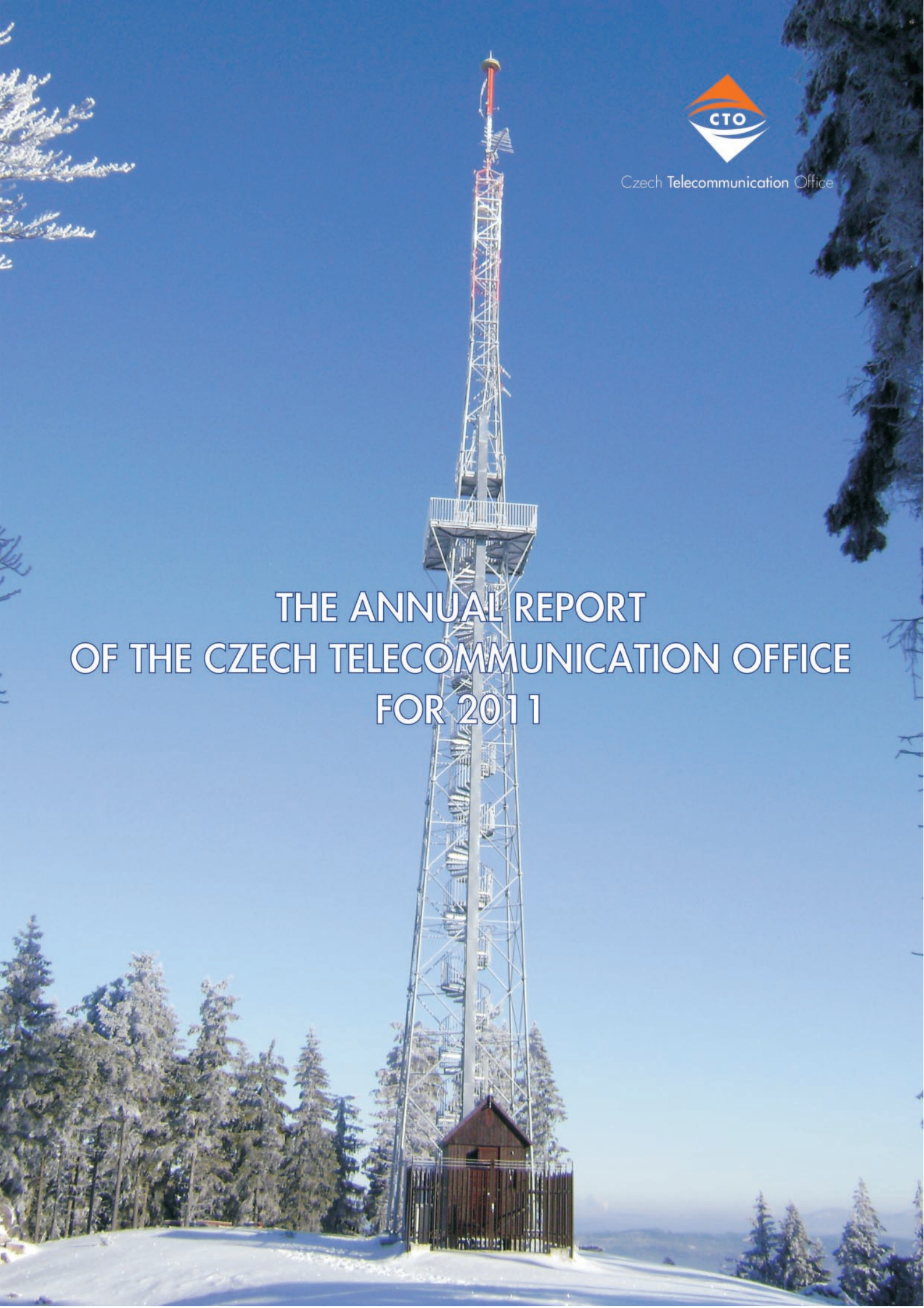




Czech Telecommunication Office

THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2011





Czech Telecommunication Office

The Annual Report of the Czech Telecommunication Office for 2011

Including:

- The Annual Report on the Universal Service
- The Annual Report on the Provision on Information pursuant to Act No. 106/1999 Coll.
- The Information on Handling of Complaints against CTU's activities

Contents

Introduction by the Chairman of the CTU Council / Executive Summary	5
Basic information about the CTU	7
Executive summary	8

Chapter I.

STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS

1. Legal framework	10
1.1 Amendments to the Electronic Communications Act	10
1.2 Amendment to the Postal Services Act	11
1.3 Other Legal Regulations	11
2. Evaluation of the Electronic Communications Market	12
2.1 Analyses and Monitoring of the Market	13
2.2 Development of Selected Services in the Main Market Segments	14
2.2.1 Services provided in mobile networks	14
2.2.2 Services of broadband access	19
2.2.3 Voice services provided in fixed networks	24
2.3 Development of Prices in Selected Wholesale Services	26
2.4 Regulation of International Roaming	29
2.5 Preparation of tender procedure (Auction) for frequencies 800, 1,800 and 2,600 MHz	29
2.6 Telephone Number Portability	30
3. Evaluation of the Postal Services Market	32
4. Transition to Terrestrial Digital Television Broadcasting	35

Chapter II.

CTU's EXPERT AND ADMINISTRATIVE ACTIVITIES

1. Domestic Activities	37
1.1 Market Monitoring and Data Collection	37
1.2 Regulation of prices of Electronic Communications Services	37
1.3 Subscriber Disputes and Complaints of users of Services	39
1.4 Radio Spectrum Management	40
1.5 Regulation of Communication Activities	42
1.6 Regulation in the field of Postal Services	42
1.7 Performance of State Inspection	45
1.8 Making Decisions on Disputes between Entities Performing Communication Activities	46
1.9 External Legislation	47
1.10 Crisis Management and Security	50
2. The CTU's International Activities in 2011	51
2.1 The CTU's activities in relation to the European Union	52
2.2 The International activities of the Office in connection with other International authorities and organizations	53

Chapter III.

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

1. Electronic Communications	55
1.1 The Issues concerning operational and localization data	55
1.2 Subscriber Disputes - disputes concerning obligations of monetary performance	55
1.3 The need to promulgate implementing regulations to the Act on Electronic Communications	56
2. Postal Services	56

Chapter IV.

ORGANIZATION AND SUPPORT OF THE CTU'S ACTIVITIES

1. The CTU's Economic Results	57
1.1 The Evaluation of the Fulfilment of the Indicators of Chapter 328 – the Czech Telecommunication Office	57
1.2 Management of Non-Budgetary Funds	61
1.3 Results of External Inspections	63
2. Human Resources	63
3. Informatics	65
4. Internal Audit	66

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)	67
2. The Annual Report on the Provision of Information (pursuant to the Act No. 106/1999 Coll., on Free access to information)	72
3. Information of the Settlement of Complaints against the CTU's activities	75
Annexes	77

Introduction by the Chairman of the CTU Council



The Annual Report on the CTU's activities for the year 2011 represents this year's activities encompassing wide range of standard tasks corresponding to competencies and obligations of the Office and many specific activities having important impact on the electronic communications and postal services markets. In my Introduction I would like to remind at least the most important ones.

We closely collaborated with the Ministry of Industry and Trade in the preparation of the important Amendment of the Electronic Communications Act which, on the one hand, implements reviewed European Regulatory framework and, on the other hand, it employs experience gained in the process of its practical application. Through this Amendment the Office has been entrusted with new competencies in the field of the protection of consumer. Similarly, we paid great attention and collaboration to the preparation and discussion of the Amendment of the

Act of Postal Services, which will bring about complete deregulation of the Czech postal market from 2013.

During the last year we continuously monitored the whole market of electronic communications and the market of postal services. In well-founded cases we newly applied inevitable regulatory measures focused at monitoring and assessment of impacts of regulatory measures imposed earlier on the basis of the second round of analyses of relevant markets and we started the third round of analyses of relevant markets.

In the sphere of spectrum management the year 2011 was the year in which envisaged goals were attained as far as the coverage of the population by digital television broadcasting is concerned, and essential part of analogue television broadcasting was switched off. At the beginning of the year 2011 the Government approved the proposal of the Office concerning proce-

ture of implementation of digital dividend in conditions of the Czech Republic in the form of the auction of released spectrum and, therefore, we concentrated our efforts to the preparation of conditions of tender procedure. The principles of tender procedure were submitted to comments of the public during the second half of the year.

Comprehensive information of this Annual Report can be completed also with other detailed knowledge ensuing from standard activities and specific decisions of the Office, which are continuously presented in Monthly Monitoring Reports. Already from the year 2006, the

Monthly Monitoring Reports form multiannual integrated series which is, undoubtedly, valued source of relevant and valid information for both expert and entrepreneurial public and expression of consistently transparent exercise of State Administration in the field of electronic communications.

I am convinced that, equally as in the precedent years, also the year 2011 is another successful year for the Czech Telecommunication Office, in which we were succesful in responsible and effective performance of the mission of independent regulatory authority in the field of electronic communications and postal services.

Basic information about the CTU

The Czech Telecommunication Office (hereinafter the "Office" or the "CTU") was established by 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 State 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 head 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 and after its expiry a new Council member is always appointed. The Chairman of the Council is PhDr. Pavel Dvořák, CSc., who was re-appointed in this position in April 2009 (Government Resolution No. 558).

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 Annual Report (hereinafter the "Report") has been prepared pursuant to Section 110, (1) of Act. The first part of the Report is focused on the evaluation 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. The conclusion of the Report provides comprehensive information about the financial results of the CTU and its compliance with stipulated budget indicators for 2011, information about the personnel backup of 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). 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.

Executive summary

The situation on the market of electronic communications in 2011 can be characterized as continuing consolidation. In particular, mobile operators strengthened their positions when, for example, 80 % of the total volume of voice operation in the market was effected by means of mobile networks. Nevertheless, also mobile market has become gradually more saturated what was reflected, inter alia, also in year-on-year decrease of the total number of active SIM cards. Contrary to this, the decreasing trend of the market of fixed services continued with year-on-year drop by approximately 6 %, expressed in the number of subscriber lines or a drop by 4.5 % expressed in volume of voice operation in the network of the biggest provider of services of fixed network of the company Telefónica Czech Republic, a.s. (until May 16, 2011 Telefónica O2 Czech Republic, a.s.) (hereinafter "Telefónica").

During the year 2011 the CTU paid important attention to the situation in the mobile market and, on the basis of evaluation of its monitoring, it identified gradual stagnation of this market. In order to support further development of this market the CTU therefore decided to subject the wholesale market of mobile origination again to the regulation ex-ante. For this purpose therefore, in the fall, the CTU commenced with the steps leading to inclusion of this market among the so-called relevant markets.

Also in 2011 the market of broadband access registered growth. However, the penetration in the retail market attained the level of 22.1 %, what means that it is lagging behind the average of the European Union's countries (27.2 % in June 2011). Over a long period the market of broadband access in the Czech Republic is characterized by strong competition at the level of infrastructure. xDSL accesses, prevailing in other countries, have only 35% share in the Czech Republic. Services of broadband access recorded important increase of market share attained by means of mobile networks during the year 2011. It was caused by both further enlargement of utilization of the so-called smart telephones, and by increase of availability of 3G networks so that the average coverage of 69 % of population and 29 % of territory was reached.

From the legal point of view, on November 11, 2011, the process of transition to terrestrial digital television broadcasting was completed. With the exception of territorial regions of Jeseník and Zlín, all analogue high output transmitters were switched off during the year 2011. The whole process was implemented pursuant to the Government's Regulation No.

161/2008 Coll. (the so-called Technical plan of transition) and the CTU coordinated this plan, performed inspection measurements and verification of coverage of territory reached. In harmony with the Technical plan of transition, the CTU prepared and published two reports evaluating the course of transition as per March 15 and October 15, 2011. On November 11, 2011 the CTU organized the Colloquium within the framework of which participants appraised success rate of this project.

As compared with the year 2010, no important changes were registered on the market of postal services. General availability of basic postal services was provided by the Česká pošta, s.p. on the basis of postal licence granted earlier. Among important facts we can mention the endorsement of the Government's draft of the Amendment of the Act on Postal Services (the Act No. 29/2000 Coll) and beginning of the process of endorsement. Approval of this Amendment will mean complete liberalization of Czech postal market from January 1, 2013.

In response to conclusions of commentary proceedings concerning the document "the Strategy of Spectrum management" (3S Strategy) from 2010, the CTU prepared and at the beginning of the year 2011 submitted to the Government, the documentary material including proposal for the backup of selected parts of Spectrum management orientated at the support of provision of new services of high-speed access to the Internet network. On the basis of the Government's approval (the Resolution no. 78, dated January 26, 2011) the CTU commenced with the preparation of concrete conditions of tender procedure (Auction) for frequencies from the bands of 800, 1,800 and 2,600 MHz. Draft conditions in the form of the so-called Basic principles was published for comments at the beginning of September 2011. After evaluation of comments submitted the CTU organized the workshop with all subjects concerned in December 2011. In order to secure professional support in the next process of preparation of tender procedure, the CTU, at the end of 2011, concluded the contract with the company Grant Thornton Advisory, which was selected in tender procedure as its expert advisor. In the following process of preparation of tender procedure the CTU will proceed in harmony with the document approved by the Government so that the auction proper is executed before the end of the year 2012.

During the year 2011 the CTU, in collaboration with the Ministry of Industry and Trade, actively participated in the process of discussion and approval of the proposal

of the so-called Implementation Amendment of the Act. With the approval of this Amendment (executed through the Act no. 468/2011 Coll.) at the end of the year 2011, the competencies of the CTU in the field of protection of consumers were extended and some proceedings for the exercise of regulation were modified. At the same time, the CTU participated in negotiations dealing with the Amendment of the Act on Postal services. Its expected approval and legal effectiveness from January 1, 2013 will create the basic conditions for complete liberalization of the postal market in the Czech Republic.

Within the framework of continuous monitoring and implementation of analyses of relevant markets, the CTU completed, during the year 2011, particularly the imposition of remedial measures in response to the Analysis of relevant market No. 6 – Wholesale terminating segments of leased lines. This market was the last one the analysis of which was executed within the framework of the second round of analyses. In February 2011 the CTU started already the third round of analyses of relevant markets and namely the Analysis of relevant market No. 5 – Wholesale broadband access in networks of electronic communications. At the end of November 2011 the CTU submitted to the public consultation the draft Measure of General Nature No. OOP/1/02.2008-2, determining the new wholesale relevant market of mobile origination for ex-ante regulation.

During the course of the year 2011 the CTU paid great attention to the protection of consumers of services of electronic communications and postal services. Particularly the decision-making process concerning the so-called subscriber disputes pursuant to Section 129 of the Act demanded extraordinary effort. Out of the total number of 213,830 administrative proceedings, taking place during the year 2011, decision was promulgated in 66,431 administrative cases. The trend from previous years continued also in 2011, when the number of petitions, asking for resolution of disputes concerning pecuniary settlement for services of electronic communications, conspicuously exceeded numbers of decisions promulgated.

To reach a conceptional solution of the negative situation in the sphere of decisions concerning subscriber disputes which, in majority of cases, relate to the commitments of pecuniary performance for services of electronic communications, the CTU collaborated with the Ministry of Industry and Trade in order to create an analysis of potential transfer of this agenda to the competency of general courts. The reason lies primarily in material competency of courts allowing them to resolve these, in principle, private disputes. The Government discussed this material documentation on November 9, 2011 and agreed with the transfer of this agenda in the competency of courts starting from the year 2013. However, in its accompanying Resolution no. 815 the Government decided on gradual reduction of number of systemized positions in the CTU, and transfer of

important part of financial means from the CTU's budget. This approach could, however, prevent completion of already commenced proceedings within legislative deadlines. Such an implementation, complying with the Government's Resolution mentioned above would, however, de facto prevent performance of some new competencies ensuing for the CTU from the amended legal arrangement in the sphere of electronic communications or the new legal arrangement in postal services.

During 2011 the CTU focused itself at the improvement of conditions for users of services of electronic communications and postal services. During 2011 the CTU resolved, beyond administrative proceedings, approximately 2,000 complaints concerning the quality of services in total (in majority of cases they involved services of electronic communications). On the basis of knowledge acquired the CTU initiated many administrative proceedings in which it imposed fines in the total amount of CZK 8.8 mil. (not final rulings).

In order to increase transparency of prices for users of electronic communications the CTU decided to provide for a tool to compare offers of individual service providers. In the second half of 2011 it therefore formulated the set of conditions for accreditation of price calculators. For this purpose it employed experience of selected foreign regulatory authorities which also provide for such a tool for users (by themselves or vicariously). The CTU assumes that the first accreditation observing the conditions promulgated should be finished during the first quarter of the year 2012.

During the year 2011 the economic management of the CTU respected stipulated budgetary framework by which the Ministry of Finance determined obligatory indicators of the CTU's budgetary head. Revenues reached the amount of CZK 1,142,673.47, surpassed binding indicator and reached 110.70% of the budget adjusted. On the contrary, the CTU saved money on the expenditure side of the budget for the year 2011, when expenditures were drawn in the volume of CZK 587,253.20, therefore only 93.47 % of the budget adjusted.

During the year 2011 the CTU had to cope, similarly to other bodies of State administration, with reduction of financial means earmarked for the salaries of employees. Nevertheless, functionality of all decisive workplaces of the CTU was preserved and the performance of regulatory or administrative duties was not disturbed. The average number of employees (average full-time equivalent) was 442 employees in 2011.

Next information concerning tasks performed by the CTU during 2011 in the field of electronic communications or postal services, as well as other information related to the backup of the CTU's activities, are brought forward in individual sections of this Report.

Chapter I.

THE STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS IN 2011

1. LEGAL FRAMEWORK

In 2011 the legal framework for the networks of electronic communications services and the postal services markets 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 2011 as it was in previous years.

The following legal regulations with an impact on electronic communications or postal services were promulgated in 2011.

1.1 AMENDMENTS TO THE ELECTRONIC COMMUNICATIONS ACT

The most important legal regulation having its impact on the legal framework of electronic communications, which was approved in 2011, after preparation and discussions lasting several months, was the so-called "Implementation Amendment of the Act of Electronic Communications".

The No. 468/2011 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

- effective from January 1, 2012,
- by this Act the revised wording of the European regulatory framework for networks and services of electronic communications has been implemented into the Czech legal order, specifically the 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, and the 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. In minimum extent the Amendment concentrates itself also on compensation of some controversial parts of the Act from the viewpoint of interpretation. Individual amendments are dealt with in greater detail in Section II, point 1.9.

Among other legal regulations and important legal acts approved in 2011, which had the influence also on legal arrangement in the sphere of electronic communications, belong, in particular:

The Ruling of the Constitutional Court, dated March 22, 2011 ref.No. Pl. US 24/10, concerning the proposal for the cancellation of Section 97 Para. 3 and 4 of the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain related Acts (the Electronic Communications Act), as later amended and on cancellation of the Decree No. 485/2005 Coll., on the extent of operational and localization data, period of their preservation and the form and method of their transfer to authorities authorized to their utilization, published in the Collection of Laws under the No. 94/2011 Coll.

- the Ruling became effective on April 12, 2011,
- by this Ruling, dated March 22, 2011, the Plenary Session of the Constitutional Court of the Czech Republic complied with the proposal of the group of 51 Deputies of the Chamber of Deputies of the

Parliament of the Czech Republic and decided on the cancellation of Section 97 Para. 3 and 4 of the Act and its implementing Decree No. 485/2005 Coll., on the Extent of operational and localization data, period of their preservation and the form and method of their transfer to authorities entitled to their utilization.

The Act No. 137/2011 Coll., amending the Act. No. 49/1997 Coll., on Civil aviation and Amendment of the Act No. 455/1991 Coll., on Trades Licensing Act (the Trades Act.), as later amended and other related Acts

- the Ruling became effective on August 1, 2011,
- by this Act provisions of Section 24 Para. 3 of the Act were amended so that utilization of radio frequencies without fee obligation has been extended also to the cases of their utilization for aerial mobile service during sportive and recreational activities.

The Act. No. 341/2011 Coll., on General inspection of security forces and amendment of other related Acts

- the Act became effective on January 1, 2012,
- this Act directly amends the Act, concretely provisions of Section 100 Para. 8, where the number of authorities, for which the CTU preferentially discovers jamming of operation of electronic communication devices and networks, is extended by the newly established General inspection of security forces (see Part twenty second of the Act No. 341/2011 Coll.).

The Act itself then establishes the General inspection of security forces (hereinafter “the Inspection”) and determines the extent and tools necessary for the performance of its activities. Some rights of the Inspection defined by the Act relate to the Act. In this respect it is necessary to draw attention to the provisions of Section 9 Para. 2 of the Act No. 341/2011 Coll., according to which the Inspection has the right to demand from security forces and other State bodies, if it is necessary for performance of specific task, technical and personal backup of interception and recording of telecommunication operation or operatively searching means under conditions respecting the Penal Code (see Section 97 of the Act). Also pursuant to Section 35 Para. 3 the Inspection can, within the extent necessary for performance of specific task, demand provision of information from administrator of records or processor from the database of participants of publicly available telephone services with the proviso that this information will be provided in the form and extent stipulated by the Act (see Section 97 of the Act).

The Act No. 420/2011 Coll., on the Amendment of some Acts in connection with the endorsement of the Act on Criminal responsibility of juristic persons and proceedings conducted against these persons

- the Act became effective on January 1, 2012,
- in connection with the new Act No. 418/2011 Coll., on Criminal responsibility of juristic persons and proceedings conducted against these persons, this

Act amends, inter alia, the Act itself and namely in the Part thirty seven of the Act No. 420/2011 Coll. The changes executed relate to the issues of impeccability and its proof, particularly in connection with the origin of the right for entrepreneurial activities in electronic communications, where this obligation, as a result of the Act No. 418/2011 Coll., is herewith extended also to juristic persons (Section 8 Para. 3, Para. 4 and Para. 6 of the Act).

1.2 THE AMENDMENT OF THE ACT ON POSTAL SERVICES

During the year 2011 no legal regulations were published in the Collection of Laws which would have principal impact on the sector of postal services.

In 2011, however, the CTU actively participated in the preparation of the draft Act amending the Act No. 29/2000 Coll., on Postal services and the Amendment of some other Acts (Postal services Act), as later amended and some other Acts. This draft Act transposes in the legal order of the Czech Republic the Directive of the European Parliament and the Council 2008/6/ES dated February 20, 2008, which amends the Directive 97/67/ES. Transposition deadline for the Czech Republic terminates on December 31, 2012, and therefore, the legislative process will be closed in 2012. More details concerning this proposal are brought forward in the Section II. point 1.9.

1.3 OTHER LEGAL REGULATIONS

The Decree No. 22/2011 Coll., on the Method of determination of the coverage by terrestrial radio broadcasting distributed in selected frequency bands

- the Decree became effective on February 26, 2011,
- in harmony with Section 113 Para. 7 of the Act, as amended by the Act No. 153/2010 Coll., it determines the method of determination of the territory covered by the signal of terrestrial analogue radio broadcasting in frequency band of 87.5–108 MHz and terrestrial digital radio broadcasting in frequency bands 174–230 MHz and 1,452–1,479.5 MHz and the method of determination of the intensity of electromagnetic field and the coverage of the population derived from it.

The Decree comes out from the arrangement of relevant issue 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) and determines unified obligatory criteria necessary for objective comparison of income situation of inhabitants of the Czech Republic by terrestrial radio broadcasting. This need comes out, in particular, from the Act No. 231/2001 Coll., on the basis of which the Council for Radio

and Television broadcasting determines the territorial extent of broadcasting to holders of licences for distribution of nationwide, regional and local radio broadcasting. Relevant legal arrangement thus continues in the similar Decree regulating the method of determination of coverage by the signal of terrestrial television broadcasting (the Decree No. 163/2008 Coll.).

The Decree No. 53/2011 Coll. amending the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications as later amended

- the Decree became effective on March 15, 2011 with the exception of provisions of Article I. point 8, as far as access codes to the network 702 to 719 are concerned, which becomes effective on August 1, 2011,
- this Decree reacts to principal changes of legal arrangement which were brought about by the Amendment of the Act done by the Act No. 153/2010 Coll., which, in Section 29 Para. 1 extended legal authorization concerning determination of exceptions from portability of telephone numbers.

The Decree further unifies the terminology of the Decree on Numbering plans with the new wording of the Act, specifies the rules stipulating allocation of telephone numbers by determination of minimum extent of numerical series allocated, increases transparency of allocation of telephone numbers, deletes the formats of some symmetrical numbers and transfers unused access code 600 to the reserve. For public mobile networks it newly releases access codes 702 to 705 from the reserve.

The Decree creates a positive impact on entrepreneurial environment because by deleting of some formats of numbers, which are easy to remember, it will be possible to employ these numbers as regular telephone numbers with substantially lower fees for utilization and release of new access codes will allow further development of public mobile networks.

The Regulation of the Government No. 156/2011 Coll., amending the Regulation of the Government No. 154/2005 Coll., on Determination of the amount and method of calculation of fees for utilization of radio frequencies and numbers, as later amended

- the Regulation became effective on August 1, 2011,
- by this Regulation of the Government the fees for utilization of telephone numbers with the access code DNe in the network of electronic communications are adapted and/or the fee for telephone number with the access code DNe = 702 to 705 is introduced as an independent fee item (point B.5. of the item 2 of the Part B of the Tariff pursuant to the Annex to the Regulation of the Government No. 154/2005 Coll., as later amended). This change relates to the Amendment of the Decree No. 117/2007 Coll., on Numbering plans of networks and

services of electronic communications realised by the Decree No. 53/2011 Coll., by which the access codes 702 to 705 were released from the reserve for public mobile networks.

2. EVALUATION OF THE ELECTRONIC COMMUNICATIONS MARKET

GENERAL EVALUATION OF THE ELECTRONIC COMMUNICATIONS MARKET

Like in previous years also in 2011 the consolidation of electronic communications market continued, however, in lesser intensity than in previous years.

At the end of 2010 **the company Czech Radio-communications a.s.**, on the basis of contract, bought 100 % of shares of the company Czech Digital Group (CDG), which owns and operates the third terrestrial digital multiplex in the Czech Republic. The merger between the company Czech Radiocommunications a.s. and successor company Morava Czech Communications Holdings, a.s., IN 24738875, the commercial name of which was changed to the current name of Czech Radiocommunications a.s., having its seat at Sokolovská 219, Praha 9, became effective on November 4, 2011.

The company MobilKom, a.s. (hereinafter "MobilKom") acquired a strategic investor – Divenno Holdings Limited, which owns the company Dial Telecom, a.s. and Volný, a.s. in the Czech Republic. On the basis of agreement with current owner of majority shares, the investment group Penta, the Divenno bought 100 % of shares of the company MobilKom. Simultaneously, the investor declared the interest to strengthen its position on the Czech telecommunication market including connection of operator of fixed infrastructure with mobile operator. Although on December 16, 2011 the Municipal Court in Prague confirmed the bankruptcy of the company MobilKom, when the company filed insolvency petition itself, restructuring process is under way with this company and the company MobilKom continues with its activities on the telecommunication market.

The company Dial Telecom, a.s. became absolute owner of shares of the company STAR 21 Networks, a.s. The company STAR 21 Networks was founded in 2000 when it acquired one out of three nationwide licences for the operation of wireless access networks of FWA type (Fixed Wireless Access) in the band of 26 GHz for the Czech Republic which provides wholesale services to other operators. It provided services of its own networks to other operators and represented important alternative on the wholesale market, the so-called last mile, primarily to other operators and providers of connection to the Internet network, who, though its mediation, provide telephone, data and Internet services to companies and organisations.

On October 1, 2011 **the new company Internethome, s.r.o.** was incorporated through its separating from the company Telefónica O2 Business Solutions, spol. s r.o. The company particularly seeks other gradual acquisitions of smaller and bigger WiFi providers in the Czech Republic, thereby continuing in acquisitions started by the group Telefónica in the Czech Republic since 2008. The company Internethome, s.r.o. has more than 50,000 users connected.

Determining factor for the development of the market broadband access to the Internet network continued to be competition based on infrastructure. The speed of services of broadband access to the Internet network of individual providers was increasing. In May 2011 the company Telefónica introduced technology VDSL (and/or VDSL2).

The increase of penetration continued on the retail market of broadband access to the Internet network from 14.7 % (the end of 2007) up to 22.1 % in July 2011.

In fixed networks the trend of decrease of the number of subscribers and subscriber lines continued together with related decline of the volume of operation realised in these networks inspite of enlargement of the offer of services by means of new technologies, particularly voice services by means of VoIP services and offers of packages of services. As compared with the previous year, however, this decrease has slowed down. According to preliminary estimate the total number of subscribers of voice services provided in fixed networks, expressed in number of subscriber lines in 2011, decreased on year on year basis by approximately 6 % to approximately 2,200,000.00 subscriber lines. Volume of calls in fixed networks of the company Telefónica, the biggest provider of services in the fixed network (expressed in the number of minutes per one subscriber line), decreased on year on year basis by 4.5 % according to preliminary estimate.

In 2011, according to preliminary estimates, almost 80 % of total volume of voice operation was realised by means of mobile networks. According to preliminary results for 2011, the total number of active SIM cards reported for mobile operators decreased for the first time, as compared to the year 2010 (according to the original methodology used). This trend confirms the assumption about high saturation of demand for existing mobile services in the Czech Republic. The number of transferred numbers in mobile networks continued to rise. Operators of mobile networks continued to extend their offers of data and voice services by means of the so-called "packages", including the services provided in fixed location. Similarly to previous years further decline of price level was registered also in services of mobile networks. Nevertheless, the general level of retail prices of mobile services remains high.

During 2011 further enlargement of coverage by UMTS networks of companies Telefónica, T-Mobile Czech Republic a.s. (hereinafter "T-Mobile") and Vodafone

Czech Republic a.s. (hereinafter "Vodafone") took place. On February 8, 2011 the companies Telefónica and T-Mobile signed the contract on sharing the 3G network. Next deployment and enlargement of the coverage is implemented by both companies together what should mean another acceleration of deployment of 3G networks. At the end of 2011 the level of coverage reached on average 69 % of population and 29 % of territory.

In order to increase the options of end users to compare prices of services of electronic communications, the CTU, in the second half of 2011, began with the preparation of the so-called price calculator. On the basis of the assessment of practical experience of foreign regulatory bodies, which provide for such a calculator, the CTU decided itself for collaboration with operators of commercial price calculators, including their accreditation in a similar way as British regulator OFCOM is doing. On the basis of foreign experience and after a series of consultations with operators, the CTU formulated concrete demands for price calculators and determined the rules for their authorization. The CTU published the documentary material including *conditions of authorization* at the beginning of 2012. Immediately after the document mentioned was published, authorization procedure of the first tariff calculator began. Within this process also the logics of the comparison performed was checked by the Telecommunication Department of the ČVUT Prague working for the CTU.

At the beginning of September 2011 the CTU promulgated comprehensive report on the development of the market of electronic communications for the last year which builds on reports concerning development of the market promulgated in previous years. The source of the information for these reports is electronic data collection (EDC) by means of the portal <http://monitoring.market.ctu.cz> and occupies itself by both monitoring of basic trends in the development of the branch as a whole and market results and evaluation of individual parts of the market.

During 2011 the process of transition to terrestrial digital broadcasting continued. In connection with legally enshrined termination of the process of digitalization of terrestrial broadcasting on November 11, 2011, the CTU organized the Colloquium focused on termination of terrestrial analogue broadcasting in the most part of the territory of the Czech Republic.

2.1 MARKET ANALYSES AND MONITORING

During 2011 the CTU monitored continuously development in all market segments of electronic communications and principal development trends in both mobile and fixed line networks.

In processing 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 analyses of relevant markets were obtained mostly by means of electronic data collection from approximately 3 thousand registered service providers.

During 2011 the second round of analyses of relevant markets was closed. As the last relevant market in this round the market No. 6 was prepared, and namely – The Wholesale terminating segments of leased lines, irrespective of the technology used, to provide leased or dedicated capacity. The analysis of this relevant market was promulgated on December 7, 2010 and, subsequently, on April 14, 2011 the Decision on determination of the enterprise with significant market power in this market – the company Telefónica – was promulgated. Subsequently, relevant corrective measures were imposed on this company. In May 2011 the decision became effective which imposed the obligations to this company to allow access, transparency, non-discrimination and the obligation to keep separated records of costs and revenues in the Segment A of this relevant market. The Segment A encompasses wholesale terminating segments of leased circuits having the speed not exceeding 2 Mbit/s (2048 kbit/s) irrespective of signal translation facilities used”.

On February 25, 2011 the Office published the announcement about the beginning of the Third Round of analyses of relevant markets. As the first one, the analysis of relevant Market No. 5 – Wholesale broadband access in electronic communications networks, was started. The analyses was prepared during the whole year 2011 particularly considering the extent of data processed where the results of data collection for the purposes of territorial segmentation were used for the first time. In connection with this analyses two market reviews were performed. Two workshops were organized in 2011 dedicated to the analyses in which operators and expert public participated, namely on June 29 and December 14, 2011. Completion of this challenging analyses and imposition of relevant remedial measures is expected during 2012.

On the basis of results of continuous monitoring of the development of voice traffic in public mobile telephone networks and conclusion of contracts on provision of services of virtual operators (MVNO) on commercial basis as compared to conclusions of the analyses of the relevant market No. 15 – the Access and call origination on public mobile telephone networks, the Office, during 2011, began to perform the so-called test of three criteria and, subsequently, it submitted the draft Measure of General Nature No. OOP/1/XX.2011-Y to the public discussion (published on November 30, 2011). By this Measure the Measure of General Nature No. OOP/1/02.2008-2, defining the relevant markets within the electronic communication sector, including the criteria to assess significant market power, is amended. Therefore, the

Office has extended the list of relevant markets determined by the European Commission, on which the regulation ex-ante can be applied in the conditions of the Czech Republic, by the Wholesale market No. 8 – Access and call origination on public mobile telephone networks, what will allow performance of the analyses of this relevant market and, on the basis of its result, to impose measures aimed at the remedy of insufficiencies of competition environment discovered.

On August 31, 2011 Measure of General Nature No. OOP/7/07.2011-10 became effective, amending the Measure of General Nature No. OOP/7/07.2005-12, stipulating the extent, form and method of publication of information concerning access to network or interconnection of networks of electronic communications, as well as requisites, extent and form of reference offer of access or interconnection, as later amended. This Measure of General Nature was promulgated on the basis of the assessment of existing wording of the original Measure of General Nature and on the basis of experience gained in its practical employment.

Within the same deadline (i.e. August 31, 2011) the Measure of General Nature No. OOP/8/07.2011-11, became effective, by which the CTU newly adapted demands on requisites of referential offer making available metallic local loop. This Measure of General Nature was promulgated on the basis of evaluation of on the basis of the assessment of existing wording of the original Measure of General Nature and experienced gained in its practical employment.

