancelled.

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

The analysis of this relevant market was promulgated in May 2010. In the material definition of this market, besides the metallic one, optical local loop was newly included.

The company Telefónica O2 was determined to be the enterprise with significant market power and in October 2010 the obligations were imposed on it to allow access to specific networks elements and associated facilities to allow access to metallic local loop, the obligation of transparency – to publish information concerning access to network and to metallic local loop, to publish information concerning the intention to terminate the offer and provision of service provided by means of metallic local loop provoked by the transfers realised by means of optical access network, the obligation of non-discrimination in providing access to metallic local loops, the obligation to keep separated costs and proceeds accounting in providing access to metallic local loops. As far as the optical or hybrid access networks are concerned, the CTU combined the obligation to keep separated costs and proceeds accounting with the commencement of provision of the service of access. The majority of maximum prices for access and collocation were reduced.

The Market No. 5 - Wholesale broadband access

The analysis of this market was finished as early as in October 2008. In the material definition of this market the access by means of metallic local loops is included. The company Telefónica O2 was determined to be the enterprise with significant market power, and in January 2009 the obligations were imposed on it.

Considering the fact that, in spite of remedies applied, the market share of the company Telefónica O2 continually increased during the whole monitored period, stricter obligations were imposed on it within the framework of the

access obligation as compared with the first round, and namely to provide broadband access without the simultaneous obligation of end-user to buy the service of access to the public telephone network in fixed location for the purposes of utilisation of publicly available telephone service (naked DSL), also to provide the service with better quality to allow to alternative operators to differentiate their products more and to permit a mass migration to new wholesale offer. Even in the second round the CTU did not find the reason for the imposition of price regulation in this market.

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

The CTU promulgated the analysis of this relevant market in December 2010. The relevant market is divided in two segments – segment A “Wholesale terminating segments of leased lines having speeds not exceeding 2 Mbit/s (2048 kbit/s) irrespective of signal translation facilities used” and the segment B “Wholesale terminating segments of leased lines having speeds exceeding 2 Mbit/s (2048 kbit/s) irrespective of signal translation facilities used”. The segment B of this relevant market was found to be effectively competitive.

The company Telefónica O2 was determined to be the enterprise with significant market power in segment A, and the obligations was proposed to be imposed on it in connection with provision of services by means of classical circuits and newly the services based on the Ethernet, and namely to allow access to specific networks elements and associated facilities, the obligation of transparency – to publish access reference offer and information concerning access to network, the obligation of non-discrimination and the obligation to keep separated costs and proceeds accounting. On the basis of the analysis, the CTU proposed to cancel all obligations imposed in the first round in the segment B. The CTU also proposed to cancel price regulation in the form of cost-oriented prices in the segment A. The administrative proceedings following the analysis of this market have not been concluded to the date of elaboration of this Report.

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

The market analysis was promulgated as early as in October 2009. On the basis of the analysis of this market the enterprises with significant market powers were determined the enterprises T-Mobile, Telefónica O2, Vodafone Czech Republic a.s. (hereinafter “Vodafone”) and for these companies the same obligations were preserved as in the first round of the analysis of the relevant market, i.e. the obligation to provide access, non-discrimination, transparency – to publish access reference offer of connection and information concerning interconnection of networks and the obligation to keep separated costs and proceeds accounting.

On the company MobilKom, a.s. (hereinafter “MobilKom”), which was newly determined to be the enterprise with significant market power on this market, only the obligations of non-discrimination and transparency, i.e. to publish information concerning interconnection, were imposed. The decision on the imposition of obligation became effective on April 2010.

The comparison of regulation imposed in the First and Second rounds of analysis of relevant markets

market		regulation		1. round		2. round	
no.	name						
1	access to public telephone network in fixed location		access	<input type="checkbox"/>		x	
			CS/CPS	<input type="checkbox"/>		<input type="checkbox"/>	
			separated accounting	<input type="checkbox"/>		<input type="checkbox"/>	
			price regulation	<input type="checkbox"/> original market 1 x original market 2		x	
2	call origination in public telephone network in fixed location		access	<input type="checkbox"/>		<input type="checkbox"/>	
			non-discrimination	<input type="checkbox"/>		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	<input type="checkbox"/>	<input type="checkbox"/>
			separated accounting	<input type="checkbox"/>		<input type="checkbox"/>	
			price regulation	<input type="checkbox"/>		<input type="checkbox"/>	
			access	<input type="checkbox"/>		<input type="checkbox"/>	
3	call termination in individual public telephone network iprovided in fixed location	incumbent	non-discrimination	<input type="checkbox"/>		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	<input type="checkbox"/>	<input type="checkbox"/>
			separated accounting	<input type="checkbox"/>		<input type="checkbox"/>	
			price regulation	<input type="checkbox"/>		<input type="checkbox"/>	
			access	<input type="checkbox"/>		<input type="checkbox"/>	
		Alternative operator	non-discrimination	<input type="checkbox"/>		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	x	<input type="checkbox"/>
			separated accounting	x		x	
			price regulation	<input type="checkbox"/>		x	
			access	<input type="checkbox"/>		x	
4	wholesale (physical) access to network's infrastructure (including shared or fully unbundled local loop) in fixed location		access	<input type="checkbox"/>		<input type="checkbox"/>	
			non-discrimination	<input type="checkbox"/>		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	<input type="checkbox"/>	<input type="checkbox"/>
			separated accounting	<input type="checkbox"/>		<input type="checkbox"/>	
			price regulation	<input type="checkbox"/>		<input type="checkbox"/>	
			access	<input type="checkbox"/>		<input type="checkbox"/>	
5	wholesale broadband access 5 in electronic communications networks A/5/10.2008-1.3		non-discrimination	<input type="checkbox"/>		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	<input type="checkbox"/>	<input type="checkbox"/>
			separated accounting	<input type="checkbox"/>		<input type="checkbox"/>	
			price regulation	x		x	
			access	<input type="checkbox"/>		<input type="checkbox"/>	
6	wholesale terminal segments of leased circuits regardless of technology used for provision of leased or dedicated capacity		access	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x
			non-discrimination	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x
			transparency		disclosure of information reference offer	<input type="checkbox"/>	<input type="checkbox"/>
			separated accounting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	x
			price regulation	<input type="checkbox"/>	x	x	x
			access	<input type="checkbox"/>		<input type="checkbox"/>	
7	termination of voice call in individual public mobile telephone networks	TMCR, TO2 Vodafone	non-discrimination	<input type="checkbox"/>		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	<input type="checkbox"/>	<input type="checkbox"/>
			separated accounting	<input type="checkbox"/>		<input type="checkbox"/>	
			price regulation	<input type="checkbox"/>		<input type="checkbox"/>	
			access	<input type="checkbox"/>		<input type="checkbox"/>	
		MobilKom	non-discrimination	x		<input type="checkbox"/>	
			transparency		disclosure of information reference offer	x	<input type="checkbox"/>
			separated accounting	x		x	
			price regulation	x		x	
			access	x		x	

2.2 Development of Selected Services in the Main Market Segments

2.2.1 Voice services provided in fixed networks

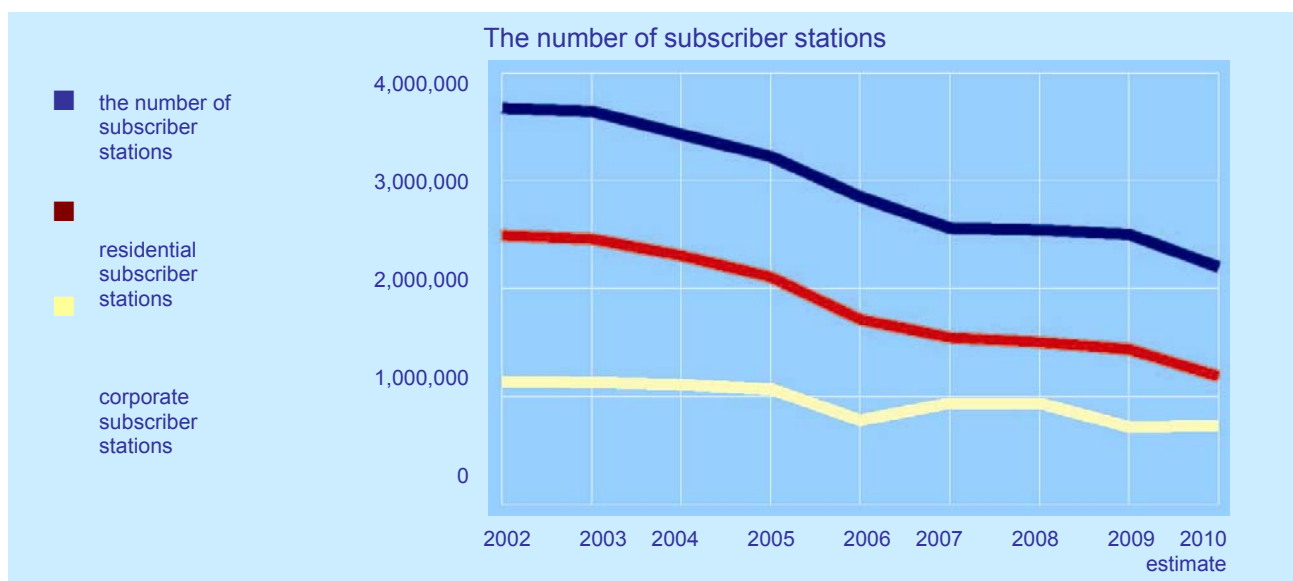
At the beginning of 2010 the most important event was the realisation of transfer of resident customers and small and medium-sized enterprises of the company České Radiokomunikace to the company T-Mobile. This mobile operator began to run fixed access network and to provide voice and data services to customers taken over from the company České Radiokomunikace by means of ADSL and started to offer new packages of services of fixed and mobile networks.

Among the most important companies, which were active in 2010 on the market of telephone services in the fixed network, belonged the companies Telefónica O2, UPC Česká Republika, a.s., T-Mobile, GTS Czech s.r.o., Unient Communications, a.s., RIO Media a.s., ha-vel internet s.r.o., České Radiokomunikace, T-Systems Czech Republic a.s., BT Limited,

organisational unit, ČD-Telematika a.s., ČEZ ICT Services, a.s. The company Telefónica O2 continued to hold the most important position in provision of publicly available telephone service in the fixed network.

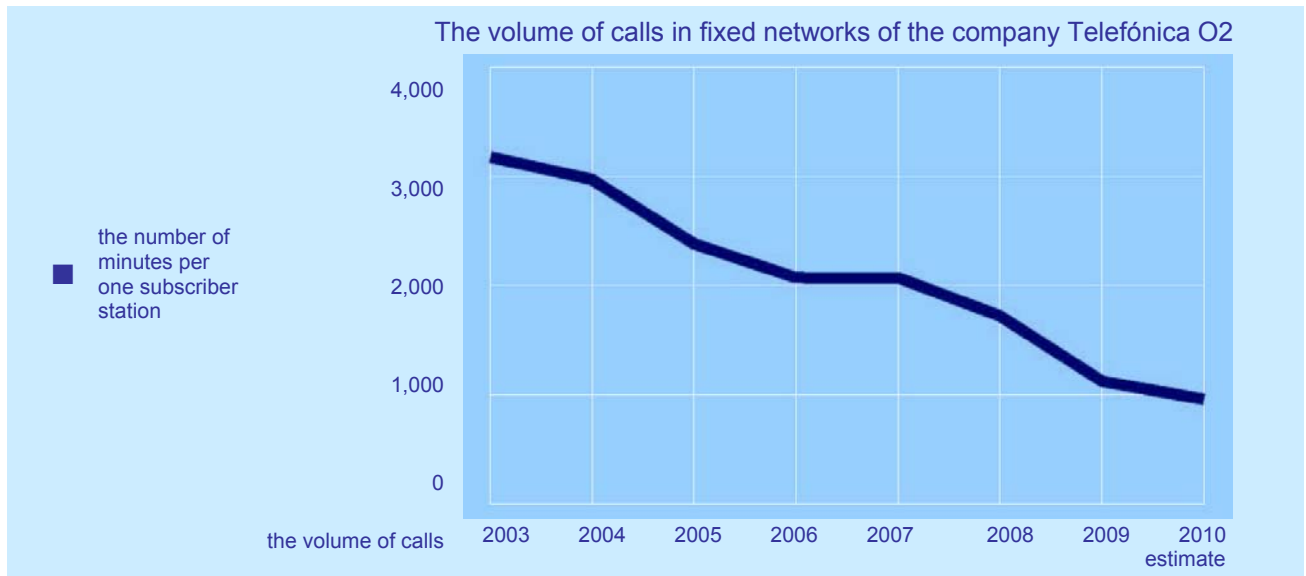
During the year the trend of expansion of offer of services continued in the field of voice services by means of new technologies, particularly of voice services offered by the VoIP technology and the migration of participants of voice services from the fixed network to mobile networks. Operators continued to offer to their customers the services in different forms of packages. The decrease of incomes from the classical publicly available telephone service provided in fixed network was partially compensated by incomes from services of broadband access.

In 2010 the total number of participants of voice services provided in fixed networks, expressed in the number of subscriber stations, decreased on a year-by-year basis by almost 300,000 (i.e. approximately by 12 %) to approximately 2,200,000 stations according to the estimate (see the following graph).



In connection with decreasing number of participants the decrease of the volume of traffic in fixed networks continued. Simultaneously, additional decrease took place in the development of traffic of the biggest provider of publicly available telephone service, the company Telefónica O2, expressed in minutes on one subscriber station (see the following graph).

Estimated number of minutes of calls per one subscriber station for the year 2010 registered a year-by-year decrease by almost 17 % to approximately 950 minutes. The decrease can be ascribed to continuing transfer of one part of voice traffic to mobile networks, on the one part, and the utilisation of VoIP service, on the other part.

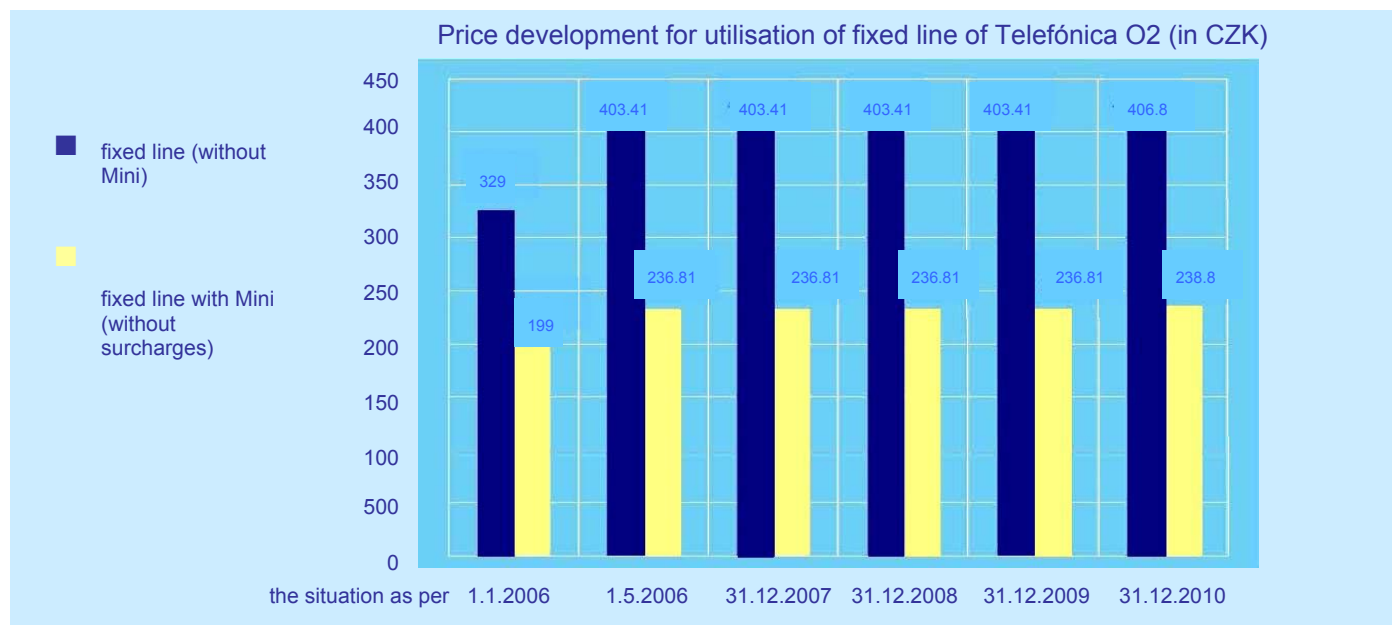


The development of prices of voice services in fixed networks

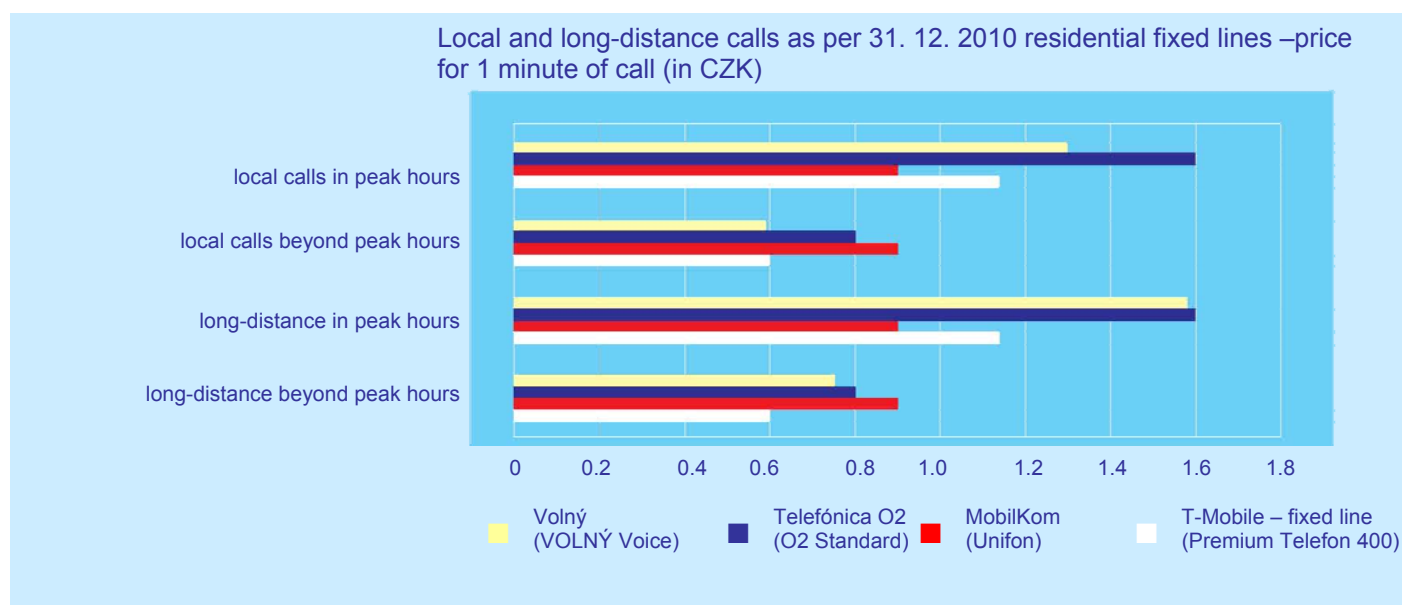
Generally taken, the prices of telephone services in fixed networks in 2010 stagnated. Not even seasonal offers of operators brought about price reduction because these were mostly focused on the Internet access. On the contrary, with some offers a slight price increase took place at the beginning of 2010 due to the increase of VAT rate.

Price development of voice services in fixed networks is shown in the following graphs. With respect to the position of the company Telefónica O2 on this market, the prices of this company for establishment and utilisation of this service are given in the graph. The prices of important operators providing telephone services by means of fixed networks concerning telephone service (calls) are also given in the graph. The graph illustrating price development of utilisation of fixed line for residential purposes gives monthly prices of voice services only.





Comparison of prices of local and long-distance calls in 2010 with fixed lines according to offers of individual important operators is shown in the following graph.



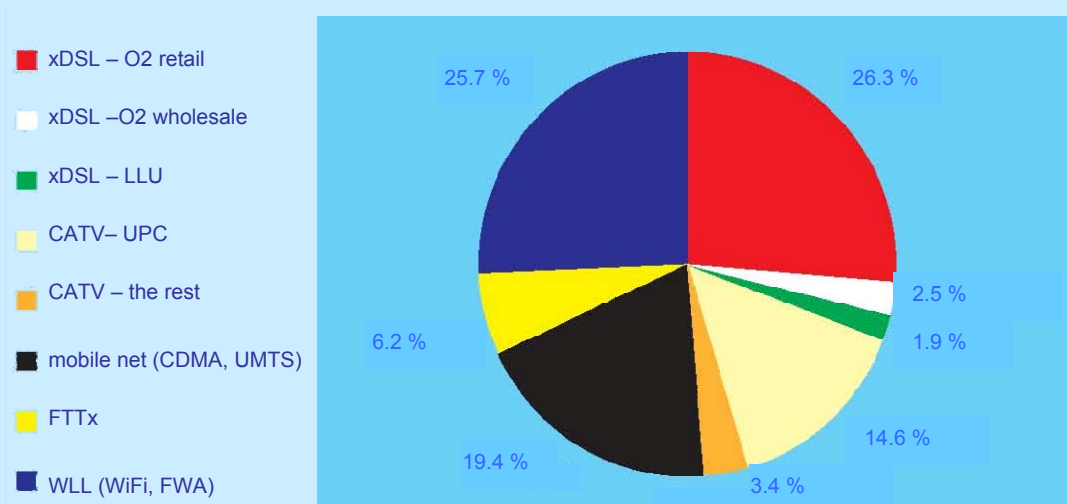
Note.: Neither free minutes nor tariff system are taken into account.

2.2.2 Broadband access services

In 2010, much like in other years, the situation in the retail market of broadband access services did not change much as far as sizes of market shares are concerned.

The technologies represented mostly in the retail market are xDSL and WLL accesses (they include all fixed radio accesses and accesses realised by means of WiFi). The current situation in the retail market of broadband access is documented on the following graph.

The share of individual accesses according to technologies as per 31.12.2010

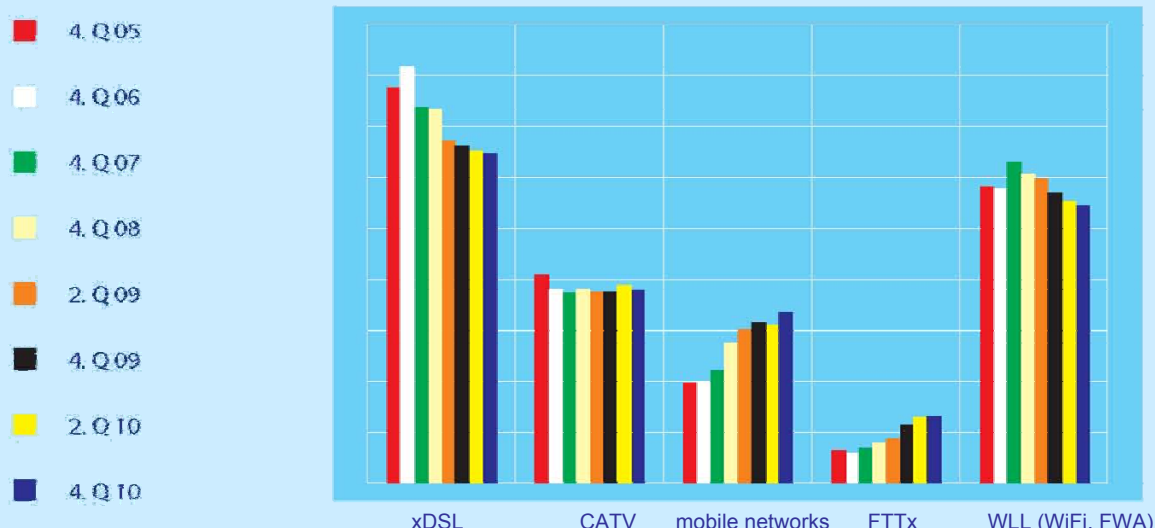


However, the share of xDSL and WiFi technologies on the broadband access market gradually decreases in favour of other technologies, in particular of FTTx and accesses in mobile networks. According to the expectations of the Office, this development is in harmony with the trend in other EU countries, where also optical networks and mobile accesses undergo swift development. The mobile accesses have their place on the market due to the fact that they are very often established as “supplement” of realisation of broadband access in fixed location.

Within the monitoring of the market of broadband access the Office included in the monitoring only such mobile accesses which are utilised permanently by the end user and are charged by monthly flat rate tariffs (for example, “Internet na cesty” from T-Mobile, “Mobilní internet” from Telefónica O2).

This trend is documented by the following graph of development of shares of broadband accesses according to individual technologies on the retail market.

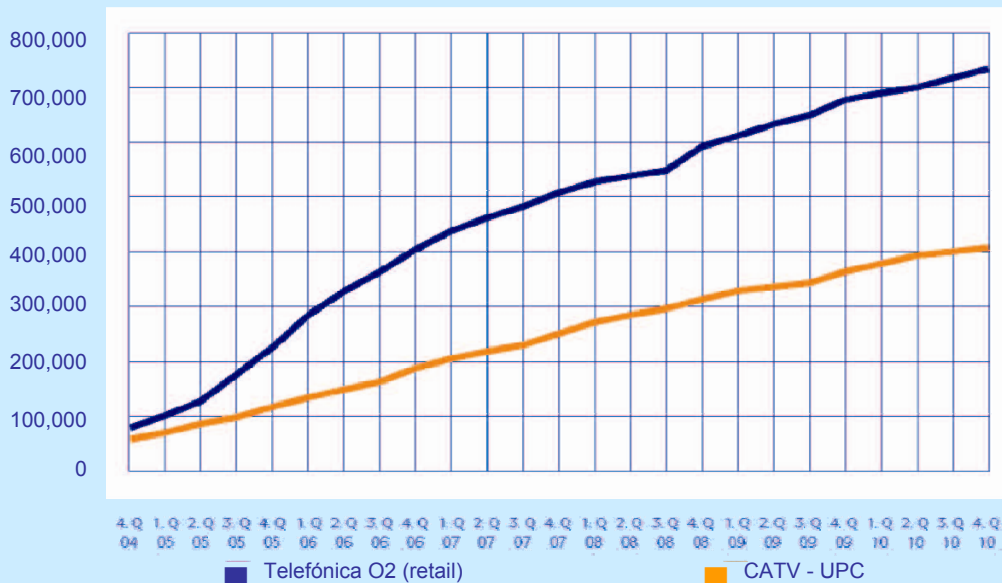
The development of shares of broadband accesses according to individual technologies



For the sake of information, the development of the number of retail accesses in two biggest companies on the retail market of broadband access is given. The company Telefónica O2 is the biggest provider of xDSL service and the company UPC is the most important provider of broadband services supplied by means of cable television distribution.

With both companies the growth rate of the number of broadband accesses gradually weakens in course of time, what indicates that in the Czech Republic the demand on the market of broadband access (with currently offered speeds) is almost saturated and that it will be more and more difficult for providers to attract new customers.

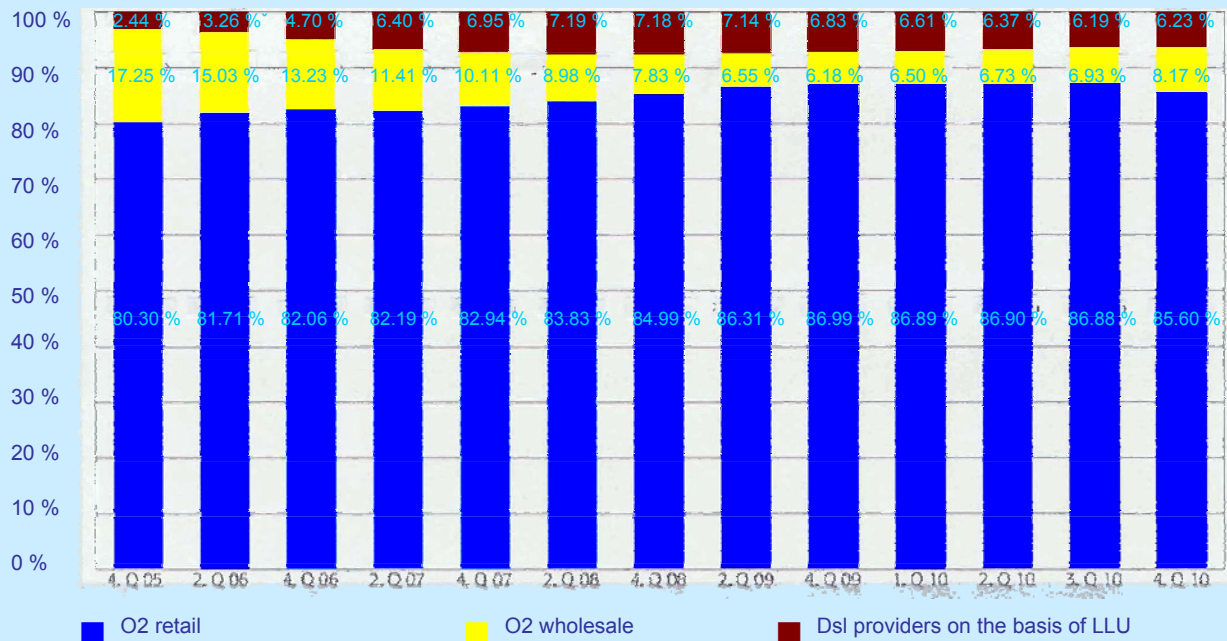
The development of retail ADSL Telefónica O2 and CATV accesses of UPC



The graph hereunder expresses the development of retail xDSL shares of broadband accesses. In relative expression the retail shares of the company Telefónica O2 increased until the second half-year of 2009 and stagnated during the first three quarters of 2010.

In the last quarter of 2010 the wholesale offer increased, thanks to the company T-Mobile, which conspicuously invested at the end of 2010 in the promotion of xDSL in its retail services, particularly in combination with mobile services.

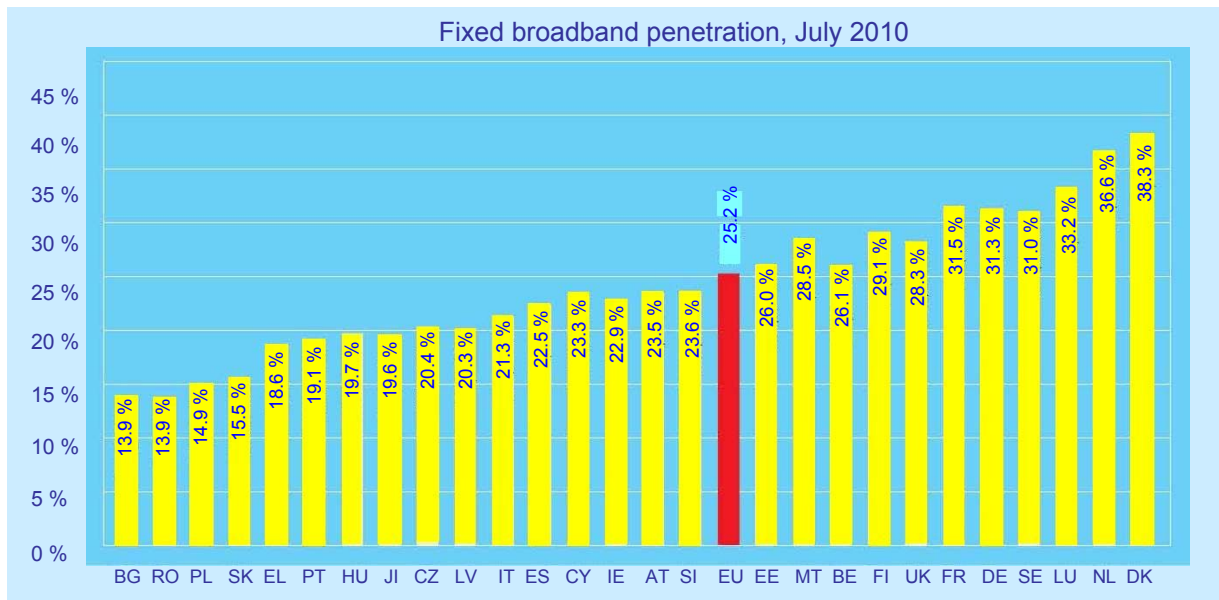
The development of market share on the xDSL market of broadband accesses expressed in number of accesses provided



When we compare from the international viewpoint (see hereunder) we can see the increase of penetration in the retail market of broadband access from 14.7 % (the end of 2007) to 20.4 % in July 2010,

what might look like an important increase, however, in comparison with the average of the EU countries it is only below-average penetration (the EU average is 25.2 %).

