



Czech Telecommunication Office

THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2012

APRIL 2013



Czech **Telecommunication** Office

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Including:

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

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INTRODUCTION BY THE CHAIRMAN OF THE CTU COUNCIL



For the activities of the Czech Telecommunication Office (hereinafter “the Office” or “CTU”) the year 2012 has brought about the number of principal changes of legal framework necessary for the performance of regulation and surveillance, both in the field of electronic communications and in the field of postal services. Among the long advocated changes of legislative framework supported by the Office, I would like in the first place mention strengthening of competencies of the Office in the field of protection of consumer. To one part of legislative changes, which became effective on January 1, 2012, belonged, besides those new competencies, also the changes, which implemented in the Czech legal order also reviewed European regulatory framework for electronic communications. The Office actively responded to strengthening of inspection and regulatory competencies in the letter of the Chairman to operators, demanding fulfilment of new requirements concerning contractual arrangements and also by subsequent extensive inspection focused on reflection of new requirements in activities of operators. Another competency change was the Amendment of the Act on Postal Services by the Act No. 221/2012 Coll., which, although it became effective as late as on January 1, 2013, however, already in 2012 the Office prepared itself for the support of new competencies in relation to completion of liberalization of postal market. The Office also prepared and at the end of the year also promulgated the complete set of relevant implementing decrees.

During 2012 the CTU paid extraordinary attention mainly to the situation in the market of mobile services. Following the preparation in 2011 the Office took further steps leading to promulgation of tender procedure (auction) for free frequencies in the bands of 800, 1,800 and 2,600 MHz. On the basis of public consultation, the Office prepared specific proposal of conditions of tender procedure which was promulgated on July 12, 2012, whereby the process of tender procedure was initiated. The Office opened the electronic auction procedure itself on November 12, 2012. Considering continuing interest of participants of the

auction it was not completed before the end of 2012. The auction was cancelled by the Decision of the Chairman of the Council CTU on March 8, 2013. The Office obviously began immediately to prepare reiteration of tender procedure on the basis of supplemented and specified conditions.

The 3rd Cycle of analyses of relevant markets continued also in 2012. Important activity of the CTU in relation to the mobile market was the establishment of the new relevant market „Wholesale market of Call origination on the public telephone network at a fixed location“ for ex-ante regulation in April 2012. Immediately afterwards the CTU started elaboration of the analysis of this market. The CTU introduced the proposal of the analysis to expert public at the beginning of November 2012 and submitted it for public consultation in December 2012. During 2012 the Office also prepared proposals of analyses of market No. 4 – Wholesale physical network infrastructure access (including shared or fully unbundled access) at a fixed location and No. 5 – Wholesale broadband access in networks of electronic communications having importance for development of competition in provision of services of access to the Internet network. In June 2012 the CTU also launched the analysis of relevant market No. 2 – Call origination on the public telephone network at a fixed location and at the end of the year it commenced works in the analysis of the relevant market No. 1 – Access to the public telephone network at a fixed location.

During the first half of 2012, under active participation of the CTU, the transition process to the terrestrial digital television broadcasting was also de facto completed by switching off of all remaining analogue transmitters of big output. Thus the Technical plan of transition was successfully completed, prepared and coordinated for the whole period by the Office which also performed corresponding controlling measurements and verification of coverage of the area by digital signal. Final report concerning this successful process was published in September 2012. Obviously the Office prepared documents for further development of digital broadcasting, participated in the preparation of European harmonization and preparation of WRC 2015, which should adopt key decision in this field.

In order to increase transparency of prices of services of electronic communications the Office opened the process of accreditation of the first price calculator Tarifomat and during the year it accredited also the second price calculator Tarifon. In 2012 it also prepared and made available to the public on its Internet pages the price barometer of mobile services and services of access to the Internet using the whole range of opinions or technology used.

During the year several projects were realised, concentrated on the increase of effectiveness of the Office and adaptation to conditions of implementation of the system of the Treasury.

Big attention was paid to the transfer of the agenda of disputes concerning obligation of monetary performance (Section 129 of the Act on Electronic Communications) from the CTU to general courts. On the basis of the Government Resolution No. 815, dated November 9, 2011, the Office, in harmony with the provisions of the Labour Code, cancelled first 50 systemized positions. However, considering delay in the process of legislation, the absence of Amendment of the Act on Electronic Communications creates significant risks which will completely make impossible proper completion of already commenced administrative procedures in this agenda, despite different temporary measures operatively taken so far. After the reduction of number of employees has been completed, the situation is gradually exacerbating because the CTU is unable to ensure decisions of these cases in statutory deadlines. This leads to significant danger of success of requirements demanding damages in suits filed against inactivity of the CTU, and thus to negative impact on the State budget. This long-term adverse condition influences very negatively also the ability of the CTU to ensure decisions concerning applied remedies in the second degree of administrative procedure in these cases.

BASIC INFORMATION ON THE CTU

The Czech Telecommunication Office (hereinafter the "Office" or the "CTU") was established through the Act No. 127/2005 Coll., on Electronic Communications and on Amendments to certain related Acts (the Electronic Communications Act), (hereinafter also "the Act") on 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 chapter in the State budget and is an accounting unit.

The Office has a five-member Council (hereinafter the "Council"). One of the Council members is the Chairman of the Council who heads the whole Office. The term of office of Council members is five years. The Chairman of the Council is PhDr. Pavel Dvořák, CSc., who was re-appointed in this position in April 2010. During the year 2012, new Council members, Mgr. Ondřej Malý and Ing. Mgr. Jaromír Novák, were gradually appointed.

The Office has its headquarters in Prague. It performs its competencies through its units, i.e. sections, departments and independent divisions. The CTU has also detached units located outside Prague. They are departments for the South Bohemia based in České Budějovice, West Bohemia based in Plzeň, North Bohemia based in Ústí nad Labem, East Bohemia based in Hradec Králové, South Moravia based in Brno and North Moravia based in Ostrava.

The Annual Report (hereinafter the "Report") has been prepared pursuant to Section 110, (1) of the 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 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 2012, information about the personnel backup of the Office activities and about the provision of other support activities essential in terms of the proper fulfilment of the CTU's mission.

Pursuant to the requirements of Section 110 and other applicable provisions of the Act, the Report also includes the Annual Report on the Universal Service (pursuant to Section 50 of the Act) and Profit and loss statement of the funds of radiocommunication account (pursuant to Section 27, Para. 7 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 the Act No. 500/2004 Coll., the Administrative Procedure Code, as amended.

EXECUTIVE SUMMARY

Activities of the CTU during 2012 were influenced by number of principal changes of legal framework regulating performance of regulation and supervision both in the field of electronic communications and in the field of postal services.

The most important legislative change was the legal effectiveness of the Act No. 468/2011 Coll. on January 1, 2012. On this day significant Amendment of the Act took place. Therefore, to the integral part of Czech legal order belongs also revised European regulatory framework for electronic communications. Regulatory and supervision competencies of the CTU have changed and, in particular, the role of the Office in the field of protection consumer has been strengthened.

The second significant legislative change was the Amendment of the Act on Postal Services by the Act No. 221/2012 Coll. Although its effectivity began as late as on January 1, 2013, already during 2012 the CTU started comprehensive preparation aimed at ensuring new competencies concerning completion of liberalization of the postal market. The Office also prepared and at the end of the year promulgated the set of implementing decrees within the full extent of authorization stipulated by this Amendment of the Act.

The last significant legislative activity in 2012 was yet unfinished discussion of the Government draft Amendment of the Act. This Amendment should transfer the agenda of disputes concerning obligation of monetary performance (Section 129 of the Act) from the CTU to general courts. Although, from the viewpoint of the Office, this step is logical and legitimate, prolongation of the time before final decision is finally taken has quite dramatic impact on the CTU's activity. On the basis of Government Resolution No. 815 from November 9, 2011 the Office already transferred first 50 systemized positions in the Justice resort.

The CTU warned the Ministry of Industry and Trade, and subsequently also the Government, against intolerable extent of this agenda, which is materially unrelated to the performance of regulation, already within the framework of first negotiations concerning the intention to transfer the relevant agenda from the competency of the Office to general courts. The CTU initiated these negotiations in connection with the preparation of the Act No. 468/2011 Coll. (the so-called Implementation Amendment of the Act on Electronic Communications).

Immediately before the approval of the above mentioned Resolution of the Government No. 815, the CTU vigorously warned the Ministry of Industry and Trade, and through it also the Government that envisaged gradual reduction by 100 systemized positions (by January 1, 2014) will make proper completion of already started administrative procedures in this agenda totally impossible (300,374 procedures by December 31, 2012). The CTU submitted its arguments together with the proposal for solution to the Ministry of Industry and Trade again within the framework of preparation of follow-up Government's proposal of the Amendment of the Act on Electronic Communications by which the change of competency concerning performance of this agenda should be completed.

The situation, where the Parliament has not yet taken any decision concerning acceptance of the Amendment proposed, favours operators. They submit steadily increasing number of new proposals to decide. After the reduction of the number of employees has been realised, the situation, in which the CTU is incapable to ensure decisions of these cases within statutory deadlines, is worsening. This leads to significant danger of success of requirements for damages ensuing from actions against inactivity of the CTU and thus negative impact on the State budget. This long-term adverse condition influences very

negatively also the ability of the CTU to ensure decisions concerning applied remedies in the second degree of administrative procedure in these cases.

From the point of view of market of electronic communications during 2012 the CTU paid extraordinary attention particularly to the market of mobile services.

Already in 2011 the Office performed first steps in the preparation of tender procedure (hereinafter „the Auction“) for free frequencies in the bands of 800, 1,800 and 2,600 MHz. On the basis of consent of the Government of the Czech Republic to proposed procedure in administration of selected parts of radio spectrum (Government Resolution No. 78 from January 26, 2011), the CTU prepared specific proposal of conditions of tender procedure. The proposal was submitted to public consultation in March last year. The promulgation proper of tender procedure was published by the Office on July 12, 2012, whereby the process of tender procedure was started. The Office opened the electronic auction procedure on November 12, 2012 and owing to continuous interest of participants of the auction (companies Telefónica Czech Republic, a.s., T-Mobile Czech Republic a.s., Vodafone Czech Republic a. s. and PPF Mobile Services a.s.) the auction has not ended before the end of 2012. On March 8, 2013 the Chairman of the CTU Council decided about the cancellation of tender procedure.

Another important activity of the CTU in relation to mobile market was establishment of the new relevant market „Wholesale market of origin of call (origination) and access in mobile networks“ for ex-ante regulation in April 2012. Immediately after that the CTU started processing of the analysis of this market. At the beginning of November 2012 the CTU introduced the analysis to the expert public and presented it to public consultation on December 21, 2012. Principal conclusion is detection of joint significant market power of all three GSM/UMTS operators, it corresponds to the proposal of the set of remedial measures.

During 2012 the CTU processed also proposals of analyses of markets No. 4 – Wholesale (physical) network infrastructure (including shared or fully unbundled access) at a fixed location and No. 5 – Wholesale broadband access in networks of electronic communications, having importance for the development of competition in provision of services of access to the Internet network. In June 2012 the CTU also opened the analysis of relevant market No. 2 – Call origination on the public telephone network provided at a fixed location and, at the end of the year, it started works on the analysis of relevant market No. 1 – Access to the public telephone network at a fixed location.

During 2012 the Office performed detailed analysis of contractual and commercial conditions of all three most important mobile operators. The target was to check their harmony with requirements ensuing from amended wording of the Act and, in particular, to attain necessary modifications in the downstream process in favour of greater transparency, clarity and correctness of contractual terms concerning utilization of services. The CTU assumes that operators will implement required modifications of contractual conditions not later than during the first half of 2013.

In 2012 the growth of the market of services of broadband access continued. To the significant trend belongs gradually increasing rate of competition at the level of infrastructure, where rates of data are steadily increasing in new optical (FTTx) and mobile networks. It was caused by both further extension of utilization of the so-called smart phones, and increasing availability of 3G networks, whose coverage should reach appr. 73–85 % of population and 26–48 % of territory by the end of 2012 (according to data provided by operators). Nevertheless, the penetration attained in the retail market still remains under the average of the states of the European Union.

During the first half of 2012 the process of transition to terrestrial digital television broadcasting was successfully completed under active participation of the CTU. Although, from the legal point of view, the transition was terminated on November 11, 2011, real completion was attained by turning off all remaining analogue transmitters as late as in 2012. Thus the process ensuing from the Government Regulation No. 161/2008 Coll. (the so-called Technical plan of transition), which the Office co-ordinated for the whole period of time and where it performed inspection measurements and verification of coverage of territory attained. In harmony with requirements of Technical plan of transition the CTU processed and on September 5, 2012 published final evaluation report.

The market of postal services was in 2012 influenced primarily by the preparation for its full liberalization from the beginning of 2013. Besides standard inspection and evaluation activities the CTU was focused particularly on preparation and promulgation of all necessary implementing regulations of amended wording of the Act on Postal Services. Simultaneously, the Office has prepared internally for the performance of the whole range of new regulatory and inspection competencies in the field of postal services, which it will provide from the beginning of 2013.

During 2012 the CTU paid great attention also to protection of consumers of services of electronic communications and postal services, not only within the extent of the above mentioned decisions concerning the so-called subscriber disputes pursuant to Section 129 of the Act. Out of the total number of 442,291 administrative procedures held during the year 2012, decisions were promulgated in 86,483 procedures. Also in 2012 the trend of previous years continued, where number of newly applied proposals for decision of disputes concerning monetary performance for services of electronic communications significantly exceed numbers of decision promulgated. During the year the CTU resolved in total 3,233 complaints outside administrative procedure focused on the quality of services (they concerned largely services of electronic communications). On the basis of findings gained during their investigation the CTU held number of administrative procedures in which it imposed penalties in total amount of CZK 5,279,000,000.

In order to increase transparency of comparison of prices of services of electronic communications the Office at the end of 2011 prepared and published the document serving for accreditation of price calculators. At the beginning of 2012 the CTU opened the process of accreditation of the first price calculator Tarifomat and during the year it accredited also the second price calculator Tarifon. Also during the year 2012 the CTU prepared and made public on its Internet page the price barometer. This barometer clearly demonstrates development of prices of mobile services and services of access to the Internet both from the point of view of minute prices and consumption of services (in case of mobile services), and from the point of view of data speeds offered or technology employed (in case of broadband services).

Economic management during 2012 was based on stipulated budgetary framework, in which the Ministry of Finance determined obligatory indicators of budgetary head of the CTU. Revenue achieved at the amount of CZK 1,259,837,590 surpassed stipulated budgetary indicator and reached 119.08 % of modified budget. Vice versa, on the expenditure side of the budget for 2012 the Office saved, because expenditures were drawn in the volume of CZK 570,457,310, therefore only 89.49 % of modified budget. Average recalculated number of employees in 2012 was 445 employees.

Further information concerning tasks which the CTU performed during 2012 in the field of electronic communications or postal services, and also further information informing about ensuring operation of the CTU, are brought about in individual sections of this Report.

Chapter I.

THE STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS IN 2012

1. Legal framework

In 2012 the legal framework for the networks of electronic communications services and the postal services markets and exercise of regulatory and inspection competencies of the CTU 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 the 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. Concerning procedural aspects, the CTU in all procedures paid always due respect to the Act No. 500/2004 Coll., the Administrative Procedure Code, as amended.

The following legal regulations, which had or will have an impact on Electronic Communications or postal services fields in the following period, were promulgated in 2012.

1.1 Amendments of the Act on Electronic Communications

The Act 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

- the Act became effective on January 1, 2012,
- through this Act the reviewed wording of the European regulatory framework for networks and services of electronic communications has been implemented into the Czech legal order. The CTU has already informed in detail about the extent of modification of the Act on Electronic Communications by this implementing Amendment in its Annual report for 2011.

From the point of view of the most important regulatory and inspection activities of the CTU in 2012, as further specified in this Report, as the most decisive new modifications, which this Amendment of the Act on Electronic Communications has brought about, we can consider particularly:

- a) changes in the definition part of the Act on Electronic Communications, which was reflected in the number of modifications of regulatory measures promulgated by the CTU during 2012,
- b) inclusion of the Auction, and/or its results, as the criterium for evaluation of requests asking for granting allocations of radio frequencies in tender procedure, what enabled the CTU to prepare and open the process of Auction for frequencies for new networks of Fourth generation,

- c) modification of conditions for portability of telephone numbers, particularly considering extension of this obligation from public telephone networks to public communication network, which the CTU reflected also in new measures stipulating specific conditions for portation of numbers,
- d) new modification of compulsory requisites of contract on provision of publicly available services of electronic communications and connection to public communication network, including publication of information. The CTU verified accomplishment of these requirements within the framework of extensive analysis of contractual documents of mobile operators.

The Act No. 273/2012 Coll., 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

- legal effect on October 1, 2012,
- this Act responds to the Findings of the Constitutional Court Pl. ÚS 24/10 dated March 22 2011, promulgated under ref. No. 94/2011 Coll., which derogated provisions of Section 97 Para. 3 and 4 of the Act on Electronic Communications and the Decree No. 485/2005 Coll., on the Extent of operational and localization data, period of its storage and the form and method of its transmission to authorities entitled to its utilization. The Act further responds to the Findings of the Constitutional Court Pl. ÚS 24/11 dated December 20, 2011, promulgated under the Ref. No. 43/2012 Coll., which has derogated provisions of Section 88a of Criminal Procedure on September 30, 2012.

Pursuant to the new legal modification of Section 97 of the Act on Electronic Communications, which is brought about by the Act No. 273/2012 Coll., determined compulsory persons are obliged to store, for the period of 6 months, operational and localization data, which are created or processed in ensuring their public communication networks and in provision of their publicly available services of electronic communications. These persons are obliged to submit on request and without delay relevant data to authorities entitled by the Law.

The Act No. 18/2012 Coll., which amends some Acts in connection with the endorsement of the Act on Customs Administration of the Czech Republic

- legal effect on January 1, 2013,
- this Act directly amends the Act on Electronic Communications, specifically provisions of Section 100 Para. 8, which terminologically modifies enumeration of authorities for which the CTU preferentially discovers jamming of operation of electronic communication facilities and networks. Original designation „Customs authorities“ has been changed to the new designation „Customs Administration of the Czech Republic“ (see Part forty two of the Act No. 18/2012 Coll.).

The Act No. 19/2012 Coll., which amends the Act No. 216/1994 Coll., on Arbitration procedure and on enforcement of arbitral awards, as later amended, and some other related Acts

- legal effect on April 1, 2012,
- this Act, inter alia, stipulates conditions regulating negotiation of arbitration agreements in solving consumer disputes. It further refines conditions necessary for the performance of activity of arbitrator. In order to be able to negotiate arbitration

agreements also in the field of electronic communications, where some disputes are resolved by administrative authority (CTU) and not by courts, this Act also changed the Act, specifically Section 127 and Section 129. In both cases of these disputes pursuant to the Act on Electronic Communications this change of the Act allows to negotiate arbitration agreement also in cases where these disputes relate to the performance of obligation for monetary performance.

The Act č. 142/2012 Coll., on Amendment of some Acts in connection to introduction of basic registers

- legal effect on July 1, 2012,
- this Act (Part twenty four) puts in harmony valid legislation relating to basic registers with the Act No. 127/2005 Coll. on Electronic Communications and on Amendments of some other Acts (the Act on Electronic Communications), as later amended, and namely in the part relating to origin of authorization for business license in electronic communications (Section 13 and 14 the Act on Electronic Communications) and in the part allowing the CTU to utilize the data and information from basic registers (Section 134 et seq. of the Act on Electronic Communications).

The Act No. 167/2012 Coll., amending the Act No. 499/2004 Coll., on Archives and Records service and on Amendments of some other Acts, as later amended, the Act No. 227/2000 Coll., on Electronic signature and on Amendments of some other Acts (the Act on Electronic Signature), as later amended, and other related Acts

- legal effect on July 1, 2012,
- this Act (Part twenty five) puts in harmony valid legislation relating to the legislation of relevant field with the Act č. 127/2005 Coll. on Electronic communications and on Amendments of some other Acts (the Act on Electronic Communications), as later amended, and namely in the part regulating the issues of utilization of „guaranteed“, newly „recognized“ electronic signature in electronic communication (Section 25, Section 33 and Section 75 of the Act on Electronic Communications).

1.2 Amendment of the Act on Postal Services

The Act No. 221/2012 Coll., amending the Act No. 29/2000 Coll., on Postal Services and on Amendments of some other Acts (the Act on Postal Services), as later amended, and other related Acts

- legal effect on January 1, 2013,
- this Act transposes in the legal order of the Czech Republic the Directive of the European Parliament and the Council 2008/6/EC, dated February 20, 2008, which amends Directive 97/67/EC considering full formation of internal market of postal services in the European Union (the so-called Third Postal Directive). This accomplishes gradual process of liberalization of European postal market. In practice completion of liberalization rests particularly in removal of remaining parts of existing monopoly and other legal and economic barriers preventing entry of competitors in the market of postal services and creation of competition environment in internal market of postal services of the European Union. Particularly in this connection remaining part of existing monopoly is derogated (consignments of documents of up to 50 g or with the price of up to CZK 18). Simultaneously the obligation of the State has been preserved to ensure permanently sustainable minimum extent of so-called basic postal services in determined quality on the whole territory of the Czech Republic for available prices and reasonable protection of users of all postal services.

In order to ensure proper implementation of the above mentioned Directive, the Act No. 221/2012 Coll. includes, in particular, following modifications of the Act on Postal Services:

- a) Clarification of the definition of the market of postal services, particularly in order to clarify which services are subject to the regime of the Act on Postal Services. Operators of these services are obliged to report themselves with the CTU. By this notification they are authorized to do business in the field of postal services, and as entrepreneurs in this field they are subject to inspection activity of the CTU.
- b) Stipulation of the extent of Universal services (basic services) directly in the Act on Postal services and the mechanism of its security, including procedure necessary for the award of postal license to entrepreneur which will be bound to provide basic services. Implementing legal regulation (Decree of the CTU) will determine detailed technical specification of these services and qualitative requirements for their provision.
- c) Stipulation of the method of funding of Universal service (basic services), primarily by application of cost-oriented prices for services belonging to basic postal services provided by determined provider of postal services. Only in legally stipulated extraordinary cases the so-called net costs arising from provision of basic services will be covered through a special account.
- d) Conditions ensuring the access to special services and elements of postal infrastructure. The purpose of this entirely new institute is particularly support of development of competition in order to improve quality of postal services. Potential disputes among entrepreneurs in this field will be resolved by the CTU.
- e) Higher degree of protection of users of postal services if the Act determines compulsory requisites of postal contract and other conditions for the operation of postal services. In order to ensure reasonable protection of users of all postal services (not only services of holder of postal license) users can submit to the CTU objections against settlement of their claims by operator of postal services. The CTU has been also newly determined as the authority of surveillance over protection of rights of consumer in the field of postal services pursuant to the Act No. 634/1992 Coll., on Protection of consumer, as later amended.

To support continuity of provision of the Universal service and in harmony with usual practice applied in other Member States of the European Union for the first period after the Act No. 221/2012 Coll. has become effective, postal license was granted to existing holder, i.e. Česká pošta, s.p., valid until the end of 2017 (i.e. for 5 years). For next periods tender procedure will be promulgated based on the needs identified within the framework of regular review performed in relevant field by the CTU.

For the purposes of exercise of some provisions of the Act on Postal Services, amended by the Act No. 221/2012 Coll., the CTU was authorized by the Act to promulgate selected implementing legal regulations. Their enumeration and information about the process of preparation and promulgation are mentioned in the Section 1.3 of this Report.

1.3 Implementing legal regulations

Decree No. 124/2012 Coll., amending the Decree No. 117/2007 Coll., on Numbering plans of networks and services of electronic communications, as later amended

- legal effect on April 15, 2012, promulgated by the Ministry of Industry and Trade,

- this Decree implements particularly Section 35 of the Act on Electronic Communications (the access to the Universal international number for free calls). To create equal and non-discriminatory conditions the rules are newly determined for access to non-public communication networks similarly to telephone numbers of public communication networks. In the field of portability of numbers there is a linguistic arrangement of Section 27a of the Decree on Numbering plans and also another changes of technical, and/or legislative character were implemented.

Decree No. 134/2012 Coll., on determination of the extent of itemized billing of price

- legal effect on June 1, 2012, promulgated by the CTU,
- this Decree, in harmony with Section 44 Para. 5 of the Act on Electronic Communications, as amended by the Act No. 468/2011 Coll., determines the extent of itemized billing of price for service of electronic communications. In the given case it is the Decree which replaces modification of relevant issues regulated so far by the Measure of General Nature No. OOP/2/07.2005-5 promulgated by the CTU on June 29, 2005. In reality the change of form of relevant modification takes place when, instead of original Measure of General Nature, relevant field is newly regulated by given Decree, however, principal material change has not happened.

Decree No. 135/2012 Coll., on determination of the extent of billing of price according to kind of services

- legal effect on June 1, 2012, promulgated by the CTU, this Decree, in harmony with Section 64 Para. 13 of the Act on Electronic Communications, as amended by the Act No. 468/2011 Coll., determines the extent of billing of price for service of electronic communications according to the kind of service. In the given case it is the Decree which replaces modification of relevant issues regulated so far by the Measure of General Nature No. OOP/3/07.2005-4 promulgated by the CTU on June 29, 2005. In reality the change of form of relevant modification takes place when, instead of original Measure of General Nature relevant field is newly regulated by given Decree, however, principal material change has not happened.

Government Regulation No. 175/2012 Coll., which amends Government Regulation No. 154/2005 Coll., on stipulation and method of calculation of charges for utilization of radio frequencies an numbers, as later amended

- legal effect on June 1, 2012, with the exception of the part regulating charges withdrawn for the utilization of radio frequencies in fixed service, abbreviated telephone numbers and access codes to non-public networks, which become effective on January 1, 2013,
- this Government Regulation, in connection with the Amendment of the Act on Electronic Communications realised by the Act No. 468/2011 Coll., modifies:
 - a) the amount of some charges for the utilization of radio frequencies (fixed service) and numbers (charge for abbreviated telephone number, charge for access codes to non-public networks communication networks),
 - b) there are new charges for utilization of radio frequencies for experimental purposes (see Section 19b of the Act on Electronic Communications),
 - c) Due to the Amendment of the Act on Electronic Communications, charges for short-term authorization, which are now stipulated directly by the Act on Electronic Communications (Section 25 Para. 5), are cancelled.

Decree No. 226/2012 Coll., which amends the Decree No. 327/2006 Coll., stipulating characteristics of reasonable requirements for connection in fixed location to public telephone network and access in fixed location to publicly available telephone service and conditions of access to the Internet within the framework of Universal service

- legal effect on July 1, 2012, promulgated by the Ministry of Industry and Trade,
- this Decree responds to the implementation of revised wording of the European regulatory framework for networks and services of electronic communications, which was legally effected from January 1, 2012 by the Act No. 468/2011 Coll., and puts original legal modification in harmony with new situation stipulated by this Act.

Decree No. 227/2012 Coll., which amends the Decree No. 162/2005 Coll., on determination of parameters of quality of the Universal service and their limit values

- legal effect on 1. July 2012, promulgated by the Ministry Industry a Trade,
- this Decree responds to the implementation of revised wording of the European regulatory framework for networks and services of electronic communications, which was legally effected on January 1, 2012 by the Act No. 468/2011 Coll., and puts original legal modification in harmony with new situation stipulated by this Act.