2.2 DEVELOPMENT OF SELECTED SERVICES IN THE MAIN MARKET SEGMENTS

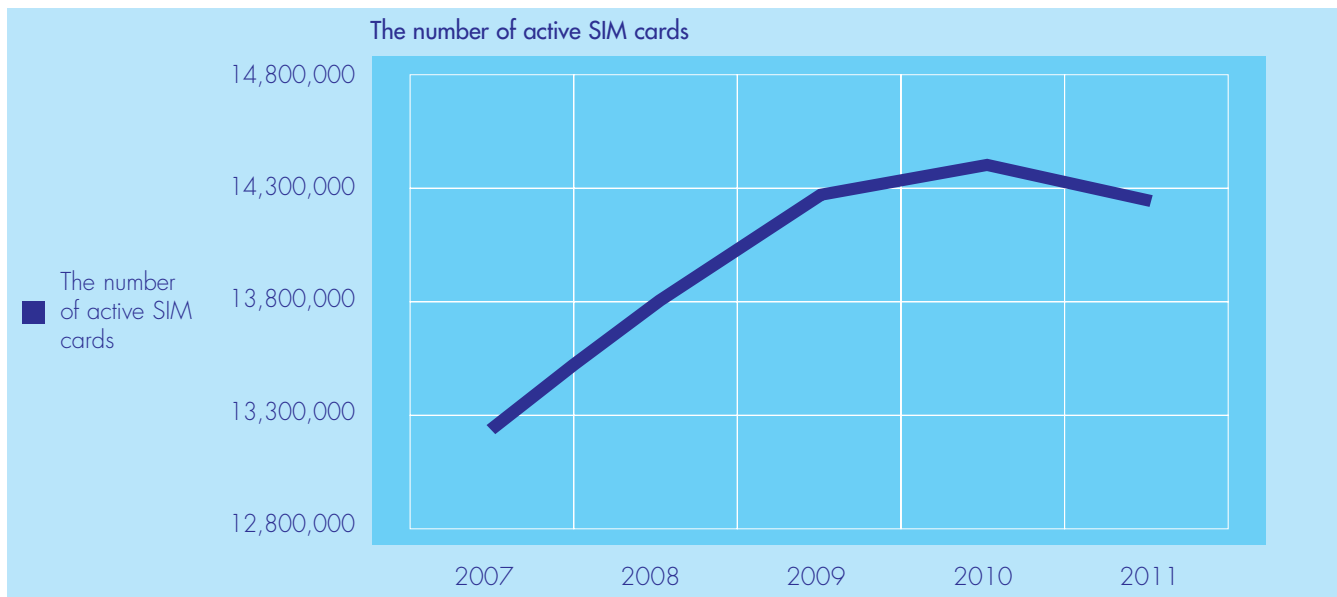
2.2.1 Services provided in mobile networks

Also during 2011, when the situation in the mobile market was subject of many evaluations, the CTU dedicated maximum attention to this market. On the basis of results of continuous monitoring of development in the retail market of voice services in public mobile telephone networks, the CTU arrived to the conclusion that on this very market gradual stagnation of development of economic competition takes place and therefore it decided to define the new wholesale relevant market – Access and origin of call in public mobile telephone networks and to perform its analyses pursuant to Section 51 of the Act. In the following part of this Report, dedicated to the assessment of the situation on the mobile market, the CTU used the assessments which are projected in the draft Measure of General Nature No. OOP/1/XX.2011-Y (published on November 30, 2011 for public consultation).

During the period of 2011 monitored four business subjects were active on the mobile market and namely, the company Telefónica, T-Mobile, Vodafone and MobilKom. Development of the market, however,

remained practically unchanged during the year 2011. Market shares, expressed in the number of SIM cards, were relatively stable during the last years. Bigger decline of SIM cards registered in 2011 only with the company MobilKom, which, however, does not provide its services

with the help of identical technological solution like remaining operators. Development of the number of active SIM cards in mobile networks is brought forward in the following graph according to the CTU's methodology.

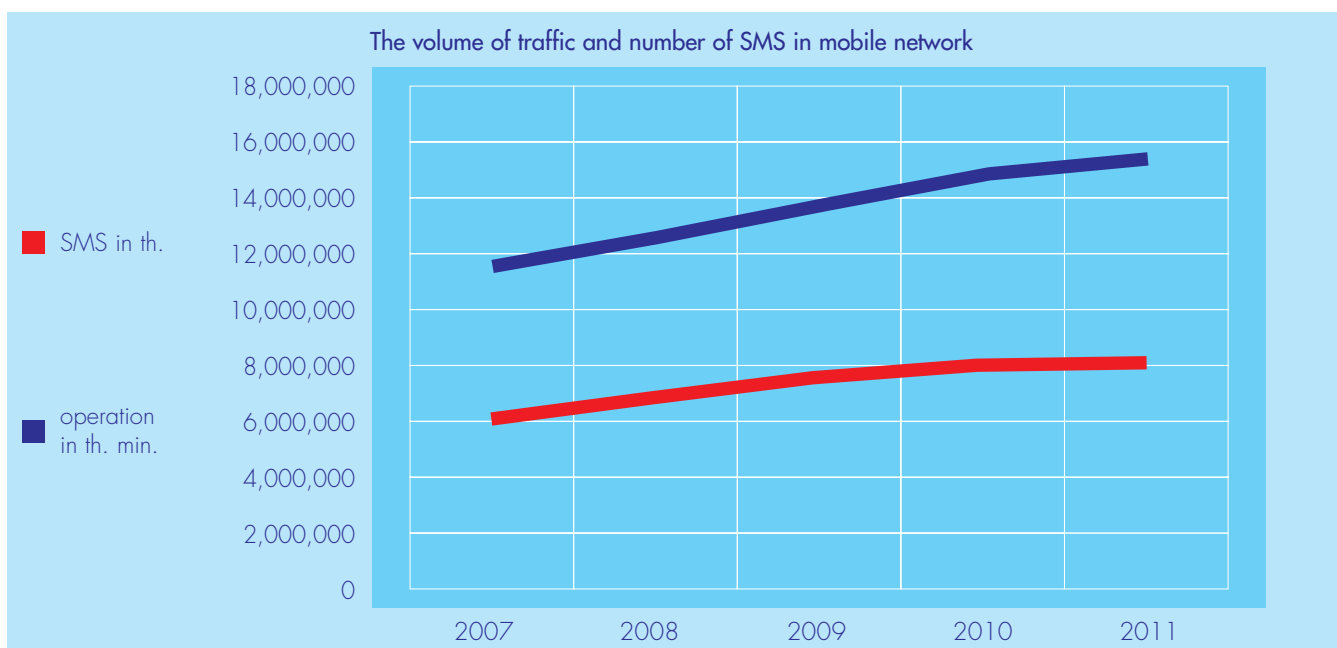


Note: the method of inclusion of pre-paid SIM cards is performed, taking into consideration preservation of consistence of older data according to the CTU's methodology where pre-paid SIM cards are considered active if not more than 13 months elapsed from the last credit charging.

According to preliminary data, by December 31, 2011, the number of active SIM cards was 14,244,611 SIM cards. For the first time the decrease of the total number of active SIM cards, reported by mobile operators, was approximately 1 % as compared with the year 2010 (according to original methodology). **This trend has confirmed the opinion of the CTU concerning high saturation of demand for existing mobile services in the Czech Republic.** Although three biggest mobile operators registered increase in the segment of post-paid

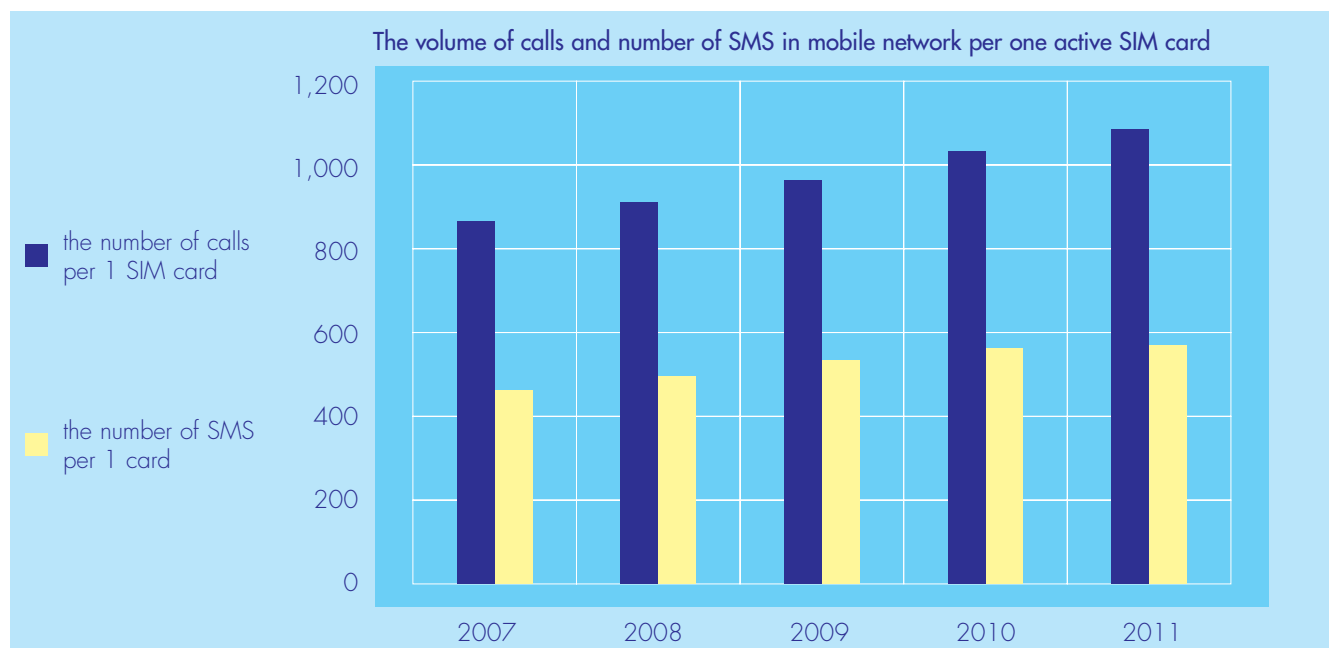
cards, the decline of the number of pre-paid cards was quicker. The total decline was influenced also by absolute decrease of SIM cards of the company MobilKom.

According to preliminary data the volume of traffic of voice call originated by subscribers of mobile networks in 2011 slightly increased (by approximately 4% on a year on year basis) and the number of posted SMS messages from mobile network (without roaming) almost stagnated (only 0.6 % on a year on year basis).



In 2011 the originated traffic expressed in minutes of call per one active SIM card (without roaming) was 1,087 minutes and the number of SMS messages was 573.

The volume of calls per one active SIM card increased on a year on year basis by 5 % and the number of SMS messages posted slightly increased by approximately 1.8 %.



Note: the number of SIM cards is documented according to the old methodology of the CTU where pre-paid SIM cards are considered active if not more than 13 months elapsed from the last credit charging. The volume of calls includes the total operation generated by participants themselves in real minutes (without outbound roaming).

In consideration of the fact that the total number of subscribers is practically stagnating, the transfer of subscribers takes place mutually among individual service providers in particular. The transfer among individual providers is affordable for a subscriber and the possibility to keep telephone number when changing provider is very efficient instrument supporting competition. Nevertheless, **market shares of individual operators expressed in number of active SIM cards become gradually locked.**

The development of prices of services provided in mobile networks

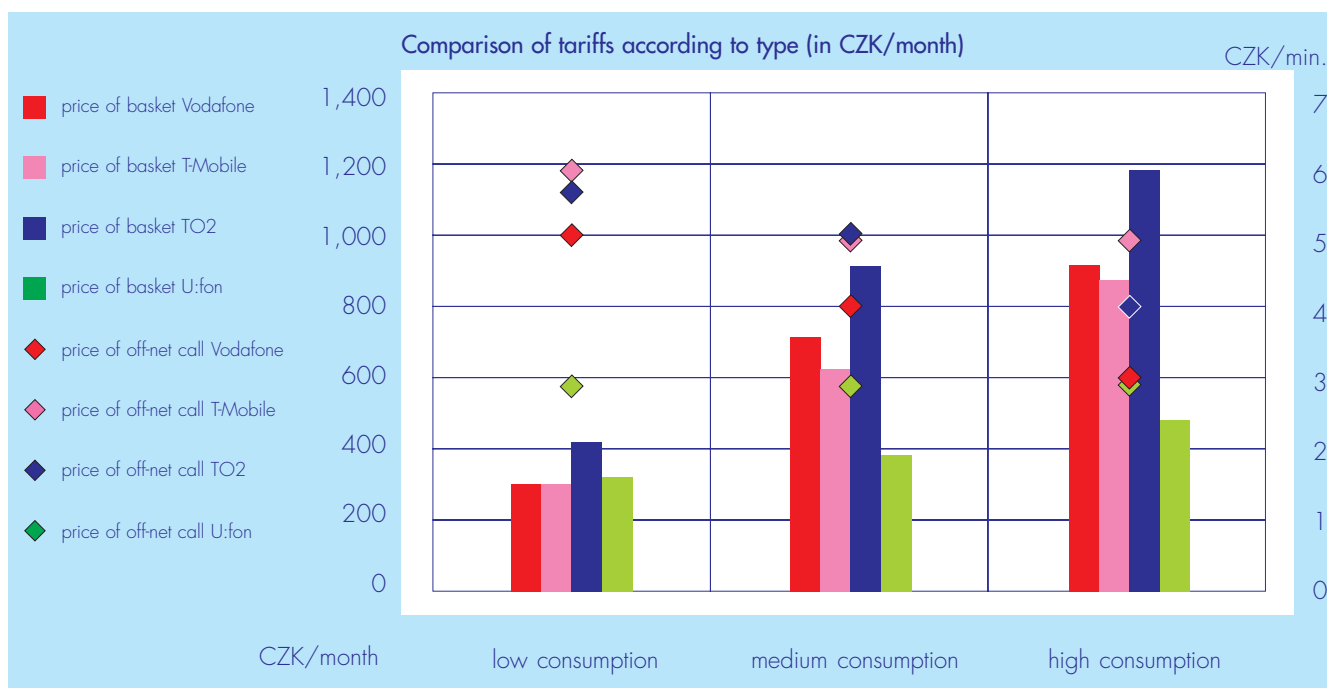
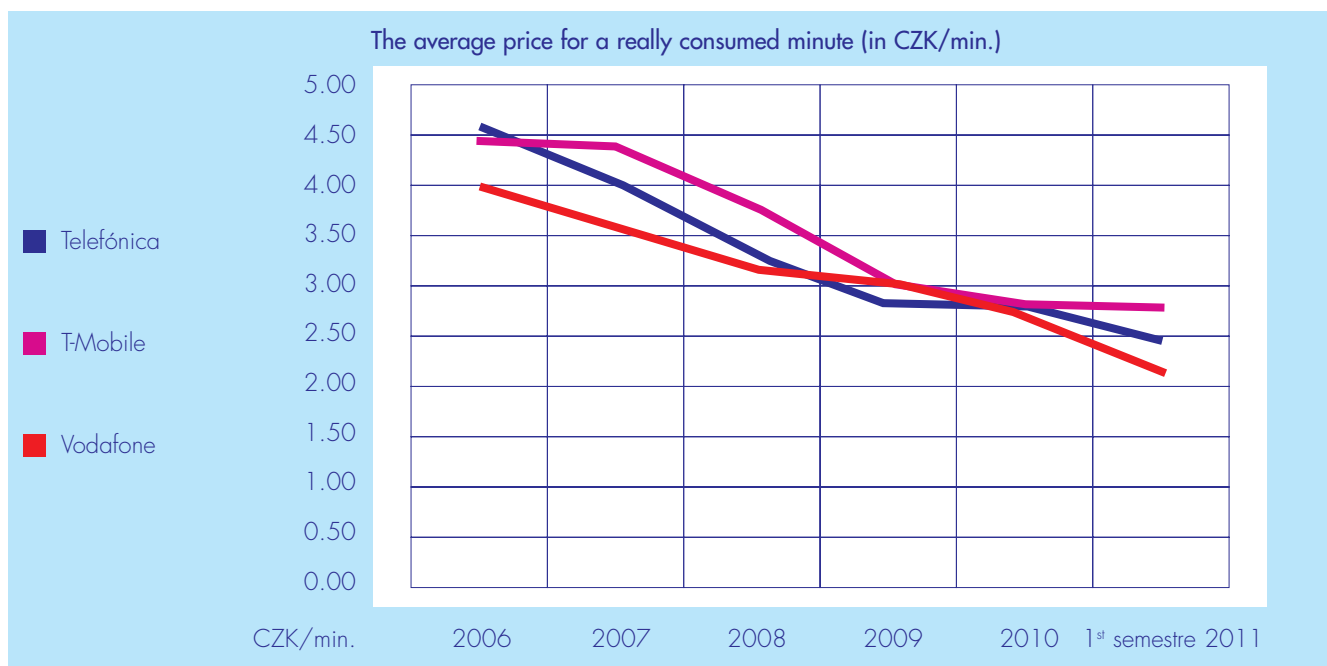
In its assessment of development of prices in mobile market the CTU in 2011 employed different approaches for comparison of prices of mobile services. One of the methods of comparison employs average prices for really consumed minute of call. This method is based on the calculation of average price per minute obtained by dividing revenues for services of mobile voice communication by total number of outgoing minutes, including calls to national fixed networks, to one's own mobile network and to national mobile networks, and is used also by the European Commission. According to this

methodology a permanent decrease of average price is obvious since 2006.

Within this comparison the CTU also examined the difference between the average price of mobile calls for business and non-business subjects in total for all three biggest mobile operators. The difference discovered, making approximately 20 % difference disadvantaging non-business subjects, corresponds to the practise of application of volume discounts for big clients, what is the common practise also in other countries.

As another method, the CTU used comparison by means of baskets of mobile services. For the purposes of this comparison the baskets of a client with low, medium and high consumption were used (the methodology employed in the comparison published in the Monthly monitoring report in November 2009) and tariffication and favoured calls (according to the OECD methodology of March 2009) were taken into consideration.

The prices of baskets for both tariff customers and the customers with pre-paid cards were calculated. The total monthly price of the basket is represented in the following graph by columns and the price per minute to another network by coloured points (off-net calls).



In connection with a continuing decrease in the maximum amount of regulated wholesale prices for termination, the CTU made also assess of the impact of

regulation on prices at the retail level in 2011. This analysis is documented in the following tables.

The total decrease of average price for termination and retail prices in the period from 2005–2010 (in CZK/min.)

Year	Average minimum price for termination	Average retail price	Decrease of price for termination	Decrease of retail price
2005	3.13	4.65		
2006	3.03	4.84	-0.10	0.19
2007	2.99	4.43	-0.04	-0.41
2008	2.99	3.81	0.00	-0.62
2009	2.51	3.17	-0.48	-0.64
2010	1.81	2.99	-0.70	-0.18

As it is clear from the table hereabove, during the years 2006 to 2009, the decrease of average retail prices was bigger than the decrease of average regulated wholesale prices for termination in individual years of this period. In 2010 contrary situation took place when, in contrast to significant reduction of regulated termination price (−0.70 CZK), only slight decrease of average retail prices occurred (−0.18 CZK).

The same development was registered also in case when only the prices for calls to other mobile networks are considered in retail sector. In this case the termination prices are in fact represented by direct costs of retail price. It is evident from the following table that, contrary to the years 2006 – 2009, retail price for calls to other mobile networks decreased in 2010 not so much as the maximum wholesale price for termination determined by regulator.

The decrease of average price for termination and retail prices for calls to other mobile networks in the period from 2005 to 2010 (in CZK/min.)

Year	Average minute price for termination	Average retail price for calls to other mobile networks	Decrease of price for termination	Decrease of retail price for calls to other mobile networks
2005	3.13	4.66		
2006	3.03	5.06	−0.10	0.40
2007	2.99	4.95	−0.04	−0.11
2008	2.99	4.26	0.00	−0.69
2009	2.51	3.59	−0.48	−0.67
2010	1.81	3.48	−0.70	−0.11

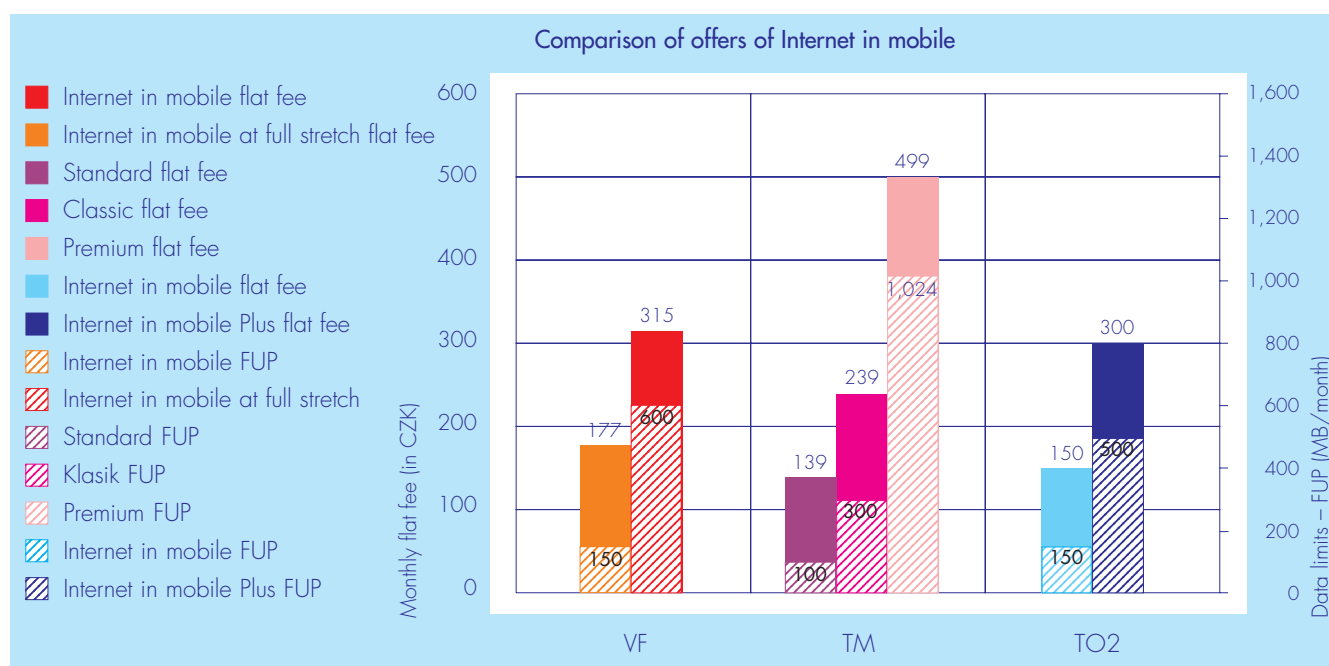
According to information of the CTU the expectations that reduction of costs in the form of gradual reduction of wholesale termination prices would reflect itself also in retail prices was not confirmed.

Comparison of retail prices for data downloading with mobile operators

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

types of mobile connection – the Internet in mobile and mobile Internet using modem.

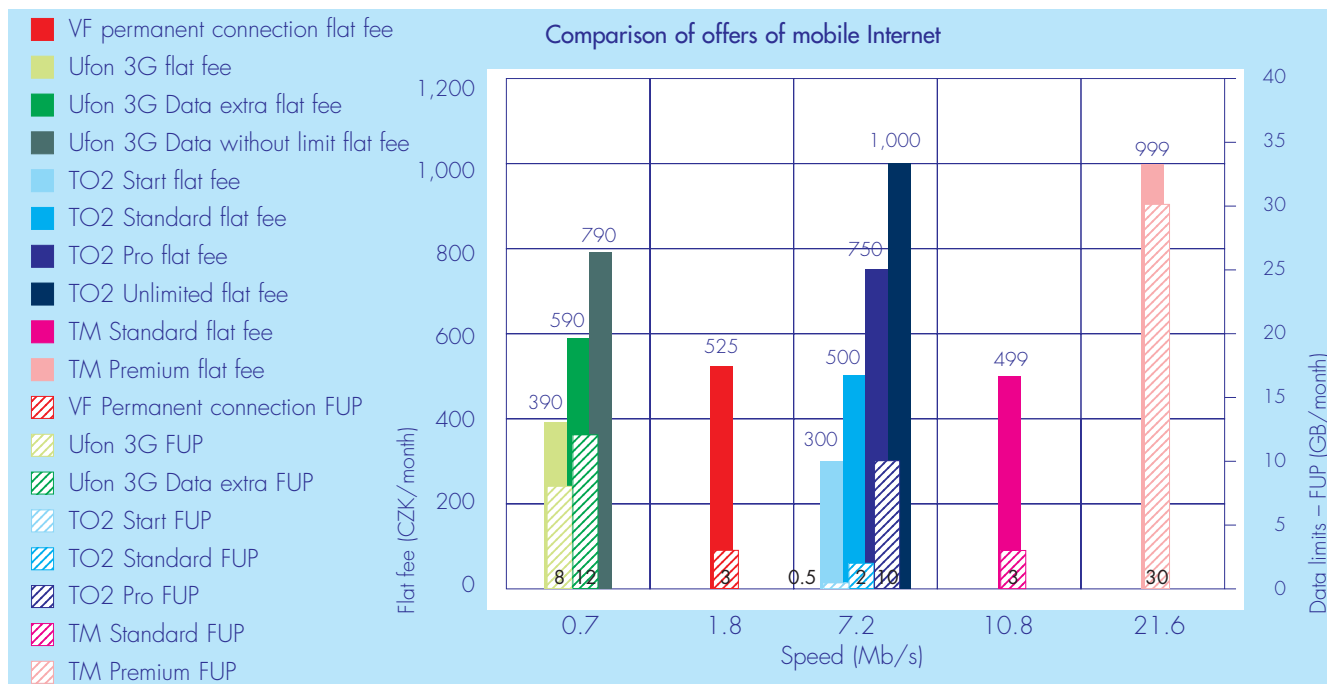
The following graph illustrates the first of them – Internet in mobile and compares offers of the service of individual operators. The offers differ by both data limits (cross-hatched columns) and the price (full columns). As compared with the precedent year data limits were increased with some tariffs of operators Vodafone and T-Mobile.



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

With the second variant – mobile Internet (with modem) in 2010 operators increased speeds of data downloading and increased data limits (FUP) in their offers. The following graph compares individual monthly prices according to maximum speed of downloading

(full columns) and data limits (cross-hatched columns). The offer without data column provides the Internet without limitation. Only the company T-Mobile made some change with this service and namely by increasing the data limit.



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

Conclusion to the assessment of mobile market

In the last years the slowdown of the dynamics of the market from the viewpoint of voice and SMS services occurred and market shares of individual providers of mobile services were practically fixed. Factors which might support the dynamics of the market are insufficient. For example, the above mentioned effect of utilization of services of portability of numbers is, in considerable degree, limited by volume of calls in their own networks of individual mobile operators, who offer these calls for advantageous price conditions. No standard wholesale contracts have been agreed so far on the mobile market, which would allow other entrepreneurs to enter the market of mobile services in the form of virtual mobile operator (hereinafter “MVNO”), despite the fact that some entrepreneurs of fixed networks requested such a contract. The CTU does not consider correct the situation where retail framework subscriber contracts are in principle used for further “resale” of mobile services. Nevertheless, non-existence of the MVNO in conditions of mobile market in the Czech Republic does not correspond to the trend of MVNO in remaining countries of the European Union. According to the CTU’s opinion the entry of new providers of mobile services. could contribute to improvement of competitive environment and, ultimately, would bring about benefit to consumers in the form of greater offer of services and pressure on reduction of their prices.

On the basis of evaluation of mobile market during 2011 the the CTU submitted for public consultation the proposal for establishment of new relevant wholesale market of mobile origination (market for ex-ante regulation). Simultaneously, the CTU, within the framework of formulation of conditions of tender procedure getting ready, concentrated itself at setting the conditions so that they motivate another (new) entrepreneurs to enter the mobile market (see further Part 2.5 “Preparation of tender procedure for frequencies 800, 1,800 and 2,600 MHz”).

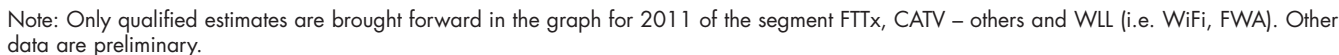
2.2.2 Services of broadband access

In 2011, equally as in other years, the situation on the retail market of broadband access, expressed in the size of market shares corresponding to number of accesses has not changes too much.

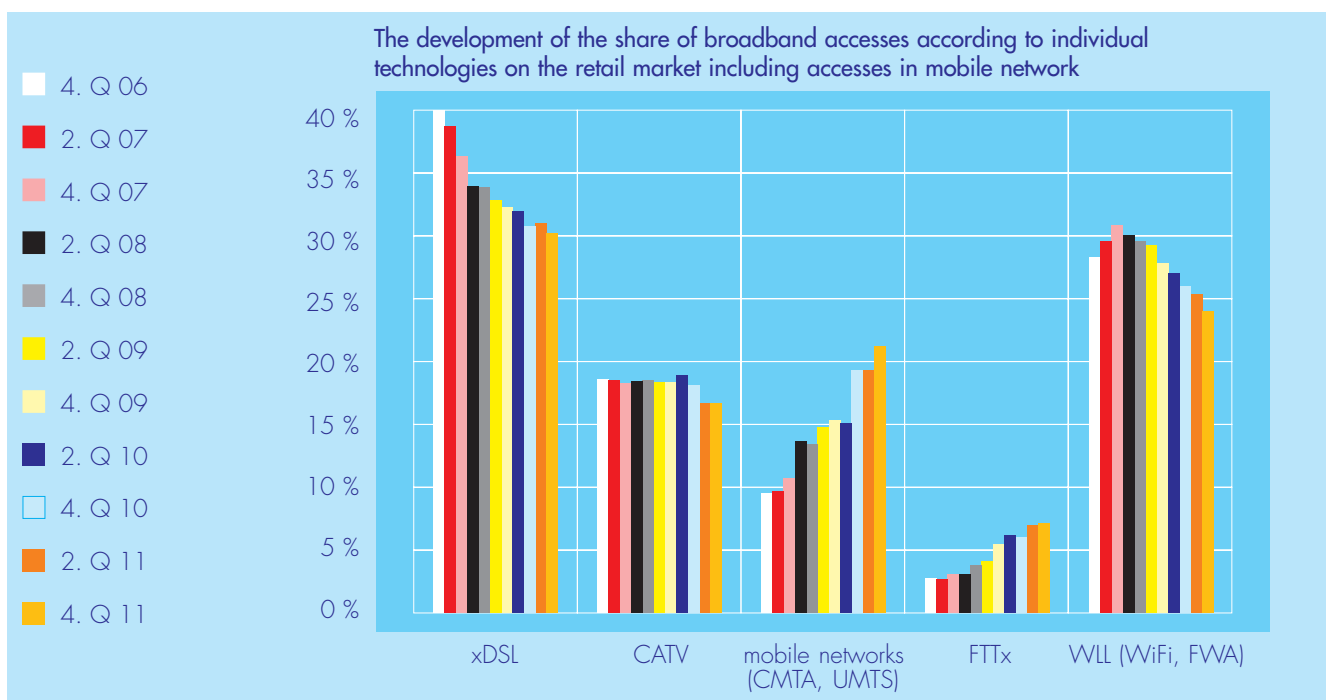
The technologies which are mostly represented in the retail market are the accesses xDSL and WLL (they include all fixed radio accesses and the accesses by means of WiFi), which form approximately 50 % share in the market of broadband access to the Internet network, despite the fact that WLL share decreased by 1.6 % on a year-on-year basis. Increase by almost 2 % can be traced only in broadband mobile networks. In remaining broadband accesses almost no changes of market shares

the growth of mobile accesses. Mobile accesses take their places in the market also because they are often established in the form of "complement" to the implementation of broadband access in fixed location. The Office, within the framework of monitoring of development of the market of broadband access, included in this monitoring only those mobile accesses, which are used permanently by end user and are charged with monthly flat fee tariffs (for example, Internet On the road from the company T-Mobile, Mobile internet from the company Telefónica).

Gradual decrease of shares of technologies xDSL and WiFi on the market of broadband access to the Internet network is in favour of other technologies, particularly FTTx and accesses in mobile networks, and is in harmony with expectations of the Office and the trend in other countries of the European Union, where also development of optical networks takes place together with



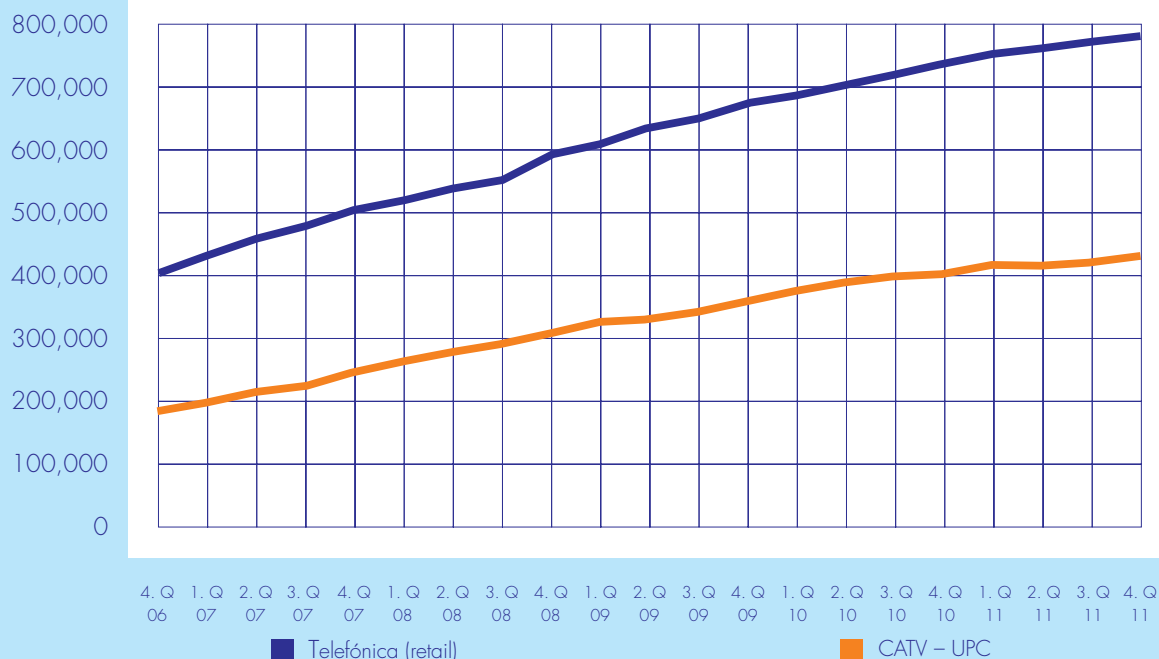
accesses to the Internet network according to individual technologies on the retail market.



In the following graph the development of number of retail accesses of two biggest companies on the retail market of broadband access to the Internet network is given for information. The company Telefónica is the

biggest provider of xDSL services and the company UPC is the most important provider of broadband services by means of cable television.

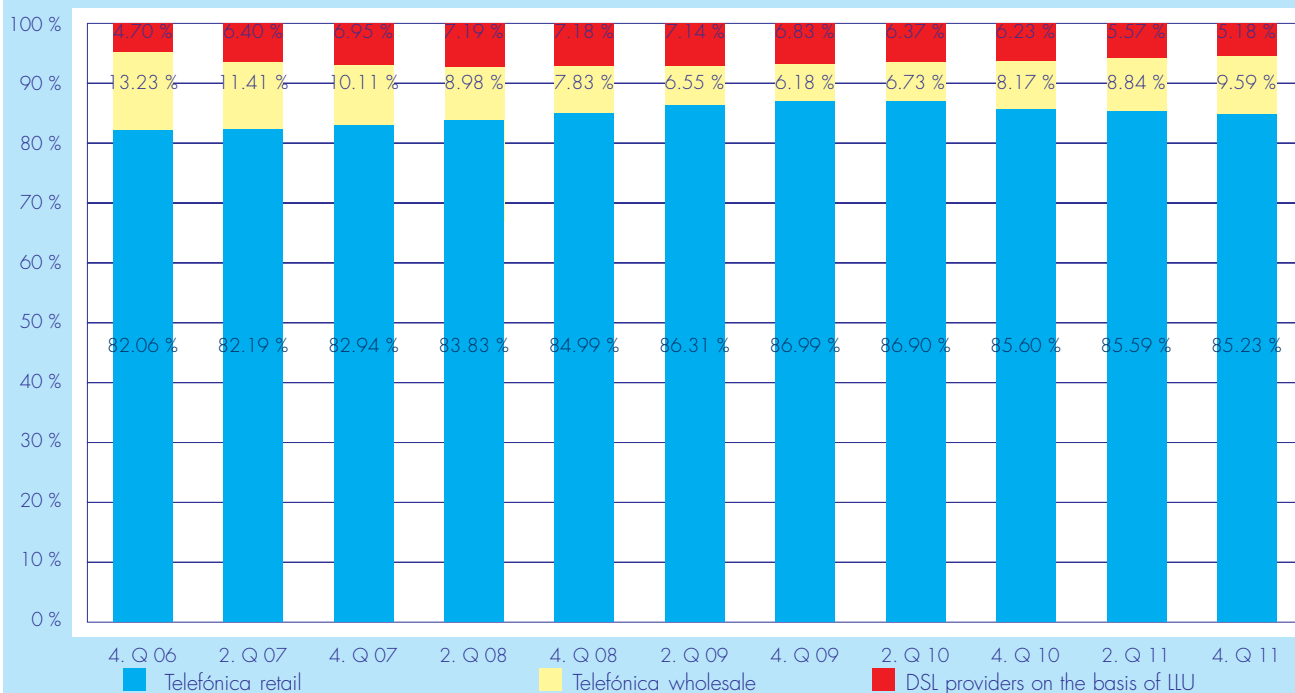
Development of retail ADSL of the company Telefónica and CATV accesses of the company UPC



As the time goes by the weakening of rate of growth of the number of broadband accesses occur with both companies what indicates the fact that in the Czech Republic the demand for market broadband access to the Internet network (in currently offered speeds) is almost saturated and to recruit new customers will be more and more difficult for providers.