The international comparison does not include mobile networks



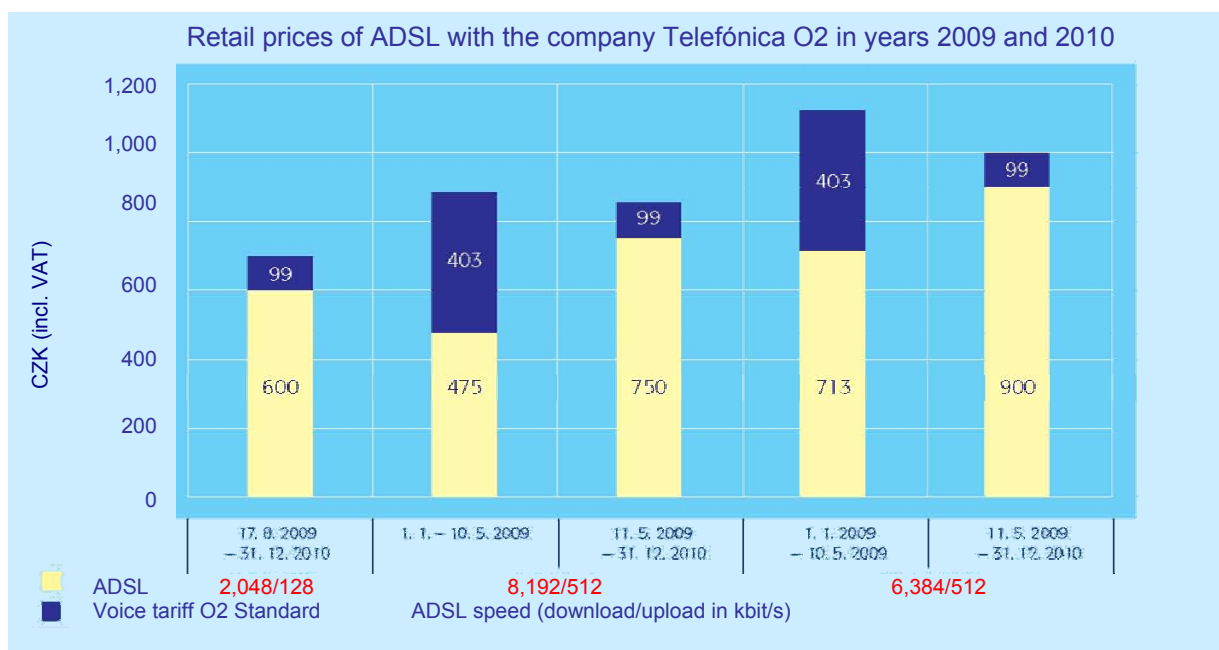
Source: 15. Implementation report.

Retail services of broadband access

From the viewpoint of prices for the end user of the company Telefónica O2, the company having the highest market share on the retail market of access to the Internet, the year 2010 did not bring about any changes. Neither the increase of the VAT rate (from 19 % to 20 %) brought about any price modifications at the beginning of 2010.

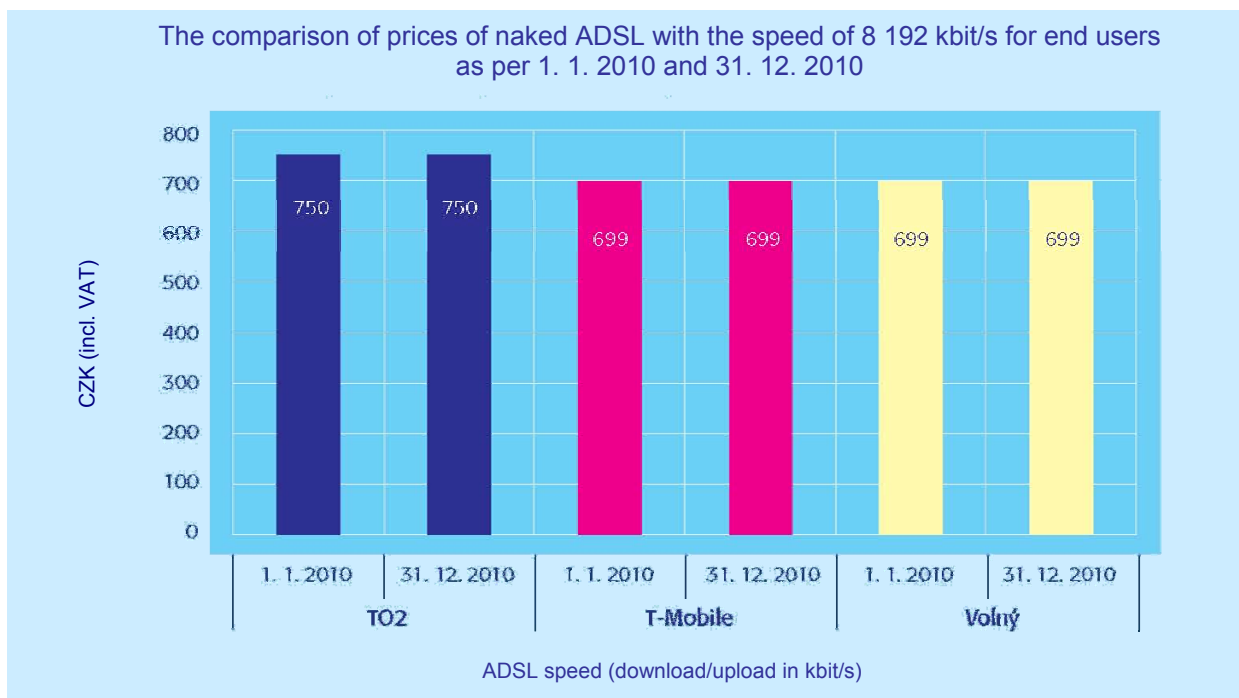
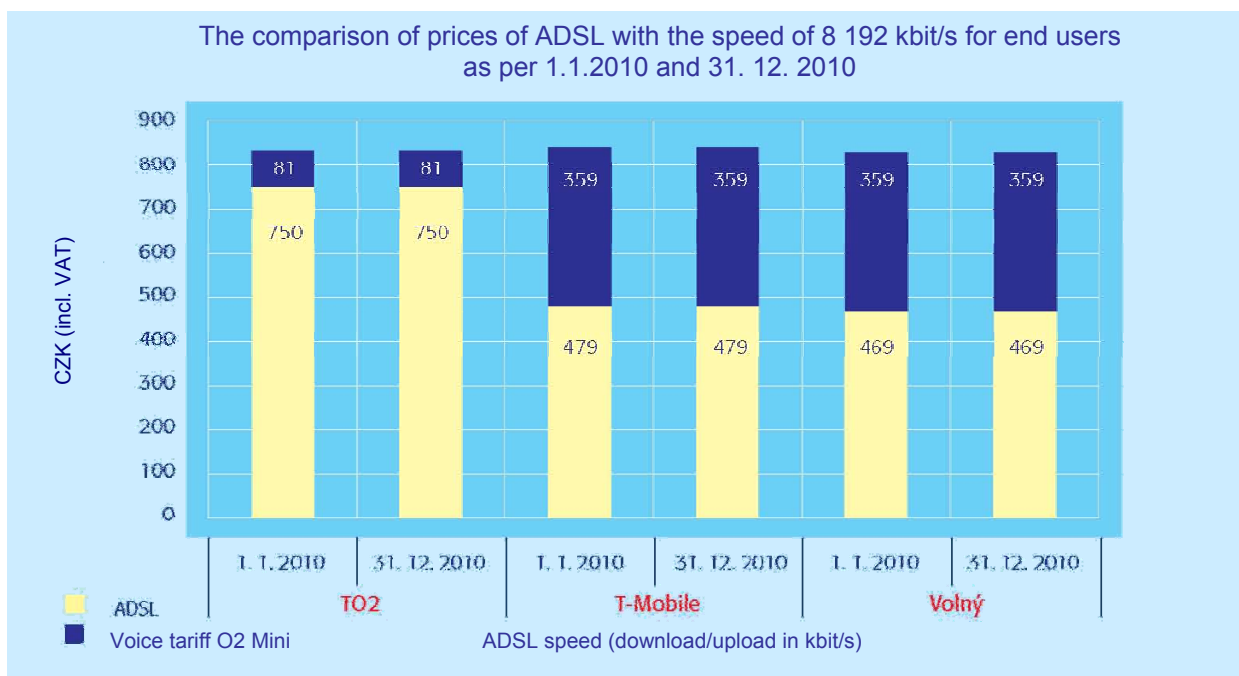
The last conspicuous change took place in May 2009, when the company Telefónica O2 enabled to its customers to utilise independent service ADSL (naked ADSL) without the obligation to pay the price for utilisation of fixed telephone line (so-called monthly rental).

The price level of individual speeds of retail offer O2 Internet of the company Telefónica O2 in years 2009 and 2010 is demonstrated in the following graph.



In the following graph the offers of three important operators on the domestic markets are compared. The graph compares the price of high-speed access to the Internet network realised by means of ADSL technology (with speed of 8 Mbit/s) and the price for utilisation of fixed

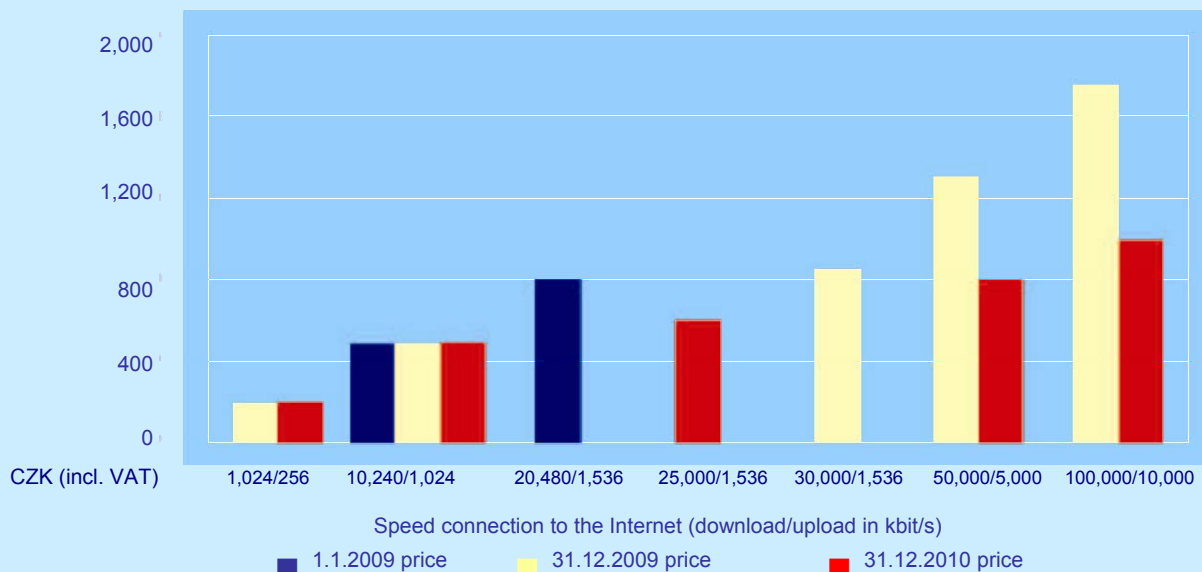
telephone line (price plan 02 Mini). In the second graph the price for the so-called naked ADSL is included. Looking at the graphs it is obvious that the price level remained constant during 2010.



Another important company on the retail market of broadband connection is the company UPC.

The following graph documents development of prices of its broadband services for years 2009 and 2010.

The development of retail prices of access to the Internet with the company UPC in 2009 and 2010



The company UPC began the year 2010 by slight increase of end prices of its internet services (in order of several Crowns) with regard to the increased VAT rate. In April the company ceased to provide the service with speed of 30 Mbit/s having the price of CZK 857 and replaced it by the service with speed of 25 Mbit/s and the price of CZK 599. A customer can thus save CZK 250 thanks to the reduction of transmission speed. In May 2010 company UPC reduced the prices of its speediest Internet services, and namely by CZK 765 with the service having the speed of 100 Mbit/s (from the price of CZK 1,764 to CZK 999) and by CZK 512 with the service having the speed of 50 Mbit/s (from the price of CZK 1,311 to CZK 799).

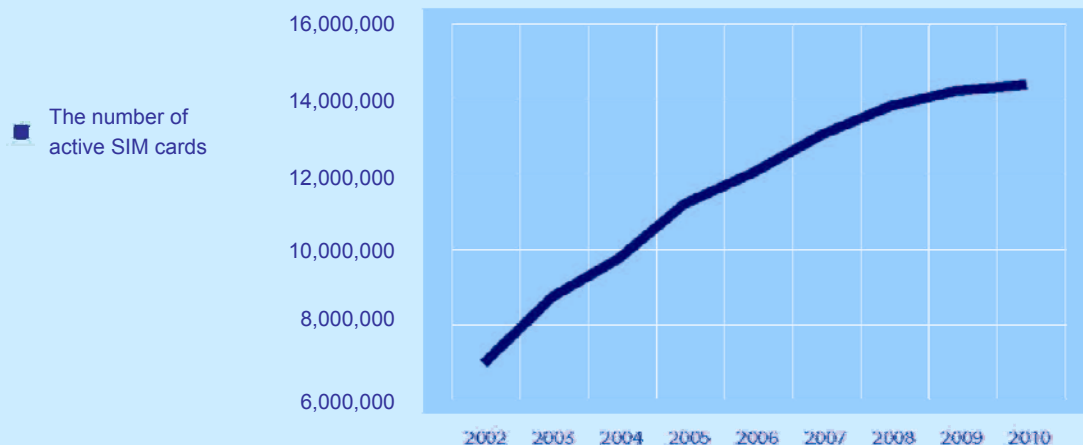
2.2.3 The services provided in mobile networks

In monitored period four entrepreneurial subjects were active in the market providing mobile services, and namely the companies

Telefónica O2, T-Mobile, Vodafone and MobilKom. Development of market shares of traditional providers of services in the number of SIM cards remained relatively stable during last years. The mobile operator MobilKom which is active on the market since the middle of 2008, provided in 2010 voice and data services by means of CDMA network having reduced territorial coverage. During the year 2010 further enlargement of the coverage took place by UMTS networks of the companies Telefónica O2, T-Mobile and Vodafone. The wholesale offer of the company MobilKom became the first standard offer which enabled to other companies (mobile virtual operators) to use access mobile networks for operation of their own services.

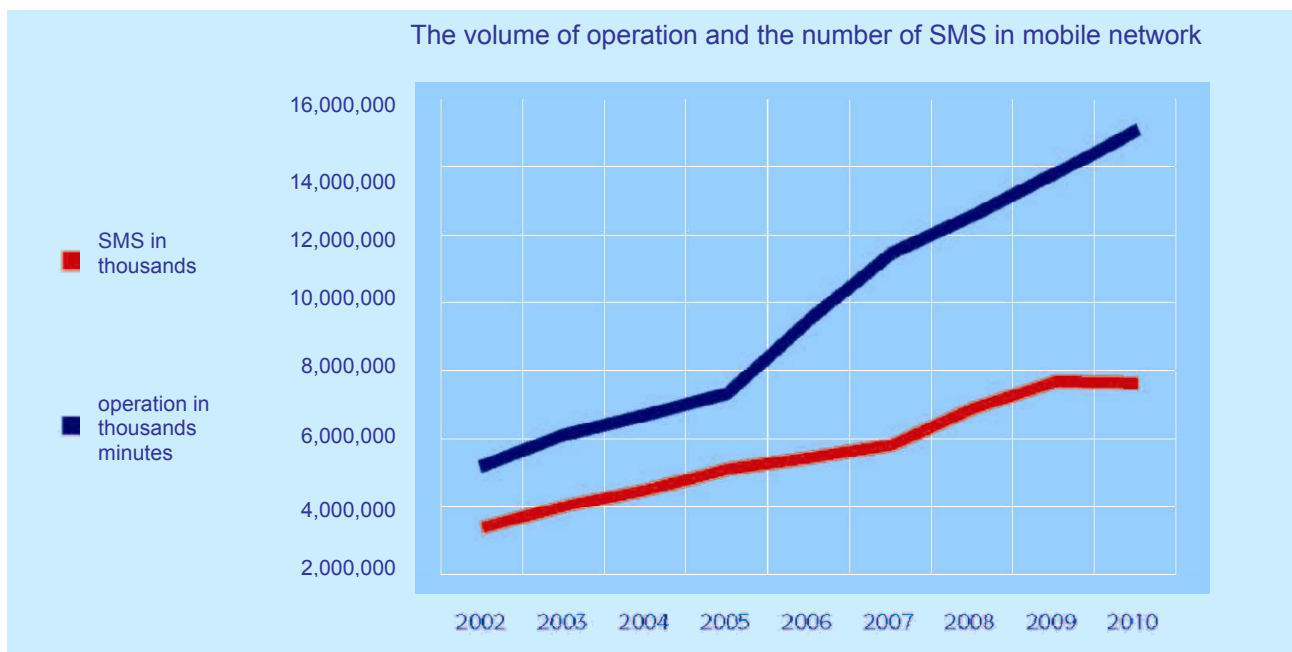
The development of the number of active SIM cards in GSM networks according to the methodology of the CTU is given in the following graph.

The number of active SIM cards



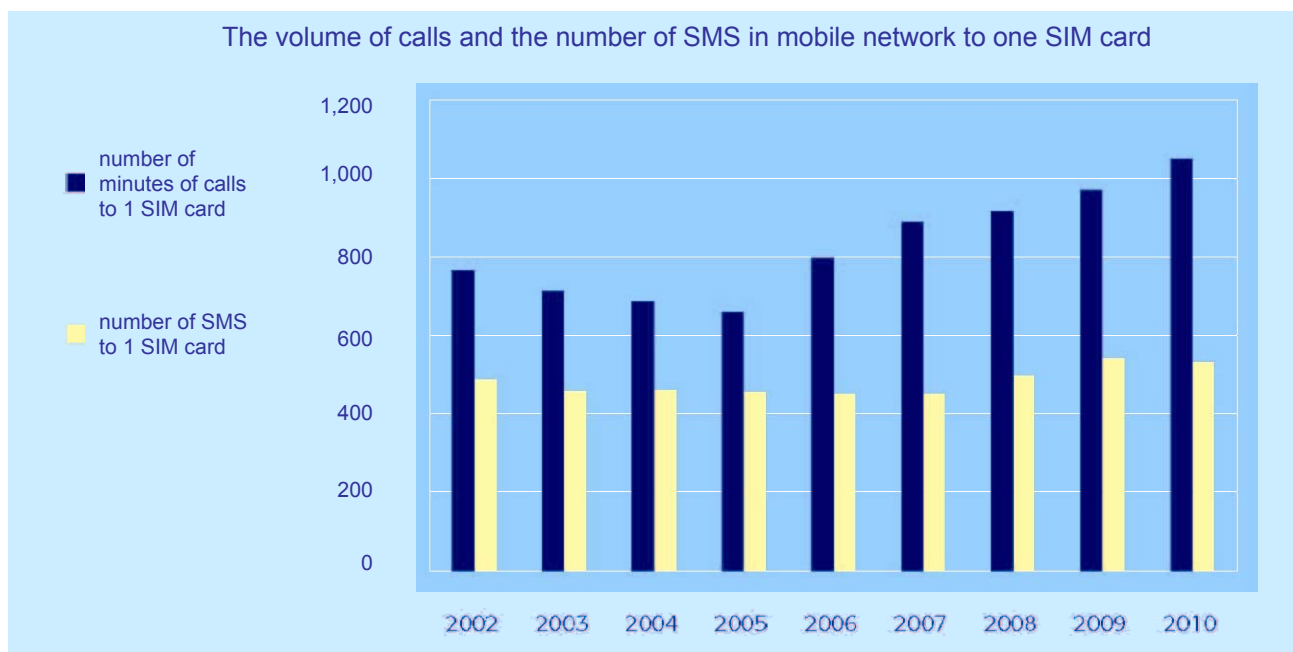
As per December 31, 2010 the number of active SIM cards increased by almost 1 % to 14,331,246 SIM cards. The growth rate slowed down again, what confirms the assumption about high saturation of demand for existing mobile services in the Czech Republic.

The volume of operation of active voice calls originated by participants of mobile networks in 2010 increased again and the number of SMS messages dispatched from mobile network (without roaming) practically stagnated.



In 2010 the originated operation expressed in minutes of calls to one active SIM card (i.e. on one participant not including roaming) was 1,050 and the number of SMS messages to one

SIM card fell to 530. The volume of voice calls per one SIM card increased on a year-by-year basis, and the number of SMS dispatched slightly decreased on a year-by-year basis.



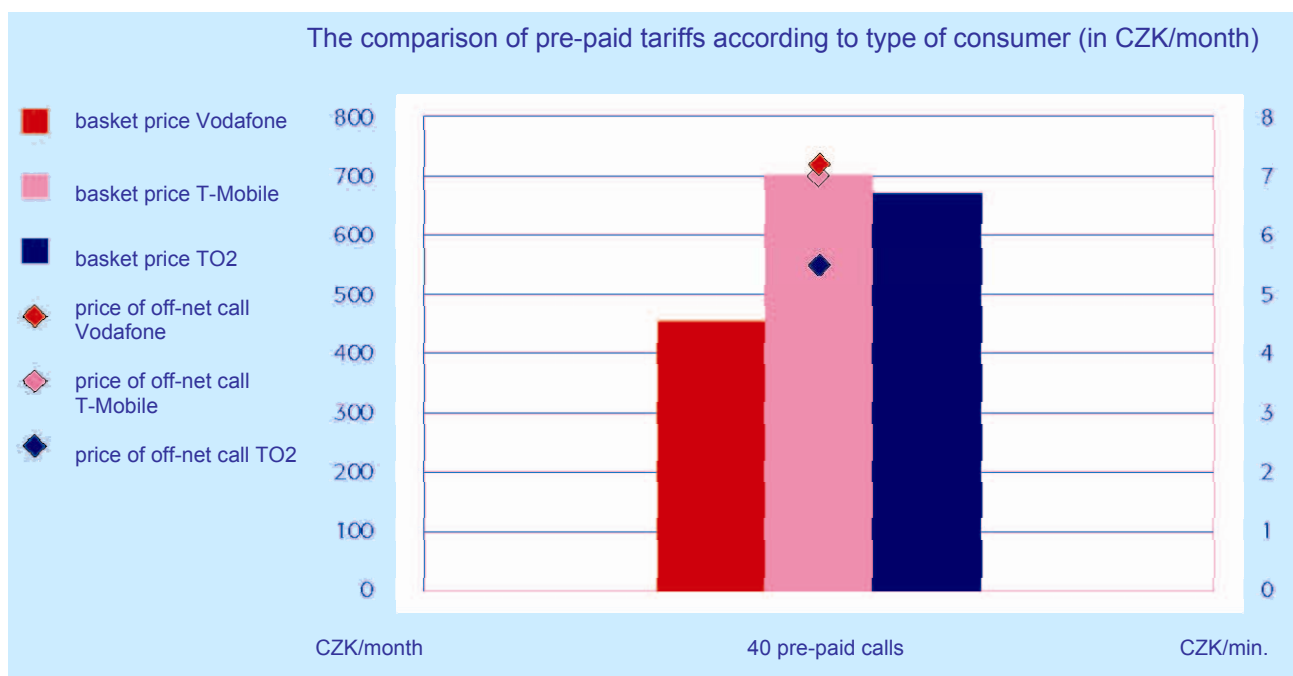
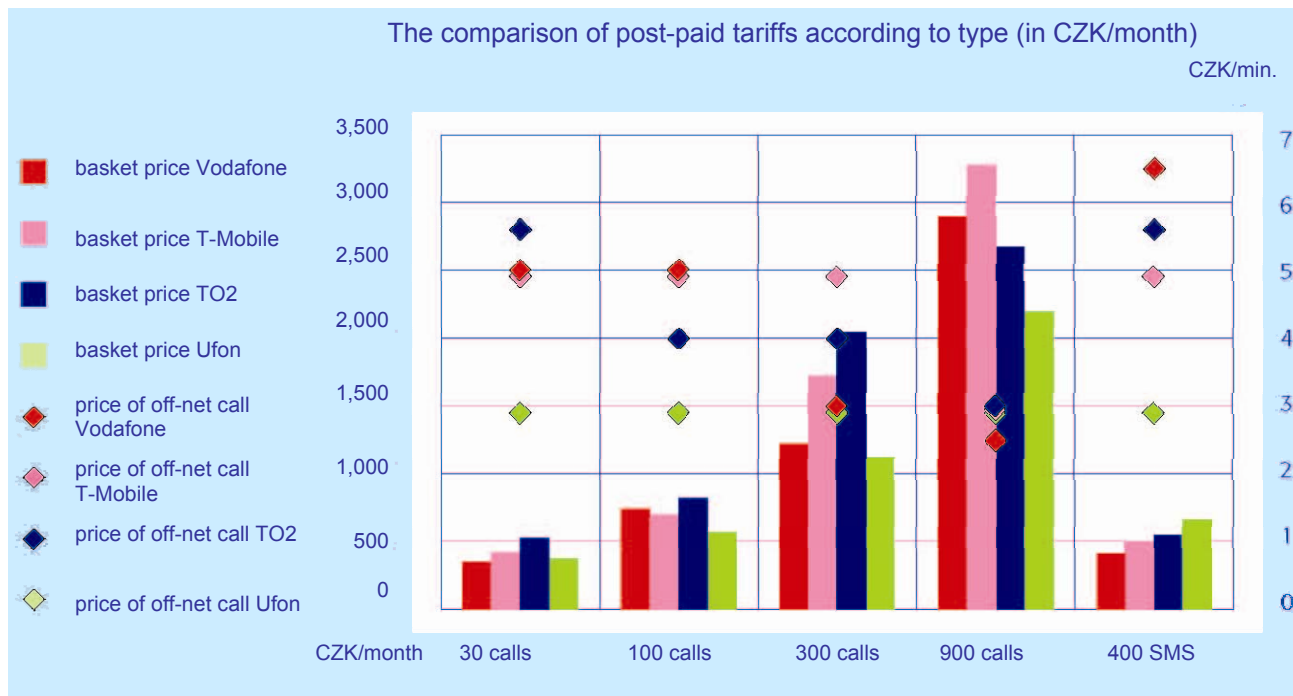
The comparison of prices provided in mobile networks

The CTU monitored development of prices of mobile services and for their comparison it

employed the new consumer baskets which are based on the methodology stipulated by the OECD in 2010 (more detailed specification can be found in the **Revision of the Methodology for Constructing Telecommunication Price Baskets**).

For the purposes of this comparison the baskets containing 30, 100, 300, 900 calls and 400 SMS for post-paid tariffs (tariff customers) and the basket of 40 for pre-paid tariffs (customers with pre-paid card), and selected tariff

and/or pre-paid offers of individual Czech mobile operators, were used. The total monthly price of a basket is illustrated in columns of the following two graphs and the minute's price of call to another network (off-net call) is illustrated in colour spots.

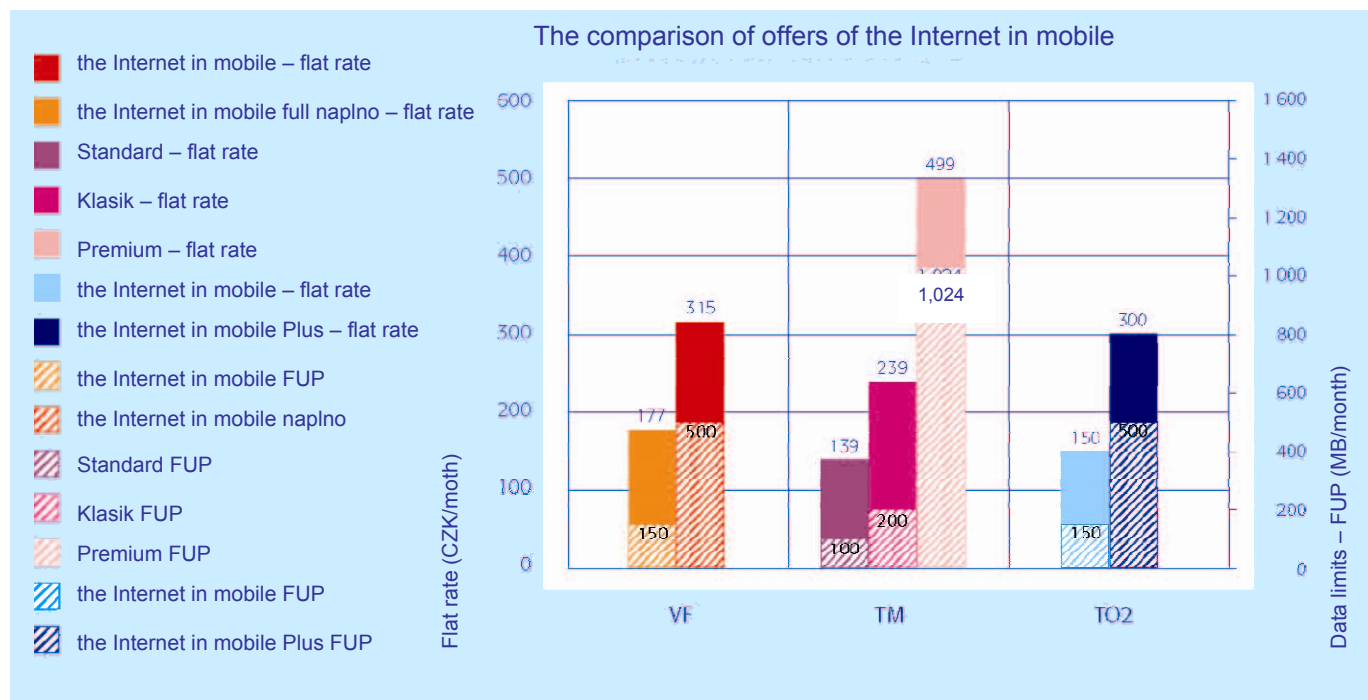


The comparison of retail prices for data downloading with mobile operators

The services of mobile Internet access appear to be a potential alternative to broadband access in fixed networks. Mobile operators offer two types of mobile connection - Internet

in mobile and mobile internet using modem.

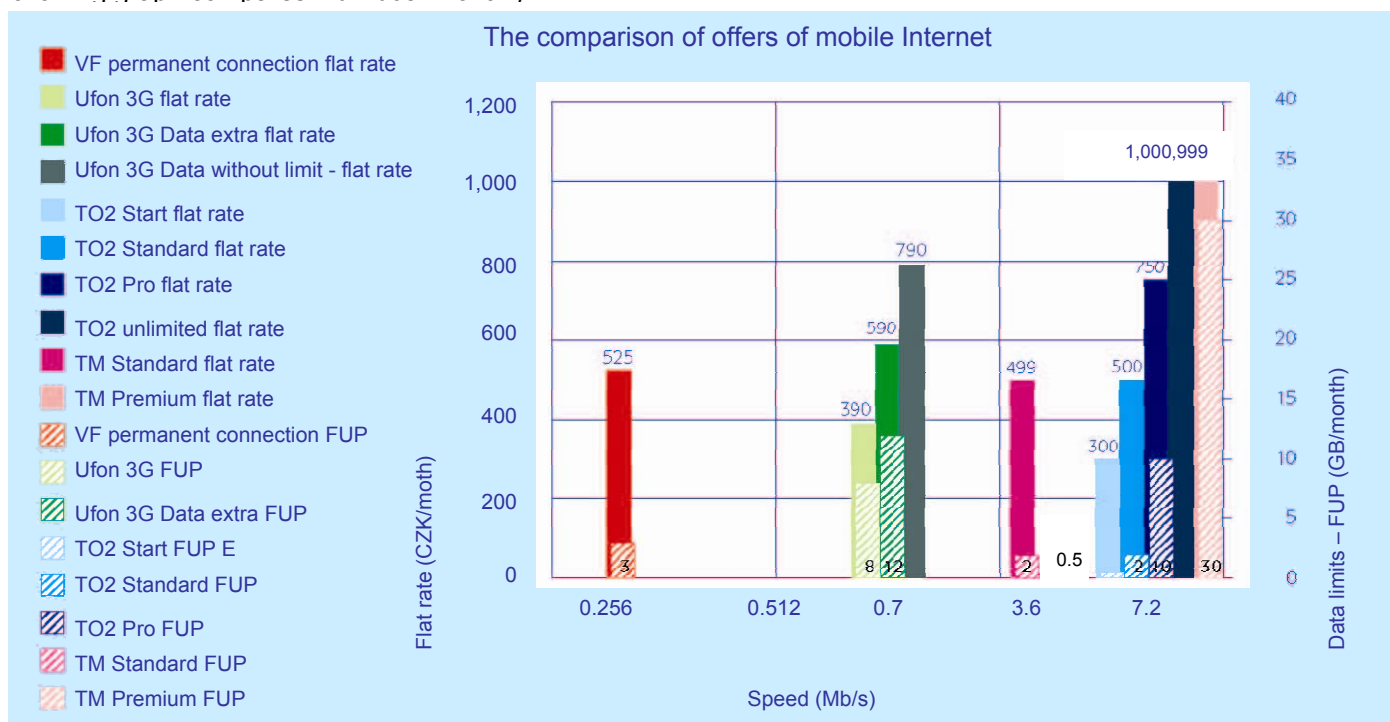
The following graph takes up the first of them - the Internet in mobile and compares offers of this service of individual mobile operators. The offers differ in both data limits and the price.



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

With the second option – the mobile Internet (using modem) - operators in 2010 increased speed of data downloading and increased data limits (FUP) of their offers. The following graph compares individual monthly

prices according to maximum speeds of downloading (full columns) and data limits (cross-hatched columns). The offer without the data columns provides for the Internet without limitations.



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

2.3 Development of Prices for Selected Wholesale Services

During 2010 the CTU targeted its attention to the monitoring of development of prices of selected wholesale services in the markets having principal influence on the generation of prices and consequently also on development of prices on related retail markets.