Decree č. 228/2012 Coll., on determination of criteria evaluating if more subjects have joint significant market power on the relevant market of electronic communications

- legal effect on 1. July 2012, promulgated by the Ministry of Industry and Trade, this Decree replaces original Decree No. 430/2005 Coll., which is cancelled herewith. The need of promulgation of the new Decree resulted from the process of implementation of revised wording of the European regulatory framework for networks and services of electronic communications, which was legally effected on January 1, 2012 by the Act No. 468/2011 Coll. Revised regulatory framework introduces new criteria evaluating if more subjects have joint significant market power on the market which was missing in existing Decree

Decree No. 241/2012 Coll., on determination of requisites of technical-organizational rules securing safety and integrity of public communication networks and interoperability of publicly available services of electronic communications in crisis situations

- legal effect on August 1, 2012, promulgated by the CTU,
- this Decree responds to the implementation of revised wording of the European regulatory framework for networks and services of electronic communications, which was legally effected from January 1, 2012 by the Act No. 468/2011 Coll. Obligation of subjects in question to have technical-organizational rules available results directly from provisions of the Act on Electronic Communications. The extent of requisites included in these rules is stipulated by relevant Decree which serves particularly to ensure functionality of public communication networks, publicly available services of electronic communications and subsequently of information systems if crisis situation is declared on the territory of the Czech Republic, including detailed solution.

Materially this modification was subject of Measure of General Nature No. OOP/9/12.2010-18 dated December 21, 2010 promulgated by the CTU pursuant to Section 99 Para. 1 of the Act on Electronic Communications, in the wording valid until the effectiveness of the Act No. 468/2012 Coll. This Measure of General Nature

was therefore replaced by the above mentioned Decree and ceased to be legally binding.

Decree No. 242/2012 Coll., on determination of extent and form of transferred information concerning violation of security and loss of integrity of network

- legal effect on August 1, 2012, promulgated by the CTU,
- this Decree responds to the implementation of revised wording of the European regulatory framework for networks and services of electronic communications, which was legally effected on January 1, 2012 by the Act No. 468/2011 Coll.

Pursuant to Section 98 Para. 4 of the Act on Electronic Communications, entrepreneur providing public communication network or publicly available service of electronic communications is required to immediately inform the CTU, subjects operating workplaces serving for reception of emergency call and adequately also users about serious violation of security and loss of integrity of network, extent and reasons of interruption of provision of services or denial of access to it, accepted measures and expected date of removal of the cause.

The target is to unify the form and extent of information transferred (form is given in the appendix of the Decree) and methods of their transfer to subjects concerned. The CTU will employ the information thus acquired also for transfer of information to the Commission of the European Union and the European Agency for safety networks and information (ENISA) within the framework of the so-called Comprehensive annual report pursuant to Section 98 Para. 5 of the Act on Electronic Communications.

Government Resolution No. 354/2012 Coll., amending Government Resolution No. 109/2008 Coll., on conditions of provision of special prices of publicly available telephone services

- Government Resolution became effective on fifteenth day of its promulgation, i.e. on November 13, 2012,
- this Government Resolution modifies the extent of documents submitted by handicapped persons applying for special prices so that they reflect legislation regulating provision of benefits to handicapped persons, and namely both regulations which were cancelled on December 31, 2011, however, both cards promulgated on the basis of these regulations remain in force until the end of 2015 and also new regulations, which became effective on January 1, 2012, remain in force (especially the Act No. 329/2011 Coll.),

Decree No. 357/2012 Coll., on storage, transfer and liquidation of operational and localization data

- promulgated by the Ministry of Industry and Trade, legal effect on November 1, 2012 with the exception of some provisions containing predominantly temporal or additional data, and/or concerning data of service of access to the Internet, which become effective on January 1, 2013,
- the reason of promulgation of this Decree is the cancellation of the original Decree No. 485/2005 Coll., on the Extent of operational and localization data, period of storage and the form and method of transfer to authorities responsible for utilization, by Findings of the Constitutional Court of the Czech Republic dated March 22, 2011 published in the Collection of Laws under the Ref. No. 94/2011 Coll.

The Decree No. 357/2012 Coll. newly defines the extent of storage of operational and localization data, regulates the method of transfer of operational and localization data and period of storage transferred and the method of liquidation of data by operator in harmony with Directive 2006/24/EC (Directive on data retention).

The Decree No. 432/2012 Coll., on the manner of keeping records of incomes and revenues of the operator that provides postal services or conducts foreign postal services

- legal effect on January 1, 2013, promulgated by the CTU,
- this Decree was promulgated to implement Section 32b Para. 3 of the Act on Postal Services (as amended by the Act No. 221/2012 Coll., which became effective on January 1, 2013). Pursuant to the Section 36a of the Act on Postal Services, the CTU collects and enforces payment on account for the financing of basic services. The CTU provides as part of its activities the percentages of revenues for the provision of postal services and foreign postal services of the contributors to total revenues for the provision of postal services and foreign postal services of all taxpayers in the relevant accounting period. In order to determine these shares, it is necessary for the CTU to obtain the relevant information from potential contributors. This information includes revenues and incomes for postal services and foreign postal services. For this purpose, Decree No. 432/2012 Coll. stipulates for the providers the conditions for the adjustment of income accounts, which they carried out in the context of changes in their financial records, and they establish, in accordance with the Decree, the separate records of incomes so that the providers would be able to provide the necessary documents for the CTU.

The Decree No. 433/2012 Coll., on Determination of content, form and method of publication of information on results of provision and support of basic services and evaluation of compliance with quality parameters

- legal effect on January 1, 2013, promulgated by the CTU,
- this Decree was promulgated to implement Section 33 Para. 4 Para. e) of the Act on Postal Services (as amended by the Act No. 221/2012 Coll., which became effective on January 1, 2013). Pursuant to the Act on Postal Services the holder of postal license is obliged to publish annually information about results of basic services which it provides and supports, particularly to assure reasonable protection of users of these services. Relevant Decree No. 433/2012 Coll. determines clear form of reporting of necessary information using table method. Holder of postal license is bound to publish relevant information using method allowing remote access on its Internet pages and to make it simply available.

Decree No. 434/2012 Coll., on Determination of the model form announcing business in the field of postal services

- legal effect on January 1, 2013, promulgated by the CTU,
- this Decree was promulgated to implement Section 18 Para. 1 of the Act on Postal Services (as amended by the Act No. 221/2012 Coll. which became effective on January 1, 2013). The Act on Postal Services introduces notification principle of origin of authorization to do business in the field postal services. Decree No. 434/2012 Coll., in harmony with this Act and requirements of the Directive 97/67/EC, as later amended, determines model form for written announcement of business in the field of postal services.

Decree No. 464/2012 Coll., on Determination of specification of individual basic services and basic qualitative requirements for their provision

- legal effect on January 1, 2013, promulgated by the CTU,

- this Decree was promulgated to implement Section 3 Para. 3 of the Act on Postal Services (as amended by the Act No. 221/2012 Coll. which became effective on January 1, 2013). The Decree No. 464/2012 Coll. is the implementation of modification of the Act on Postal Services selected by legislator, where the extent of basic services and mechanism of their running, together with minimum qualitative requirements is determined directly by the Act and details are stipulated in implementing legal regulation. In order to ensure reasonable protection of users of postal services, this Decree determines specification of basic services and the method of their provision, including qualitative requirements to ensure the quality which is inevitable in public interest, particularly speed, reliability and regularity of basic services, sufficient density of service points ensuring postal shipment, as well as necessary level of awareness of users concerning provision of basic services and extraordinary cases where delivery need not to be effected at the address of each natural and juristic person.

The Decree No. 465/2012 Coll., on the Method of keeping separated records of costs and revenues of holder of postal licence

- legal effect on January 1, 2013, promulgated by the CTU,
- this Decree was promulgated to implement Section 33a Para. 2 of the Act on Postal Services (as amended by the Act No. 221/2012 Coll., which became effective on January 1, 2013). The Act on Postal Services in Section 33a imposes the obligation on holder of postal licence to keep separated records of costs and revenues. Holder of postal licence has this obligation also at the present time, however, the method of keeping separated records of costs and revenues is based on the decision promulgated by the CTU within the framework of administrative procedure towards holder of postal licence. New legal arrangement changes the form with the help of which the CTU determines methodology of purpose breakdown and keeping of separated records of costs and revenues of holder of postal licence including their assignment, determination of reasonable profit and also structure of reported information. Transposition in the form of Decree contributes to transparent determination of the method of keeping of separated records of costs and revenues.

The Decree is based on existing situation, however, it clarifies the obligation of keeping separated records of costs and revenues in harmony with the Act on Postal Services, and with some reported data it introduces higher degree of particulars as compared to the current situation in order to comply with requirements of the Act on Postal Services from the point of view of further utilization of such information. Simultaneously, however, it does not take over data required so far because they have become obsolete from the point of view of new legislation (for example, independent monitoring of reserved services).

The Decree No. 466/2012 Coll., on the Procedure of the Czech telecommunication Office in calculating net costs in the performance of obligation to provide basic services

- legal effect on January 1, 2013, promulgated by the CTU,
- this Decree was promulgated to implement Section 34b Para. 7 of the Act on Postal Services (as amended by the Act No. 221/2012 Coll., which became effective on January 1, 2013). The Act on Postal Services introduced new term of the so-called net costs, which represents compensation for holder of postal licence for performance of imposed obligation to provide basic services and it determines further general mode of their calculation and the method of their funding. Relevant Decree also stipulates in detail procedure of the CTU in calculation of these net costs, practise of

calculation of net costs of individual basic services, defines intangible and a market advantages which should be respected within the framework of given procedure and also, in harmony with the statutory authorization, it determines documents backing up these calculations.

2. Evaluation of the Electronic Communications Market

2.1 General Evaluation of the Electronic Communications Market

The market of electronic communications in 2012 can be characterized by the following factors, in particular:

- an ongoing trend of replacement of fixed telephony by mobile one, what did not change development of voice services based on utilization of modern technologies (particularly VoIP) in fixed networks,
- gradual growth of share of data operation in mobile networks particularly due to increasing penetration of smart telephones (smartphones),
- development of infrastructure competition in the market of services of broadband access to the Internet network which is, apart from increasing share of data mobile services, given by growth of share of data services in optical networks (FTTx) and WiFi networks,
- factual completion of successful transition to terrestrial digital television broadcasting and development of broadcasting networks for distribution of television broadcasting,
- ongoing consolidation of the market from the point of view of mergers of significant business subjects operating networks and providing services of electronic communications,
- regulatory activities of the CTU in the preparation and implementation of Auction for new mobile networks of Fourth generation and in establishment and preparation of the analysis of new relevant wholesale market of mobile origination,
- the first commercial collaboration for the provision of mobile services was the offer of pre-paid services in the network of company Telefónica Czech Republic, a.s. (hereinafter „Telefónica“) under the designation of BleskMobil, which was presented in the last quarter of 2012.

In 2012 almost 80 % of total volume of voice operation was effected by means of mobile networks. Simultaneously, however, a slight year-on-year decrease of total number of reported active SIM cards of mobile operators was registered as compared with the year 2011. The number of transferred numbers in mobile networks continued to increase. Operators of mobile networks further increased particularly the offer of data and voice services through the so-called „packages“, which include also the services provided in fixed location. Like in previous years, also in 2012, prices of services in mobile networks decreased. However, total level of retail prices of mobile services remains still high in international comparison.

For further development of mobile market during 2012 from the point of view of voice services in particular, significant activity was the preparation of ex-ante regulation of newly established wholesale relevant market of access and origin of call (origination) in public mobile telephone networks. The CTU established this new relevant market in April 2012 and in autumn it introduced opening proposal of its analysis. According to existing conclusions, the CTU is convinced that in this market joint significant power of three mobile operators exists. Therefore it prepared proposal of remedial measures orientated at opening of the market to another competition. At the end of 2012 also mobile operators took steps the aim

of which was to establish commercial collaboration on the basis of virtual operators (MVNO). In November 2012 the company Telefónica presented collaboration with publisher Ringier Axel Springer CZ on the project of MVNO BleskMobil in the form of the so-called „branded reseller“, i.e. in principle selling partner of pre-paid mobile services of the company Telefónica.

During 2012 the operators of UMTS networks, namely companies Telefónica, T-Mobile Czech Republic a.s. (hereinafter „T-Mobile“) and Vodafone Czech Republic a. s. (hereinafter „Vodafone“), reached the level of coverage ranging from approximately 73–85 % of population and 26–48 % of territory (on the basis of data of mobile operators themselves). Companies Telefónica and T-Mobile extended availability of their services using the form of sharing of UMTS networks in rural regions.

To support development of mobile data services of new generation, the CTU prepared and opened tender procedure for allocation of radio frequencies in the bands of 800, 1,800 and 2,600 MHz during 2012. Already in the preparatory phase the CTU declared that it will set specific conditions of the Auction so as to ensure effective utilization of offered frequencies for deployment of new modern mobile networks of fourth generation, vast availability of services of mobile broadband and to ensure that through the Auction another player could enter mobile market and development of competition be enforced in the market (more information about the Auction can be found in Section 2.6).

Also due to the preparation of the Auction for frequencies of new mobile networks, existing mobile operators opened partial projects to verify options of commercial operation of LTE (Long Term Evolution) networks. In June 2012 the company Telefónica launched commercial operation of LTE networks in limited territorial range of municipality Jesenice (District Praha Západ) and surroundings where almost ten thousand people live. Customers of the company can theoretically download data with the speed reaching up to 60 Mbit/s and send them with the speed of up to 25 Mbit/s.

In November roku 2012 also the company T-Mobile launched limited commercial operation of LTE networks and namely within the framework of project LTE City in Mladá Boleslav following the previous test of LTE networks in Prague. Data download speed of up to 75 Mbit/s and theoretically 25 Mbit/s data upload speed were prepared for users. 19 transmitters in Mladá Boleslav and Kosmonosy were ready to cover the area.

Although the company Vodafone did not launch commercial operation of LTE networks in 2012, it was prepared to the arrival of LTE by extending its backbone networks by 4,500 kilometres of optical fibres. Together with launching of HSPA+ DC technology in 44 towns of the Czech Republic this step should increase capacity and speed of data transfer within the framework of its mobile networks.

The competition of technological platforms continued to be determinant for the development of the market of broadband access to the Internet network. Apart from some stagnation of the share of xDSL services, also the services of mobile networks and locally deployed optical networks (FTTx) continued to expand on the retail market. Enlargement of new technologies in fixed networks (for example, VDSL, DOCSIS 3.0 etc.) created in 2012 conditions for further increase of speed of offered services of broadband access to the Internet network with individual providers. From the point of view of biggest providers of broadband services on the retail market, this trend has manifested itself particularly in offers of companies Telefónica and UPC Czech Republic, s.r.o. (hereinafter „UPC“). During 2012 the company Telefónica started to offer in its network access to the Internet network with download speed of up to 40 Mbit/s. Even before the end of 2011 the company UPC changed the structure of its offers and currently it offers access to the Internet network with download speed of up to 120 Mbit/s.

Although the increase of penetration of broadband access to the Internet network in fixed networks simultaneously continued up to estimated 25.2 % by the end of 2012, the Czech Republic, in international comparison¹, still remains under the average of the European Union countries (see the graph on page 34). To support the State policy of electronic communications "Digital Česko", the CTU therefore proposed to the Government of the Czech Republic to employ one part of yields of the Auction for the support of deployment of new (particularly optical) access networks of new generation (NGA networks). The Government of the Czech Republic in its Resolution No. 370 dated May 23, 2012 imposed on the Ministry of Industry and Trade the obligation, in collaboration with the CTU, to prepare proposal of such program. This proposal will be submitted to the Government of the Czech Republic in the first half of 2013.

In 2012 the decrease of the number of subscribers, telephone lines and volume of operation continued in fixed networks despite enlargement of offers of services employing new technologies (for example VoIP).

According to the data from the end of the year the total number of subscribers of voice services provided in fixed networks decreased, expressed in the number of telephone lines in 2012, and on a-year-on-year basis it decreased by more than 8% to approximately 2,070,000 telephone lines. Volume of calls in fixed networks of the company Telefónica, as the biggest provider of services in fixed network (expressed in number of minutes per one subscriber line), decreased by almost 14 %.

At the end of the first half of 2012 the transition to terrestrial digital broadcasting was completed in the last two territorial regions of Zlín and Jeseník, which effectively ended the transition process. Concerning the coverage of the population of the Czech Republic, until the end of 2012 broadcasting networks 1 to 3, i.e. public multiplex (network 1) and commercial networks 2 and 3, reached gradually the level of the range from 96.3 % to 99.6 %.

The company Telefónica transferred the allocation of radio frequencies for terrestrial digital television broadcasting (broadcasting network 4) to the company Digital Broadcasting s.r.o., which, gradually, during 2012 began its television broadcasting (DVB-T) with programs ČT HD, Nova HD and Óčko. Thanks to conspicuous development this broadcasting network reached approximately 86% of the coverage of the population of the Czech Republic by the end of the year.

The process of consolidation of the market of electronic communications in 2012 continued with the proviso that :

- a) From December the company MobilKom, which operates mobile network U:fon, came over under the new owner – company Air Telecom a.s. (hereinafter „Air Telecom“). All customer contracts of the company MobilKom remained in force. Air Telecom is subsidiary firm of the company N&F Marketing Group s.r.o., which succeeded in tender procedure organized by insolvency administrator. Previous owner of the company MobilKom was the company Divenno Holdings Limited, which controls, for example, the company Dial Telecom, a.s.
- b) The company Internethome, s.r.o., which was established in 2011 by spinning off from the company Telefónica Business Solutions, spol. s r.o., continued also in 2012 its gradual acquisitions of local providers of services of electronic communications by means of WiFi and optical lines. Almost 67,000 users is connected through the company Internethome, s.r.o.

¹ European Commission data within the framework of Digital Agenda Scoreboard.

2.2 Regulation of Electronic Communications Market

Within the framework of ex-ante regulation the CTU continuously monitored development of all segments of the market of electronic communications and principal development trend in fixed and mobile networks. Concerning the set of determined so-called „relevant markets“ the CTU continued in processing of their analyses also during 2012.

In processing analyses the CTU employed already established system of so-called workshops on which expert public can assert views and comments concerning proposals of analyses of relevant markets before opening of public consultations. The CTU received the data necessary for analysis of relevant market particularly through the system of electronic collection of data (ESD), approximately from three thousand registered entrepreneurs in electronic communications.

Probably the most important activity of the CTU in 2012 in the field of analyses of relevant markets was the completion of the process of establishment of new relevant market No. 8 – Wholesale market of access and call origin on public mobile telephone networks for ex-ante regulation and opening of its analysis. How the CTU stated already in 2011 at the beginning of this process, its intention is to create conditions for deepening of competition on the mobile market. The CTU constituted the new relevant market by its Measure of General Nature No. OOP/1/04.2012-4, which amends the Measure of General Nature No. OOP/1/02.2008-2, stipulating relevant markets and criteria for evaluation of significant market power. Subsequently, it prepared proposal of its own analysis of this market and in November 2012 it presented it to expert public in the workshop. On December 21, 2012 the CTU submitted the proposal of analysis for public consultation. In published proposal, elaborated on the basis of existing conclusions of the analysis, the CTU states that the market exhibits characteristics of tacit collusion. The CTU has proven that on this market companies Telefónica, T-Mobile and Vodafone dispose of joint significant market power. To support competition the CTU published document proposing application of selected remedial measures, which should primarily allow access to the market also to another providers of mobile services. Also in 2013 the CTU will continue in the process of analysis, and/or downstream process of imposition of remedial measures.

During 2012 the CTU continued to process analysis within the framework of the third cycle of analysis of relevant markets.

In the spring of 2012 the CTU particularly completed processing of the proposal of the analysis of relevant market No. 5 – Wholesale broadband access in the network of electronic communications and submitted it to the notification of the European Commission. In its proposal the CTU, on the basis of specific data and simultaneously on the basis of consumer survey performed, discovered mutual substitutability of individual technological platforms in some regions of the Czech Republic, through which data services are provided in fixed location (networks xDSL, CATV, FTTx and WiFi). The CTU in its proposal intends to orientate further regulation of the market only on those territorial regions, where, according to its findings, there is insufficient competition based on infrastructure. In remaining territorial regions of the Czech Republic the CTU intended to release existing regulation.

However, the European Commission disagreed with those conclusions and intention of the CTU. Despite the standpoint of the Association of the European regulatory authorities BEREC, which, on the basis of expert assessment supported the proposal of the CTU, the European Commission in its final decision called on the CTU to withdraw this proposal. Therefore, the CTU in August 2012 withdrew its proposal of the analysis of the market No. 5

and started processing its new version respecting requirements of the European Commission.

The CTU has prepared new proposal of the analysis of the market No. 5 together with the analysis of relevant market No. 4 – Wholesale physical network infrastructure access (including shared or fully unbundled access) at a fixed location, processing of which it started on February 29, 2012. Completion of analyses of these closely related markets will take place during 2013.

In June 2012 the CTU also launched the analysis of relevant market No. 2 – Call origination on the public telephone network provided at a fixed location. In December 2012 the CTU presented the proposal of the analysis in the working meeting held with expert public. The CTU expects that it will complete the analysis in the first half of 2013.

In December 2012 the Office launched works in the analysis of the relevant market No. 1 – Access to public telephone network at a fixed location. Also completion of this analysis, as well as other analyses which were not launched in 2012, the CTU expects during 2013.

2.3 Development in Principal Segments of Retail Market

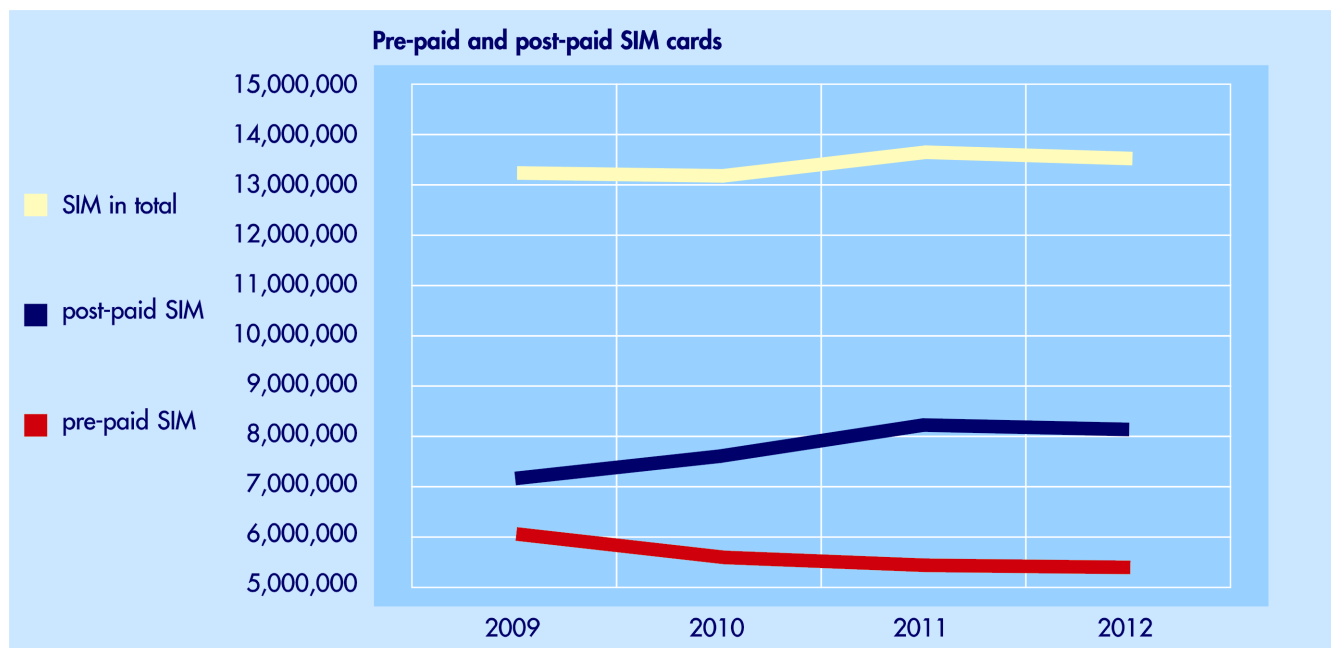
2.3.1 Services Provided in Mobile Networks

In the period monitored of 2012 four business subjects operating mobile networks and providing mobile services were active on the mobile market, and namely companies Telefónica, T-Mobile, Vodafone and Air Telecom (formerly MobilKom).

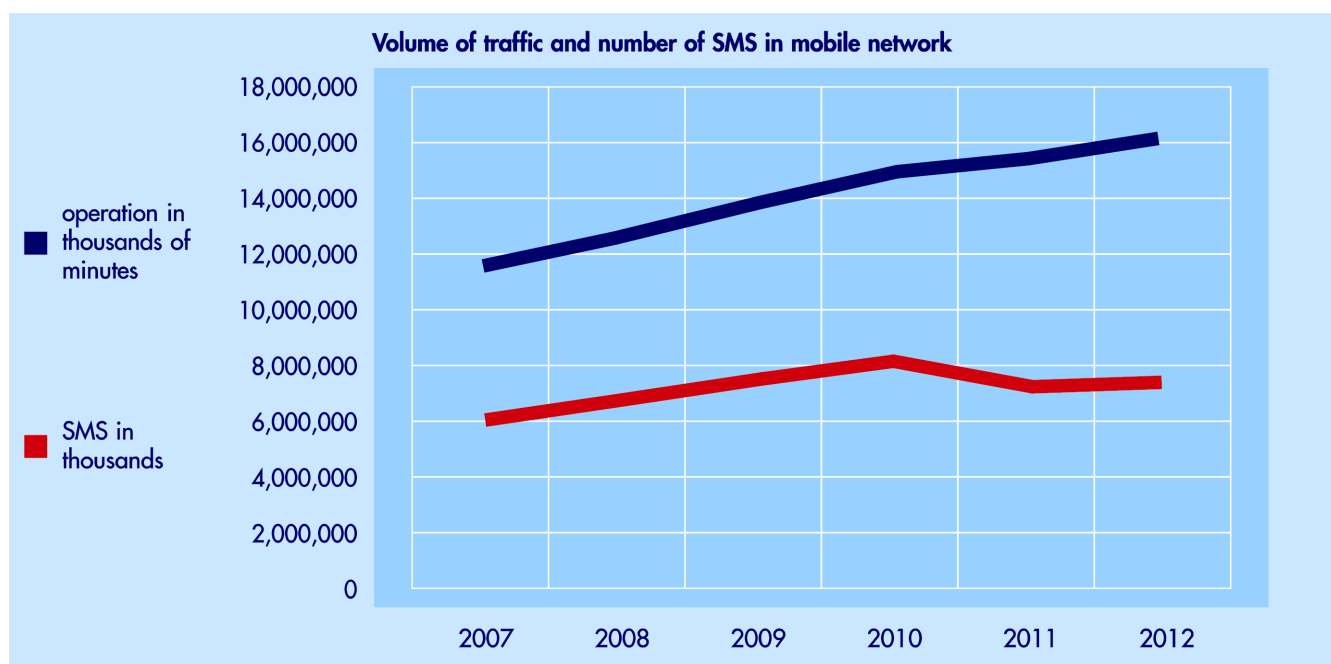
According to preliminary data the number of active SIM cards on December 31, 2012 was 13,500,000. The total number of active SIM cards reported by mobile operators, as compared with 2011, decreased, albeit less than by one percent.

Considering the fact that the total number of subscribers has ceased to grow, particularly transfer of subscribers among individual providers occurs. Transition among individual providers is available for subscribers and competition environment on the market is supported also by the possibility to transfer telephone number when changing provider. The CTU supported portability of numbers in the second half of 2012 by its new Measure of General Nature No. OOP/10/10.2012-12. New conditions related particularly to shortening of total time necessary for portation of number and extension of possibility to transfer number also to cases where subscribers gave notice to existing operator before.