The graph mentioned hereafter demonstrates the development of market shares of xDSL broadband accesses to the Internet network. In relative formulation the retail shares of the company Telefónica increased until the second half of 2009, and, after subsequent stagnation, the wholesale offer increased in the last quarter of 2010 which was influenced by the company

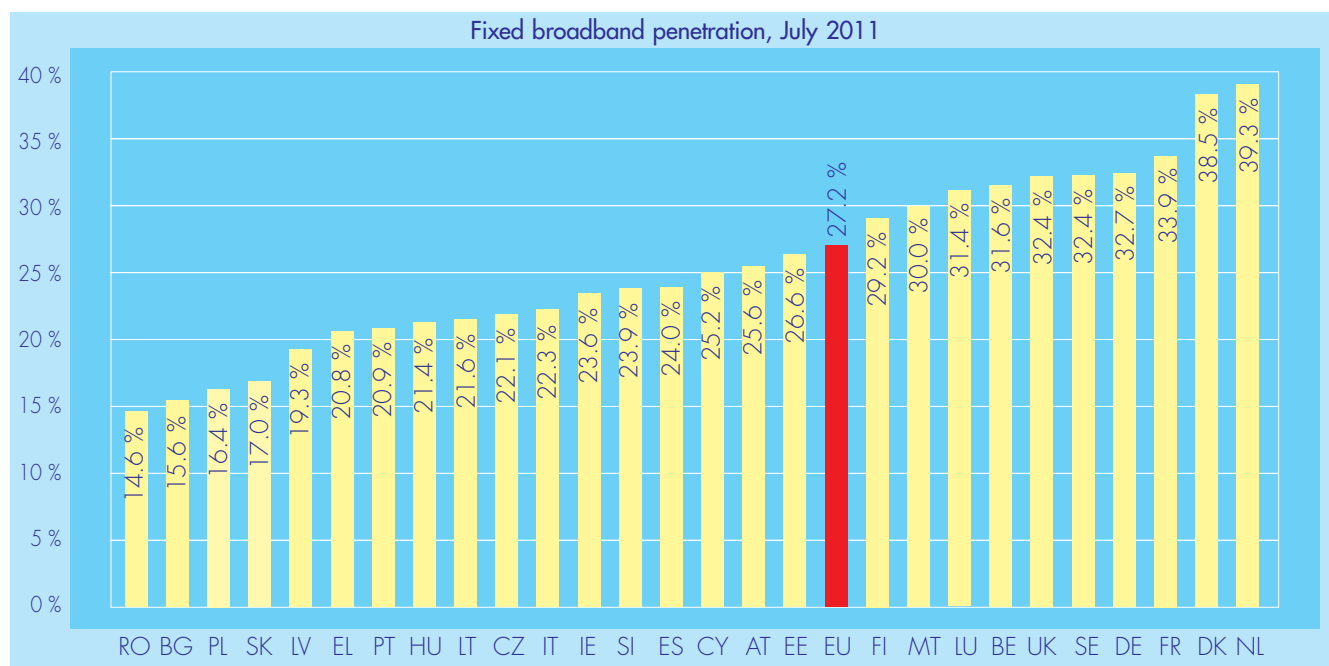
The development of market share of xDSL broadband accesses expressed in the number of accesses provided



T-Mobile. This trend continued also in 2011. In 2011 the share of LLU on wholesale offer xDSL further decreased.

The growth of penetration can be stated in international comparison (see below) in the retail market of

broadband access to the Internet network from 14.7 % at the end of 2007 up to 22.1 % in July 2011, what is, without any doubt significant increase, however, in comparison with the European Union's countries it is bellow average (the average of the European Union is 27.2 %)



Source: European Commission, 2011

Retail prices of broadband access services

In 2011 the long-term trend of growth of speeds provided continued on the retail market of broadband access to the Internet accompanied by decrease of prices. Since May 2011 (in response to the change of wholesale offers of access – see below) the wholesale market of broadband access to the Internet network), the company

Telefónica began to provide in some locations its services by means of the VDSL technology, which allowed the increase of maximum speed for data downloading up to 25 Mbit/s. Simultaneously, with the increase of speeds provided the absolute decrease of prices with individual services took place (and/or speeds, see below speeds 2 Mbit/s and 16 Mbit/s of the company Telefónica).



The level of prices of individual speeds of retail offer of the access to the Internet of the company Telefónica for 2011 is shown in the previous graph.

From the preceding graph it is evident that the company Telefónica differentiates the prices depending on technology by which the access to the Internet network is implemented. For example, in locations having available VDSL technology, the service of speed 16 Mbit/s costs CZK 750 per month, whereas similar service by means of ADSL technology costs by CZK 100 more, conse-

quently CZK 850. The service with the highest speed of 25 Mbit/s, is accessible only by means of VDSL technology, therefore in limited number of locations for the price of CZK 850 per month.

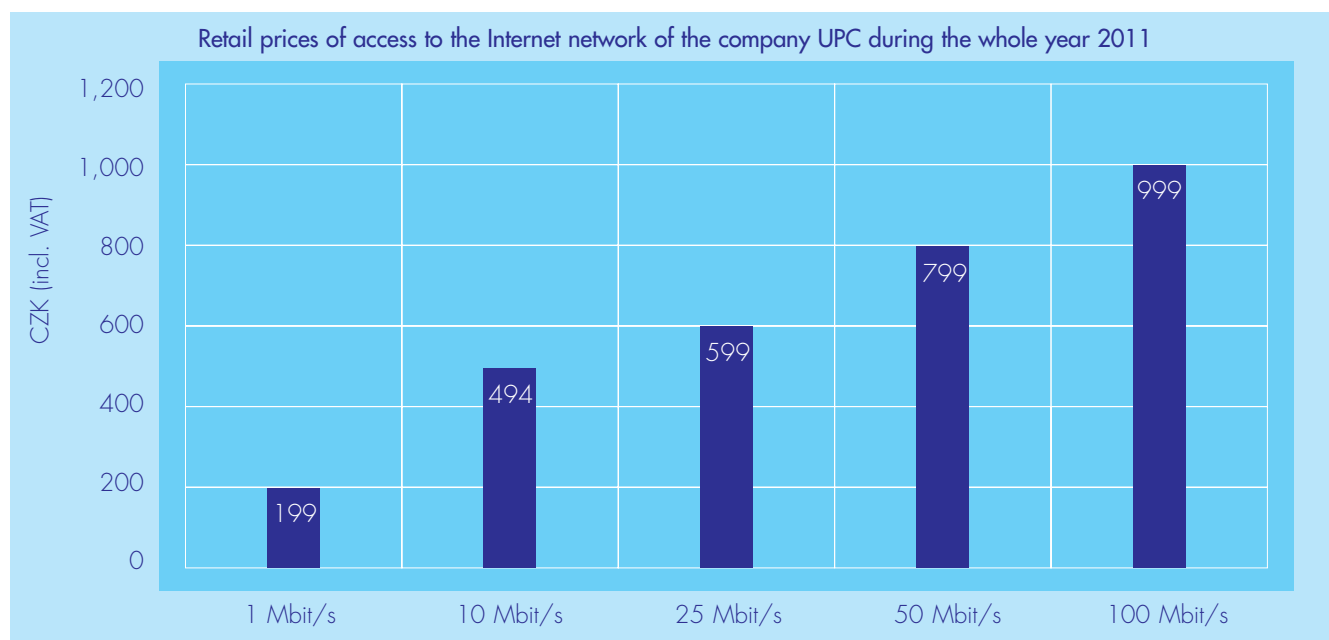
In the following graph the offers of four important operators on the domestic market offering their services by means of xDSL technology are compared. The graph compares the price for services of the access to the Internet network with the highest available speed at the beginning and at the end of 2011.



Note: the company Vodafone began to provide its services for residential customers as late as during 2011, the situation of this company at the beginning of the year is not mentioned.

Another important company on the retail market is the company UPC. The following graph documents the

level of prices of its services of broadband connection in the year 2011.



During the whole year 2011 the company UPC The Czech Republic, a.s., provided its services in the same structure and for the same price. The lowest provided speed is 1 Mbit/s with the price of CZK 199 per month. On the contrary, the service having the fastest speed available is 100 Mbit/s for the price of CZK 999 per month. Comparing the fastest services of two biggest retail providers of the access to the Internet service, the company Telefónica and the UPC The Czech Republic, a.s., it is obvious that the service of the company UPC is exactly 4x faster than the service of the company Telefónica (available only locally by means of VDSL technology).

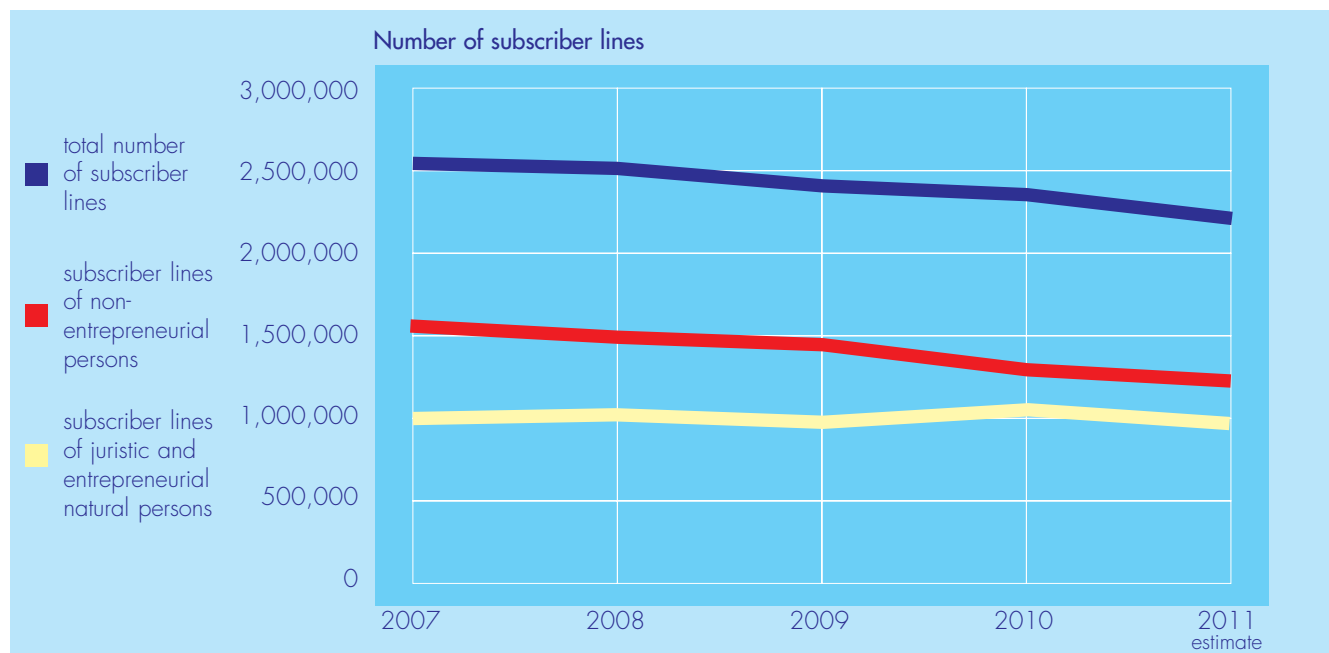
2.2.3 Voice services provided in fixed networks

Among the most important companies, which were active in the market of telephone services in fixed location in 2011, belonged particularly the companies Telefónica, UPC The Czech Republic, a.s., T-Mobile, GTS Czech s.r.o., Dial Telecom, a.s., RIO Media a.s., Czech Radiocommunications, IPEX a.s., ČEZ ICT Services, a.s.,

MobilKom, Unient Communications, a.s., ha-vel internet s.r.o. The most important position in provision of publicly available telephone in fixed network still belong to the company Telefónica.

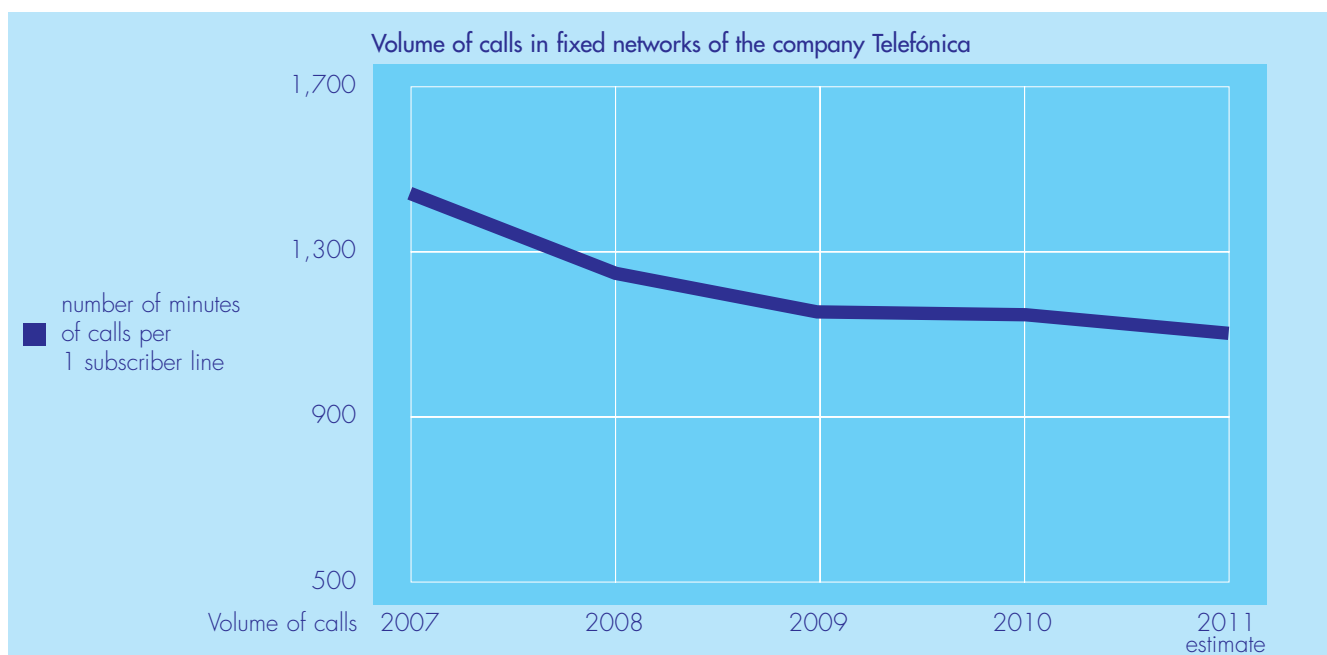
During 2011 the trend of extension of offer of services in the field of voice services by means of new technologies, voice services in particular, continued through VoIP and migration of subscribers of voice services from fixed network to mobile networks. Operators continued to offer to their customers the services in different forms of packages. The decrease of income from classic publicly available telephone services provided in fixed network continued to be partially compensated by incomes from services of broadband access to the Internet network.

In 2011 the total number of subscribers of voice services provided in fixed networks, expressed by number of subscriber lines, according to preliminary estimates, decreased, on a year-on-year basis, by approximately 6 % to approximately 2,200,000 of subscriber lines (see the following graph).



Hand in hand with decreasing number of subscribers also the decline of volume of traffic was registered in fixed networks. Simultaneously, further decrease occurred in the development of the volume of traffic of calls on the retail level of the biggest provider of publicly available telephone services, i.e. the company Telefónica, expressed in minutes per one subscriber line (see the following graph).

Estimated number of minutes of calls per one subscriber line for 2011 registered a year-on-year decrease of almost 4.5 % to the value of approximately 1,100 minutes. This decrease can obviously be attributed to the continuing transfer of one part of voice traffic to mobile networks, on the one hand, and utilization of VoIP services on the other hand.

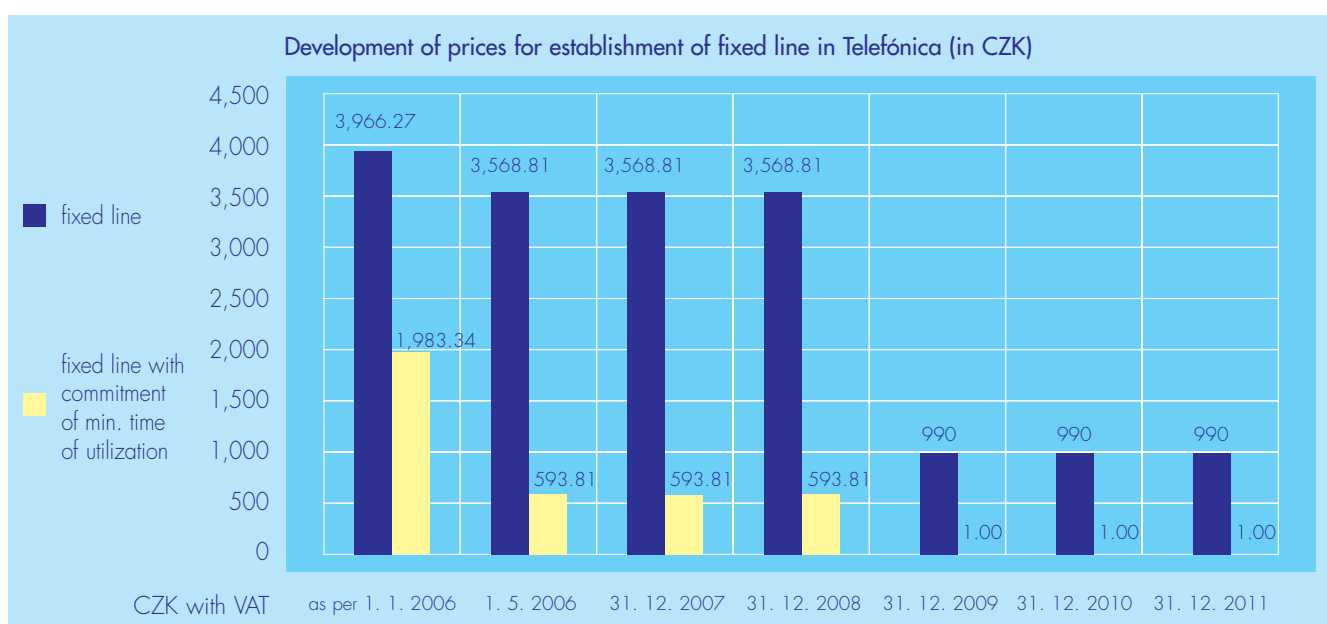


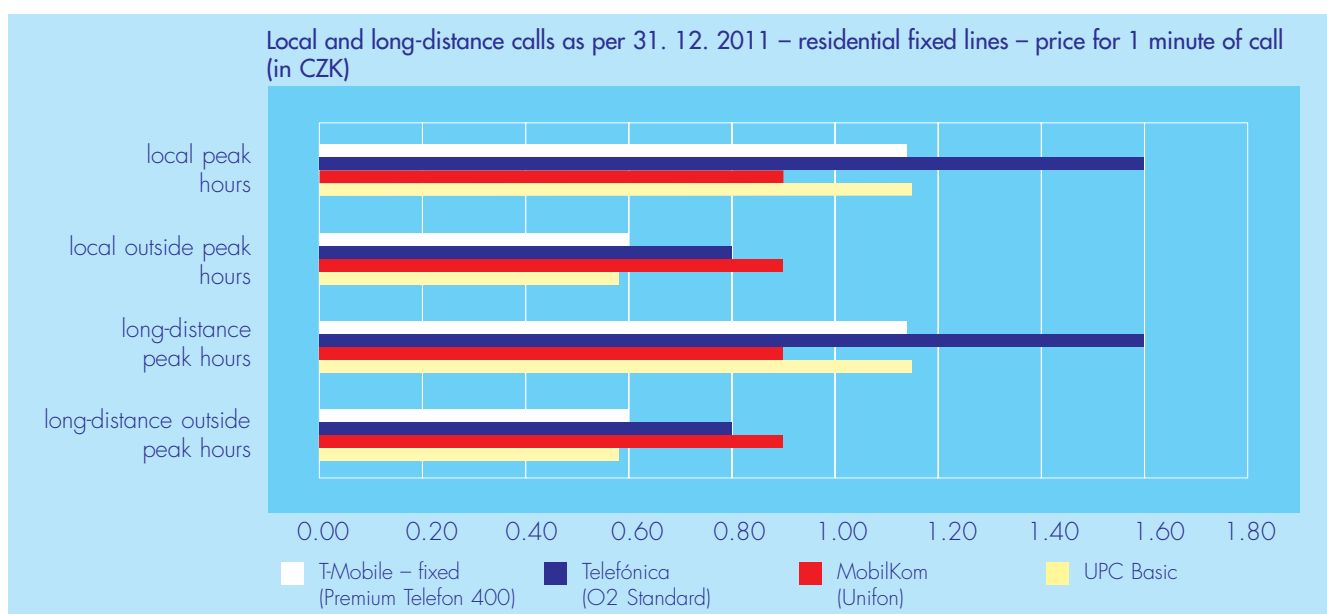
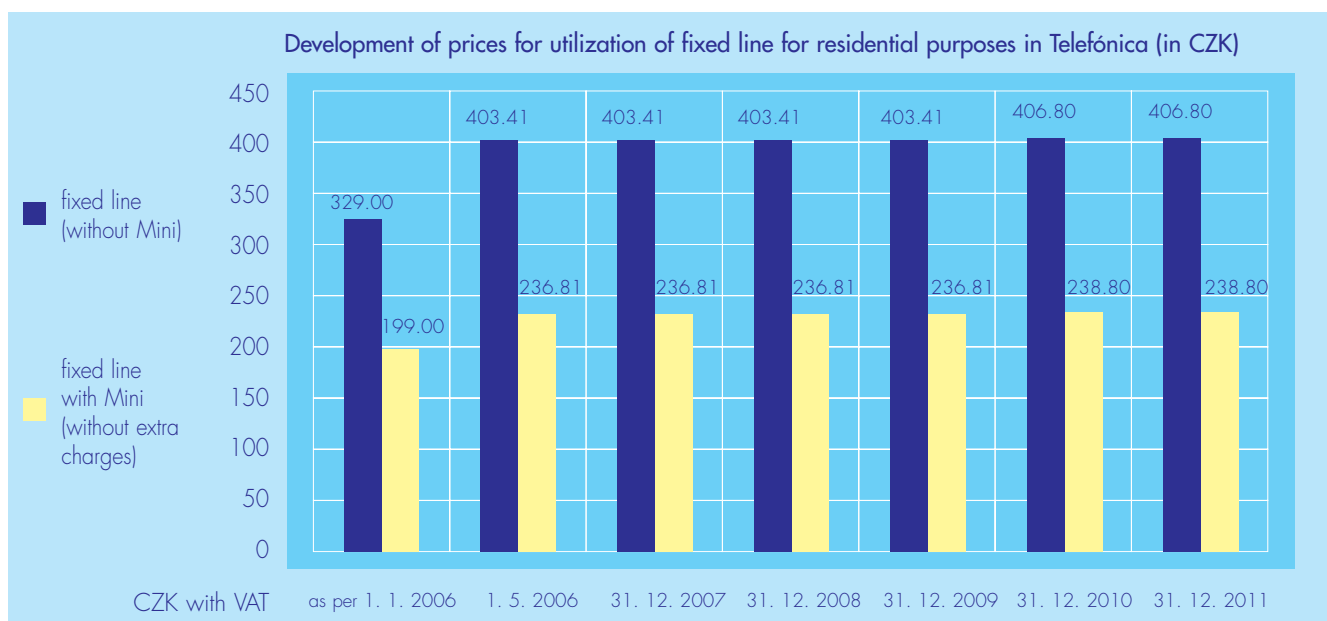
Development of prices of voice services in fixed networks

Prices of voice services in fixed networks in 2011 stagnated. Their development is registered in the following graphs. Due to the position of the company Telefónica on this market, only prices of this company are brought forward in these graphs concerning services of establishment and utilization of fixed line. Concerning telephone services (calls), the graph specifies the prices

of significant operators providing telephone services by means of fixed networks. The graph illustrating development of prices for utilization of fixed line for residential purposes shows monthly prices in utilization of independent voice services.

The comparison of prices of local and long-distance calls in 2011 with fixed lines according to offers of individual important operators is shown in another graph.





Note: Free minutes, free of charge calls within the framework of operator's network and tariffication are not taken into account. The Tariff Premium Telefon 400 provided by the company T-Mobile in fixed networks cannot be activated from 1. 10. 2011.

2.3 DEVELOPMENT OF PRICES OF SELECTED WHOLESALE SERVICES

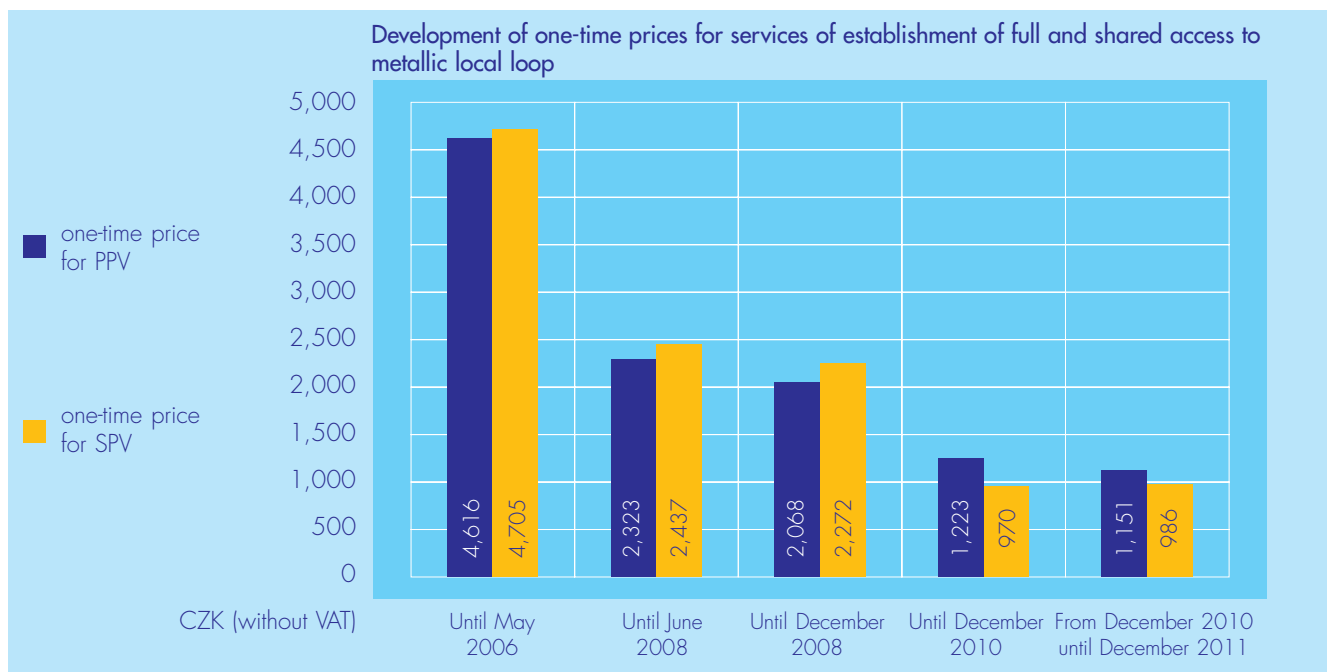
During 2011 the CTU orientated itself also at monitoring of the level of prices of selected wholesale services on markets which have principal influence on the price creation and thus on the development of prices in related retail markets.

Wholesale's full and shared access to local loop

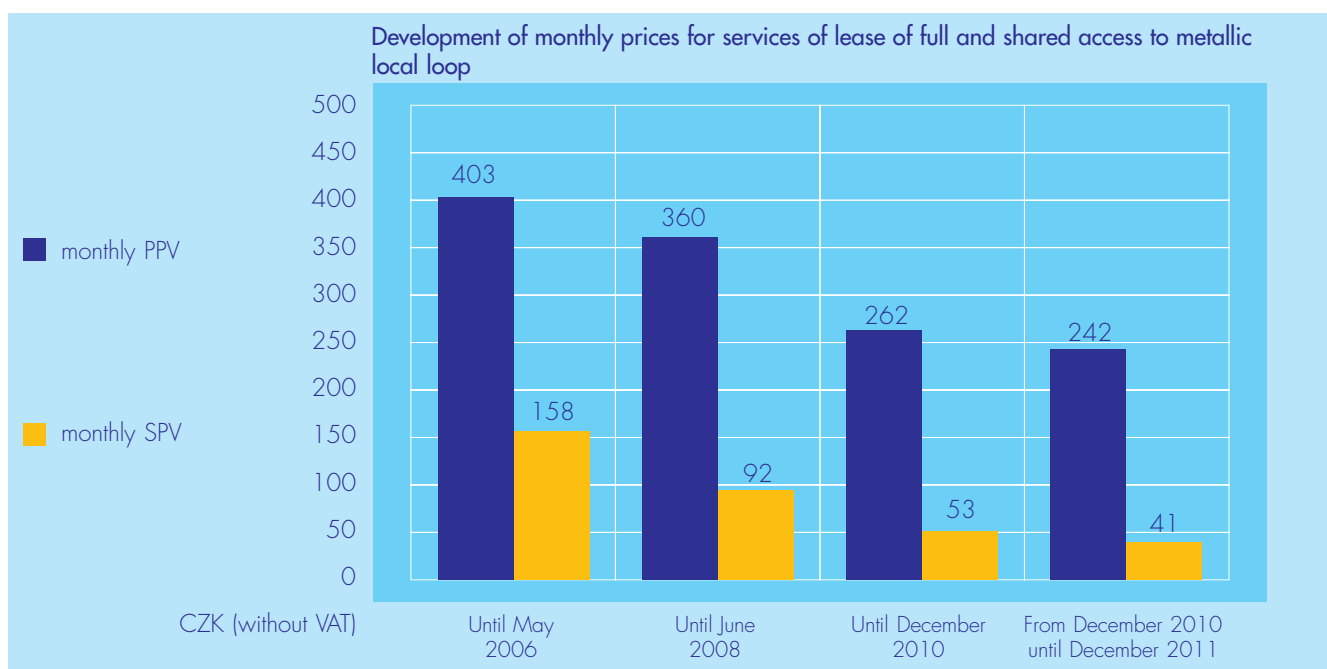
During 2011 no changes occurred in prices of wholesale services concerning the access to metallic local loop (LLU). Therefore, the last decision remains the Decision from October 2010 (č. CEN/4/10.2010-78,

which became effective on December 18, 2010 for existing contractual relations), and which has brought about reduction of average monthly costs for full unbundling by 7.43 % and average monthly costs for shared unbundling by 14.45 % (average monthly cost is considered the sum of regular monthly prices for full or shared access to local loop and one-time prices for establishment of this access, calculated to 36 months). It is the intention of the CTU to perform another reduction of maximum level of regulated wholesale prices in the market of metallic local loop unbundling during 2012. Simultaneously, the CTU began the works on the new model for the calculation of these regulated prices in order to take into account the continuing technological development towards access networks of the new generation (NGA networks).

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



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



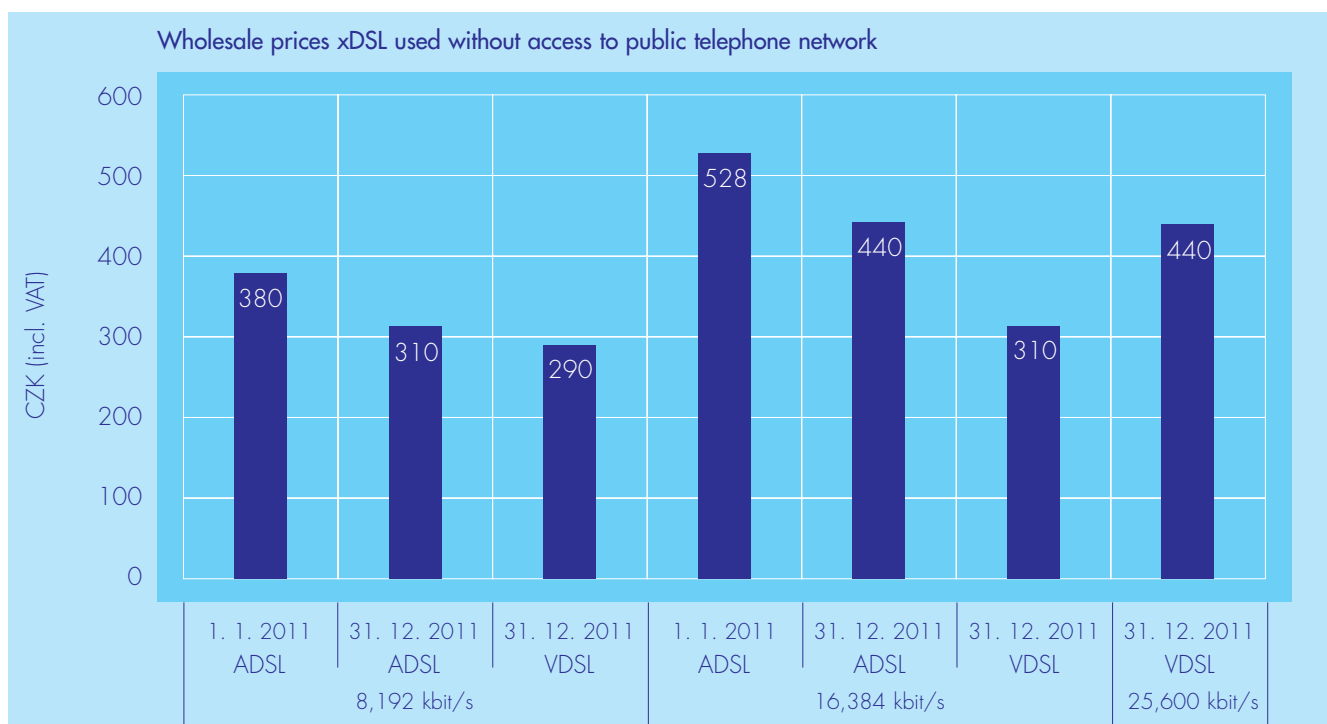
Note: PPV – full access to local loop, SPV – shared access to local loop.

Wholesale broadband access to the Internet network

In May 2011 the company Telefónica changed its wholesale offer of access, which brought about both increase of speeds provided as mentioned hereabove and reduction of prices. The offer was newly enlarged by services provided by means of VDSL technology which facilitated the offer of services with up to 25 Mbit/s

(instead of existing speediest services having the speed of 16 Mbit/s).

Now, in the new offer, the parallel services exist having the same speed but different price, depending on technology used (ADSL vs. VDSL). Comparing the two similar services we may conclude that the service provided by means of VDSL technology is cheaper.