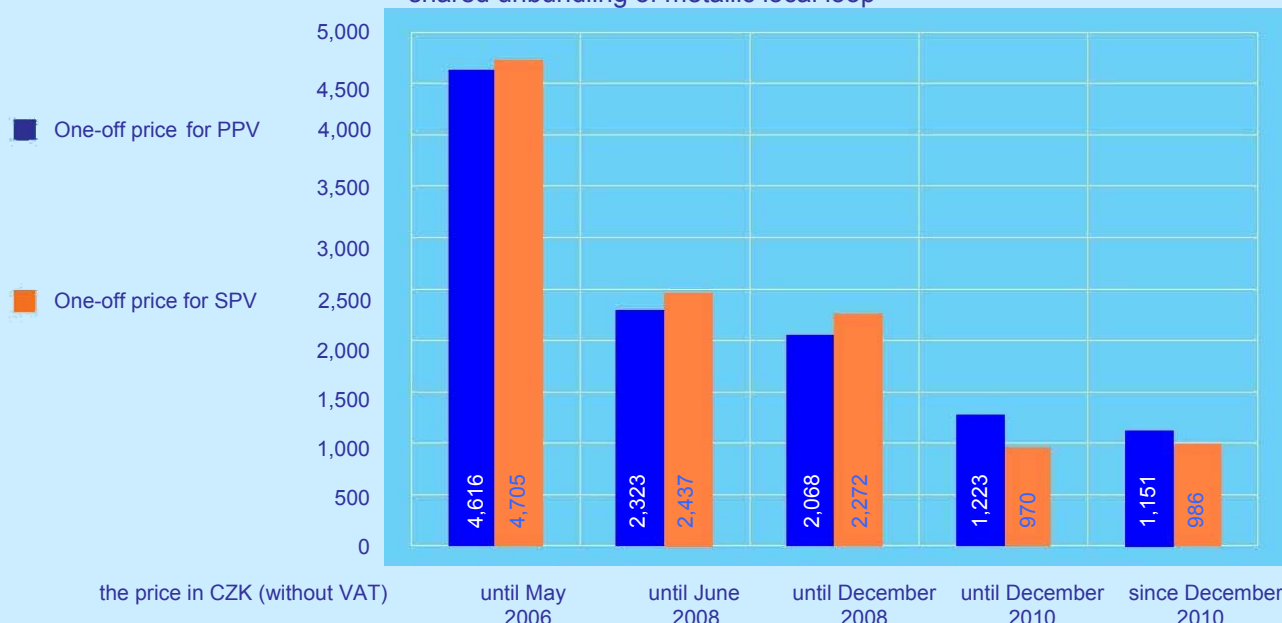
Wholesale full and shared access to local loop

At the end of 2010 the new decision was promulgated concerning wholesale services of metallic local loop unbundling (LLU).

The new decision represents reduction of average monthly costs of full unbundling by 7.43 % and of average monthly costs of shared unbundling by 14.45 %.

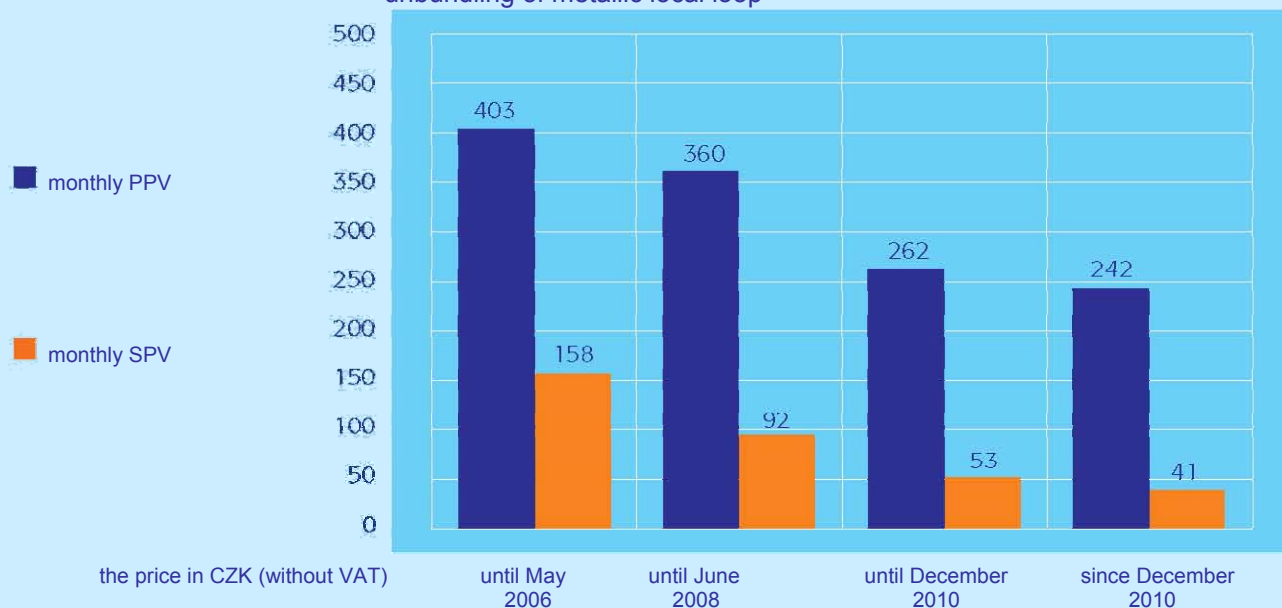
Development of prices of four basic wholesale services of metallic local loop unbundling is illustrated by the following two graphs.

Development of one-off prices for the services of establishment of full and shared unbundling of metallic local loop



Note.: PPV – full access to the local loop, SPV – shared access to the local loop.

Development of monthly prices for the services of the lease of full and shared unbundling of metallic local loop



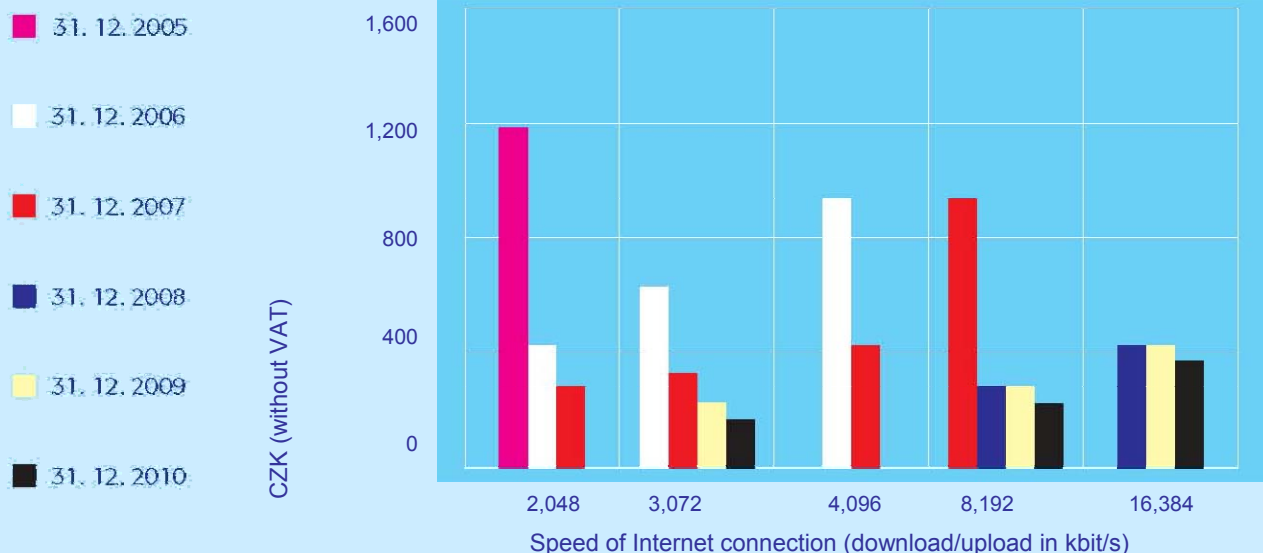
Note.: PPV – full access to the local loop, SPV – shared access to the local loop.

Wholesale broadband Internet access

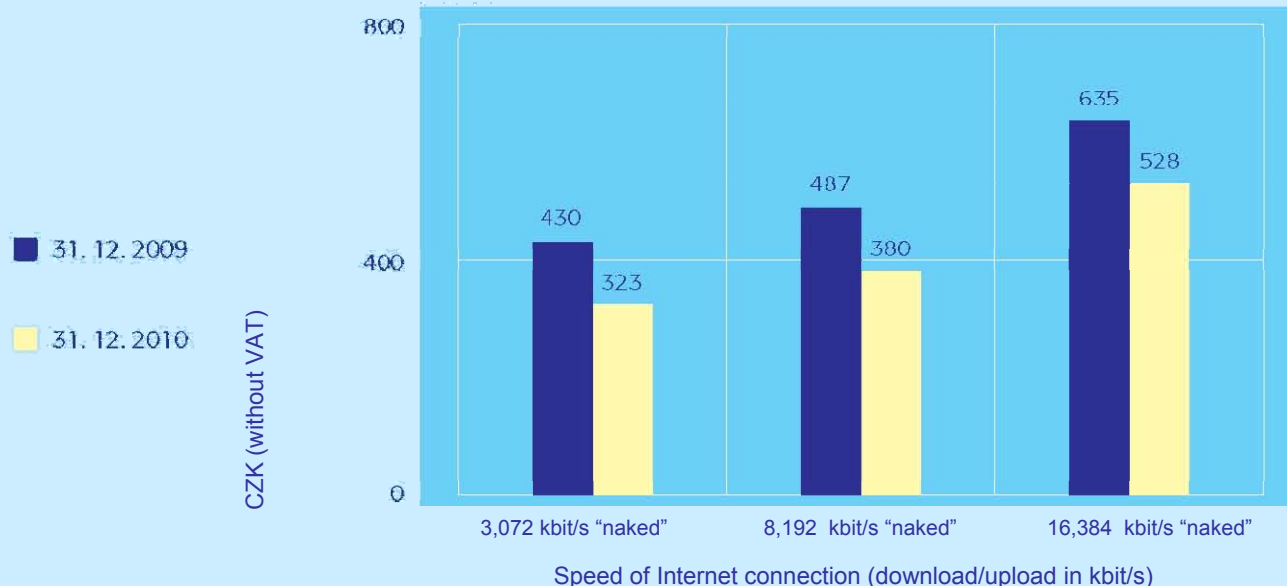
During 2010 the wholesale ADSL prices of the company Telefónica O2 changed twice straightaway. Firstly, in April 2010, for services of naked ADSL the price of which was reduced

identically by CZK 107 and then in July 2010, when the price of other ADSL services fell by CZK 59, which can be employed only in parallel with utilisation of fixed telephoneline. The development of wholesale prices is shown in the following two graphs.

Wholesale ADSL prices employed in parallel with utilisation of fixed telephoneline



Wholesale ADSL prices – naked (without independent utilisation of fixed telephone line)



Wholesale market of call termination in individual public mobile telephone networks

During 2010 the maximum price of call termination in mobile telephone network was decreased twice, and namely since January 1, 2010, when the price was reduced from z CZK/min. 2.31 to CZK/min. 1.96. The following change of price for call termination in mobile networks was instigated by the new Decision of the CTU, which was promulgated in April 2010.

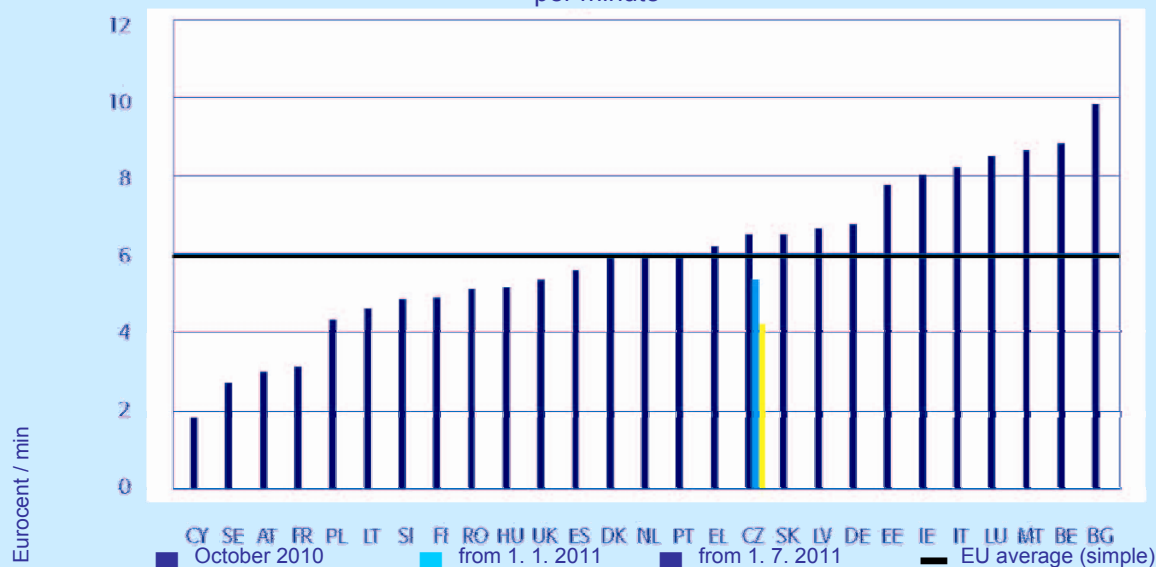
Since July 1, 2010 the maximum price was reduced by almost 15.3 % to CZK/min. 1.66. Another reduction took place from January 1, 2011, when the maximum price was reduced to CZK/min. 1.37. The prices mentioned were valid for three mobile operators – Telefónica O2, T-Mobile a Vodafone.

When we compare the Czech Republic with the remaining EU countries (the following graph), it is evident that the Czech Republic will gradually get under the average of the EU countries which

was published in the 15th Implementation report. However, it must be anticipated that prices for termination in remaining countries will be

changed, and consequently, also the price average in the EU. Also the development of CZK towards EUR is important.

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



Source: BEREC – MTR Benchmark (as of July 2010).

2.4 Regulation on International Roaming

Development of retail prices of roaming services with mobile operators

In June 2009 the new Regulation of the European Parliament and the Council (EC) No. 544/2009 dated June 18, 2009 (hereinafter “The Roaming Regulation”), preserved and prolonged the regulation of roaming calls within the EU, the so-called Eurotariff, introduced also the price regulation for dispatching roaming SMS and the regulation of wholesale price for roaming data downloaded. The CTU, in harmony with the Roaming Regulation performs monitoring of and supervision over the observation of the Roaming Regulation and monitors the development of wholesale and retail prices for provision of voice and data communication services including SMS and MMS to roaming customers.

The retail price (without VAT) within the Eurotariff in the period from July 1, 2010 until June 30, 2011 shall not exceed the amount of 0.39 EUR/min. for outgoing call (i.e. 9.94 CZK/ min.), 0.15 EUR/min. for incoming call (i.e. 3.82 CZK/min.), the rate of exchanged used was 25.505 CZK/EUR (from the EU Journal dated June 1, 2010). All three mobile operators apply the prices in harmony with The Roaming Regulation – see the following table (the data in the Table give the prices including VAT).

Call – eurotariff	until 30.6.2010		from 1.7.2010	
	outgoing call	incoming call	outgoing	incoming
Regulated maximum prices (in CZK/min)	13.84	6.11	11.93	4.59
Vodafone	13.01	6.05	11.9	4.55
T-Mobile	13.09	6.11	11.93	4.58
TO2	13.21	6.05	11.93	4.59

The amended Roaming Regulation also introduced the maximum price for sending of roaming SMS in the EU, which, until June 30, 2010, should not have exceeded CZK 2.91 and from July 1, 2010 should not have exceeded CZK 2.8 (the prices in the Table are given including VAT).

SMS	until June 30, 2010	from July 1, 2010
Regulated maximum prices (in CZK/min)	3.49	3.36
Vodafone	3.48	3.35
T-Mobile	3.49	3.36
TO2	3.40	3.30

Pursuant to the Roaming Regulation the operators have had, since July 1, 2010, the obligation to provide to all their customers one financial limit for data downloaded at the minimum for a certain period of time of utilisation in the territory of the European Union and the States of the European Economic Space (EU/EES), which shall not surpass the amount of EUR 50 (without VAT, i.e. CZK 1,275.25). All three mobile operators met their obligations. The company Telefónica O2 applied the limit at the level of CZK 1,260, T-Mobile CZK 1,250 and Vodafone CZK 300.

Pursuant to the Roaming Regulation the price ceilings were applied with the services of calls, SMS and data services also in the wholesale market.

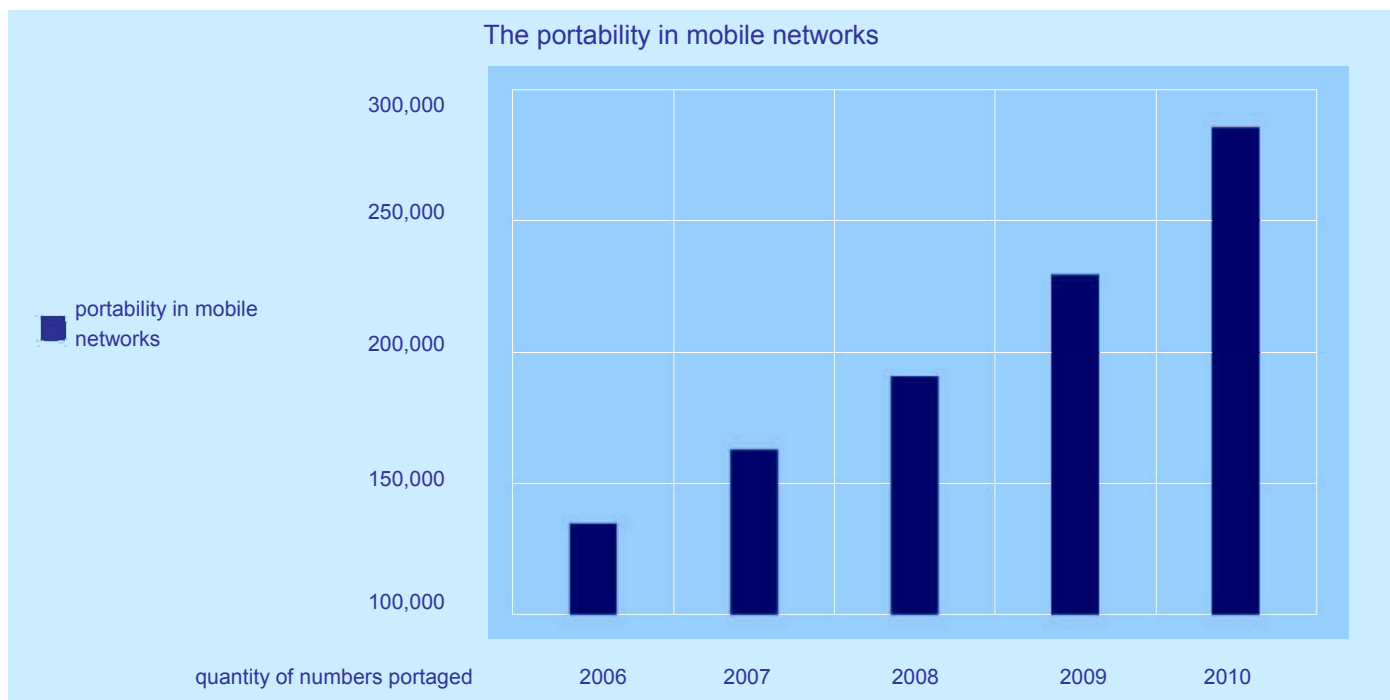
During 2010 the CTU executed continuous monitoring of development of roaming prices (retail and wholesale) and did not find any case of non-observance of requirements of the Roaming Regulation from the part of any Czech operator.

2.5 Telephone Number Portability

The portability in mobile networks

Since the portability of telephone numbers was introduced in mobile networks (year 2006),

1,003,520 numbers were carried over by the end of 2010. In 2010 alone, 285,960 numbers were carried over what means a year-on-year increase of numbers carried over by almost 25 % (see the following graph).

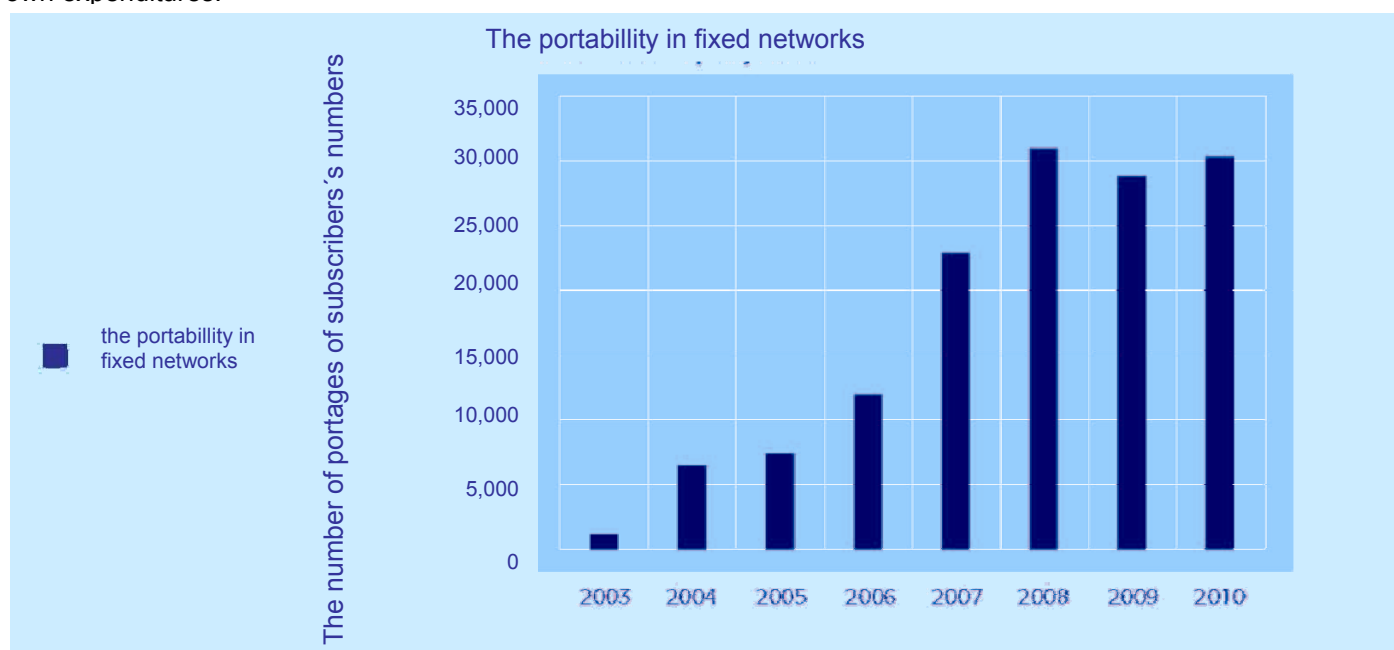


Mobile operators discontinued to demand payments for portability of telephone numbers from participants of publicly available telephone service either completely or for CZK 1 of activation fee only. A participant can find the prices charged for the portage of fixed telephone number in pricelists of individual operators whereas their levels are de facto derived from wholesale prices charged among entrepreneurs. End user may be charged these prices fully or partially by receiving operators including their own expenditures.

End user may be charged these prices fully or partially by receiving operators including their own expenditures.

The portability in fixed networks

The number of portages of subscribers's numbers in fixed networks in 2010, as compared with the previous year, increased by almost 4 % to 30,140 portages.



Conditions of portability of numbers

In the middle of 2010 the CTU organized the workshop focused on the issues of portability of numbers for access to services between fixed and mobile networks, on the situation concerning the numbers for VoIP and on the possibility of utilisation of the number 61 for services conversed. Taking into account ambiguous viewpoints of operators and representatives of associations concerning the themes mentioned, the CTU has decided to continue to resolve these problems in the following period.

During 2010 the CTU considered the proposal on the amendment of the Measure of General Nature No. OOP/10/07.2005-3, which stipulates technical and organizational conditions for the implementation of portability of telephone numbers and the principles for charging of price among entrepreneurs, in connection with portability of telephone numbers, on the basis of the Amendment of the Act on Electronic Communications, executed by the Act No. 153/2010 Coll., concretely by the change of provisions of § 29, which is, taking legal effect from July 1, 2010, completed as follows: "The Numbering plans further stipulate exemptions from the obligation of portability of telephone numbers (§ 34)."

Another reason for changes in the Measure of general nature were the cases of business contractual relations among entrepreneurs, which are not the operators, providing publicly available telephone service. The purpose of these amendments was the effort aimed at enabling subscriber to keep his/her telephone number independently of entrepreneur. In the draft Measure, the right of the holder of extent of numbers for the reimbursement for utilisation of telephone number from all entrepreneurs who used this telephone number in the calendar year, was newly stipulated. In the draft Measure also some changes, concerning entrepreneurs which are not the operators providing publicly available telephone service, were included.

At the same time the CTU participated in the preparation of the Amendment of the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications, because, owing to the above mentioned Amendment of provisions of § 29 of the Act on Electronic Communications, the determination of the extent of exemptions from the obligation of portability of telephone numbers is newly stipulated not by a Measure of general nature but a decree.

The Measure of General Nature No. OOP/10/11.2010-14, which amends the Measure of General Nature No. OOP/10/07.2005-3, was published in the Telecommunication Journal, Volume 2/2011 in parallel with the Amendment of the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications published in the Collection of Laws, confirming thus the transfer of competencies from a measure of general nature to a decree.

Prices for portage of number

On the basis of price control, performed at the end of 2009, the company Telefónica O2, at the beginning of

2010, decreased wholesale prices for portage of number in fixed networks charged among operators, and concretely for a simple order from CZK 863 to CZK 578, what is a decrease by 33 % and for a comprehensive order from CZK 1,826 to CZK 1,405, what is a decrease by 23.1 %.

During 2010 the CTU, again with the company Telefónica O2, verified cost orientation of prices for portage of number in fixed networks. On the basis of control performed, the wholesale price for portage of number for the year 2011 was modified and should fall on average by 18.9 % in 2011. From the wholesale price the prices of remaining operators are derived which are charged to end users for portage of number to their network. However, within the network of promotional offers operators charged the price for the portage at the amount of CZK 1.

During 2010 the CTU also verified cost orientation of wholesale prices for portage of number with mobile operators.

The original prices were determined in disputable proceedings and were valid since 2006, when the portability of mobile numbers was introduced for the period of 5 years. The wholesale prices for simple order, valid for the year 2011, have been reduced in the company Telefónica O2 from CZK 524 to CZK 274 (decrease by 47.7 %), in the company T-Mobile from CZK 519 to CZK 271 (decrease by 48 %) and in the company Vodafone from CZK 418 to CZK 268 (decrease by 35.9 %).

In 2010, much like in preceding years, mobile operators charged to their end participants the price for portage of number to their networks only CZK 1 for the activation.

3. Evaluation of the Postal Services Market

During 2010 no extraordinary changes took place in the market of postal services as compared with the situation in the previous year.

Although the competition has an open access to the market for the conduct of the majority of postal services, the competition itself appeared in a very limited extent only, because it is still partially limited in consequence of the existence of the monopoly of the Česká pošta, s.p. for delivery of papers weighing up to 50 g for the price lower than CZK 18. According to original presumptions, this monopoly should have been cancelled before January 1, 2009 in continuation to market opening within the framework of the EU. However, originally contemplated deadline of market opening was, after numerous negotiations within the preparation of the new wording of the Directive 97/67/EC, shifted until January 1, 2011 with the proviso that the Czech Republic made advantage of the possibility to advance this deadline to January 1, 2013.

Since November 1, 2009, the statutory monopoly is legally binding in the Czech Republic also to delivery of monetary amount sent by postal money order. This monopoly belongses de lege to the holder of the postal licence.

Concerning remaining postal services, including postal shipments abroad or from abroad, no limitations are in force and may be provided by anyone who has a relevant trade certificate. Formation of other postal operators was made possible as early as since July 1, 2000, when the new Act on Postal services has taken its effect. With some postal services, where the monopoly de facto never existed, a relatively efficient competition has developed. It is particularly in the field of direct mail (direct shipments containing promotional material), where the biggest competitor of the Česká pošta, s.p. (hereinafter "Česká pošta"), the estimated market share of which is 80 %, is the company Mediaservis. At the present time another potential competitor of the Česká pošta in the market of postal services is the company TNT Post ČR. Only these two companies now could become postal operators capable to ensure delivery throughout the territory of the Czech Republic with their own sources. Considering the fact that postal services belong to the so-called free trades, the Office has no complete survey about all providers of postal services at the present time.

The market of postal services is indirectly influenced by the competition of services having similar character which are not provided in the form of postal services. There are, for example, courier, forwarding and express services.

Provision of the so-called basic services in sufficient extent and quality in the whole territory of the Czech Republic is ensured on the basis of the awarded postal licence which is valid until the end of the year 2012. The holder of the licence is still the Česká pošta. Pursuant to the Act on Postal services the Office in its activities is focused to the supervision over the holder of the postal licence not only in the field of basic services. The Office on a regular basis monitors the development of the extent of basic services provided by the Česká pošta and it can be stated that, in consequence of the substitution of written messages by electronic ones and execution of remittance of money amounts by means of banking operations, the number of transported registered postal shipments and the number of received postal money orders is falling.

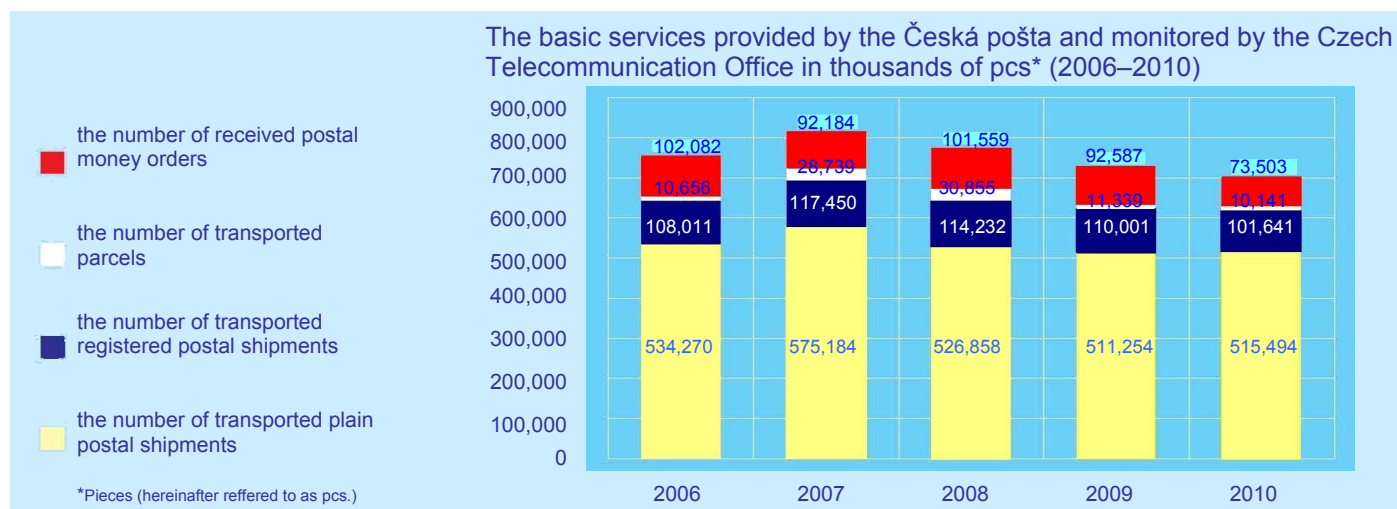
The basic services provided by the Česká pošta during the period of 2006—2010 (in thousands of pcs)

Indicator	2006	2007	2008	2009	2010
the number of transported plain postal shipments	534,200	575,200	526,900	513,200	515,494
the number of transported registered postal shipments	108,000	117,500	114,200	110,000	101,641
the number of transported parcels	10,600	28,700	30,900	11,300	10,141
the number of received postal money orders	102,000	92,200	101,600	92,600	73,503

Source: Česká pošta, s.p.

As it is evident from the Table, during the period monitored, as far as the indicator of the number of transported parcels is concerned, two conspicuous leaps took place. This unbalanced development was brought about by changes in the methodology of monitoring of given indicator by the Česká pošta. Pronounced decrease in 2009,

as compared with the year 2008, has been provoked by different definition of the character of the service called the commercial parcel. Whereas until 2008 the service commercial parcel was considered the basic service and it is, consequently, included in the indicator monitored, however, since the year 2009 it is not the part of basic services.



The Česká pošta, on a long-term basis, prepares itself for full opening of the market. In the last year it launched several projects (for example. replacement of stone commercial premises of the Česká pošta by the so-called postal agencies or displacing places, electronic advising of postal shipments or afternoon deliveries), what should increase efficiency and improve the quality of provision of postal services.

The postal agency replaces the existing commercial premises of the Česká pošta and is provided by a different subject (for example by municipality), which, on the basis of mandate agreement provides the services of the Česká

pošta in its own name. The intention of the Česká pošta is to extend substantially the network of such postal agencies. The Česká pošta expects that the project will be finished in 2017. The goal is the reduction of expenses of the Česká pošta, concurrently with the maintenance of general availability of basic services. In future the Office will focus its supervision in this direction.