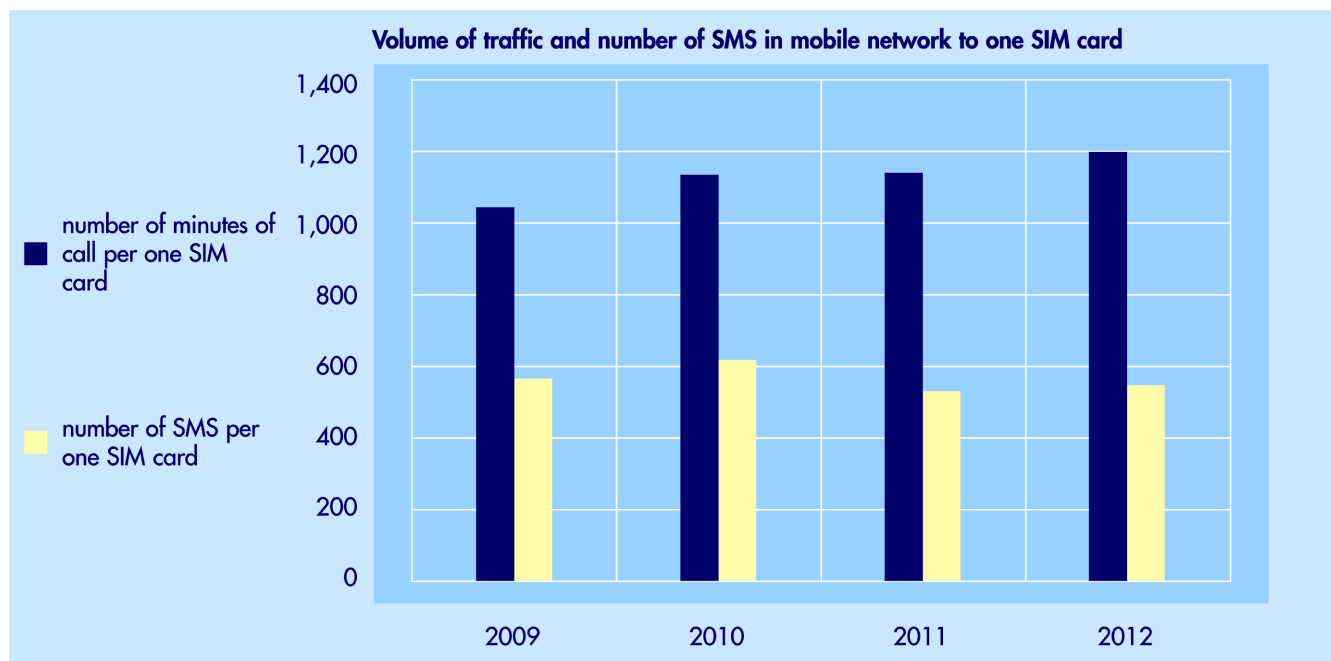
Market shares of individual operators on the market, expressed in the number of SIM cards, are relatively stable during last years. Development of the number of active SIM cards in mobile networks (and divided to post-paid and pre-paid) is given in the following graph.



Volume of operation of voice calls originated by subscribers of mobile networks in 2012 slightly increased (on a year-on-year basis by almost 5 %) and the number of SMS reports sent from mobile networks (without roaming) increased by approximately 3.5 %.



Average originated operation, expressed in real minutes of call per one active SIM card in 2012 was approximately 1,200 real minutes and the number of sent SMS was 550.

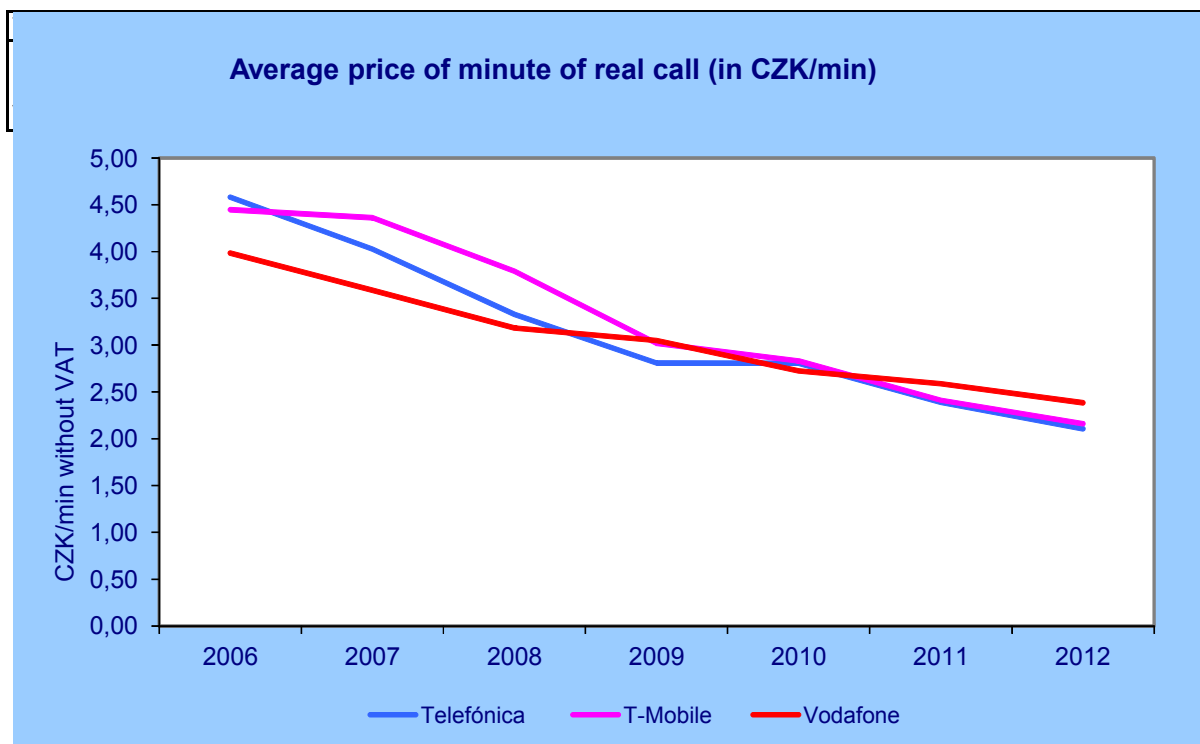


Comparison of prices of services provided in mobile networks

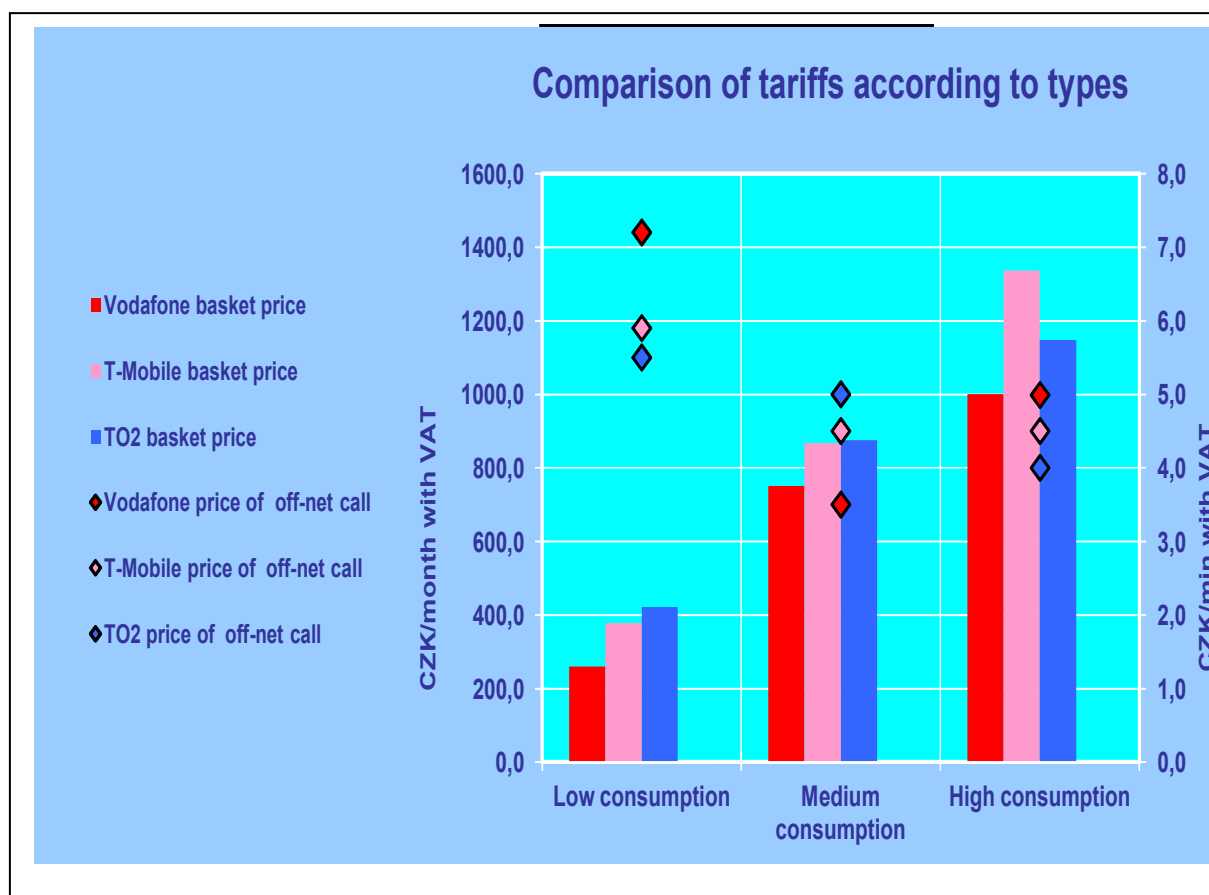
In 2012 the CTU completed the methodology comparing prices of services of mobile call, which it published on its [internet pages](#) in connection with launching of the so-called [price barometer](#).

One of two methods described in the above mentioned methodology and employed by the CTU in price barometer for comparison of development of prices of mobile services is the comparison of average prices for a minute of real call. The average price consists of superstructure packages which allow customers to call free in defined periods of time within the framework of flat fee (for example on weekends), and free minutes provided within the framework of individual flat fees or unlimited calls to selected numbers after determined lump sum is paid. This price therefore represents average revenue of operator for each minute of real call to all networks. Also the European Commission employs the average price per minute of call in international comparison of level of prices.

Within the framework of this comparison the CTU also examined difference between average price for mobile call for business and non-business customers of all three operators. The data reported in the middle of 2012 show that average price of business subjects is, in summary of all three mobile operators specified below, by 24 % lower as compared to non-business subjects.



The second method employed by the CTU for comparison of development of prices of mobile services represents the method of calculation of prices using retail consumer baskets. The following graph represents the lowest price of consumer basket for low, medium and high consumption of each of three mobile operators compared. Results used in comparison of cheapest tariffs are from the 4th quarter of 2012. They are the tariffs without commitment and relate to pre-paid and post-paid customers. The total monthly price of the basket is illustrated by columns in the following graph and minute price of call to other network (off-net call) by coloured dots.

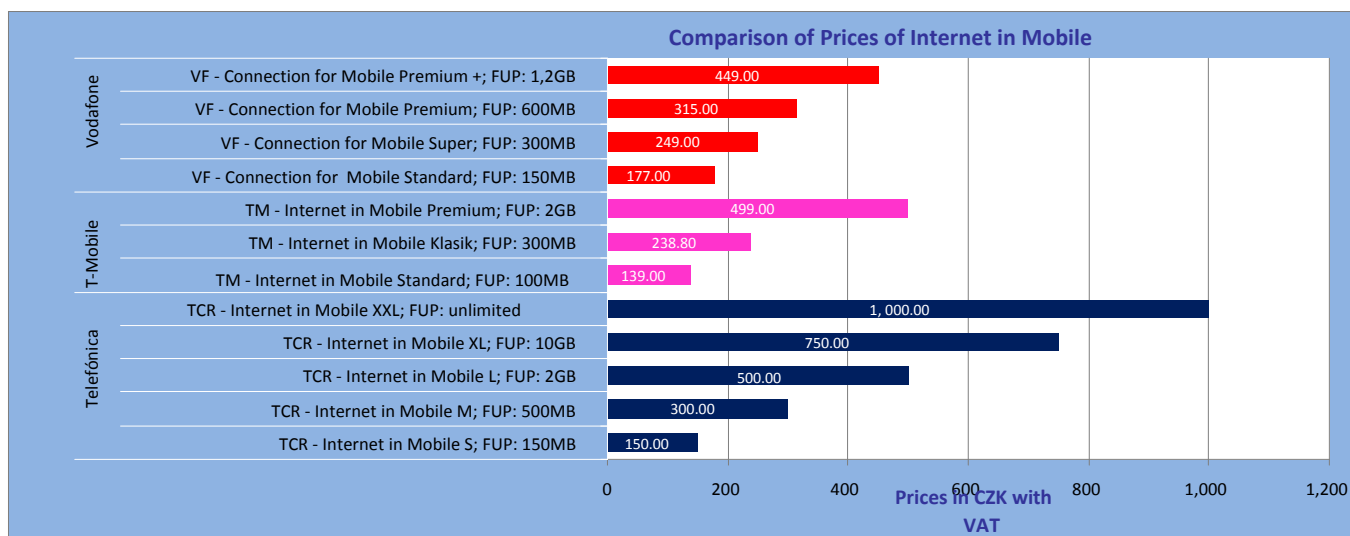


Note.: Off-net call represents calls to other mobile networks and fixed networks of tariffs represented in a given basket.

Comparison of retail prices for data downloading of mobile operators

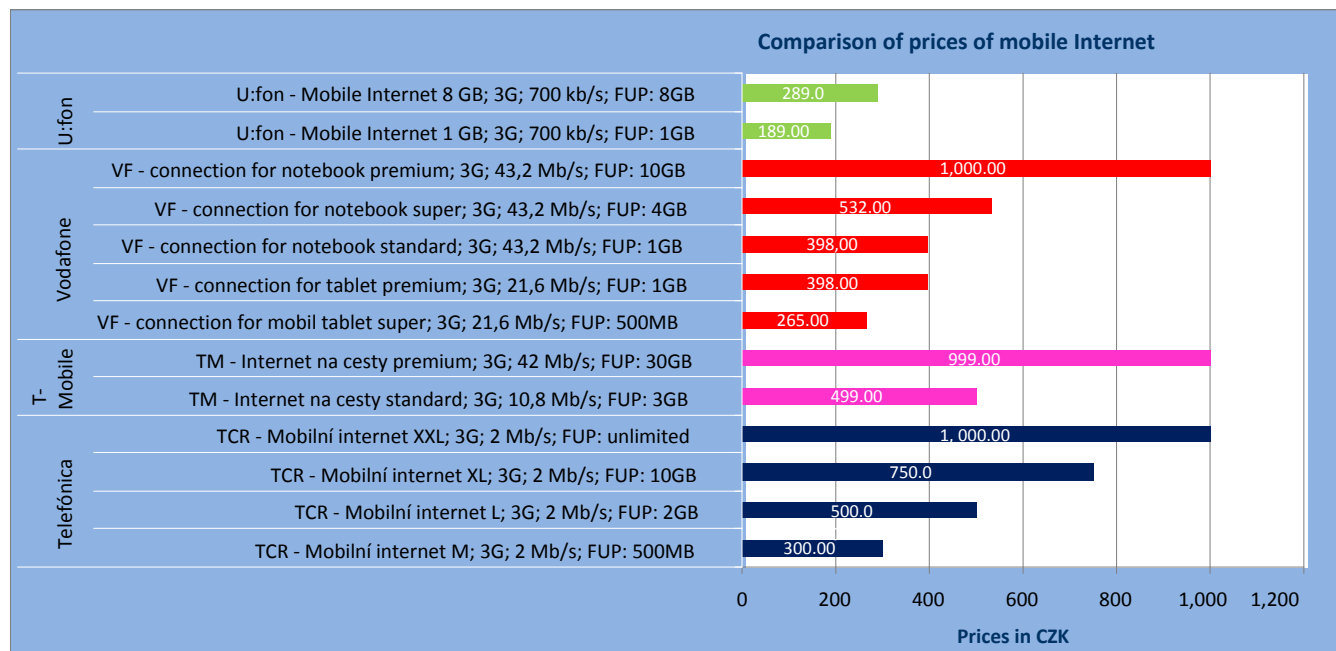
The services of mobile access to the Internet network are alternative of broadband access in fixed networks. Mobile operators offer two types of mobile connection – Internet in mobile and mobile Internet using modem.

The graph below represents offer of mobile operators of Internet services in mobile at the end of 2012. Individual offers of operators are compared according to tariffs having different data limit (FUP). In contrast to preceding year companies Vodafone and Telefónica extended their offers by tariffs with data limit. The company T-Mobile increased its data limit of one of its existing tariffs.



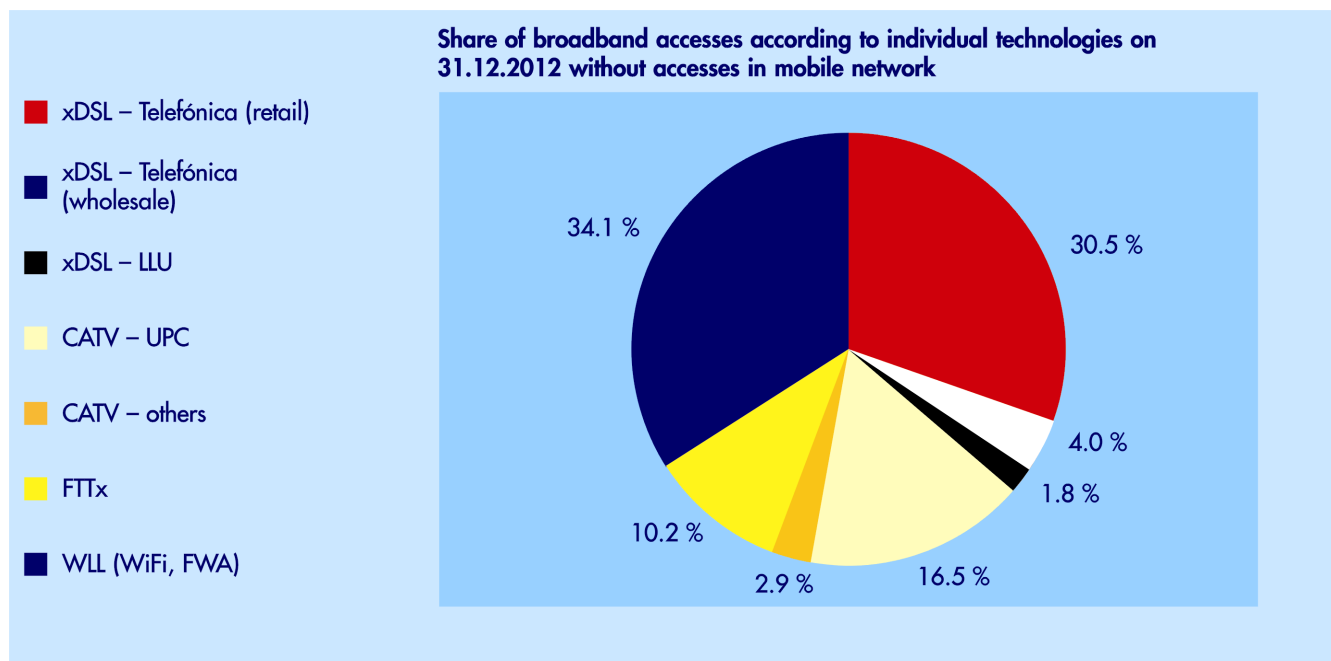
In case of second variant of data mobile services, i.e. mobile Internet using modem, price comparison is shown in the following graph. It compares prices of tariffs of mobile Internet of individual operators at the end of 2012. Tariffs offered differ in speed which can be attained in data downloading and in data limit.

The company Air Telecom which operates mobile services under the brand of U:fon, changed the structure of tariffs offered both in the change of prices, and the change of data limits. The company Vodafone extended its offer, for example, by tariffs earmarked for tablets and increased overall speed for data downloading of all tariffs. The company T-Mobile also increased speed for data downloading of one of its tariffs.



2.3.2 Services of Broadband Access

In 2012, as well as in preceding years, market share expressed in number of accesses has changed only a little on retail market of services of broadband connection. The most represented technologies on the retail market are access xDSL and WLL (they include all fixed radio accesses and access by means of WiFi), which together form approximately 70% of share in the market of broadband access to the Internet network. The highest year-on-year increase of market share registered access through optical networks FTTx and wireless (WLL) accesses. Current situation in the market of retail access to Internet network is shown in the following graph.



Note.: Only preliminary data by the end of 2012 are given in the graph for segment FTTx, CATV – others and WLL (i.e. WiFi, FWA).

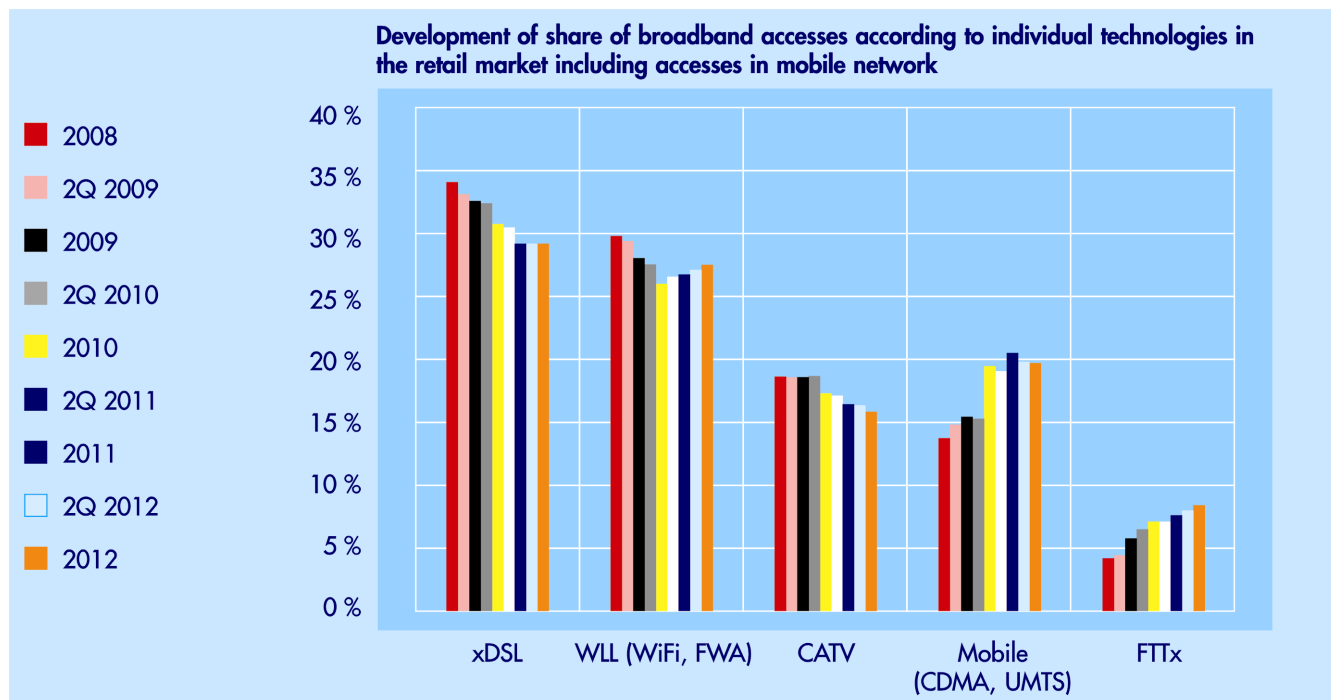
Gradual decrease of shares of xDSL and CATV technologies on the market of broadband access to the Internet network in favour of other technologies, particularly FTTx and access in mobile networks, is in harmony with expectations of the CTU and the trend in other European Union countries where development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

In the Czech Republic FTTx access are offered predominantly by small local providers. The company Telefónica, which the CTU designated as the enterprise having independent significant market power on the wholesale market of broadband access, currently owns its own optical access networks in a very limited extent only. The graph below, however, shows that on the Czech market accesses through wireless technologies WLL maintain their positions during last years (in particular, accesses in non-licensed bands – WiFi accesses), what is the exclusive characteristics of the Czech market against other European markets. This development therefore proves that wireless accesses are not forced out by other technologies often offering higher transmitting speeds.

Mobile accesses have their place in the market also because they are often „accessory“ to the implementation of broadband access in fixed location. Particularly in the years to come we can expect increase of share of broadband accesses by means of mobile

networks and also in connection with future utilization of frequencies of the so-called Digital dividend.

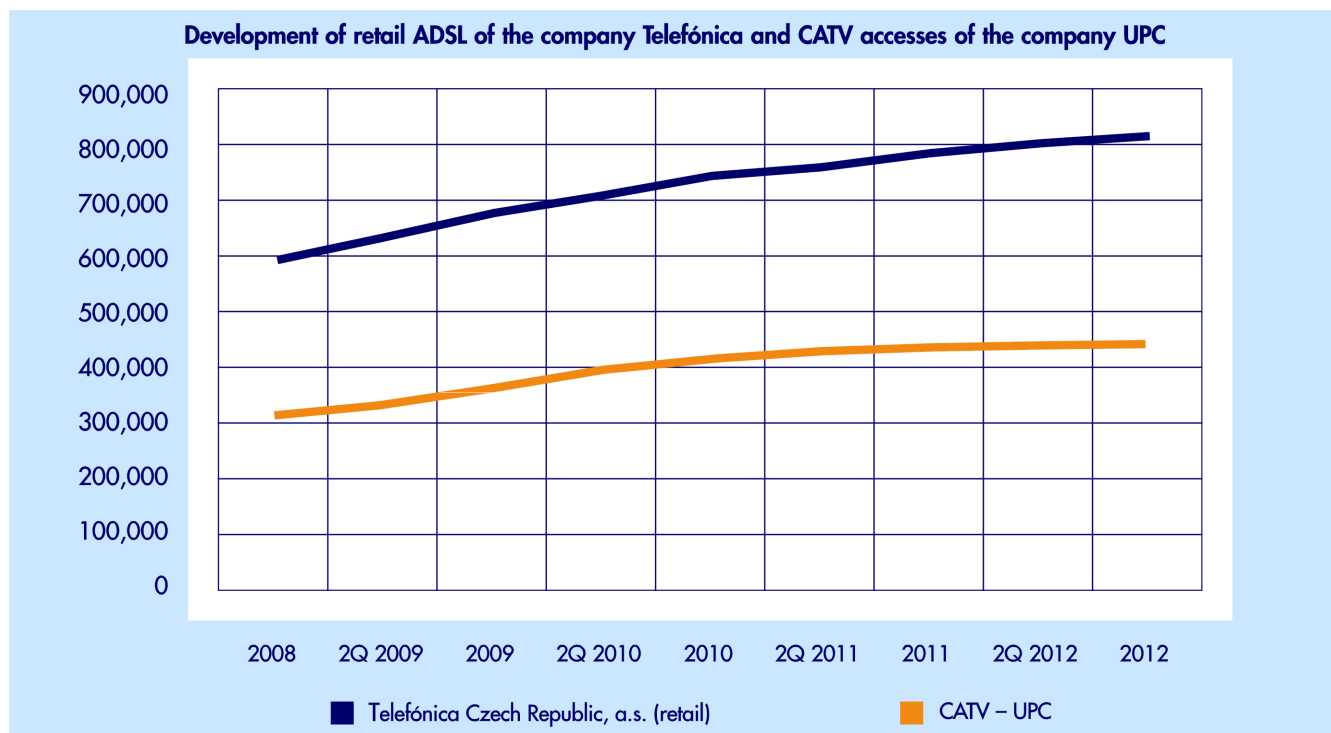
The above trends of expansion of competition on the basis of infrastructure, was taken into account by the CTU also in the first proposal of new analysis of relevant market No. 5 – Wholesale broadband access, as shown in Section 2.1 of this Report. Trends of development of share of broadband accesses to the Internet network depending on individual technologies in the retail market between 2008 and 2012 is documented in the following graph.