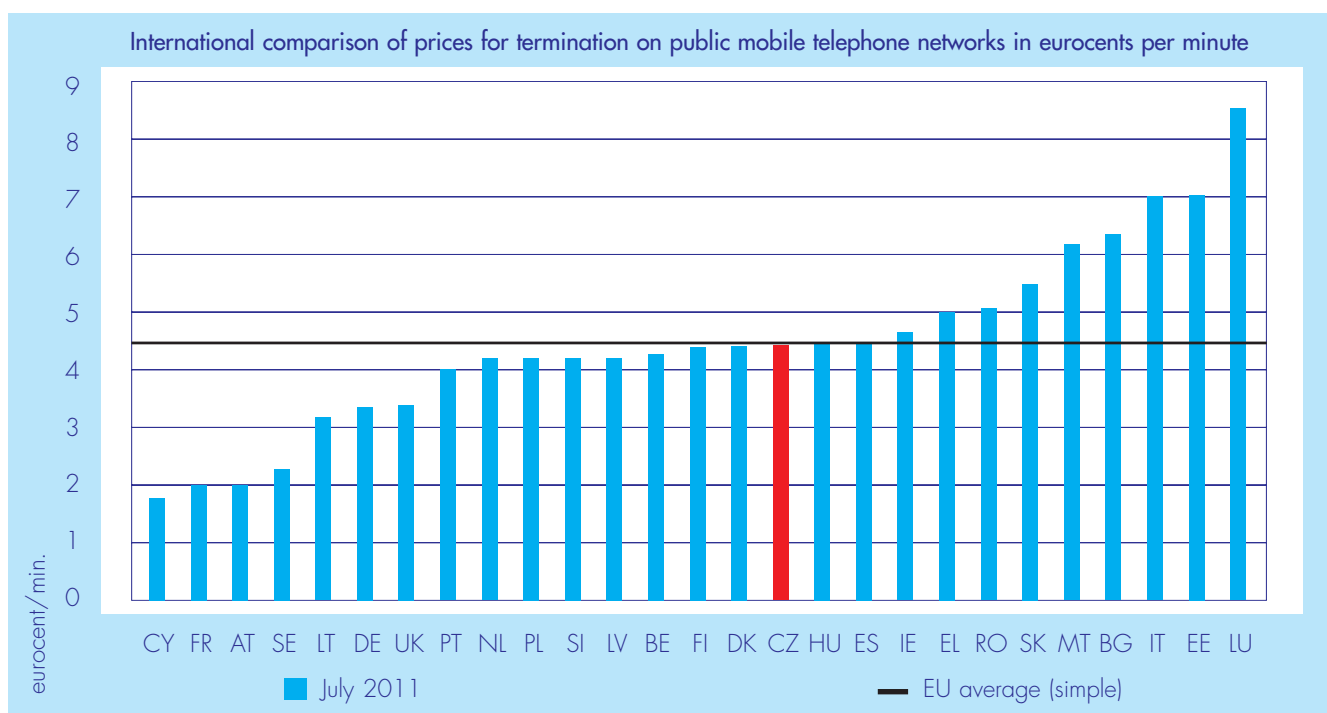


Wholesale market of call termination on individual public mobile telephone networks

During 2011 the maximum prices for call termination in mobile network were reduced twice, and namely from January 1, 2011, when the price was reduced from 1.66 CZK/min. to 1.37 CZK/min., and from July 1, 2011, when the price was reduced to 1.08 CZK/min.

Currently, the CTU verifies the level of individual costs of the service of termination of three regulated operators for the year 2010 for potential modification of this price.

If we compare this situation with other countries of the European Union (the following graph) it is evident that the Czech Republic is currently at the average price of the European Union.



2.4 REGULATIONS ON INTERNATIONAL ROAMING

Development of retail prices of roaming services of mobile operators

In harmony with the Regulation of the European Parliament and the Council (EC) No. 544/2009 dated June 18, 2009 (hereinafter "Roaming Regulation"), the CTU performs monitoring and supervision over observance of this Regulation and monitors development of wholesale and retail prices for provision of voice and

data services including SMS and MMS to roaming customers.

Starting from July 1 the retail price caps of outgoing and incoming roaming calls were reduced within the framework of regulated services, the so-called eurotariff, and with the roaming SMS, the so-called euro-SMS tariff. These price caps relate to calls realised within the framework of EU/EEA. All three mobile operators apply the prices in harmony with the Roaming – see the following table (the data in the table give the prices without VAT).

	until 30. 6. 2011			from 1. 7. 2011		
	outcoming call (CZK/min. without VAT)	incoming call (CZK/min. without VAT)	SMS (CZK/pc without VAT)	outcoming call (CZK/min. without VAT)	incoming call (CZK/min. without VAT)	SMS (CZK/pc without VAT)
Regulated maximum prices	9.94	3.82	2.80	8.59	2.70	2.70
Vodafone	9.92	3.79	2.79	8.58	2.70	2.70
T-Mobile	9.94	3.82	2.80	8.59	2.70	2.70
Telefónica	9.94	3.82	2.75	8.58	2.67	2.67

Starting from July 1, 2010 the obligation of operators was introduced pursuant to the Roaming Regulation, to provide to all their customers at least one financial limit for roaming data downloaded in the territory of EU/EEA, which shall not surpass the amount of 50 € (from July 1, 2011 the limit was set at 1,227.35 CZK without VAT). All three operators have complied with this obligation. Pursuant to the Roaming Regulation the price caps were applied with call services, SMS and data services also in the wholesale market.

During 2011 the CTU performed continuous monitoring of development of prices of roaming services (retail and wholesale) and did not find any case of non-observance of the requirements of the Roaming Regulation from the part of any of Czech operators involved.

2.5 PREPARATION OF TENDER PROCEDURE (AUCTION) FOR FREQUENCIES 800, 1,800 AND 2,600 MHZ

During 2011 the attention of the CTU was concentrated at the preparation of tender procedure (auction) for free frequencies in the bands of 800, 1,800 and 2,600 MHz.

In preparing conditions of tender procedure the CTU proceeded in response to preceding documentary materials, i.e. the Draft Strategy of Spectrum management, which the CTU submitted to public comments during the first half of 2010, and, in particular, documentary material "The Policy of the Czech Telecommunication Office in the management of selected parts of radio

spectrum, focused on the support of provision of services of high-speed access in the period until 2012", which the CTU submitted in January 2011 to the debate of the Government.

The Government discussed and approved the CTU's policy concerning preparation of tender procedure (auction) (see Resolution No. 78 dated January 26, 2011). The CTU, therefore, prepared and submitted for comments to expert public on September 1, 2011 the Draft of Basic principles of tender procedure in which it specified concrete intentions of formulation of conditions of tender procedure. These principles respected basic goals of tender procedure under preparation which are:

- provision of effective utilization of radio spectrum in harmony with European harmonisation documents,
- creation of conditions for technological innovation, particularly for deployment of new technologies for the networks of the Fourth Generation (4G),
- creation of conditions for deepening of competition in the mobile market,
- provision of higher degree of mobile services of high-speed access to the Internet network.

Within the same period the CTU participated in the formulation of the so-called development criteria which, in harmony with the State's Policy of "Digital Česko" was prepared, for the purposes of tender procedure, by The Ministry of Industry and Trade. The development criteria should be instrumental for the enlargement of availability of mobile services of high-speed access to the Internet network, including sparsely populated regions of the Czech Republic.

After the deadline earmarked for submission of comments and their evaluation has expired, the CTU organized the workshop with all subjects which raised their comments. The Workshop took place on December 14, 2011 and the CTU submitted there the information concerning the method of settlement of comments and their potential inclusion in the conditions of tender procedure under preparation.

In open tender procedure the CTU has selected expert advisor responsible for implementation of subsequent works on the preparation of conditions and organization of tender procedure, which is the company Grant Thornton Advisory. The contract on the provision of expert assistance was signed at the end of 2011.

The procedure of preparation and promulgation of the tender procedure was also influenced by the process of discussion and approval of the so-called Implementation Amendment of the Act on Electronic Communications. The Amendment has brought about, inter alia, also necessary adjustment of the procedure of tender procedure for the award of allocation of radio frequencies so that it made possible the utilization of the Auction as the choice of best offers.

In harmony with the procedure approved by the Government, conclusions of comments to the proposal of basic principles and, on the basis of recommendations of expert advisor, the CTU decided, in favour of the support of competition, to propose specific measures which will be submitted to expert public for comments within the framework of public consultation of conditions of tender procedure. The CTU began the consultation on March 20, 2012. It is the intention of the CTU to:

1. To set aside, in the band of 1,800 MHz, specifically compact block for new applicants for entry in the mobile market, and, simultaneously, to give them the chance to compete for such a quantity and structure of radio spectrum held currently by existing mobile operators.
2. To determine the obligation, and/or the commitment of national roaming for successful tenderers for frequencies in the band of 800 MHz. Utilization of national roaming should be allowed to subjects, which in the Auction will acquire frequencies also in another bands (1,800 and 2,600 MHz). The CTU intends to determine specific conditions for national roaming as chronologically limited chance, which will also be dependent on previous development of networks of applicants for national roaming. This commitment should generally accelerate enlargement of provision of mobile services of high-speed access to the Internet network in the Czech Republic.
3. To determine the obligation, and/or the commitment of wholesale offer of services provided on new networks in order to allow provision of new services

also to subjects who, within the framework of the Auction, do not acquire any of frequencies offered. This obligation will be determined on a non-discrimination basis to all successful tenderers for some of frequencies offered. This condition should help to enlarge the number of providers of mobile services of high-speed access to the Internet network who do not belong to the owners of necessary infrastructure.

4. To limit the quantity of the spectrum achievable in the maximum degree possible not only in the bands of 800 MHz and 1,800 MHz, but also in the portion of the band of 2,600 MHz. By means of this measure, and in combination with application of limitation using penetrable active points in the process of the Auction itself, motivating conditions will be created for all genuine applicants for entry to the market. Simultaneously, in combination with another conditions, also the danger of unreasonable accumulation of spectrum by any of participants in the Auction will be limited.

On the basis of consistent assessment of the auction formats used and experience from countries in which auctions were already performed, and on the basis of conclusions of the analysis performed by the consultant, the CTU newly decided to utilize modified auction variants of multi-round parallel auction (SMRA-S). According to information available, the auction format considered was used in auctions with the offer of frequencies from more frequency bands, as it will be the case of the Czech Republic.

It is the intention of the CTU, in harmony with the task from the Resolution of the Government No. 78 dated January 26, 2011, to begin the process of tender procedure within 3 months of the day the Implementation Amendment of the Act becomes effective, i.e. not later than by March 31, 2012. The first operation within the framework of this process will be, pursuant to Section 21 Para. 1 of the Act, to start public consultations of conditions of tender procedure using procedure pursuant to Section 130 of this Act. According to the time-schedule under preparation, the CTU assumes that the tender procedure (Auction) will be promulgated after the evaluation of public consultation in June and subsequently, after the training course and preparation of participants of the tender procedure the Auction itself will take place in the course of the Fourth Quarter of this year.

2.6 PORTABILITY OF TELEPHONE NUMBERS

Conditions of portability of numbers

On 25 May and 28 June 2011 the Office held a working meeting of the document "The concept of number portability." The meeting was attended by

representatives of the Ministry of Industry and Trade, the Headquarters of the Fire and Rescue Service Ministry of Interior, professional associations and individual operators. At the meeting, the Office presented its plans for the near future in this area. Discussed material was published by the Office on its website in current information on 8 July 2011.

On November 15, 2011 the Office published for public consultation the Draft of the new text of the Measure of General Nature No. OOP/10/XX.2011-Y (hereinafter "OOP 10"), stipulating technical and organizational conditions for the implementation of portability of telephone numbers and principles for charging prices between entrepreneurs in connection with portability of telephone numbers.

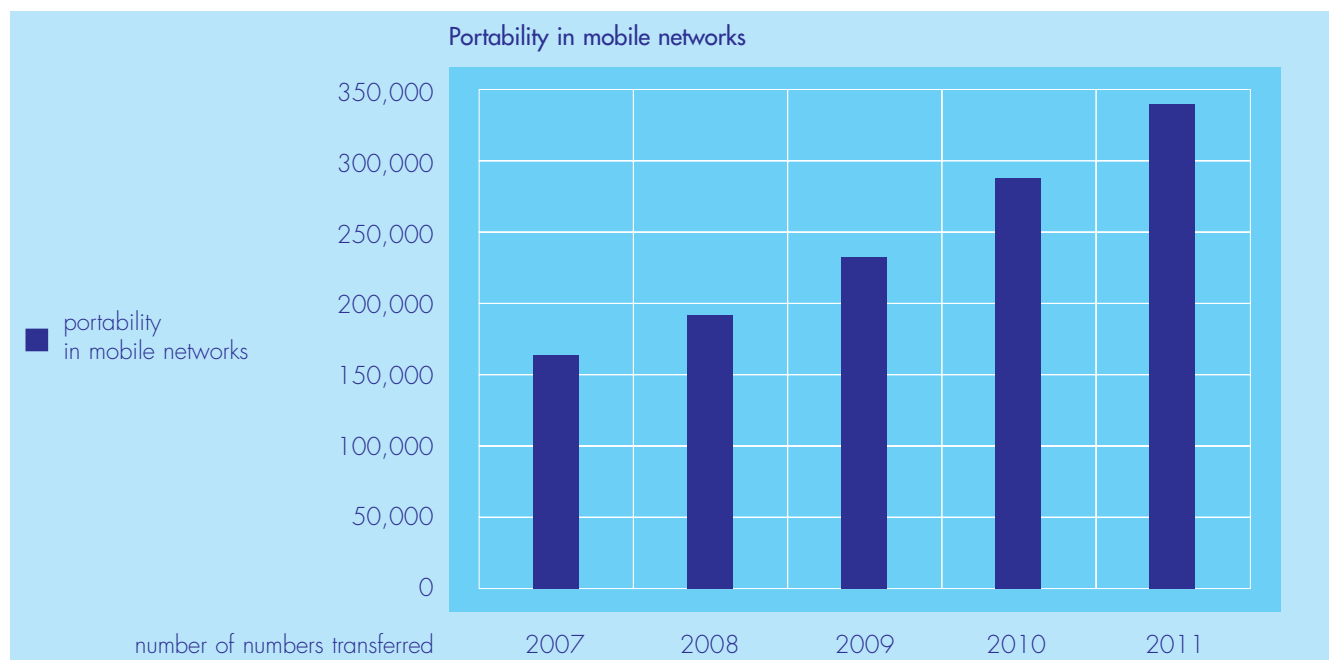
Among the main changes proposed in comparison with the existing situation belonged reduction of the maximum deadline for the implementation of portability of telephone numbers between mobile operators by 14 days. On the basis of experience of the Office in performance of State inspection and in the interest of reinforcement of protection of consumer, the obligation imposed on operators was proposed to keep information, dealing with implementation of partial processes in connection with portability of numbers, for 6 months at least. The

Draft Measure of General Nature further contained another partial changes.

Considering the fact that within the framework of public consultation the Office received great number of comments focused again at formerly discussed intentions and, simultaneously, owing to the need to reflect the Article 30 of the Directive of the European Parliament and the Council 2002/22/EC in the draft OOP 10, the CTU will prepare adjusted draft of OOP 10 and, after the workshop with subjects involved, focused at explanation of adjustments performed, will subsequently begin the new public consultation related to the adapted version of the text of the OOP 10.

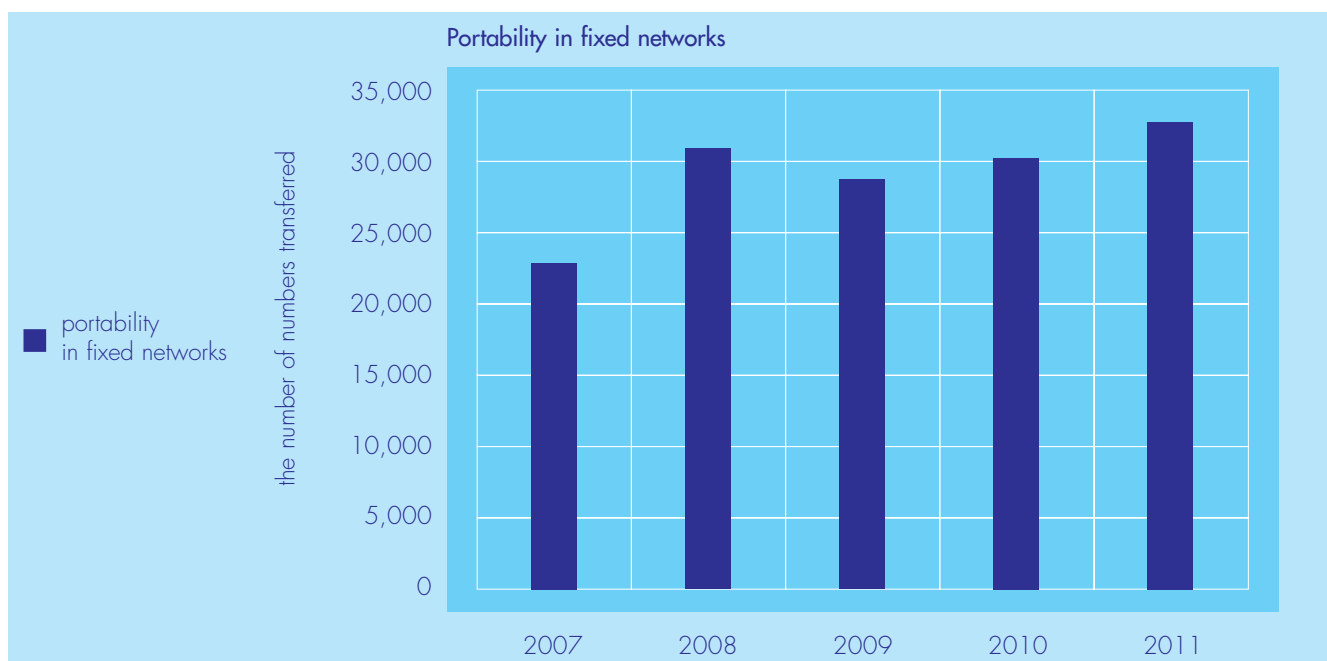
Portability in mobile networks

Since the portability of telephone number was introduced in mobile networks (year 2006), altogether 1,339,742 numbers were transferred before the end of 2011. In 2011 altogether 336,222 mobile numbers were transferred, what represents the increase by almost 18 % on a year-on-year basis as compared to 2010. The trend of utilization of service of portability of mobile numbers during the years 2007 to 2011 is documented in the following graph.



Portability in fixed networks

Number of transfers (portations) of subscriber numbers in fixed networks in 2011 increased by almost 11 % on a year-on-year basis to 33,554 transfers.



Note: Portation is the transfer of an independent number or the whole number series (for example if the series 1,000 is transferred, it is one portation).

Prices for portability of number

Since February 2011 the company Telefónica began to apply new wholesale prices for portability of "fixed" number on the basis of verification of cost orientation of prices, which the CTU terminated in 2010. Prices charged among operators were reduced, and namely for a simple order from CZK 578 to CZK 391 (decrease by 32.4 %) and for comprehensive order from CZK 1,405 to CZK 1,218 (decrease by 13.3 %). These prices influence also the prices of other operators within the framework of wholesale contracts on connecting of networks because operators often apply the reciprocity (consequently the same prices for both contractual parties).

In comparison with the year 2010 the wholesale prices decreased by 18.9 % on average, what had a favourable impact on end participants to whom receiving operators can charge wholesale costs for transfer of number. The company Telefónica did not ask for any payment for portability of fixed number from subscribers, remaining operators often derive retail prices from wholesale prices, because receiving operators can charge end subscriber wholesale prices including their own costs.

Since January 2011 the wholesale prices for portability of mobile number decreased with all mobile operators on the basis of verification of costs orientation which was terminated in 2010. Wholesale prices for

simple order of the company Telefónica decreased from CZK 524 to CZK 274 (decrease by 47.7 %), with the company T-Mobile from CZK 519 to CZK 270 (decrease by 48.0 %) and with the company Vodafone from CZK 418 to CZK 268 (decrease by 35.9 %).

Neither in 2011 mobile operators demanded retail prices from subscribers for portability of number in their networks or, in the case of the company Vodafone only 1.20 CZK including VAT.

3. EVALUATION OF THE POSTAL SERVICES MARKET

During 2010 no significant 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. 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 will be cancelled before January 1, 2013 in continuation to the implementation of the Third Postal Directive and completion of full market opening.

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

Concerning remaining postal services, including any 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 are now the only providers of postal services capable to ensure delivery throughout the territory of the Czech Republic with their own resources. 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 the holder of which is still the Česká pošta. The postal licence is valid from January 1, 2009 and was awarded to the Česká pošta until the end of 2012.

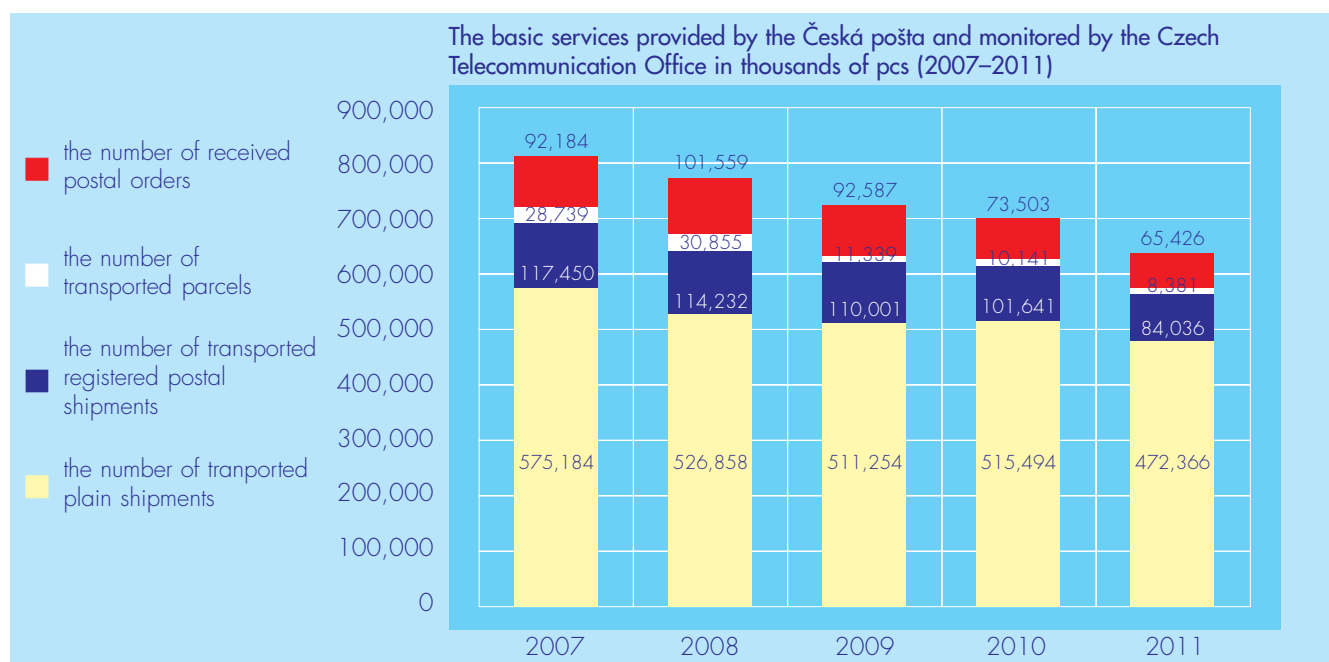
Pursuant to the Act on Postal services the Office in its activities is focused to the supervision over the holder of the postal licence in the field of basic services.

Within the framework of its competencies, the Office, within the extent of provisions of Section 4 to 16 of the Act on Postal Services, supervises over the observance of legal obligations by all providers of postal 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. In 2011 a conspicuous shift of both indicators downward can be seen what can be attributed to continuously increasing utilization of data boxes and banking operations.

The basic services provided by the Česká pošta in the period from 2007–2011 (in thousands of pcs)

Indicator	2007	2008	2009	2010	2011
the number of transported plain shipments	575,200	526,900	513,200	515,494	472,366
the number of transported recommended shipments	117,500	114,200	110,000	101,641	84,036
the number of transported parcels	28,700	30,900	11,300	10,141	8,381
the number of received postal money orders	92,200	101,600	92,600	73,503	65,426



As it is evident from the Table, during the period monitored, 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 decrease in 2011 can be caused by outflow of customers to other commercial services.

The Česká pošta prepares itself intensively for full opening of the market. In the last year it launched several changes connected to the provision of postal services which should lead to the improvement of quality of postal services provided. For example, three categories of post offices were introduced, which are divided according to the extent of postal services provided, where each category might be a place of business of the Česká pošta or place of business of its contractual partner (the so-called postal agencies or displacing places). Simultaneously, the principle must be applied that in residential complex, where the postal service will not be provided, the postal service will be provided in its direct surroundings. The Česká pošta expects that the project, which has been started already in 2009, will be fully completed in 2017.

Since April 2011 the Česká pošta introduced the option to choose to selected postal services a complementary service of advising of delivery, and/or depositing of postal shipment by means of short text message or by electronic message. According to current information of the Česká pošta this measure helped to increase the number of delivered postal shipment without the need to deposit them with the post.

The electronic advising of delivery is followed by another change prepared by the Česká pošta during the last year and namely afternoon delivery which the Česká pošta introduced with selected postal consignments (particularly parcels) in regional and district towns. It is a very important change. In connection with introduction of afternoon delivery it was necessary to resolve, within the framework of modification of basic qualitative requirements for provision of basic services, the right of customers to pick up undelivered and deposited postal consignment on the same day.

The electronic advising of delivery is connected with another newly offered services of the Česká pošta in the form of parcel's portfolio which does not belong within the supervision of the Office. The Česká pošta began to offer new types of parcels "Na poštu" (to the post office), "Do ruky" (in the hand), "Expres" and "Nadrozměr"

(oversize) as a test in 2011, their sharp operation began on January 1, 2012 and gives a customer the opportunity to select mode of delivery of parcel.

In collaboration with the ombudsman of the Česká pošta the Office continues, particularly in the fields in which it has no direct competencies (for example, decision concerning the amount of compensation of damages, complaints on employees of the Česká pošta etc.).

In 2011 the Czech Republic commenced with intensive preparation of the complete deregulation of postal services. On January 1, 2013 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. By the end of 2011 the Amendment was discussed by the Government of the Czech Republic and submitted to the following legislative process.

In 2010 the group of European regulatory bodies for postal services was established (ERGP). The establishment of this group should enable coordination and collaboration of independent national regulatory bodies in Member countries, as well as of these bodies and the European Commission aimed at consolidation of internal market of postal services and to ensure consistent application of the Directive 97/67/EC in all Member countries. During 2011 two meetings of working groups took place. The results of their work was endorsed by the Plenary Session of the ERGP and they were partially published for public consultation on the web pages of the ERGP.

Prices of postal services

In 2011 the CTU promulgated two decisions on prices, by which price decisions of the Czech Telecommunication Office No. CR/P/12.2005-1, dated December 16, 2005, ref. No. 40 587/2005-611, were amended and by which maximum prices of selected basic postal services abroad are determined, as amended by more recent price decisions.

On July 7, 2011 the CTU promulgated the price decision No. CR/P/07.2011-1, which deals with placement of countries in price groups of parcel service abroad, prices of parcels abroad remained unchanged.

On September 23, 2011 the CTU promulgated the price decision No. CR/P/09.2011-2 determining the new maximum price for postal service abroad "Delivery into own hands of addressee" and updates inclusion of

countries in price groups with the parcel service abroad. Starting from November 1, 2011 the Česká pošta applies unified price at the amount of CZK 8 for complementary service "Delivery into own hands of addressee" both with the services abroad and with domestic services the price of which was determined by the Ministry of Finance.

4. TRANSITION TO TERRESTRIAL DIGITAL TELEVISION BROADCASTING

Considering the fact that the deployment of transmitters of high output was completed before the end of 2010, completion of transmitters of high output continued in 2011 in harmony with the time-schedule stipulated in the Government Order No. 161/2008 Coll., on the Technical plan of Transition (hereinafter "TPT") only in broadcasting networks 2 and 3. By the end of October 2011 the coverage of the population of Czech Republic by the television signal of broadcasting networks 1 – 3 has reached more than 95 %. The broadcasting network 1 provides the signal for 99.9 % inhabitants, broadcasting network 2 for 99.8 % and broadcasting network 3 for 96.3 % inhabitants.

During 2011 the question was resolved concerning the deadline on which transition to digital broadcasting will be completed also from legislative point of view. This deadline is, or was, important for some processes or changes in the field of media legislation. Considering successful progress of digitalisation, the Amendment of the Act on the Czech television was approved on the basis of proposal of the Ministry of Culture, which stipulated that the day of completion of transition of terrestrial television broadcasting to digital broadcasting in the Czech Republic is November 11, 2011. However, from the technical viewpoint of the process of transition to terrestrial digital broadcasting, the deadlines of switching off of analogue broadcasting and conditions, stipulated for the coverage of the territory by terrestrial television broadcasting for all four broadcasting networks pursuant to TPP, are not touched by this. In territorial regions of Jeseník and Zlín the operation of analogue transmitters may be retained until June 30, 2012.

Thanks to rapid development of digital coverage and the deadline stipulated for the completion of the transition process, massive termination of existing analogue television broadcasting took place in the second half of 2011. By the end of October 2011 only 6.5 % of the population was supplied with analogue broadcasting of the programme ČT1, broadcasting facilities for analogue distribution of the programme ČT2 were completely switched off, analogue broadcasting of the programme Nova was supplied to 11.6 % of the population and broadcasting of the programme Prima was supplied to 5.7 % of the population. Before the end of 2011 the remaining converters distributing programmes of ČT1 and Prima were then switched off with the exception of 3 analogue converters of ČT1 in the

region of Jeseník, where operator of broadcasting is waiting for the completion of international coordination of frequencies for digital complementary transmitter. Until 2012 only analogue broadcasting of the programme Nova survived in territorial regions of Jeseník and Zlín. In order to provide for parallel analogue and digital broadcasting of the programme Nova in territorial region of Jeseník, which was not resolved in the TPP, the radio channel 50 was employed, which the Czech television released in the Jeseník transmitter by terminating analogue broadcasting of the programme ČT1. In this connection the CTU, in collaboration with the Czech Radiocommunications, performed a great number of measurements, particularly in those locations where reception of analogue broadcasting was provided by converters of small output. The aim of these measurements was to identify locations where deployment of complementary transmitter or repeater must be implemented for the reception of digital broadcasting. The transition process was continuously monitored during the whole year and results of measurements and evaluation together with relevant conclusions were in advance provided to operators of broadcasting networks and to operators of analogue broadcasting as a basis for decision on termination of analogue broadcasting or decision on implementation of steps leading to improvement of coverage by the digital broadcasting.

On November 11, 2011, the CTU organized the Colloquium focused at the termination of transition to the terrestrial digital television broadcasting, on which representatives of all subjects participating on the preparation and implementation of the transition itself took part. On this Colloquium representatives of the CTU reminded comprehensive information concerning the course of preparation of the Technical plan of the transition, history and results of Regional Radiocommunication Conference RRC06, including principles of their implementation, monitoring and evaluation of the process of digitalisation and presented other relevant information. Representatives of broadcasting operators, using their standpoints, presented particularly the results of analyses of the impact of transition to digital broadcasting on their business plans and evaluation of transition. Using this evaluation we can maintain that the whole process of transition to digital broadcasting was, with the exception of unfulfilled expectation concerning presumed quantity of new programmes, was positively evaluated. Broadcasting operators evaluated negatively particularly the influence of transition from the standpoint of development of utilization of other platforms of reception of television broadcasting, in particular satellite platform.

In harmony with the TPP the CTU, on March 15, 2011 and September 15, 2011, prepared reports evaluating the course of the transition process and current situation of coverage of the population of the Czech Republic by terrestrial digital television broadcasting. Both reports are, including reports from other cycles of national research among adult population of the Czech Republic

concerning the issues of awareness of the transition and technical readiness of households for the reception of DVB-T, published on the Internet pages of the CTU. Simultaneously, the updated data of evaluation of coverage were published during 2011 on the Information web <http://dtv.ctu.cz>.

The results of the course of the transition in 2011 allow us to maintain that neither in the final phase of the transition, which will end in remaining regions Jeseník and Zlín on June 30, 2012 at the latest, we do not expect problems. Just as in preceding years very good preparedness and awareness of public was confirmed, what eliminated major part of expected potential problems.

During 2011, in collaboration among the CTU, the Czech Metrological Institute and Czech Radiocommunications, experimental digital television broadcasting in the system DVB-T2 was realised, which, considering its transmission characteristics and capabilities, represents another development stage of terrestrial digital broadcasting. For the verification of technical characteristics of this new digital system radio channel 25 was employed

in stations of transmitters Praha město, České Budějovice and Jihlava. The measurements in the vast SFN network, using these three transmitters, provided by employees of the company Czech Radiocommunications and the CTU, were conducted from July to September. At the end of 2011 experimental broad-casting was terminated.

The development of prices for terrestrial digital television broadcasting

During 2011 prices were changed in the company Czech Digital Group, which published new draft contracts for distribution of digital television broadcasting, which mutually differ not only by the duration of the period of contract concluded (3, 5 or 8 years), but newly by the operational data flow (Platinum, Gold and Silver). Contracts having lower data flow are the price for distribution is cheaper. Prices were changed also in draft contracts for distribution of digital radio broadcasting. The possibility of regional broadcasting is newly offered in Prague and in Central Bohemia.

Chapter II.

CTU's EXPERT AND ADMINISTRATIVE ACTIVITIES

1. DOMESTIC ACTIVITIES

1.1 MARKET MONITORING AND DATA COLLECTION

During 2011 the CTU continued in data collection from entrepreneurs in electronic communications 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.

Application for the ESD can be reached on the web portal (<https://monitoringmarket.ctu.cz>). Collection of data on this portal takes place with the help of electronic forms. These forms facilitate elaboration of received data by the CTU and simultaneously provide for the comfort of entrepreneurs through handing over the data by means of the Internet interface and other functions as are, for example, checking of transferred data, sending of information concerning deadlines of handing over of forms, allotment of new forms, etc.

The forms for the ESD are continuously updated and works go on on further development of the portal, including connection with other CTU databases. On the websites of CTU the survey programme (containing summary of all forms which entrepreneurs hand over to the CTU in relevant year) is published together with other information for entrepreneurs concerning the hand over of information to 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 data

collection was for the first time extended by more detailed segmentation containing individual municipalities. Changes and modifications were consulted with wider expert public on the workshop before the first geographic data collection began. Then in 2011 data collection itself started together with subsequent survey of correctness of the data and their validation.

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

Besides the regular collection of information by means of the ESD portal the CTU collects a part of information on special forms outside the ESD portal – some data are, in extraordinary cases, requested on ad hoc basis, for example in processing of analysis of relevant markets or in solving a specific cases concerning only some operators.

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 Monthly monitoring reports on its Internet page together with reports on development on the electronic communications market.

1.2 PRICE REGULATION OF SERVICES OF ELECTRONIC COMMUNICATIONS

Considering the nature of currently defined relevant markets the Office currently applies the price regulation on wholesale markets only, hence the prices charged among the operators. The aim of the price regulation applied is to assist the development of competitive

environment and, thanks to available wholesale services, to help alternative operators to offer competitive retail services to end users.

In 2011 the price regulation was applied in the form of maximum prices towards the enterprises with significant market power on the relevant Market No. 2 – Call origination on the public telephone network provided at a fixed location, on the relevant Market No. 3 – Call termination on individual public telephone networks provided at a fixed location, on the relevant Market No. 4 – Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location and the relevant Market No. 7 – Voice call termination on individual mobile networks. Price decisions promulgated in 2010 remained in legal force also in 2011. Decisions on price promulgated for the enterprises with significant market power on the relevant market No. 7 – Voice call termination on individual mobile networks, imposed the obligation on mobile operators to reduce gradually the prices not only in 2010 but also in 2011. The decrease of regulated prices was set up in three steps with a half-year interval. As a consequence of this regulation of wholesale prices maximum prices for termination in mobile networks were reduced in 2011 by 34.90 %.