The Česká pošta has decided to improve its relations with its customers through the establishment of the position of the Ombudsman of the Česká pošta. His task is to defend rights and to protect legitimate interests of customers

of the Česká pošta. Also the Office has broadened its collaboration with the Ombudsman in 2010, and particularly in the fields in which it has no direct competencies (decision on the amount of damages, complaints on employees of the Česká pošta etc.).

The upcoming deregulation of the postal market from 2013

The Czech Republic prepares itself for the complete deregulation of postal services. The key date will be January 1, 2013, when the Amendment of the Act on Postal Services should take its effect. From material standpoint the Amendment of the Act should implement requirements ensuing from the 3rd Postal Directive, in particular, the assurance of provision of permanently sustainable universal postal service, opening of the market of postal services to equal competition and assurance of a reasonable protection of users of all postal services, i.e. not only of services provided by public postal operators.

4. Transition to Terrestrial Digital Television Broadcasting

During 2010 development of broadcasting networks 1 to 3 continued in harmony with the time-schedule stipulated in the Government Order No. 161/2008 Coll., on the Technical plan of Transition (hereinafter "TPT"). Simultaneously the process of termination of analogue television broadcasting commenced in 2009 continued by shutdown of transmitters of high output in territorial areas of Praha and Plzeň, shutdown of transmitters of high output in territorial areas of České Budějovice, Sušice and Ústí nad Labem. Analogue television broadcasting was terminated in the territory of the City of Brno. Also in these territorial areas it was repeatedly confirmed that very few negative reactions of the population of affected areas, which were addressed to the CTU and/or to the operators of broadcasting networks, operators of broadcasting or to the National Co-ordination Group, were registered. Viewers in the Czech Republic, and/or in territorial areas affected by the shutdown of analogue television broadcasting, were very well prepared for the reception of terrestrial digital television broadcasting. The results of investigations performed in cases of low-quality reception of digital television broadcasting reported proved that in overwhelming majority of cases the low-quality reception was caused by characteristics or problems which originated inside reception system of complainants.

The CTU performs a great number of measurements and continuously monitors the transition from analogue to digital television broadcasting in collaboration with the company České Radiokomunikace, a.s. The evaluation of results of measurements and conclusions drawn from it were, ahead of schedule, provided to the operators of broadcasting networks and to the operators of existing analogue television broadcasting, to which it serves as background papers for evaluation of the needs of the future completion of coverage of the territory by the television signal.

During the year 2010 the most remarkable development was registered in the broadcasting network 1 used for the distribution of the statutory public multiplex, and within the framework of this network, all planned digital transmitters of high output were already put into operation. By the end of 2010 the level of coverage of the population of the Czech Republic by the programmes of the statutory public operator of broadcasting reached as much as 99.8 % (the result

of calculation performed with the help of procedures pursuant to the Degree on the determination of the coverage by the television signal). In continuation to the completion of this basic broadcasting infrastructure, the process of completion of coverage of locations, in which measurements proved insufficient coverage by the digital broadcasting, continued. In these cases reception situation of population was improved with the help of complementary transmitters of low output. Also during 2010 the statutory public operator of broadcasting began with conspicuous reduction of analogue broadcasting, particularly that of the ČT2 programme.

As per December 31, 2010, there are 48 digital complementary transmitters of small output in the broadcasting network 1 in operation (in total there are 73 transmitters in the broadcasting network 1 in operation), in the broadcasting network 2 there are only 37 complementary transmitters in operation for the time being (in total there are 57 transmitters in the broadcasting network 2 in operation) and in the broadcasting network 3 there are still only 5 transmitters in operation.

The development of the broadcasting network 1 is, in harmony with the TPT, followed, after a certain time interval, by development of the broadcasting networks 2 and 3. The development of the broadcasting network 4 has completely stopped already at the beginning of the time schedule stipulated in the TPT, due to the complete absence of customers, and during the year 2010 this situation has not changed. As per December 31, 2010 only one transmitter DVB-Twas in operation in the broadcasting network 4 in Prague, Brno and Ostrava.

The coverage of the population of the Czech Republic by the digital television signal of individual digital broadcasting networks has reached, according to calculations performed to the date of December 31, 2010, the following levels: broadcasting network 1 – 99.8 % of the population, broadcasting network 2 – 90.5 % of the population, broadcasting network 3 – 85.2 % of the population. The coverage by the signal of the broadcasting network 4 has not changed and remained at the level of approximately 22 % of the population.

Monitoring of the transition to the terrestrial digital television broadcasting

In harmony with the TPT, the CTU elaborated, on the date of March 15, 2010 and September 15, 2010, the Report evaluating the course of the transition process and current situation of the coverage of the population of the Czech Republic by the television broadcasting. Taking into consideration a considerable extent of changes and also the fact that the transition has reached the second half of the time schedule, the CTU prepared "The Continuous report on the situation of digitizing of television and radio broadcasting in the Czech Republic", which was published on August 3, 2010. In order to inform the public, the results about the calculations of the coverage, which the CTU performs within the framework of the process of evaluation of the transition, are also published on the information web <http://dtv.ctu.cz>, where the calculations are updated at least four times a year. Besides the update of the results of the calculations, the information web was completed with some new functions which provide the population with information on available signals of digital broadcasting in a given specific place.

During the months of April and May 2010, the Fifth nationwide research of adult population of the Czech Republic older than 15 years, focused on the issues of awareness of the population of the transition to digital broadcasting and household amenities necessary for its reception, was performed. The complete results are published on the CTU's pages. <http://www.ctu.cz/pusobnost-ctu/digitalni-vysilani/celostatni-vyzkum-k-dvb-t.html> (příloha 1 zprávy září 2010). The results of the Autumn's research will form a part of report which will be prepared in March 2011.

The issues of the transition to the terrestrial digital broadcasting are closely related also to the issues of the so-called digital dividend including frequency band 790–862 MHz, which relates to future utilisation of part of frequencies, formerly dedicated exclusively for the terrestrial television broadcasting. In this connection the CTU continued its negotiations with regulatory authorities of neighbouring countries with the aim to co-ordinate reserve frequencies replacing radio channels allocated to the Czech Republic by the Plan Geneva 2006 in released segment 790–862 MHz. Co-ordination of these replacement radio channels is necessary for release of this segment from the digital television broadcasting, what is an inevitable preposition for the upcoming utilisation of this part of radio spectrum for new high-speed services of electronic communications.

At the end it can be stated that the existing course of the transition also shows that the time of concurrent broadcasting required, lasting minimally six months, which had certain importance at the beginning of the transition

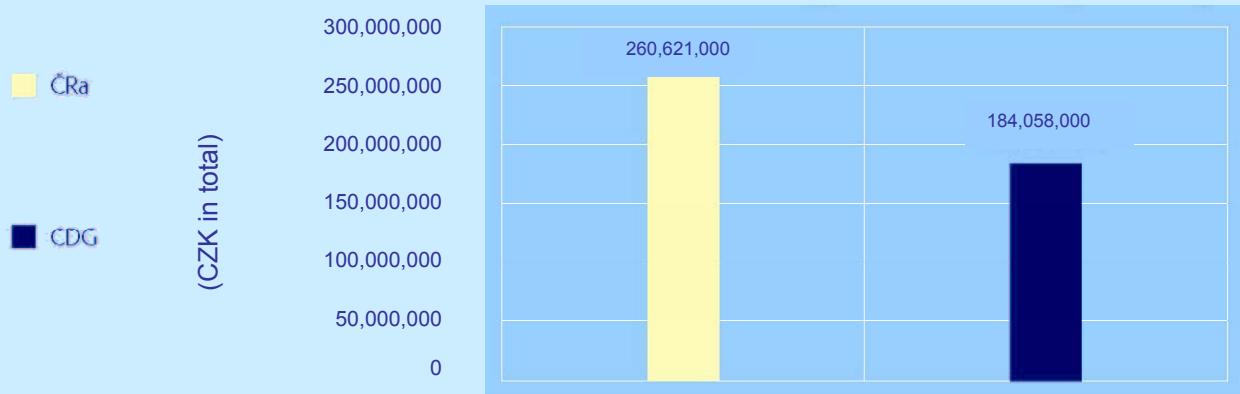
process, is at the present time, needlessly long and, from the point of view of implementation of the transition, rather counter-productive. The long period stipulated in the TPT for the beginning of digital broadcasting in another broadcasting networks is for many viewers a motivation for the transition to satellite platform of reception of broadcasting. If this trend continues, it may in the near future provoke speculation of operators concerning economic cost-effectiveness of the terrestrial platform of digital television broadcasting.

The development of prices for terrestrial digital television broadcasting

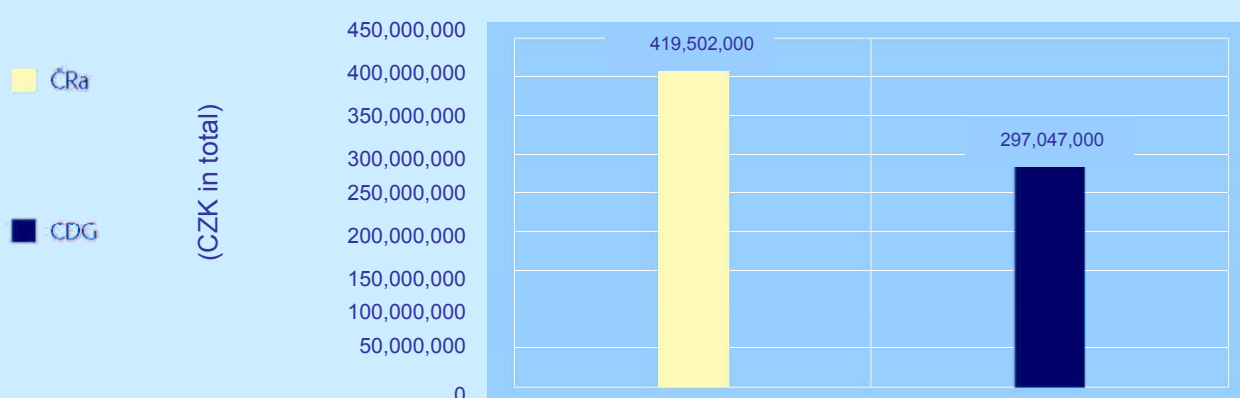
During 2010 the CTU also performed evaluation of prices of services of distribution of terrestrial digital television broadcasting. The following graphs compare the prices applied by a distributor of television signal towards contents providers with the company České Radiokomunikace and Czech Digital Group (hereinafter "CDG") as per December 31, 2010. There are the contracts concluded for the periods of 3, 5 and 10 years and may have either fixed prices or indexed prices. Whereas the fixed price is stable throughout the whole term of commitment the indexed price changes during the term of commitment by operation of indexation based on the development of inflation rate for the preceding calendar year. During the course of the year, after the person of its owner was changed, the company CDG cancelled the variant of offer to conclude the contract for the period of 10 years.

In the following graphs the level of prices is documented for individual types of contracts according to the period of time for which they were concluded.

The comparison of 3-years' indexed contract for the period 2011—2013 (CZK in total)



The comparison of 5-years' indexed contract for the period 2011—2015 (CZK in total)





The Strategy of future utilisation of radio frequencies supporting development of services of high-speed access

In connection with future introduction of new services of electronic communications using high-speed data transition, the CTU prepared and submitted to the public consultation the document in which it summarized all information concerning the possibility of future utilisation of radio frequencies exactly suitable for mobile radio networks of high-speed data transition. This document, bearing the name of the Strategy of Radio Spectrum Management, was published on March 29, 2010 on the CTU's Internet page.

Subsequently, the CTU elaborated and, through the medium of the Ministry of Industry and Trade, submitted to the Government of the Czech Republic the material, in which it informs the Government about the procedure of the Radio Spectrum Management for the period until 2012, and proposed to the Government to express its consent to:

- the determination of frequencies in the band 790–862 MHz (Digital Dividend) for the provision of services of electronic communications of high-speed access, and namely from January 1, 2012,
- realisation of tender procedure in the form of auction (hereinafter the "Auction") within the framework of which the frequencies from the band 790–862 MHz (Digital Dividend), the band 1800 MHz and frequencies from the band 2.6 GHz will be offered.

With the help of the procedure described hereinabove the interested persons will gain access to the utilisation of the radio spectrum in the total range of 300 MHz for the

development of new services of electronic communications, particularly those having mobile character, provided by means of full-area radio high-speed networks. Thanks to the offer of comprehensive segments from relevant frequency bands the conditions for technological innovation will be created. It will have significantly positive influence on the deepening of economic competition in the field of mobile services and will have an impact on the whole market of electronic communications, what will bring about a remarkable contribution for end users. The course of the auction will be run by conditions regulated by the Act on Electronic communications within the framework of its upcoming "implementation" Amendment.

On January 26, 2011 the Government discussed and approved the material and endorsed its corresponding Resolution No. 78/2011. The CTU will discuss publicly specific criteria of participation in the tender procedure and the conditions of future utilisation of frequencies offered, emphasizing transparent and non-discriminatory allocation of frequencies and, simultaneously, provision of full-area coverage by the above services.

In connection with the Government's decision on the determination of frequencies from the band of the Digital Dividend for the provision of services of electronic communications of high-speed access, the CTU will ensure release of these frequencies from television broadcasting. For this purpose the CTU will prepare conditions for co-ordination of corresponding frequency compensations, which will enable that the current holders of allocations of radio frequencies in this band, affected by this measure, will be allocated other frequencies.

CHAPTER II.

CTU's EXPERT AND ADMINISTRATIVE ACTIVITIES

1. Domestic Activities

1.1 Market Monitoring and Data Collection

During 2010 the CTU continued in data collection from operators 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 "CSO") for the publication of selected indicators of electronic communications in the CSO Yearbook, and simultaneously 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 CTU 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 new forms, etc. Throughout the year works continued on further development of the portal, including connection with other CTU databases. On the websites of CTU there is a determination calendar together with other information on handing over information for the CTU.

In 2010 the CTU performed important modification of the extent of the data monitored concerning the market of broadband access to the Internet network, where monitoring was completed by more detailed segmentation containing also "geographic information" on availability of broadband access services. Changes and modifications were consulted with wider expert public on the workshop before the first data collection thus extended began.

This change of the extent of the data received, concerning provision of services of broadband access, will serve the CTU as an important source of information both for the oncoming third round of analyses of relevant markets and for the implementation of selected tasks of the State's policy of electronic communications "Digitální Česko".

Besides the above mentioned changes the CTU, 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 point of view of regulator and a comprehensive information concerning the CTU's decision-making activities

for the preceding month. The CTU publishes its monitoring reports on its internet page, much like the reports concerning the development on the market of electronic communications.

1.2 Price Regulation

During the year 2010 six decisions on price imposed on enterprises having significant market power were promulgated in the field of application of price regulation on the basis of analyses of relevant markets.

In the Second round of analyses of relevant markets the extent of price regulation was limited. The CTU successively cancelled the regulation applied on wholesale markets of termination in fixed and mobile networks so that the regulation will remain to be applied only on such enterprises with significant market power which, in comparison to the remaining entrepreneurs on the market, dispose of remarkably stronger negotiating position from the viewpoint of their shares on the total volume of all terminated minutes.

The regulation of wholesale prices was applied on such enterprises with significant market power on the relevant market "Call origination in public telephone network in fixed location" (Market No. 2), on the Market "Wholesale (physical) access to the network's infrastructure (including shared or fully unbundled access to subscriber's local loop) in fixed location" (Market No. 4), and selectively towards enterprises with significant market power on markets "Call termination in public telephone networks provided in fixed location" (Market No. 3) and "Call termination in individual public mobile telephone networks" (Market No. 7).

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. When determining the price the CTU 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 performed calculation of prices for unbundling of metallic subscriber line LLU and collocations in the model which is a part of the Measure of General Nature No. OOP/4/03.2006-3, stipulating the methodology of purposeful segmentation of costs and their classification and determining structure of reported information.

In consequence of the regulation of wholesale prices caused by determination of maximum prices, the maximum prices for termination in fixed networks in 2010 fell by approximately 10 % and the maximum prices for termination in mobile networks by approximately 30 %. The average monthly prices of unbundling services decreased by 7.43 % with full unbundling and by 14.45 % with shared unbundling.

In connection with the Recommendation of the European Commission concerning the regulation of tariffs for termination of calls in fixed and mobile networks of the EU (2009/396/EC), the CTU in 2010 started with the implementation of the project "The generation of a model for the determination of prices with the help of the methodology LRIC (Long Run Incremental Cost) with mobile networks". To this end the CTU utilized the opportunity to provide co-financing by means of the Operational Programme "Human Resources and Employment", within which the above mentioned project, specified in the Call No. 48 "Effective administrative office", was approved at the beginning of 2010.

Monitoring and supervision on the field of prices

In connection with the Measure of General Nature No. OOP/14/12.2005-43 the Office published, much like in preceding years, information on current prices and conditions of publicly available services electronic communications, and namely with selected services on the basis of demands of individual operators.

In 2010 the Office monitored development of prices of services which are or might be regulated. The survey on price development is published twice a year on the Internet pages of the Office and several times a year it is also part of monthly monitoring reports promulgated by the Office.

1.3 Subscriber Disputes

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

Administrative proceedings in the first degree

In 2010 the Office decided 177,655 subscriber disputes of which 143,053 Administrative proceedings in the aggregate were initiated. In the monitored period altogether 97,266 meritorious decisions were promulgated. The Office decided in disputes concerning payment of price for services (monetary performance) and promulgated 96,834 meritorious decisions. The Office issued 328 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 264 were decisions dealing with objections against settlement of complaint for charging the price for services.

In comparison with the year 2009, the number of subscriber disputes increased by 65.9 % in 2010. The number of subscriber disputes concerning payment of price for services (monetary performance) increased on a year-by-year basis by 66.4 %. In contrast to that, the Office decided in only one case subscriber dispute concerning the access to data services with determined price provided on the Internet network or on other data networks (diallers) in 2010. This decreasing trend is particularly influenced by use of modern technologies of access to the Internet network by subscribers/users.

During the year 2010 the CTU initiated meeting with the Ministry of Industry and Trade and the Ministry of Justice concerning possibility to change competencies to decide disputes in that part of the agenda of subscribers' disputes related to obligation of monetary performance. These disputes of private civil character remain in the jurisdiction of the CTU for "historical" reasons, because in 2005, in connection with

the preparation of the Act on Electronic communications, the arguments were raised against the proposal to delegate this agenda to general courts, maintaining that the courts were not yet prepared to take over this competency.

These issues are dealt with in greater detail in Chapter III., where the need of reception of a more convenient legal regulation for this field is stressed.

The survey of subscriber disputes for 2010 is included in Annexes 1 and 1a) of this Report.

Administrative proceedings in the second degree

Remonstrances against decisions promulgated, pursuant to § 129, (1) and (2) of the Act on Electronic Communications form traditionally the most numerous part of activities of the Department for revision of decisions.

Remonstrances against decisions on the reimbursement of prices for services of electronic communications, promulgated in the first degree, were resolved in 1,435 cases (1.4 % decisions of the first degree were contested by remonstrances in 2010). The subject-matter of remonstrances on the part of providers was, in particular, valid or invalid conclusion of contractual fine securing performance of the contract, demonstration of existence of partnership contract, on the part of participants it was objection claiming non-existence of contract or violation of contractual obligations on the part of provider. Remonstrances, contesting decisions on objections were decided in 93 cases. Other disputes ensuing from concluded (or unconcluded) agreements on provision of services of electronic communications were decided in 38 cases, the subject-matter of remonstrances was demonstration of contractual rights and obligations of both participants. In all categories mentioned remonstrances were filed by both providers of services of electronic communications and participants (users) of these services.

In 2010 we have registered the increase of decisions cancelled in the second degree for unrevisability of first degree decisions resting in insufficient (or missing) examination and evaluation of facts essential for the decision's award. Undoubtedly, this situation has been caused by constantly increasing number of administrative proceedings concerning disputes in the first degree stage.

In 2010 127 actions were submitted to a special senate for competency suits established at the Supreme Administrative Court, active and passive ones, in which the Office still registers great vaguenesses on the part of courts in the sphere of disputes among the subjects active in the market of electronic communications and customers of their products or services concerning the competencies of the CTU as far as decisions of these disputes are concerned. For example, this senate decides on the competencies of courts in disputes dealing with the services of contents (otherwise on services of "third subjects"), on competencies of the CTU taking decision on contractual fines for non-observance of time of delivery, on competencies of courts taking decision in disputes among participants putting services of electronic communications to another subjects and among these subjects.

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 2010 the Office registered 1,721 complaints of which 378 (22 %) complaints were unjustified and the Act on Electronic Communications was not violated, 134 (7.8 %) complaints did not fit within the legal competence of the Office and 1,209 (70.2 %) complaints were resolved by the Office in proceedings pursuant to the Act on Electronic Communications. In 2010 the Office has registered altogether by 10.6 % more complaints than in 2009. The reasons of the increase of the number of complaints can be seen in increasing number of subscribers on the one hand, and in the extension of the offer of electronic communication services and in the increase of legal consciousness of citizens on the other hand.

According to the subject-matter of complaints it is obvious that most complaints in 2010 were raised in connection with charging the price for service 511 (29.7 %). 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 the minimum level, there were only 2 (0.1 %) complaints concerning the service of public pay telephones.

In 2010 a year on year increase by 17 % of the number of complaints concerning reception of TV signal in connection with digitizing of transmission was registered. Also the number of complaints on the service of number portability in mobile network increased by 44.3 % in comparison with the year 2009.

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 2010 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 allocations 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 1452–1479.5 MHz (the so-called band L).

In 2010 it was again possible to monitor the course of enlargement of the coverage of the territory of the Czech Republic with the signal of terrestrial digital television approaching its final shape. More detailed description of development in this area can be found in the Chapter I., point 4, "The transition to terrestrial digital broadcasting" of this Report. The Office simultaneously provided other activities, particularly fulfilment of obligations ensuing from the Act on Electronic Communications and the Administrative Procedure Code.

Decision-making process concerning allocations of radio frequencies

In 2010 public tender procedure continued in order to award licence for the utilisation of radio frequencies to secure operation of full-area public communications network for the provision of service of distribution of terrestrial digital radio broadcasting and mobile multimedia applications within the range of frequencies 1455.616–1457.152 MHz promulgated in November 2009. In this public tender procedure, in which only two subjects sent their tenders, no licence for the utilisation of relevant radio frequencies was awarded to any enterprise which sent their tenders. In consequence of appeal of one of tenderers against the decision promulgated, the time-schedule of consequential tender procedures for regional and town allocation was delayed.

For these reasons the Office, as late as in October 2010, promulgated 13 public tender procedures for the award of licences for the utilisation of regional networks of electronic communications for the provision of service of distribution of terrestrial digital radio broadcasting and mobile multimedia applications in individual regions of the Czech Republic. The deadline for the submission of tenders was determined uniformly to December 3, 2010. Within the determined deadline only 9 tenders were submitted. For the regions Středočeský (including Prague), Plzeňský, Karlovarský, Ústecký, Liberecký, Královéhradecký, Moravskoslezský and Jihomoravský more tenderers submitted their tenders to each of tender procedures. For Jihočeský region only one tenderer submitted its tender. No tenderer submitted its tender to tender procedures in remaining regions. Taking into consideration the deadlines stipulated by the Administrative Procedure Code for tender procedures, the selection of the best tender was not finished before the end of the year 2010.

In continuation to the above mentioned tender procedures the Office presumes that the decision-making process concerning the allocation of radio frequencies related to the above licences will be held in 2011.

Decision-making process concerning licences for use of radio frequencies

Radio frequencies earmarked for civil (non-military) utilisation can be used only on the basis of general or individual authorisation to use radio frequencies. The CTU, within the framework of performance of State administration, awards, changes and prolongates the period of validity or revokes individual authorisations 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 individual authorisation promulgated 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 authorisations 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 the prolongation of period of validity of individual authorisations formerly promulgated to use radio frequencies. Another reason of high number of these requirements is continuing rapid development of mobile networks 3G which is caused by still increasing number of the so-called "smart" telephones.

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. The table also confirms the increased number of promulgated and revoked individual authorisations in radio service, which was caused by introduction in operation of new television transmitters of digital terrestrial television broadcasting, on the one hand, and simultaneously by the termination of operation of transmitters of analogue terrestrial television broadcasting, on the other hand.

The amount of fees collected for utilisation of radio frequencies, pursuant to the Government Order No. 154/2005 Coll., increased by approximately CZK 47 million as compared with the year 2009.

Conditions for use of radio frequencies

Conditions for use of radio frequencies ensuing from general authorisations to use radio frequencies were adapted in 2010 by means of amendments of the following general authorisations to use radio frequencies given hereunder.

- a) General Authorisation No. VO-R/2/01.2010-1, for the use of radio frequencies and for the operation of stations of local wireless local information systems (BMIS) in the 70 MHz frequency band, which came into legal effect on March 1, 2010;
- b) General Authorisation No. VO-R/10/09.2010-11, for the use of radio frequencies and for operation of Short Range Devices, which came into legal effect on October 23, 2010;
- c) General Authorisation No. VO-R/11/07.2005-21, for the operation of 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, which came into legal effect on January 1, 2010;
- d) General Authorisation No. VO-R/12/09.2010-12, for the use of radio frequencies and for the operation of equipment for wideband data transmission in 2.4 GHz – 66 GHz bands, which came into legal effect on October 23, 2010;
- e) General Authorisation No. VO-R/23/05.2010-7, for the use of radio frequencies and for the operation of fixed service devices in the bands 71–76 GHz and 81–86 GHz, which came into legal effect on June 19, 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 1,908 international requests were coordinated in the land mobile service, 271 in the radio service (for DVB-T), 3 (for T-DAB) 187 (for FM radio) and 3,828 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 the use

of frequency spectrum in the territory of Czech Republic, 1,595 frequency requests of administration of neighbouring states concerning terrestrial mobile service were reviewed within the performance of international commitments, 61 in broadcasting service (for DVB-T), 260 (for T-DAB), 99 (for FM radio) and 9,406 coordinating requests of administration of neighbouring states in the fixed service.

Verification of professional qualification

Much like in the preceding years, also in 2010 the CTU secured the verification of professional qualification for the attendance of broadcasting radio facilities in cases stipulated in Section 26, (1) of the Act. Testing commissions of the Office verify professional qualification of aeronautical mobile service, certification of maritime mobile service, and certifications HAREC and NOVICE of operators of amateur stations. In general, it can be stated that the number of applicants for certification of radiotelephonist is increasing, particularly in maritime mobile service. Also the number of applicants for prolongation of validity of certifications professional qualification is increasing. The detailed survey can be found in the Annex No. 4 of this Report.

The automated system of monitoring the frequency spectrum (ASMKS)

In 2010, by means of the ASMKS, 1,224 requirements for the monitoring of radio spectrum and the measurement of the coverage by radio signals were commissioned and elaborated, 1,336 requirements for controls of radio, electric equipment and electronic devices, networks and services and 1,223 requirements for the investigation of jamming of radiocommunication services. Supplementary information concerning activities connected with determination of sources of jamming are brought forward in the Annex No. 5 of this Report.

As an indirect continuation to the implemented ASMKS system, the works continued on the preparation of project for construction of new centre OMRS Karlovice. The documentation necessary for the territorial proceedings and building proceedings and tender documentation for elaboration of implementing project documentation and necessary for the construction of the building was prepared. The territorial decision and building permit for the construction of the building were promulgated.

During 2010 the CTU also performed continuous inspections of observance of general authorisations and individual authorisations in the sphere of radio spectrum use in individual specific cases. The inspections were focused on radio spectrum use after the expiration of validity of individual authorisations, measurements of the coverage of municipalities by the signal DVB-T on the run were performed and in measuring points and also measurements of the coverage of municipalities by the signal GSM were also performed.

1.5 Regulation of Communication Activities

In the course of 2010 the Office paid maximum attention to regulatory rules necessary for the development of networks and services of electronic communications.

The attitude of the CTU towards Regulation of access networks of new generation

On September 27, 2010 the CTU published on its Internet pages the document called "The Proposals for the regulation of optical access networks of new generation" which takes up previously published document "The Problems of regulation of access networks of new generation (NGA)", with the aim to provide a survey of potential and proposed regulation of optical access networks of new generation NGA elaborated for individual scenarios of construction.

The Document entertains only access networks of new generation NGA, defined in harmony with "The Recommendation of the European Commission concerning NGA regulated access to access networks of new generation (NGA)" (hereinafter "Recommendation"), as fixed access networks, consisting fully or partially of optical elements, capable to transmit services of broadband access having better characteristics (for example, higher permeability) in comparison with services provided by means of already existing metallic network. The Document does not resolve the problems of wireless networks.

The Document is in harmony with The Recommendation, the individual proposals of which were already consulted in previous times. The CTU, together with the Ministry of Industry and Trade, prepared joint standpoint on behalf of the Czech Republic to "the Pre-final" version of The Recommendation (this joint standpoint has been published on CTU's pages on June 7, 2010).

Number Management

The activity that was provided continuously by the CTU throughout the year 2010 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 of authorisations for the utilisation of numbers from the numbering plans pursuant to § 30 and subsequent of the Electronic Communications Act.

Thus 196 decisions on authorisation to use numbers, 48 decisions on changes to authorisations, 155 decisions on extending the validity of authorisations and 186 decisions on withdrawal of authorisations were issued in 2010. In the field of number management the CTU promulgated in total 585 decisions.

Standardization

The CTU, in the position of the central body of State administration, is engaged in active collaboration with the Office for Technical standardization, Metrology and State Quality Control (ÚNMZ) in the field of technical standardization. The CTU is engaged primarily in collaboration concerning the introduction of ETSI standards in the field of telecommunications. In a lesser extent there are also the documents of other international organisations, for example ITU, IEC, CEN, CENELEC. The documents are used in connection with securing integrity, compatibility and security of public communication networks and services and securing the operation of only such instruments which comply with the technical requirements needed.

The CTU is fully-fledged member of the ETSI in the category of State Administration, within the framework of its rights and obligations it co-operates in generation and endorsement of standards and another documents and

provides remaining mutual collaboration. The CTU participates in the meetings of the General Assembly which is the supreme authority of the ETSI.

1.6 Regulation in the field of Postal Services

Pursuant to the Act No. 29/2000 Coll., on Postal Services and on Amendments to other Acts (the Act on Postal Services) as amended by the Act No. 95/2005 Coll., (hereinafter "the Act on Postal Services"), the activities of the holder of the Postal licence in the field of Postal Services, which is the Česká pošta, are regulated for the period of 2009 - 2012 in the sphere of basic services.

Pursuant to § 37 of the Act on Postal Services one of the principal tasks of the Office in the field of postal services is to exercise supervision over the holder of the Postal licence in order that the holder provides postal services to the public with the aim to satisfy legitimate needs of customers, natural and juristic persons in the Czech Republic. The basic services are the most important postal services (regular shipments, registered mail, packages and postal orders) and international postal services which play irreplaceable role for the whole public. The tasks of the Office 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.

In harmony with the provisions of § 37 Para. 3 Letter b) of the Act on Postal Services, the Office, once a year, publishes summary report concerning observance of commitments imposed on the holder of Postal licence.

One part of activities of the Office is the 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 2010 the Office promulgated 8 decisions expressing consent with changes of postal conditions. The changes particularly related to the possibility of use of special envelopes the form of which the Česká pošta agreed with the Ministry of Justice. Also the possibility to refuse take-over of postal shipment or remitted monetary amount by an attorney appointed by addressee and changes which were included on the basis of comments of the Office for the Protection of Personal Data were discussed (in the postal address the sender may, for the purposes of better identification of addressee, use identifier, for example, the date of birth, only in harmony with the Act on the Protection of Personal Data).

During the year the Office also issued 2 decisions determining basic quality requirements. The first change proposed had connection with the introduction of the so-called tariff stamps on which, instead of their nominal value, is printed to what kind of reimbursement of postal service the stamp serves.

The second change proposed had connection with the cancellation of the obligation of the Česká pošta to hand over,

at least once a year, to all natural persons, who stay in the Czech Republic according to its findings and to all all juristic persons, which had a seat, office, business premises in the Czech Republic according to its findings, the written information on the utilisation of basic services, because all necessary information can be obtained in sufficient extent using other methods.

With the help of different methods the Office supervises methods by means of which Česká pošta performs its obligations. During the year 2010 the Office performed 8 inspections with the result that 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 May 2011.

One of the principal criterions of service provided is the speed with which the service is provided. This requirement, demanding that the postal shipment or money order remitted were delivered as soon as possible, is one of parameters which can be relatively unambiguously quantified. To this purpose serves the measurement of transportation times of regular shipments pursuant to the Standard EN 13850+A1. Pursuant to the EC Directive this measurement is obligatory. When awarding postal licences for the years 2009–2012, the Office stipulated in them the basic qualitative requirements, the minimum quality of which the Česká pošta should reach in individual years. For the year 2010 it stipulated that minimally 92.5 % of regular shipments should be delivered the next business day following the day of handover (D+1). In 2010 the Česká pošta complied with this indicator with the result of 93.19 % of regular shipments delivered in time D+1.

Moreover, the Office assists the customers with solving their disputes with Česká pošta. There are, in particular, the cases where communication of customers with the 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 136 applications of which 124 applications related to the basic services.