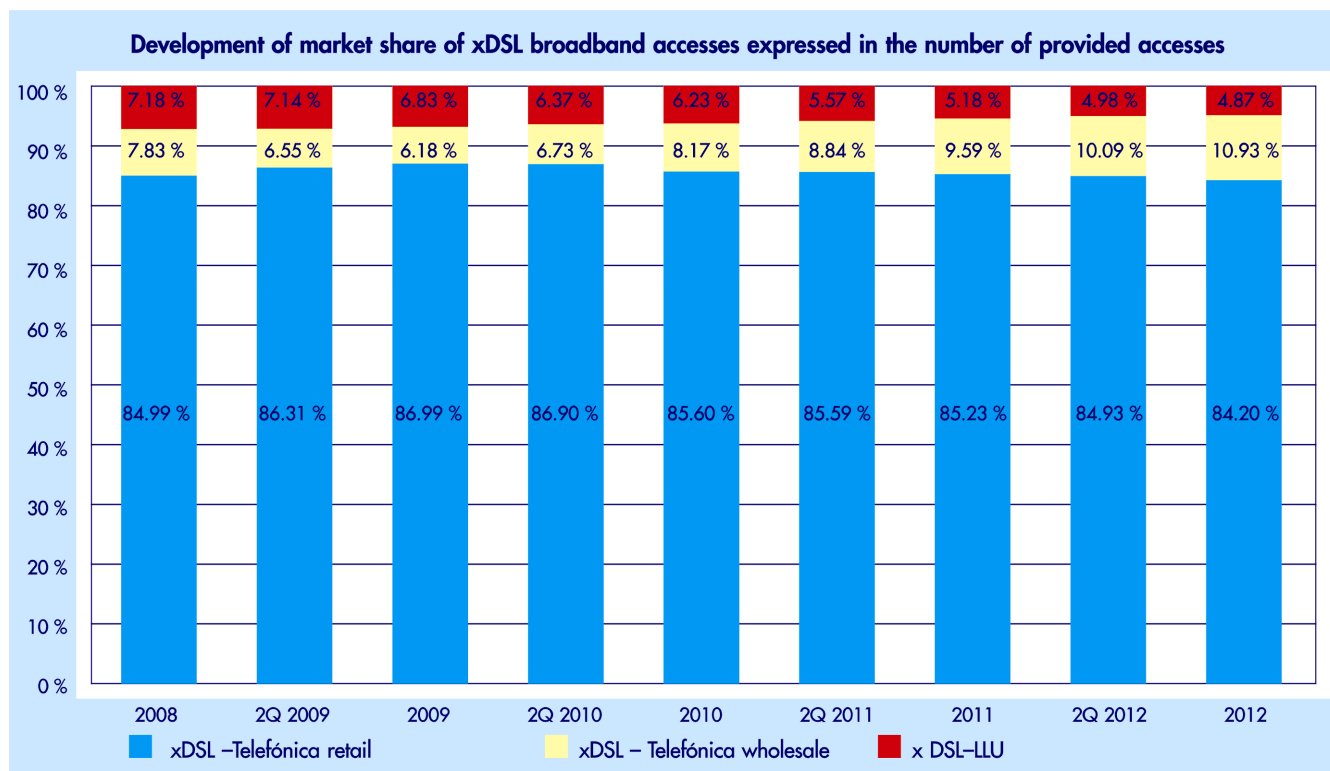
Note.: The graph shows preliminary data of 2012 for segments FTTx, CATV and WLL (tj. WiFi, FWA)

For the information the following graph shows development of the number of retail accesses of two biggest providers in the retail market of broadband access to the Internet network. 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 distribution of cable television (CATV).

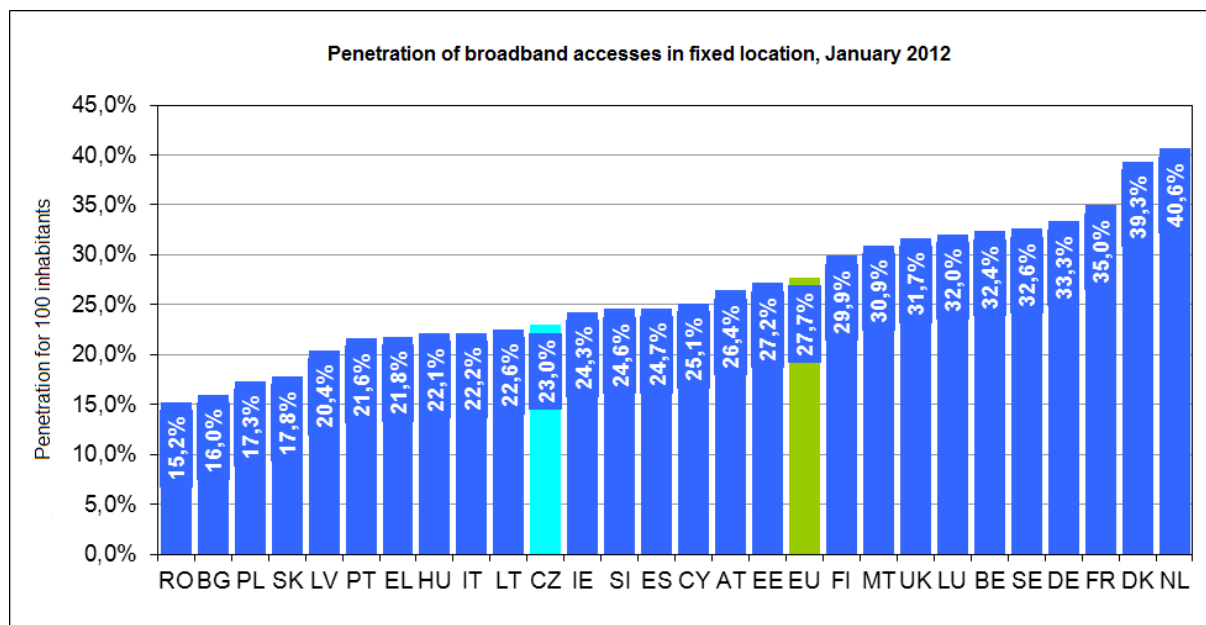
It is obvious from the following graph that the rate of growth of the number broadband accesses of both companies gradually decreases in favour of increasing share of accesses of other companies providing services of broadband access to the Internet using technologies WiFi, FTTX and in mobile networks.



From the point of view of regulated segment of the market of services of broadband access to the Internet network, i.e. services based on xDSL technology, important indicator of development of the market in 2012 was decrease of share of services of the company Telefónica on the retail market. How the graph below shows, retail shares of the company Telefónica increased relatively until the second half of 2009. Starting from this period gradual decrease of share of retail xDSL accesses of the company Telefónica in this period can be observed. The reason is the growth of the number of wholesale xDSL accesses, which the company Telefónica sells to other alternative operators. In particular, the entry of the company T-Mobile in 2010 in the market of broadband accesses increased dynamics of this trend. The graph also shows continuing decrease of share of unbundled subscriber loops (LLU) on total offer of xDSL accesses in 2011 and 2012. It is obvious that alternative providers prefer the offer of purchase of wholesale access to data flow to utilization of wholesale offers of local loop unbundling.



From the point of view of international comparison (see the following graph) it is obvious that penetration of services of broadband access to the Internet network in the Czech Republic is permanently increasing (from 14.7 % by the end of 2007 up to 23 % in January 2012). In comparison with other European Union countries, however, the values of penetration attained in the Czech Republic are still below average (the average of the European Union is 27.7 %).



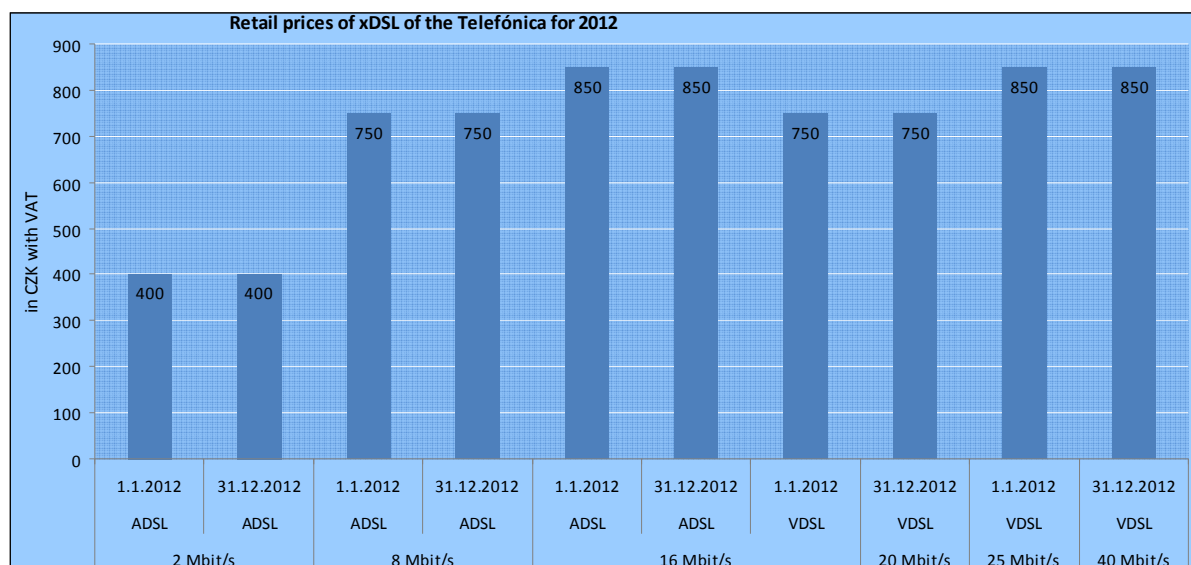
Source : European Commission 2012.

Retail prices of services of broadband access

In 2012 long-term development of growth of speeds provided, accompanied by relative decline of prices, continued on retail market of fixed broadband access to the Internet network. In continuation to technological changes from the preceding year 2011 and introduction of offers of services by means of VDSL technology, another increase of maximum speed for data downloading (downstream) was registered with the company Telefónica at the level of up to 40 Mbit/s together with gradual expansion of offers of subscriber connections having this technology. Increasing maximum speed for data downloading (downstream) is characteristic in 2012 also in case of another providers of broadband access, for example on the basis of CATV technology for the company UPC.

In absolute terms, as early as in 2012, no conspicuous decrease of prices was registered as it was in preceding year. Bigger decrease can be seen particularly in company UPC in connection with transition to new product series of services having higher speeds for data downloading. Concerning the company Telefónica, for the whole period of 2012 apparent stabilization of retail prices of majority of services of broadband connection to the Internet network was visible with the exception of higher speeds with VDSL technology. Using more detailed monitoring of prices of these services we can state decrease of prices from CZK 850 to CZK 750 monthly in services with the speed of up to 25 Mbit/s and introduction of new service with the speed of up to 40 Mbit/s.

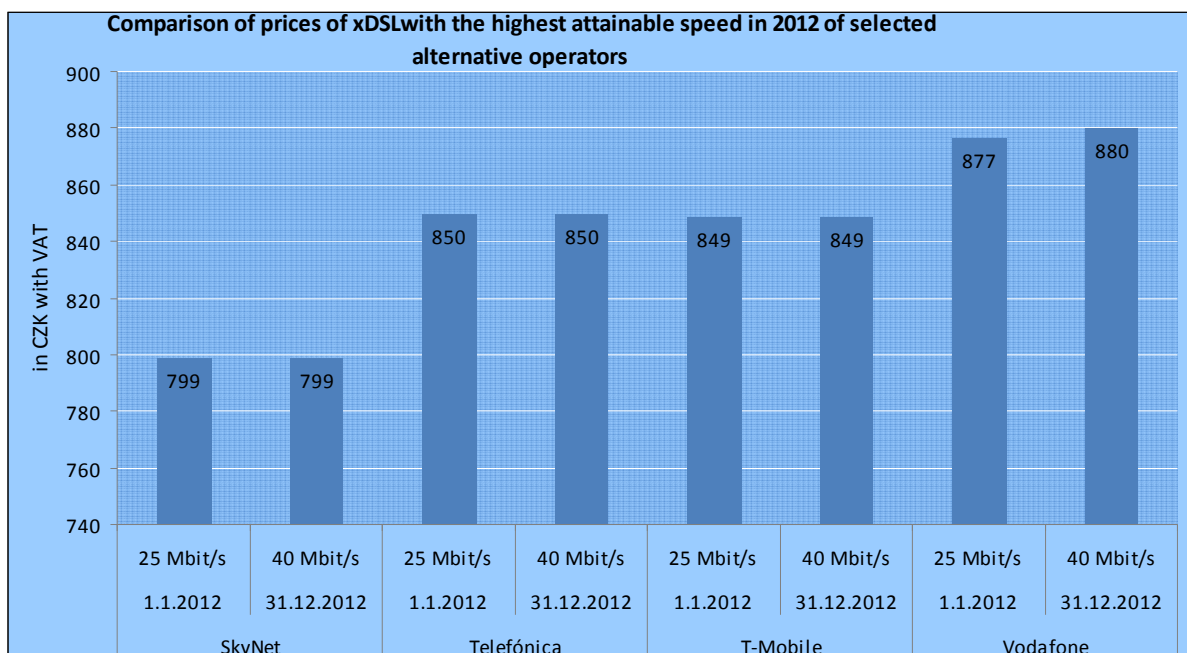
The level of prices of individual speeds of retail offer of access to the Internet network of the company Telefónica for 2012 is shown in the following graph.



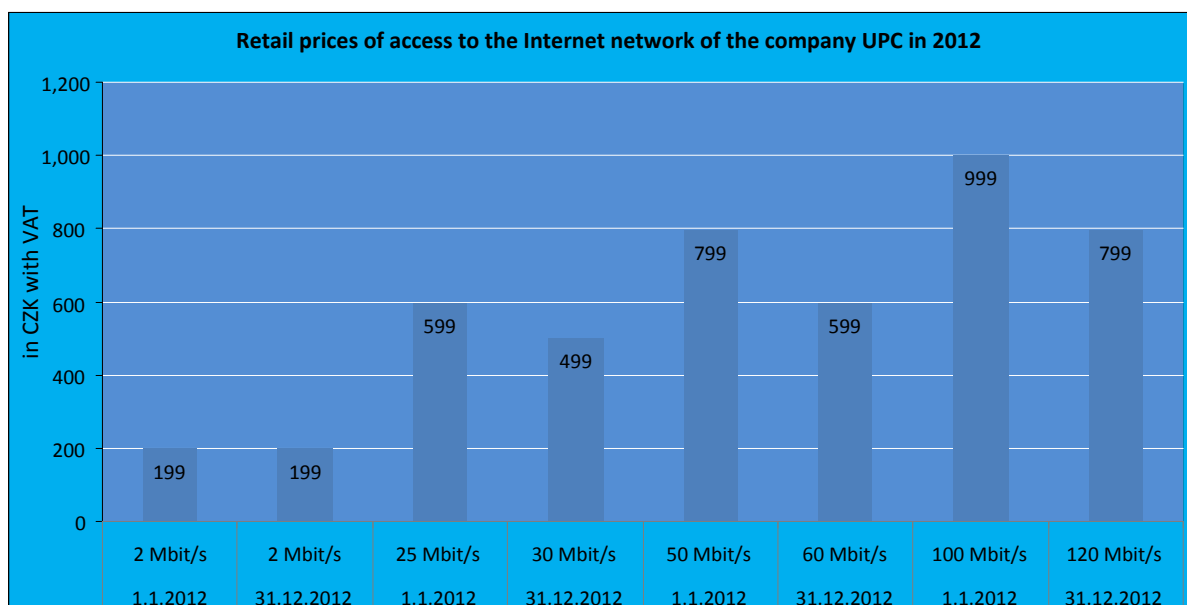
It is obvious from the graph that in higher speeds the company Telefónica differentiated prices depending on technology of access to the Internet network. For example, for monthly price of CZK 850 it was possible to receive, by means of ADSL technology, the service with maximum speed of up to 16 Mbit/s, whereas in locations having technology VDSL available it was possible to get for the same price the service with maximum speed of up to 40 Mbit/s, the highest speed available by the end of 2012.

In the following graph offers of four significant operators offering their services by means of xDSL technology on the domestic market are compared. The graph compares the

price of services of access to the Internet network with the highest available speed at the beginning and at the end of 2012 of individual operators.



Offers of another significant company in the retail market of broadband connection, company UPC, is documented in the following graph.



Overall, we can state that the lowest speed provided during 2012 was the service with the speed of up to 2 Mbit/s with the price of CZK 199 per month and, vice versa, the highest attainable speed of up to 120 Mbit/s was available for the price of CZK 799 CZK per month.

From the point of view of mutual comparison of fastest services of two biggest retail providers of access to the Internet network, the company Telefónica (service with the speed of up to 40 Mbit/s and the price of CZK 850/month) and the UPC (the service with the speed of up to 120 Mbit/s and the price of CZK 799 /month), it is obvious that the service of the

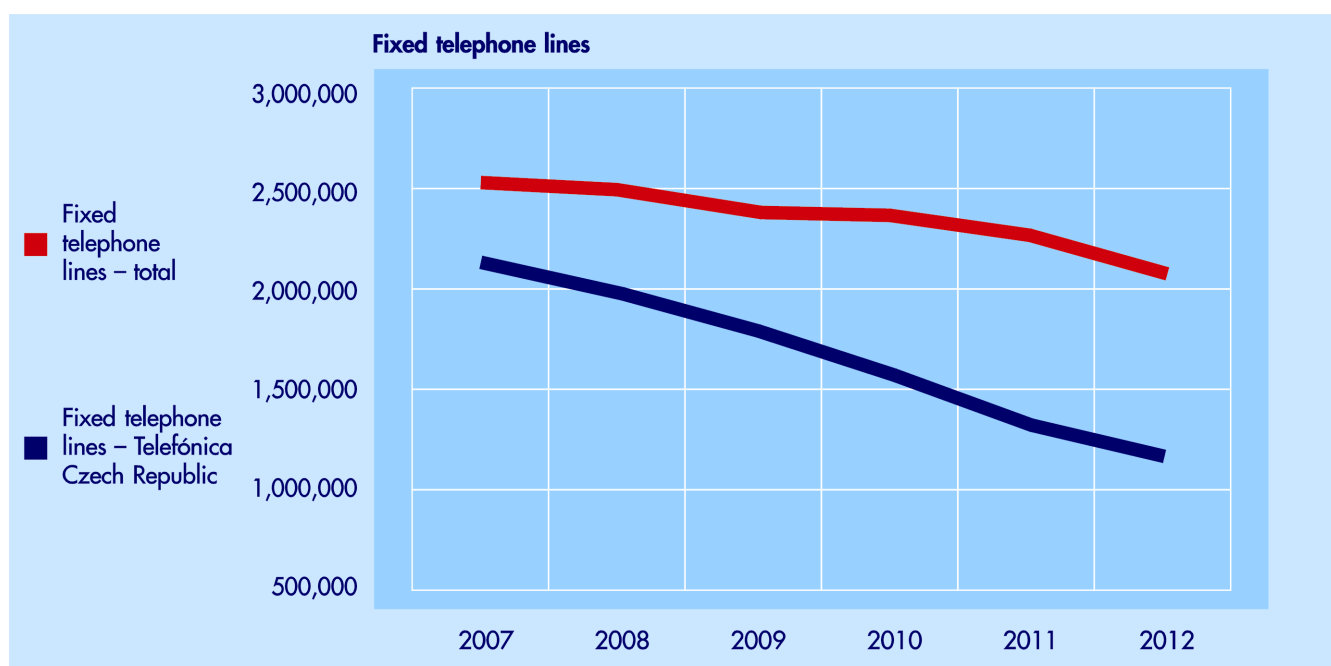
company UPC was (in nominal expression) 3x faster than the service of the company Telefónica. When converting it to unit speed of 1 Mbit/s the service of the company Telefónica was CZK 21.25 per month whereas the service of the company UPC was CZK 6.66 CZK per month.

2.3.3 Voice Services Provided in Fixed Networks

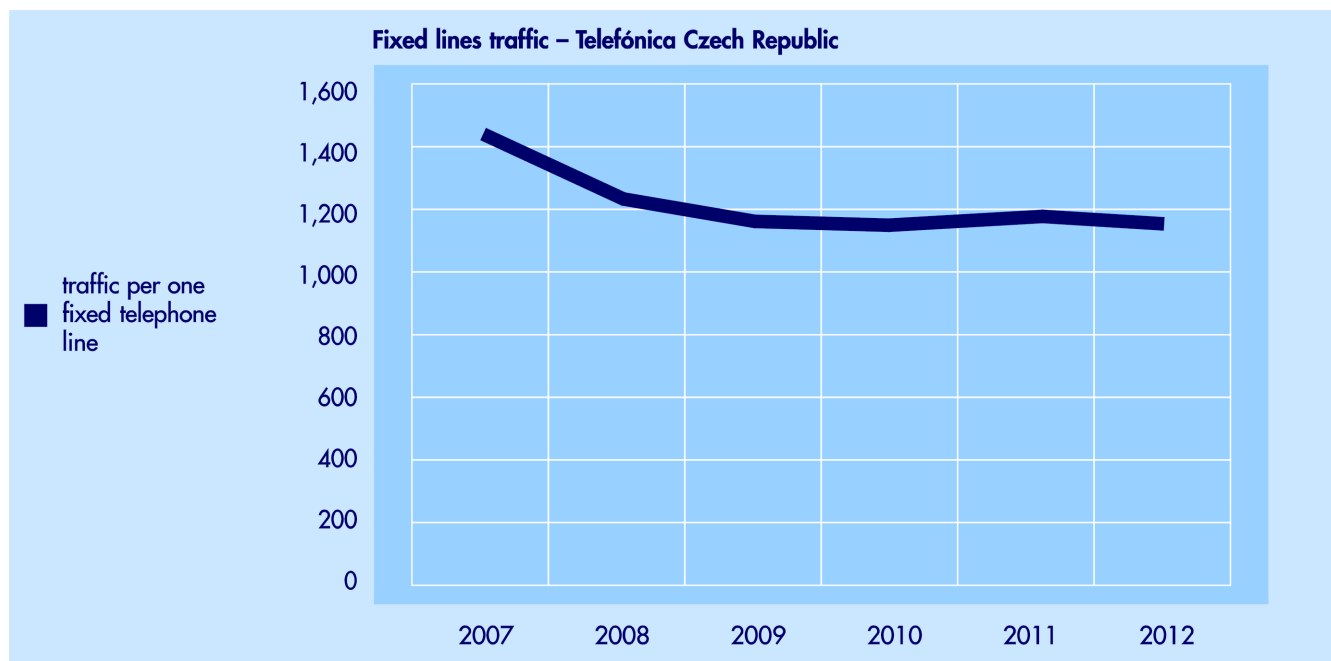
To the most important companies, that worked in 2012 in the market of telephone services in fixed location, belonged particularly companies Telefónica, UPC, T-Mobile, GTS Czech s.r.o. (hereinafter „GTS“), Dial Telecom a.s. (hereinafter „Dial Telecom“), RIO Media a.s., Czech Radiocommunications a.s., IPEX a.s., ČEZ ICT Services, a.s. and Unient Communications, a.s. Privileged position in provision of publicly available telephone services in fixed network in 2012 still retained the company Telefónica.

Although during 2012 the trend of expansion of offer of services continued by means of new technologies in the field of voice services, particularly voice services through VoIP, the development of this market continues to be influenced by migration of subscribers of voice services from fixed networks to mobile networks. Operators continued to offer services in different forms of packages to its customers.

In 2012 the total number of subscribers of voice services provided in fixed networks, expressed in number of telephone lines, decreased, according to preliminary data, on a year-on-year basis, by more than 5 % to approximately 2,070,000 telephone lines. The decrease was more conspicuous with the company Telefónica and reached more than 12 % (see the graph below).

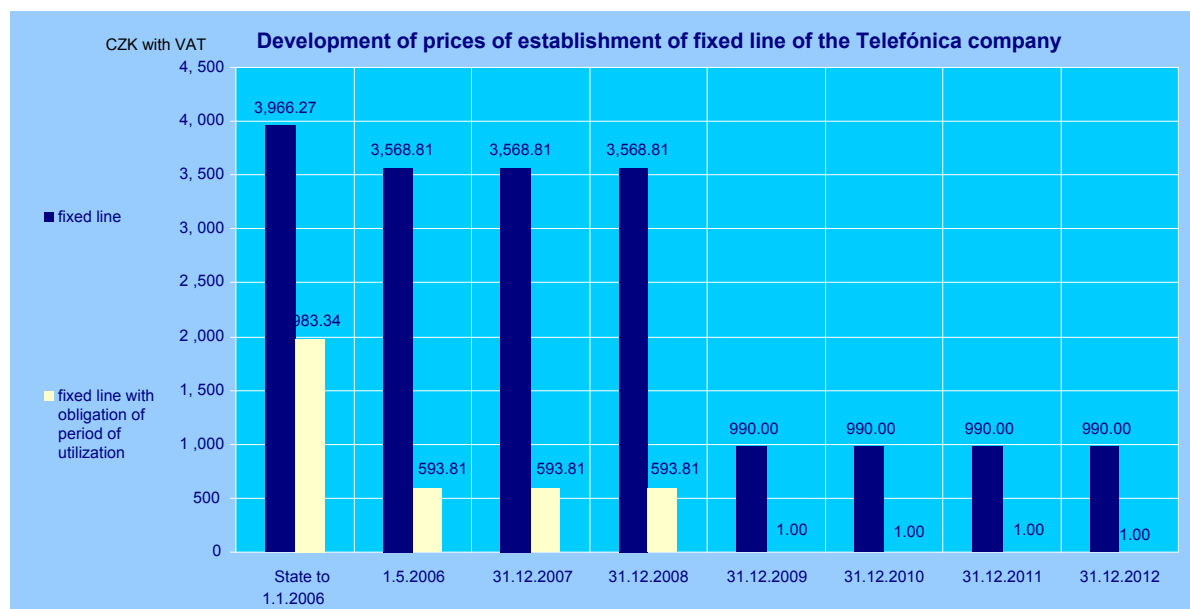


The decreasing number of subscribers in 2012 was accompanied also by the decrease of volume of operation in fixed networks. It can be documented in retail development of the volume of operation of calls in minutes attributable to one subscriber station of the biggest provider of publicly available telephone service, the company Telefónica, expressed in one subscriber station in minutes (see the graph below).