In connection with the stimulus to review the relevant Market No. 1 – Access to the public telephone network provided at a fixed location, the Office in 2011 verified in the enterprise with significant market power Telefónica, if the price for the service WLR (wholesale access to the public telephone network) cover the costs and if the wholesale WLR prices are lower than retail prices for utilization of local loop (monthly flat-fee) for all types of connections on which the company Telefónica offers its service. The State inspection found space enough for creation of competitive offers of alternative operators and did not prove the reason for premature survey of the Market No. 1.

Within the framework of preparation of background documents for the promulgation of new decisions of prices, the CTU in 2011 commenced with 2 State inspections aimed at the verification of costs of services for the access to the local loop and services of termination in mobile networks with the companies Telefónica and Vodafone. Simultaneously, in 2011 the CTU verified the amount of prices applied for portation of number with three operators.

Pursuant to provisions of Section 54 of the Act and in connection with price regulation the Office monitors and evaluates development of prices of services which are or might be a subject of price regulation. Results of monitoring of the level of prices are employed in the analyses of individual relevant markets and are also published on pages of the Office. In order to comply with provisions of Section 56 and Section 45 of the Act the contract was concluded called "Expert support in elaboration of price analyses in the field of services of

electronic communications for 2011" with the company PricewaterhouseCoopers Česká republika, s.r.o.

The new value of percentage of return of invested capital before taxation (WACC)

On December 8, 2011 the Office promulgated, pursuant to Section 107 Para., 8 Letter b), Item 2 of the Act, as amended by the wording valid in time of promulgation, the Measure of General Nature No. OOP/4/12.2011-19, which became effective on January 1, 2012, amending the Measure of General Nature No. OOP/4/03.2006-3 laying down the methodology of regulatory accounting and the allocation of costs and revenues and determining the structure of the information disclosure, as amended by Measure of General Nature No. OOP/4/02.2008-1. This Measure stipulates that the percentage of return of invested capital before taxation WACC for a determined enterprise providing networks of electronic communication or publicly available service of electronic communication is 8.26 % (instead of existing 11.50 %). This WACC value will be projected in regulated prices of wholesale services.

Price regulation of some services is imposed directly by the Act. Provision of Section 55 Para. 1 of the Act imposes the obligation on operators providing services of telephone number portation and selection and preselection of operator to apply cost oriented prices. The service of portability of telephone number is provided by all operators who secure public telephone network (Section 34 of the Act). The obligation to provide the service of selection and preselection of operator is imposed on the company Telefónica, as the enterprise having significant market power on the relevant market No. 1 – Access to the public telephone network provided at a fixed location in order to allow to its subscribers the access to the services of any connected enterprise providing publicly available telephone service (Section 70 of the Act).

Preparation of the new LRIC model for the regulation of termination prices

Following the Commission Recommendation "on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU" (2009/396/EC), the CTU continued in the project co-financed from the European structural funds (OPLZ) which rested in creation of mobile and fixed model LRIC, employed in the regulation of wholesale prices termination of calls in fixed and mobile networks.

The LRIC Model for mobile networks was created during 2011, individual entry variables were defined together with the methodology of their determination or collection. Partial outputs within the framework of the project were continuously discussed with operators in workshops. The project was completed in January 2012.

The LRIC Model for fixed networks was created during 2011 and discussed with operators. Supplier proposed the definitions of entry variables which are the subject of discussions particularly with the company Telefónica and continue in 2012.

1.3 SUBSCRIBER DISPUTES AND COMPLAINTS OF USERS OF SERVICES

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 213,830 subscriber disputes of which 122,963 administrative proceedings in the aggregate were initiated. In the monitored period altogether 66,431 meritorious decisions were promulgated.

The Office decided subscriber disputes concerning payment of price for services (monetary performance) and promulgated 66,134 meritorious decisions. The Office issued 200 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 175 were decisions dealing with objections against settlement of complaint for charging the price for services.

In comparison with the year 2010 the number of subscriber disputes increased by 20.40 % in 2011. The number of subscriber disputes concerning payment of price for services (monetary performance) increased on a year-by-year basis by 20.50 %. In contrast to that, the Office did not decide in any case subscriber dispute concerning the access to data services with determined price provided on the Internet network or on other data networks (diallers) in 2011. This decreasing trend is particularly influenced by use of modern technologies of access to the Internet network by subscribers/users.

On November 9, 2011, the Government has approved the Resolution No. 815, which will become effective on January 1, 2013, and which, inter alia, endorsed delegation of competencies to resolve subscriber disputes pursuant to the Act, the subject of which is monetary performance, to courts, with the proviso that the Office will finish the existing agenda.

The surveys of subscriber disputes for the year 2011 can be found in Annexes No. 1 and 1a) of this Report.

Administrative proceedings in the second degree

Remonstrances against decisions on the reimbursement of prices for services of electronic communications, promulgated in the first degree, were resolved in the second degree in 1,617 cases. 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 the objection claiming non-existence of contract or violation of contractual obligations on the part of provider. Remonstrances, contesting decisions on objections were decided in 54 cases, both participants contested, in particular, interpretation of contractual obligations. In remaining disputes ensuing from concluded (or not concluded) contract on provision of electronic communications a decision was taken in 29 cases, the subject-matter of remonstrances was the proof 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 2011 (particularly in the second half of the year) we have registered alarming increase of remonstrances against decisions in the first degree concerning monetary performance for services of electronic communications (mostly from the part of providers of services of electronic communications).

As compared with the occurrence of remonstrances in 2010 attaining 2,090 cases, in 2011 altogether 8,761 remonstrances were submitted to the Department for reviewing decisions. The increase is fourfold and still bigger growth of remonstrances can be expected in 2012.

Such a sharp increase of cases in both degrees of proceedings has brought about considerable delays particularly in promulgation of decisions of first degree department, what culminated in 2011 in submission of 713 civil actions against inaction of the CTU. The actions challenge the inaction of the CTU particularly because, in their view, although administrative proceedings were commenced with delivery of stimulus (serving) to the CTU, decisions in re were not promulgated within the deadline stipulated in the Act. The number of suits increased also because some claims of providers of services against decisions of the Chairman of the Office, taken pursuant to the Part Five of the Civil Judiciary Procedure, were denied – there were 356 such cases in 2011.

In 2011 110 actions were submitted to a special senate for competency suits established at the Supreme Administrative Court, both active and passive ones, in which the Office still registers great vaguenesses on the part of courts and plaintiffs 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.

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 Section 175 of the Act No. 500/2004/Coll., of the Administrative Procedure Code, as later amended, (complaints against inappropriate behaviour of administrative persons or against procedure of administrative authority).

During 2011 the Office registered 1,771 complaints of which 361 (20.40 %) complaints were unjustified and the Act on Electronic Communications was not violated, 107 (6.00 %) complaints did not fit within the legal competence of the Office and 1,303 (73.60 %) complaints were resolved by the Office in proceedings pursuant to the Act. In 2011 the Office has registered altogether by 2.90 % more complaints than in 2010. 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 easier access of citizens to information and increase of legal consciousness of citizens on the other hand.

Simultaneously, and particularly in the Fourth Quarter of 2011, this growth of complaints can be attributed mainly to increased dissatisfaction of users of services of electronic communications with prices of services provided and their quality, and also to increased interest in activities of the Office from the part of media and related calls of certain social groups, on some social networks in particular, demanding submission of complaints to the Office.

According to the subject-matter of complaints it is obvious that most complaints in 2011 (608) were raised in connection with charging the price for services (34.30 %). These cases are decided in administrative proceedings pursuant to Section 129 of the Act on Electronic Communications (subscriber disputes). A conspicuous increase of the number of complaints was registered in connection with the portability of telephone numbers in mobile network, where, in comparison with the year 2010, the growth is 53.5 %. Experience has shown that more and more subscribers of services of electronic communications employs the possibility to retain the number and pass over to a different operator. For this reason the Office performed several State inspections aimed at the verification of observance of the Measure of General Nature No. OOP/10/07.2005-3, which stipulates technical and organisational conditions for the implementation of portability of telephone numbers. On the basis of inspection findings and gathered information the Office opened administrative procedure with

companies Telefónica, T-Mobile and Vodafone, promulgated decisions in re, and imposed sanctions on these companies for misconduct discovered which was perpetrated in connection with portability of telephone numbers; the relevant decisions did not yet become effective.

The number of complaints concerning services provided within the framework of universal service was minimal, there were only 5 (0.3 %) complaints. Of this number 2 complaints involved the access of handicapped persons to the publicly available telephone service, 2 complaints were aimed at public telephones and 1 complaint involved the access to and possibility of utilization of services by people with low incomes.

In 2011 the number of complaints concerning reception of TV signal in connection with digitizing of transmission decreased by 30.60 % on a year-on-year basis. The number of complaints of subscribers/users is brought forward in the Annex No.2 of this Report.

1.4 RADIO SPECTRUM MANAGEMENT

The most important activity within the framework of the Radio Spectrum Management in 2011 was, besides routine agenda concerning decision-making process on individual authorisations 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 providing networks of electronic communications securing the service of terrestrial digital radio broadcasting and mobile multimedia applications within the range of frequencies 1452–1479.50 MHz (the so-called band I).

In 2011 the transition from the terrestrial analogue television broadcasting to terrestrial digital television broadcasting was completed with the exception of territorial regions of Zlín and Jeseník where the transition should be completed by June 2012 at the latest. During the year also long-term experimental terrestrial digital television broadcasting in the DVB-T2 standard was implemented. More detailed description of development in this area can be found in the Chapter I., point 4, 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 2011 public tender procedures continued in order to award licence for the utilisation of radio frequencies to secure regional networks of electronic communications providing the service of distribution of terrestrial digital radio broadcasting and mobile multimedia applications

within the range of frequencies 1452–1479.50 MHz promulgated in October 2010 in continuation to public tender procedures realised for full-area allocation. In these public tender procedures licences for the utilisation of relevant radio frequencies were awarded to all regions which sent their tenders, i.e. for the Central Bohemia region (including Prague), Plzeň region, Karlovy Vary region, Ústí nad Labem region, Liberec region, Hradec Králové region, Moravia-Silesian region and South Bohemia region.

After tender procedures for regional allocations were terminated, the Office in May 2011 promulgated 13 tender procedures for the award of licences for the utilisation of relevant radio frequencies securing urban networks of electronic communications for provision of services for distribution of terrestrial digital radio broadcasting and mobile multimedia applications in individual regional cities of the Czech Republic. Only one tenderer submitted the application for tender procedures in Ústí nad Labem, Liberec and Hradec Králové. Concerning remaining regional cities, two tenderers submitted their applications in each of tender procedures. During August and September those tender procedures were completed and the Office awarded licences for the utilization of relevant radio frequencies for all regional cities.

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 years the situation persists that the largest interest rests in radio frequencies inevitable for public service of electronic communications consisting particularly in wireless access to sufficiently fast data services (for example, the access to the Internet) or serving to radio connectivity of base stations of mobile operators. Relatively high number of individual authorisations promulgated to use radio frequencies in the fixed service is still primarily caused by requirements of mobile operators of networks of the Second and the Third generations, who manage very dense network of radio connectivity in which they continuously perform optimisation of network utilization. At the same time, within the framework of optimisation, mobile operators increase transmission speeds what is the result of permanently increasing volume of data requested by customers within the framework of new applications and utilization of the so-called smart telephones. Also in 2011 sharp development of mobile networks in the UMTS standard

(3G networks) took place what has also led to the increase of the number of requirements for the award of individual authorisations.

From the point of view of remaining radiocommunication services a slight increase of the number of issued licences occurred, in particular in the field of aeronautical mobile service where, in continuation to the Amendment of the Act permitting exemption from fee obligation for aerial stations in the mode of recreational and sportive flying, the Office received great number of applications asking for exemption from fee obligation from holders of such individual licences which comply with the stipulated condition. Relatively high number of promulgated and withdrawn licences in radio service specified in the table, is the consequence of putting into operation of new television transmitters of terrestrial digital television broadcasting (in particular low-output repeaters) on the one hand, and simultaneously, extensive termination of operation of transmitters (television converters) of terrestrial analogue television broadcasting as a result of replenishment of the deadline of termination of terrestrial analogue television broadcasting in the Czech Republic, on the other hand.

Conditions for use of radio frequencies

Conditions for use of radio frequencies, ensuing from general authorisations, were adapted in 2011 by means of amendments of the following general authorisations given hereunder:

- a) General Authorisation No. VO-R/18/02.2011-2, for the operation of terminals in fixed wireless access networks in the frequency bands of 3.50 GHz, 25 GHz, and 28 GHz, which became effective on March 1, 2011;
- b) General Authorisation No. VO-R/13/11.2011-18, cancelling General Authorisation No. VO-R/13/08.2005-25 for the operation of user terminals in NMT 450 networks, which became effective on January 1, 2012.

Verification of professional qualification

The Act in Section 26, Para. 1 stipulates in which cases professional qualification for the attendance of broadcasting radio facilities is requested, and pursuant to Section 26 Para. 2 of the Act, only persons having valid certificate of professional qualification are qualified for the attendance of these facilities. 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 radio amateur stations. During 2011 there were no changes made of testing questions and correct answers which are included in tests, nor any changes of curricula of oral examinations. 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 concerning numbers of numbers of individual certifications awarded and also on certifications the validity of which was prolonged, can be found in the Annex No. 4 of this Report.

The automated system of monitoring the frequency spectrum (ASMKS) – radio spectrum review

In 2011, by means of the ASMKS system, 1,152 requirements for the monitoring of radio spectrum and the measurement of the coverage by radio signals were commissioned and processed, 1,631 requirements for controls of radio, electric equipment and electronic devices, networks and services and 1,142 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.

During 2011 the CTU performed continuous inspections of observance of general authorisations and individual authorisations in the sphere of radio spectrum use. The inspections were focused on radio spectrum use without authorisation and after the expiration of validity of individual authorisations. In the Fourth Quarter a comprehensive checking of observance of planning parameters in operation of UHF FM transmitters in the bands of 87.50 – 108 MHz started. Until December 31, 2011, 145 transmitters were checked resulting in the statement that operators of 97 % of transmitters exceed the output of the total multiplex signal and, moreover, 33 % of transmitters exceed even maximum peak frequency stroke.

Within the framework of measurements of the coverage of municipalities by the signal of digital television pursuant to the Decree No. 163/2008 Coll., 183 municipalities were measured and another 278 municipalities were measured on the run in territorial regions of Trutnov, Jihlava, Brno, Ostrava and Jeseník.

1.5 REGULATION OF COMMUNICATION ACTIVITIES

Networks plans

During course 2011 the Office prepared and after public consultations of proposals promulgated number of amendments of network plans:

- a) The Measure of General Nature No. SP/1/ /05.2011-6, by which the network plan of synchronisation of networks of electronic communications based on interconnection of circuits, is promulgated.
- b) The Measure of General Nature No. SP/2/ /05.2011-7, by which the network plan of trans-

mission parameters of public telephone networks, is promulgated.

- c) The Measure of General Nature No. SP/3/ /05.2011-8, by which the network plan of signaling of public communications networks, is promulgated.
- d) The Measure of General Nature No. SP/4/ /07.2011-13, by which the identification designation of data flows and services of networks of terrestrial digital television broadcasting, is determined.

The CTU promulgated the above mentioned Measures of general nature respecting the fact that the Act No. 153/2010 Coll., amending the Act No. 127/ /2005 Coll., on Electronic communications and amendments of some related Acts (the Act on Electronic communications), as later amended, and some other Acts, provisions of Section 62 Para. 3 of the Act were amended. The amendment of the provisions rested in the obligation of the CTU to promulgate network plans in the form of Measure of general nature. Simultaneously, the CTU commenced with partial update of existing network plan of signalling (network plan No. 3) so that it corresponds to the existing real situation.

Number Management

The activity that was provided continuously by the CTU throughout the year 2011 was making decisions on the requests of entrepreneurs for granting authorisations to use numbers, number series and codes, addresses and names (hereinafter "numbers"), and/or on the requests of entrepreneurs for changes, extensions or withdrawals of authorisations for the utilisation of numbers from the numbering plans pursuant to Section 30 and subsequent of the Electronic Communications Act.

Thus 171 decisions on authorisation to use numbers, 57 decisions on changes of authorisations, 82 decisions extending the validity of authorisations, 40 decisions on withdrawal of authorisations and 41 decisions on transfer of authorisations were promulgated in 2011. In the field of number management the CTU promulgated in total 391 decisions.

1.6 REGULATION IN THE FIELD OF POSTAL SERVICES

The competencies of the Office in the field of regulation of Postal Services are specified in 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 Office is an independent regulatory authority for the field of postal services and as such it was established in harmony with the legal arrangement of the European Communities. Since March 1, 2010, the

two departments, both of electronic communications, and of postal services, for the regulation of which the Office was established, incorporated in one department.

Pursuant to 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, for the period of 2009 – 2012, are regulated in the sphere of basic services.

Pursuant to Section 37 of the Act on Postal Services one of the basic tasks of the Office in the sphere of postal services is to monitor the holder of postal licence providing postal services to the public so that the holder satisfies legitimate needs of customers to their full satisfaction. These customers are de facto all natural and juristic persons in the Czech Republic; therefore their needs are very miscellaneous.

To the basic services belong the most important postal services (plain consignments, registered consignments, parcels and money orders) and foreign postal services, which have an irreplaceable role for the public. These basic services are defined in the Annex of the decision awarding the postal licence.

The basic competencies of the Office in the field of postal services are the following:

- a) to secure general accessibility of high-quality basic services,
- b) to secure provision of information to the public concerning optimal use of basic services,
- c) protection of customers against negative impacts of dominant position of the Česká pošta.

In harmony with the provisions of Section 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 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) and 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).

Changes of conditions for the provision of postal services

During the year 2010 the Office promulgated 6 decisions concerning changes of basic quality requirements.

The first decision concerning changes of basic quality requirements related to the amendment of the definition of the term of "public space" in order to exclude any doubts about the interpretation of this term for the purposes of basic quality requirements and to provide high quality services to addressees.

Another vast change related to the introduction of three categories of post offices which are divided according to the extent of postal services provided, where each category may be a business premises of the Česká pošta or a place of business of its contractual partner (so-called postal agencies or dispensary places). At the same time the principle must be applied that in a settlement complex, where the postal service is not provided, it will be provided in its imminent surroundings.

The post office of the First category provides postal services and information in full extent so that it is in compliance with the valid wording of basic quality requirements.

The post office of the Second category provides postal services in full extent so that it is in compliance with the valid wording of basic quality requirements. The limitation relates to the method of providing information or the settlement of requests of addressees (they are not delivered while you wait – postal agencies).

The post office of the Third category is established in order to deliver deposited postal consignments (dispensary places).

In continuation to the introduction of different categories of post offices all follow-up provisions, in which obligations for individual categories are stipulated. This change is closely connected to the possibility of transformation of the postal network and utilization of basic services by the so-called postal agencies which are not business premises of the Česká pošta. For the approval of the change mentioned, it is decisive that the basic services continue to be provided in all locations within the whole extent. The change, which became effective as per April 1, 2011, permits a sender to choose a complementary service of advising and delivery, and/or depositing of postal consignments implemented by means of a short text message or electronic message to selected postal services. In this connection it is stipulated that not all information requested in provision of basic quality requirements must be brought forward in such a call. Together with a call an addressee must still receive a written summons containing all these information. It is expected that this change will bring about increase of comfort for customer. This service is closely connected to another significant change of basic quality requirements, and namely prolongation of the delivery time until afternoon hours, the so-called afternoon delivery.

Since November 1, 2011 the Česká pošta can deliver postal consignments not only from 08 to 16 hours,

as determined earlier, but also in late afternoon. The Czech pošta introduced in regional and district towns also delivery of selected postal consignments (particularly parcels) also in afternoon and evening hours in order to increase the share of delivered postal consignments in the place given in postal address.

Simultaneously with this change, the exception from the obligation to prepare undelivered postal consignments for pickup at the depositing post office the very same day was approved. According to the new arrangement, undelivered postal consignments, which will be delivered after 15.00, need not to be prepared for pickup the very same day. The situation of a part of postal consignments may worsen as compared with the existing situation, however, this potential worsening should be sufficiently compensated by the improvement of quality of delivery and adaptation of delivery time to the needs of the public.

Considering the extent of changes in deliveries of postal consignments the Česká pošta has been imposed the obligation to inform its customers about this change in written form and advise them, before January 31, 2012, in what period of time the Česká pošta will deliver postal consignments. The Česká pošta is bound to let access to these information also using method allowing remote access and simultaneously each post office in the surroundings is bound to communicate these information on demand.

During the year 2010 the Office promulgated 13 decisions expressing consent with changes of postal conditions. Some of these decisions were important and it is useful to draw the attention to them.

Since April 1, 2011 the postal conditions were changed what results from requirement of provisions of Section 21 Para. 1, Letter b) of the Act on Postal services, according to which the postal conditions must always correspond to requirements of official delivery of documents pursuant to special legal regulations. On January 1, 2011 the Act No. 280/2009 Coll., the Taxation Order, became effective, which stipulates requirements for delivery of documents in proceedings according to this Act and which contains also the demand to state the method, proving the right to take-over a document on behalf of addressee, on the advice of delivery.

The Office with the help of different methods supervises the mode with the help of which the Česká pošta observes its obligations. In 2011 the Office performed 2 more extensive inspections, it monitors observance of the basic quality requirements concerning the speed of delivery and deals with the stimuli of customers. During the last year the Office executed 271 petitions of customers of which 216 petitions involved basic services. During 2011 the Office imposed on Česká pošta 20 fines in the total amount of CZK 169,000 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, belonged wide-spread deposit of postal shipments without any attempt to deliver them in addressees' home, incorrect delivery of postal shipments to other persons and breach of privacy of correspondence.

A comprehensive report on the fulfilment of the obligations imposed on the Česká pošta required by both the Act on Postal services, and the Directive 97/67/EC, will be published before the end of May 2012. The Amendment of the Act on Postal services has extended the powers of the Office. Starting from July 1, 2010 the Office may impose to any operator of postal services who, in offering or providing of services, breaches some of obligations stipulated in Section 4 to 16 of the Act on Postal services, the fine of up to the amount of CZK 500,000. For the time being the Office resolved only one such a case which has not been legally terminated before the end of 2011.

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 containing written messages, where the price for the service is lower than CZK 18 and the weight of postal shipment is less than 50 g). In 2011 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 practically all postal regulators from the European countries take part in these meetings; also the 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.

By the Decision of the European Commission European Commission, dated August 10, 2010 (2010/C 217/07) the Group of European regulatory authorities for postal services (ERGP) was established. The establishment of this group of independent national regulatory authority in Member States and among these authorities and the Commission, in order to consolidate internal market of postal services and to secure consistent application of the Directive 97/67/EC in all Member States. Representatives of the Office participate in activities of working groups of quality of services and satisfaction of users and development of the market and effects of the regulation, regulation of the access in the network.

Representatives of the Office regularly participate in the meetings of principal authorities of the World's Postal union (SPU) Council of Administration (CA) and Postal Operation Council (POC). The purpose of the meetings is discussion of different current issues connected with the regulation of postal services and oncoming liberalization of the market of postal services in the Czech Republic.

Price regulation of postal services

The Office executes price regulation of postal services abroad pursuant to Section 2b Para. 2 of the Act No. 265/1991 Coll., on Competencies of authorities of the Czech Republic in the field of prices, as later amended, on the basis of Section 34a of the Act on Postal services and in harmony with Section 10 of the Act No. 526/1990 Coll., on Prices, as later amended.

In 2011 the Office promulgated two price decisions which amend price decision of the Czech Telecommunication Office No. CR/P/12.2005-1 dated December 16, 2005, ref.No. 40 587/2005-611, stipulating maximum prices of selected basic postal services abroad, as later amended.

On July 7, 2011 the Office promulgated the price decision No. CR/P/07.2011-1, concerning classification of countries in price groups of parcel services abroad, and on September 23, 2011 it promulgated the price decision No. CR/P/09.2011-2, stipulating new maximum prices of the service "delivery into own hands of addressee" abroad and updates classification of countries in price groups of parcel services abroad.

Preparation of methodology of verification of net costs of postal universal service

Within the framework of the project "Liberalized postal market", co-financed from the European Structural funds (OPLZ), the CTU started its first activities resting in creation of methodology of calculation of net costs of provider of Universal service in the postal sector. Contract with supplier was concluded on November 10, 2011, and supplier so far prepared the first part resting in description of potential accesses and recommendations of optimum solution in conditions of the Czech Republic. Detailed elaboration of this method will be a part of works envisaged for the year 2012.

1.7 PERFORMANCE OF STATE INSPECTION

In the field of performance of the inspection during 2011 the CTU orientated itself at the execution of inspection in the following fields. Complete survey of inspection activities can be found in the Annex No. 7 of this Report.

The documentary registration and inspection of entrepreneurs in the field of electronic communications

Pursuant to Section 14 of the Act on Electronic communications, the Office promulgated 231 certifications confirming that a person wishing to be engaged in electronic communications business fulfilled its obligations pursuant to Section 13 of the same Act and informed the Office about this fact. Also 488 certifications were promulgated concerning notification of the change of the data specified in announcement of business pursuant to Section 13, (6) of the Act. The Office has performed continually inspection of entrepreneurs in electronic communications in order to find out if activity performed is in accordance with the notified activity pursuant to Section 13 of this Act.

Inspection of fulfilment of decisions of the Office

The State inspection of public telephone boxes operated by the company Telefónica was performed in order to review Partial Universal Service – services of public telephone boxes (hereinafter only "VTA") pursuant to Section 39, Para.3 of the Act. The review took place from May 25, 2011 until June 30, 2011. The inspection discovered that the list of VTA and public telephone boxes (hereinafter only "VTS") included in the Universal Service corresponds to numbers of VTA and VTS which the company Telefónica is bound to operate on the basis of decision of the Office. VTA and VTS were checked selected on the basis of representative specimen the calculation of which executed the Český statistický úřad according to requirements of the Office. Out of the total number of 5,975 VTA and VTS included in the Universal Service 744 VTA and VTS were physically checked, i.e. 12.45 %. Only some partial defaults were discovered making 0.1 % of the total number of VTA and VTS. The CTU called upon the company Telefónica to remedy defaults discovered pursuant to Section 114 of the Act on Electronic communications, which were removed before September 30, 2011 in harmony with the deadline stipulated. The results of this inspection were used for the execution of review of Partial Universal Service of public payphones.

Other inspection activities

The State inspection of observance of technical and organisational conditions, stipulated by the Measure of General Nature No. OOP/10/07.2005-3, 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. This inspection verified whether technical and organisational conditions, stipulated by this Measure, are observed in processes of telephone number portability among entrepreneurs pursuant to Section 34 of the Act.

The inspection was executed with companies Telefónica T-Mobile and Vodafone. The State inspection verified in detail availability of information concerning realised processes within the framework of telephone number portability with individual operators what will allow better identification of misconduct of operators in solving complaints of subscribers. The results of State inspection were used for the increase of efficiency in solving complaints of subscribers on issues of telephone number portability and for amendments of the Measure involved.

The State inspection of subjects which, pursuant to Section 14 of the Act, should inform about provision of publicly available mobile telephone services in the form of resale. The State inspection checked these subjects with the aim to find out and verify, in particular, by what method these services are provided to end users and if clients/customers of these subjects are not limited in their rights which the Act guarantees to customers. The State inspection concerned was executed in two stages where the aim of the first phase, which was performed at the turn of 2010 and 2011 and evaluated in March 2011, was to verify how controlled subjects make practical business in electronic communications. It was stated that out of 39 controlled subjects 32 of them in fact perform activity which they announced. Remaining subjects did not perform activities announced and terminated their activities to the date of evaluation of the first phase of inspection. In the second phase of inspection, which was realised from July 1, 2011 until September 30, 2011, the main attention was focused at consumer issues, primarily on the fact whether providers of services meet their legitimate obligations toward their end clients/customers. The inspections concerned stated that providers of publicly available telephone services in the form of resale behave towards their customers like providers of services of electronic communications in harmony with the Act, they conclude contracts on provision of services in the form of subscriber contracts and provide services under their own names. Only one serious misconduct was discovered within the framework of inspection leading to 3 administrative proceedings. The Office paid increased attention to the issues of provision of publicly available mobile telephone services in the form of resale, particularly for reasons of protection of consumer.

In the process of termination of retail service of the access to the Internet network (hereinafter "ADSL services") and the transfer to another provider the State inspection reviewed whether these procedures and deadlines are in harmony with the Act. The review has not discovered any violation of the Act perpetrated by the fact that no deadline for which the contract has been concluded has been stipulated, that no notice period and conditions for resumption and termination of the service have been determined, and that no delays in the wholesale process during the change of provider of services have occurred, which would contradict concluded wholesale relations. Also the Office has not discovered any unjustified reports submitted by partici-

pant concerning the extent and relevance of identification data. The results of inspection were used also in creation of new general authorization.

The collaboration with the Česká obchodní inspekce

Also during 2011 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 and amended in 2011. The collaboration consisted, in particular, in participation of CTU's employees in inspections of telecommunication and radio devices using radio frequencies introduced in the market. The CTU has provided cooperation in verification of characteristics of radio facilities straight in the field or measurement of samples taken during the CTU's inspection.

In connection with the Amendment of the Act on the Protection of consumer, where the supervision over observance of obligations pursuant to the Act on the Protection of consumer in the field of services of electronic communications passes from January 1, 2012 over from the Česká obchodní inspekce to the CTU, negotiations began in the second half of 2011 aimed at the creation of conditions necessary for the transfer of the relevant agenda between the two offices at the beginning of 2012. One part of these negotiations was also agreement concerning the issues of mutual collaboration informing consumers with the help of Internet pages of the CTU and the Česká obchodní inspekce and their mutual interconnection.

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 Section 127 of the Act on Electronic communications, in which the Chairman of the CTU's Council takes decisions of the First degree, also in 2011 continued the trend of decreasing the number of newly commenced disputes in comparison with preceding year (in 2010 altogether 13 new proposals were submitted, in 2009 altogether 11 new proposals and in 2010 altogether 8 new proposals).

In 2011 altogether 4 new proposals for the initiation of contested administration proceedings were submitted to the CTU pursuant to Section 127 of the Act on Electronic communications and administration proceedings initiated before and not yet terminated in 2010 continued.

During 2011 altogether 4 decisions were promulgated in contested administration proceedings by the Administrative authority of the First degree, whereas in 3 disputes proceedings were terminated by final decisions

of the Administrative authority of the First degree. In one dispute remonstrance was submitted against the resolution on postponement of the case because the CTU had no legal power to decide in re what was discovered as late as during administrative proceedings and clarification of factual circumstances of the case. In the remonstrance procedure the Administrative authority of the Second degree confirmed the decision of the Administrative authority of the First degree.

Until the end of the year 2011 altogether three disputes were not terminated by the Administrative authority of the First degree. Out of that number one contested proceeding was several times interrupted by virtue of agreement of contested parties which agreed to resolve the dispute outside contested proceeding. However, the intention of the parties to the proceeding failed and therefore administrative proceedings will continue and will be terminated during the First Quarter of 2012. Another contested proceedings were not terminated because contested parties only until during administrative proceedings clarified and amended basic documents and information necessary for elaboration of draft contract for distribution of television broadcasting in regionalized broadcasting network 3 and for provision of technical structuring of broadcasting network 3 for the purposes of regional broadcasting to be disconnected. Also in this case termination of administrative proceedings is expected to come during the First Quarter of 2012. The last unfinished proceeding is in the stage where defendant, after reception of the information about the commencement of administrative proceedings, proposed interruption of proceedings with justification that all means leading to the achievement of agreement were not exhausted.

A specific kind of contest led pursuant to Section 127 of the Act, which commenced in 2011, is the contest concerning conclusion of the contract between operator of television broadcasting and entrepreneur providing the service of radio and television broadcasting. Also in this case contesting parties only until during administrative proceedings have slowly started to clarify particularities of television broadcasting with regional inputs in order to comply with Section 72a et al. of the Act, ordering the entrepreneur, providing the service of radio and television broadcasting in the broadcasting network 3, to publish the draft contract, and in order to prepare regionalization of the broadcasting network 3.

Final decisions/resolutions promulgated in administration proceedings conducted pursuant to Section 127 of the Act 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 2011 processed and applied, having regard to the Legislative

rules of the Government, the comments concerning proposals of legal regulations and other materials, and, 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 in the sphere of external legislation in 2011 belonged 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 December 30, 2011 the Act No. 468/2011 Coll., amending the Act No. 127/2005 Coll., on Electronic communications as later amended, and on Amendments of some related Acts, and some other Acts, was published in the Volume 160 of the Collection of Laws. It is the Act by which revised wording of the European regulatory framework for networks of services of electronic communications is implemented in the Czech legal order and concretely, the Directive of the European Parliament and the Council 2009/136/EC dated November 25, 2009, which amends, the 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, and the 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. In the minimum extent the Amendment dedicates its attention to the interpretation of some controversial provisions of the Act.

The legislative process concerning this draft Act began as early as in 2010 when interdepartmental commentary proceedings took place. Then, on May 5, 2011 the Government submitted the draft of the Act to the Chamber of Deputies of the Parliament of the Czech Republic.

In the Chamber of Deputies the draft of the Act was assigned to the Economic Committee for discussion. The Economic Committee discussed the draft and on September 9, 2011 endorsed its Resolution No. 347/1, in which

it added its amendments to the relevant draft of the Act. The second reading of the draft of the Act took place on the 23rd Session of the Chamber of Deputies on September 21, 2011. Apart from the amendments of the Economic Committee another amendments were applied to the draft Act (Chamber's print No. 347/2). The third reading of the draft of the Act then took place within the framework of the same Session of the Chamber of Deputies of the Parliament of the Czech Republic on September 27, 2011, when the draft of the Act was approved by the Chamber of Deputies and, subsequently, submitted to the Senate on October 5, 2011 as the Senate print No. 214.

Within the framework of discussion in the Senate draft of the Act was discussed in the Committee for Economy, Agriculture and Transport and the Permanent Commission of the Senate for Mass Media. This Commission then approved the Resolution No. 214/2, by which it applied its amendments to the draft of the Act. On October 26, 2011 the draft of the Act was discussed on the 13th Session of the Senate with the proviso that the draft of the Act was returned back to the Chamber of Deputies with amendments.

On November 1, 2011 the draft of the Act, in the wording of amendments approved by the Senate, was delivered and distributed to the Deputies. The Chamber of Deputies took a vote on this draft of the Act on December 6, 2011 on its 32nd Session. The Chamber of Deputies stayed on its original draft of the Act. On December 9, 2011 the approved draft of the Act was delivered to the President of the Czech Republic for his signature. Mr President then signed the draft of the Act on December 19, 2011. The Act was then promulgated in the Collection of Laws on December 30, 2011 in the Volume 160 under the number 468/2011 Coll.

The Act No. 468/2011 Sb., which amends the Act No. 127/2005 Coll., on Electronic communications and on Amendments of some related Acts (the Act on Electronic communications), as later amended, and some other Acts, regulates, in harmony with the regulatory framework for networks and services of electronic communications in the wording of its Amendment from 2009, in particular:

- a) definition part of the Act, particularly considering technological development in this dynamically developing branch,
- b) the aims and basic principles of regulation, particularly in connection with increase of juristic assurance in the regulation of the market of electronic communications, deepening of domestic market and increase of maximum advantages ensuing from utilization of modern technologies for handicapped users,
- c) radio spectrum management, particularly considering deepening of the principle of technological neutrality and neutrality of services with increased emphasis on utilization of radio spectrum on the

- basis of general authorizations, the issues and tools ensuring better merchantability of spectrum, authorizations for utilization of radio frequencies for experimental purposes, and last but not least, the Amendment introduces the new method of selection in allocating radio frequencies in the form of auction,
- d) the access to the unified European emergency number and national emergency numbers,
- e) portability of telephone numbers, particularly with regard to the enlargement of this obligation from public telephone networks to public communication network,
- f) partial obligation within the framework of universal service, particularly concerning their more accurate relation towards development in the area of electronic communications, however, without their enlargement,
- g) the introduction of obligation of functional separation as the new remedial measure of the last instance,
- h) requisites of contract on provision of publicly available services of electronic communications and connection to the public communication network and publication of information,
- i) the quality of service, particularly by determining powers of regulator to impose on enterpriser running public communication network requirements for provision of minimum quality of services,
- j) the access to services and sharing of capacities,
- k) making subscriber local loop accessible,
- l) protection of personal, operational and location data and confidentiality of communications, particularly in order to create internal procedures for the settlement of applications for the access of authorized persons to personal data of users and to determine procedures if protection of personal data is violated,
- m) security and integrity of public communication networks and services of electronic communications,
- n) comprehensive arrangement of administrative offenses.