During the year 2010 the Office imposed on Česká pošta 28 fines in the total amount of CZK 4,032,000 for infringement of legal obligations. One part of these proceedings related to infringements of legal obligations committed in preceding years.

Among the most serious deficiencies discovered for which fines were imposed, belongs non-observance of transportation times with regular shipments; leaving regulation kit-bag with postal shipments unattended, when in two cases they were stolen by an unknown person and incorrect delivery of postal shipments to other persons. For persisting and wide-spread deposit of postal shipments without any attempt to deliver them in addressees' home first the Office imposed 19 fines in total amount of CZK 1,050,000.

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). In 2010 the Office dealt with one case of potential violation of the statutory monopoly, however, no violation of the Law was discovered in this case.

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

The regulation of prices of international postal services

The CTU promulgated the Price decision, which became effective on September 1, 2010, in which it stipulated new maximum prices for regular correspondence shipments abroad. Thus it changed the prices of these services which were regulated for the last time in 2008. The new prices represent an average increase of 8.16 % as compared with former regulated prices. This increase comes as the consequence of costs, particularly those of termination rates for delivery of shipments abroad, requested by foreign postal administrations.

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

1.7 Performance of State Administration and Inspection activities

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 183 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 383 certifications were promulgated concerning notification of the change of the 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 was focused on fulfilment of obligations and conditions stipulated by the decision on the obligation to provide, within the framework of the Universal Service, a Partial service - Services of public telephone boxes (hereinafter only "the Decision"). Seven hundred and sixty nine public telephone boxes (hereinafter only "VTA") were checked, i.e. approximately 10 % from the total number of 7,519 VTA operated within the framework of the Universal Service until December 31, 2009. The CTU called upon the company Telefónica O2 to remedy defaults discovered pursuant to § 114 of the Act on Electronic communications. The company remedied defaults discovered, which was confirmed in its answer addressed to the Office on May 24, 2010.

Other inspection activities

The inspection of provision of services of electronic communications to subscribers of the company Telefónica O2 was performed on the basis of the contract concluded with the help of devices of remote communications for the tariffs O2 NEON. The inspection discovered that the procedure, leading to the conclusion of the contract with subscribers, does not guarantee the protection of consumer in a comprehensive manner, in particular, because a consumer has insufficient information on the possibilities to terminate the contract, concerning contractual fines etc. On the basis of results of the State inspection the Office called upon the company Telefónica O2 to resolve controversial issues so that the protection of consumer is improved.

The Office also performed the State inspection of fulfilment of the Part II. of the Decision of the Office on the imposition of the obligation to provide, within the framework of the Universal Service, a Partial service - "The Access of handicapped persons to publicly accessible telephone service equivalent to the access employed by remaining end users, particularly by means of specially equipped telecommunication end devices" pursuant to § 38 Para. 2 f) of the Act on Electronic communications. The purpose of the inspection was to verify numbers and prices of especially equipped telecommunication end devices sold to handicapped persons during the period from July 14, 2009 to December 31, 2009 in individual months, and if and when a remedy was made in the form of publication of correct price in the amendment to the pricelist of the company Telefónica O2 with effect before December 1, 2009. At the conclusion the State inspection stated that only unintentional misconduct of employees of the company Telefónica O2 occurred in the update of the pricelist of services (typing error), and therefore no fine was subsequently imposed on the company controlled.

During the year 2010 the State inspection of observance of technical and organisational conditions, stipulated by the Measure of General Nature No. OOP/10/07.2005-3, was executed, by which technical and organisational conditions for the implementation of telephone number portability are stipulated and principles of charging of price among entrepreneurs are determined in connection with number portability, as later amended (hereinafter "OOP10"). The inspection commenced on September 22, 2010 with the company Telefónica O2 and will continue in 2011 with the remaining operators. The subject-matter of the inspection was particularly observance of deadlines stipulated for number portability in both mobile and fixed networks. Concerning number portability in the fixed network the Office did not find out that numbers would have been ported in the fixed network for a longer period than 10 business days against the will of a subscriber what would mean a violation of procedures pursuant to OOP10. During inspection of procedures of number portability in mobile network was discovered that in some cases procedures pursuant to OOP10 were violated.

The comprehensive survey of inspection activities is brought forward in the Annex No. 7 of this Report.

The collaboration with the Česká obchodní inspekce

Also during 2010 the collaboration with the Česká obchodní inspekce continued (hereinafter "ČOI") pursuant to

the Agreement of collaboration concluded between the CTU and the ČOI in 2007. The collaboration consisted, in particular, in participation of an CTU's employee in inspections of telecommunication end and radio devices using radio frequencies brought in the market. The CTU provides cooperation in verification of characteristics of radio facilities straight in the field or measurement of samples taken during the CTU's inspection.

1.8 Making Decisions on Disputes between Entities Performing Communication Activities

In the sphere of decision-taking of disputes among persons performing communication activities pursuant to § 127 of the Act on Electronic communications, in which the Chairman of the CTU's Council takes decisions of the First degree, the number of newly commenced disputes in 2010 decreased in comparison with preceding years.

In 2010 altogether 8 new proposals for the initiation of contested administration proceedings were submitted to the CTU pursuant to § 127 of the Act on Electronic communications and administration proceedings initiated before and not yet terminated in 2009 continued.

During 2010 altogether 14 decisions were promulgated in contested administration proceedings by the Administrative authority of the First degree, whereas in 10 disputes proceedings were terminated by final decisions of the Administrative authority of the First degree. In 4 disputes remonstrances were submitted of which number in 2 disputes both participants of proceedings submitted remonstrances.

Until the end of the year 2010 altogether 3 disputes were not terminated by the Administrative authority of the First degree. Out of that number 1 contested proceeding was interrupted by virtue of agreement of contested parties until March 2011. Another 2 contested proceedings were initiated by delivery of proposals for the initiation of administration proceedings in December 2010; therefore, before the end of the year 2010 not even the deadline for the reimbursement of administration fees has elapsed.

In the course of contested administration proceedings the CTU executed and evaluated evidence submitted by participants of proceedings in order that contested proceedings terminate by final verdict as soon as possible. Nevertheless, in some cases statutory deadline for the promulgation of decision in the case was exceeded, in particular, because there were complicated proceedings where participants of proceedings clarified and specified in detail the contested case as late as in the course of administration proceedings and, moreover, they did not submit their opinions within deadlines prescribed, asked for their prolongation and thereby brought about the prolongation of administrative proceedings beyond statutory deadline.

This fact was demonstrated particularly in disputes concerning issues connected with the transition to the terrestrial digital television broadcasting (conclusion of contracts between operators of television broadcasting and operator of broadcasting network). Considering certain specificity of the subject of these contested disputes, one can presume that these kinds of disputes will be terminated simultaneously with the termination of the process of transition to the terrestrial digital television broadcasting.

Final decisions promulgated in administration proceedings conducted pursuant to § 127 of the Act on Electronic communications concerning disputes among persons performing communication activities can be found at www.ctu.cz.

1.9 External Legislation

In the field of external legislation the CTU in 2010 elaborated and exercised, having regard to the Legislative rules of the Government, comments concerning proposals of legal regulations and other materials, in particular, those having conceptional or evaluating character the contents of which had reference to the CTU's competencies. The CTU exercised these activities both within the framework of interdepartmental commentary proceedings, and very often in the position of a member of different preparatory working groups on the interdepartmental level, created for the purpose of fulfilment of relevant tasks of State bodies.

To the principal legislative tasks of the CTU 2010 in the sphere of external legislation belongs its participation in legislative process of amendments of the Act on Electronic communications and also the preparation of new implementing legal regulations to this Act or amendments of the existing Acts.

On May 21, 2010 the Act No. 153/2010 Coll., was published in the Volume 54 of Collection of Laws amending the Act No. 127/2005 Coll., on Electronic communications and on amendments to certain related Acts (Electronic communications Act), as later amended and some other Acts.

Reception of this Amendment of the Act on Electronic communications, which became effective on July 1, 2010, was caused by the need of a comprehensive regulation of the Act on Electronic communications, which would take into consideration the experience of not only administrative authorities but also entrepreneurs in the sphere of electronic communications and relevant public, gained after almost four years' of application of this Act. The draft of the Act was created on the basis of mutual collaboration between the Ministry of Industry and Trade and the CTU not forgetting the contribution of entrepreneurial public.

The comprehensive draft of the Act on Electronic communications is based on the analysis of the application of individual provisions of the Act on Electronic communications, and namely in connection with identified needs of practical life. The relevant draft of the Act on Electronic communications removes some problematic issues and obstacles which in practical life prevented proper application of the Act on Electronic communications.

The principal circuits of changes brought about by the Amendment of the Act on Electronic communications consists, in particular, in the following circuits:

- a) the introduction of the possibility of change and withdrawal of the allocation of radio frequencies,
- b) the possibility of utilization of funds from the Radiocommunication account,
- c) the changes in the field of number management, the obligation of number portability, cancellation of the existing method of number allocation having a special economic value (tender procedure pursuant to § 31 of the Act on Electronic communications),
- d) the changes of financing of the Universal Service realised in all cases of partial services from the funds of the State

budget by means of the unification of the method of financing of the Universal Service,

- e) the strengthening of the CTU's tools in order to secure protection of consumer,
- f) the spheres of media legislation, cancellation of prohibition of hybrid ownership,
- g) the changes in the field of copyright – cancellation of fees for joint reception of digital television broadcasting.

In view of the fact that the Act No. 153/2010 Coll., was already the 16th successive Amendment of the Act on Electronic communications, of the Ministry of Industry and Trade promulgated the complete wording of the Act on Electronic communications, which was published on September 8, 2010 in the Volume 95 Collection of Laws under the ref.No. 259/2010 Coll.

In 2010 no changes of implementing legal regulations concerning the Act on Electronic communications occurred, however, the following new Decrees were promulgated:

- the Decree No. 105/2010 Coll., on the Plan of allocation of frequency bands (the National frequency table) (the Decree became effective on May 1, 2010),
- Decree No. 318/2010 Coll., stipulating the form of records of operational and location data and the method of their handover to the Czech Telecommunication Office (the Decree became effective on December 9, 2010),
- Decree No. 360/2010 Coll., stipulating the model of electronic form of the proposal for decision of dispute concerning the obligation of monetary performance and technical essentials of its utilisation (the Decree became effective on January 1, 2011).

The CTU also prepared the implementation of § 113 Para. 7 of the Act on Electronic communications as amended by the Act No. 153/2010 Coll., the Draft Decree on the method of determination of the coverage by the signal of terrestrial radio broadcasting distributed in selected frequency bands. The purpose of this Decree is similar to the field of television broadcasting, i.e. to regulate in a binding and unified mode the procedure concerning determination of the territory covered by the signal of terrestrial analogue radio broadcasting. Materially relevant legal regulations are based on regulations of these issues harmonized on the European level by means of international recommendations, particularly recommendations of the International Telecommunication Union (ITU) and the Conference of European Postal and Telecommunication Administrations (CEPT). At the end of the year 2010 interdepartmental proceedings were held concerning the Draft Decree, however, relevant Decree will be endorsed and published as late as at the beginning of 2011.

For the sphere of postal services it is also necessary to consider the above mentioned Act No. 153/2010 Coll., to be the legal regulation of a more principal character in 2010 which, besides changes of legal regulations in the field of electronic communications, includes the changes of another legal regulations. One of these changes is the Amendment of the Act No. 29/2000 Coll., on Postal services and on Amendments to Other Acts (the Act on Postal services), as later amended. The relevant change relates to the sphere of administrative punishments, where the new administrative tort was inserted in § 37a of the Act on Postal services for the perpetration of which a fine of up to the amount of CZK 500,000 can be imposed.

The survey of principal Acts and legislative rules of minor legal force, including concise description of changes of legal framework which were realised in 2010 in the field of electronic communications and postal services, can be found in the Chapter I. of this Report.

Within the framework of legislative activities the CTU in 2010 was involved in negotiations connected with the preparation of domestic legal regulations by which regulations of the European Union should be transposed in the legal order of the Czech Republic.

In the field of electronic communications it was the preparation of the Act which amends the Act No. 127/2005 Coll., on Electronic communications and on Amendments to certain related Acts (the Electronic communications Act), as later amended, and some other acts prepared by the Ministry of Industry and Trade. The main target of this Amendment is to secure proper implementation of revised wording of the European regulatory framework for networks and services of electronic communications.

In the middle of 2010 the Ministry of Industry and Trade organized a series of thematically oriented working meetings with representatives of the State administration and entrepreneurial public. Within the framework of these meetings the CTU resented its proposals for the implementation of relevant changes and modifications. Then the interdepartmental procedure concerning relevant draft of a Act took place in Autumn 2010 and on the turn of the year the draft was submitted to the Government for consideration. The next legislative process will therefore take place in 2011 with the proviso that relevant Directives determine the obligatory deadline for the transposition on May 25, 2011.

In the field of postal services the situation was similar. During 2010 the CTU participated in number of meetings in the Ministry of Industry and Trade, which is the sponsor of legal modifications of the Act of Postal services, focused on determination of basic theses for the preparation of the new Act, by means of which the Directive of the European Parliament and the Council 2008/6/EC, dated February 20, 2008 amending the Directive 97/67/EC, should be implemented into the legal order of the Czech Republic, considering completion of the formation of domestic market of postal services of the European Union. The principal part of legislative process concerning the relevant draft of the Act should take part in 2011 with the proviso that the binding deadline for the transposition of relevant Directive is determined at December 31, 2012.

In 2010 the CTU also prepared the material for the Government's meeting concerning the issue of "The procedure of the Czech Telecommunication Office in the management of selected parts of radio spectrum orientated at support of provision of services of high-speed access until 2012". In the period in question the relevant material will principally influence realisation of the management of selected parts of radio spectrum of the CTU. The primary goal of the targets included in the material in question is the facilitation of access to the relevant part of radio spectrum in a transparent and non-discriminatory way (auction) and to facilitate development of new services, particularly the services of mobile high-speed Internet access. The Government discussed and approved this material on January 26, 2011.

Another Government's material also related to the issues of the Radio Spectrum Management, this time it was prepared

by the Ministry of Industry and Trade on the basis of the Government Resolution dated No. 43, January 11, 2010, in which the Government imposed on the Minister of Industry and Trade the obligation to include the issues of high-speed Internet access in the proposal of State policy of electronic communications. This State policy can be found in the document prepared by the Ministry of Industry and Trade under the name of "Digitální Česko". The purpose of this document is to evaluate existing situation of accessibility and development of electronic communications in the Czech Republic and to propose necessary tools leading to the achievement of targets in the field of development of Internet access. At first, the Ministry of Industry and Trade elaborated the theses for the preparation of the material, which were consulted in public consultation with relevant departments, the CTU and associations of entrepreneurs in the field of electronic communications. The CTU was actively involved in the business in the next phase of interdepartmental commentary proceedings. The State policy Digitální Česko was discussed and approved by the Government of the Czech Republic in January 2011.

In the part, concerning general competency of the CTU, acting in the position of the administrative authority, one can include particularly its activities in interdepartmental commentary proceedings concerning the Amendment of the Act No. 150/2002 Coll., Judicial Administrative Code, as later amended. The Ministry of Justice, in the position of the sponsor of this Act, prepared the proposal for modification of rules for submission of offers for the cancellation of Measures of general nature, and namely with the help of introduction of deadlines for the application of such a proposal. Considering the fact that the CTU belongs among the administrative authorities promulgating some of their acts in the form of Measure of general nature, CTU paid great attention to these issues.

Another field having an important impact on the competency of the CTU are the problems of protection of consumers. Concerning this field it is necessary to remind the participation of the CTU in the interdepartmental commentary proceedings concerning the draft of the Act amending the Act No. 216/1994 Coll., on the Arbitration proceedings and on the Enforcement of Arbitration Awards and the Act No. 634/2004 Coll., on the Administrative fees. The legal regulation proposed is imminently related to the competency of the CTU, as far as the decision-making of disputes pursuant to the provisions of § 127 and 129 of the Act on Electronic Communications is concerned, and also in the field of conclusion of consumers contracts.

The CTU was also actively involved in the legislative process within the framework of the Panel for regulatory reform and efficient public administration.

Besides domestic legislative activities the CTU is involved in the system of allocation of sponsorships and fulfilment of legislative obligations ensuing from the membership of the Czech Republic in the European Union – the Information system for approximation of law (ISAP), which serves for registration and inspection of fulfilment of obligations of bodies of State administration in implementation of the Law of the European Union. In 2010 the CTU properly performed its obligations ensuing from this system and no principal deficiencies were observed on its side, in both material and formal character.

Other legislative activities of the Office

The Act on Electronic Communications, besides implementing legal regulations, anticipates promulgation of another acts of normative character, the so-called Measures of general nature with the help of which the CTU determines more detailed conditions for the performance of communication activities or performs analyses of relevant markets. In 2010 the CTU endorsed altogether 18 measures of general nature (one of these measures was not published before the end of 2010). Individual measures of general nature are more specifically discussed in materially relevant chapters of this Report. The summary of Measures of general nature promulgated and the subject of their regulation are brought forward in the Table of the Annex No. 8 of this Report.

Other (Internal regulations)

During 2010 the CTU's Council endorsed several changes of basic internal regulations of the CTU (the CTU's Statutes, Organization Order of the CTU), the purpose of which was to regulate some decision-making processes, particularly with regard to optimisation of performance of acts and decisions in administrative proceedings.

In 2010 amendments of another internal regulations were adopted (binding instructions), regulating new issues or regulations, which intervene in a more comprehensive manner in the existing regulations. Besides, partial changes and amendments were performed in binding instructions of the CTU promulgated earlier, by which internal legislation reacted not only to changes of legal regulations, but also to the problems connected with reduction of wage funds in the field of State administration.

1.10 Crisis Management and Security

In the area of crisis management and security the attention was focused on performance of tasks related to defence planning and civil-emergency planning orientated at electronic communications and duties stipulated in relevant provisions of the Act on Electronic Communications. In the area of security the attention was focused particularly on protection of classified information focused on personal, administrative and physical security, where the tasks determined were continuously fulfilled. Another area, which was also dealt with by the Office, related to negotiations and collaboration concerning the issues of cybernetic security.

Until the end of January 2010 the Office organised collection of statistical data from juristic and natural persons ensuring public communication network and providing publicly available service of electronic communications pursuant to § 97, Para 11 of the Act on Electronic Communications and for the subsequent elaboration of basic documents "The Statistical operational and localisation data provided by juristic or natural persons to legitimate authorities." The Statistics of the data elaborated were handed over to competent bodies in the European Commission on February 26, 2010.

In connection with the Amendment of the Act on Electronic Communications, which became effective, the principal changes in § 99 concerning "security, integrity and provision of services in crisis situations took place." On the basis of these changes the new "Measure of general character No. OOP/9/12.2010-18 was elaborated and became effective, stipulating essentials of technical-organisational rules to secure integrity and security of public communication network and interoperability

for providing publicly available service of electronic communications under crisis situations." In continuation to § 97, Para 12 of the Amendment of the Act on Electronic Communications, the form of the statistical operational and localisation data was specified in more detail in the Decree No. 318/2010 Coll., together with the method of their handover to the office from by juristic or natural persons doing business in the field of electronic communications.

In harmony with the tasks imposed on the Office in § 88 and § 99 of the Act on Electronic Communications, four comprehensive inspections were performed with the telecommunication companies BT Limited, organisational unit, ČD Telematika, as., FIBERNET a.s. and RioMédia a.s. The inspections were performed in the field of protection of operational and localisation data and security of electronic communications under crisis situations. On the company FIBERNET a.s. remedial measure was imposed on, resting in elaboration of technical-organisational rules to secure integrity and security and provision of services under crisis situations pursuant to the Measure of General Nature of the Office No. OOP/9/07.2005-13. Also the company ČD Telematika, a.s. was asked for the completion of these rules.

In harmony with the Resolutions of the Government of the Czech Republic, the State's Security Council, The Committee for Defence Planning (VOP) and The Committee for Civil Emergency Planning (VCNP), the Council elaborated requested documents concerning security and defence of the State and the issues of critical State's infrastructure and the Plan of operational preparation of the territory of the State. Participation of appointed representatives of the Office at the meetings of VOP and VCNP was provided on regular basis. The appointed representatives of the Office were also actively involved in the elaboration and discussion of documents within the framework of the Committee for Planning of Civil Communications with the NATO. In the month of March 2010 the representatives of the Office participated in the preparation, execution and evaluation of postponed international NATO exercise CMX-2009.

In 2010 in May, June and August during the floods on the territory of Northern and Central Bohemia and Moravia, selected members of the Crisis staff of the Office were involved in determination of existing situation in the field of electronic communications and the postal services in floods-affected areas and also in collaboration in connection with removal of consequences of floods. Preferential interconnection was also activated for the participants of crisis communication floods-affected areas.

The Office also performs the tasks ensuing from the Government Resolutions No. 205 and No. 380 from the year 2010, which deal with the issues of cybernetic security. The Chairman of the Office's Council appointed representatives of the Office in the Interdepartmental coordination Council for the field of cybernetic security, who participated in the generation of new conceptional documents and preparation of next legislative regulations in the above mentioned area which represents security threats for the whole society of the new era.

2. The CTU's International Activities in 2010

In 2010 the CTU participated in activities ensuing from the membership in international bodies and institutions, particularly on the basis of gestion stipulated by the Government Resolutions No. 676/2005 Coll. They included

involvement in the EU bodies and another international organisations and institutions as, for example, ITU, CEPT, OECD, ETSI, NATO and others.

2.1 The CTU's activities in relation to the European Union

The CTU is represented in number of international organisations and institutions within the framework of the European Union, especially in Body of European Regulators for Electronic Communications (BEREC), the Communication Committee (COCOM), the Radio Spectrum Policy Group (RSPG), the Radio Spectrum Committee (RSC) and in the Committee for the Assessment of Conformity and Control of the Market of Telecommunication facilities (TCAM). Outside the EU the CTU is also the member of the Independent Regulators Group (IRG) which closely co-operates with BEREC. Among important activities in 2010 belonged the co-ordination of analyses of relevant markets and preparation of viewpoints of the CTU to legislative proposals of the European Commission (EC), notification duty pursuant to Article 7 of the Framework Directive, the co-ordination of participation in working groups of IRG/ERG and preparation of viewpoints for plenary sessions of these supreme authorities. The CTU collaborated with the Ministry of Industry and Trade and foreign partners, in particular with other regulatory bodies for electronic communications. In the field of spectrum the Office prepared viewpoints for RSC, IRG/BEREC and provided implementation of harmonising documents by means of promulgation of Measures of general nature - relevant parts of the Radio Spectrum Utilization Plan and general authorisations. Continuously the documents and other information from the European Union were provided (commentaries of the EC, exchanges of opinions among Member states, translations, retrievals, summaries of contents of documents, comparative analysis etc.).

The Independent Regulators Group (IRG) is not a part of of the EU organisational structures and its members are the 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 and the CTU employs this experience in regulation of the electronic communications markets and in elaboration of proposals and opinions on legislative measures under preparation. The IRG closely co-operates with the newly established Association of European regulators BEREC, the inauguration of which took place on January 28, 2010.

Body of European Regulators for Electronic Communications (BEREC), is the advisory body of the European Commission (EC), whose members are regulatory authorities of Member States of the EU and representatives of the EC. BEREC has replaced the European Regulators Group (ERG), which was advisory body of the European Commission (EC) established by its decision. As soon as the BEREC became fully operational the EC cancelled this decision and the ERG became repealed. To the principal tasks of the BEREC belong promulgation of standpoints concerning proposals of measures of national regulatory bodies related to market definition, determination of enterprises having significant market power and imposition of remedial measures in harmony with Articles 7 and 7a of the amended Framework Directive, provision of assistance in connection with analyses of relevant markets to domestic regulatory bodies at their requests, promulgation of standpoints concerning proposals of legal regulations elaborated by the

Commission and provision of expert opinions to the European Parliament and the EU Council. BEREC performs its tasks independently, impartially and transparently. The BEREC is controlled by the Board of Regulators, in which 27 representatives of national regulatory bodies from individual Member States of the EU are involved. The administrative facilities for the BEREC's activities are provided by the Office for BEREC, which is headed by the administrative director.

Joint sessions of IRG/ERG is always organised and sponsored by a country which chairs the EU Council. On behalf of the Czech Republic the Chairman of the CTU's Council participates in all Joint sessions of IRG/ERG. The first constituent meeting of the BEREC was held on January 28, 2010 in Brussels. In 2010 another four Joint sessions of BEREC and IRG (The Independent Regulators Group) were held, on which important measures concerning international roaming, NGA access networks, wholesale broadband access and other issues, as, for instance, problems connected with strengthening of consumers' and users' rights and improvement of security were discussed. The sessions were also orientated at determination of future role of IRG/BEREC and the Working Programme for the next year.

Communication Committee (COCOM) - is a legislative-advisory body of the European Commission (EC). At 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 in Member States of the EU and evaluation of the situation concerning introduction of numbers 112 in the EU Member States.

European Regulators Group for Postal Services (ERGP) came into existence through the decision of the EC dated August 10, 2010 (2010/C 217/07). The establishment of this group should facilitate mutual coordination and collaboration of independent national regulatory bodies in the Member States, as well as collaboration of these bodies with the Commission aimed at consolidation of domestic markets of postal services and should ensure consistent implementation of the Directive 97/67/ES in all Member States.

Radio Spectrum Policy Group (RSPG) - Radio Spectrum Policy Group is advisory body of the European Commission (EC) for strategic issues of use of radio spectrum. It expresses its opinion concerning principal themes, as for example, digitizing of television broadcasting, the method of use of spectrum released through digitizing (Digital Dividend), making methods of Radio Spectrum Management more effective, flexible use of spectrum, priorities of use for development of unified market and generation of information society. It formulates its conclusions particularly in Opinions of the RSPG and Reports of RSPG. To the most important results in 2010 belonged the preparation for the Meeting of the World Radiocommunication Conference (the Opinion of the RSPG to WRC-12), the main purpose of which was to identify potential problems concerning use of radio spectrum which could endanger observance of goals of the European policy in the field of information society, transport and scientific services and discussion of the draft Radio Spectrum Policy Programme (RSPP). Approval of this draft will have an important impact on Member States, because as soon as it is endorsed by the European Parliament and the EU Council, it will

become a binding document for the Member States. The approval of RSPG can be expected in the middle of 2011, i.e. after the Member States have revision of Regulatory framework transposed in their national legislation. RSPG draft stipulates, inter alia, release of the band of the spectrum of Digital Dividend 790–862 MHz before 2013, realisation of revision of spectrum use in Member States, application of recommendations of the European Commission (Guidelines) in allocation of radio spectrum by Member States etc.

Radio Spectrum Committee (RSC) - is the advisory authority of the European Commission (EC) proposing measures aimed at harmonized and effective use of radio spectrum in the EU. In 2010 the principal themes of the activity of RSC were particularly the issues of implementation of the Directive 2009/114/EC and Decision of the European Commission 2009/766/EC concerning the bands 900/1 800 MHz, conditions of technologically neutral use of spectrum in the bands of 900/1 800 MHz – use of technologies WiMAX/LTE, implementation of the Decision of the European Commission 2007/344/EC concerning frequency information system, the update of the Decision of the European Commission concerning short range devices (SRD), introduction of intelligent transportation systems (ITS) in the band of 5.9 GHz, revision of regulatory conditions for operation of vehicle radars (SRR), study of the spectrum needs for security and emergency communications (PPDR), potential harmonization of spectrum for devices having the character of wireless microphones (PMSE), the need of additional spectrum for GSM-R applications. One part of the issues discussed was, similarly to the RSPG, the draft of the Programme of radio spectrum policy.

The Telecommunication Conformity Assessment and Market Surveillance Committee (TCAM) for purpose of Directive 1999/5/EC – and within its framework operating group for administrative collaboration RTTE-ADCO, were primarily engaged in problems of harmonization of conditions of appraisal of conformity and introduction in the common EU market of radio and telecommunication end facilities, particularly as far as the uniform use of radio frequencies without harmful interferences is concerned. Simultaneously, TCAM and RTTE – ADCO were involved in harmonization of approaches to the surveillance over the market of telecommunication facilities and its efficient implementation. In this connection relevant methodology was created and All-European surveillance campaigns were organized in which the Czech Republic, by means of the Česká obchodní inspekce, actively participated.

The European Network and information Security Agency (ENISA) - is an advisory body of the European Commission and, since 2008, also the CTU participates on its activities. ENISA plays, inter alia, the role of national coordinator in the process of regulation and safeguarding of resistance, safety and integrity of networks of electronic communications. For these purposes the CTU in 2010 provided its background materials, formulated its viewpoint concerning activities of ENISA in connection with prolongation of its activities and participated in the meetings dealing with individual rules stipulating elaboration of national (of member states) plans for safeguarding of resistance, safety and integrity of networks of electronic communications. Among other fields of activities belong the issues of construction and protection of critical

infrastructure of electronic communications, implementation of the Programme Galileo etc.

Assessment report of the European Commission

The European Commission (EC) performs the evaluation of the regulatory environment in the Czech Republic and other Member States and each year it promulgates report on the implementation of the regulatory framework on its internet pages. Already the 15th Implementation report (for the year 2009) was published on May 25, 2010. The Implementation report presents information on the progress of the unified European market of electronic communications and evaluates development on markets of electronic communications, regulation and its impacts on the market for the year 2009. Each year the CTU participates in the preparation of background materials for Implementation reports and also in 2010 it provided, during the second half-year, an extensive amount of information represented particularly by the data on markets, radio and television broadcasting, tariffs and indicators of broadband access, which will serve as an example for the EC for the generation of the next, already 16th Implementation report, prepared for publication in 2011 for the preceding year 2010.

2.2 The International activities of the Office in connection with other International authorities and organizations

2.2.1 The International Telecommunication Union (ITU)

The Office has been involved in activities of the ITU on several levels. Starting from the 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 service, mobile and satellite services and other related services. Among the most important events of the last year, in which representatives of the Office participated, belonged the meeting of the World Telecommunication Development Conference and the Plenipotentiary Conference.

The World Telecommunication Development Conference (WTDC-10)

The World Telecommunication Development Conference is the supreme body of ITU-T sector and its meetings are held in four-year cycle. In 2010 its meeting took place in Indian Hyderabad from May 24 until June 4. The subject of the meeting were the activities of the Sector ensuing from conclusions of the previous conference, observation of conclusions of the World Summit concerning information society, the activities of the Sector bodies – the Bureau of the Sector Director of the ITU-D (BDT), the Advisory Group TDAG and study groups SG 1 and SG 2. Dealings of the Conference were also focused at revision and update of approved recommendations and resolutions, formulation and approval of regional initiatives, working programmes, strategic plan and study questions for another period. Besides the documents which will be submitted to the supreme body of the ITU - the Plenipotentiary conference, the Conference approved the document called the Hyderabad Declaration as its key document.

The Plenipotentiary Conference (PP-10)

The Plenipotentiary Conference (PP) is the supreme body of the ITU, convened in regular four-year cycle. In 2010 its meeting was held in Guadalajara (Mexico) from October 4 until October 22, 2010. In harmony with principal documents of the International Telecommunication Union (hereinafter the "ITU") the PPC determines general principles of the ITU's activities in order to attain the targets set in its principal documents. Furthermore, the PP stipulates basic principles in issues concerning financing of activities and personal policy of the ITU, it revises basic documents of the ITU (the Constitution and the Treaty), it elects officials in the highest managing positions – the General Secretary, his/her Deputy and the Directors of Bureaus of related sectors, it also elects Members of the Council and the Body for the Radio Regulations and decides a number of other issues necessary for smooth activity of the ITU. In the interim periods between the meetings of the PP the activities of the ITU are governed by the Council composed of 48 Member States. On the PP-10 the Czech Republic was among the candidate states for the fourth successive electoral period. Its election belongs to important successes within international relations in the field of telecommunications. The fifteen European Common Proposals (ECP) were submitted to the Conference, the contents of which was enclosed in the documents endorsed by the Conference. Among the successes also belongs the election of representatives from European countries – Mr. F. Rancy, as the new Director of the Bureau of the Sector ITU-R and Mr. M. Johnson, as the Director of the Bureau of the Sector ITU-T for the second term in office.

The ITU Council

The Meeting of the ITU Council discussed the issues concerning the control of the implementation of the Decision of the Plenipotentiary Conference (PP-06) (Antalya, 2006), the ITU's participation on implementation of results of the World Summit concerning information society, current issues concerning organization of functioning and administration of the ITU, observance and preparation of strategic and operational plans, management of human resources, measures in the financial field, the organisational conception of TELECOM exhibitions, current situation in reimbursements of compensations of costs for preliminary publication of satellite networks, changes in membership, increase of number of the Council's Members, costless access to the basic documents of the ITU and recommendations of the ITU-R. Important part of negotiations was focused on the preparation of the World Conference for development of telecommunications 2010 and the Plenipotentiary Conference 2010.

Advisory Commission for standardization in telecommunications (TSAG)

Among the important items of the agenda of the Meeting of Advisory Commission of the Telecommunication Standardization Sector ITU-T (TSAG) belonged endorsement of strategic and operational plan of the sector ITU-T for the period of 2012–2015, discussions over issues concerning testing of conformity and interoperability of telecommunication facilities, appraisal of the revision of working methods within the sector ITU-T (particularly electronic ones), the update of the Annex A to the Recommendation ITU-T A.23 regulating

relations with prominent normative organisations ISO and IEC. Envisaged results of the meeting were met with the exception of testing of conformity and interoperability. The reason was opposing viewpoints of developed and developing countries, therefore the study of the problem will continue.