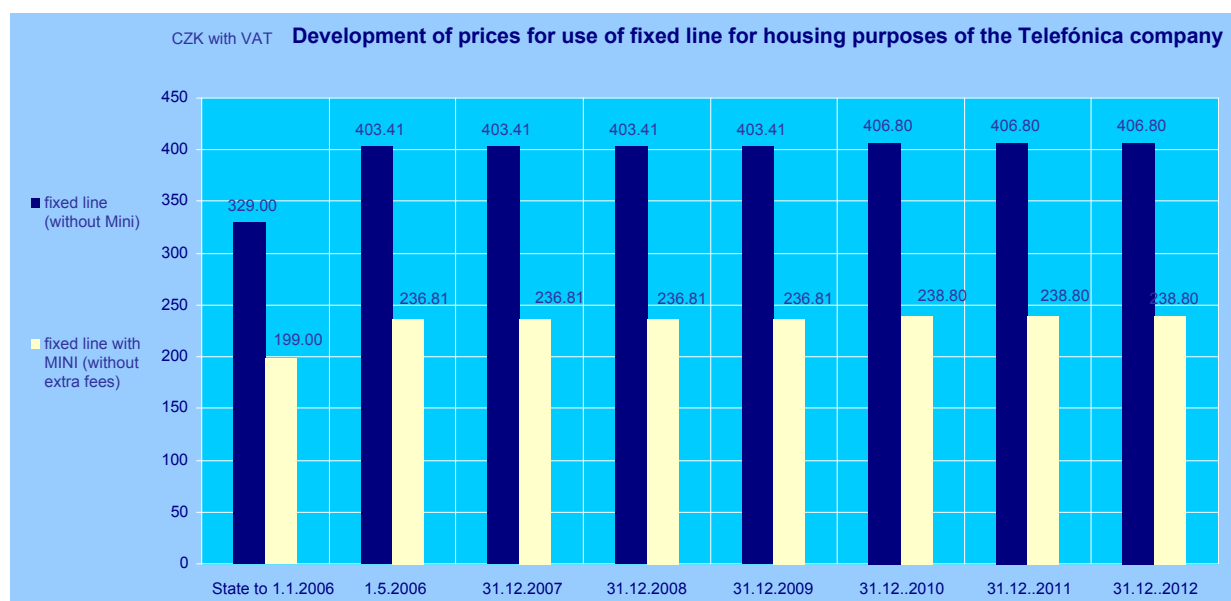


Development of prices of voice services in fixed networks

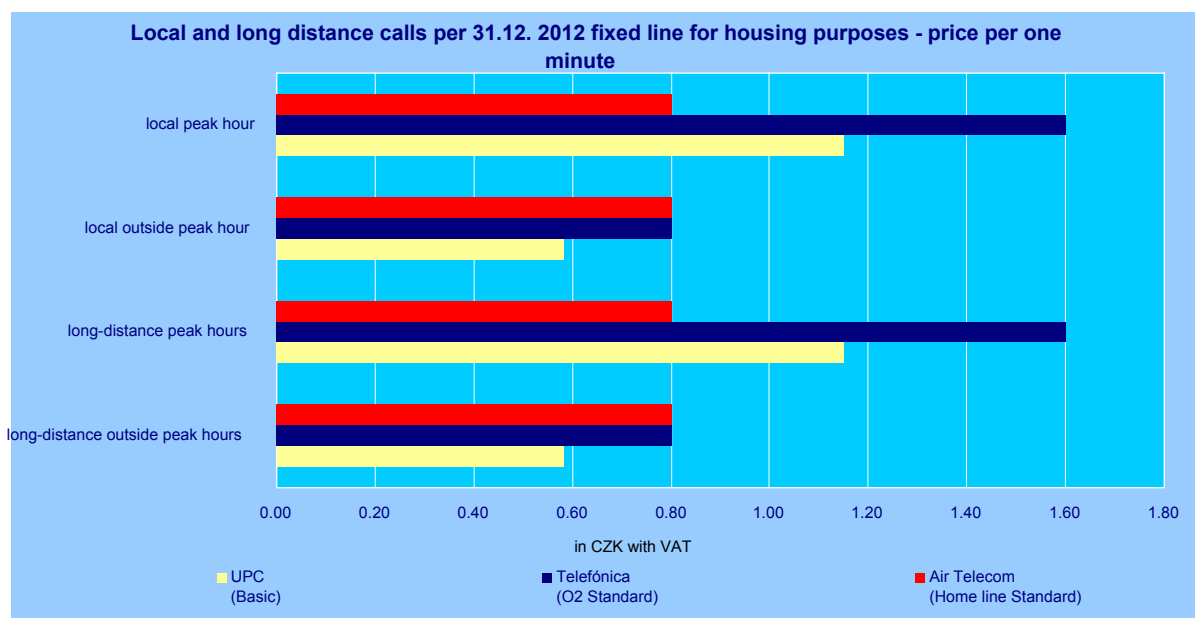
Development of prices of voice services in fixed networks is illustrated in the following graph. Considering position of the company Telefónica on this market, the graphs of services of establishment and utilization of fixed line represent prices of this company. Concerning telephone services (call) the graphs represent prices of significant operators providing telephone services by means of fixed networks. Graph representing development of prices for utilization of fixed line for housing purposes shows monthly prices when only voice services are utilized.



Note.: Since the end of 2011 the company Telefónica dissolves the price of establishment of fixed line in the basic price of individual tariffs.



Comparison of prices of local and long-distance calls in 2012 of fixed lines according to offers of individual significant operators is shown in the following graph.



Note.: The graph illustrates standard prices for one minute of call, average prices are, therefore, not shown after free minutes, free calls within the framework of networks of operator, or the tariffication were taken into account.

2.4 Development of Prices of Selected Wholesale Services

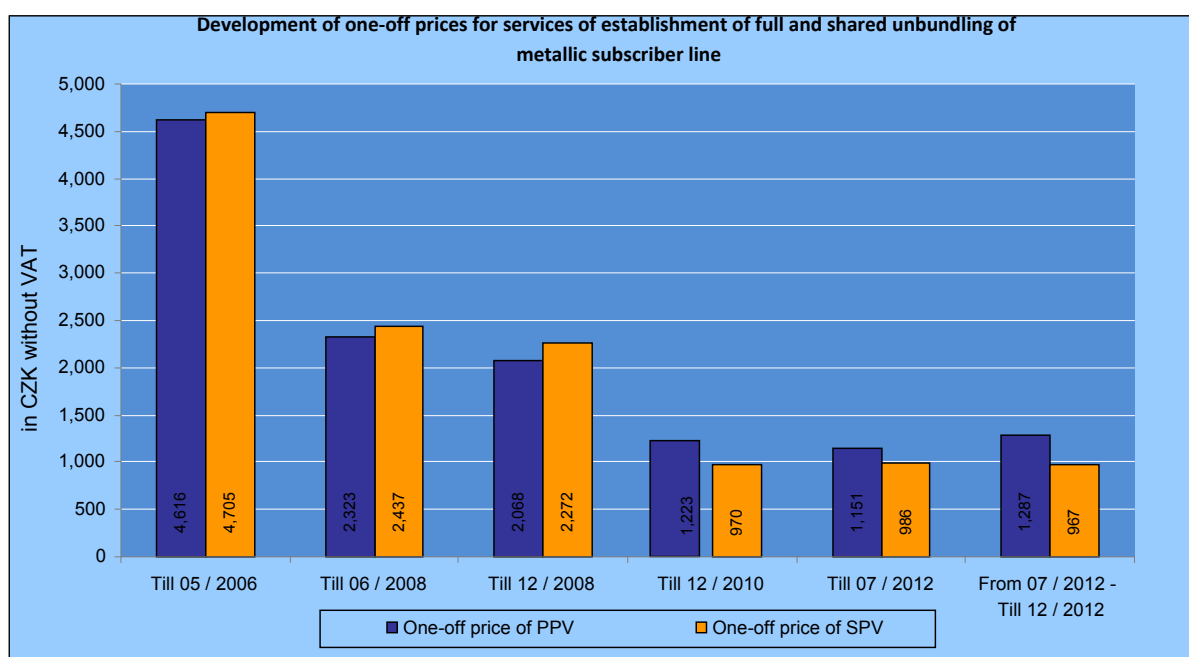
During 2012 the CTU also monitored the level of prices of selected wholesale services. Currently the CTU applies price regulation to selected wholesale markets only, usually on prices which operators pay among themselves. The target of price regulation applied is to support development of competitive environment and, thanks to available wholesale services, to allow alternative operators to offer competitive retail services to end users.

In 2012 the CTU applied price regulation in the form of determination of maximum prices towards enterprises with significant market power in the wholesale market of call origination on the public telephone network at a fixed location (market No. 2), wholesale market of call termination on individual public telephone networks provided at a fixed location (market No. 3), market of wholesale (physical) network infrastructure access (including shared or fully unbundles access) at a fixed location (market No. 4) and wholesale market of voice call termination on individual public mobile telephone networks (market No. 7).

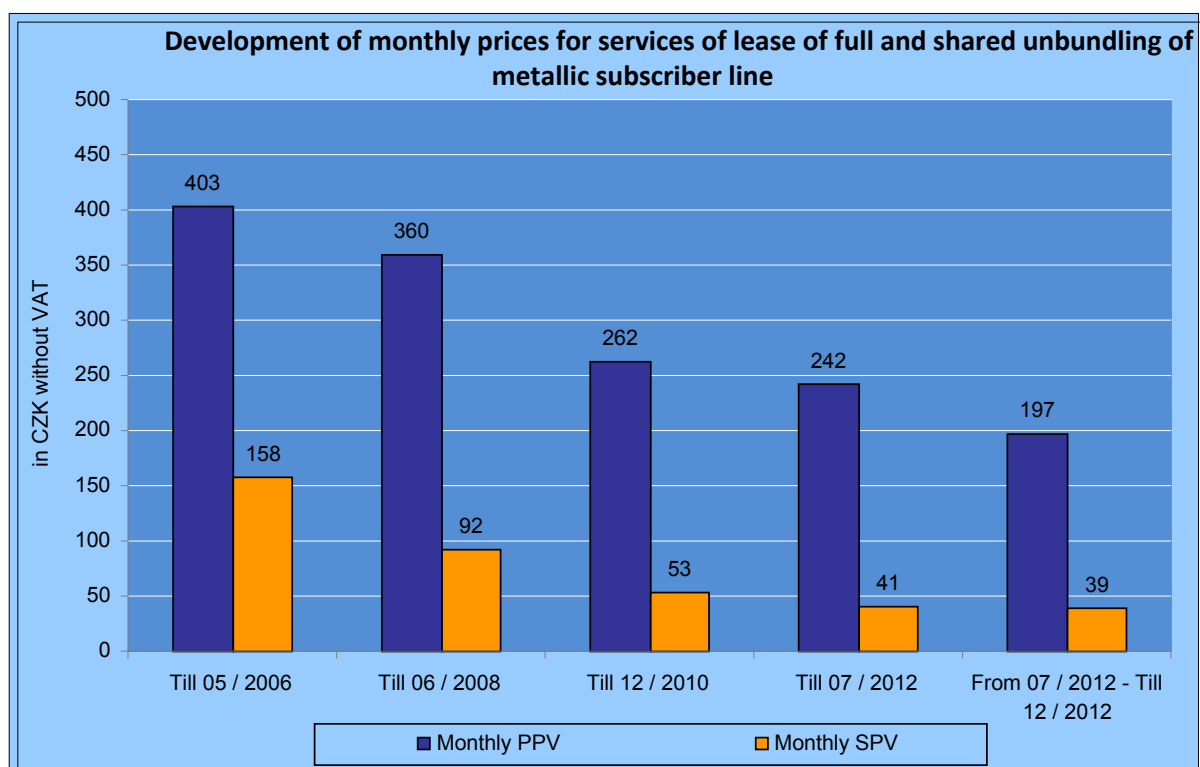
Wholesale market – unbundling of subscriber line

During 2012 the Office verified if determined maximum regulated prices are cost oriented considering results of separated records of costs and revenues of the company Telefónica in the previous period. On the basis of results of investigation the CTU newly determined maximum level of wholesale regulated prices on this market to take into account effectively and efficiently spent costs, relevant risks and a return on investments in reasonable time period. New decision on price No. PRICES/4/06.2012-1 became legally effective on June 26, 2012. The Decision, inter alia, reduced monthly prices for services of full unbundling from CZK 242 to CZK 197 and those of shared unbundling from CZK 41 to CZK 39.

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



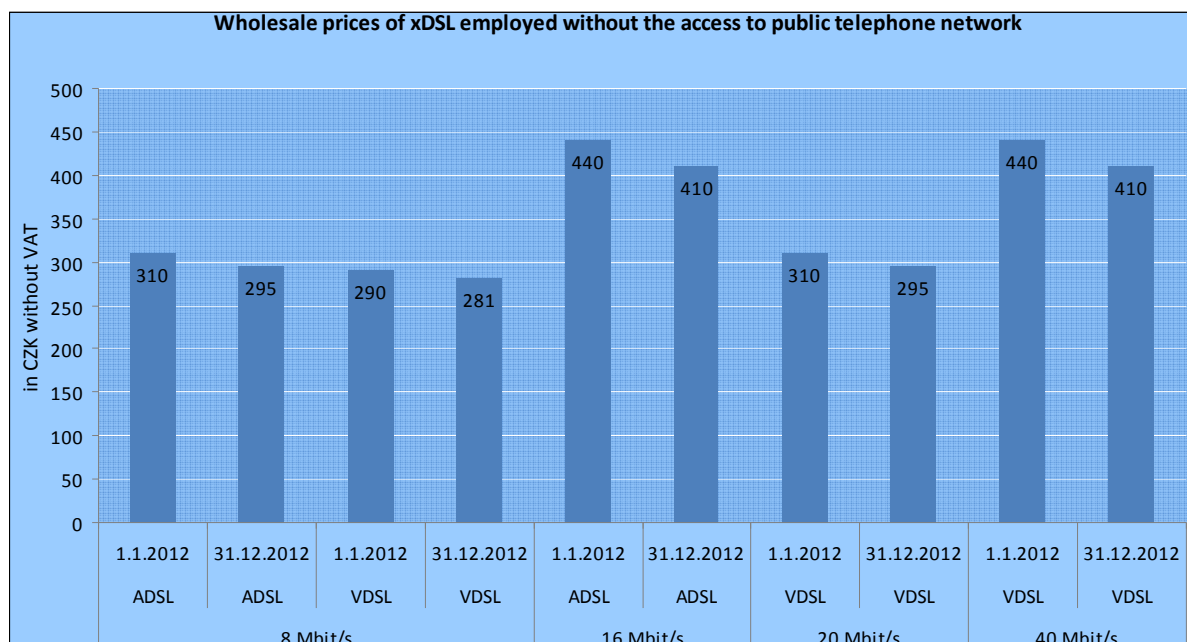
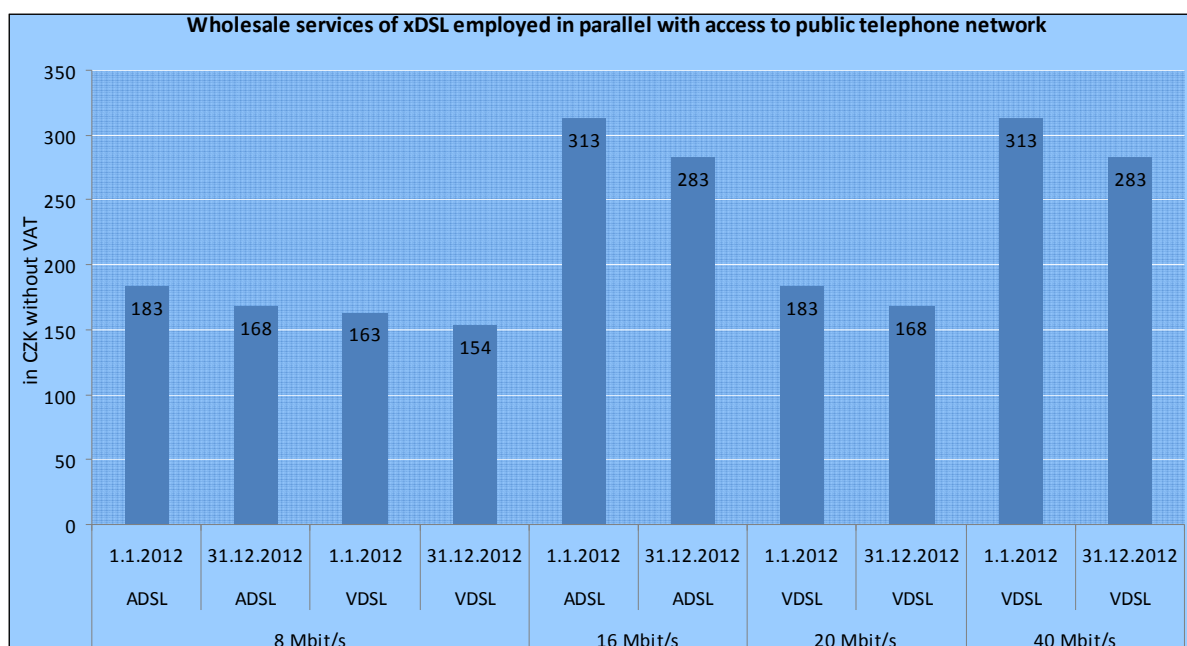
Note : PPV – full unbundling, SPV – shared unbundling



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

Wholesale market of broadband access to the Internet network

In 2012 the company Telefónica reduced prices of offered wholesale services. The offer includes, in parallel, services having the same speed but different price, depending on technology employed (ADSL vs. VDSL). When comparing the two similar services we can discover that the service provided by means of VDSL technology is cheaper. The fastest service (up to 40 Mbit/s) is available through VDSL technology only. A brief comparison of the situation at the end and the beginning of 2012 is shown in the following two graphs. The first one is for the services of „dressed“ xDSL², the second one for „naked“ xDSL³.



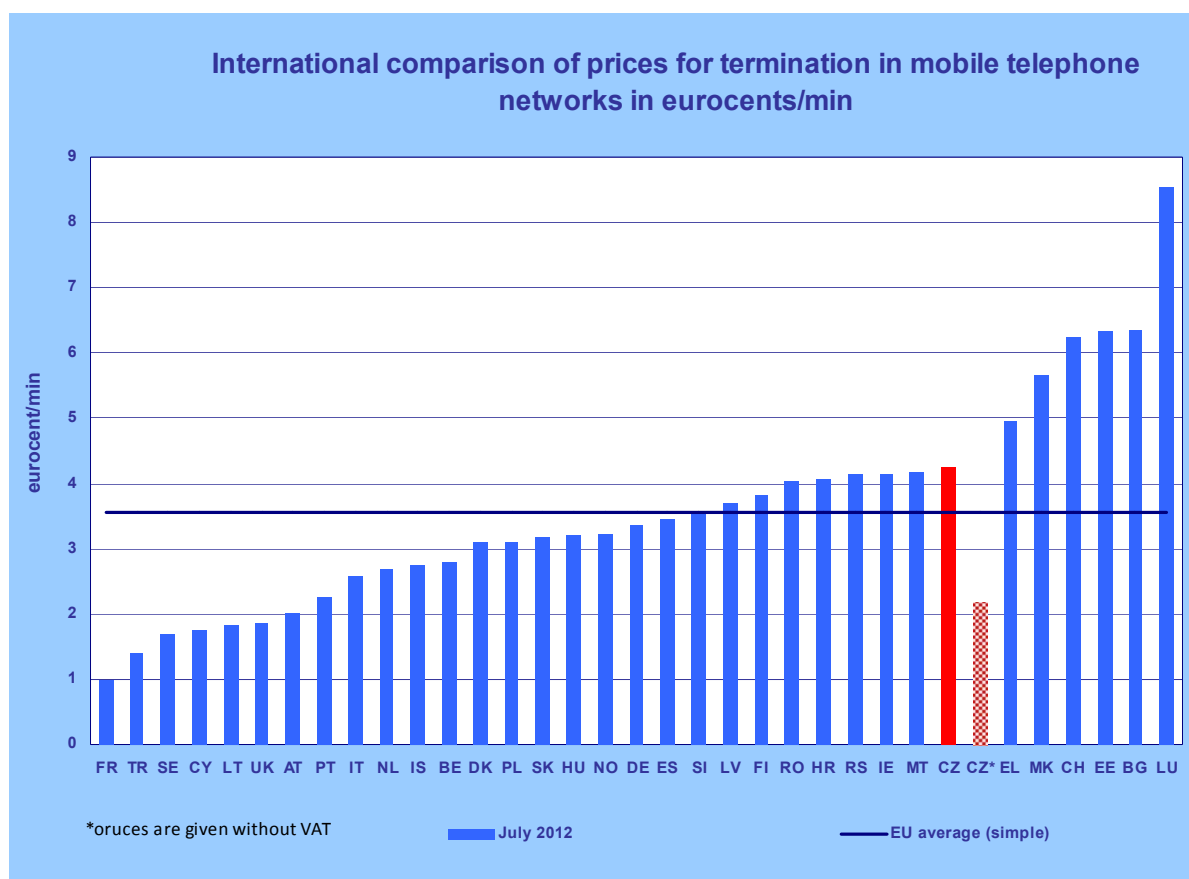
² i.e. services which are available while paying the price for access to public telephone network and which is the active „classic“ publicly available telephone service.

³ i.e. services where it is not necessary to continue to pay also independent price for access to publicly available telephone service and which is not the active „classic“ publicly available telephone service.

Wholesale market call of termination (termination) in individual public mobile telephone networks

In July 2012 the CTU reduced, through its three decisions on price for mobile operators Telefónica (No. [PRICES/7/07.2012-4](#)), T-Mobile (No. [PRICES/7/07.2012-3](#)) and Vodafone (No. [PRICES/7/07.2012-2](#)), wholesale prices for termination of call in mobile networks from CZK 1.08 to CZK 0,55 (i.e. 49 %). By the end of 2012 the CTU it promulgated, following the implementation of the Recommendation of the European Commission from May 7, 2009 on Regulation of rates for termination of call in fixed and mobile networks in the European Union, another two decisions on price thereby further reducing wholesale prices for termination of call in mobile network gradually to CZK 0.27 effective from July 1, 2013.

In the following graph of international comparison of prices for termination of call the price specified in eurocents/min. for the Czech Republic is above the average of prices usual in other countries of the European Union. The graph also brings forward prices for termination after the last reduction (see above).



Note : Prices are given without VAT

2.5 Regulation of 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. 531/2012 dated June 13, 2012 (hereinafter „Regulation“), the CTU performs monitoring of and supervision over observance of this Regulation and monitors development of

wholesale and retail prices for provision of voice and data services including SMS to roaming customers. New modification gradually follows previous regulation on roaming effective from July 1, 2012. Regulation will be effective until June 30, 2022.

On the basis of the Regulation retail price ceilings of outcoming and incoming roaming calls within the framework of regulated service, the so-called eurotariff, were reduced from July 1, 2012, and the so-called euro-SMS tariff was introduced in roaming SMS. New price ceiling was also introduced for retail prices of regulated roaming data services. All three mobile operators apply prices in harmony with the Regulation on international roaming – see the following table (the data in the table indicate prices without VAT).

In CZK/min. without VAT	from 1. 7. 2010			from 1. 7. 2011			from 1. 7. 2012			
	outcoming call	incoming call	SMS	outcoming call	incoming call	SMS	outcoming call	incoming call	SMS	data
Regulated maximum prices	9,94	3,82	2,80	8,59	2,70	2,70	7,20	1,99	2,23	17,38
Vodafone	9,92	3,79	2,79	8,58	2,70	2,70	7,20	1,98	2,23	17,37
T-Mobile	9,94	3,82	2,80	8,59	2,70	2,70	7,17	1,98	2,23	17,37
Telefónica	9,94	3,82	2,75	8,58	2,67	2,67	7,16	1,92	2,17	16,67

On the basis of ongoing monitoring of observance of conditions of Regulation, the CTU launched administrative procedure with companies Telefónica for violation of the Regulation because this company, for some time (approximately 6 weeks), did not apply tariffication of data eurotariff per individual kilobytes (kb), but per each started 100 kb. Incorrect tariffication of data services concerned only some users. Within the framework of administrative procedure the CTU imposed on the company Telefónica the fine at the amount of CZK 50 000, taking into consideration the fact that the company immediately, after it has discovered this misconduct, removed this fault and fully compensated amounts charged incorrectly.

All Czech GSM operators also apply the obligation stipulated by the Regulation to provide to all its customers with at least one financial limit to roaming data downloaded on the territory of the EU/EES, which cannot exceed the amount of € 50 (from July 1, 2012 the limit corresponds to the amount of CZK 1,241.40 without VAT).

2.6 Tender Procedure (Auction) for Frequencies 800, 1,800 and 2,600 MHz

During the first half of 2012 the CTU prepared promulgation of tender procedure (Auction) for allocation of rights for utilization of radio frequencies in bands of 800, 1,800 and 2,600 MHz in harmony with the document „The approach of the Czech Telecommunication Office to the administration of selected parts of radio spectrum focusing on provision of services of high-speed access during the period until 2012“, endorsed by the Government of the Czech Republic.

The steps of the CTU during preparation of the Auction followed its activities in 2011, when the Office processed and published for comments proposal of basic principles of this tender procedure. The target of this document was to acquaint expert public with intentions of prepared Auction and to give it the opportunity to comment these intentions.

On March 20, 2012 the CTU published the draft of full text of the Invitation to tender to public consultation. One part of this draft included also the Auction regulations, conditions determined for coverage of population and territory and procedure for dealing with cases of jamming of reception of terrestrial television broadcasting. During public consultation the CTU prolonged the deadline for submission of comments concerning documents published until May 11, 2012, particularly because of importance of tender procedure and also at the request of the Ministry of Industry and Trade. Within the deadline determined altogether 31 subjects submitted their comments. The Office, in collaboration with advisor for preparation of conditions of tender procedure, the company Grant Thornton Advisory, subsequently prepared settlement of all comments received.

Considering the importance of the Auction for the whole market of electronic communications, the CTU informed about the whole process of preparation of its conditions both departmental Ministry of Industry and Trade, and the Government of the Czech Republic.

Tender procedure was de facto launched on July 12, 2012, when the CTU published complete documentation of Invitation to tender. Within the deadline for submission of tenders, September 10, 2012 the CTU received tenders of companies Telefónica, Vodafone, T-Mobile and PPF Mobile Services a.s. The CTU performed evaluation of tenders submitted from the point of view of satisfaction of all conditions of participation and on September 17, 2012 it confirmed that tender of all companies complied with determined requirements.

In order to exercise the Auction procedure in harmony with the Act No. 137/2006 Coll., on Public tenders, the CTU performed selection of supplier with suitable electronic platform, which became Austrian company Alladin-IT OG. In the past this company repeatedly ensured electronic auctions of radio frequencies for Austrian national regulating authority RTR. Before launching of electronic auction phase of tender procedure the selected contractor exercised modification of electronic auction platform pursuant to conditions stipulated in the Invitation to tender and Auction regulations, conducted training of representatives of tenderers of Auction and two testing auctions simulating conditions of real Auction.

The electronic Auction phase proper was opened according to determined time schedule on November 12, 2012. Taking into consideration ongoing interest of tenderers, expressed in repeated submission of tenders in individual rounds of the Auction, electronic phase of the Auction of tender procedure was not completed within the deadline expected, nor by the end of 2012. On March 8, 2013 the Chairman of the CTU's Council decided about the cancellation of tender procedure.

2.7 Telephone Number Portability

Conditions of number portation

During the first half of 2012 the CTU prepared new proposal of the text of the Measure of General Nature stipulating technical and organizational conditions for implementation of portability of telephone numbers and principles for charging prices among entrepreneurs in connection with portability of telephone numbers (hereinafter „Measure“). The CTU proceeded to the change of Measure in harmony with relevant provisions of the Amendment of the Act on Electronic Communications No. 468/2011 Coll., which is to transpose reviewed wording of the European regulatory framework for the networks and services of electronic communications into Czech legal order.