The Act in question further amends another Acts. To the most important amendments belong the Act on the Protection of consumer (the Act No. 634/1992 Coll.), on the basis of which the CTU becomes the authority of supervision over observance of obligations stipulated in the Act on the Protection of consumer in the field of services of electronic communications.

The last but not least this Amendment also amends the Act on Some services of information society (the Act No. 480/2004 Coll.) and the Act on Protection of personal data (the Act No. 101/2000 Coll.), which reacts to the revision of the Directive 2002/58/EC and consistently separate powers of the Czech Telecommunication Office from those of the Office for protection of personal data in the field of electronic communications.

On the basis of amendments made in the Act by the Act No. 468/2011 Coll., the CTU in 2011 prepared and started interdepartmental commentary proceedings

concerning the following implementing legal regulations to the Act :

- Draft Decree implementing Section 44 Para. 5 of the Act (replaces the Measure of General Nature No. OOP/2/07.2005-5),
- Draft Decree implementing Section 63 Para. 13 of the Act (replaces the Measure of General Nature No. OOP/3/07.2005-4),
- Draft Decree implementing Section 98 Para. 4 of the Act,
- Draft Decree implementing Section 99 Para. 1 of the Act.

The legislative process concerning these implementing legal regulations will, however, be completed as late as in 2012.

To the sphere of external legislation concerning the most essential activities of the CTU in 2011 belonged participation of representatives of the CTU in the working group established by the Ministry of Industry and Trade concerning preparation of the draft of the Act amending the Act on Postal services.

On the basis of activities of this working group, in which participated also representatives of relevant entrepreneurial subjects, interdepartmental commentary proceedings commenced at the beginning of May 2011 initiated by the Ministry of Industry and Trade concerning the draft of the Act amending the Act on Postal services. The draft of the submitted Act transposes the Directive of the European Parliament and the Council 2008/6/EC dated February 20, 2008, amending the Directive 97/67/EC. Transposition deadline for the Czech Republic terminates on December 31, 2012.

The purpose of the new legislative arrangement is the conclusion of gradual process of liberalization of the European postal market and thus completion of creation of internal market of postal services in the Communities. Declared target is the increase of competitive environment and legislative guarantees in the market of postal services, what should have a positive impact on entrepreneurial environment. Simultaneously, the obligation of the State to provide permanently sustainable Universal service (i.e. to provide minimum extent of basic postal services in stipulated quality over the whole territory of the Czech Republic for affordable prices) and reasonable protection of users of all postal services, will be observed.

On November 2, 2011 the draft of the Act, which amends the Act on Postal services, was discussed and approved by the Government of the Czech Republic (Government Resolution No. 792) and subsequently submitted to the Chamber of Deputies of the Parliament of the Czech Republic, where it received Chamber's print number 535. The legislative process will thus be completed in 2012. In this year the CTU plans to promulgate also six supplementary legal regulations (decrees), which,

at least pursuant to the existing draft of the Act, should fall within the competence of the CTU.

The survey of principal Acts and substatutory legal regulations containing brief description of changes, through which in 2011 the amendments of the legal framework in the field of electronic communications and postal services were effected, is brought about in the Chapter I. of this Report.

Within the framework of the CTU's involvement in the activities of interdepartmental working groups and authorities, it is possible, apart from the above mentioned information, to recap, for the year 2011, also its involvement within the framework of interdepartmental working groups established by the Ministry of Industry and Trade, concerning both the project providing reduction of administrative burden based on the legal regulations, and, for example, in the field of protection of consumers [systems of extrajudicial solution of disputes in the area of implementation of the European Law – on-line solution of consumer ("the ODR Resolution") and alternative solution of consumer disputes (Directive "ADR")]. The CTU tried to take the basic principles, by which relevant projects are governed, into consideration, particularly in the preparation of drafts of legal regulations and other normative acts promulgated in its competency.

The CTU was also actively involved in the legislative process within the framework of activities of the Panel for regulatory reform and efficient public administration, and particularly its working authority – the Committee for inspection of quality of regulatory evaluation (RIA). These authorities were established in order to be instrumental in the process of discussion and evaluation of legislative documents prepared by bodies of central administration from the point of view of quality evaluation of impacts of the regulation, however, on the basis of the Government's decision at the end of 2011 their competences were transferred to the competency of the Office of the Government (particularly the Legislative Council of the Government).

Apart from domestic legislative activities the CTU is also engaged in the system of allocation of responsibilities and discharge of legislative liabilities ensuing from the membership of the Czech Republic in the European Union – The Information system for approximation of law (ISAP), which serves for the registration and inspection of discharge of obligations of the bodies of State administration in implementation of the Law of the European Union. In 2011 the CTU properly observed its obligations connected with this system and no principal failures were discovered on its part, both from material and registration 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 2011 the CTU endorsed altogether 19 measures of general nature. 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.

Measures concerning transfer of part of the agenda of subscriber disputes

In 2011 the CTU participated in the preparation of documents within the responsibility of the Ministry of Industry and Trade, which, however, was very closely related to competency of the CTU in the sphere of decision-making of subscriber disputes pursuant to Section 129 of the Act, the subject-matter of which is pecuniary performance. On the basis of documents submitted by the CTU, the analysis of the current situation of these issues was performed, including impacts of potential transfer of this agenda to courts.

The Ministry of Industry and Trade began to be engaged in this field on the basis of previous warnings pointing at unsustainability of the situation in given sphere where the CTU is, over a long period of time, overloaded with the agenda, and it has no personal and financial means for its proper and timely settlement. According to the standpoint of the CTU, this agenda was quite illogically entrusted in the competency of the CTU, although they are in principle disputes belonging in the sphere of private law.

The documents prepared called "The Analysis of the current situation of problems connected to subscriber disputes pursuant to the Act on Electronic communications, the subject-matter of which is pecuniary performance, including impacts of potential transfer of this agenda to courts" was submitted by the Ministry of Industry and Trade submitted to the Government of the Czech Republic for discussion. By its Resolution from November 9, 2011 No. 815 the Government took the relevant analysis in account and simultaneously approved the transfer of the competency to decide subscriber disputes, the subject-matter of which is pecuniary performance pursuant to the Act, to courts, with the proviso that this Resolution becomes effective on January 1, 2013 and that the CTU will complete the existing agenda.

However, this Government's Resolution endorsed the transfer of altogether 100 functional positions, relevant salary funds and related expenditures from the CTU in the budget head 336 – the Ministry of Justice so that the first transfer of 50 functional positions and relevant salary funds will be effected by January 1, 2013 and the transfer of remaining 50 functional positions and relevant funds

by January 1, 2014, with the proviso that these Measures will be implemented as the change of the system.

However, through the implementation of this part of the Resolution of the Government the CTU, in a relatively short period of time, would lose 100 functional positions and relevant funds, what represents 1/4 of all employees of the CTU. Such a radical reduction in disproportionately short period of time will have, if really implemented, a very negative influence on the accomplishment of lawful obligations of the CTU. In practical life it would mean the inability of the CTU to complete, within standard deadlines, expected number of approximately 150,000 legal proceedings, which will not be closed by the day of transfer of the agenda of subscriber disputes to general courts, on the one hand, and the CTU would be unable to provide performance of its new competencies entrusted to it by the Implementation Amendment of the Act, on the other hand. The last but not least, in this connection it is necessary to draw the attention to increasing numbers of cases of applications demanding compensation of damages pursuant to the Act No. 82/1998 Coll., on the Responsibility for damage caused in execution of public power by decision or incorrect official procedure and the Amendment of the Act of the Czech National Council No. 358/1992 Coll., on Notaries and their activities (the Notary Order), as amended by later regulations. In these cases the State may bear the burden of considerable expenditures in connection with compensation of damaged persons. So far 17 applications were raised with the CTU for the period of 2010 – 2011 for compensation of damages caused in performance of the agenda of subscriber disputes concerning pecuniary performance in the total amount of CZK 11,226,070.44.

Therefore the CTU considers it inevitable to point out that it is necessary to revoke and/or amend the relevant Resolution of the Government, because, if its is not changed in the future mitigating the impacts on the CTU, it would bring about a principal threat to observance of the obligations of the CTU with all potential consequences.

1.10 CRISIS MANAGEMENT AND SECURITY

The activities and principal tasks of the Office were focused at the area of security, crisis management, defence planning and civil-emergency planning and the application of relevant provisions of the Act on Electronic Communications with the emphasis on activities of subjects providing support of electronic communications for the needs of national security and defence. For the above mentioned purposes the Measure of General Nature No. OOP/9/12.2010-18 was implemented laying down the essentials of the technical and organisational rules to safeguard the integrity and security of the public communication network and interoperability of publicly available electronic communication services in a crisis situation.

In harmony with tasks imposed on the Office in Section 88 and Section 99 of the Act and the above mentioned Measure of general nature four inspections were performed with telecommunication companies Telefónica, GiTy, a.s., OpavaNet, a.s. and T-Systems Czech Republic a.s. The inspections were focused on the fields of protection of operational and location data, confidentiality of communications and ensuring of electronic communications under crisis situations. Remedial measure was imposed on the company OpavaNet, a.s. resting in revision of technical-organisational rule for provision of security, integrity and provision of services under crisis situations and internal technical-organisational regulation ensuring protection of data and confidentiality of communications. The companies Telefónica and GiTy, a.s. were requested to complete these documents.

During January and February 2011 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 Section 97, Paras 10 and 11 of the Act on Electronic Communications. Subsequently, the Office ensured a comprehensive elaboration of basic documents "The Statistical operational and localisation data provided by juristic or natural persons to legitimate authorities." The elaborated statistical data were handed over to competent bodies in the European Commission on March 8, 2011.

In harmony with the Resolution of the Government No. 51 on the Defence Planning of the State, dated January 21, 2004 and the tasks stipulated in the Resolution of the State's Security Council and the Committee for Defence Planning (VOP), the representatives of the Office participated in the elaboration of documents necessary for the creation of Defence Plan of the Czech Republic, particularly within the framework of Interdepartmental Expert Working Group established with the VOP. Participation and activities of appointed representatives of the Office at the meetings of VOP and other expert working groups was provided on regular basis. Through its appointed representatives the Office was actively involved in the activities of the Committee for Civil Emergency Planning and its working groups. Its activities were particularly focused on elaboration of conceptional and legislative documents related to the definition of European and national critical infrastructure.

In October and November 2011 representatives of the Office participated in the preparation, execution and evaluation of the international exercise of the NATO CMX-2011 and also the exercise of the European Union CME-2011. During the exercise administrative procedures were tried including survey of sources of interference of radio facilities of the Ministry of Defence and also necessary processes in allocation of non-military frequency bands for military purposes in case of emergency and crisis situations.

During 2011 the Office collaborated with the Ministry of Industry and Trade in selecting and defining elements of critical infrastructure in the field of electronic communications and the Post. Within the framework of the whole process 12 dominant subjects doing business in electronic communications, which were, in harmony with the Act No. 240/2005 Coll., on Crisis management, appointed, by means of the Measure of general nature, as subjects of critical infrastructure. At the proposal of the Minister of Interior the Office, as the central body of State administration, was also appointed the subject of critical infrastructure by the Resolution of the Government of the Czech Republic.

The Office also performed the tasks ensuing from the Resolution of the Government of the Czech Republic No. 205 and No. 380 from 2010 and also from the Resolution of the Government of the Czech Republic No. 781 from 2011, concerning the issues of cybernetic security. The Chairman of the Office appointed representatives of the Office, who participated in the creation of new conceptional documents and preparation of next legislative regulations in the given field, in the newly established Council for cybernetic security.

The Office has also its representatives in the Coordination Council and working bodies of the European satellite navigation system GALILEO. Within the framework of the service PRS (Public Regulated Service) of the Galileo system the Office co-operates with "the Working group PRS with the MD" concerning solution of cases of harmful electromagnetic interference endangering activities of the PRS.

The Office also performed its tasks in the area of protection of classified information. Personal, physical and administrative security of classified information was assured. The Office established the new local workplace for electronic elaboration of classified information and the IS project "the Government's restricted connection" is near its completion.

2. THE CTU's INTERNATIONAL ACTIVITIES IN 2011

In 2011 the CTU participated in activities ensuing from the membership in international bodies and institutions, particularly on the basis of gestion stipulated by the Government Resolution from June 29, 2011 No. 507, concerning the Amendment of the Annex of the Government's Resolution No. 676 from June 1, 2005, on determination of cases where international relations in the area of electronic communications is provided by the Czech Telecommunication Office. Primarily it is the involvement in bodies of the EU 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. There are, in particular, the following authorities

The Body of European Regulators for Electronic Communications (BEREC) is the advisory authority of the European Commission (EC), whose members are regulatory authorities of Member States of the EU and representatives of the EC. 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. The 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 (the Office), which is headed by the administrative director.

Joint sessions of IRG/ERG are 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. In 2011 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 consumer's and user's 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. 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 European Union and evaluation of the situation concerning introduction of numbers 112 in the EU Member States.

During 2011 opening meetings of working groups of the **European Regulators Group for Postal Services (ERGP)** took place. On these meetings relevant working groups received their tasks concerning monitoring of market of postal services and methods for monitoring of market of postal services of the European Union and individual Member States were discussed in order to ensure consistent implementation of the Directive 97/67/EC in all Member States.

Radio Spectrum Policy Group (RSPG) is the high-level advisory body of the European Commission (EC) for strategic issues of use of radio spectrum, coordination of spectrum management and harmonisation of conditions for utilization of radio spectrum focused at spectrum availability, its efficient utilization aimed at creation and performance of the unified market. The conclusions of the RSPG are formulated particularly in Opinions of the RSPG and Reports of RSPG.

In 2011 the programme of RSPG activities was focused particularly on the themes like – spectrum inventory, collective utilization of spectrum, improvement of coverage by high-speed communications, economic and social value of spectrum and the issues of international coordination of spectrum. The important impact will have the process of approval of the Radio Spectrum Policy Programme, which is in the final phase of its completion now, which was promulgated in the form of the Decision of the European Parliament and the Council, and is, therefore, binding for Member States.

Radio Spectrum Committee (RSC) – is the authority of the European Commission, which is involved in technical measures aimed at implementation of radio spectrum policy. Its main activity is the preparation of implementation decisions by which harmonized conditions providing for availability and efficiency of radio spectrum utilization are set. In its scope of activity also belong preparation of measures providing for available and timely information concerning radio spectrum utilization.

In 2011 to the main themes of the RSC Programme belonged, in particular, the update of the Decision of the European Commission concerning short range devices (SRD), vehicle radars (SRR) in the band of 24 GHz, utilization of the band of 169 MHz, communications on boards of ships (MCV), availability of spectrum for devices having the character of wireless microphones and cameras (PMSE) and harmonized introduction of technological neutrality for terrestrial mobile applications in the band of 2 GHz. The CTU promulgated all harmonisation documents falling in the competency of the RSC within stipulated deadlines.

The European Network and information Security Agency (ENISA) – is an advisory body of the European Commission. ENISA, inter alia, unifies the processes and procedures of national regulators in safeguarding the resistance, safety and integrity of networks of electronic

communications, it rectifies the issues of critical infrastructure and cybernetic independence within the framework of information systems and electronic communications. In 2011 the CTU collaborated with the Ministry of Industry and Trade in formulating the standpoint concerning documents specifying implementation of Article 13a of the EU Directive 2009/140/EC which was implemented by the Act. The subject were the documents called "Technical instructions for reporting incidents" and "Technical instructions for minimal security precautions" in the field of electronic communications. The CTU appointed a contact person with the ENISA agency responsible for reporting of serious cross-border incidents in electronic communications. Among other fields of activities belonged the issues of construction and protection of critical infrastructure of electronic communications and implementation of the Programme Galileo.

Assessment report of the European Commission – Digital Agenda Scoreboard

Until 2010 the European Commission informed about the progress in the field of electronic communications in the so-called implementation reports. The last Implementation report was published in 2010 under the serial number 15. Since 2011 and on the basis of Decision of the European Commission the document is published called "the Digital agenda Scoreboard", presenting information concerning progress in implementation of the EU regulations in national legislations of individual Member States and the evaluation of the regulatory environment both in the Czech Republic and other Member States. The document evaluates development on markets of electronic communications, regulation and its impacts on the market for the year 2010. The CTU participates in the preparation of background materials for implementation reports and also in 2011 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 European Commission for the generation of the next document Scoreboard 2012.

2.2 THE INTERNATIONAL ACTIVITIES OF THE OFFICE IN CONNECTION WITH OTHER INTERNATIONAL AUTHORITIES AND ORGANIZATIONS

In 2011 representatives of the Office participated in working activities within the framework of the following international organisations:

- a) The International telecommunication Union (ITU),
- b) The European Conference of Postal and Telecommunication Administrations (CEPT),
- c) The Organisation for Economic Co-operation and Development (OECD),
- d) The North Atlantic Treaty Organisation (NATO).

Multilateral business contacts

During 2011 representatives of the CTU participated particularly in these Multilateral business meetings:

- meeting with representatives of Austrian regulatory authority focused on the issues of tender procedures for frequencies within the framework of digital dividend (Prague, June 6 and 7, 2011),
- signature of the Memorandum of Understanding in the field of electronic communications between the CTU and the regulatory authority NCC Taiwan (Prague, September 6, 2011),
- meeting with representatives of regulatory authority of the Monte Negro for familiarization with the application of the mode of price ceilings and price squeeze tests (Prague, September 6 and 7, 2011),
- study visit of Albanian delegation focused on the issues of establishment and operation of the system of monitoring of radio spectrum (Prague, September 21 and 22, 2011),
- business meeting of representatives of the Czech Telecommunication Office and Telecommunication Office of the Slovak Republic (Pezinok, September 21 and 22, 2011).

Within the framework of international activities of the Office the employees also participated in number of meetings with employees of regulatory authorities of neighbouring countries in implementation of frequency co-ordination, during business meetings and consultations in workplaces of regulatory authorities of Slovakia, Germany, Austria and Poland.

Regional Arrangement on radiotelephone service on inland waterways

In 2011 the representative of the Office participated in two meetings of the Committee RAINWAT (Regional Arrangement concerning the Radiotelephone Service on Inland Waterways) (hereinafter "Arrangement"), the member of which is also the Czech Republic. The main target of the Arrangement is, inter alia, to introduce, at the European level, harmonization of utilization of radio frequencies on European inland waterways and to determine conditions of operation of ship radiostations in the UHF frequency band (160 MHz), which is used on these waterways. The main task of the meeting of signatories of the Arrangement in 2011 was continuing preparation of updated new text of the Arrangement. At the last meeting of Member Countries of the Arrangement in 2011 mutual accordance was reached concerning the final wording of the new text of the Arrangement. The new Arrangement should be signed in April 2012.

The issues of international co-ordination of radio frequencies

Conditions and procedures of international frequency co-ordination of radio frequencies used for fixed and mobile service regulates multilateral

international Agreement on co-ordination of frequencies between 29.7 MHz and 39.5 GHz for fixed service and terrestrial mobile service (Zagreb 2010) – HCM Agreement (hereinafter “HCM Agreement”). Representatives of the Office twice a year participate in regular meetings of working sub-groups of the HCM Agreement established independently for the issues of terrestrial mobile and fixed services. Within the framework of these meetings problems were discussed concerning particularly extremely long periods necessary for the implementation of adaptations or corrections of harmonized co-ordination programme, review of rules determining format and method of electronic exchange of data in international frequency co-ordinating stations of terrestrial mobile services and the issues ensuing from future broad band systems in the bands of 800 MHz and 2,600 MHz which is just now prepared. Also in 2011 completion of final wording of the Annex 2A to the HCM Agreement concerning description of co-ordination procedure in terrestrial mobile service took place.

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

During 2011, within the framework of planning and co-ordination of radio frequencies ensuring further development of terrestrial digital television broadcasting, altogether four bilateral or multilateral co-ordinating meetings were held with representatives of administrations of countries adjacent to the Czech Republic. Negotiations with representatives of administrations of Germany, Poland and Austria were held abroad, negotiations with representatives of Slovakia took place in Prague on the basis of invitation of the Office. During 2011 the principal efforts of representatives of the CTU were concentrated, besides co-ordination proper of frequency requirements inevitable for completion of broadcasting networks of terrestrial digital television broadcasting (DVB-T), also to the issues of future planning of frequencies in the bands reserved for terrestrial digital television and radio broadcasting, particularly considering purposeful and efficient utilization of radio frequencies ensuing from the possibility to use new digital systems (T-DAB+, DVB-T2 etc.). Preparatory works were begun with all neighbouring countries involved aimed at elaboration of analyses necessary for determination of the so-called preferential channels which would, particularly in border regions, allow the implementation of broadcasting networks using extensive SFN networks or distribution of local or regional programmes without necessity to use existing, very complicated frequency co-ordinations of individual requirements. The aim of these analyses is to find solution on common borders of states preserving the principle of equal access to radio frequencies. Utilization of new modern systems having higher transmission speed should allow to minimize negative impact of the decision concerning the use of frequency band 790–862 MHz for new mobile broadband services which has brought about the loss of

possibility to use these radio frequencies for the distribution of terrestrial digital television broadcasting. Therefore, the negotiations concerning the issues mentioned will continue also in 2012.

Simultaneously, during the negotiations the issues of observance of some technical parameters of analogue radio broadcasting in the UHF-FM band were discussed where neighbouring administrations pointed out at systematic surpassing of the value of multiplex output (MPX) what finally leads to surpassing of co-ordinated values of radio frequencies coordinated with MPX value corresponding to the recommendation of the International Telecommunication Union (ITU). Surpassing of the MPX value leads, as a consequence, to better subjective audibility and thus to the extension of listening area. On the basis of complaints of their operators foreign administrations request that the Office assure observance of MPX co-ordinated values or to decide on corresponding reduction of total radiated output of radio transmitters involved.

Chapter III.

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

1. ELECTRONIC COMMUNICATIONS

1.1 THE PROBLEMS OF OPERATIONAL AND LOCALIZATION DATA

Considering the Finding of the Constitutional Court dated March 22, 2011, ref.No. Pl. ÚS 24/10, which came into legal effect on April 12, 2011 and by which Section 97 Para. 3 and 4 of the Act was cancelled, and the Degree No. 485/2005 Coll., on the Extent of operational and localization data, period of their storage and the form and method of their handover to the authorities competent for their utilization, was also cancelled, the need still persists to amend the Electronic Communications Act and its implementing regulations in order to implement the Directive 2006/24/EC of the European Parliament and of the Council on the Storage of data created or elaborated in connection with provision of publicly available services of electronic communications or public communications networks and on the Amendment of the Directive 2006/24/EC.

The draft of this implementing Act is within the competence of the Ministry of Interior, which in 2011 prepared relevant draft of this Act and organized interdepartmental commentary proceedings concerning this draft. Within the framework of relevant process the CTU presented its proposals for implementation of relevant amendments and changes. However, the legislative process concerning the relevant draft of the Act will be completed as late as during 2012.

1.2 SUBSCRIBER DISPUTES - DISPUTES CONCERNING OBLIGATIONS OF MONETARY PERFORMANCE

Considering the fact that the development of number of cases of submissions demanding commencement of subscriber disputes, i.e. private law 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 (Section 129 of the Act on Electronic Communications), which, at the present time, belong to the decision-making power of the CTU, continue to grow, the CTU is now unable to assure proper provision of the given agenda. Respecting this situation the Government of the Czech Republic in its Resolution No. 815 from November 9, 2011 ordered the Ministry of Industry and Trade and the Ministry of Justice to prepare and submit to the Government, not later than on March 31, 2012 at the latest, the draft of the Act so that the agenda of subscriber disputes concerning observance of obligation for monetary performance will be transferred to the courts from January 1, 2013 at the latest.

There exists an urgent need to solve difficult situation in the area of deciding relevant disputes overwhelming the CTU so that it cannot manage their proper settlement. Despite these facts it is necessary to highlight vigorously that the transfer of the relevant agenda itself will not be sufficient solution, because the Government in its above Resolution from November 9, 2011 No. 815 simultaneously decided about personal and financial measures connected with the transfer of the relevant agenda from the CTU to the branch of the Ministry of Justice. Fulfilment of this part of the Resolution would bring about a total collapse on the side of the CTU in performance of administrative activities not only within the framework of relevant agenda of Section 129 of the Act, but it would negatively influence also performance of regulatory agenda in the situation where the CTU over a long period of time is confronted with insufficient staffing. For this reason it will be necessary to accumulate and submit to the Government another documentary evidence and analyses demanding revocation and/or the change of relevant Resolution so that the negative impacts on personal and financial functions were as low as possible.

1.3 THE NEED TO PROMULGATE IMPLEMENTING REGULATIONS TO THE ACT ON ELECTRONIC COMMUNICATIONS

Together with amendments of regulatory framework of electronic communications performed in 2011 goes also hand in hand the need to promulgate some new implementing regulations to this Act.

Regulations within the competency of the Ministry of Industry and Trade

Within the context of the Finding of the Constitutional Court from March 22, 2011 ref. No. Pl. ÚS 24/10, by which the Decree No. 485/2005 Coll., on the Extent of operational and localization data, the period of their storage and the form and method of their transfer to authorities competent for their utilization was also cancelled, it will be necessary to promulgate the new Decree regulating conditions for storage and provision of operational and localization data. However, the promulgation of this Decree (formerly No. 485/2005 Coll.) is within the competence of the Ministry of Industry and Trade.

On the basis of changes endorsed by the Act No. 468/2011 Coll. (Implementing Amendment of the Act on Electronic Communications), concretely adaptations of provisions in part of management of the radio spectrum and number management, it is necessary to perform relevant change of implementing legal regulations involved and namely:

- Government's Decree No. 154/2005 Coll., on the Determination of the amount and method of calculation of fees for utilization of radio frequencies and numbers, as later amended,
- the Decree No. 117 /2007 Coll., on Numbering plans of networks and services electronic communications, as later amended.

Regulations within the competency of the CTU

After the endorsement of the Amendment of the Act and implementing Decree, regulating the issues of storage and provision of operational and localization data pursuant to the Letter a), the CTU assumes that it will start the review of the Decree No. 486/2005 Coll., stipulating the amount and the method of settlement of efficiently spent expenditures for the establishment of operational and localization data and for provision of interface for connecting terminal telecommunication facilities serving for monitoring and recording of messages, for storage and provision of operational and localization data from the database of subscribers of publicly available telephone service, which is imminently connected to the issues regulated by Section 97 of the Act and former Decree No. 485/2005 Coll.

Other implementing legal regulations within the competence of the CTU, which will be promulgated in 2012, are associated with the approval of the Implementing Amendment of the Act (the Act No. 468/2011 Coll.) and they are as follows :

- the Decree implementing Section 44 Para. 5 of the Act (replaces the Measure of General Nature No. OOP/2/07.2005-5),
- the Decree implementing Section 63 Para. 13 of the Act (replaces the Measure of General Nature No. OOP/3/07.2005-4),
- the Decree implementing Section 98 Para. 4 of the Act, the Decree implementing Section 99 Para. 1 of the Act. 485/2005 Coll.

The CTU commenced with the legislative process concerning these proposals of implementing legal regulations already at the end of 2011.

2. POSTAL SERVICES

Also in the field of postal services still persists the need to accept the Implementing amendment of the Act on Postal services through which the Directive of the European Parliament and the Council 2008/6/EC dated February 20, 2008, which amends the Directive 97/67/EC, taking into consideration completion of domestic market of the Community, will be implemented in the legal order of the Czech Republic. The Ministry of Industry and Trade is responsible for relevant legal rules.

On November 2, 2011 the Draft of the Act amending the Act on Postal services discussed and approved by the Government of the Czech Republic (Government's Resolution No. 792) and subsequently submitted to the Chamber of Deputies of the Parliament of the Czech Republic where it was registered as the Chamber's print No. 535. Therefore, the legislative process will be completed in 2012. In this year the CTU intends to promulgate 6 implementing legal regulations (Decrees) falling within the competence of the CTU pursuant to the interim draft of the Act.

Chapter IV.

ORGANIZATION AND SUPPORT OF THE CTU'S ACTIVITY

1. THE CTU'S ECONOMIC RESULTS

CTU received the binding indicators of the Chapter 328 – the CTU, ensuing from the Act No. 433/2010 Coll., on the State Budget of the Czech Republic for the year 2011 as of December 15, 2010, from the Ministry of Finance (hereinafter only the "MF") in the letter of the Minister of Finance No. 19/127/853/2010-193 on December 20, 2010. The survey of fulfilment of these indicators is specified in the Annex No. 9 of this Report, simultaneously the survey of mandatory indicators of the Budget for the year 2012 (the obligation determined by the Act) 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

There were no changes made in the approved budget of binding indicator "total incomes" at the level of CZK 1,032,248,000 during the year 2011. The budget was surpassed, because the reality reached is CZK 1,142,673,470, i.e. observance of modified budget reached 110.70 %, what means overrun by CZK 110,425,470.

The tax incomes – administration fees, were accomplished in the volume of CZK 73,693,880, i.e. observance of modified budget reached 147.39 % what means overrun by CZK 23,693,880.

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 939,779,320 and incomes ensuing from the administration of numbers at the amount of CZK 107,559,190.

The category of non-taxable incomes includes the incomes from the European Union where the modified budget at the amount of CZK 37,248,00 was observed

at only 5.47 % and the volume of CZK 2,035,730 was reached. The CTU received the amount of:

- CZK 1,568,490 as the equivalent of the costs incurred pursuant to the Monitoring reports 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 Regulatory Treatment of Fixed and Mobile Termination Rates in the EU in the price regulation by the Czech Telecommunication Office",
- CZK 149,090 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 202,740 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",
- CZK 115,410 as the equivalent of the costs incurred pursuant to the Monitoring report for the project reg. No. CZ.1.06/1.1.00/07.06407 called "Electronic submissions in the process of administrative proceedings".

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 2011 the amount of CZK 4,468,150, i.e. the budget approved for the year 2011 was accomplished on 89.36 %. The volume of these incomes cannot be exactly estimated.

In 2011 the CTU also planned budget incomes incurred from the lease of other real estates and/or their parts at the amount of 67,000. These incomes reached the amount of CZK 117,410 what means that the budget was accomplished on 175.24 % what means overrun by CZK 50,410. There are the incomes from 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 and also the payment at the amount of CZK 50,000 from the municipality Lohotky for utilization of antenna carrier serving as lookout tower on the monitoring station Karlovy Vary belonging in the monitoring system of frequency spectrum.

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 and the Government Resolution the radiocommunication account is formed by incomes ensuing from the administration of radio spectrum. For the year 2011 the amount of CZK 124,638,990 was transferred to this account and the amount of real incomes was thus reduced by this amount in 2011.

The survey of all incomes for 2011 is stated in the enclosed Annex No. 9 and incomes for 2012 is stated in the enclosed Annex No. 10 of this Report.

Total expenditures

In 2011 the CTU used the possibility to draw "claims" for the needs not covered by the budget. at the amount of CZK 30,833,620.

On the other hand, the amount of CZK 82,452,510 was spared from the 2011 budget, of which CZK 45,399,470 corresponds to savings of costs earmarked for the coverage of the loss from the provision of the Universal Service, CZK 31,075,980 were savings of costs in projects co-financed from the European Union and 5,977,050 remained for remaining expenditure items.

The total expenditures for the year 2011 were drawn in the amount of CZK 587,253,200, i.e. utilization of expenditures from the budget adjusted at 93.47 %.

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:

- Section 2412 – Telecommunications issues,
- Section 2461 – Activities of Central bodies of State administration in communications,
- Section 2491 – International co-operation in communications,
- Section 5273 – Remaining administration in the field of crisis management.

in th. CZK

Indicator/Section	Approved budget 2011	Adjusted budget 2011	Reality as per 31. 12. 2011	% utilization 3/2
A	1	2	3	4
Total expenditures	628,313	628,313	587,253.20	93.47
of which:				
Section 2412	214,939	206,074	160,674.53	77.97
Section 2461	400,194	409,868	415,159.25	101.29
Section 2491	13,100	12,291	11,346.94	92.32
Section 5273	80	80	72.48	90.60

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

in th. CZK

Indicator	Approved budget 2011	Adjusted budget 2011	Reality as per 31. 12. 2011	% utilization 3/2
A	1	2	3	4
Total expenditures	628,313	628,313	587,253.20	93.47
of which:				
Running costs	589,618	590,043	556,555.21	94.32
Capital costs	38,695	38,270	30,697.99	80.21

Running expenditures

Running expenditures for 2011 were drawn at the amount of CZK 556,555,210 what represents 94.32 %

of the budget adjusted. During 2011 running expenditures for the needs not covered by the budget were used at the amount of CZK 30,833,620.

Section 2412 – Telecommunications issues

In this paragraph the budget expenditures are earmarked for settlement of loss, originating from provision of Universal service, particularly 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 Section 38, (3) of the Act on Electronic Communications.

In 2011 the loss incurred to providers of the Universal Service for provision of Universal service for special prices in 2010 were losses of the companies Telefónica and Vodafone. The total reimbursement of losses to these companies were CZK 114,092,190 of which the company Telefónica received the amount of CZK 111,984,300 and the company Vodafone CZK 2,107,890.

In 2011 net expenditures from the provision of Universal service incurred in 2010 by the company Telefónica were evaluated. The total reimbursement of these expenditures was CZK 46,582,340.

Section 2461 – The Activities of Central bodies of State administration in Communications

Through this paragraph the prevailing part of CTU's expenditures is covered. 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 (56.35 % of the modified budget, and/or 54.19 % 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 – in particular for the performance of the position of "custodian", payments of taxes and fees (toll stickers) and compensation of salaries reimbursed to employees during illness.

Section 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 of the Ministry of 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.

Section 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 2011 the Office reserved total volume of expenditures at the amount of CZK 80,000 and the reality was CZK 72,480 what means utilization at 90.60 % of the modified budget.

Capital expenditures

The CTU plans capital expenditures only for Section 2461. During the year the budget approved for the year 2011 at the amount of CZK 38,695,000 was reduced by CZK 425,000 by means of budgetary measure and namely by transfer to running costs earmarked for strengthening of the Item "Fixed services – ICT". The capital expenditures were drawn at the amount of CZK 30,697,990, i.e. utilization of the adjusted budget at 80.21 %.

The capital expenditures were 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's 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 2011 was increased in total by CZK 966,000 also in connection with the approval of 2 projects co-financed by the EU. The budget thus adjusted was utilized at 99.51 %.

The budget of salaries of the employees was also increased during the year by means of approval of 2 projects co-financed by the EU, and namely by CZK 966,000 and the budget thus adjusted has been drawn for the year 2011 at 99.49 %.

The approved budget of the indicator Remaining payments for the work done remained unchanged during the year and was drawn in 2011 at 100.00 %.

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 332,000. The budget thus adjusted was drawn at the amount of CZK 52,865,050, i.e. at 99.50 %.

The indicator includes expenditures for social security insurance and the contribution for the State employment policy which were drawn in 2011 at the amount of CZK 38,871,030, i.e. at 99.50 %. This indicator also includes expenditures for disbursement of public health insurance premiums where the budget adjusted was drawn at the amount of CZK 13,994,020, i.e. also at 99.50 %.