Advisory Commission for radiocommunications (RAG)

Meeting of Advisory Commission for radiocommunications (RAG) dealt with the implementation of conclusions of the World Radiocommunication Conference in 2007 and the preparation of the World Radiocommunication Conference in 2012, the Budget of ITU-R for the period of 2010 - 2011, the Operational Plan for the period of 2011 - 2014 and the preparation of the Strategic Plan for the period of 2012 - 2015. Remaining items of the agenda were the issues of reimbursements of compensations of costs for preliminary publication of satellite networks, prolongation and possibilities of free-of-charge electronic access to ITU-R documents, findings and themes from study groups ITU - R, co-ordination of interdepartmental activities and proposals of the Member States.

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

Meeting of the Advisory Commission for development of telecommunications (TDAG) discussed the state of implementation of conclusions of the World Telecommunication Development Conference, Doha, 2006 (Action Plan), implementation of conclusions of the World Summit Meeting on Information Society (WSIS), Report on the activities of the Sector, results of working groups ITU-D, the state of the membership, proposals of new programmes and initiatives, preparation of the World Telecommunication Development Conference, Hyderabad, 2010, (WTDC-10), results of regional preparatory meetings, changes and proposals of resolutions and recommendations, new study issues, the budget of the Sector ITU-D for the period of 2010–2011, Operational Plan for the period of 2011–2014 and preparation of the Strategic Plan for the period of 2012–2015.

2.2.2 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 CEPT 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 therecommendation 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)

The Electronic Communications Committee (ECC) of the European Conference on Postal and Telecommunications Administrations (CEPT), in accordance with its long-term working plan, during its three meetings in 2010, discussed the amendment of the Rules of Procedure, the Working Plan and collaboration with remaining organisations and the programme of Working groups. The Committee also discussed the issues of 40 GHz point-to-point connections, the operation of vehicle radars (SRR), liberalization 2 GHz frequency range and harmonization of conditions for 3D television. It also discussed and endorsed 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 bands of 900/1 800 MHz and 2 GHz. To the most important results belong preparation and endorsement of CEPT Reports concerning the compatibility of systems LTE and WiMAX with the systems which can be operated in GSM bands, the compatibility of systems LTE and WiMAX with the systems in adjacent bands and the compatibility with the systems of aerial radionavigation using proximate frequencies. The Committee also endorsed decision concerning sharing of fixed service and service of Earth exploration satellite in frequency bands of 10.6–10.68 GHz, 30–31 GHz and 31.3–31.5 GHz.

CPG - the main goal of the group within the framework of preparation for the 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. The European Commission (EC) joined the preparation for WRC-12 where it, by means of its bodies (RSPG), defined critical spots of joint European policy observation of which might be jeopardized by not enforcing common European interests during the WRC-12 Meeting. Critical spots may be applied to information society, regulatory framework and marginally to defence. 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 created technical manuals for use of frequency spectrum by different radiocommunication services and their applications. The group also provided compatibility studies of services in the same or adjacent frequency bands and their applications and proposed procedures for the purposes of co-existence of these services and applications. It co-ordinated CEPT's activities and contribution in relation to working spots ITU-R and co-ordinated design team involved in development of software package SEAMCAT (Spectrum Engineering Advanced Monte Carlo Analysis Tool).

WG FM - the group was engaged in issues of harmonization and 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), radio and television broadcasting and compatibility with mobile service in the band of Digital Dividend, ultra wide band technologies (UWB) and conditions of use of spectrum by new communication systems. Important part of the group activities are also issues of civil-military collaboration focused primarily at balanced use of spectrum by the State's sector and provision of corresponding access to the spectrum for military applications providing fulfilment of common defence targets. From April 19 to 23, 2010, the Office organised the meeting of the Working team PT22 of the Group WG FM in Prague. The subject of the PT22 activities are issues of radiomonitoring, particularly coordination of monitoring of spectrum in European scale, harmonization of the methods and procedures of measurement and their further development.

WG RA - principally the work was focused on issues of regulatory character, discussion over and endorsement of documents concerning flexible bands, new technologies (Cognitive Radio, UWB facility with higher output), marketability of rights for spectrum use, method of publication of interface (so-called RIS Template), the assessment of the methodology of the process of the preparation of decisions of CEPT/ECC with the help of electronic means, etc.

WC NaN – within the reorganization the working groups WG NNA and WG TRIS were consolidated in one common working group WG NaN (Numbering and Networks). The main attention was focused on the themes related to numbering and addressing in networks of electronic communications, solution of technical problems related to the development of services and existing technologies. In the field of numbering it was the solution of processes of number portability in connection with the EU regulatory framework, the issues of the Increase of reliability of identification of subscriber's line (CLI), use of numbering for establishing and addressing of service modules M2M, further development of geographic telephone numbers and possibilities of use of other numbering sources for harmonized numbers earmarked for commercial services within numbering plans of the EU countries. Also the issues of migration of PSTN into NGN were resolved, solution of emergency calls and their localisation in the VoIP networks and the issues of access to public infrastructure.

EFIS – is the information portal to national information concerning use of radio spectrum in countries whose telecommunication administrations are members of CEPT and which is operated on the server www.ero.dk of the European Communication Office (ECO) in Copenhagen. By means of the EFIS the Decision of the European Commission No. 2007/344/EC on Harmonized accessibility of information concerning spectrum use in the Community, imposing on Member States the obligation to publish and update in EFIS system determined national information concerning radio spectrum is simultaneously fulfilled. The CTU 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 further development of EFIS system and testing of its new versions. The data for the Czech Republic are continually updated and extended and the information concerning

individual rights for the use of radio frequencies are enclosed together with other data concerning radio interfaces. In 2010 it was decided to make data management in the ECO more effective. The final objective is the unification of the database EFIS and ERC Report 25 (The European Table of Frequency Allocations and Utilization in the Frequency Range 9 kHz–275 GHz).

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 2010 one part of its activities was focused particularly at preparation of European Common Proposals (ECP) for the Plenipotentiary Conference PP-10 negotiations and subsequent elaboration of results. The work was further focused at the preparation of the World Telecommunication Development Conference (WTDC-10) and the preparation of the World Radiocommunication Conference (WRC-12).

2.2.3 OECD

The CTU 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 2010 WP CISP was involved, in particular, in topical themes to which belonged mobile international roaming, development of packages of broadband services, the methodology of monitoring of mobile broadband, market structure in the environment of Next Generation Networks (NGN), key implications of M2M communications and the issues of the NGN networks and the preparation of the summit meeting concerning broadband access which should take place in 2011. The CTU participated in the work of the group including preparation of background materials for materials elaborated. It continuously collaborated in preparation of documents together with the Ministry of Industry and Trade which is the holder of sponsorship in this working group on behalf of the Czech Republic. The CTU prepared background materials for the WP CISP earmarked for the prestigious publication *OECD Communications Outlook 2011*, which is published once in two years.

2.2.4 The European Telecommunication Standards Institute (ETSI)

The European Institute for Telecommunication Standards (ETSI) promulgates worldwide standards in the field of information and communication technologies (ICT) and is officially recognized by the European Union as the European organisation for standardisation. The CTU is a regular member of the Institute in the category of State Administration and during the year it co-operates in generation and endorsement of standards. It represents the Czech Administration in the 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.

2.2.5 The North Atlantic Treaty Organization (NATO)

The Office is represented in the Working Group for telecommunications and posts in the newly created Industrial Resources and Communications Services Group (IRCSG), the successor of the original Committee for Civil Communications Planning. The Working Group for telecommunications resolves particularly the issues of security and integrity of networks of electronic communications and provision of postal services in crisis situations of military and non-military character. Among current issues belong, for example, existing functionality of networks of electronic communications under conditions of use of weapons with increased devastating effect, international collaboration in this field including collaboration with other organizations.

The Office is also represented in 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. The subject of negotiations of FMSC 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. To these activities belong the issues of compatibility of systems, development of preparation at the level of other regions, the issues concerning operation of pilotless crafts etc.

2.3 Other International Activities

Bilateral and multilateral relations

In September 2010, in the seat of the Office, the meeting with the representatives of the Slovak post regulator, the Postal Regulatory Administration, took place. The main purpose of the meeting was the exchange of knowledge and experience from the preparation of the implementation of the Directive 97/67/EC and preparation for complete opening of the market of postal services. Within the discussion the problem of provision of the Universal Service in the fully liberalized market and its financing was discussed.

Within the international activities of the Office its employees also had a number of negotiations with workers of regulatory bodies of neighbouring countries during performance of frequency co-ordinations, during business meetings and consultation negotiations in the workplaces of regulatory bodies of Slovakia, Germany, Austria and Poland.

The Regional Treaty on Radiotelephone Service on Inland Waterways

In 2010 the representatives of the Office participated in two meetings of the committee RAINWAT - Regional Arrangement concerning the Radiotelephone Service on Inland Waterways (hereinafter the "Treaty") the member of which is also the Czech Republic. One of the meetings of the Treaty was organised by the Office and was held in Děčín, the seat of the Státní plavební správa. The main task of the Treaty is, inter alia, to introduce, at the European level, harmonization and the determination of conditions for 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.

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 land mobile service (Vilnius 2005) - HCM Agreement (hereinafter "HCM Agreement"). The representatives of the Office regularly, twice a year, participate in meetings of working sub-groups established for individual radiocommunication services.

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 2010 bilateral working negotiations were held between representatives of the Office and representatives of German administration. The meeting discussed the issues concerning national and international frequency co-ordination of radio frequencies of land mobile service. The discussion concentrated on the principal issue, i.e. the possibility to conclude preferential agreements of using radio frequencies in the bands 406.1–410 MHz, 800 MHz and 2.6 GHz. In remaining parts of negotiations the implementation of the Decision ECC/DEC/(05)02 on the utilisation of frequency band 169.4–169.8125 MHz (formerly ERMES) and termination of validity of formerly concluded preferential agreements in this band, changes in utilisation of some frequency bands, frequency co-ordination of broadband systems, management and exchange of frequency registers and realised auctions in Germany in bands 2.6 GHz, Digital Dividend and GSM including next utilisation of these bands for LTE networks.

In September 2010 the Plenary Session of HCM Agreement signatories was held. The main task of HCM Agreement is determination of procedures with the help of which international frequency co-ordinations are performed and will continue to be performed among signatories. Each administration, which is the Agreement signatory, should implement conclusions endorsed in implementation of international frequency co-ordination in land mobile service and fixed service.

International negotiations dealing with the issues of utilisation of frequencies of the Digital Dividend

On the basis of the invitation of Polish administration two multilateral meetings were held at the end of 2010, which were organized in order to consult and unify the policy in using frequency band 790–862 MHz for mobile applications.

On the meetings, on which representatives of Poland, Finland, Germany, Czech Republic, Lithuania, Latvia, Hungary and Slovakia participated, the working group NEDDIF was established, reassuming the activities of similar working group of Western European countries. The main task of meetings was the evaluation of utilisation of means of aeronautical radionavigation service (ARNS) in individual states of NEDDIF, and/or, in neighbouring countries, which may negatively influence the implementation of new services of electronic communications, and/or, of new mobile broadband services in the band of the Digital Dividend. After the detailed evaluation of the situation is finished, negotiations with representatives of Russia, Belorussia and Ukraine are envisaged, which may block, with respect to great protective distances, co-ordination of frequencies required for new broadband services of electronic communications and thus dramatically complicate the possibility of future utilisation of frequencies of the Digital Dividend in the band 790–862 MHz on the territory of Member States of the Working group.

Bilateral co-ordinating negotiations concerning the issues of radio and television broadcasting

During 2010 Bilateral co-ordinating negotiations concerning the issues of radio and television broadcasting were held with representatives of administrations of all neighbouring countries – in July with Germany, in October with Austria, in November with Poland and in December with Slovakia. Respecting the state of transition to the digital television in the Czech Republic, the representatives of the CTU were concentrated in these negotiations mainly on the co-ordinations of substitution of radio channels for channels over 60 (frequency band 790–862 MHz, the so-called band of the Digital Dividend), which are in individual digital broadcasting networks allocated by the Government Order No. 161/2008 Coll., on the Technical plan of transition. The goal of these co-ordinations is preferential release of relevant part of frequency band and its utilisation for mobile applications. Considering the fact that the transition to digital television broadcasting, and therefore termination of existing analogue television broadcasting and related protection in some neighbouring countries (Poland, in particular) falls behind the time schedule in other countries, it was not possible to terminate co-ordinating negotiations of frequency proposals of the Czech Republic. Indispensable reason for postponement of negotiations concerning co-ordinations for the next period is also the fact that there are co-ordination of frequencies selected for individual transmitters exceeding the framework of the Plan GE06 and administrations of some neighbouring countries have not yet finished elaboration of analyses necessary for negotiations concerning replacements of radio channels over 60. Therefore, in 2011 co-ordinating negotiations will continue.

CHAPTER III.

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

1. Electronic Communications

1.1. Implementing Amendment to the Electronic Communications Act

The need still persists to amend the Electronic Communications Act in order to implement the transposition of the following regulations reviewing regulatory framework for networks and services of electronic communications dated from the year 2002:

- a) Directive 2009/136/EC of the European Parliament and of the Council of November 25, 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,
- b) Directive 2009/140/EC of the European Parliament and of the Council of November 25, 2009 amending Directives 2002/21/EC on a Common regulatory framework for electronic communications networks and services, Directive 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities, and Directive 2002/20/EC on the authorisation for electronic communications networks and services,
- c) Regulation (EC) No. 1211/2009 of the European Parliament and of the Council of November 25, 2009 establishing the Body of European Regulators for Electronic Communications (BEREC) and the Office.

The draft of the Act was created by the Ministry of Industry and Trade in 2010. Interdepartmental commentary proceedings were preceded by the series of thematically orientated working meetings with representatives of the State Administration and entrepreneurial public, which was in the middle of 2010 organized by the Ministry of Industry and Trade. Within these meetings the CTU presented its suggestions for implementation of relevant changes and amendments. Interdepartmental commentary proceedings concerning relevant proposal took place in Autumn 2010 and on the turn of the year the draft was submitted to the Government for further discussion. The next legislative process will therefore take place in 2011 with the proviso that the Directives mentioned above set May 25, 2011 as obligatory deadline for the transposition.

1.2 Subscriber Disputes - the need to change competency to decide disputes concerning obligations of monetary performance

In connection with the preparation of implementation amendment of the Act on Electronic Communications, several meetings were initiated by the CTU during 2010 focused at searching for different method of solution of the agenda of disputes concerning observance of obligation for monetary performance among persons performing communication activities, on the one hand, and a participant and/or user, on the other hand (§ 129 of the Act on Electronic Communications), which, at the present time, belong to the decision-making power of the CTU. The reason of this CTU's activity is primarily the fact that these disputes have predominantly civil character, have no connection to the performance of regulation nor the State control in the field of electronic communications and, according to the viewpoint of the CTU, provision of this agenda by means of the CTU is unjustified.

These negotiations were waged both with the representatives of the Ministry of Industry and Trade, which is the sponsor of legal regulations in field of electronic communications, and with representatives of the Ministry of Justice, which resolves legal regulation in the field of justice and its reforms, however, these negotiations have not brought about any unambiguous material conclusion or specifically defined solution.

The CTU's activities in this matter are also motivated by negative development of the number of submitted proposals to decide in this field which has sharply increasing trend (for example, in 2008 altogether 92,000 proposals were submitted, in 2009 approximately 100,000 proposals were submitted and in 2010 approximately 150,000 proposals were submitted). Such an extraordinary increase of new proposals to decide disputes fundamentally limits personal capacities of the CTU, which are inevitable for performance of regulation and State control and indeed, it can be expected that capabilities of the CTU to provide due performance of the relevant agenda will be in jeopardy, if necessary change is not realised within reasonable time period. Simultaneously, it is necessary to point out that this change cannot be implemented only with the help of another internal measure of organizational and personal character which is performed by the CTU on a continuous basis, but the efficiency of which has decreasing character resulting from each new increase of the number of new proposals.

According to the proposals of the CTU, it is necessary to emphasize that it is the activity which fundamentally does not pertain within the competence of regulatory authority, the competence of the CTU is in this sense quite extraordinary, as compared with other regulatory bodies in the EU and the CTU performs this activity only on the basis of a specific situation existing in the Czech Republic ensuing from the historic development. Regulatory authorities in other EU Member States are in their decision-making powers limited only to decisions of disputes concerning protection of consumer (i.e. consumer and/or participant or user of the service is initiator of a dispute, particularly as far as the dispute related to the quality of service and observance of conditions stipulated for its provision are concerned).

Existing negotiations, which the CTU initiated so far to resolve these issues, have not brought about any unambiguous material conclusion or specific proposal for solution. Respecting seriousness of the problem, the CTU therefore considers it necessary to persuade all parties concerned to accept common task under the sponsorship of the Ministry of Industry and Trade and namely to elaborate detailed analysis of the existing situation and its impacts containing the option to transfer this agenda to decision-making powers of the courts which decide these disputes in other cases. This analysis should be ready by the middle of 2011 and, according to its results, relevant amendment of the Act on Electronic Communications and amendments of relevant legal regulations should be prepared.

1.3 The need to promulgate implementing regulations to the Act on Electronic Communications

Together with amendments of regulatory framework of electronic communications goes also hand in hand the need to promulgate some new implementing regulations and to execute amendments of existing implementing legal regulations.

a) within the competency of the Ministry of Industry and Trade

The Amendment of the Decree pursuant to § 97 Para. 4 of the Act on Electronic Communications (now the Decree No. 485/2005 Coll., on the Extent of operational and localisation data, time-period of their keeping and the form and method of their transfer to bodies authorized to their use) – the legislative process (preparation of the draft) was started in connection with approval of the Act No. 247/2008 Coll., (transposition of the Directive 2006/24/EC) as early as in the first half of 2009, however, the process itself has not been finished yet.

The Amendment of the Decree No. 117/2007 Coll., on Numbering Plans of networks and services of electronic communications, as later amended, the draft of which was in 2010 prepared by the Ministry of Industry and Trade, however, the process has not been finished yet.

b) within the competency of the CTU

The Decree implementing § 113 Para. 7 of the Act on Electronic Communications on the Method of determination of the coverage by the signal of terrestrial radio broadcasting, distributed on selected frequency bands. The draft prepared by the CTU is

based on the regulation of given issues harmonized at the European level by means of international recommendations, particularly Recommendation of the International Telecommunication Union (ITU) and the Conference of European Postal and Telecommunication Administrations (CEPT). At the end of 2010 interdepartmental commentary proceedings concerning the draft of the Decree took place. Considering the fact that the relevant Decree has not been accepted before the end of 2010, the legislative process will be finished at the beginning of 2011.

2. Postal Services

On February 27, 2008 the Directive of the European Parliament and the Council 2008/6/EC was published in the EU Official Journal (L 52) dated February 20, 2008, which amends the Directive 97/67/EC. By this Directive the process of review of the Directive of the European Parliament and the Council 97/67/ES on Common Rules for the development of national market of postal services of the Community and improvement of service quality was completed. On the basis of results of this review within the Directive 2008/6/EC, new conditions for full opening of the market of postal services and thus for increase of competitive environment in given area were set.

The Directive 2008/6/EC became effective on the day of its promulgation with the proviso that the Member States were bound to put their national regulations in harmony with this Directive before December 31, 2010. The Czech Republic used the opportunity to postpone the implementation of this Directive until December 31, 2012. In 2010 the Ministry of Industry and Trade commenced with opening works on the preparation of the draft of the implementation of the Act No. 29/2000 Coll., on Postal Services and on Amendments to Other Acts (the Act on Postal Services), as later amended.

The legislative process of the preparation of this amendment will continue during 2011.

CHAPTER IV.

ORGANIZATION AND SUPPORT OF THE CTU's ACTIVITY

1. The CTU's Economic Results

The breakdown of indicators for the year 2010 of the Chapter 328 - the CTU is based on the Act No. 487/2009 Coll., on the State Budget for the year 2010 as of December 31, 2009. The CTU received them from the Ministry of Finance (hereinafter only the "MF") in the letter of the Minister of Finance No. 19/99 692/2009-193 as of December 21, 2009. The survey of fulfilment of these indicators is specified in the Annex No. 9, simultaneously the survey of mandatory indicators of the Budget for the year 2011 (the obligation determined by the Act on Electronic Communications) is given in the Annex No. 10.

1.1 The Evaluation of the Fulfilment of Indicators of Chapter 328 - the Czech Telecommunication Office

Total incomes

The total budget of incomes approved for 2010 was increased owing to one budgetary measure by CZK 248,000, from CZK 908,452,000 to CZK 908,700,000 and namely in the scope of incomes provided from the European Union for co-financing of common projects. The budget thus modified was surpassed, because the reality reached is CZK 1,183,467,030, i.e. observance of modified budget reached 130.24 %, what means overrun by CZK 274,767,030.

The tax incomes - administration fees, were accomplished in the volume of CZK 82,384,800, i.e. observance of modified budget reached 164.76 % what means overrun by CZK 32,384,800.

Substantial part of non-taxable incomes are represented by incomes incurred by the activities proper of the CTU, i.e. incomes incurred by collection of fees for the administration of radio spectrum which reached CZK 978,083,130 and incomes ensuing from the administration of numbers at the amount of CZK 109,482,610.

The category of non-taxable incomes includes the incomes from the European Union where the modified budget was observed at only 4.60 % and the volume of CZK 170,300 was reached. The CTU received the amount of:

- CZK 51,030 as the equivalent of the costs incurred pursuant to the Monitoring report for the project reg. No. CZ.1.04/4.1.00/48.00020 called "Implementation of Recommendation of the Commission of European Communities No. 2009/396/EC dated May 7, 2009 on the Regulation of rates for call termination in fixed and mobile networks in the EU in the price regulation by the Czech Telecommunication Office",
- CZK 17,900 as the equivalent of the costs incurred pursuant to the Monitoring report for the project reg. No. CZ.1.04/4.1.00/48.00025 called "The Strategy of development of information system of the CTU",

- CZK 101,370 as the equivalent of the costs incurred pursuant to the Monitoring report for the project reg. No. CZ.1.04/4.1.00/48.00030 called "Efficient management of the CTU".

Lower accomplishment of these budgetary incomes has been influenced by the deadlines stipulated for submission of monitoring reports and subsequently by approval and remittance of eligible costs.

The penalties in administrative procedures, imposed by the CTU, reached in 2010 the amount of CZK 10,311,300, i.e. the budget approved for the year 2010 was accomplished on 206.22 % what means overrun by CZK 5,311,300.

In 2010 the CTU also planned budget incomes incurred from the lease of other real estates and/or their parts (lease of a room in the CTU 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 reached the amount of CZK 67,410 what means that the budget was accomplished on 100.61%.

The incomes shown in other income items have the nature of random incomes, therefore they are not a part of the budget.

Pursuant to the Act on Electronic Communications and the Government Resolution the radiocommunication account is formed by incomes ensuing from the administration of radio spectrum. For the year 2010 the amount of CZK 62,416,990 was transferred to this account and the amount of real incomes was thus reduced by this amount in 2010.

The survey of all incomes for 2010 and incomes for 2011 is stated in the enclosed Annex No. 9 of this Report.

Total expenditures

During 2010 the CTU had to cope with the fact of purposefully bound budgetary means in the total amount of CZK 28,219,000, ensuing from two Government Resolutions:

The first bound ensued from the Government Resolution as of January 18, 2010 No. 54 at the amount of CZK 18,515,000 and the second one from the Government Resolution as of July 28, 2010 No. 552 at amount of CZK 9,704,000. Purposeful binding of budgetary means has been reflected in the following expenditure items:

- CZK 7,500,000 on § 2412, running expenditures, item 5192 – expenditures for reimbursement of the loss from the Universal Service,
- CZK 11,015,000 on § 2461, capital expenditures, item 6111 – expenditures for the purchase of measuring technology,
- CZK 9,000,000, on § 2461, capital expenditures, item 6121 – building of OMRS Karlovice,
- CZK 704,000, on § 2461, running expenditures, item 5161 – purchase of postal services.

At the same time, pursuant to the Government Resolution 552, "Claims ensuing from the expenditures spared" were reduced (savings from preceding years) at the level of 50 % of the state as per May 31, 2010, i.e. by CZK 78,080,000.

The budget approved was in the indicator Total expenditures increased in 2010 correlatively as the indicator Total incomes by CZK 248,000 altogether, in connection with approval of 4 projects co-financed by the EU.

In 2010 the CTU used the possibility to draw "claims", which are spared financial means from preceding years, for the needs not covered by the budget. In 2010 the Office used for its activities a part of these claims at the amount of CZK 62,948,250.

Simultaneously, amount of CZK 33,219,750 was spared from the 2010 budget, of which CZK 22,482,540 corresponds to savings of costs earmarked for the coverage of the loss from the provision of from the Universal Service and CZK 10,737,210 remained for remaining expenditure

The total expenditures for the year 2010 were drawn in the amount of CZK 561,873,510 i.e. utilization of expenditures from the budget adjusted at 100.26 % and its overrun by CZK 1,873,510.

The budget of total expenditures of the CTU is divided, from the point of view of branch budgetary structure, in 4 paragraphs, and namely in:

- § 2412 – Telecommunications issues,
- § 2461 – Activities of Central bodies of State administration in communications,
- § 2491 – International collaboration in communications,
- § 5273 – Remaining administration in the sphere of crisis management.

in th. CZK

Indicator/§	Approved budget 2010	Adjusted budget 2010	Obligatory bond acc.to UV 54 and 552	Reality as per 31. 12. 2010	% utilization
Total expenditures of which:	560,116	560,364	28,219	561,873.51	100.26
§ 2412	150,000	150,000	7,500	120,017.46	80.01
§ 2461	395,468	395,734	20,719	428,963.29	108.39
§ 2491	14,550	14,550		12,827.21	88.15
§ 5273	80	80		65.55	81.93

The expenditures are further broken down from the generic aspect to running and capital expenditures.

in th. CZK

Indicator	Approved budget 2010	Adjusted budget 2010	Obligatory bond acc.to UV 54 and 552	Reality as per 31. 12. 2010	% utilization
Total expenditures of which:	560,116	560,364	28,219	561,873.51	100.26
Running costs	507,496	511,805	8,204	534,057.90	104.34
Capital costs	52,620	48,559	20,015	27,815.61	57.28

Running expenditures

Running expenditures for 2010 were drawn at the amount of CZK 534,057,900 what represents 104.34 % of the budget adjusted. The whole amount of drawn "claims" at the amount of CZK 62,948,250 was spent in the area of running expenditures for the needs not covered by the budget.

§ 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 CTU pursuant to § 38, (3) of the Act on Electronic Communications. In 2010 the loss incurred to providers of the Universal Service for provision of special prices in 2009 was rated, and namely the loss of the company Telefónica O2, which was CZK 118,012,120 and Vodafone, which was CZK 2,005,340.

§ 2461 - The Activities of Central bodies of State administration in Communications

Out of this paragraph the prevailing part of CTU's expenditures is covered, concretely 70.62 % is their share on the modified budget, and/or 76.35 % corresponding to reality. Out of the total amount of these running expenditures the following were used:

- for mandatory expenditures in the area of salaries and other payments related to work done including obligatory insurance premiums payments paid by employer and more than one half for the transfer to the Cultural and Social Welfare Fund (59.10 % of the modified budget, and/or 54.46 % corresponding to reality.

the remaining part has been used for:

- the purchase of material, water, fuels and energy, purchase of services, remaining purchases, as are, for example, repairs and maintenance, programme equipment, domestic travelling expenses and catering, non-investment contributions and compensations provided – above all for the performance of the position of “custodian”, payments of taxes and fees (toll stickers) and compensation of salaries reimbursed to employees during illness.

§ 2491 - International co-operation in communications

In this paragraph the CTU brings forward particularly expenditures for foreign business trips connected with performance of sponsorship, and/or collaboration with the relevant branch Ministry for Industry and Trade which the CTU is bound to perform on the basis of the Government Resolution dated June 1, 2005 No. 676, contributions to international organisations in which the CTU represents the Czech Republic, participant's fees at international conferences, purchase of information and publications from international organizations and purchase of services and other purchases in connection with organization of international meetings in the Czech Republic.

§ 5273 – Remaining administration in the field of crisis management

In this paragraph the CTU brings forward expenditures related to activities of the unit for crisis management pursuant to the Act No. 240/2000 Coll. For the year 2010 the Office reserved total volume of expenditures at the amount of CZK 80,000 and the reality was CZK 65,550, what means utilizations at 81.93 %.

Capital expenditures

The CTU plans capital expenditures only for § 2461. The budget approved for the year 2010 equal to CZK 52,620,000 was during the year reduced by CZK 4,061,000 by means of budgetary measure and namely by transfer to running costs earmarked for the projects co-financed by the EU. In these expenditures also projected prescribed blocking was involved pursuant to Government Resolution No. 54 and 552 in the total amount of CZK 20,015,000. The capital expenditures were drawn at the amount of CZK 27,815,610, i.e. utilization of the adjusted budget at 57.28 %, savings were CZK 728,390.

The capital expenditures are drawn by the CTU from the programme registered in the Information system of programme financing at the Ministry of Finance having registration number 128010 – Development and restoration of material-technical base of the CTU.

Salaries of the CTU Employees and Other Payments for Work Done

During the year the budget of this indicator was modified by means of three budgetary measures subject to the approval of the Ministry of Finance. The approved budget for 2010 was increased in total by CZK 702,000 in connection with the approval of 4 projects co-financed by the EU. The budget thus adjusted was utilized at 99.88 %, whereas savings of the EU projects reached the amount of CZK 206,670.

The budget of salaries of the employees was also increased during the year by means of approval of 4 projects co-financed by the EU, and namely by CZK 597,000 and the budget thus adjusted has been drawn for the year 2010 at 99.91 %, where savings of the EU projects reached the amount of CZK 156,130.

The approved budget of the indicator Remaining payments for the work done was adjusted during the year because of transfers among individual expenditure items, as are, for example, the redundancy payments and salaries of representatives of State Power (The CTU's Council) and it was increased in total by CZK 105,000. The budget thus adjusted was drawn in 2010 at 99.31 %, savings were CZK 50,540 and the whole of it belongs to the expenditure item 5021 – Remaining personal expenditures.

Mandatory Insurance Payable by the Employer

This type of expenditures is drawn depending on wages really disbursed. The approved budget was also adjusted in connection with projects co-financed by the EU and was increased by CZK 223,000. The budget thus adjusted was drawn at the amount of CZK 58,447,420, i.e. at 99.91 %, where savings reached the amount of CZK 54,580.

The indicator includes expenditures for social security insurance and the contribution for the State employment policy which were drawn in 2010 at the amount of CZK 42,914,830, i.e. at 99.90 %, when savings was equal to CZK 39,170, also in the projects financed by the EU.

This indicator also includes expenditures for disbursement of public health insurance premiums where the budget adjusted was drawn at the amount of CZK 15,532,590, i.e. also at 99.90 %, where savings were reached at the amount of CZK 15,410.

Transfer to the Cultural and Social Welfare Fund

In 2010 CZK 3,293,000 was transferred to the Cultural and Social Welfare Fund, which represents budget utilisation of 99.93 %, where savings were reached at the amount of CZK 2,000. As per December 31, 2010 the balance of the Fund amounts to CZK 1,076,832.03.

The expenditures co-financed from the budget of the European Union without Common agricultural policy in total

This indicator includes capital expenditures earmarked for disbursement of costs for the project concerning the invitation No. 3 from the Integrated Operational Programme. The share of the EU budget was CZK 3,452,000 and the share of the State budget was CZK 609,000. Considering the fact that according to the notification of the Ministry of Finance it was not more possible to draw from these financial means in 2010 (the invitation was closed), the CTU asked for the transfer of these means in the running expenditures earmarked for disbursement of costs connected with implementation of the projects approved, which are co-financed from the invitation No. 48 of the Operational programme Human Resources and Employment and the from the invitation No. 7 of the Integrated Operational Programme.

In the period monitored the CTU implemented in total four projects co-financed from the EU funds. There are the following projects:

- CZ.1.04/4.1.00/48.00020 named "Implementation of Recommendation of the Commission of the European Communities No. 2009/ /396/ES dated May 7, 2009 on the Regulation of rates for call termination in fixed and mobile networks in the EU in the regulation of prices by the Czech Telecommunication Office". Within this project and until December 31, 2010 CZK 1,124,110 in total was drawn, of which CZK 168,350 is the share of State budget and CZK 955,760 is the share of the EU budget.
- CZ.1.04/4.1.00/48.00025 named "The Strategy of development of the information system of the CTU". Within this project and until December 31, 2010 CZK 1,099,280 in total was drawn, of which CZK 165,510 is the share of State budget and CZK 933,770 is the share of the EU budget.
- CZ.1.04/4.1.00/48.00030 named "Efficient management of the CTU". As per December 31, 2010 within this project CZK 414,290 was drawn in total, of which the share of State budget was CZK 62,090 and CZK 352,200 was the share of the EU budget.
- CZ.1.06/1.1.00/07.06407 named "The Electronic notification in the process of administration proceedings". As per December 31, 2010 within this project CZK 25,500 was drawn in total, of which the share of State budget was CZK 3,820 and CZK 21,680 was the share of the EU budget.