The text of this proposal responded to comments which the CTU received in December 2011 within the framework of public consultation concerning previous proposal of the text of the Measure, and also included comments which representatives of professional associations, representatives of operators of public mobile and fixed communication networks and the Ministry of Industry and Trade raised during the working meeting,

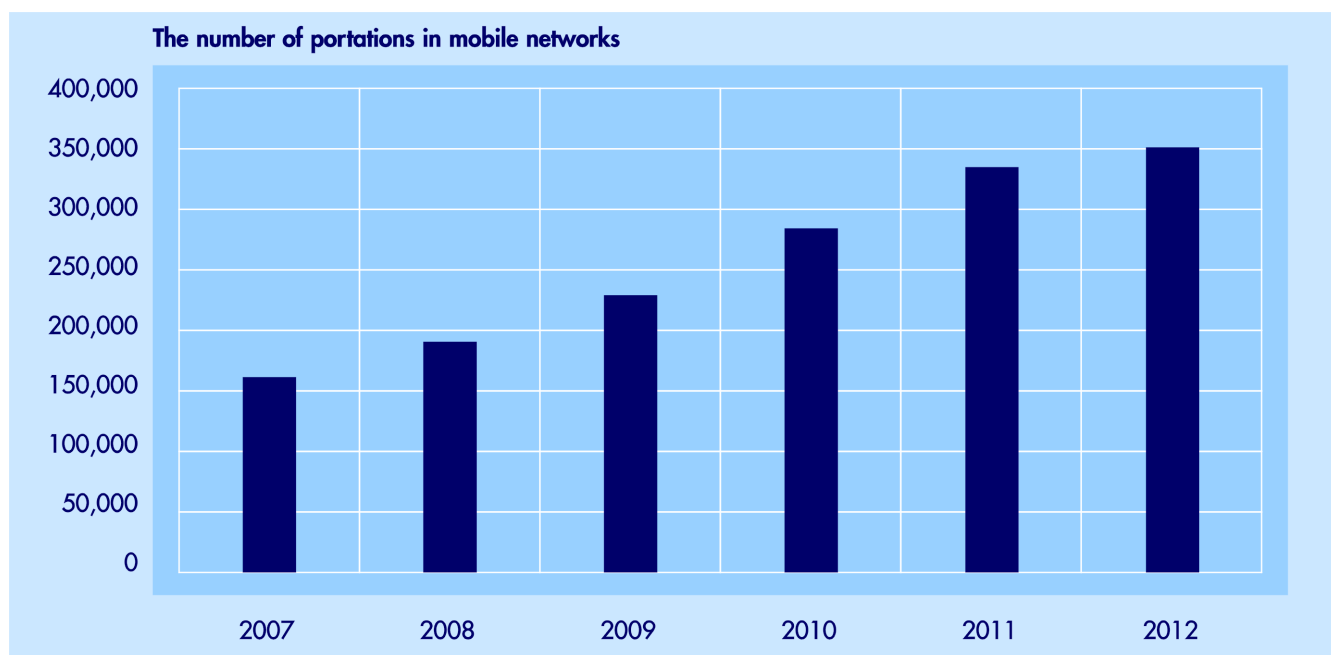
On September 12, 2012 the CTU started public consultation of the draft Measure. After the settlement of comments received the CTU's Council, on October 30, 2012, approved final wording of Measure which was published by the CTU on November 2, 2012 on its web pages, including settlement of comments from public consultation. Full text of the Measure of General Nature No. [OOP/10/10.2012-12](#) was published on November 2, 2012 in the Volume 18/2012 of the Telecommunication Bulletin.

The most important change of the Measure, as compared to the existing situation, is curtailment of the deadline for telephone number portation to four business days both in fixed and mobile networks. This deadline starts to run the following day after request of subscriber asking for change of provider of service is delivered to accepting provider of service. The period of time of interruption of services in transmitted telephone number must not exceed six hours. Another significant modification is the right of subscriber to request change of provider of services also during period of notice. The CTU processed the Measure respecting protection of subscriber s employing publicly available service of electronic communications.

The CTU determined effectiveness of the Measure on September 1, 2013, respecting expected time schedule of execution of necessary changes of IT solution of portability of telephone numbers for mobile operators.

Portability in mobile networks

Since the introduction of portability of telephone number in mobile networks (year 2006) subscribers transferred altogether 1,690,216 numbers before the end of 2012. During the whole year 2012 more than 350,000 mobile numbers were transferred. The trend of utilization of the service of portation of mobile numbers from 2007 to the mid-2012 is documented in the following graph.



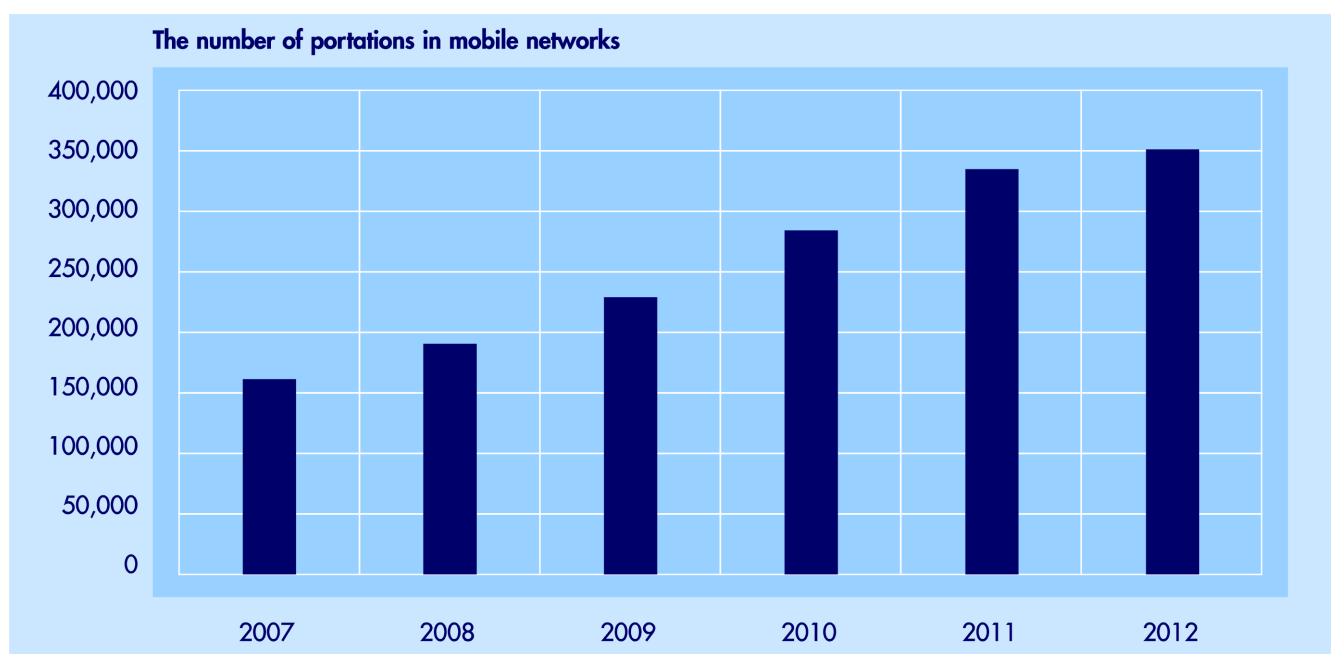
Wholesale prices, applied mutually by all mobile operators during 2012, were at the same level as in 2011, i.e. the company Telefónica CZK 274, the company T-Mobile CZK 270 and the company Vodafone CZK 268.

The CTU therefore verified cost orientation of wholesale prices for number portation of mobile operators and arrived at the new level of cost oriented prices. In comparison with prices valid since 2011 the prices for simple order are reduced in the company Telefónica from CZK 274 to CZK 217 (decrease by 20.8 %), in the company T-Mobile from CZK 270 to CZK 219 (decrease by 18.9 %) and in the company Vodafone from CZK 268 to CZK 220 (decrease by 17.9 %). New prices for 2013 will be in force after amendments to contracts on interconnection of networks are concluded.

Even in 2012 mobile operators did not demand from subscribers any retail prices for portation of number in their networks, only the company Vodafone at the retail level determined the price of CZK 1.20 including VAT for portation of mobile number.

Portability in fixed networks

The number of portations of subscriber numbers in fixed networks in 2011 increased, on a year-on-year basis, by almost 11 % to 33,554 portations. During 2012 55,803 portations of subscriber numbers were performed. The trend of utilization of the service of portation of number in fixed networks is documented in the following graph.



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

From the point of view of the level of prices for portability of telephone numbers in fixed networks, the level of prices of portation of numbers of the company Telefónica is determining factor. In 2012 this company applied wholesale prices at the same level as in 2011, i.e. at the amount of CZK 391 for simple order and CZK 1,218 for complete order. These prices served as a basis for prices of remaining operators within the framework of wholesale contracts on interconnection of networks concluded, because operators very often apply reciprocity (the same prices for both contractual parties).

In 2012 the CTU completed verification of cost orientation of prices for portation of fixed number in the company Telefónica, which results in new wholesale prices valid for 2013. In comparison with prices valid since 2011, the price for simple order dropped from CZK 391 to CZK 379 (decrease by 3.1 %) and the price for complete order increased from CZK 1,218 to CZK 1,332 (increase by 9.4 %).

The company Telefónica requested no payment for portation of fixed number from its end subscribers. Other operators often derive retail prices for portation of number from wholesale prices, because receiving operators may charge end subscriber wholesale prices including their own costs connected to portation of number.

3 Evaluation of the Market of Postal Services

During 2012 no significant changes occurred in the market of postal services as compared to the situation in previous years.

The market itself confirmed efficiency of intense preparation for its full opening on January 1, 2013. Until the end of 2012 the competition was still partially limited due to the existence of monopoly of the Česká pošta, s. p. (hereinafter „Česká pošta“) to deliver documents of the weight of up to 50 g for the price lower than CZK 18. With legal efficiency of the Amendment of the Act on Postal Services No. 221/2012 Coll., this monopoly ended in the Czech Republic on January 1, 2013 and the CTU largely participated on the preparation of this Amendment. This Amendment of the Act materially implements requirements ensuing from the Third Postal Directive, and, in particular, in ensuring provision of permanently sustainable Universal postal service, opening of the market of postal services to equal competition and providing reasonable protection of users of all postal services, i.e. not only services provided by public postal operators. The Amendment of the Act on Postal Services was promulgated in the Collection of Laws, the Volume 78/2012.

During 2012 the competition in the field of postal services continued to develop in regions where it was not limited by the above mentioned monopoly, particularly in the field of direct mail (direct shipments containing advertising) where the company Mediaservis, the estimated market share of which is 80 %, is the biggest competitor of the Česká pošta. Another potential competitor of the Česká pošta on the market of postal services might be the company Česká distribuční. Currently, only these two postal operators are capable to ensure delivery by their own forces on the whole territory of the Czech Republic.

The market of postal services influences indirectly also the competition of services of similar character, which are not provided as postal services, as are, for example, courier, shipping and transportation services.

Provision of basic postal services

Provision of so-called basic services in sufficient extent and quality on the whole territory of the Czech Republic in 2012 was provided by the Česká pošta on the basis of postal licence awarded on December 5, 2008. Pursuant to the Act on Postal Services the CTU, until the end of 2012, focused its activities on supervision over the holder of postal licence, not only in the field of basic services. From January 1, 2013 the supervision in the field of postal services has been extended also to other operators of postal services, which will perform their activities on the basis of certification promulgated by the CTU.

The CTU regularly monitors development of the extent of basic services provided by the Česká pošta. The number of postal orders received is dropping as they are increasingly

replaced by banking operations. Thanks to Internet transactions in the last period of time the number of shipped „commercial packages“ or "packages delivered to the hand“, which, however, by their character do not fall under the basic postal services.

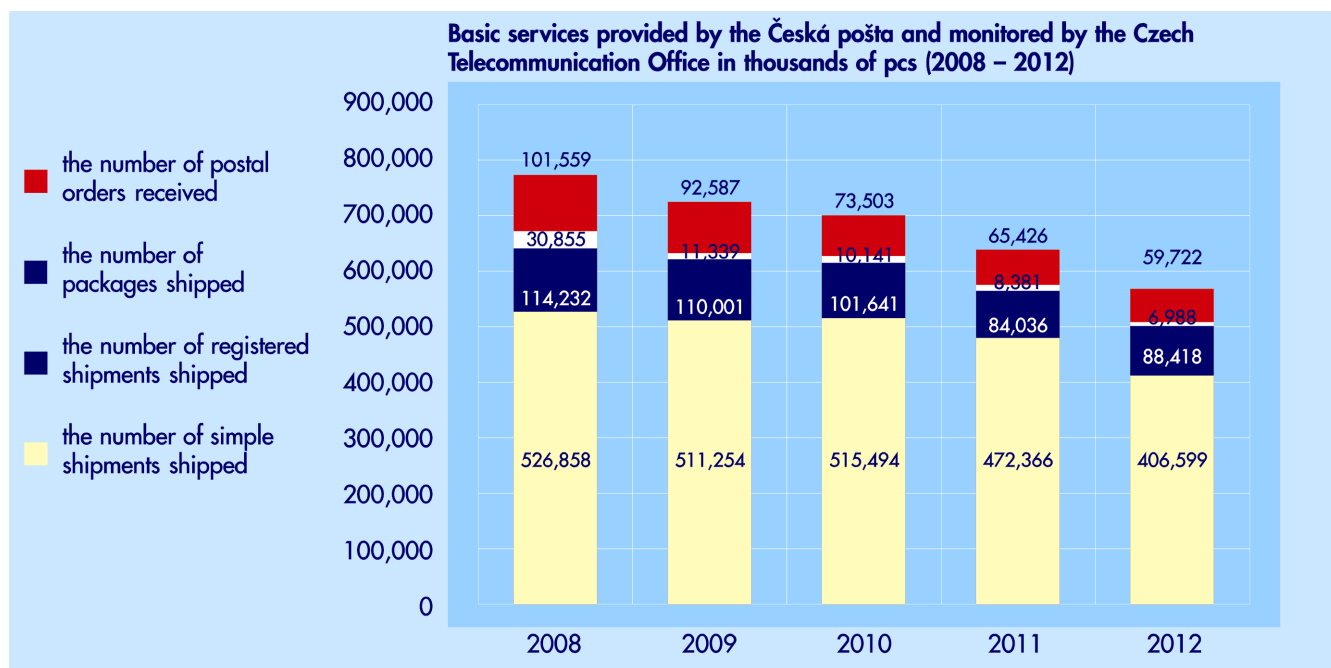
Basic services provided by the Česká pošta during the period of 2008 - 2012 (in thousands of pcs)

Indicator	2008	2009	2010	2011	2012
the number of simple shipments shipped	526,858	511,254	515,494	472,366	406,599
the number of registered shipments shipped	114,232	110,001	101,641	84,036	88,418
the number of packages shipped	30,855	11,339	10,141	8,381	6,988
the number of postal orders received	101,559	92,587	73,503	65,426	59,722

Source : Česká pošta, s. p.

In the long-term the indicator of number of packages shipped shows significant decrease of outputs of this postal service, although significant decrease in 2009, as compared to 2008, was caused by different methods of definition of the character of the service „commercial package“. Whereas until 2008 the service called commercial package was considered to be a basic service and it was, therefore, included in indicator monitored, from 2009 it does not fall under basic services any more. With the exception of number of registered shipments transported, the year 2012 saw the decrease of all indicators of provision of basic postal services.

Long-term development of basic services provided by the Česká pošta is documented in the following graph.



Prices of postal services

In 2012 the CTU did not promulgate any price decision stipulating maximum prices of selected basic postal services abroad. Prices for basic postal services abroad, which are subject to the regulation of the CTU, remained in 2012, in comparison with 2011, unchanged.

4 Terrestrial Digital Television and Digital Radio Broadcasting

Television broadcasting

In February 2012 the operation of the last transmitter of high output, which distributed terrestrial analogue television broadcasting on the territory of the Czech Republic, terminated. In the following period only analogue operation of several television converters of small output persisted in territorial regions of Zlín and Ostrava, which provided reception of television broadcasting in some municipalities until they were covered by digital repeaters.

On June 30, 2012 the operation of analogue transmitters of television broadcasting was terminated and the CTU withdrew all remaining valid individual authorization permitting their operation. The last day of June is therefore considered as the effective day of completion of the process of transition to terrestrial analogue television broadcasting to terrestrial digital television broadcasting.

In the final Report No. 9 on Evaluation of the process of transition the CTU summarized the whole process of digitalization of television broadcasting and the process of transition evaluated as very successful. Not only that the whole process was implemented fully in harmony with the time schedule stipulated in the Resolution of the Government No. 161/2008 Coll., on Technical plan of transition of terrestrial analogue television broadcasting to terrestrial digital television broadcasting, but at the very end the process itself was shortened by four months.

On June 30, 2012 the coverage of population of the Czech Republic reached the following values :

public broadcasting (multiplex)

broadcasting network 1 - 99.9 %

commercial broadcasting

broadcasting network 2 - 99.6 %

broadcasting network 3 - 96.3 %

broadcasting network 4 - 56.8 %

Until the end of 2012 the extent of coverage of population by broadcasting from broadcasting networks 1–3 remained practically unchanged (5 digital repeaters were put into operation in the broadcasting network 1). Broadcasting network 4, where the change of holder of allocation of radio frequencies took place during 2012, was intensively extended in the second half of the year and at the end of 2012 the coverage of the population by broadcasting of this network reached the value of 86 %.

Due to development of broadcasting network 4 free capacities of data flows for distribution of DVB-T broadcasting increased allowing thus also the increase of the number of television programs which are distributed by broadcasting networks. Therefore, in some regions of the Czech Republic the audience has the chance to receive, within the framework of terrestrial digital television broadcasting, as many as 20 television programs, which are distributed without the need to pay another fee exceeding the framework of fee in favour of the Czech television, which is stipulated by valid legislation.

In August 2012 the CTU in its Measure of General Nature promulgated updated wording of the part of the Plan for utilization of radio spectrum No. PV-P/10/08.2012-11 for frequency band 470–960 MHz, where it determined time-limited conditions for utilization of radio frequencies from the Plan GE06, which so far were not allocated to any operator of broadcasting networks. Taking into consideration international discussion about the possibility to release another part of radio spectrum from this frequency band for mobile

services of high-speed access to the Internet, decision was taken to allow utilization of these radio frequencies for limited time of five years only (i.e. until the end of 2017). Before the end of 2012 the CTU received many requests demanding allocation of these frequencies, in consequence of which practically all usable radio frequencies from the Plan GE06 are currently allocated. On December 31, 2012 the Office promulgated individual authorizations permitting utilization of radio frequencies for 8 regional networks of different territorial extent.

Radio broadcasting

At the end of 2012 the CTU promulgated individual authorization permitting utilization of radio frequencies for distribution of terrestrial digital broadcasting T-DAB in the frequency band 1,452–1,479.5 MHz (so-called L band) for 9 transmitters in total. Allocations for utilization of these radio frequencies were promulgated as early as in 2011 on the basis of results of tender procedures. The CTU expects that in the following period terrestrial digital radio broadcasting will be further extended in harmony with conditions of allocated radio frequencies. More significant development of terrestrial digital broadcasting will take place in the VHF band. Therefore, the intention of the CTU is to prepare for 2013 conditions for utilization of this band for digital radio broadcasting.

Chapter II.

EXPERT AND ADMINISTRATIVE ACTIVITIES OF THE CTU

Besides expert activities, which are documented in previous parts of this Report, dedicated to evaluation of the market of electronic communications and postal services, the CTU was involved during 2012 also in ensuring other significant domestic and international activities. Their framework summary is brought forward in following parts of this Report.

1. Domestic Activities

1.1 Protection of Consumer

Through the Amendment of the Act on Electronic Communications the CTU obtained extended competency in the field of protection of consumer. Therefore, during the whole year of 2012 it dedicated its increased attention to this field.

Price calculators

It is in the interest of the CTU to increase transparency of information concerning price conditions of individual providers of services. Therefore, in January 2012, the CTU promulgated the document entitled [Accreditation of price calculators](#), in which it specified accreditation criteria for price calculators, Internet applications for simple and clear comparison of prices of services of electronic communications. As soon as in March 2012 the CTU awarded the first accreditation to the price calculator [Tarifomat](#), comparing tariff services of mobile operators. Then in December 2012 the second accreditation of the CTU obtained the price calculator [Tarifon](#), comparing tariffs and pre-paid cards of mobile telephone services, prices of mobile access to the Internet, fixed telephone services and fixed access to the Internet of the biggest providers. Within the framework of the process of accreditation also technical audit is held the target of which is to control correctness of calculations of accreditation calculator. This technical audit was realised by the ČVUT for the CTU. The CTU placed reference to accreditation price calculators on its [Internet pages](#).

Price barometer

In order to support chances of consumers to monitor and compare long-term price development of selected services of electronic communications the CTU, in November 2012, published on its [Internet page](#) also the applications „Price barometer“. This application offers interactive illustration of development of retail prices for services of mobile networks and for the services of fixed access to the Internet.

The barometer compares retail prices of mobile telephone services of companies Telefónica, T-Mobile and Vodafone. Prices are compared with the help of consumer baskets representing customers with small, medium and big consumption. The barometer further illustrates development of total (real) average price per minute of call applied on the national market in the aggregate of all three mobile operators.

In the case of fixed access to the Internet the price barometer shows again development of prices of all three biggest mobile operators and, on top of that, also the developments of the biggest operator of cable Internet – the company UPC. It also shows development of prices from the point of view of the speed of download of data and technology employed.

Price barometer wants to improve awareness and to allow easier orientation of public in utilization of services of electronic communications. Its task is, therefore, not comparison of offers of individual providers of services of electronic communications. It differs in this from price calculators to which the CTU awards accreditation and which help to assist in the selection of most appropriate services.

The analysis of conditions of subscriber contracts

During 2012 the number of complaints on subscriber contracts increased, particularly concerning mobile operators. Especially, there were complaints on conditions of their conclusion, possibilities of their termination or automatic prolongation of contracts concluded for a definite period of time etc. Therefore, the Chairman of the Council of the CTU called mobile operators to perform necessary modifications in their contractual documents so that they are in harmony with requirements of amended wording of the Act not later than by July 1, 2012.

In the second half of 2012 the Office launched the analysis of contractual documents of mobile operators, companies Telefónica, T-Mobile and Vodafone. The aim was to examine how mobile operators put their contractual terms in harmony with valid legislation stipulated by the Act No. 468/2011 Coll., which amended the Act, and also how mobile operators modified problematic fields in their contractual documents on which they were warned in the letter of the Chairman of the Council of the CTU in April 2012.

The CTU completed the analysis of contractual documents of mobile operators at the end of 2012. The CTU will employ conclusions of the analysis in its next policy with the intention to reach modification of contractual conditions of mobile operators resting, in particular, in making contractual documents more concise and clearer in significant extent. It is the intention of the CTU that subscriber has available, in the moment of conclusion of contract, concise, clear and understandable draft of this contract, which would include only those conditions which are directly related to services and tariff chosen by subscriber.

Free automatic speech sounds on the amount of price of call

On May 23 and June 20, 2012 the CTU organized working meeting with representatives of professional associations (Association of operators of mobile networks, ICT Union o. s., Czech association of electronic communications o. s.) in the case of authorization of the CTU to impose on entrepreneur providing public communication network or providing publicly available service of electronic communications the obligation to inform user, free of charge, when user intends to start using specific service having price explicitly mentioned, by automatic speech sounds on the amount of price of call, immediately before such service is provided. This authorization is based on provisions of Section 35 Para. 2 of the Act. The aim of the CTU was to find potential methods how to provide maximum protection of consumer in calling to telephone numbers having access code 90X.

After they discussed the issue in associations, evaluated potential technical problems and after partial comments were raised by the CTU, representatives of professional associations presented solution within the framework of self-regulation. They included the

obligation to introduce free automatic informative speech sounds directly into their own ATX Codex. Therefore, it was not necessary for the CTU to promulgate decision imposing the obligation. Therefore, starting from October 1, 2012 the obligation of implementation of free informative speech sounds giving price of call relates to services provided on telephone numbers with access codes 900 and 906 for groups of services of financial services, mediation of financial services, financial counselling and provision or mediation of labour.

1.2 Solution of Subscriber Disputes and Complaints of Users of Services

Administrative procedure in the first degree

In 2012 the CTU was engaged in 442,291 procedures concerning subscriber disputes. Out of this number altogether 301,014 were new administrative procedures. In the monitored period the CTU promulgated altogether 86,483 meritorious decisions. The Office decided in disputes concerning payment of price for services (monetary performance) and promulgated 86,097 meritorious decisions. The Office issued 310 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 274 were decisions dealing with objections against settlement of complaint for charging the price for services.

In comparison with the year 2011 the number of subscriber disputes increased by 106.8 % in 2012. The number of subscriber disputes concerning payment of price for services (monetary performance) increased by 107 %. Decisions of disputes in the first degree in 2012 was significantly influenced the Resolution of the Government No. 815 from November 9, 2011, on the basis of which the CTU had to reduce in 2012 the number of employees engaged in decisions of disputes by 50 %. This has resulted in significantly increased number of pending procedures which are converted into 2013 (altogether 355,808 administrative procedure launched).

The surveys of subscriber disputes for 2012 are included in Annexes 1 and 1a) of this Report.

Administrative procedure in the second degree

In 2012 the number of remonstrances against decisions promulgated in the first degree in disputes on the reimbursement of price for services of electronic communications increased significantly. Major part of remonstrances were submitted by providers of services, and/or subjects to which they assigned their receivables. In 2012 CTU had to liquidate altogether 8,013 remonstrances against decision in the first degree, and towards the end of the year 2012 altogether 15,334 remonstrances remained unsettled.

In 2012 the CTU decided in disputes concerning the reimbursement of price for services of electronic communications (Section 129 Para. 1 in connection with Section 64 Para. 1 of the Act on Electronic Communications) in the second degree of administrative decisions altogether about 2,059 remonstrances.

High number of cases in both degrees of procedure brought about, particularly in the activity of administrative authority of the first degree, considerable time delays in promulgating decisions. However, as compared to the year 2011, the Office did not register significant increase of petitions against inactivity in 2012; altogether 63 petitions were filed. In majority of disputes the Office was successful.

Refusals to award some claims in 2012 lead also to implementation of actions against decision of the Chairman of the Council of the CTU pursuant to Part Five of the Act No. 99/1963 Coll., of the Civil rules of procedure, as later amended. In this respect noticeable decrease was registered in number of these actions, because, as compared to 356 actions submitted in the previous year 2011, the Office registered 181 actions in 2012 in total. The reason for this decrease may be the fact that providers of services were mostly unsuccessful in their litigations. General courts in their decisions adhered to legal opinion of the Office in majority of cases (i.e. they considered written agreements concerning contractual fine invalid, and/or unproved) and therefore rejected actions.

The CTU on its Internet page in the section „*Protection of consumer*“ publishes selections of decisions relating to relatively frequent situations in which consumer may find himself/herself and can find here instructions for possible solutions and how to proceed in solving his/her problem.

Complaints of subscribers and users of services of electronic communications

Within the framework of its competency the CTU is dealing with complaints of subscribers and/or users of services of electronic communications. During 2012 the CTU registered 3,233 complaints of which 482 (14.9 %) complaints were unjustified and the Act on Electronic Communications was not violated, 237 (7.3 %) complaints did not fit within the legal competence of the Office and 2,514 (77.8 %) complaints were resolved by the Office in proceedings pursuant to the Act on Electronic Communications. In 2012 the Office has registered by 82.6 % more complaints than in 2011 in total. The number of complaints increased, in particular, in connection with the transition of the agenda of protection of consumer to the CTU. Therefore, the number of complaints directed against deceitful commercial practices increased. In the maximum extent this increase was due to complaints against the practices of the company M77 Group S.A. having its seat in Luxemburg, which is the new provider of services of satellite television Skylink and CS Link in the Czech Republic. Complaints on this company formed almost one third of all complaints received by the CTU in 2012. On the basis of stimuli of complainants the CTU opened three administrative procedures against this company in which it imposed (at the end of 2012, yet ineffective) sanctions at the amount of CZK15,000,000. The company appealed against these decisions.

Outside this field of complaints, most of them were filed in 2012 against settlement of price for services, altogether 795 complaints (24.6 %). These cases are, in their majority, decided in administrative procedure pursuant to Section 129 of the Act on Electronic Communications (subscriber disputes).

Since 2012 the Office also began to register numbers of written queries concerning services of electronic communications. Therefore, in 2012 altogether 4,507 queries were settled. Outside queries concerning conditions for doing business in electronic communications and proficiency testing, most queries, as with complaints, related to settlement of price for services, the issues of subscriber contracts and protection of consumer.

Compared to previous years, when portability of numbers in mobile network represented problematic area in providing services, in 2012 significant decrease of the number of complaints was registered. This fact was confirmed also by State inspections performed during the whole year with all three mobile operators. In November 2012 the Office promulgated the Measure of General Nature No. OOP/10/10.2012-12, which will become effective on September 1, 2013, and which stipulates technical and organizational conditions for implementation of telephone number portability. Also this new Measure should further contribute to improvement of the process of portability of telephone numbers and

shortening of deadlines for transfer, thanks to its emphasis on protection of rights of subscribers.

The number of complaints against the services provided within the framework of the Universal service was minimal, there were only 2 (0.06 %) complaints of which one complaint concerned access of handicapped persons to publicly available telephone service and one complaint concerned public telephones.