Transfer to the Cultural and Social Welfare Fund

In 2011 the amount of CZK 1,486,013 was transferred to the Cultural and Social Welfare Fund, which represents budget utilisation of 99.41 %. As per December 31, 2011 the balance of the Fund amounts to CZK 363,522.76.

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

This indicator includes capital and running expenditures earmarked for disbursement of costs for the projects concerning the invitation No. 7 and from the Integrated Operational Programme the Invitations No. 48 and 59 from the Operational Programme Human Resources and Employment.

In the period monitored the CTU implemented in total six 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/EC dated May 7, 2009 on Regulatory Treatment of Fixed and Mobile Termination Rates in the EU in the price regulation by the Czech Telecommunication Office". Within this project and until December 31, 2011 CZK 4,383,097 in total was drawn, of which CZK 657,060 was the share of State budget and CZK 3,726,037 was 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, 2011 CZK 1,101,075 in total was drawn, of which CZK 165,026 was the share of State budget and CZK 936,049 was the share of the EU budget.
- CZ.1.04/4.1.00/48.00030 named "Efficient management of the CTU". As per December 31, 2011 within this project CZK 6,509,024 was drawn in total, of which the share of State budget was

CZK 976,064 and CZK 5,532,060 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, 2011 within this project CZK 1,226,053 was drawn in total, of which the share of State budget was CZK 183,068 and CZK 1,042,085 was the share of the EU budget.
- CZ.1.04/4.1.00/59.000014 named "The Increase of efficiency of radio spectrum management". As per December 31, 2011 within this project CZK 141,084 was drawn in total, of which the share of State budget was CZK 21,053 and CZK 120,031 was the share of the EU budget. These relatively low volumes were caused by the fact that drawing of expenditures earmarked for this project started as late as in August 2011.
- CZ.1.04/4.1.00/59.000015 named "The System of tools of regulatory body focused on attainment of competitive environment in providing postal services on the liberalized postal market". As per December 31, 2011 within this project CZK 483,043 was drawn in total, of which the share of State budget was CZK 72,062 and CZK 410,081 was the share of the EU budget. These relatively low volumes were caused by the fact that drawing of expenditures earmarked for this project started as late as in August 2011.

The first three projects are implemented within the framework of the Call No. 48 in Operational Programme Human Resources and Employment, the Fourth project is implemented within the framework of the Call No. 7 in Integrated Operational Programme. The Fifth and Sixth projects are implemented also within the framework of the Operational Programme Human Resources and Employment but within the framework of Call No. 59.

Globally, during the period monitored, these expenditures were drawn at 31.60 %, i.e. at the amount of CZK 13,846,077, of which the share of State budget was CZK 2,077,032 and CZK 11,769,045 was the share of the EU budget. Savings recorded were CZK 31,075,098 in total, of which the share of State budget was CZK 4,660,095 and CZK 26,415,003 was the share of the EU. Besides the above mentioned latter commencement of the implementation of the last two projects, the reason of savings is also the fact that tender procedures in individual projects were completed for substantially lower amounts than envisaged in budgets of projects. The CTU will use these savings for the financing of these projects in 2012.

The expenditures earmarked for the programmes run in ISPROFIN in total

In 2011 the CTU had in the ISPROFIN register, and/or since 2011 in the 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 100,276,000 of the budget approved of which amount CZK 38,695,000 fell on the capital expenditures and CZK 61,581,000 on the running expenditures.

1.2 MANAGEMENT OF NON-BUDGETARY FUNDS

The account covering loss and net costs incurred from 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 Section 32 of the Act on Telecommunications. During 2011 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.

The account 16010-725001/0710 (in CZK)

Account balance as per 1. 1. 2011	43,459.09
contributions from operators	0.00
disbursed to the company Telefónica	0.00
Account balance as per 31. 12. 2011	43,459.09

In 2008 another foreign funds account was set up for the settlement 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". At the beginning of the year the balance from the precedent year at the amount of CZK 1,589,847 was on the account and during the year contributions from individual

operators at the total amount of CZK 62,756,774 were credited to it. These funds were continuously reimbursed to the company Telefonica in the total amount of CZK 62,806,146. The difference at the amount of CZK 1,540,475 represents contributions from 34 companies which were credited to the account from December 22 – 30, 2011 and for these reasons could not be transferred to the company Telefonica. The transfer of these funds to the company Telefonica took place in January 2012.

The account 46017-725001/0710 (in CZK)

Account balance as per 1. 1. 2011	1,589,847.00
contributions from operators	62,756,774.00
disbursed to the company Telefónica	62,806,146.00
Account balance as per 31. 12. 2011	1,540,475.00

Radiocommunication Account

The obligation of the CTU to open the Radiocommunication Account is stipulated in the Electronic Communications Act. The account was set up at the Česká národní banka (ČNB), Branch Praha as foreign funds account with the prefix "26016". The generation of funds for the Radiocommunication Account has been determined by the Government Resolution No. 153/2005 Coll., 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.

On the basis of the Amendment of the Act – the Act No. 153/2005 Coll., which became effective on July 1, 2010, to December 2012 the CTU transfers the funds to this account increased by 6 % from the total earnings

of collected fees for utilization of radio frequencies. The funds are transferred to the account on the quarterly basis (always after relevant quarter has expired).

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 networks of electronic communications to whom the costs incurred within the period from the day on which the Government Resolution on the Technical plan of transition became effective until the day of termination of analogue television broadcasting in the Czech Republic. Legitimacy of the costs incurred requested by a holder and/or operator is reviewed by the commission established by the CTU for this purpose.

Simultaneously, the Amendment of the Act allows the CTU to use the funds of the Radiocommunication Account also for the evaluation of cases according to the Points 2, 3 and 4 of this Amendment, monitoring of the state and extent of the distribution of television broadcasting, analysis of availability of television broadcasting and efficient utilization of radio frequencies, and/or reimbursement of extraordinary costs related to the CTU's activities etc. In 2011 the CTU reimbursed from the Radiocommunication Account invoices at the total amount of CZK 5,026,360.52. These funds were used particularly to cover:

- components to the measuring instrument (Rohde Schwartz) for CZK 456,396,
- training on utilization of SW for combinatoric auction for CZK 26,521.56,

- seminary to the DVB-T2 in Lichtenau (Germany) for CZK 33,229.57,
- expenditures connected to the test of DVB-T2 (the Czech Metrological Institute) – total amount of CZK 109,055, translation of monthly monitoring reports for CZK 206,640,
- other expert translations – total amount of CZK 163,596,
- works connected with assessment of coverage and measurement of digital television signals (CRC Data) for CZK 831,600,
- legal services connected with the preparation of auction of frequencies – total amount of CZK 546,180,
- SW systems for evaluation of coverage and measurement of digital television signals (CRC Data) for CZK 432,000.

The Survey of the Radiocommunication Account (in CZK)

The Account balance as per 1. 1. 2011	233,462,862.82
Creation for the year 2011	124,638,990.00
Utilization for the year 2011	40,611,324.46
The Account balance as per 31. 12. 2011	317,490,528.36

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 11x the amount of CZK 1,250,000 i.e. during this period lasting from 12/2010 to 10/2011 in the total amount of CZK 13,750,000.

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

- CZK 720,000 for the processing 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 59,957.65 for the registration fee in the 6th Annual European Spectrum Management Conference,
- CZK 3,100 for the training concerning violation of conditions for allocation of funds with the projects from Structural Funds,
- CZK 3,024,000 for data collection of national research of attitude of the population concerning digitalization of radio and television broadcasting in the whole territory of the Czech Republic,
- CZK 451,584 for analytic, consultancy and comprehensive support services necessary for efficient decision-making activities of the Office during the process of preparation of legislative changes in the field of electronic communications,
- CZK 222,000 for financial consultancy related to drawing of funds of the European Union,

As per December 31, 2011 the account shows the balance of CZK 10,367,410.54.

Account for the Development of Terrestrial Digital Television Broadcasting (in CZK)

Account's balance as per 1. 1. 2011	2,150,135.95
generation in the year 2011	13,750,000.00
utilization in the year 2011	5,532,725.41
Account's balance as per 31. 12. 2011	10,367,410.54

Current Bank Account for Payment Cards

Since 2002 the CTU has had (after the prior consent of the Ministry of Finance) a current account with the 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. The account showed the balance of CZK 1595.23. In January 2011 the amount of CZK 300,000 was transferred to this account from expenditure account.

As per December 31, 2011 the payments realised through the VISA card amounted to CZK 304,602.81. Transfer from expenditure account of 2011 was realised in the amount of CZK 292,465.52, fees for payment cards were CZK 4,320.00 and banking fees for January – December 2011 were at the amount of CZK 4,788. CZK 256,000 was transferred to the Czech National Bank.

The balance on December 31, 2011 was CZK 1,882.08.

The CTU's account for the VISA card

Account's balance as per 1. 1. 2011	1,595.23
Transfer from the charge account	300,000.00
Interest entered on the account from January to December 2011	266.51
Interest paid to the MF from January to December 2011	-266.37
Fee charged for the Visa card from January to December 2011	-4,320.00
Banking fees from January to December 2011	-4,788.00
Insurance of payment cards – loss/theft	-3,680.00
Insurance of payment cards – GOLD	-11,200.00
Charges paid 1–10/2011	-7,588.00
Settlements for accommodation 1–12/2011	-304,602.81
Transferred from expenditures 2011	292,465.52
Transfer to ČNB	-256,000.00
Final balance as per 31. 12. 2011	1,882.08

1.3 RESULTS OF EXTERNAL INSPECTIONS**The Social Security Administration of the City of Prague**

On March 31, 2011 the employees of the Social Security Administration of the City of Prague started the review of general health insurance, payment of insurance policy for social security and contribution for the State employment policy and inspection of the performance of tasks concerning pension insurance for the period from January 1, 2011 till the end of accounting period before the day of execution of review.

As it is evident from the Protocol No. 1603/11/ /118 on the review of health insurance and social insurance, no misconduct was discovered and no remedial measures were imposed on the CTU as an employer.

2. HUMAN RESOURCES

In 2011 70 new employees joined the CTU, 5 women left for maternity leave, 68 employees terminated their labour contract (of which number 12 employees terminated labour contract because they retired, 2 employees left for disability pension of 3rd degree, 1 employee terminated labour contract pursuant to Section 52, Letter c) of the Labour Code, 1 employee died).

Average recalculated number of employees was 442 persons. Systemised number of employees was 453. As per December 31, 2011 47 employees drew old age pension.

Number of employees (as compared to the years 2009 and 2010)			
Indicator/period	2009	2010	2011
Systemised number of employees	447	444	444
Average recalculated number of employees	447	443	442
Number of newly hired employees	48	50	70
Number of employment terminations	50	54	68
Number of employees in post-productive age as per 31. 12.	63	57	62

Budget

On December 15, 2010 the Chamber of Deputies of the Parliament of the Czech Republic approved in its Resolution No. 234 the Act No. 433/2010 Coll. on the State budget of the Czech Republic for 2011.

In the letter of the Ministry of Finance of the Czech Republic ref.No. 19/127 853/2010-193 dated December 20, 2010 the CTU received "Binding volumes of funds for salaries and other payments for work done (limits of wage costs) and number of employees for the year 2011" of the Budget head 328 – the Czech Telecommunication Office.

The limit of funds for salaries and other payments for work done CZK 155,288,00
of which :

- funds for salaries CZK 148,4523,000
 - other payments for work done CZK 6,835,000
- Limit of number of employees 444 persons

The Ministry of Finance complied with the request of the CTU dated July 7, 2011 (ref.No. 61 810/2011-602) concerning budgetary measure and in its letter ref.No. 19/63/664/2011-193 approved budgetary measure (projects of the European Union – Post and SKS) and adjusted binding indicators which reflected themselves in the budgetary structure by the increase of the item 5011 by CZK 966,000, item 5031 by CZK 243,000, item 5032 by CZK 89,000, item 5342 by CZK 11,000 and reduction of item 5167 by CZK 522,000.

The budget adjusted

The limit of funds for salaries and other payments for work done CZK 156,254,00
of which:

- funds for salaries CZK 149,419,00
 - other payments for work done CZK 6,835,000
- Limit of number of employees 444 persons

Funds for salaries of employees

The budget of funds for salaries of employees, including the funds of the European Union's projects for the year 2011 was CZK 148,453,000.

Adjusted budget of funds for salaries of employees, including the funds of the European Union's projects for the year 2011 was CZK 149,419,000.

Comparing the limit of funds for salaries of 2011 (reality CZK 148,615,000) with the reality of 2010 (reality CZK 164,594,000) it can be claimed the decrease by CZK 15,979,000.

The budget of funds for salaries for the year 2011 provided the decrease of average salary in 2011 (26,021) by CZK 4,941 as compared with the year 2010 (CZK 30,962).

In 2011 the same number of systemized positions as in 2010 remained, i.e. 444.

Other payments for work done

The budget of other payments for work done (without funds earmarked for salaries for representatives of State authority) projects of the European Union for the year 2011 was CZK 1,135,000.

Adjusted budget of other payments for work done (without funds earmarked for salaries for representatives of State authority) without projects of the European Union for the year 2011 was CZK 1,778,000.

From the budget for other payments for work done only activities that could not be performed through the CTU's own resources were covered. This mainly involves work connected with the evaluation of cases of remedies against CTU decisions pursuant to Section 123 of the Electronic Communications Act, i.e. the activity of the appeals commission of the Chairman of the CTU Council and the appeals commission of the CTU Council, and the work of testing commissars for tests for radio operators and radio amateurs related clerical works and also works connected with the archiving of documents.

The budget for other payments for work done (without funds for the salaries of representatives of state authority) without projects of the European Union for the year 2011 CZK 1,400 remained unexpended.

CTU Council

The budget of other payments for work done – “Salaries of representatives of State authority” – for 2011, was CZK 5,700,000.

Adjusted budget of other payments for work done – the salaries of representatives of state authority – for the year 2011, was CZK 5,057,000.

In harmony with the Act No. 425/2010 Coll., amending the Act No. 236/1995 Coll., on Salary and other requisites connected with the exercise of competence of representatives of State power and some State authorities and Judges and Deputies of the European Parliament, as later amended, and the Act No. 201/1997 Coll., on Salary and other requisites of State Prosecutors and the Amendment of the Act No. 143/1992 Coll., on Salary and remuneration for work alert in budgetary and other organisations and bodies, as later amended, from January 1, 2011 to December 31, 2014 the salary base is CZK 51,731 per month.

As per November 14, 2011 the term of office of the Member of the Council, Mgr. Petr Špěpánek ended. Pursuant to Section 109, Para 2 of the Act, a member of the Council is entitled to a monthly salary at the level of his/her average monthly salary for the period of six months after the end of his/her term of office in the Council. Simultaneously, a member of the Council is entitled to severance pay at the level of five monthly salaries.

In the budget of Other payments for work done – Funds for salaries for representatives of State authority – for the year 2011 CZK 1,400 remained unexpended.

Employee Education

Employee education was carried out according to the CTU Employee Education Plan for 2011 pursuant to Act No. 262/2006 Coll., the Labour Code, as amended,

the Rules Laying Down the Method of Professional Preparation of Employees in Administration Bodies, approved by Government Decision No. 1542 of November 30, 2005 and the CTU's Binding Instruction No. 15/2006, which specifies the improvement and increase of the qualifications of CTU employees. The education of employees was focused primarily on electronic communications, information technologies, law, foreign languages, European affairs and managerial skills.

Newly hired CTU employees went through an entry education programme in the form of e-learning during which they were provided with basic information on public administration, information about the CTU and other information leading to the mastery of basic knowledge and skills necessary for the performance of activities in State administration.

Professional training was given in the individual divisions of the CTU focused primarily on the issues of electronic communications and the Administrative Code which are dealt with in individual units. Selected employees took courses focused on technologies and services in electronic communications, which were prepared by the Faculty of Electrical Engineering of the Czech Technical University in Prague and the Faculty of Electrical Engineering and Communication at the Brno University of Technology. The relevant employees took courses on the information systems used by the CTU.

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

As per December 31, 2011 the expenditures in the account Services of training and education were CZK 2,593 and in the account Participation fees and conferences were CZK 190,000. Overviews of the employment Directive limit, the basic human resources information and itemised binding indicators for 2011 are presented in Annex Nos. 11 and 12 of this Report.

The account of graduates of various educational events (in comparison to 2009 and 2010)

Orientation	2009	2010	2011
Language Courses	130	128	136
Education in European Union Affairs	73	32	39
Courses Oriented on Information Technologies	333	102	208
Other Educational Events	998	681	770
Costs for Education in CZK thousands	4,275	2,700	2,783

3. THE INFORMATICS

Within the deadline of February 28, 2012 the project was completed called the Strategy of development of information system of the CTU from the Operational programme Human Resources and Employment under the number of the invitation 48 – Efficient administrative

office. The aim of the project was to analyze current situation of 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 optimally the aims and tasks of the Office. Simultaneously, the project met requirements of the Act No. 365/2000 Coll. on

Information systems of public administration concerning elaboration of long-term information conception.

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 – Computerization of services of public administration, the project “Electronic submissions in the process of administration proceedings” was endorsed. 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. The reason and orientation of the project is the computerization of comprehensive section of administrative proceedings, and namely in the field of submission and elaboration of documents arrived. The contract for delivery of programme equipment, selected in open above-limit proceedings, was signed on November 4, 2011. Before the end of 2011 two stages of the project, “The Analysis of current situation and determination of final situation” and “the Implementation of differential analysis and proposal for new processes and technologies”, were resolved and accepted. Remaining two stages of the project will be completed before April 29, 2012.

In 2011 works continued on the development of the Modular Administration System (hereinafter the “MOSS”). The interface between the MOSS system and programme equipment for automated system of monitoring of frequency spectrum (ASMKS) was processed and the integration with the system of documentary service GINIS deepened. In connection with prepared introduction of the information system of basic registers (from July 1, 2012) the analysis of processual and technical solution of the MOSS model commenced as the universal solution for all information systems of the CTU.

In continuation to already implemented adaptations of computer network in the CTU’s seat in Prague related adaptations went on in regional workplaces. Unified network structure was created on the basis of Windows server 2008 together with new profile of stations of users of computer network and users’ network policy was applied.

4. INTERNAL AUDIT

In 2011 a total of 5 regular audits and 2 follow-up audits were carried out by the independent department of internal audit.

The following audits were involved:

- a) The Audit of public tenders in 2010,
- b) the Audit of the system of creation of internal regulations in the CTU,
- c) The Audit of the vehicle fleet,
- d) The Audit of the budgetary system,

- e) The Audit of the system of the inspection of the utilization of radio frequencies in Department 635,
- f) The Follow-up audit of observance of measures ensuing from the system of the inspection of the utilization of radio frequencies in Department 631,
- g) The Follow-up Audit of fulfilment of measures ensuing from of the utilization of company mobile telephones.

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 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 within the stipulated deadlines. The annual report was also prepared on the activities of the independent internal audit department for 2010 and the report on the results of inspections by management for 2010. In December 2011 the plan for the independent internal audit department for 2012 was approved. Also in 2011 the report from the internal evaluation of the quality of the internal audit at CTO was submitted for informational purposes to the Chairman of the CTO Council.

In 2011 no virtual or real violation of independence or fair-mindedness or independence of internal auditors of the CTU occurred in performance of their activities.

Also in 2011, much like in previous years, the emphasis was given on increase of quality of internal audit, provision of feed-back and increase of inflow of information concerning activity of internal audit. The work of internal auditors became a stable part of the activity of the Office and the tool for detecting eventual irregularities and reduction of potential risks, including recommendations concerning their systematic removal and prevention of future risks.

Chapter V.

MANDATORY COMPONENT PARTS OF THE ANNUAL REPORT

1. THE ANNUAL REPORT ON THE UNIVERSAL SERVICE (PURSUANT TO SECTION 50, (2) OF THE ELECTRONIC COMMUNICATIONS ACT)

The Annual Report on the Universal Service is prepared pursuant to Section 50 of the Electronic Communications Act. In addition to the information on the scope of the services provided within the framework of the Universal Service for 2011, the Annual Report also contains legally stipulated information on the method of financing the Universal Service in 2011.

During 2011 the Universal Service was provided completely within the framework of the Act.

The decisive information concerning the issues of the Universal Service for the year 2011 are brought forward further in this Report.

A. PARTIAL SERVICES OF THE UNIVERSAL SERVICE

A.1 Services provided in 2011 within the Framework of the Universal Service

Public Pay Telephone Services

The CTU, by its decision, which became effective on March 14, 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. The obligation imposed by this decision is effective until March 15, 2012.

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, the CTU in 2009 changed the conditions for provision of service of public pay telephones and reduced the number of public pay telephones operated within the Universal Service according to categories of municipalities. In the Annex to this decision the Office deter-

mined particular public pay telephones operated in the mode of this partial service.

In harmony with new conditions concrete public pay telephones were determined and the number of public pay telephones operated within the Universal Service was reduced from January 1, 2010 and further from January 1, 2011.

In the second half of 2011 the CTU performed and evaluated the review of reasons on the basis of which the obligation was imposed and arrived to the conclusion that these reasons still persist. Despite continuous decrease of interest in its utilization this service serves as an important element of access to the publicly available telephone service. In order to assure economy of the Universal Service provided the Office will continue to determine exact extent of provision of the service using density criteria and other parameters in harmony with the needs discovered during the review.

Within the tender procedure, which took place at the end of 2011, the company Telefónica again put in the application for further fulfilment of obligations. This company has complied with all conditions of the tender procedure, therefore the obligation may be imposed on it. The CTU performs all steps necessary so that no interruption of provision of this service occurs, i.e. in order that the new obligation might be imposed from March 16, 2012.

The 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 Act) for disabled persons at the same level of quality as access enjoyed by all other end-users, based on, in particular, specially provided terminal equipment.

On the basis of the results of review the CTU published on June 23, 2009 the decision in which it imposed the obligation on the company Telefónica O2

to continue to provide, within the framework of the Universal Service, this partial service. The decision on provision of this partial service has been imposed for the period of three years starting from July 14, 2009 until July 14, 2012.

In the second half of the year 2011 the CTU commenced with the review of reasons on the basis of which this obligation has been imposed. On the basis of evaluation of conclusions of this review will commence, if it is found necessary, tender procedure so that this obligation is provided also after July 15, 2012.

Special prices or price plans

This service (pursuant to Section 38 Para. 3 of the 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 and the company Vodafone in 2008 on the basis of tender procedure for the period of three years until July 1, 2011.

On the basis of conclusions of review of reasons, on the basis of which this obligation has been imposed, has been decided that this obligation will continue to be imposed.

On June 13, 2011 the decision, by which this obligation was imposed on the company Telefónica for the period of three years from July 2, 2011, became effective.

A.2 Other Partial Services

In 2011 no obligation was imposed to provide partial services within the framework of the Universal Service :

- a) connection at a fixed point to the public telephone network pursuant to Section 38, (2), (a) of the Act,
- b) access at a fixed point to the publicly available telephone service pursuant to Section 38, (2), (b) of the Act,
- c) 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 Act),
- d) 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),
- e) information service providing telephone numbers of subscribers of publicly available telephone service available to end-users (Section 38, (2), (g) of the Act).

These services are the subject of regular monitoring. The CTU assumes that current monitoring will repeatedly confirm that the imposition of their provision is unnecessary within the framework of the Universal Service.

In 2011 no obligation has been imposed to provide within the framework of the Universal Service additional service to connection services at a fixed location to a publicly available telephone network and access at a fixed location to a publicly available telephone service (Section 38 (2) (g) of the Act).

The additional service are as follows :

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

Since July 30, 2009 this partial service is provided in the Czech Republic on the commercial basis only without imposing any obligation.

Also in this case the CTU presumes that on the basis of monitoring implemented, the provision of this partial service will not be, considering efforts of providers of these services to maintain existing customers and to acquire new ones, newly imposed.

B. THE FINANCING OF THE UNIVERSAL SERVICE

In 2011 the financing of the Universal Service was resolved in parallel through two legal and two financial regimes, and namely:

- a) pursuant to the Act No. 151/2000 Coll., on Telecommunications and Amendments of other Acts, as later amended, (hereinafter the "Telecommunications Act"), regulating financing of the Universal Service in years 2001, 2002, 2003, 2004, 2005 and part of the year 2006,
- b) pursuant to the Act for financing of the Universal Service for the years 2006, 2007, 2008, 2009 and 2010.

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

During 2011 the CTU administered the Universal Service account, which was set up in 2002 pursuant to Section 32 of Act on Telecommunications and the payments are made from it to cover the demonstrable loss of provider of the Universal Service pursuant to 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 deter-

mination of the amount of payments to the account of Universal Service for the provision of the Universal Service in the period 01-05, the CTU held during 2011 retrial proceedings regarding the demonstrable losses ensuing from the provision of the Universal Service for individual years.

Following is the situation in individual proceedings as per December 31, 2011.

Loss for 2001

The CTU issued the new decision on the verification of the loss for 2001 on November 30, 2010. The loss for 2001 was verified at the amount of CZK 195,042,676. The decision became effective on April 8, 2011.

Concerning determination of the amount of contributions to the account of the Universal Service for 2001 one common administrative procedure existed for all payers to the account of the Universal Service.

The decision concerning shares and the amount of contributions to the account of the Universal Service was promulgated in retrial procedure on September 27, 2011. The decision has not yet become effective because companies T-Mobile and Vodafone filed administrative appeals against the decision with the proviso that the new decision will be taken in 2012.

Loss for 2002

The amount of loss for 2002 was verified by the new decision of the Office on December 30, 2010. The loss for 2002 was verified at the amount of CZK 257,494,476. The decision became effective on May 2, 2011.

Concerning determination of the amount of contributions to the account of the Universal Service for 2002 one common administrative procedure existed for all payers to the account of the Universal Service. The CTU sent the call to all participants of procedure to express their opinions concerning the relevant documents before promulgation of decision. The call contained also information on new variable values included in calculation and new contributions and shares. The decision on shares and amount of new contributions to the account of the Universal Service for the year 2002 will be promulgated in 2012.

Loss 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 became effective on April 28, 2011.

Concerning determination of the amount of contributions to the account of the Universal Service for 2003 one common administrative procedure existed for all payers to the account of the Universal Service. The CTU sent the call to all participants of procedure to express their opinions concerning the relevant documents before promulgation of decision. The call contained also information on new variable values included in calculation and new contributions and shares. The decision on shares and amount of new contributions to the account of the Universal Service for the year 2002 will be promulgated in 2012.

Loss for 2004

The CTU issued the new decision on the verification of the losses for 2004 on September 27, 2010. The loss for 2004 was verified at the amount of CZK 302,622,498. The decision became effective on March 5, 2011.

Concerning determination of the amount of contributions to the account of the Universal Service for 2004 one common administrative procedure existed for all payers to the account of the Universal Service. The decision on shares and amount of contributions to the account of the Universal Service for the year 2004 was promulgated on December 29, 2011. The decision has not yet become effective.

Loss for 2005

The CTU issued the new decision on the verification of the losses for 2005 on April 13, 2011. The loss for 2005 was verified at the amount of CZK 286,966,147. The decision became effective on October 1, 2011.

Concerning determination of the amount of contributions to the account of the Universal Service for 2005 one common administrative procedure existed for all payers to the account of the Universal Service. The CTU sent the call to all participants of procedure to express their opinions concerning the relevant documents before promulgation of decision. The call contained also information on new variable values included in calculation and new contributions and shares. The decision on shares and amount of new contributions to the account of the Universal Service for the year 2005 will be promulgated in 2012.

Loss 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 decision became effective on February 14, 2011.

Concerning determination of the amount of contributions to the account of the Universal Service for 2006 one common administrative procedure existed for all payers to the account of the Universal Service. The CTU sent the call to all participants of procedure to express their opinions concerning the relevant documents before

promulgation of decision. The call contained also information on new variable values included in calculation and new contributions and shares. The decision on shares and amount of new contributions to the account of the Universal Service for the year 2006 will be promulgated in 2012.

The Universal Service Account pursuant to the Telecommunications Act – balance on the account as per December 31, 2011

Balance on the Universal Service account as of 1/1/2011	43,459.09 Kč ¹⁾
Account income – total contributions paid	0 Kč
Account expenses – contributions transferred to the Universal Service by providers	0 Kč
Balance on the Universal Service account as of 31/12/2011	43,459.09 Kč 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 2011 the CTU administered the account of the Universal Service, which was established in 2008, pursuant to Section 49 of the Electronic Communications Act and from which net costs, incurred by provision of the Universal Service to the provider the Universal Service pursuant to the Act, are covered.

Net Costs for 2006

By the 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 with the proviso that these costs represent unbearable burden for the provider of the Universal Service. The decision became effective on November 12, 2010.

All contributions to the account of the Universal Service were paid and payments received were transferred from the account to the company Telefónica, 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 with the proviso that these costs represent unbearable burden for the provider of the Universal Service. Net costs were determined at the amount of CZK 105,478,583. The decision became effective on August 16, 2010.

The contributions, collected by the CTU to the account of the Universal Service concerning the Universal Service for the year 2007 were transferred to the company Telefónica in the total amount of CZK 56,643,475. The contribution of the company KNET INT s.r.o. at the amount of CZK 8,850 are considered as the bad debt.

Net Costs for 2008

On October 29, 2010 the CTU in its decision stipulated that net costs for the year 2008 at the amount of CZK 100,992,529 with the proviso that these costs represent an unbearable burden for the provider of the Universal Service. The decision became effective on February 14, 2011.

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 Section 49, (5) of the Act for the year 2008. The Measure of General Nature has become effective on January 13, 2011.

During March and April of 2011 the CTU sent payment orders concerning contribution to the account of the Universal Service for the year 2008. As per December 31, 2011 the Office received payments from 113 companies at the amount of CZK 56,677,888. The company Telefónica does not pay its contribution to the account of the Universal Service, its contribution is deducted from the total net costs, the contribution of the company Telefónica is at the amount of CZK 45,304,451. All contributions collected to the account of the Universal Service were transferred to the company Telefónica. The CTU enforces the claim against the company ATC RESLER at the amount of CZK 10,190.

Net Costs for 2009

On July 7, 2011 the CTU in its decision stipulated that net costs for the year 2009 at the amount of CZK 73,363,998 with the proviso that these costs represent an unbearable burden for the provider of the Universal Service. The decision became effective on November 7, 2011.

On 20 July, 2011 the Council of the CTU issued the Measure of General Nature No. OOP/19/07.2011-2,

laying down the percentage shares of revenue from the provision of services referred to in Section 49 (5) of the Act for the year 2009. Measure of General Nature entered into force on 20 August 2001.

During November and December of 2011 the CTU sent payment orders concerning contribution to the account of the Universal Service for the year 2009. Before the end of 2011 the CTU received payments at the amount of CZK 5,629,397 in the account of the Universal Service of which the amount of CZK 4,088,922 was transferred to the account of the company Telefónica in 2011. The remaining part was transferred in 2012. The

contribution of the company Telefónica is at the amount of CZK 32,723,953.

Net Costs for 2010

On November 29, 2011 the CTU in its decision stipulated net costs for the year 2010 at the amount of CZK 46,582,341 with the proviso that these costs represent an unbearable burden for the provider of the Universal Service. The decision became effective on November 30, 2011. This amount was reimbursed to the company Telefónica from the State budget by means of the Office on December 9, 2011.

The Universal Service account – the balance of funds on the account in 2011

	Requests for payment of Net Costs Submitted by the Provider (in CZK)	Verified amount of Net Costs Verified by the Office (in CZK)	Payments Made to the Account of the US (in CZK)	Note
Net Costs for 2006	84,169,933	73,875,953	37,533,749	The amount of the contribution of the company Telefónica has been set at 36,342,204
Net Costs for 2007	118,666,047	105,478,583	56,643,475	The amount of the contribution of the company Telefónica has been set at 48,826,258
Net Costs for 2008	114,934,483	100,992,529	55,677,888	The amount of the contribution of the company Telefónica has been set at 45,304,451
Net Costs for 2009	89,435,212	73,363,998	5,629,397	The amount of the contribution of the company Telefónica has been set at 32,723,953
Net Costs for 2010	47,483,383.50	46,582,341	–	Net costs are covered from the State budget

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

A partial service "Special Prices", pursuant to Section 38, (3) of the Act, was, similarly to the previous years, the service reimbursed from the State Budget in 2011 by means of the CTU. In case of this service the CTU verifies the amount of loss shown by determined entrepreneurs and subsequently it provides for the reimbursement from the State Budget.

Hereinafter 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 to 2009 was settled before 2011.

Losses incurred from the provision of special prices in 2010

On July 29, 2011 the company Telefónica submitted a request for the payment of the loss for the provision of special prices in 2010 pursuant to Section 38 of the Act. The loss was calculated at CZK 112,354,128.

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 2,173,075.

After the completion of the verification process and on the basis of newly submitted data, the CTU issued to both Universal Service providers the 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 was CZK 111,984,300, the loss of the company Vodafone was CZK 2,107,891.

Verified losses were reimbursed to these providers from the State Budget in November and December 2011.

Special prices in 2010

	Submitted loss (in CZK)	Recognised loss (in CZK)
Telefónica in total	112,354,128	111,984,300
of which: fixed network	108,979,977	108,614,357
mobile network	3,374,151	3,369,943
Vodafone	2,173,075	2,107,891
in total	114,527,203	114,092,191

2. ANNUAL REPORT OF THE CTU ON THE PROVISION OF INFORMATION FOR THE YEAR 2011 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 2011, prepared in accordance with Section 18 of Act No. 106/1999 Coll., on Free access to information, as amended.

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 is available for the general public both on the CTU's website (www.ctu.cz), which includes the 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 materials 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 2011, 163 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, and personal issues and property management.

As far as the field of regulation of postal services is concerned, the Office registered and administered 2 petitions which were put aside because of the character of information requested as it did not fall within the competence of the Office.

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

- reasons of overcharged prices of comparable units of electronic communications provided by means of mobile networks (for example, one minute of call or sending SMS), observance of provisions of Section 4 of the Act on Electronic Communications in activities of the Office, specific steps of the Office implemented in order to protect the interests of users and to attain a fully competitive environment during the last two years, the method with the help of which the Office will employ prepared auction of frequencies for mobile networks to increase competition in the electronic communications market, deadlines for allocations of new licences, standpoints of the Office regarding comparison of results of activities of regulatory bodies of the European Union's countries from 2009, the issues concerning the origin of virtual operators, increased number of complaints of Czech consumers concerning prices of services of electronic communications within the Czech Republic (repeatedly submitted complaints from 134 applicants),
- information, how the reduction of prices of mobile operators manifested itself in terminal prices for consumers, position concerning high margin "EDITBA" of the company T-Mobile Czech Republic

- a.s. compared to Austria, Romania and Great Britain,
- information, if, in the past, the Office promulgated decision forbidding or limiting provision of service O2TV by the company Telefónica Czech Republic a.s. to selectively chosen juristic persons,
- comparison of prices of mobile services (calls, sending of SMS, Internet) pursuant to Section 54, Para 2 of the Act of Electronic Communications, in the Czech Republic and Austria (repeatedly submitted by six complainers),
- comparison of prices of mobile services (Internet) pursuant to Section 54, Para 2 of the Act of Electronic Communications between the companies Vodafone Czech Republic a.s., T-Mobile Czech Republic a.s. and the Swedish operator Telenor and Tele 2,
- comparison of prices of mobile services (Internet) pursuant to Section 54, Para 2 of the Act of Electronic Communications between the companies Vodafone Czech Republic a.s., T-Mobile Czech Republic a.s. and the Swedish operator Telenor (repeatedly submitted by 3 complainers),
- survey of complaints, calls, requests for remedy and similar submissions which the Office received in connection with the change of provider of services of electronic communications for 2009 and 2010,
- basic identification data of relevant subjects (altogether 39 subjects) which, pursuant to Section 13 of the Act of Electronic Communications, announced business activities in the field of mobile services of electronic communications in the form of resale, where the Office performed State inspection at the turn of 2010 and 2011,
- survey of unfinished cases of telephone frauds obviously related to misuse of long-distance access (VoIP hacking) to telephone branch exchanges,
- conditions for termination of contractual relation in connection with the application demanding telephone number portability to another provider of publicly accessible services of electronic communications,
- legal subjects (their attorneys or authorized dealers) which are, pursuant to the Electronic Communications Act, authorized to conclude contracts on provision of services of electronic communications with citizen,
- composition of the Appeal Commission of the Chairman of the Office and the method of dealing with administrative appeal of complainer in the Appeal Commission,
- position of the Office as the central administration body and options of participant of administrative procedure in case of disagreement with decision of the Office.