The account 16010-725001/0710 (in CZK)

Account balance as per 1. 1. 2010	43,459.09
Contributions from operators	0.0
Disbursed to the company Telefónica O2	0.0
Account balance as per 31. 12. 2010	43,459.09

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 account was also set up at the Česká národní banka (ČNB), Branch Praha with the prefix "46017".

Globally, during the period monitored, these expenditures were drawn at 61.15 %, i.e. at the amount of CZK 2,663,180, of which the share of State budget was CZK 399,780 drawing at 61.03 % and CZK 2,263,400 was the share of the EU budget, utilization at 61.17 %. Savings recorded were CZK 691,820 in total, of which the share of State budget was CZK 255,210 and CZK 1,436,600 was the share of the EU. The CTU expects that it will use these savings in 2011, because the deadlines determined for the termination of projects have been moved forwards.

The expenditures earmarked for the programmes run in ISPROFIN, and/or in the SMVS Register

In 2010 the CTU had in ISPROFIN register, and/or since 2010 in SMVS register (the Management of the property in the State's ownership), one programme registered having registration number 128010 – The Development and Reconstruction of material - technical base of the CTU, with the total volume of expenditures CZK 93,829,000 of the budget approved. During the year this volume was reduced by CZK 609,000 to CZK 93,220,000 of which amount CZK 48,559,000 fell on the capital expenditures and CZK 44,661,000 on the running expenditures. In these expenditures is included prescribed blocking of budgetary means in the total amount of CZK 20,015,000 and which was reflected in the field of capital expenditures.

1.2 Management of Non-Budgetary Funds

The account earmarked for the coverage of the loss and net expenditures incurred in connection with the provision of the Universal Service

With the exception of loss incurred in connection with the provision of the Universal Service reimbursed by the State and budgeted in the CTU's Chapter (for the service "Special prices and price plans"), the CTU, since 2005, manages the account of the Universal Service which was opened in 2002 as the account of foreign funds having extended prefix "16010" entitled Foreign funds – Universal Service with the Česká národní banka (ČNB), Branch Praha. The account was established pursuant to § 32 of the Act on Telecommunications. During 2010 the operators did not contribute to this account because of their disagreement with the amount of the contributions prescribed, and therefore the account shows unchanged balance of CZK 43,459.09.

1.2.1 Management of Non-Budgetary Funds

The account 16010-725001/0710 (in CZK)

Account balance as per 1. 1. 2010	43,459.09
Contributions from operators	0.0
Disbursed to the company Telefónica O2	0.0
Account balance as per 31. 12. 2010	43,459.09

During the year 2010 (from September to December 2010) contributions from individual operators were credited to this account in the total amount of CZK 55,199,326 these contributions were continually credited to the company Telefónica O2 in the total amount of CZK 53,609 479.

The account 46017-725001/0710 (in CZK)

Account balance as per 1. 1. 2010	0,0
Contributions from operators	55,199,326
Disbursed to the company Telefónica O2	53,609,479
Account balance as per 31. 12. 2010	1,589,847

The difference at the amount of CZK 1,589,847 represents contributions from three companies, which were credited on December 27 and 28, 2010 and for these reasons could not be transferred to the company Telefónica O2 before the end of 2010. The transfer was realised at the beginning of January 2011. Therefore, as per December 31, 2010 the account shows the balance of CZK 1,589,847.

Radiocommunication Account

The obligation of the CTU to open the Radiocommunication Account is stipulated in the Electronic Communications Act.

The generation of funds for the Radiocommunication Account has been determined by the Government Resolution No. 153/2005 Coll., on specifying the manner and level of generation of funds for the Radiocommunication Account and the method it is drawn upon, at the level of 6 % of the collected fees for the use of radio frequencies.

The funds are utilized for the disbursement of efficiently and purposefully expended costs incurred to the holders of individual authorisations for the use of radio frequencies, and/or, to operators of the network of electronic communications, in cases strictly stipulated by the Law.

The Statement of the Radiocommunication Account (in CZK)

The Statement as per 1. 1. 2010	172,421,069.82
Creation of the year 2010	62,416,993
Utilization of the year 2010	1,375,200
The Statement as per 31. 12. 2010	233,462,862.82

Account for the Development of Terrestrial Digital Television Broadcasting

Since the year 2008 the CTU has the account opened for the so-called development of terrestrial digital television broadcasting pursuant to the Act No. 304/2007 Coll., amending some Acts in connection with the termination of the transition of terrestrial analogue broadcasting to terrestrial digital television broadcasting, which the CTU manages. To this account the Česká televize transfers the funds obtained from proceeds ensuing from advertisements at the amount of CZK 1,250,000 monthly, and namely always not later than before the end of the following calendar month for the preceding calendar month.

The CTU uses the funds deposited on this account exclusively for support and development of terrestrial digital television broadcasting in the Czech Republic, particularly for the development of networks of electronic communications for terrestrial digital television broadcasting. The account was opened with the Česká národní banka (ČNB), Branch Praha, as the account of foreign funds having extended prefix "36011".

During the period monitored the Česká televize transferred to this account 12x the amount of CZK 1,250,000 i.e. during this period lasting from 12/2009 to 11/2010 in the total amount of CZK 15,000,000.

During 2010 the CTU used the funds of the account for the settlement of the following expenditures:

- CZK 240,000 for the elaboration of background papers necessary for preparation of and participation in the Third round of discussions concerning the Digital Dividend and the Strategy of Spectrum Management,
- CZK 360,000 for the elaboration of background papers for the World Radiocommunication Conference WRC-12 for negotiations of the Czech delegation on meetings of working groups of ITU and CEPT and their update, analysis of the new edition of the Plan of allocation of frequency bands (the National Table of Frequency Allocation),
- CZK 4,275,760 for comprehensive provision of the Third workshop on the digitalization, update of procedures of digitalization, works connected with enlargement of web-presentation of data digitalization and update, for collection of the data earmarked for digitalization, I. and II. stage,
- CZK 8,441,860 for comprehensive technical support of the CTU in providing digitalization of television and radio broadcasting,
- CZK 282,240 for consultancy activities,
- CZK 480,000 for the elaboration of the project co-financed by the EU.

As per December 31, 2010 the account shows the balance of CZK 2,150,135.95.

The survey of generation and utilization of the account's funds is given in the following table:

(in CZK)	
Account's balance as per 1. 1. 2010	1,429,993.25
generation in the year 2010	15,000,000
utilization in the year 2010	14,279,857.30
Account's balance as per 31. 12. 2010	2,150,135.95

Current Bank Account for Payment Cards

Since 2002 the CTU has had (after the prior agreement of the Ministry of Finance) a current account at ČSOB a.s., Branch Praha 9, 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, 2010 this account showed a balance of CZK 1,102.1.

As per December 31, 2010 interest was accrued to this account totalling CZK 269.75 and interest at the amount of 300.08 CZK was transferred to the Ministry of Finance of the Czech Republic.

The balance on December 31, 2010 was CZK 1,595.23.

The CTU's account for the VISA card is given in the following table:

(in CZK)

Account's balance as per 1.1.2010	1,102.1
Transfer from the charge account	+ 300,000
Interest entered on the account from January to December 2010	+ 269.75
Interest paid to the MF from January to December 2010	– 300.08
Fee charged for the Visa card from January to December 2010	– 3,420
Banking fees from January to December 2010	– 5,315
Charges paid 1–10/2010	– 7,152
Settlements for accomodation from January to December 2010	– 559,425.87
Transferred from expenditures 2010	535,836.33
Transfer to ČNB	– 260,000
Final balance as per 31.12.2010	1,595.23

1.3 Results of External Inspections in 2010

Všeobecná zdravotní pojišťovna (General Health care Insurance company)

The employees of the Insurance company VZP ČR, The Regional branch for the Capital of Prague, performed inspection of payments of insurance premium for the general health care and observance of remaining obligations of the payer of insurance premium – the CTU. They controlled the period from June 27, 2007 to January 20, 2010. As it is evident from the Part III. of the Report on results of inspection No. KZ3-201, on the date of inspection no due liabilities were discovered towards the VZP ČR, nor other registration faults.

The Labour Office of the Capital of Prague

The employees of the Labour Office of the Capital of Prague, Branch Praha 9 performed inspection of observance of labour-law regulations on the basis of provisions of § 8 Para. 1 letter 1), § 126 Para. 1 and § 129 of the first sentence of the Act No. 435/2004 Coll., on Employment, as later amended. The subject of the inspection was the observance of § 82 Para. 2 – transfer to the national budget, § 83 – notification duty of observance concerning OZP, § 81 Para. 1 – performance duty of the obligatory share of the OZP, the period controlled 2009. As it is evident from the Protocol on results of inspection, Record No. 549-10-AB, ref. 1149/10/AB, no provisions of the Act No. 435/2004 Coll., on the Employment, as later amended, were breached by the CTU, as far as observance of obligatory share of handicapped persons on the total amount of employees is concerned.

The Ministry of Finance

The employees of the Ministry of Finance – The Rights in Property Department 22 – performed in the CTU the inspection of observance of selected provisions of the Act No. 219/2000 Coll., on the Property of the Czech Republic and its representation in legal relations, as later amended, in managing the national property and coherent selected

provisions of the Decree of the Ministry of Finance No. 62/2001 Coll., on the Property Management of the OSS and State organizations. They controlled the period from January 1, 2006 to December 31, 2009. It is evident from the Inspection Record No. 22/40, ref. 961/2010-223, no serious irregularities were detected during this statutory inspection, only more detailed recommendation, specifying the contents of purchase contracts were given, in connection with the sale of the property to second-hand shops.

The Tax Office for Prague 9

The Tax Office for Prague 9 performed random inspection of the natural person income tax, originating from dependent employment and function benefits and the deductible tax pursuant to the special rate of the natural person income tax. The inspection was executed for the period of the years 2007–2009 and stated that the CTU determined correctly the tax obligation of its employees in the period under control and that it settled downpayment of the tax withheld on time in all months of the period monitored.

2. Human Resources

Through the letter from the Ministry of Finance of the Czech Republic, ref. No. 19/99 692/2009-193 of December 21, 2009, "Binding volumes of funds for salaries and the payments for work done (limits of funds for salaries) and the numbers of employees for 2010" of budget head 328 – the CTU, were stipulated as follows:

The limit of funds for salaries and other payments for work done	CZK 171,410,000
of which:	
- funds for salaries	CZK 164,153,000
- other payments	
for work done	CZK 7,257,000
Limit on the number of employees:	444 persons

In harmony with the Government Resolution No. 715 dated June 8, 2009, on the medium-term expenditure frameworks of the Government for the years 2010 to 2012, the reduction of the number of functional positions was included in the budget for the year 2010 by 3 positions

(i.e. from 447 functional positions to 444 functional positions of the CTU).

During 2010 fifty employees began to work at the CTU, 7 employees went on maternal leave, 54 employees terminated their employment (of which 13 employees

terminated their employment because they retired).

The recalculated number of employees as per December 31, 2010 was 443. The number of employees registered as per December 31, 2010 was 441. 32 employees received pensions as per December 31, 2010.

Number of Employees (comparison with 2008 a 2009)			
Indicator / period	2008	2009	2010
Systemised number of employees	460	447	444
Average recalculated number of employees	453	447	443
Number of newly hired employees	60	48	50
Number of employment terminations	69	50	54
Number of employees in post-productive age as of December 31.	62	63	57

Through the Measures of the Chairman of the CTUO Council during 2010, several Organizational measures were made in the structure of departments of the Section of regulation aimed at the increase of efficiency of performance of activities. In connection with the CTU's participation on the projects co-financed from the European Union, independent Department of project management was established.

Employee Education

Employee education was carried out according to the CTU's Employee Education Plan for 2010 pursuant to Act No. 262/2006 Coll., the Labour Code, as later amended, the Rules Laying Down the Method of Professional Preparation of Employees in Administration Bodies (approved by the Government Resolution No. 1542 of November 30, 2005) and the CTU's Binding Instruction No. 15/2006, which specifies the improvement and increase of qualifications of CTU's employees.

The education of employees was focused primarily on electronic communications, information technologies, law, foreign languages, and strengthening of managerial skills.

Newly hired CTU employees went through an entry educational programme during which they were provided with basic information on public administration, relevant regulations and were introduced to the basic skills necessary for performance of activities in the State administration activities.

Within the framework of collaboration with the Faculty of Electrical Engineering of the Czech Technical University in Prague and the Faculty of Electrical Engineering and Communication Technologies at the Brno University of Technology selected employees took courses focused on technologies.

The language education was provided for the employees in the form of group and individual educational courses of English, French or German languages.

The Number of Graduates of Various Educational Events (in comparison to 2008 and 2009)			
Orientation	2008	2009	2010
Language courses	146	130	128
Education in European Union Affairs	57	73	32
Courses oriented on Information Technology	84	333	102
Other educational Events	931	998	681
Costs for Education (in CZK)	3,877	4,275	2,700

Overview of the employment regulation limits and Overview of the basic personnel data for 2010 are presented in Annexes Nos. 11 and 12 of this Annual Report.

3. Informatics

In 2010 the project "The Strategy of development of information system of the CTU", which is the part of the Operational Programme Human Resources and Employment, started under the number of the invitation 48 – Efficient administrative office. The aim of the project is to analyze the current situation of the informatics of the Office, to determine its strong and weak sides, and, in particular, to determine the strategy of development of all partial components of the system in order to support optimum aims and tasks of the Office. Simultaneously, the project meets requirements of the Act No. 365/2000 Coll., on Information systems of public administration, concerning the elaboration of long-term information concept.

The project was approved on February 22, 2010 and its termination is envisaged for the end of February 2011.

Within the framework of the Integrated Operational Programme, in the priority hub of the Modernization of public administration and within the framework of the invitation 07 – Electronics of services of public administration, the draft project was submitted in February 2010 called "The Electronic petitions in the process of administrative proceedings". The target of the project is the creation and implementation of processes and coherent programme equipment earmarked for provision of electronic submission of incentives to commence administrative proceedings.

In 2010 works continued on the development of the Modular Administration System (hereinafter the "MOSS"), which is one of key operational systems of the Office. Among priorities belong also enlargement of functionality of the module for registration of subjects and deepening of integration with the system for market monitoring (ESD) and for automated monitoring of frequency spectrum (ASMKS).

The Project of “the Solution of data storage and application of Business Intelligence for the needs of the CTU” (BIDWH), was completed in March 2010. Its target was to create the management superstructure over the source system MOSS and the system Spectra+ (the Radio Spectrum Management system). The application BIDWH is now in routine operation and its data are updated from source systems on a daily basis.

4. Internal Audit

Pursuant to the Plan endorsed by the Chairman of the CTU Council a total of 5 regular audits and 3 follow-up audits were carried out in 2010.

The following audits were involved:

- a) The Audit of public tenders in 2009,
- b) the Audit of the system of follow-up education,
- c) the Audit of the utilization of company mobile telephones,
- d) the Audit of cashier's service,
- e) the Audit of the system of the utilization of radio frequencies,
- f) the Follow-up audit of fulfilment of measures ensuing from the audit of the GINIS system,
- g) the Follow-up audit of fulfilment of measures ensuing from audit of utilization of credit cards during business trips,
- h) the Follow-up audit of fulfilment of measures ensuing from audit of utilization of technical devices for ASMKS.

In implementing all audits the emphasis was given on control and observance of legislative and internal standards and the existence of conscious process of risk management in the CTU was verified and effectiveness of managing and

control mechanisms of processes audited. All audits were executed within the stipulated deadlines and, besides recommendations ensuing from the Audit of public tenders, all further recommendations were accepted in the form of Note of approval as the task of the meeting of the Chairman of the CTU 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 2009 and the report on the results of inspections by management for 2009. In November 2010 the plan for the independent internal audit department for 2011 was approved together with the Mid-term plan for the years 2011–2013. Also in 2010 a report from the internal evaluation of the quality of the internal audit at CTU was prepared by the Head of the Independent Internal Audit department and presented for information to the Chairman of the CTU Council.

In 2010 no virtual or real violation of independence or fair-mindedness of internal auditors of the CTU occurred in performance of their activities.

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 2010, the Annual Report also contains legally stipulated information on the method of financing the Universal Service in 2010.

A. Partial services of the Universal Service

A.1 Services provided in 2010 within the Framework of the Universal Service

Public Pay Telephone Services

The CTU, by its decision from March 2006, imposed the obligation to provide Public Pay Telephone services (Section 38, (2), (e) of the Electronic Communications Act) on the provider of this partial service, the company Telefónica O2.

On the basis of the review of conditions of provision of this partial service, which confirmed persistently decreasing interest in utilisation of public pay telephones, starting from January 1, 2010 the reduction of the number of public pay telephones operated within the Universal Service took place, and the list of particular PPT was determined.

In August 2010 the administrative proceedings commenced, in which, starting from January 1, 2011, public pay telephones, operated by the company Telefónica O2 within the Universal Service, were newly determined.

Access for disabled persons to the publicly available telephone service

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

The obligation to provide this partial service has been imposed on the company Telefónica O2 for the period of three years starting from July 14, 2009 and ending on July 14, 2012.

Special prices or price plans

This service (pursuant to § 38 Para. 3 of the Electronic Communications Act) provides for people with special social needs – for disabled persons – price availability of electronic communications services.

The obligation to provide this service has been imposed on the company Telefónica O2 and the

company Vodafone in July 2008 for the period of three years until July 1, 2011.

A.2 Other Partial Services

In 2010 the CTU performed the review pursuant to § 39 Para. 3 of the Electronic Communications Act in order to verify if reasons for the provision of other partial services from the set of the Universal Service still exist. The subject of the verification of availability on the market were the following partial services:

- connection at a fixed point to the public telephone network pursuant to Section 38, (2), (a) of the Electronic Communications Act,
- access at a fixed point to the publicly available telephone service pursuant to Section 38, (2), (b) of the Electronic Communications Act,
- regular issuance of telephone directories of numbers of subscribers of publicly available telephone service and end-users' access to those directories (Section 38, (2), (c) of the Electronic Communications Act),
- information service about the telephone numbers of subscribers of publicly available telephone service available to end-users (Section 38, (2), (d) of the Electronic Communications Act),
- complementary services to the services of connection in fixed location to publicly available telephone network and access in fixed location to publicly available telephone service (Section 38, (2), (g) of the Electronic Communications Act).

The CTU, on the basis of results of the monitoring performed, came to the conclusion that in connection with the level of competition reached, no reason was found to impose the obligation to provide the given services which are available on the market under conditions comparable with those required in the mode of obligatory provision of the Universal Service.

B. The Financing of the Universal Service

In 2010 the financing of the Universal Service account was provided in parallel through two legal and two financial regimes, and namely:

- for financing of the Universal Service for the years 2001, 2002, 2003, 2004, 2005 and part of 2006 the procedure adopted was pursuant to the Act No. 151/2000 Coll., on Telecommunications, as later amended, (hereinafter the "Telecommunications Act"),
- for financing of the Universal Service for the years 2006, 2007, 2008 and 2009, when the obligation was imposed pursuant to the Electronic Communications Act.

B.1 Pursuant to Act No. 151/200 Coll., on Telecommunications

During 2010 the CTU administered the Universal Service account, which was set up in 2002 and which 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 pursuant to Act on Telecommunications.

On the basis of decision of the Supreme Administrative Court on the cancellation of previous decisions concerning verification of demonstrable loss and determination of the amount of payments to the account of Universal Service for the provision of the Universal Service, the CTU held during 2010 retrial proceedings regarding the demonstrable losses ensuing from the provision of the Universal Service for the period from 2001 to 2005.

Following is the situation in individual proceedings up to December 31, 2010.

Losses for 2001

The CTU issued the new decision on the verification of the losses for 2001 on November 30, 2010. The loss for 2001 was verified at CZK 195,042,676. The decision is not a final judgement because the companies Telefónica O2, T-Mobile and Vodafone filed administrative appeals against the decision with the proviso that the new decision will be taken in 2011.

After the decision on the verification of the amount of losses becomes effective, only one common administrative proceeding will be conducted for all payers to the account of the Universal Service concerning determination of the amount of their contributions to the account of the Universal Service.

Losses for 2002

The amount of losses for 2002 was verified by the new decision of the Office on December 30, 2010. The loss for 2002 was verified at CZK 257,494,476. The decision is not a final judgement because the companies Telefónica O2, T-Mobile and Vodafone filed administrative appeals against the decision with the proviso that the new decision will be taken in 2011.

After the decision on the verification of the amount of losses becomes effective, only one common administrative proceeding will be conducted for all payers to the account of the Universal Service concerning determination of the amount of their contributions to the account of the Universal Service.

Losses for 2003

The CTU issued the new decision on the verification of the losses for 2003 on December 30, 2010. The loss was verified at the amount of CZK 290,510,226. The decision is not a final judgement because the companies Telefónica O2, T-Mobile and Vodafone filed administrative appeals against the decision with the proviso that the new decision will be taken in 2011.

After the decision on the verification of the amount of losses becomes effective, only one common administrative proceeding will be conducted for all payers to the account of the Universal Service concerning determination of the

amount of their contributions to the account of the Universal Service.

Losses for 2004

The CTU issued the new decision on the verification of the losses for 2004 on September 27, 2010. The loss was verified at the amount of CZK 302,622,498. The decision is not a final judgement because the companies Telefónica O2, T-Mobile and Vodafone filed administrative appeals against the decision with the proviso that the new decision will be taken in 2011.

After the decision on the verification of the amount of losses becomes effective, only one common administrative proceeding will be conducted for all payers to the account of the Universal Service concerning determination of the amount of their contributions to the account of the Universal Service.

Losses for 2005

The CTU could not commence the new proceedings on the verification of the losses for 2005 during the year 2010, because the decision concerning verification of the losses (promulgated in 2007) was not cancelled until by the judgement of the Municipal Court in Prague ref. No. 7 A 182/2010-205-208 dated January 7, 2011, by which the case was turned back to the Office to decide.

The CTU will continue in proceedings on the verification of the losses of the Universal Service for 2005 in 2011.

Losses for 2006

The CTU issued the new decision on the verification of the losses for 2006 on November 1, 2010. The loss for 2006 was verified at the amount of CZK 280,274,507. The companies Telefónica O2, T-Mobile and Vodafone filed administrative appeals. By the decision of the CTU's Council, acting in the position of the Administrative body of the 2nd Degree, dated February 2, 2011, the decision contested was confirmed.

The Universal Service Account pursuant to the Telecommunications Act - balance on the account as per December 31, 2010 (in CZK)	
Balance on the Universal Service account as of 1/1/2010	43,459.09 ¹⁾
Account income – total contributions paid	0.0
Account expenses - contributions transferred to the Universal Service by providers	0.0
Balance on the Universal Service account as of 31/12/2010	43,459.09 ¹⁾

¹⁾ The balance on the account is due to an excess payment by Zephyr Communications, spol. s r. o. at the amount of CZK 43,459.09.

B.2 Pursuant to the Electronic Communications Act

During 2010 the CTU administered the account of the Universal Service, which was established in 2008 pursuant to § 49 of the Act on Electronic Communications and from which net costs, incurred by provision of the Universal Service to the provider the Universal Service pursuant to the Act on Electronic Communications, are covered.

Net Costs for 2006

By the new decision of the Chairman of the CTU's Council, dated July 23, 2010, net costs of providing the Universal Service for the year 2006 at the amount of CZK 73,875,953 were determined. The companies Telefónica O2, T-Mobile and Vodafone filed administrative appeals. By the decision of the CTU's Council, acting in the position of the Administrative body of the 2nd Degree, dated November 1, 2010, the decision contested was confirmed.

All contributions to the account of the Universal Service and payments received were transferred from the account to the company Telefónica O2, which provided the Universal Service in the determined extent in 2006.

Net Costs for 2007

On April 9, 2010 the Chairman of the CTU's Council promulgated the new decision concerning verification of the amount of net costs for the year 2007. The companies T-Mobile and Vodafone filed administrative appeals. By the decision of the CTU's Council, acting in the position of the Administrative body of the 2nd Degree, dated August 3, 2010, the decision contested was confirmed.

The contributions, collected by the CTU to the account of the Universal Service before the end of 2010, were transferred to the company Telefónica O2 in the total amount of CZK 53,609,479.

Net Costs for 2008

On October 29, 2010 the CTU in its decision stipulated that net costs at the amount of CZK 100,992,529 represent an unbearable burden for the provider of the Universal Service. The companies T-Mobile and Vodafone filed administrative appeals against this decision. By the decision of the CTU's Council, acting in the position of the Administrative body of the 2nd Degree, dated February 2, 2010, the decision contested was confirmed.

On December 15, 2010 the CTU's Council promulgated the Measure of General Nature No. OOP/18/12.2010-17 stipulating percentage shares of earnings for the provision of services specified in § 49, (5) of the Act for the year 2008. The Measure was published in the Telecommunication Journal No. 23 on December 29, 2010. 115 companies will contribute to the account of the Universal Service. The Measure of General Nature has become effective on January 13, 2011.

Net Costs for 2009

During 2010 no decision was taken in the case of verification of the amount of net costs for the year 2009. Provider of the Universal Service, the company Telefónica O2 submitted settlement of net costs for the provision of the Universal Service in the total amount of CZK 89,435,212.23.

In the case of verification of the amount of net costs the Office commenced the Administrative proceedings and, at the present time, it collects necessary documentary evidence and performs inspection of accounting documents submitted, which are necessary for the calculation of the intangible advantages and insupportable burden. The decision concerning determination of net costs for 2009 will be issued in 2011.

The Universal Service account – the balance of funds on the account in 2010 (in CZK)				
	Request for Payment of Net Costs Submitted by the Provider	Verified amount of Net Costs Verified by the Office	Payments Made to the Account of the US	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	105,478,583	55,199,326	The amount of the contribution of the company TO2 has been set at 48,826,258
Net Costs for 2008	114,934,483	100,992 529	-	In 2010 the decision did not become effective
Net Costs for 2009	89,435,212	-	-	In 2010 the decision was not promulgated

B.3 The Loss from the Provision of the Universal Service “Special Prices”

A partial service “Special Prices” pursuant to § 38, (3) of the Act was the only one service reimbursed from the State Budget in 2010. In case of this service the CTU verifies amount of loss shown by determined entrepreneurs and subsequently it provides for the reimbursement from the State Budget.

Hereafter the procedure of the CTU in providing the reimbursement of loss from the provision of this service for 2010 is documented. The reimbursement of the loss incurred from the provision of this service during the years 2007 and 2008 was settled before 2010.

Losses incurred from the provision of special prices in 2009

On July 30, 2010 the company Telefónica O2 submitted a request for the payment of the loss for the provision of special prices in 2009 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated at CZK 118,662,401 of which CZK 2,757,304 for the mobile network.

On July 29, 2010 the company Vodafone submitted a request for the payment of the loss for the provision of special prices in 2009 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 2,006,851.

After the completion of the verification process and on the basis of newly submitted data, the CTU issued to both 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 the company Telefónica O2 was CZK 118,012,117 the loss of the company Vodafone was CZK 2,005,341.

Verified losses were reimbursed to these providers from the State Budget in December 2010.

Summary table (in CZK)

	Submitted loss	Recognized loss
TO2 in total	118,662,401	118,012,117
of which:		
fixed network	115,905,097	115,261,717
mobile network	2,757,304	2,750,400
Vodafone	2,006,851	2,005,341
In total	120,669,252	120,017,458

2. Report on the Management of the Radiocommunication Account Funds (pursuant to Section 27, (4) of the Electronic Communications Act)

The CTU established and administers the Radiocommunication Account on the basis of competency pursuant to Section 27 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.

This account is determined 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.

Starting with July 1, 2010, pursuant to interim provisions of the Act No. 153/2010 Coll., which amends the Act on Electronic Communications, the Radiocommunication Account can be used for the payment of effectively and purposefully invested costs incurred by the holders of authorisations to use radio frequencies, and/or operators of network of electronic communications, for the provision of primary signal earmarked for coherent radio broadcasting facilities with small extent, provided that the loss of primary signal occurred in connection with implementation of the Government Order on the Plan of Technical Transition, and further for the provision of corresponding technical network's segmentation for the purposes of the implementation of regional broadcasting.

Legitimacy of purposefully and effectively invested funds claimed in the individual requests for reimbursement from the Radiocommunication Account is in all cases evaluated by the commission of experts established for this purpose from among the employees of the CTU.

2.1 Creation

The Radiocommunication Account's revenue is based on fees for the use of frequencies in amounts specified by Government Order 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. The six percent of collected fees for the use of radio frequencies are transferred to the Radiocommunication Account. On the basis of the Amendment of Act on Electronic Communications - the Act No. 153/2010 Coll., the CTU, for the period of operation lasting from July 1, 2010 until December 31, 2012, will transfer to this account the funds increased by 6% from the total revenues from fees collected for use of radio frequencies. The funds are transferred to the account on quarterly basis (always after a quarter elapses).

During the period monitored the amount of CZK 62,416,993 was transferred to the account, of which the amount of CZK 60,273,431 falls on the creation for the first quarter of 2010, for the second quarter of 2010 the conditions for the creation of the account were not met (no increase of incomes), for the third quarter of 2010 the creation was CZK 1,890,746 and for the fourth quarter of 2010 (creation from October 1, 2010 until December 10, 2010) it was CZK 252,816.

2.2 Drawings

During the period monitored (in December 2010) only one invoice was reimbursed from the account from the company CRC Data, spol. s r.o. in the total amount of CZK 1,375,200 as mentioned hereabove.

The overview of the balance on the Radiocommunication Account (in CZK)

Balance as per 1. 1. 2010	172,421,069.82
Creation for the year 2010	62,416,993
Drawings for the year 2010	1,375,200
Balance as per 31. 12. 2010	233,462,862.82

3. Annual Report of the CTU on the Provision of Information pursuant to Act No. 106/1999 Coll., on Free access to information, as amended

The Czech Telecommunication Office (hereinafter the "CTU") hereby publishes this Annual Report on the Provision of Information in 2010, 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 certain related Acts (the Electronic Communications Act), as amended (effective as of May 1, 2005), the CTU 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 the supervision on compliance with legal regulations in electronic communications and postal services as a public administration body.

The basic information about the CTU's organizational structure and its activities are available for the general public both on the CTU's website (www.ctu.cz), which includes an electronic information board, and on the information board located on the bulletin board in the CTU's entrance hall, and is also published in the promotional material issued by the CTU. 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).

a) The Number of Requests for Information

In 2010, 12 written (or electronically submitted) requests for information were submitted and registered at the CTU, primarily concerning electronic communications field and, within its scope to a certain extent, the field of radiocommunications, regulation of postal services and personal issues and property management.

The contents of the group of questions concerning the field of electronic communications was the provision of information regarding:

- international comparison of prices of mobile services, and/or, whether those services were included in relevant comparison of prices of services of mobile virtual operators, and/or demands asking for the statement of reasons why the prices of subjects mentioned were not included,
- conditions for termination of contractual relation in connection with the petition demanding number portability to another provider of publicly accessible services of electronic communications,
- the type of interconnection (direct, indirect) used by important providers of services of electronic communications predominantly in practical operation for mutual interconnection of their networks of electronic communications.

One interpellation came from the field of radiocommunications and asked for information concerning radio frequencies allocated according to appropriations promulgated and individual authorisations allocated, including names of their operators.

As far as the field of regulation of postal services is concerned, the Office administered petition regarding inquiry concerning regulation of prices of postal services performed by the Office pursuant to provisions of § 2b Para. 2 of the Act No. 265/1991 Coll., on Competencies of Bodies of the Czech Republic in the field of prices, as later amended, and petition demanding information regarding the decision of the Office by which consent was given to the change of postal conditions, the Report on performance of obligations of the Česká pošta, s. p. in the sphere of basic services for the year 2009 and templates of individual kinds of envelopes with the help of which a petitioner, demanding the change of postal conditions, had to complete relevant petition.

In personal field the Office provided relevant information in connection with the management of the Register of announcements pursuant to the Act No. 159/2006 Coll., on the Conflict of Interests within the period from January 1, 2007 to December 31, 2009, and information concerning organisation of language education by the Office.

In the sphere of property management the Office provided information concerning methodology of waste separation, the number of vehicles used by the Office as per December 31, 2009, including utilisation of motor vehicle on the basis of relevant leasing contract and the number of insurance events within the period from January 1, 2007 to December 31, 2009, information on the volume of orders with small extent realised in the Office within the period from 2007 to 2009, area of floor space leased to the Office (non-housing space in České Budějovice – the Seat of the Department for South Bohemia) and the number of active PCs used in the Department mentioned.

b) The Number of Decisions to Not Provide Information

In 2010 one decision was made to not provide information (with regard to the provisions of Section 8, (a) of Act No. 106/1999 Coll.), and within the settlement of one petition information was not provided in relevant part with regard to business secret (petition required information regarding names of operators in relation to radio frequencies operated and individual authorisations promulgated).

c) The Number of Appeals Filed Against Decisions

No appeal was filed against a decision to not provide information required in 2010.

d) Copies of Substantial Parts of Court Rulings (Section 16, (4) of the Act No. 106/1999 Coll.)

The courts did not make any decisions in any case relating to the rejection of requests for information in 2010.

e) The Number of Complaints Submitted Pursuant to Section 16, (a) of the Act No. 106/1999 Coll., the reasons for their submission and a brief description of the settlement method.