In 2012 a year-on-year decrease of 79.7 % of the number of complaints was registered concerning reception of television signal in connection with digitalization of broadcasting. The survey of complaints of subscribers and/or users is given in the Annex No. 2 of this Report.

1.3 Creation of New Model for Price Regulation in Harmony with Requirements of the European Commission

On November 28, 2012 the Office promulgated the Measure of General Nature No. OOP/4/11.2012-15, which became effective on January 1, 2013 and which amends the Measure of General Nature No. OOP/4/03.2006-3 stipulating methodology of purpose breakdown of costs and revenues and their assignment and determines structure of reported information, as amended by the Measures of general nature No. OOP/4/02.2008-1 and OOP/4/12.2011-19. This Measure was promulgated following the implementation of Recommendation of the Commission of European Communities No. 2009/396/EC dated May 7, 2009 on Regulation of rates for termination of call in fixed and mobile networks in the European Union and on creation of new cost models based on long-range incremental costs (LRIC), which are employed for calculation of prices of these services:

- a) termination of call (termination) in individual public telephone networks provided in fixed location and
- b) termination of call (termination) in individual mobile networks.

The CTU published the Measure of General Nature No. OOP/4/11.2012-15 in the Telecommunication Journal No. 20/2012 on December 4, 2012.

In harmony with the Recommendation of the European Commission No. 2010/572/EU from September 20, 2010 on Regulated access to access networks of the new generation (NGA), the CTU in 2012 also agreed with creation of cost model LRIC for determination of costs of services provided in the relevant market of wholesale (physical) access to the infrastructure of networks in fixed location (market No. 4) and in the market of wholesale broadband access (market No.5.). Outcomes from models will be employed not only for the control of performance of remedial measures and calculation of costs for determination of regulated price but also for the control of prohibition of margin squeeze between wholesale and retail access market. For these purposes the model includes also retail costs. The CTU published the model on its Internet pages.

Following the Recommendation of the Commission on regulated access to access networks of new generation (NGA) the CTU in 2012 created methodology respecting quantifiable investment risk of operator with significant market power deploying access networks made of optical fibres. Risk premium for investments into NGA networks will be reflected in independently determined weighted average costs of capital (WACC), which will be included in 2013 in the Amendment of [Measure of General Nature No. OOP/4/03.2006-3](#), stipulating methodology of purpose breakdown of costs and revenues and their assignment and determines structure of reported information.

Within the framework of preparation for full liberalization of postal market which was launched on January 1, 2013, the CTU further focused during 2012 on creating of methodology of determination of net costs borne by the holder of postal licence in providing basic services. One part of methodology was also determination of financial evaluation of market benefits incurred to the provider of basic services and the methodology of determination of reasonable profit. These new methodologies were reflected in implementing regulations to the Act on Postal Services. The CTU wants to get along with these activities in 2013 as well, when it will focus on creation of the model which will be usable for control of costs of basic services in potential price regulation.

1.4 Radio Spectrum Management

Besides preparation and opening of tender procedure (Auction) for the purpose of allocation of rights for utilization of radio frequencies for the provision of public communication networks in the bands of 800, 1,800 and 2,600 MHz (see Chapter 2.6), other activities in radio spectrum management were focused particularly on following fields.

Deciding on allocations of radio frequencies

In 2012 the CTU examined whether reason persist for limitation of the number of rights for utilization of radio frequencies in the frequency sector 451.3–455.74/461.3–465.74 MHz and whether limitation of the number of rights for utilization of radio frequencies concerned should be preserved. Conclusions of examinations showed that this limitation of the number of rights should continue. Therefore the CTU, in the procedure respecting provisions of the Act, invited existing holder of the allocation, the company Telefónica, to submit the application for award of new allocation of radio frequencies in relevant sector and to pay the amount in determined amount of CZK 22,874,394. After these prerequisites have been performed, the CTU, on December 3, 2012, promulgated the decision on allocation of radio frequencies in the frequency sector of 451.3–455.74/461.3–465.74 MHz valid until February 7, 2018.

Following provisions of Section 22b Para. 2 of the Act, the CTU also examined utilization of radio frequencies of individual holders of allocation of radio frequencies discovering if utilization of these radio frequencies already began and if radio frequencies are employed effectively. During examination two holders of allocations returned a part of frequencies they held but did not use them – specifically they were unpaired sections reserved for provision of UMTS services in the band 2.1 GHz.

Decision-making process concerning licences for use of radio frequencies

Radio frequencies earmarked for civil (non-military) utilization can be employed only on the basis of general or individual authorizations for the utilization of radio frequencies. Within the framework of exercise of State administration the CTU awards, amends, prolongates the period of validity or withdraws individual authorization for the utilization of radio frequencies. Total numbers of decisions in related administrative procedures, divided according to individual radiocommunication services, are summarized in the Table of Annex No. 3 of this Report.

As in past years the biggest interest can be registered in radio frequencies inevitable for provision of public services of electronic communications resting, in particular, in wireless access to sufficiently fast data services (for example, the access to the Internet) or serving to

radio interconnection of basic stations of mobile operators. Although the number of authorizations promulgated in 2012, in comparison with previous year, has dropped, it is still true that the greatest number of individual authorizations is awarded in fixed service (radio-relay links point to point). And it is also still true that relatively high number of individual authorizations promulgated in this service is principally caused by requirements of mobile operators of networks of second and third generations managing very vast network of radio connections. Within the framework of optimization of their networks of mobile operators they simultaneously increase transfer speeds in consequence of still higher volume of data requested by customer within the framework of new applications and utilization of the so-called „smart“ telephones. Related strengthening of capacity of mobile networks in the UMTS standard (3G networks) has also lead to increased number of requirements for allocations of individual authorizations. Moreover, in 2012, all holders of allocations of radio frequencies (in GSM a UMTS bands) began to employ yet unused radio frequencies which are stipulated by allocations. In connection with expected launching of 4G networks (also known as LTE networks), the trend of extension of radio networks of holders of allocations of radio frequencies will continue also in 2013.

From the point of view of remaining radiocommunication services certain increase of the number of decisions promulgated was registered concerning allocation of individual authorization in naval mobile, and, in particular, air mobile services took place, where following the Amendment of the Act allowing exemption from fee obligation for air stations in the mode of recreational and sport flying, the CTU also in 2012 received number of requests from holders of these individual authorizations meeting specified condition.

Verification of professional qualification

The Act in Section 26 Para. 1 stipulates in which cases it requires professional qualification for the attendance of broadcasting radio facilities, and, pursuant to Section 26 Para. 2 of the Act, service of relevant radio devices can be run only by persons having valid certificate of professional qualification for the attendance of these devices. Testing commissions of the Office verify professional qualification of aeronautical mobile service, certification of maritime mobile service, and certifications HAREC and NOVICE of operators of amateur stations. Over time it was found that it is necessary to perform certain review of the document Test questions and answers, which is the basic document for the preparation to examinations of professional qualification. Therefore, at the beginning of 2012 significant changes of this document were done together with changes of Curriculum of oral examinations.

It is still true that the greatest interest is in the restricted operator's certificate of maritime mobile service which entitles its holder to operate radio station not only on inland waterways but also on coastal marine waters. Simultaneously, the CTU executes annually corresponding (therefore also high) number of requests asking for prolongation of validity of certificates of professional qualification awarded earlier, the number of which rises each year. Detailed information concerning numbers of individual certificates of professional qualification awarded and also of certificates validity of which was prolonged can be found in the Annex No. 4 of this Report.

Change of charges for utilization of radio frequencies

On June 1, 2012 the Government Regulation No. 175/2012 Coll., became effective, which amended the Government Regulation No. 154/2005 Coll., on Determination of the amount and method of calculation of charges for utilization of radio frequencies and numbers. This Regulation, following the Amendment of the Act, stipulated the amount of

charges for utilization of radio frequencies for experimental purposes and, simultaneously, the change of method of calculation of charges for utilization of radio frequencies in fixed service was done.

With effect from January 1, 2013 was performed the settlement of historically evolved and unjustified disparities of the amount of charges among individual frequency bands having similar utility value of radio frequency employed (given, in particular, in width of the band occupied by broadcasting). As a result of implementation of this change total reduction of charges prescribed for utilization radio frequencies by CZK 130,000,000 annually took place. This change prejudiced charges for 23,851 valid individual authorizations of microwave connections employed particularly for infrastructure of radio mobile networks. Pursuant to the Government Regulation mentioned, another change of charges, resting in reduction of charges for radio frequencies of fixed services, will take place also from January 1, 2014.

The automated system of monitoring the frequency spectrum (ASMKS) - control of radio spectrum

The control of radio spectrum was exercised continuously using the ASMK. In 2012 1,800 requirements for monitoring of radio spectrum and measurement of the coverage by radio signals were commissioned by means of ASMK together with 1,920 requirements for controls of radio and electric equipment and electronic devices, networks and services and 981 requirements for investigation of interference of radiocommunication services. Information concerning number of measurements of radio spectrum monitoring exercised during State controls of radio spectrum and cases of interference resolved are brought forward in the Annex No. 7 of this Report, the share of devices and networks of electronic communications interfered is brought forward in the Annex No. 5 of this Report.

During 2012 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 expiry of validity of individual authorisations and on observance of conditions stipulated in the General authorization No. VO-R/12/09.2010-12. In 2012 the control of observance of planning parameters of operation of UHF FM transmitters continued in the band from 87.5 to 108 MHz, altogether 246 transmitters were controlled.

Measurement of coverage of municipalities by signal of digital television was completed. Pursuant to the Decree No. 163/2008 Coll. (measurement in measuring points) in the territorial region of Zlín 6 municipalities were measured and another 66 municipalities were measured while driving, in the territorial region of Jeseník 2 municipalities and 25 municipalities were measured while driving. Also additional assessment of coverage of 18 municipalities in the territorial region of Trutnov and Plzeň was exercised.

1.5 Regulation of Communication Activities

Modification of conditions for the change of provider of services

The CTU prepared and on February 3, 2012 published in the Volume 2/2012 of the Telecommunication Journal for public consultation the draft of General authorization No. VO-S/1/01.2012-2, which amends the General authorization No. VO-S/1/07.2005-9, stipulating conditions for provision of services of electronic communications, as amended by General authorization No. VO-S/1/07.2007-11.

The change of General authorization was performed in order to ensure protection of consumer in harmony with provision of Section 10 Para. 1 Letter f) of the Act and specifically it related to the provision of identifiers necessary for handling service of electronic communications (changes or cancellation of service) so as consumer may apply and implement changes of operator and provider of services as soon as possible. It is the intention of the CTU to eliminate, with the help of this modification of conditions of change of provider of services, unfounded extension of transition to other provider of services.

Number Management

During the whole year of 2012 the CTU continually decided on requests of entrepreneurs concerning award of authorization for utilization of numbers, numerical series and codes, addresses and names (hereinafter „numbers“), and/or requests of entrepreneurs concerning change, prolongation of validity or withdrawal of authorization for the utilization of numbers from numerical plans pursuant to Section 30 et seq. of the Act.

In the second half of 2012 the CTU was engaged in 49 ex offo administrative procedures due to new determination of the amount of charges for the right to utilize numbers pursuant to Government Regulation No. 175/2012 Coll., which amends the Government Regulation No. 154/2005 Coll., on Determination of the amount and method of calculation of charges for utilization of radio frequencies and numbers, as amended by later regulations. Change of the amount of charges related to abbreviated four-digit telephone numbers and access codes to non-public communication networks.

During 2012 139 decisions were promulgated on authorization for utilization of numbers, 93 decisions on change of authorization, 85 decisions on prolongation of validity of authorization, 46 decisions on withdrawal of authorization and 22 decisions concerning transfer of authorization. The CTU promulgated altogether 385 decisions in the field of number management.

1.6 Regulation in the Field of Postal Services

In the field of postal services the CTU regulated activities of holder of postal licence, which, in the period of 2009–2012, was the Česká pošta, and namely in the field of basic postal services.

Subject to the regulation are basic services which are simple shipments, recommended shipments, packages and postal orders and foreign postal services. Complete extent of basic services is included in postal licence awarded.

One of the basic tasks of the CTU in the field of postal services is, pursuant to Section 37 of the Act on Postal Services, supervision over provision of postal services in order to best satisfy legitimate needs of customers. As in previous periods supervision was implemented by means of provision of basic services, namely

- a) ensuring general availability of basic services in specified quality,
- b) ensuring of awareness of public concerning optimum utilization of basic services,
- c) protection of customers against negative consequences of dominant position of the Česká pošta.

On June 11, 2012, in harmony with provisions of Section 37 Para. 3 Letter b) of the Act on Postal Services, the CTU published annual [Summary report](#) on results of supervision.

The CTU oversees the method with the help of which the Česká pošta fulfils its obligations. In 2012 the CTU performed 4 State controls. The Office will publish Summary report on the performance of obligations imposed on the Česká pošta before the end of May 2013 in the form required by the Act on Postal Services and the Directive 97/67/EC.

The CTU stipulated basic qualitative requirements which the Česká pošta must observe in the provision of basic services (for example, density of post offices, business hours, settlement of claims, requirements concerning service to handicapped customers and many others). The CTU also gives its consent to postal conditions according to which the Česká pošta will offer basic services (their importance lies in the fact that provisions concerning selected service become the content of the contract concluded between sender and the Česká pošta).

After great number of changes made in 2011, particularly those of postal conditions and basic qualitative requirements, the CTU during 2012 promulgated only one decision concerning the change of basic qualitative requirements of the Česká pošta. This change modified procedure regulating transfer of documents necessary for execution of audit of result of measurement of transit times of postal shipments inserted into mailboxes.

During 2012 the CTU promulgated 5 decisions giving its consent to the change of postal conditions in which no substantial change was done. These changes of postal conditions were mainly driven by legal regulations of the World's Postal Union and by conditions under which foreign operators collaborate with the Česká pošta, including delivery in newly formed countries or regions (for example, Curaçao or Caribbean Netherlands).

One of principal quality criteria of provided services is the speed with which this service is provided. Requirement asking that postal shipments or money order remitted are delivered as quickly as possible is one of parameters which can be relatively clearly quantified. To this purpose serves the measurement of transportation times of regular shipments pursuant to the Standard EN 13850+A1. Pursuant to the EC Directive this measurement is obligatory. When awarding postal licences for the years 2009–2012, the Office stipulated in them the basic qualitative requirements, the minimum quality of which the Česká pošta should reach in individual years. For the year 2012 it stipulated that minimum of 95 % plain shipments should be delivered the next business day following the day of handover. The Česká pošta did not comply with this indicator, in 2012 it reached the result of 93,09 % of plain shipments delivered within the time D+1.

Within the framework of its competencies the CTU helps its customers to solve their disputes with the Česká pošta. There are, in particular, the cases where negotiations of customers with the Česká pošta do not lead to satisfactory solution of the problem, or cases where customers are still feeling a prejudice to their rights. During the last year the Office processed 371 applications of which 244 applications related to the basic services. These applications are very often stimulus to opening of administrative procedure for perpetration of administrative offense. For infringement of legal obligations during 2012 the Office imposed on Česká pošta 20 fines in the total amount of CZK 485,000. One part of these proceedings related to infringements of legal obligations committed in preceding years.

The most serious deficiencies identified, for which the Office imposed fines, was widespread storage of postal shipments without an attempt of delivery in addressee's home was made, incorrect delivery of shipments to other persons and violation of postal secrecy.

The Amendment of the Act on Postal Services has extended powers of the CTU. From July 1, 2010 the CTU may impose on any operator of postal services, who, in offering or providing services, violates some obligation stipulated in Section 4 to 16 of the Act on Postal Services, fine of up to the amount of CZK 500,000. In 2012 the CTU so far resolved only one such case, for which the fine at the amount of CZK 10,000 was imposed.

One part of the CTU's competencies was also supervision over observance of statutory monopoly of the Česká pošta by other operators (concerning postal shipments containing document where the weight of postal shipment is less than 50 g and the price for the service is lower than CZK 18). In 2012 the CTU, on the basis of stimuli, dealt with potential violation of the statutory monopoly in two cases, however, no violation of the Law was discovered in these cases.

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

1.7 Performance of State Inspection

Registration and control of entrepreneurs in the field of electronic communications

Pursuant to Section 14 of the Act on Electronic Communications the Office promulgated 199 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 2,456 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 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 CTU performed State inspection of public telephone boxes run by the company Telefónica within the framework of review of the existence of reasons for imposition of obligation to provide this partial Universal service.

The inspection took place from June 29, 2012 to August 1, 2012. Within the framework of this inspection the Office investigated availability of signal of GSM networks on places where VTA has been installed, namely in municipalities having from 2,000 to 4,999 inhabitants. Subsequently, the CTU employed results of inspection for determination of new list of VTA, which are run within the framework of imposed obligation to provide the Universal service pursuant to the Decision of the Office from September 26, 2012.

Inspection of conditions regulating the number portability

During the year 2012 the CTU exercised State inspection of observance of obligations stipulated by the Measure of General Nature No. OOP/10/07.2005-3, which determines technical and organisational conditions for the implementation of telephone number portability and principles of charging prices among entrepreneurs in connection with number portability (hereinafter "OOP10"). Within the inspection the Office controlled if operators observe technical and organisational conditions determined by this OOP during processes of telephone numbers portability pursuant to Section 34 of the Act on Electronic

Communications. The Office controlled companies Telefónica, T-Mobile and Vodafone in the period from March to June and, subsequently, in the period from November to December of 2012. The subjects of inspection were the numbers on which portation the CTU received complaints of subscribers and also randomly selected numbers from the database of transferred numbers. Because in 2012 the number of complaint dropped to 174 numbers against 707 numbers in 2011, it is evident that there was a significant decrease of errors in telephone number portability. Within the framework of the inspection It was discovered that a part of complaints of subscribers are unjustified, because subscribers did not terminate their relations with operator forsaken in determined term or because they had contract for a definite period of time the deadline of which did not expire, and/or they did not agree with the sanction which operator forsaken applied to them for premature termination of contract.

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

1.8 Making Decisions on Disputes between Entities Performing Communication Activities

In 2012 the number of newly commenced disputes in the sphere of decisions 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, increased.

In 2010 altogether 7 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 terminated in 2011 continued.

During 2012 administrative authority of the first degree promulgated in contested administrative procedures altogether 7 decisions and/or resolutions. In these completed administrative procedures the authority promulgated 5 decisions in re, in 2 cases resolution on termination of procedure was promulgated and in 5 disputes procedure was terminated by final decision, and/or resolution of administrative authority of the first degree. In 2 disputes remonstrance was submitted against the decision of administrative authority of the first degree. In both cases administrative authority of the second degree in remonstrance procedure confirmed decision of administrative authority of the first degree.

With the majority of administrative procedures initiated the subject of these contested disputes concerned conclusion of contract or amendment to the contract for interconnection, in a lesser extent there were disputes on payment of the amount due. Specific kinds of disputes resolved by the CTU in 2012 were disputes concerning conclusion of contract among operator of television broadcasting and entrepreneur providing service of distribution of radio and television broadcasting. In these procedures petitioners - operators of television broadcasting - requested distribution of their regional program in broadcasting networks, however, in contradiction to technical possibilities of these networks. Although entrepreneur providing service of distribution of radio and television broadcasting continuously notified operators of television broadcasting of these facts, they, nevertheless, insisted on their demands, and administrative authority then had no other choice than to reject their proposals.

Final decisions and resolutions promulgated in administration proceedings conducted pursuant to Section 127 of the Act on Electronic Communications, concerning disputes among persons performing communication activities, can be found on [Internet pages of the CTU](#).

1.9 External Legislation

In the field of external legislation the CTU in 2012 elaborated and exercised, having regard to the Legislative rules of the Government, comments concerning proposals of legal regulations and other materials, in particular those having conceptual 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. The survey of principal Acts and legislative rules of minor legal force, including concise description of changes of legal framework which were realised in 2012 in the field of electronic communications and postal services, can be found in the Chapter I. of this Annual Report.

To the principal legislative tasks of the CTU in 2012 in the sphere of external legislation belonged its participation in legislative process of amendments of the Act on Postal Services and also the preparation of new implementing legal regulations to this Act. On the basis of amendments of the Act on Electronic Communications implemented by the Act No. 468/2011 Coll., the CTU in 2012 discussed and promulgated also necessary implementing legal regulations to the Act on Electronic Communications. The enumeration of all implementing legal regulations promulgated both in connection with approved Amendment of the Act on Postal Services and amended wording of the Act on Electronic Communications is brought forward in Chapter I., point 1.3 of this Report.

- Within the framework of CTU's involvement in interdepartmental working groups and authorities it is possible, for the year 2012, besides the above mentioned, to recapitulate its involvement within the framework of interdepartmental working groups with the Ministry of Industry and Trade, both concerning the project relating to reduction of administrative burden based on legislation and also in the field of protection of consumer (for example, systems of alternative dispute resolution in the field of implementation of European Law, on-line solution of consumer disputes („ODR“ Directive) and alternative resolution of consumer disputes („ADR“ Directive). The CTU tried to take into account basic principles controlling these projects, particularly in the preparation of proposal of legal regulations and other legislation promulgated in its competency.

The CTU was also actively involved in the activity of interdepartmental working group controlled by National Security Bureau concerning preparation of new legal regulations dealing with the field of cyber security.

Besides domestic legislative activities the CTU is involved in the system of allocation of sponsorships and fulfilment of legislative obligations ensuing from the membership of the Czech Republic in the European Union – the Information system for approximation of law (ISAP), which serves registration and inspection of fulfilment of obligations of bodies of State administration in implementation of the Law of the European Union. In 2012 the CTU properly performed its obligations ensuing from this system.

Other legislative activities of the Office

The Act on Electronic Communications, besides implementing legal regulations, anticipates promulgation of other 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 2012

the CTU endorsed altogether 17 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 is brought forward in the Table of the Annex No. 8 of this Report.

1.10 Crisis Management and Security

During the year the CTU performed four comprehensive inspections of the telecommunication company PilsFree servis, s.r.o., STARNET, s.r.o., COPROSYS Ústí, spol. s r.o. and Czech Radiocommunications a.s. These inspections were focused at protection of operational and localisation data, confidentiality of communications and security and integrity of networks and services of electronic communications under crisis situations. Remedial measures were imposed on three of above mentioned companies because of deficiencies found in order to ensure performance of stipulated legal obligations.

At the end of the year representatives of the CTU participated in the preparation, execution and evaluation of interdepartmental and international exercise of authorities of the EU crisis management – Multi Layer 2012 and authorities of the NATO crisis management – CMX 2012/Cyber Coalition on behalf of the field of electronic communications.

During the year authorised representatives of the CTU were engaged in the working body of the Prime Minister in the Council for cyber security and represented the Office in Co-ordination Council of the Minister of Transport for Galileo program.

The CTU also performed tasks in the field of protection of classified information. In harmony with the Act No. 412/2005 Coll., on Protection of classified information and on security eligibility, as amended by later regulations, and in harmony with implementing regulations, personal, physical and administrative security was ensured, including security of information systems. In this field the National Security Bureau performed control of the Register of classified information of the CTU where no deficiencies were found. During 2012 activation of classified connection of the Government was completed.

2. International Activities

In 2012 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 No. 507 from June 29, 2011, concerning Amendment of the Annex of Government Resolution No. 676/2005 Coll. from June 1, 2005, and determination of cases in which the CTU provides international relations in the field of electronic communications. It is all about involvement in the EU bodies and another international organisations and institutions as, for example, ITU, CEPT, OECD, ETSI and NATO.

2.1 The CTU's Activities in Relation to the European Union

Within the framework of the European Union the Office is represented in advisory and working authorities of the European Commission and other organizations. There are, in particular, the following authorities:

Association of the European regulatory authorities in the field of electronic communications (BEREC – Body of European Regulators for Electronic Communications) is advisory authority of the European Commission members of which are national regulatory

authorities Member States of the European Union and representatives of the European Commission. The principal task of the Association BEREC is to promulgate opinions concerning proposals of measures of national regulatory authorities relating to definition of the market, determination of enterprises with significant market power and imposition of remedial measures in harmony with Articles 7 and 7a of amended Framework Directive, to provide, on request of national regulatory authorities, assistance in connection with analyses of relevant markets, to promulgate opinions on proposals of legal regulations prepared by the European Commission and to provide expert opinions for the European Parliament and the Council of the European Union. BEREC performs its tasks independently, impartially and transparently. It is managed by the Council of regulatory authorities, in which 27 representatives of domestic regulatory authorities from individual Member States of the European Union are represented. Business facilities for BEREC's activities is provided by the Office (Office) for BEREC, which is controlled by administrative director.

BEREC's meetings are normally combined with meetings of the Group of independent regulators (IRG – Independent Regulators Group). Within the framework of IRG organization regulatory authorities are providing mutual technical assistance. In 2012 four joint meetings of BEREC and IRG took place on which regulatory authorities were represented by their top representatives. Among topics discussed, forming main part of the BEREC's program, were the issues of support of development of high-speed networks of new generation, international roaming, conditions of wholesale access, strengthening of consumer rights and improvement of safety of communications.

The Group of European regulatory authorities for postal services (ERGP – European Regulators Group for Postal Services) is the advisory authority of the European Commission the members of which are national regulatory authorities in the field of postal services. To its principal tasks belong provision of advice and assistance to the European Commission concerning development of domestic market of postal services and consistent application of regulatory framework of postal services in all Member States and in consolidation of internal market of postal services. During 2012 the activities of individual working groups continued focused on monitoring and development of the market of postal services, protection of consumer and another activities, as, for example, access to postal infrastructure or provision of cross-border postal services.

Communication Committee (COCOM – Communication Committee) - is a legislative-advisory body of the European Commission (EC). At its meetings the representatives of the Office participated in preparation of documents jointly with representatives of the Ministry of Industry and Trade. Besides topics like implementation of review of the regulatory framework, simplification of the process of analysis of relevant markets and introduction of wholesale broadband access, also other issues were discussed, in particular, international roaming and implementation of its regulation and extraordinary meeting was held dedicated to this topic. Last but not least also evaluation of the situation of introduction of national numbering extent 116 for harmonized numbers having social value and evaluation of the situation concerning introduction of numbers 112 in the EU Member States were discussed.

Radio Spectrum Policy Group (RSPG - Radio Spectrum Policy Group) is advisory body of the European Commission (EC) for strategic issues of use of radio spectrum. It expresses its opinion concerning principal themes, as for example, digitizing of television broadcasting, the method of use of spectrum released through digitizing (Digital Dividend), making methods of Radio Spectrum Management more effective, flexible use of spectrum; it also identifies priorities of use for development of unified market and generation of information society. RSPG formulates its conclusions particularly in Opinions of the RSPG and Reports of RSPG. In 2012 were discussed, in particular: Opinions of the RSPG concerning the review of the use of radio spectrum, assistance of the European Union in

meetings with third parties, preparation for the Meeting of the World Radiocommunication Conference (the WRC-15), licensed sharing of spectrum and RSPG Reports concerning economic and social value of spectrum, needs of individual sectors concerning radio spectrum, management of interferences and coordinated approach to reallocation of band of 700 MHz.

Radio Spectrum Committee (RSC) - is the advisory authority of the European Commission (EC) proposing measures aimed at harmonized and effective use of radio spectrum in the EU. Execution of technical studies and elaboration of proposals of regulatory measures is resolved with the help of CEPT mandates. In 2012 the principal themes of the activity of RSC were particularly updates and elaboration of new harmonizing decisions concerning the band 169 MHz, the band 3.5 GHz by several technologies, ultra broadband applications, short range devices (SRD) and mobile communications on board of airplanes (MCA). Also discussed were the issues of implementation of regulatory measures of the European Union in Member States, application of exceptions ensuing from decisions of European Parliament and the Council concerning the program of radio spectrum policy in the release of and access to the band of 800 MHz, issues of radio spectrum identification for PMSE and technical solution of the band of 700 MHz.