One enquiry from the field of radiocommunications demanded information about the number of valid amateur radio licences and holders of unique licences. On the basis of relevant request concerning the field of public tenders, the Office provided copy of the Report on assessment and review of tenders (processed on the

basis of Section 80 of the Act No. 137/2006 Coll. on Public tenders, as later amended), which was prepared by the Office to the public tender registered in the publication system ISVS (www.isvzu-s.cz) under the registration number 60012395.

In the sphere of property management one interpellation asked for information if and how the Office employs services of suppliers providing services connected with management and maintenance of real estates, office buildings in the property of the Office and similar information concerning costs for cleaning, security, maintenance, including sending copies of contracts and protocols concerning tender procedures for individual contractors.

In the personal sphere the Office provided information concerning the level of funds spent in 2010 in connection to remuneration of the Chairman of the Council of the Office and Members of the Council of the Office.

b) The number of decisions denying application

In 2011 two decisions were promulgated not to provide information (with regard to the provisions of Section 8, (a) of the Act No. 106/1999 Coll.), when the Office, in harmony with the provisions of Section 11, Para 1, Letter a) and b) and the provisions of Section 11, Para 2, Letter a) of the Act No. 106/1999 Coll., does not provide relevant information which were the subject of request.

c) The Number of deferred requests for information settled by informing applicant according to Section 14, Para 5, Letter c) of the Act No. 106/1999 Coll. (relevant application is not a request corresponding to the meaning of the Act No. 106/1999 Coll., because the information requested do not fall within the competence of mandatory subject)

In 2011 the Office deferred 4 applications demanding information settled by informing applicant because the information requested do not fall within the competence of the Office.

In 2011 one administrative appeal was submitted against postponement of request for information (because the information requested do not fall within the competence of the Office).

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 2011.

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 2011 the CTU did not address any complaint in connection with an alleged breach of legally stipulated procedures in dealing with a request for information procedures stipulated by the Act No. 106/1999 Coll. 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 2011.

g) Other Information Relating to the Application of the Act

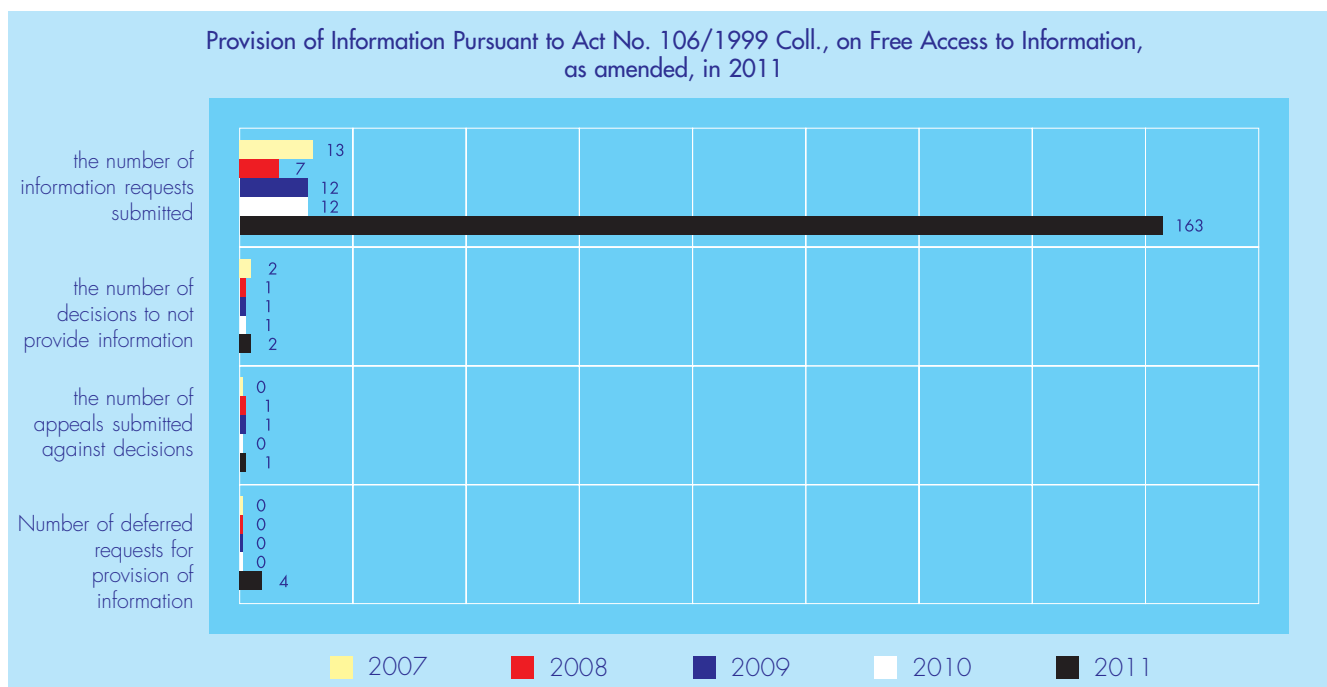
In 2011, the Office collected and delivered to the State budget CZK 1,729 in total. This amount represents compensation for the costs of the provision of information pursuant to Act No. 106/1999 Coll.

The written applications for information included in the 2011 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 Act No. 106/1999 Coll. the information provided can be found on the Internet pages of the Office.

An overview of the resolved written requests for information for 2011 in comparison with the previous periods starting with 2007 is given in the table and in the following graph:

Provision of information pursuant to the Act No. 106/199 Coll., on Free access to information, as later amended, for the year 2011

	2007	2008	2009	2010	2011
1. Number of requests for provision of information	13	7	12	12	163
2. Number of decisions refusing request	2	1	1	1	2
3. Number of appeals filed against the decision	0	1	1	0	1
4. Number of deferred requests for provision of information	0	0	0	0	4



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

3. INFORMATION OF THE SETTLEMENT OF COMPLAINTS AGAINST THE CTU'S ACTIVITIES

In 2011 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. This number includes also 2 submissions from 2010 which were settled as late as in 2011 due to complications connected with their investigation.

At the end of 2011 the Office received 1 additional submission which will be included in the number of complaints settled in 2012 due to complications connected with its investigation.

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 (www.ctu.cz). 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. The overview (list) of the complaints in 2011 is given in Annex No. 13 to this Report.

The investigations of individual cases found that six of the aforementioned complaints were unjustified and in three 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. No remedies had to be taken for complaints that were judged as unjustified.

The subject of all justified complaints was inactivity of the CTU and delays in administrative proceedings (exceeding of the deadline for promulgation of administrative decision). Relevant measures were taken against responsible employee emphasizing consistent observance of legal procedures of case in administrative proceedings.

In connection to compliance with procedures when handling complaints in accordance with Part Seven of the Administrative Procedure Code, the CTU continuously 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 rules for maintaining clear complaint documentary files concerning complaints and the analysis of settled complaints connected with the CTU's competence. 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 2011.

In 2011 2 petitions were delivered to the CTU in connection with cancellation of stony post offices and postal and other services delivered in these post offices, proposing specific solution of situation, of which only one was partially satisfied by the Office.

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 2011 the CTU was not notified, either orally or in writing, at the electronic information board or at the anti-corruption e-mail 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 2011 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 minimum interest in the anti-corruption e-mail address during its operation to date. The existence of an e-mail contact has no influence on 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.linka-199.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.

Annexes

TO THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2011

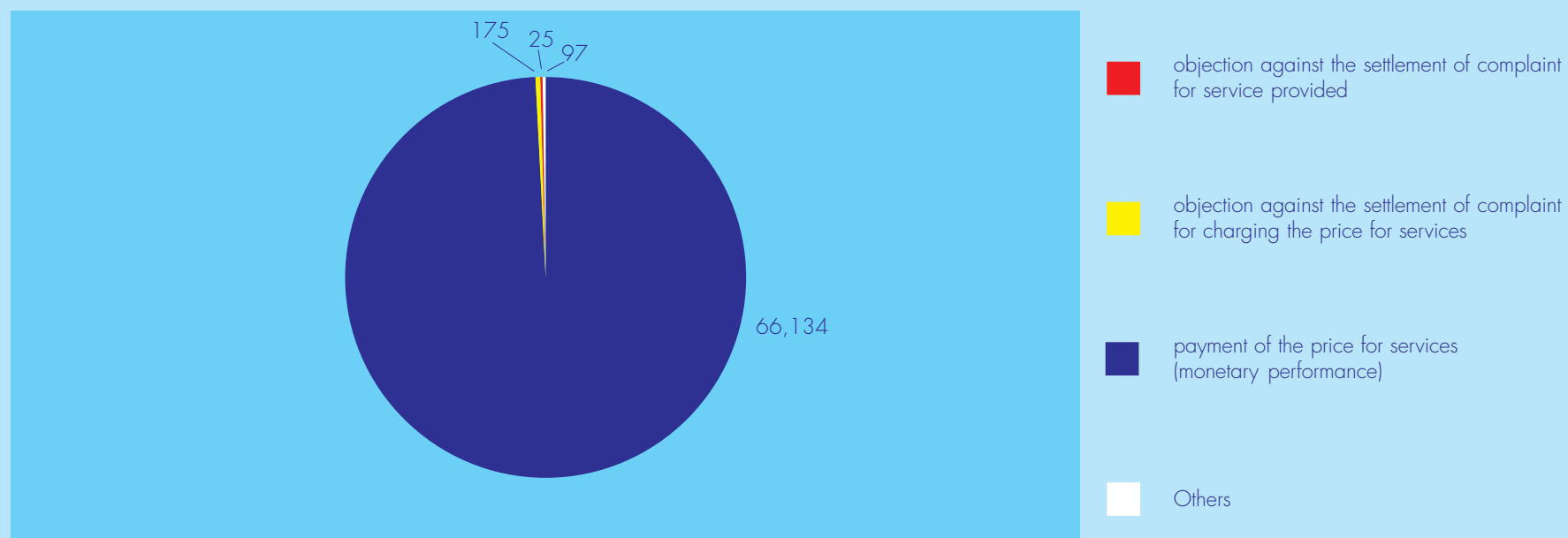
Type of activity		Number of administrative proceedings from previous period	Number of administrative proceedings started	Number of decisions promulgated ²⁾	Decision in favour of		Others ³⁾	Number of administrative proceedings left to the next period
					participant	provider		
1.	Decision-making concerning subscriber disputes	90,867	122,963	66,431	7,784	52,600	6,122	141,277
	a) on objection against the settlement of a complaint against a service provided	20	22	25	3	6	16	1
	b) on objection against the settlement of a complaint about prices charged for the	70	186	175	49	56	66	15
	ba) of access to premium-rate services (data and voice)	0	0	0	0	0	0	0
	baa) of access to premium-rate data services provided on the internet or on other data networks (Dialer)	0	0	0	0	0	0	0
	c) on the payment of price for the service (financial performance)	90,723	122,658	66,134	7,720	52,507	5,986	141,261
	d) other	54	97	97	12	31	54	0

¹⁾ The inspection is terminated by its physical execution.

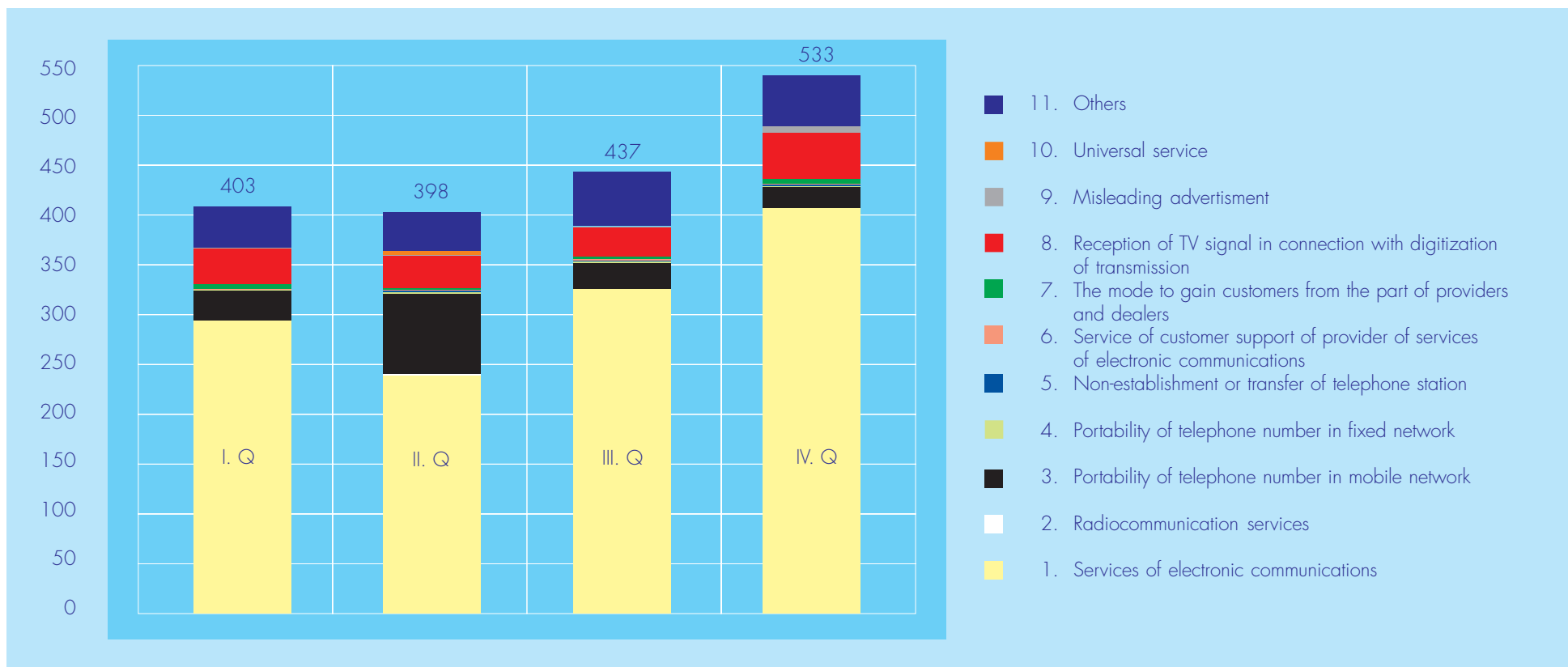
²⁾ The number of cases promulgated in the 1st instance of administrative proceedings is shown (irrespective of whether they are final).

³⁾ The cases of 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.

		2011
The number of decisions promulgated		66,431
of which	a) objection against the settlement of complaint for service provided	25
	b) objection against the settlement of complaint for charging the price for services	175
	c) payment of the price for services (monetary performance)	66,134
	d) Others	97



The subject of complaint	I. Q	II. Q	III. Q	IV. Q	total
1. Services of electronic communications	290	236	321	401	1,248
2. Radiocommunication services	0	1	0	0	1
3. Portability of telephone number in mobile network	29	79	26	21	155
4. Portability of telephone number in fixed network	1	2	1	1	5
5. Non-establishment or transfer of telephone station	0	1	1	1	3
6. Service of customer support of provider of services of electronic communications	1	1	2	1	5
7. The mode to gain customers from the part of providers and dealers	5	2	2	5	14
8. Reception of TV signal in connection with digitization of transmission	35	33	29	46	143
9. Misleading advertisement	1	1	1	6	9
10. Universal service	0	4	1	0	5
11. Others	41	38	53	51	183
total	403	398	437	533	1,771



OVERVIEW OF NUMBER OF DECISIONS ON INDIVIDUAL LICENCES TO USE RADIO FREQUENCIES IN 2011

Type of Licence		Number of decisions	
		to grant ¹⁾	to withdraw
		licence	
1.	Fixed service		
	Total	8,831	3,632
	of which point/point	8,554	3,521
	point/multipoint	277	111
2.	Amateur service		
	Total	1,472	1
	of which individuals	1,365	0
	club stations	62	1
	Repeaters and Packet Nodes	45	0
3.	Satellite Service		
	Total	9	1
	of which VSAT	3	1
	SNG	6	0
4.	Aeronautical Service		
	Total	957	668
	of which aircraft stations ³⁾	930	661
	aeronautical stations ⁴⁾	27	7
5.	Maritime Service		
	Total	90	38
	of which ship stations	88	38
	shore stations	2	0
6.	Broadcasting Service		
	Total	526	1 030
	of which television transmitters	389	984
	radio transmitters	137	46
7.	Land Mobile Service		
	Total	450	682
8.	Other radiocommunication services		
	Total	10	10
	radiolocation service	10	10
9.	Short-term Licences		
	Total	356	0
	of which fixed service	122	0
	Amateur service	30	0
	Land Mobile Service	126	0
	Aeronautical mobile service	4	0
	satellite service	49	0
	Broadcasting service	25	0

¹⁾ There are only new and 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 signal.

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.

Type of Special Qualification Certificate ¹⁾		Number of Certificates issued on the Basis of	
		Examinations	The Application for an Extension
1.	General radiotelephone operator's certificate of aeronautical mobile service	149	258
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	619	793
3.	General operator's certificate of maritime mobile service (GOC)	0	8
4.	General operator's certificate of maritime mobile service (LRC)	8	0
5.	Restricted operator's certificate of maritime mobile service (ROC)	0	0
6.	Restricted operator's certificate of maritime mobile service (SRC)	14	14
7.	Radiotelephone operator's general certificate of maritime mobile service	141	62
8.	Radiotelephone operator's restricted certificate of maritime mobile service	355	197
9.	Terrestrial radiotelegraphy operator's certificate	0	0
10.	Amateur radio operator's certificate (HAREC certificate)	80	0
11.	Amateur radio operator's certificate (NOVICE certificate)	7	0
Total		1,373	1,332

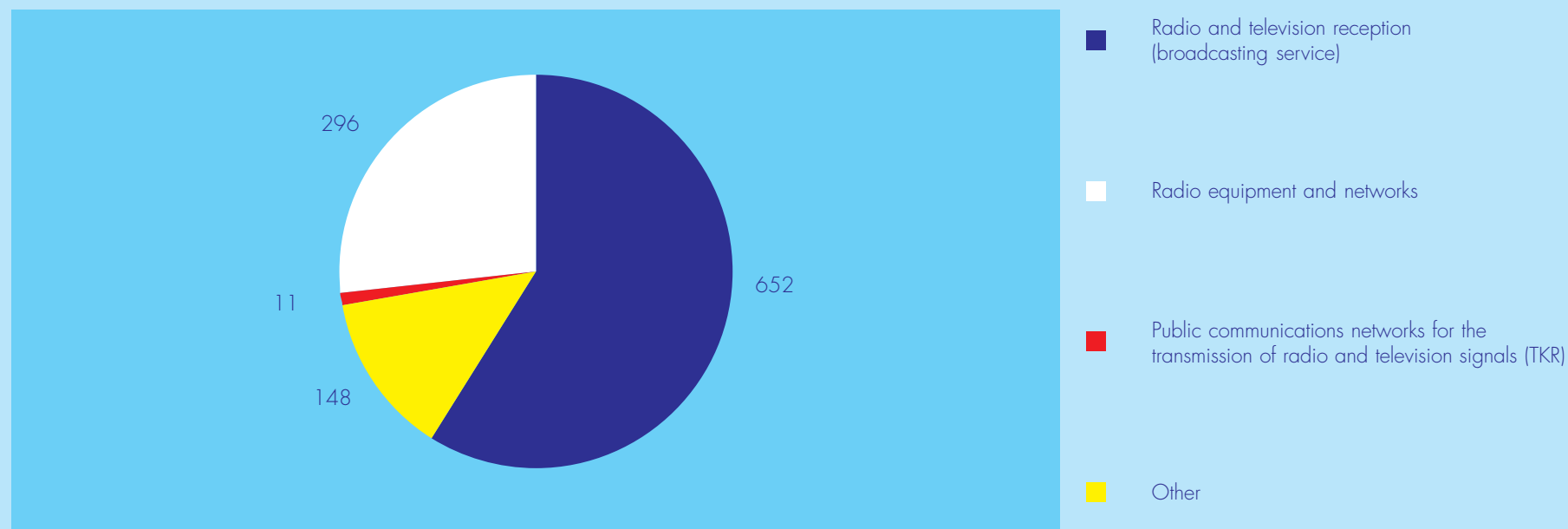
¹⁾ Section 2 of Decree No. 157/2005 Coll., on the requisites of the application for admission to examination to prove special qualifications to operate radio transmitting equipment, on the extent of knowledge required for different types of special qualifications, on the methods of the examinations, on the types of special qualification certificates and the period of their validity.

DETECTION OF SOURCES OF INTERFERENCE OF ELECTRONIC COMMUNICATIONS EQUIPMENT AND NETWORKS, THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICES OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2011

ANNEX NO. 5

	2011
Radio and television reception (broadcasting service)	652
Radio equipment and networks	296
Public communications networks for the transmission of radio and television signals (TKR)	11
Other	148

Detection of sources of interference of electronic communications equipment and networks, the provision of electronic communications services or the operation of radiocommunications services – 2011



OVERVIEW OF THE MAIN ACTIVITIES IN THE AREA OF POSTAL SERVICES REGULATION ¹⁾ FOR 2011

Focus of Activity		Number	Amount in CZK
1.	Regulatory Measures		
	Decisions on expressing approval with postal conditions	13	
	Decisions on specifying basic qualitative requirements	6	
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	2	
	Inspected buildings	6	
	b) Suggestions of customers settled in total	271	
	Of which settled customer submissions relating to basic services	216	
	long waiting times	3	
	opening hours of post offices	8	
	change of depositary post office	4	
	delivery of postal shipments	126	
	settlement of complaints	10	
	breach of postal secret	4	
	postal shipments abroad/from abroad	56	
	postal money orders	5	
	c) Fines Imposed on the Czech Post	20	169,000

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 2011

Type of activity		Number of verifications or inspections ¹⁾		Number of calls for rectification	Number of Adm. proc. from previous period	Number of Adm. proc. commenc.	Number of dec. issued ²⁾	Other ³⁾	Fines imposed		Number of Adm. proceedings left to next period
		Total	of which						Number	Amount in CZK	
1.	Performance of communication activities without authorisation	29	0	0	5	27	28	0	27	365,000	4
2.	Compliance with the conditions of the General Authorisation	599	0	164	1	50	41	0	40	283,500	10
	a) To provide public communications networks and the associated facilities	0	25	3	1	9	8	0	7	65,000	2
	b) To provide electronic communications services	0	61	0	0	21	14	0	14	99,500	7
	c) To use radio frequencies and operate devices (radio devices)	0	513	161	0	20	19	0	19	119,000	1
3.	Radio frequencies inspection	701	0	67	3	43	45	0	42	194,500	1
	a) The utilisation of radio frequencies without authorisation	0	191	0	3	43	45	0	42	194,500	1
	b) Compliance with the conditions of indiv. authorisations for using radio frequencies	0	510	67	0	0	0	0	0	0	0
4.	Discovering sources of interference in electronic communications equipment and networks, provision of electronic communications services or the operation of radiocommunications services	1,107	0	95	0	0	0	0	0	0	0
	a) in radio nad television reception (broadcasting srvice)	0	652	9	0	0	0	0	0	0	0
	b) in radio equipment and networks	0	296	79	0	0	0	0	0	0	0
	c) in public communications networks for radio and telev. signal transmission (TKR)	0	11	0	0	0	0	0	0	0	0
	d) other	0	148	7	0	0	0	0	0	0	0
5.	Inspection of numbers for the purpose of number administration (number of ispection calls) ⁴⁾	4,861	0	0	0	0	0	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	8	0	0	0	0	0	0	0	0
6.	Monitoring the radio spectrum for the purpose of administering the radio spectrum	5,088	0	0	0	0	0	0	0	0	0
	a) measuring the use of frequencies and frequency bands over time	0	3,597	0	0	0	0	0	0	0	0
	b) measuring radio signal coverage	0	1,218	0	0	0	0	0	0	0	0
	c) measuring electromagnetic field intensity	0	67	0	0	0	0	0	0	0	0
	d) others	0	206	0	0	0	0	0	0	0	0
7.	Failure to provide information pursuant to Section 115 of ECA	0	0	0	123	114	91	0	59	391,000	146
8.	Other ⁵⁾	381	0	114	0	1,955	1,595	0	368	2,307,500	360
TOTAL		12,745	0	440	132	2,189	1,800	0	536	3,541,500	521

¹⁾ The inspection is finished by its physical execution.

²⁾ The number of promulgated decisions in the first degree of administrative proceedings is reported (regardless of legal power)..

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, are reported.

⁴⁾ The total number of calls to telephone numbers in a given month is reported.

⁵⁾ The sum of specific problems is reported.

MGN – other					
Ord. No.	MGN No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
1.	OOP/12/03.2011-3	The MGN cancelling OOP/12/07.2005-6, stipulating conditions and procedures necessary for transfer of rights ensuring from the allocation of radio frequencies pursuant to § 23, Para. 2	2/3/2011	3/2011 dated 18/3/2011	15 th day after publication in the TB
2.	OOP/7/07.2011-10	The MGN amending OOP/7/07.2005-12, as amended by OOP/7/01.2006-1	20/7/2011	10/2011 dated 5/8/2011	31/8/2011
3.	OOP/8/07.2011-11	The MGN amending OOP/8/07.2005-11	20/7/2011	10/2011 dated 5/8/2011	31/8/2011
4.	OOP/19/07.2011-12	The MGN, laying down the percentage shares of revenues for the provision of the services referred to § 49 Para. 5 – of the Act for the year 2009	20/7/2011	10/2011 dated 5/8/2011	15 th day after publication in the TB
5.	OOP/4/12.2011-19	The MGN amending OOP/4/03.2006-3	8/12/2011	16/2011 dated 9/12/2011	1/12/2012
MGN – General Authorisation					
Ord. No.	MGN No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
6.	VOR/18/02.2011-2	The MGN for the operation of subscriber terminals in fixed, wireless access network serving for connection of telecommunication terminal equipment to public communication network pursuant to § 9, Para. 2	8/2/2011	1/2011 dated 11/2/2011	1/3/2011
7.	VOR/13/11.2011-18	The MGN for the operation of subscriber terminals MNT 450 networks pursuant to § 9, Para. 2 – cancellation of MGN	23/11/2011	16/2011 dated 9/12/2011	1/1/2012
MGN – Radio Spectrum Utilisation Plan					
Ord. No.	MGN No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
8.	PVP/11/02.2011-1	The part of Radio Spectrum Utilisation Plan for frequency band of 27.5–29.5 GHz pursuant to § 16, Para. 2	8/2/2011	1/2011 dated 11/2/2011	1/3/2011
9.	PVP/12/04.2011-4	The part of Radio Spectrum Utilisation Plan for frequency band of 1,700–1,900 MHz pursuant to § 16, Para. 2	27/4/2011	7/2011 dated 13/5/2011	1/6/2011
10.	PVP/10/04.2011-5	The part of Radio Spectrum Utilisation Plan for frequency band of 470–960 MHz pursuant to § 16, Para. 2	27/4/2011	7/2011 dated 13/5/2011	1/6/2011
11.	PVP/22/06.2011-9	The part of Radio Spectrum Utilisation Plan for frequency band of 87.5–146 MHz pursuant to § 16, Para. 2	7/6/2011	9/2011 dated 24/6/2011	1/10/2011
12.	PVP/8/10.2011-14	The part of Radio Spectrum Utilisation Plan for frequency band of 14.5–15.35 GHz pursuant to § 16, Para. 2	19/10/2011	14/2011 dated 4/11/2011	1/12/2011
13.	PVP/18/10.2011-15	The part of Radio Spectrum Utilisation Plan for frequency band of 12.5–14.5 GHz pursuant to § 16, Para. 2	19/10/2011	14/2011 dated 4/11/2011	1/12/2011
14.	PVP/6/11.2011-16	The part of Radio Spectrum Utilisation Plan for frequency band of 1,900–2,200 MHz pursuant to § 16, Para. 2	1/11/2011	15/2011 dated 11/11/2011	1/12/2011
15.	PVP/16/11.2011-17	The part of Radio Spectrum Utilisation Plan for frequency band of 21.2–24.25 GHz pursuant to § 16, Para. 2	23/11/2011	16/2011 dated 9/12/2011	1/1/2012

MGN – Networks Plans					
Ord. No.	MNG No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
16.	SP/1/05.2011-6	Network plan of synchronisation based on interconnection of circuits pursuant § 62, Para. 3	24/5/2011	8/2011 dated 3/6/2011	15 th day after publication in the TB
17.	SP/2/05.2011-7	Network plan of transmission parameters of public telephone networks pursuant § 62, Para. 3	24/5/2011	8/2011 dated 3/6/2011	15 th day after publication in the TB
18.	SP/3/05.2011-8	Network plan of signalling of public communication networks pursuant to § 62, Para. 3	24/5/2011	8/2011 dated 3/6/2011	15 th day after publication in the TB
19.	SP/4/07.2011-13	Network plan for allocation of designation of identity of networks of data flows and services for networks of terrestrial digital television broadcasting in the Czech Republic pursuant § 62, Para. 3	27/7/2011	10/2011 dated 5/8/2011	15 th day after publication in the TB

Indicator		Budget		final budget	Reality as per 31. 12. 2011	% compliance (5/4)
		approved	adjusted final			
1		2	3	4	5	6
I. Summarising indicators						
1.	Total income	1,032,248.00	1,032,248.00	1,032,248.00	1,142,673.73	110.70
2.	Total expenses	628,313.00	628,313.00	669,705.70	587,253.20	87.69
II. Specific indicators – incomes						
1.	Tax income	50,000.00	50,000.00	50,000.00	73,693.88	147.39
2.	Non-Tax income, capital incomes and transfers received in total, of which:	982,248.00	982,248.00	982,248.00	1,068,979.85	108.83
	a) income from the budget of the European Union without SZP in total	37,248.00	37,248.00	37,248.00	2,035.73	5.47
	b) other non-tax incomes, capital incomes and transfers received in total	945,000.00	945,000.00	945,000.00	1,066,944.12	112.90
III. Specific indicators – expenses						
	Expenses providing performance of tasks of the Czech Telecommunication Office in total, of which:	628,313.00	628,313.00	669,705.70	587,253.20	87.69
	a) Expenses covering loss from provision of Universal Service – special prices	124,939.00	124,939.00	124,939.00	114,092.19	91.32
	b) Expenses covering loss from provision of Universal Service – net costs	90,000.00	81,135.00	81,135.00	46,582.34	57.41
	c) other expenses for performance of tasks of the CTU	413,374.00	422,239.00	463,631.70	426,578.66	92.01
IV. Cross-section indicators						
1.	Employee salaries and other payments for work done	155,288.00	156,254.00	156,287.92	155,486.13	99.49
2.	Mandatory insurance paid by employer	52,798.00	53,130.00	53,141.54	52,865.50	99.48
3.	Allocation to Cultural and Social Welfare Fund	1,484.00	1,495.00	1,495.00	1,486.13	99.41
4.	Employee salaries in employment relationship	148,453.00	149,419.00	149,452.92	148,651.13	99.46
5.	Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	80.00	80.00	80.00	72.48	90.60
6.	Expenses co-financed from the budget of the European Union without SZP in total:	43,821.00	43,821.00	44,922.75	13,846.77	30.82
	a) from the State budget	6,573.00	6,573.00	6,738.26	2,077.32	30.83
	b) share of the budget of the European Union	37,248.00	37,248.00	38,184.49	11,769.45	30.82
7.	Expenses included in the Information system of programme financing of EDS/SMVS in total	100,276.00	110,303.00	111,191.40	100,924.29	90.77

BUDGET HEAD INDICATORS – BREAKDOWN OF BUDGET FOR 2012
(IN CZK THOUSANDS)

ANNEX NO. 10

Indicators		Breakdown of 2012 budget
I. Summarising indicators		
1.	Total income	1,057,994
2.	Total expenses	634,702
II. Specific indicators – income		
1.	Tax income ⁵⁾	50,000
2.	Non-tax income, capital income and transfers received, total of which:	1,007,994
	a) income from the budget of the European Union without SZP in total	47,927
	b) Non-tax income, capital income and transfers received, total	960,067
III. Specific indicators – expenses		
	Expenses for ensuring the fulfilment of CTO tasks in total of which:	634,702
	a) Expenses covering loss from provision of Universal service – special prices	132,850
	b) Expenses covering loss from provision of Universal service – net costs	68,500
	c) other expenses for performance of tasks of the CTO	433,352
IV. Cross-section indicators		
1.	Employee salaries and other payment for work done	156,919
2.	Mandatory insurance paid by employer ¹⁾	53,085
3.	Allocation to Cultural and Social Welfare Fund	1,491
4.	Salaries for employees with employment contracts	149,114
5.	Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	80
6.	Expenses co-financed from the budget of the European Union without SZP in total of which:	56,385
	a) from the State budget	8,458
	b) share of the budget of the European Union	47,927
7.	Expenses included in the Information system of programme financing EDS/SMVS in total	51,507

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.

Indicator	Actual 2010	Approved budget 2011	Adjusted budget 2011	Actual 2011	% Compliance	Difference between columns 5 – 2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done:	171,905.00	155,288.00	156,254.00	156,448.00	99.48	– 16,457
of which:						
Limit of funds for salaries	164,594.00	148,453.00	149,419.00	148,615.00	99.46	– 15,979
Limit of other payments for work done	7,311.00	6,835.00	6,835.00	6,833.00	99.97	– 478
Limit on the number of employees (average full-time equivalent)	443	444	444	442	99.55	– 1
Number of employees as of December 31, 2011	441	444	444	453	102.03	12

BASIC PERSONAL DATA – 2011

ANNEX NO. 12

1. CLASSIFICATION OF EMPLOYEES ACCORDING TO AGE AND SEX – STATE AS OF 31/12/2011

Age	Men	Women	Total	%
Up to 20	0	0	0	0
21–30	33	30	63	13.91
31–40	38	40	78	17.22
41–50	35	57	92	20.31
51–60	72	92	164	36.20
61 and over	37	19	56	12.36
Total	215	238	453	100.00
%	47.46	52.54	100.00	x

2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION AND SEX – STATE AS OF 1/12/2011

Education achieved	Men	Women	Total	%
Primary	0	2	2	0.44
Trained	3	5	8	1.77
Secondary vocational	0	3	3	0.66
Secondary complete	4	30	34	7.51
Sec. voc. complete	57	89	146	32.23
Higher vocational	2	3	5	1.10
University	149	106	255	56.29
Total	215	238	453	100.00

3. OVERALL DATA ON AVERAGE SALARIES AS OF 31/12/2011

	Total
Average gross monthly salary (CZK)	26 021

4. OVERALL DATA ON THE ORIGIN AND TERMINATION OF EMPLOYMENT RELATIONSHIPS IN 2011

	Number
Hired	70
Terminated	68

5. DURATION OF EMPLOYMENT – STATE AS OF 31/12/2011

Duration	Number	%
Up to 5 years	148	32.67
Up to 10 years	100	22.08
Up to 15 years	71	15.67
Up to 20 years	79	17.44
Over 20 years	55	12.14
Total	453	100.00

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 jobs positions
	1 st Level	2 nd Level	3 rd Level	
English	–	8	–	8
German	–	–	–	–
French	–	–	–	–
Total	–	8	–	8

COMPLAINTS AS OF 31/12/2011

(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 ^{*)}	2	1	2	1	1	0
2. Complaints ^{**)}	10	2	9	3	6	1
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 Act, as amended, Section 175.

Cover photographs:

Front cover: SNMS Karlovy Vary

Back cover: CTO headquarters in Sokolovská Street, Prague 9, MOMS "P"



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