In 2010 the CTU did not address any complaint in connection with an alleged breach of legally stipulated procedures in dealing with a request for information.

f) The List of Exclusive Licenses Provided, including the justification for the necessity of providing an exclusive license (Section 14, (a) of the Act No. 106/1999 Coll.)

The CTU did not provide any exclusive licenses in 2010.

g) Other Information Relating to the Application of the Act

In 2010, the CTU 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 2010 records were resolved in compliance with the Act and with the CTU's internal Directives. The CTU 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.

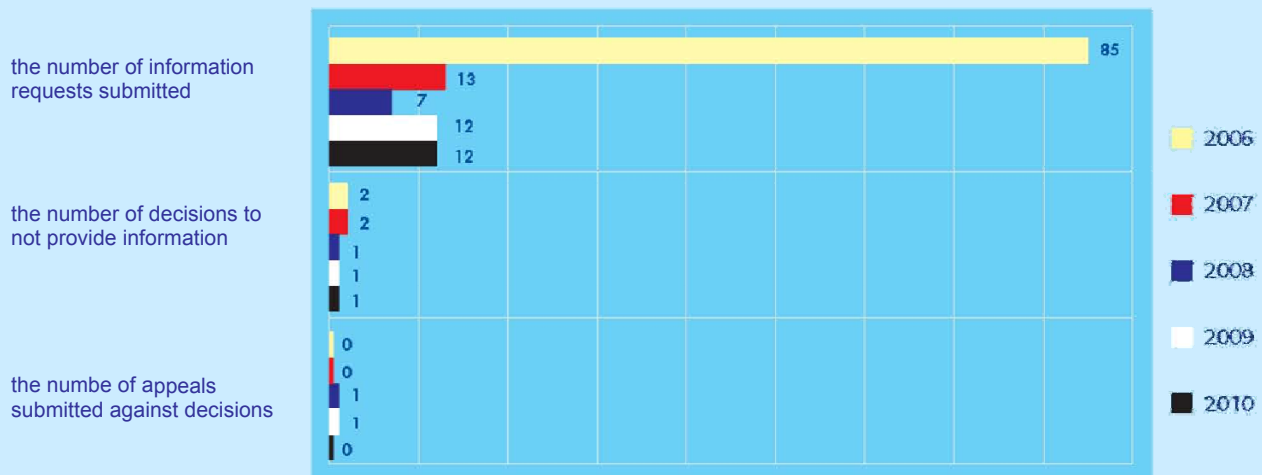
In harmony with the Law the information provided can be found on the Internet pages of the Office.

An overview of the resolved written requests for information for 2010 in comparison with the previous periods starting with 2006 is given in the table and in the following graph:

Provision of information pursuant to the Act No. 106/1999 Coll., on Free access to information, as later amended, for the year 2010

	2006	2007	2008	2009	2010
1. Number of requests for provision of information	85	13	7	12	12
2. Number of decisions refusing request	2	2	1	1	1
3. Number of appeals filed against the decision	0	0	1	1	0

Provision of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information, as amended, in 2010



PhDr. Pavel Dvořák, CSc.
Chairman of the Council
Czech Telecommunication Office

Note.:

This Report has been published on January 21, 2011 by means of a method permitting long-distance access, i.e. on the Internet pages of the Office (www.ctu.cu).

4. Complaints against the CTU's activities

In 2010 the CTU settled a total of 9 submissions that were judged, with regard to their character and content, as complaints in accordance with the provisions of Section 175 of the Act No. 500/2004 Coll., the Administrative Procedure Code, as amended.

The contents of the complaints were criticisms of the CTU's activities or CTU employees' working procedures in the sense of whether they had not breached the Act No. 127/2005 Coll., on Electronic communications and on amendments to certain related Acts (the Electronic Communications Act), as later amended, and/or the Act No. 500/2004 Coll., the Administrative Procedure Order, as later amended, or indicated a significant breach of these regulations. An overview (list) of the submissions made to the CTU in 2010 is given in Annex No. 13 to this Annual Report.

The investigations of individual cases found that seven of the aforementioned complaints were unjustified and in two cases the complaints were regarded as justified.

The complaints settled as unjustified referred to allegedly incorrect procedures or unsuitable behaviour by CTU employees, which was not demonstrated, however, during the investigations. One complaint was applied against inactivity of the CTU and protraction in administrative proceedings (non-observance of deadline for promulgation of administrative decision), however, eligibility of this complaint was not confirmed. No remedies had to be taken for complaints that were judged to be unjustified.

The contents of one of justified complaints was violation of the Administrative Order by the CTU, in the position of Administrative body, in connection with handling the administrative procedure. Taking into consideration the fact that a fault in administrative procedure did not lead to a more significant violation of the Administrative Order nor the Act on Electronic communications, written reprimand was imposed on responsible employee in the letter of the Director of Department so that similar misconduct does not happen again.

The subject of the second justified complaint was criticism of incorrect procedure of the CTU in connection with investigation of relevant complaint focused at the Česká pošta, s.p. In this case pertinent measures were taken towards relevant employee emphasizing consistent observance of legitimate procedures in dealing with case in administrative proceedings.

In connection with compliance with procedures when handling complaints in accordance with part seven of the Administrative Procedure Code, the CTU 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 thorough performance of regular analyses of settled complaints connected with

the CTU'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 CTU.

Apart from the handling of the aforementioned complaints, no anonymous submission was delivered to the CTU in 2010.

The CTU did not have to address any instigation, nor did it receive any petition suggesting how to resolve any specific situation.

The CTU also maintains records regarding all notified or delivered submissions in matters of suspicion of corruption or fraud involving CTU 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 CTU for the preceding calendar year).

In this regard we can announce that in 2010 the CTU 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 CTU employees.

As far as the receipt of messages at the e-mail address (korupce@ctu.cz), set up on July 10, 2007 is concerned, a very special regime is in force at the CTU from the point of view of its continuous monitoring and responsible evaluation. The anti-corruption e-mail address serves as a potential source of information on the possible corrupt behaviour of CTU employees. The CTU 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 2010 no submission relating to the suspicion of perpetrating an activity of a corruption character by CTU employees was delivered at the relevant e-mail address

It is necessary to note 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 CTU 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 CTU 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) which was officially launched in September, 2007, does not provide the authority in question with feedback, the continued existence of the CTU anti-corruption e-mail address remains justified.

The Annex No. 13 of this Report brings forward the List of Complaints pursuant to § 175 of the Act No. 500/2004 Coll.

Annexes

to the Annual Report of the Czech
Telecommunication Office for 2010

OVERVIEW OF SUBSCRIBER DISPUTES FOR 2010

Type of activity		Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued ²⁾	Decisions in favour of		Other ³⁾	Number of administrative proceedings left to the next period
					The subscriber	The provider		
1.	Decision-making on subscriber disputes	34,602	143,053	97,266	4,598	87,614	5,054	80,389
	a) on objections against the settlement of a complaint against a service provided	14	55	64	13	22	28	5
	b) on objections against the settlement of a complaint about prices charged for the service	51	266	264	55	87	122	53
	ba) of access to premium-rate services (data and voice)	1	4	5	0	2	3	0
	baa) of access to premium rate data services provided on the internet or on other data networks (Dialer).	1	0	1	0	1	0	0
	c) on the payment of price for the service (financial performance)	34,533	142,612	96,834	4,508	87,475	4,851	80,311
	d) other	4	120	104	22	30	52	20

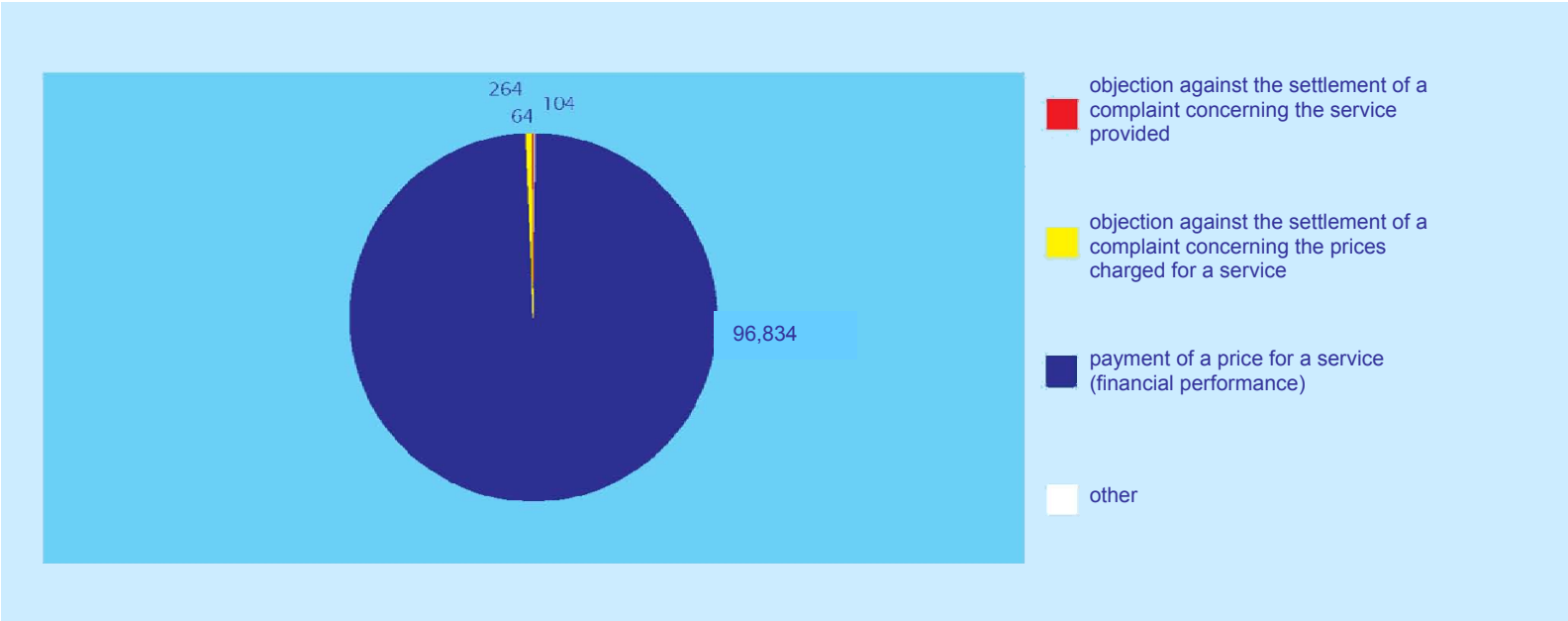
1) The inspection is terminated by its physical execution.

2) The number of cases promulgated in the 1st instance of administrative proceedings is shown (irrespective of whether they are final).

3) The Cases of the completion of administrative proceedings with a resolution are shown, 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 - NUMBERS OF DECISIONS ISSUED IN 2010

		2010
Number of decisions issued		97,266
of which	a) objection against the settlement of a complaint concerning the service provided	64
	b) objection against the settlement of a complaint concerning the prices charged for the service	264
	c) payment of a price for the service (financial performance)	96,834
	d) other	104



COMPLAINTS FROM SUBSCRIBERS / USERS FOR 2010

Subject of the complaint	I.quarter	2.quarter	3.quarter	4.quarter	total
1. Electronic communications services	366	306	271	276	1,219
2. Radiocommunication services	1	1	1	0	3
3. Telephone number portability in a mobile network	36	12	22	31	101
4. Telephone number portability in a fixed network	0	2	3	1	6
5. Failure to set up or transfer a subscriber line	1	0	2	0	3
6. Customer support service of an electronic communications services provider	5	1	0	0	6
7. Method of acquiring customers used by providers and dealers	7	0	3	8	18
8. TV signal reception in connection with digitisation of broadcasting	22	32	99	53	206
9. Misleading advertising	2	3	1	2	8
10. Universal Service	0	0	0	2	2
11. Other	42	38	31	38	149
TOTAL	482	395	433	411	1,721



Czech Telecommunication Office

ANNEX No. 3

OVERVIEW OF NUMBER OF DECISIONS ON INDIVIDUAL LICENCES TO USE RADIO FREQUENCIES IN 2010

Type of Licence			Number of Decisions	
			to grant ¹⁾	to grant ¹⁾
			a licence	
1.	Fixed service			
	Total		7,100	2,127
	of this	point – point	6,909	2,032
		point – multipoint	191	95
2.	Amateur service			
	Total		1,842	1
	of this	Individuals	1,708	1
		Club Stations	108	0
		Repeaters and Packet Nodes	26	0
3.	Satellite Service			
	Total		5	4
	of this	VSAT	2	3
		SNG	3	1
4.	Aeronautical Service			
	Total		555	242
	of this	Aircraft stations ³⁾	506	226
		Aeronautical Stations ⁴⁾	49	16
5.	Maritime Service			
	Total		116	70
	of this	Ship stations	91	44
		Shore stations	25	26
6.	Broadcasting Service			
	Total		329	481
	of this	Television transmitters	173	452
		Radio transmitters	156	29
7.	Land Mobile Service		926	780
8.	Other radiocommunication services			
	Total		6	2
		Radiocommunication service	6	2
9.	Short-term Licences			
	Total		382	0
	of this	Fixed Service	122	0
		Amateur service	21	0
		Land Mobile Service	155	0
		Aeronautical Mobile Service	14	0
		Satellite Service	44	0
		Broadcasting Service	26	0

1) There are only newly promulgated licences and also licences with prolonged validity.

2) Citizens of other countries having licences for radio transmission on the territory of the Czech Republic under a Czech call sign.

3) Mobile stations of Aeronautical Mobile Service aboard aircraft other than rescue stations.

4) Land stations of Aeronautical Mobile Service 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 2010

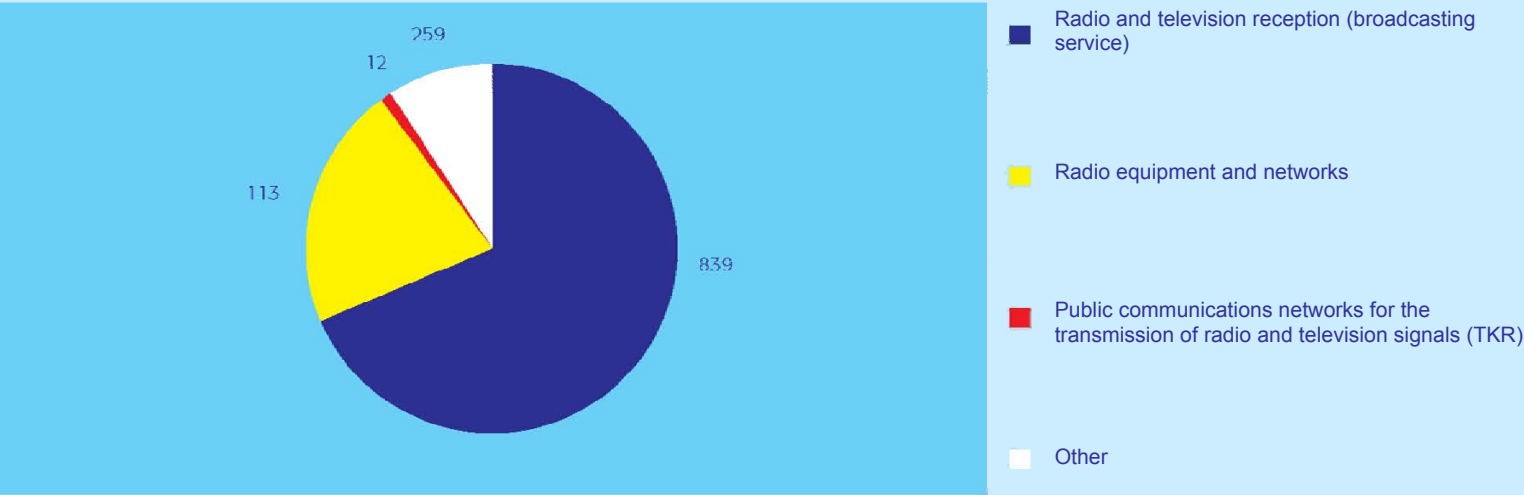
Type of Special Qualification Certificate ¹⁾		Number of Certificates Issued on the Basis of:	
		An Examination	An Application for an Extension or Duplicate
1.	General radiotelephone operator's certificate of aeronautical mobile service	191	341
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	565	592
3.	General operator's certificate of maritime mobile service (GOC)	1	22
4.	General operator's certificate of maritime mobile service (LRC)	5	0
5.	Restricted operator's certificate of maritime mobile service (ROC)	0	0
6.	Restricted operator's certificate of maritime mobile service (SRC)	15	2
7.	Radiotelephone operator's general certificate of maritime mobile service	170	100
8.	Radiotelephone operator's restricted certificate of maritime mobile service	434	268
9.	Terrestrial radiotelegraphy operator's certificate	0	1
10.	Amateur radio operator's certificate (HAREC certificate)	104	0
11.	Amateur radio operator's certificate (NOVICE certificate)	12	0
Total		1,497	1,326

1) 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 qualifications, on the methods of the examinations, on the types of special qualification certificates and the period of their validity.

DETECTION OF SOURCES OF INTERFERENCE OF TELECOMMUNICATIONS EQUIPMENT AND NETWORKS, THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICES OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2010

	2010
Radio and television reception (broadcasting service)	839
Radio equipment and networks	259
Public communications networks for the transmission of radio and television signals (TKR)	12
Other	113

DETECTION OF SOURCES OF INTERFERENCE OF TELECOMMUNICATIONS EQUIPMENT AND NETWORKS, THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICES OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2010



OVERVIEW OF THE MAIN ACTIVITIES IN THE AREA OF POSTAL SERVICES REGULATION 1) FOR 2010

Focus of Activity		Number	Amount in CZK
1.	Regulatory Measures		4,032,000
	Decisions on expressing approval with postal conditions	8	
	Decisions on specifying basic qualitative requirements	2	
2.	Supervision on Czech Post Compliance with its Obligations in the Area of Basic Services		
	a) Inspection Activities on the CTU's Suggestion		
	Inspection actions	8	
	Inspected buildings	30	
	b) Suggestions of customers settled in total	136	
	of which settled customer submissions relating to basic services	124	
	of which long waiting times	2	
	opening hours of post offices	9	
	change of depository post office	1	
	delivery of postal shipments	93	
	settlement of complaints	2	
	breach of postal secret	7	
	postal shipments abroad/from abroad	5	
	postal money orders	5	
	c) Fines Imposed on Czech Post	28	

1) Act No. 29/2000 Coll., on Postal Services and on Amendments to Other Acts (the Postal Services Act), as amended.

OVERVIEW OF INSPECTION ACTIVITIES DURING THE PERFORMANCE OF STATE ELECTRONIC COMMUNICATIONS INSPECTION IN 2010

Type of activity		Number of verifications or inspections ¹⁾		Number of verifications or inspections ¹⁾	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued ²⁾	Other ³⁾	Fines imposed		Number of administrative proceedings left to next period
		of which	of which						Number	Amount in CZK	
1.	Performance of communication activities without authorisation	29	0	0	0	41	36	0	65	668,500	5
2.	Compliance with the conditions of the General Authorisation	709		204	1	33	29	0	28	34,600	5
	a) To provide the public communications networks and the associated facilities	0	29	3	1	1	1	0	0	0	1
	b) To provide electronic communications services	0	19	3	2	20	23	0	23	303,000	0
	c) To use radio frequencies and operate devices (radio devices)	0	661	201	0	12	5	0	5	43,000	7
3.	Radio frequencies inspection	512	0	35	0	48	47	0	44	293,400	1
	a) The utilisation of radio frequencies without authorisation	0	103		0	47	46	0	44	293,400	1
	b) Compliance with the conditions of individual authorisations for using radio frequencies	0	409	35	0	1	1	0	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	1,223	0	104	0	21	0	0	0	0	21
	a) in radio and television reception (broadcasting service)	0	839	23	0	0	0	0	0	0	0
	b) in radio equipment and networks	0	259	77	0	21	0	0	0	0	21
	c) in public communications networks for radio and television signal transmission (TKR)	0	12	1	0	0	0	0	0	0	0
	d) other	0	113	3	0	0	0	0	0	0	0
5.	Inspections of numbers for the purpose of number administration (number of inspection calls) ⁴⁾	443	0	0	1	0	1	0	0	0	0
	a) the use of numbers without authorisation	0	0	0	0	0	0	0	0	0	0
	b) the use of numbers in contradiction to the authorisation for their use	0	0	0	1	0	1	0	0	0	0
6.	Monitoring the radio spectrum for the purpose of administering the radio spectrum	4,955	0	0	0	0	0	0	0	0	0
	a) measuring the use of frequencies and frequency bands over time	0	3,755	0	0	0	0	0	0	0	0
	b) measuring radio signal coverage	0	565	0	0	0	0	0	0	0	0
	c) measuring electromagnetic field intensity	0	200	0	0	0	0	0	0	0	0
	d) other	0	435	0	0	0	0	0	0	0	0
7.	Failure to provide information pursuant to Section 115 of the ECA	0	0	0	59	93	83	0	83	440,500	69
8.	Other ⁵⁾	330	0	120	2	152	154	0	130	1,674,000	0
TOTAL		8,172	0	463	61	388	350	0	350	3,422,400	99

1) The inspection is completed with its physical performance.

2) The number of decisions issued in 1st instance administrative proceedings (irrespective of whether they are final).

3) Cases of the completion of administrative proceedings with a resolution, i.e. cases of the death of a subscriber, the dissolution of a undertaking, the suspension of proceedings for legal reasons (bankruptcy), lack of competency and so on.

4) The total number of calls to telephone numbers in the month in presented.

5) The sum of specific problems is demonstrated.

MEASURES OF A GENERAL NATURE (OOP) PROMULGATED IN 2010 PURSUANT TO THE ELECTRONIC COMMUNICATIONS ACT

MGN – other					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
1.	OOP/10/11.2010-14	The MGN amending OOP/10/07.2005-3, as later amended	3/11/2010	2/2011 dated 25/02/2011	15/03/2011
2.	OOP/18/12.2010-17	The MGN that stipulates the percentage shares of the revenues from the provision of services pursuant to § 49, Para. 4 - for the year 2008	15/12/2010	23/2010 dated 29/12/2010	15 th day after publication in the TB
3.	OOP/17/10.2010-14	The MGN that stipulates the technical and organisational rules for providing access to the publicly available telephone service of electronic communications provided by means of this network unde crisis situations pursuant to § 99, Para. 1	21/12/2010	23/2010 dated 29/12/2010	15 th day after publication in the TB
MGN – General Authorisation					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
4.	VO-R/2/01.2010-1	The MGN (General Authorisation) for the use of radio frequencies and for the operation of the stations of wireless local information systems (BMS) in the band of 70 MHz, pursuant to § 9, Para. 2	13/01/2010	1/2010 dated 15/01/2010	1/03/2010
5.	VO-R/12/06.2010-9	The MGN (General Authorisation) for the use of radio frequencies and for the operation of equipment for broadband transfer of data based on the principle of widespread spectrum or OFDM in the bands of 2.4 and 5 GHz, pursuant to § 9, Para. 2	2/06/2010	11/2010 dated 11/06/2010	15 th day after publication in the TB
6.	VO-R/23/05.2010-7	The MGN (General Authorisation) for the use of radio frequencies and for operation of fixed service devices in the bands 74 to 76 GHz and 84 to 86 GHz, pursuant to § 9, Para. 2	19/05/2010	10/2010 dated 4/06/2010	15 th day after publication in the TB
7.	VO-R/10/09.2010-11	The MGN (General Authorisation) for the use of radio frequencies and for the operation of Short Range Devices, pursuant to § 9, Para. 2	29/09/2010	18/2010 dated 8/10/2010	15 th day after publication in the TB
8.	VO-R/12/09.2010-12	The MGN (General Authorisation) for the use of radio frequencies and for the operation of equipment for wideband data transmission in the bands of 2.4 and 5 GHz, pursuant to § 9, Para. 2	29/09/2010	18/2010 dated 8/10/2010	15 th day after publication in the TB
MGN – Radio Spectrum Utilization Plan					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
9.	PV-P/3/02.2010-2	Part of the Radio Spectrum Utilization Plan for the frequency band 52.6 to 59 GHz, pursuant to § 16, Para. 2	24/02/2010	4/2010 dated 26/02/2010	1/03/2010
10.	PV-P/17/02.2010-3	Part of the Radio Spectrum Utilization Plan for the frequency band 15,35 to 21.2 GHz, pursuant to § 16, Para. 2	24/02/2010	4/2010 dated 26/02/2010	1/03/2010
11.	PV-P/23/02.2010-4	Part of the Radio Spectrum Utilization Plan for the frequency band 59 to 105 GHz,	26/02/2010	4/2010 dated	1/03/2010

		pursuant to § 16, Para. 2		26/02/2010	
12.	PV-P/11/05.2010-8	Part of the Radio Spectrum Utilization Plan for the frequency band 27.5 to 29.5 GHz, pursuant to § 16, Para. 2	26/05/2010	10/2010 dated 4/06/2010	15/06/2010
13.	PV-P/26/09.2010-10	Part of the Radio Spectrum Utilization Plan for the frequency band 27.5 to 66 GHz, pursuant to § 16, Para. 2	14/09/2010	10/2010 dated 17/09/2010	1/10/2010
14.	PV-P/5/10.2010-13	Part of the Radio Spectrum Utilization Plan for the frequency band 66 to 87.5 MHz, pursuant to § 16, Para. 2	26/10/2010	20/2010 dated 12/11/2010	1/12/2010
15.	PV-P/14/11.2010-15	Part of the Radio Spectrum Utilization Plan for the frequency band 2200 to 2700 MHz, pursuant to § 16, Para. 2	3/11/2010	20/2010 dated 12/11/2010	1/12/2010
MGN – Relevant Market Analyses					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
16.	A/1/02.2010-5	Access to publicly available telephone network at a fixed location	24/02/2010	5/2010 dated 2/03/2010	15 th day after publication in the TB
17.	A/4/05.2010-6	Wholesale (physical) access to network's infrastructure (including shared or fully unbundled local loop) at a fixed location	12/05/2010	9/2010 dated 21/05/2010	15 th day after publication in the TB
18.	A/6/12.2010-16	Wholesale termination segments of leased circuits regardless of technology used for the provision of leased of dedicated capacity	7/12/2010	22/2010 dated 10/12/2010	15 th day after publication in the TB

Czech Telecommunication Office
COMPLIANCE WITH BINDING INDICATORS OF THE STATE BUDGET FOR 2010 (IN CZK THOUSANDS)

ANNEX No. 9

Ukazatele		Budget		Obligatory bonding acc.to UV 54 and 552	Reality as per 31.12.2010	Compliance %
		Approved	Approved			
1		3	4	5	6	7
I.	Summarising indicators					
1.	Total income	908,452	908,700		1,183,467.03	130.24
2.	Total expenses	560,116	560,364	28,219	561,873.51 ^{a)}	100.26
II.	Specific indicators – income					
1.	tax income ⁵⁾	50,000	50,000		82,384.80	164.76
2.	non-tax income, capital income and transfers received in total	858,452	858,700		1,101,082.23	128.22
	including:					
	a) income from the EU budget without SZP in total	3,452	3,700		170.30	4.60
	b) other non-tax income, capital income and transfers received in total	855,000	855,000		1,100,911.93	128.76
III.	Specific indicators – expenditures					
	expenditures for ensuring the fulfilment of CTU tasks	560,116	560,364	28,219	561,873.51	100.26
	including:					
	a) expenditures covering losses ensuing from provision of Universal Services	150,000	150,000	7,500	120,017.46	80.01
	b) other expenditures necessary for ensuring the fulfilment of CTU tasks	410,116	410,364	20,719	441,856.05	107.67
IV.	Cross-section indicators					
1.	Employee salaries and other payments for work done	171,410	172,112		171,905.33	99.87
2.	Mandatory insurance paid by employer ¹⁾	58,279	58,502		58,447.42	99.90
3.	Allocation to Cultural and Social Welfare Fund	3,283	3,295		3,293	99.93
4.	Employee salaries in employment relationship	164,153	164,750		164,593.87	99.90
5.	Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	80	80		65.55	81.93
6.	Expenditures co-financed from the EU budget without SZP in total	4,061	4,355		2,663.18	61.15
	including:					
	a) State budget	609	655		399.79	61.03
	b) the EU budget	3,452	3,700		2,263.40	61.17
7.	Expenditures of programmes managed in ISPROFIN in total	93,829	93,220	20,015	76,281.67 ^{b)}	81.82

1) Mandatory social insurance premium and contribution to the state employment policy and insurance premiums for public health insurance.

5) Without income from mandatory social insurance premium and contribution to the state employment policy.

a) Including 26,917 from the RF, approved by the Ministry of Finance ref. No. 19/42 002/2009-193, dated October 20, 2009, actually drawn at the amount of 18,428.09.

b) Including 15,120 from the RF, approved by the Ministry of Finance ref. No. 19/42 002/2009-193, dated October 20, 2009, actually drawn at the amount of 15,120.

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ANNEX No. 10

BUDGET HEAD INDICATORS - BREAKDOWN OF BUDGET FOR 2009 (IN CZK THOUSANDS)

	Indicators	Breakdown of 2011 budget
I.	Summarising indicators	
1.	Total income	1,032,248
2.	Total expenses	628,313
II.	Specific indicators - income	
1.	Tax income ⁵⁾	50,000
2.	Non-tax income, capital income and transfers received, total	982,248
	of which:	
	income from the EU budget without SZP in total	37,248
	other non-tax income, capital income and transfers received in total	945,000
III.	Specific indicators – expenses	
	Expenses for ensuring the fulfilment of CTU tasks	628,313
	of which:	
	a) expenditures covering losses ensuing from provision of Universal Services - special prices	124,939
	b) expenditures covering losses ensuing from provision of Universal Services - net costs	90,000
	c) Other expenses for ensuring the fulfilment of CTU tasks	413,374
III.	Cross-section indicators	
1.	Employee salaries and other payments for work done	155,288
2.	Mandatory insurance paid by employer ¹⁾	52,798
3.	Allocation to Cultural and Social Welfare Fund	1,484
4.	Salaries for employees with employment contracts	148,453
5.	Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	80
6.	Expenditures co-financed from the EU budget without SZP in total	43,821
	including:	
	a) State budget	6,573
	b) the EU budget	37,248
7.	Expenditures of programmes managed in the information system of financing of programmes EDS/SMVS in total	100,276

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 31/12/2010 (IN CZK THOUSANDS)

Indicator	Actual 2009	Approved budget 2010	Adjusted budget 2010	Actual 2010	% Compliance	Difference between columns 5 – 2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done:	172,821	172,410	172,112	171,905	99.88	– 916
of which:						
Limit of funds for salaries	165,171	164,153	164,750	164,594	99.91	– 577
Limit of other payments for work done	7,650	7,257	7,362	7,311	99.31	– 339
Limit on the number of employees (average full-time equivalent)	447	444	444	443	99.77	– 4
Number of employees as of December 31, 2010	445	444	444	441	99.32	– 4

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ANNEX No. 12

BASIC PERSONNEL DATA – 2010**1. CLASSIFICATION OF EMPLOYEES ACCORDING TO AGE AND SEX – STATE AS OF 31/12/2010**

Age	Men	Women	Total	%
Up to 20	0	0	0	0
21 – 30	28	27	55	12.47
31 – 40	35	33	68	15.42
41 – 50	40	60	100	22.68
51 – 60	74	92	166	37.64
61 and over	37	15	52	11.79
Total	214	227	441	100
%	48.53	51.47	100	x

2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION AND SEX – STATE AS OF 31/12/2010

Education achieved	Men	Women	Total	%
Primary	0	3	3	0.68
Trained	3	5	8	1.81
Secondary vocational	0	5	5	1.13
Secondary complete	3	32	35	7.94
Secondary vocational complete	66	83	149	33.79
Higher vocational	1	2	3	0.68
University	141	97	238	53.97
Total	214	227	441	100

3. OVERALL DATA ON AVERAGE SALARIES AS OF 31/12/2010

	Total
Average gross monthly salary	29,730

4. OVERALL DATA ON THE ORIGIN AND TERMINATION OF EMPLOYMENT RELATIONSHIPS IN 2010

	Number
Hired	50
Terminated	54

5. DURATION OF EMPLOYMENT – STATE AS OF 31/12/2010

Duration	Number	%
Up to 5 years	146	33.11
Up to 10 years	106	24.04
Up to 15 years	53	12.02
Up to 20 years	76	17.23
Over 20 years	60	13.61
Total	441	100

6. EMPLOYEES' LANGUAGE SKILLS

Type of language	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 job positions
	1 st Level	2 nd Level	3 rd Level	
English	-	8	-	8
German	-	-	-	-
French	-	-	-	-
Total	-	8	-	8

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ANNEX No. 13

COMPLAINTS AS OF 31/12/2010

(Section 175 of Act No. 500/2004 Coll., the Administrative Code, as amended)

Type of submission	Number of submissions					
	Received	From previous period	Resolved	Justified	Unjustified	Continuing to next period
1. Petitions *)	0	0	0	0	0	0
2. Complaints **)	11	0	9	2	7	2
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 Procedure Code, as amended, Section 175

Cover photographs:

First page: SNMS Hradec Králové

Last page: Offices of the CTU at Sokolovská street, Prague 9, the measurement of AS in anechoic chamber, SNMS Jihlava

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