The Committee for the assessment of conformity and surveillance over the market in telecommunications for the purposes of Directive 1999/5/EC (TCAM) - Telecommunication Conformity Assessment and Market Surveillance Committee. In 2012 this Committee, and within its framework operating group for administrative collaboration ADCO& RTTE, were primarily engaged in problems of the review of Directive 1999/5/EC giving comments to its final wording and also issues of harmonization of conditions of appraisal of conformity and introduction in the common EU market of radio and telecommunications terminal equipment, particularly as far as the uniform use of radio frequencies emphasizing the need to eliminate harmful interferences is concerned. The 40th Meeting of the ADCO& RTTE Group was held in Prague, under the auspices of the Česká obchodní inspekce in the CTU's facilities. To its agenda belonged preparation of the next All-European surveillance campaign, the issues of risk assessment of radio and terminal equipment, sharing of information among authorities of surveillance by means of special databases, co-operation with authorities and organizations active in the process of conformity assessment, organizations for protection of consumer and supervisory authorities of countries outside the European Union etc.

The European Agency for Security of Network and information - (ENISA) - is an advisory body of the European Commission. ENISA unifies processes and procedures of national regulatory authorities focused on the field of resistance, security and integrity of networks and services of electronic communications, including information systems. ENISA concentrates basic information on serious incidents which incurred in networks and services of electronic communications of business subjects by means of annual reports from Member and partner countries of the European Union. In 2012 the subject of meetings of working groups were particularly the issues of identification, assessment, transfer of experience and taking preventive measures on the basis of incidents discovered. Furthermore, it was implementation of valid legislation (Directive of the European Parliament and the Council 2009/140/EC), assessment and review of existing regulations.

2.2 Assessment of the European Commission – Digital Agenda Scoreboard

Within the framework of the strategy Europe 2020 the European Commission promulgated the document Digital agenda for Europe. In this context, instead of yet

promulgated implementation reports, the European Commission began, since 2011, to promulgate the document Digital agenda Scoreboard containing information on progress of individual Member States in implementing European legislation in national legislations and assessment of regulatory environment in Member States. In June 2012 the second document Scoreboard 2012 was published, which contained assessment of development on markets of electronic communications, regulation and its impacts on the market for the year 2011. The CTU participated in the preparation of this document and during the second half of 2012 it provided extensive volume of information represented, in particular, by data concerning markets, radio and television broadcasting, tariffs and indicators of broadband access which will serve European Commission as a basis for creation of new comparative tables for Scoreboard 2013. Information are available at <http://ec.europa.eu/digital-agenda/en/scoreboard>.

2.3 The International Activities of the Office in Connection with other International Authorities and Organizations

On the basis of assigned responsibility and collaboration with competent Ministry of Industry and Trade, representatives of the Office participated during 2012 in working activities within the framework of following international organizations :

- a) International Telecommunication Union (ITU),
- b) European Conference of Postal and Telecommunications Administrations (CEPT),
- c) Organization for Economic Co-operation and Development (OECD),
- d) European Telecommunications Standards Institute (ETSI),
- e) North Atlantic Treaty Organisation (NATO),
- f) Universal Postal Union (UPU).

From the point of view of electronic communications, most important activities in 2012 within the framework of the above mentioned international organizations was participation of CTU's representatives on three World's conferences organized by the ITU.

The World's Radiocommunication Conference (WRC-12)

The World's Radiocommunication Conference is a top authority of radiocommunication sector and its meetings are regularly held in four-year cycles and its principal target is to discuss and approve changes of Radiocommunication Regulations. Changes approved reflect current technological development and optimize administrative procedures thereby setting conditions for utilization of radio spectrum. The World's Radiocommunication Conference was preceded by multi-year cycle of preparation on global level within the framework of the ITU, and on regional and national levels. Significant part of preparations of the ITU was study cycle between World Conferences defined by meetings dedicated to the preparation of the Conference (Conference Preparatory Meeting – CPM). Resulting product of the CPM was the CPM Report containing variant proposals of solution of issues of individual agenda items of the WRC-12. This report, together with contributions of regional groupings and Member States, formed basic input documents for the meeting of WRC-12. The targets, resulting from national preparation for the meeting of the WRC-12, specified in position document (Czech brief), was attained. The Meeting of WRC-12 was held from January 23 to February 17, 2012.

The World's Assembly for standardization of telecommunications (WTSA-12)

WTSA-12, as the highest authority of ITU-T sector, terminated four-year study program and began the new one by specification of study questions and their allocation to study groups. It decided about preservation of structure of ten study groups and extension of three regional study groups, about specification of competency of study groups and functions of their chairmen and vice-chairmen in the following four-year study cycle. It updated or cancelled existing WTSA resolutions and approved new ones, in particular to adapt activities of the ITU-T to development of world's telecommunication market and to maintain dominant position of the ITU as the global standardization organization in the field of telecommunications. In this sector requirements for continuation of technological development are meeting and/or even clashing with requirements of specific needs of developing countries, in particular. This is particularly application of the mode of determining compliance with ITU standards of products. The project of introduction of this mode was approved by the Assembly in the stage of preparation of implementation phase. Meeting of the WTSA-12 took place with participation of CTU's representatives from November 20 to 29, 2012 in Dubai.

The World's Conference on international communications (WCIT-12)

The WCIT-12 Conference was convened with the intention to update Telecommunications Regulations (ITR – International Telecommunications Regulations). The need of the existence of Regulations became questionable for developed countries. Existing version of Regulations from 1988 was overcome in countries in which telecommunication market was fully liberalized without limiting unprecedented development of telecommunications attained since in the global scale. During the meeting the draft documents prepared by the Conference were approaching acceptable compromise. Adoption of final acts of the Conference by all countries participating in the Conference was, however, prevented by the fact that afterwards some groups of States promoted such provisions of the Regulations and draft Resolutions which were, inter alia, against principles of inviolability of contents of information transferred, were directed to regulation of Internet and hence freedom of speech. Therefore, out of 144 authorized countries, final acts of the Conference were not signed by 55 countries, predominantly with developed and liberalized telecommunication market, including 40 European countries. The WCIT-12 Meeting took place with participation of representatives of the CTU on December 3 - 4, 2012 in Dubai.

As far as the sector of postal services is concerned, the most important activities of the CTU during 2012, besides involvement in collaboration within the framework of the Committee of European Postal Regulators (CERP), was participation in the Congress of the Universal Postal Union.

The Congress of the Universal Postal Union (UPU)

In 2012 representatives of the CTU participated on the meeting of the top UPU's authority – the Congress in Qatar's Doha. The Congress discussed and approved changes of SPU's Deeds stipulating conditions for provision of postal services among individual Member States. The Congress endorsed the strategy in the field of postal services for the following four-year period, i.e. until 2016, which is orientated particularly at improvement of interoperability of international postal networks, exchange of technical and professional know-how, innovations of postal services and support of sustainable development in the sphere of postal services. Representatives of the CTU further participated in activities of other authorities of the UPU – CA (Council of Administration) and POC (Postal Operations Council).

The CTU contributed significantly to the activities of **CEPT**. This organization which is the European coordinator and principal professional backgrounds in the field of electronic communications and post offices, formulates technical and regulatory documents of harmonization character and coordinates preparation and unified presentation of 48 administrations from European countries on international forums. In the position of regional grouping it defends and enforces interests of European countries in global scale on World's conferences of the ITU. Activities of the CEPT are based on activities of three independent committees, the Committee for electronic communications (ECC), the Committee of European postal regulators (CERP) and the Committee for ITU Affairs (ComITU). Through its experts the CTU participates in activities of all three committees and their working groups, in creation and implementation of harmonization measures of technical and regulatory-administrative nature, particularly decisions, recommendations and reports of the ECC, including measures, the solution of which was entrusted to the CEPT by mandates of the European Commission, and which are subsequently reflected in regulatory acts of the European Union. During 2012 there were 43 working meetings of 15 managing and working groups.

The Office was represented in the **NATO** in the Group for Industrial Resources and Communications Services Group (IRCSG – Industrial Resources and Communications Services Group) including their working groups for telecommunications and mail, particularly focused on security and operation of infrastructures in crisis situations and in the Group CaP3, the main task of which is to coordinate utilization of radio spectrum between civilian and military sector.

In **ETSI** the CTU, as the representative of the State in the category of national administrations, participated in updating the activity plans of the ETSI in the preparation of European standards and extension of collaboration with other standardization bodies.

In **OECD** the CTU is represented in the working group for strategic affairs of telecommunication infrastructures and services (WP CISP – Working Party on Communication Infrastructures and Services Policy), which in 2012 was aimed at preparation of analytical documents and recommendations in perspective directions of development of technologies and services of electronic communications.

2.4 Other International Activities

Other International Activities of the CTU, which were realised in 2012, were aimed particularly at bilateral and multilateral working meetings with foreign subjects.

Working meetings in the field of mail

Within the framework of these meetings the CTU consulted with selected regulatory authorities of other Member countries of the European Union experiences from the preparation and full opening of postal market. During 2012 these meetings were held with representatives of :

- a) Postal Regulatory Office („Poštový regulačný úrad Slovenskej republiky“) (Prague, March 15, 2012)
- b) Polish Regulatory Office („Urząd Komunikacji Elektronicznej“) concerning the issues of definition of the market of postal services and determination of availability of basic services (Warsaw, December 10 - 12, 2012)

Co-ordination meetings concerning the issues of radio and television broadcasting

In June 2012 two bilateral co-ordination meetings took place – with the administration of Germany and the administration of Poland, and subsequent multilateral (joint) meeting with administrations of Germany and Poland was held in November 2012. In these meetings planned deployment of 4th television broadcasting network DVB-T was ensured, joint steps were launched leading to the preparation of future changes in utilization of radio spectrum for terrestrial digital television broadcasting, including introduction of new systems of DVB-T2 standard and questions of observance of operational parameters of radio broadcasting were discussed.

International meetings concerning exercise of management of frequency spectrum

During 2012, as in the previous period, the CTU's experts from the field of radio spectrum management provided international co-ordination of radio frequencies and participated in activities supporting co-ordination of established authorities. One example of this activity is the Regional Convention on radiotelephone service on inland waterways (RAINWAT) and HCM Agreement, i.e. agreement on co-ordination of frequencies between 29.7 MHz - 43.5 GHz for fixed and mobile services, which was concluded among administrations of Austria, Belgium, Czech Republic, Germany, France, Hungary, Netherlands, Croatia, Italy, Lichtenstein, Lithuania, Luxemburg, Poland, Romania, Slovakia, Slovenia and Switzerland.

Conditions and procedures of international frequency co-ordination of radio frequencies employed for fixed and mobile service is regulated in multilateral international Agreement on co-ordination of frequencies between 29.7 MHz and 39.5 GHz for fixed service and terrestrial mobile service, modified in the current version of HCM Agreement (hereinafter „HCM Agreement“). The representatives of the CTU participate twice a year in regular meetings of working groups of HCM Agreement established independently for terrestrial fixed and mobile services. Within the framework of these meeting were discussed, in particular, the issues relating to excessively long periods necessary for the implementation of modifications or corrections of harmonized co-ordination program, review of rules stipulating format and method of electronic exchange of data of international frequency of co-ordination stations of terrestrial mobile service and the issues ensuing from prepared future harmonized utilization of radio frequencies by broadband systems in the bands of 800 MHz and 2,600 MHz. In this context it is worth noting that in 2012 the CTU concluded altogether nine co-ordination contracts with neighbouring administrations concerning frequency planning and utilization of radio frequencies in border regions in frequency bands of 406–410 MHz, 791–821 MHz and 832–862 MHz, and also in the band of 2,500–2,690 MHz. With the advent of systems of higher generations in existing networks the CTU is ready to sign co-ordination contracts in border regions also in the bands of 880–960 MHz and 1,710–1,785 and 1,805–1,880 MHz.

CHAPTER III

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

1. Electronic Communications

1.1 The Need of Amendment of the Act on Electronic Communications

Because on January 1, 2014 the Act No. 255/2012 Coll., on Inspection (Inspection regulations), which amends existing Act No. 552/1991 Coll., on State Inspection, as amended by later regulations, should become effective, it will be necessary during 2013 to approve amendment to the Act on Electronic Communications in those parts of the Act, which relate to exercise of inspection activity and administrative chastisement in the field of electronic communications. It will also be necessary to exercise similar review and potential changes also in the field of postal services.

1.2 Subscriber Disputes - Disputes Concerning Obligations of Monetary Performance

For the CTU is extremely important fast completion of debate over the Government's draft Amendment of the Act, which should withdraw the agenda of subscriber disputes concerning performance of obligation of 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), from the CTU and restore this competency to the courts. On June 14, 2012 the Government of the Czech Republic submitted relevant proposal to the Chamber of Deputies (the House of Representatives), however, before the end of 2012 the draft was not discussed by this House.

Long-term adverse trend of permanent growth of the number of newly applied proposals for administrative decision in this agenda did not change even in 2012. In 2011 the CTU engaged in total 213,830 administrative procedures and promulgated decision in 66,431 cases. However, in 2012 the CTU engaged in total as many as 442,291 administrative procedures. Although the CTU managed to increase, on a year-on-year basis, the number of promulgated decisions up to 86,483 cases, the numbers of pending cases continue to increase. Whereas at the end of 2011 there were 141,277 cases, by the end of 2012 the number of pending cases increased up to 355,808 and their number still dramatically increases also in first months of 2013. Therefore the CTU is unable, in the long-term, to ensure proper settlement of this agenda.

The CTU agrees with proposed converting of this agenda to general courts and sees it as a logical step. Solution of these, in principle private disputes, is not the exercise of regulation, neither it brings back any feedback on exercised regulatory and inspection activities or activities in the field of protection of consumers.

Quite an extraordinary quantity of new cases, which are submitted to the CTU in the long-term, has already brought about practically complete congestion of the CTU. The CTU

repeatedly pointed out, in the long-term, to this fact (see, for example, Annual Report of the CTU for the year 2011). Moreover, the method by which the proposed transfer of the agenda to competency of general courts should be implemented solves the future agenda only. It does not bring any solution how to complete administrative procedures which were already commenced by the CTU. The CTU repeatedly expressed its principal disagreement with this during 2012.

Pursuant to the Resolution of the Government No. 815 dated November 9, 2011, the CTU should gradually transfer to the resort of the Ministry of Justice in two steps altogether 100 systemized positions and corresponding funds. Such a solution, in combination with enormous increase of the number of new proposals on the part of operators means that the CTU will be unable to solve these cases within the legal deadlines. This can be proved by the experience from the end of 2012, when the CTU was forced to comply with the relevant part of the Resolution of the Government No. 815 and to realize transfer of first 50 systemized positions in the resort of the Ministry of Justice. Because of still unfinished debate over the Government's draft Amendment of the Act (see above), however, the number of new proposals submitted to the CTU for decision continue to increase.

If the Resolution of the Government No. 815 is not changed and the CTU is still forced to transfer, by January 1, 2014, to the resort of Justice another 50 systemized positions, the Office will have only one systemized position for solution of remaining cases at its disposal. Such a situation will principally increase the risk of actions against passivity of the CTU accompanied by demand for damages. Also activities of the CTU in remaining professional agendas will be in danger. The CTU will face the task to ensure the settlement of uncompleted cases (see above), but also of other continuously delivered new submissions. If the above mentioned Resolution of the Government is not changed and systemized positions are not returned to the CTU to solve this agenda, the CTU will be forced to employ part of employees from other professional agendas.

The CTU is ready, depending on the outcome of the process of endorsement of relevant draft Amendment of the Act in the Parliament, to propose to the Government necessary measures capable to ensure gradual completion of cases within the framework of this „disputable “ agenda and to eliminate thus as much as possible of potential negative impacts including impact on the CTU's capability to ensure exercise of other regulatory and inspection activities.

1.3 The Need to Promulgate Implementing Regulations to the Act on Electronic Communications

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

Within the competency of the Ministry of Industry and Trade

For the year 2013 the Government of the Czech Republic included in the Plan of legislative works for this year the Amendment of the Government Regulation No. 154/2005 Coll., on Determination of the amount and method of calculation of charges for utilization of radio frequencies and numbers, as amended by later regulations.

Simultaneously works have begun on the preparation of the Amendment of the Decree No. 117/2007 Coll., on Numbering Plans of networks and services of electronic communications, as amended by later regulations.

Both legal regulations mentioned belong to legal tools of regulation. Their changes should, therefore, react to the needs of the sector of electronic communications, development of technologies and services of electronic communications and should be aimed at meeting objectives of approved State policy in this field.

Within the competency of the CTU

At the beginning of 2013 the CTU expects completion of the process of technical Amendment of the Decree No. 486/2005 Coll., which stipulates amount and method of payments of effectively incurred costs for establishment and securing of interface for connection of terminal of telecommunication device for interception and recording of reports, storage and communication of information from database of participants of publicly available telephone service. This Amendment should react to the promulgation of the Decree by the Ministry of Industry and Trade No. 357/2012 Coll., on Storage, transfer and liquidation of operational and localisation data, and should ensure mutual compatibility of both legal regulations. The second change of the Decree No. 486/2005 Coll., from the side of the CTU, should be realised in the second half of 2013 for the purposes of update of the amount of payments specified by the Decree, respecting, at the same time, current extent and amount of effectively incurred costs for the performance of relevant legal obligations.

2. Postal services

As in the field of electronic communications also the field of postal services it is necessary to consider the need of modification of the Act on Postal Services in connection with acceptance and legal effectiveness of the Act No. 255/2012 Coll., on Inspection (Inspection Regulations), which, starting from January 1, 2014, replaces existing Act No. 552/1991 Coll., on State Control, as amended by later regulations. Relevant review should be focused at the field regulating exercise of inspection activity and administrative chastisement in the field of postal services.

CHAPTER IV.

ORGANIZATION AND SUPPORT OF THE CTU's ACTIVITY

1. The CTU's Economic Results

The CTU received binding indicators of the Chapter 328 - The CTU, ensuing from the Act No. 455/2011 Coll., on the State Budget of the Czech Republic for the year 2012, as of December 14, 2011, in the letter of the Minister of Finance No. 19/108 795/2011-193 from December 19, 2011. The survey of fulfilment of these indicators is specified in the Annex No. 9 and, simultaneously, in the Annex No.10 of this Report is specified the survey of mandatory indicators of the Budget for the year 2013 (the obligation determined by the Act on Electronic Communications).

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

Total incomes

The approved budget of binding indicator - total incomes at the amount of CZK 1,057,994,000 was not changed during 2012. The reality achieved is CZK 1,259,837,590 i.e. observance of modified budget on 119.08 % and its overspending by CZK 201,843,590

The tax incomes - administration fees, were accomplished in the volume of CZK 120,496,370 i.e. observance of modified budget reached 240.99 % what means overrun by CZK 70,496,370.

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 997,270,530 and incomes ensuing from the administration of numbers the amount of CZK 105,620,470.

The category of non-taxable incomes includes the incomes from the European Union budget where the modified budget at the amount of CZK 47,927,000 was observed at only 14.80 %, therefore the incomes reached CZK 7,092,450 only. The CTU received the amount of:

- CZK 927,440 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 393,680 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 "The Efficient management of the CTU",
- CZK 5,412,160 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 filing in the administration process,
- CZK 53,570 as the equivalent of the costs incurred pursuant to the Monitoring report for the project reg. No. CZ.1.04./4.1.00/59.00014 called „Increased efficiency of frequency spectrum management“,
- CZK 305,600 as the equivalent of the costs incurred pursuant to the Monitoring report for the project reg. No. CZ.1.04./4.1.00/59.00015 called „System of tools of regulatory

authority ensuring competition environment for provision of postal services in liberalized postal market“.

Lower performance of these budgetary incomes has been influenced by deadlines of submission of monitoring reports and subsequent approval and remittance of eligible expenses.

The penalties in administrative procedures, imposed by the CTU, reached in 2012 the amount of CZK 5,279,180, i.e. the budget approved was accomplished on 105.58 %.

In 2012 the CTU also planned budget incomes incurred from the lease of other real estates and/or their parts at the amount of CZK 67,000. These incomes reached the amount of CZK 110,700 what means that the budget was accomplished on 165.22 % and was overrun by CZK 43,700. There are incomes incurred from the lease of the 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 received from the municipality Lohotky for utilization of aerial carrier serving as a lookout on the monitoring stations of Karlovy Vary belonging to the Automated system of monitoring 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 on Electronic Communications and the Government Resolution, the Radiocommunication account is formed by incomes ensuing from the administration of radio spectrum. For the year 2012 the amount of CZK 132,744,740 was transferred to this account and the amount of real incomes in 2012 was thus reduced by this amount.

The summaries of all incomes for 2012 are listed in the Annex No. 9 and incomes planned for 2013 are listed in the Annex No. 10 of this Report.

Total expenditures

During 2012 the CTU had to cope with the fact of purposefully bound budgetary means in the total amount of CZK 5,647,000, ensuing from the Government Resolution No.178/2012 dated March 21, 2012. Purposeful binding of budgetary means has been fully reflected in the item „Consulting, advisory and legal services“ (Section 2461, item 5166).

In 2012 the CTU used the possibility to draw so-called "claims", which are unsecured budget needs, at the amount of CZK 41,166,670.

On the other hand, the amount of CZK 108,036,690 was spared from the 2012 budget, of which CZK 41,958,700 corresponds to savings of costs earmarked for the coverage of the loss from the provision of the Universal Service, CZK 28,000,240 were savings of expenditures in projects co-financed from the European Union and CZK 38,077,750 were remaining expenditure items.

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 collaboration in communications,
- Section 5273 – Remaining administration in the sphere of crisis management,

in thousands CZK

Indicator/Section	Approved budget 2012	Adjusted budget 2012	Reality as per 31. 12. 2012	% utilization as per 31. 12. 2012
a	1	2	3	4
Total expenditures of which:	634,702	637,458	570,457.31	89.49
Section 2412	201,350	201,350	159,391.31	79.16
Section 2461	420,772	421,628	398,281.83	94.46
Section 2491	12,500	14,4000	12,733.04	88.42
Section 5273	80	80	51.13	63.91

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

in thousands CZK

Indicator	Approved budget 2012	Adjusted budget 2012	Reality as per 31. 12. 2012	% utilization as per 31. 12. 2012
a	1	2	3	4
Total expenditures of which:	634,702	637,458	570,457.31	89.49
Running costs	628,054	625,900	553,315.53	88.40
Capital costs	6,648	11,558	17,141.78	148.31

Running expenditures

Running expenditures for 2012 were drawn at the amount of CZK 553,315,530 what represents 88.40 % of the budget adjusted. The whole amount of drawn "claims" at the amount of CZK 33,824,590 was spent in the area of running expenditures for the needs not covered by the budget.

Section 2412 – Telecommunications issues

In this paragraph the budget expenditures are earmarked for settlement of loss, originating from provision of Universal Service for special prices to handicapped persons and to persons with low income, which incurred to its provider and which the State is obliged to reimburse via the CTU pursuant to Section 38, (3) of the Act on Electronic Communications.

In 2012 the loss incurred to providers of the Universal Service for provision of so-called special prices (special price plans for handicapped persons) in 2011 was rated, and namely the loss of the company Telefónica O2 and Vodafone. The total amount of loss of these companies was CZK 104,026,700, of which the company Telefónica O2 received the amount of CZK 102,854,600 and the company Vodafone 1,172,100.

In 2012 net costs from the provision of the Universal service of company Telefónica in 2011 were assessed. The total reimbursement of these costs was CZK 55,028,580. This item also includes contributions to the account of the Universal service in the total amount of CZK 336,019,000, which were reimbursed from the State budget to companies, which ceased to exist or where payments on their accounts were unrecoverable.

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

Out of 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 (52.94 % of the modified budget, and/or 55.91 % 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 domestic catering, non-investment contributions and compensations provided – above all for the performance of the position of “custodian”, payments of taxes and fees (toll stickers) and compensation of salaries reimbursed to employees during illness.

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 Ministry for Industry and Trade, which the CTU is bound to perform on the basis of the Government Resolution dated June 1, 2005 No. 676, contributions to international organisations in which the CTU represents the Czech Republic, participant's fees at international conferences, purchase of information and publications from international organizations and purchase of services and other purchases in connection with organization of international meetings in the Czech Republic.

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 2012 the Office reserved total volume of expenditures at the amount of CZK 80,000 and the reality was CZK 51,130 what means utilizations at 63.91 %.

Capital expenditures

The CTU plans capital expenditures only on Section 2461 and they are registered in information system EDS/SMVS of the Ministry of Finance. The budget approved for the year 2012 was equal to CZK 6,648,000 and during the year was increased by CZK 4,940,000 by means of two budgetary measures at the total amount of CZK 11,588,000. The capital expenditures were drawn at the amount of CZK 17,141,780, i.e. utilization of the adjusted budget at 148.31 %. Within the project CZ.1.04./4.1.00/59.00015 entitled „The System of tools of regulatory authority for the purposes of ensuring competition environment for provision of postal services on liberalized postal market“ was realised, the output of which was, because of its character (SW), also covered from capital expenditures (CZK 669,600) but outside the EDS/SMVS Register. This approach was chosen on the basis of instruction of the Ministry of Finance.

During 2012 „the claims“ for unsecured budgetary needs were used at the total amount of CZK 7,342,080.

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 Employees and Other Payments for Work Done

During the year the budget of this indicator was modified by means of one budgetary measure subject to the approval of the Ministry of Finance. The approved budget for 2012 was increased in total by CZK 2,606,000 in connection with implementation of Point II. of the Government Resolution No. 815 from November 9, 2011 (transfer of 50 positions and related costs (establishing and operating) from the Office to the budgetary head 336 – Ministry of Justice by January 1, 2013). The adjusted budget was drawn at 99.44 %.

The budget of salaries of employees was increased during the year by means of 1 project co-financed by the EU, and namely by CZK 152,000 and the budget thus adjusted has been drawn for the year 2012 at 99.67 %.

The approved budget of the indicator "Remaining payments for work done" was increased during the year by above mentioned amount of CZK 2,606,000 and was drawn at at 96.20 % in 2012.

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 project co-financed by the EU and was increased by CZK 51,000. The budget thus adjusted was drawn at the amount of CZK 52,962,730, i.e. at 99.77 %.

The indicator includes expenditures for social security insurance and the contribution for the State employment policy which were drawn in 2012 at the amount of CZK 38,943,090, i.e. at 99.67 %.

This indicator also includes expenditures for disbursement of public health insurance premiums where the budget adjusted was drawn at the amount of CZK 14,019,650, i.e. also at 99.67 %.

Transfer to the Cultural and Social Welfare Fund

In 2012 CZK 1,493,000 was transferred to the Cultural and Social Welfare Fund, which represents utilisation of adjusted budget at 100.13 %. As per December 31, 2012 the balance of the Fund amounted to CZK 179,180.57.

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

This indicator included in 2012 capital expenditures earmarked for disbursement of costs for the project concerning the invitation No. 7 from the Integrated Operational Programme and the invitations No. 48 and 59 from the Operational programme Human Resources and Employment.

In the period monitored the CTU implemented in total five projects co-financed by 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 the Regulation of rates for call termination in fixed and mobile networks in the EU in the regulation of prices by the Czech Telecommunication Office". Within this project and until December 31, 2012 CZK 7,863,820 in total was drawn, of which CZK 1,179,570 is the share of State budget and CZK 6,684,250 is the share of the EU budget (The project was completed in 2012).
- CZ.1.04/4.1.00/48.00030 named "Efficient management of the CTU". As per December 31, 2012 within this project CZK 4,384,050 was drawn in total, of which the share of State budget was CZK 657,860 and CZK 3,726,190 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, 2012 within this project CZK 5,884,160 was drawn in total, of which the share of State budget was CZK 883,320 and CZK 5,000,840 was the share of the EU budget (The project was completed in 2012).
- CZ.1.04/4.1.00/59.00014 named „Increase of efficiency of frequency spectrum management“. As per December 31, 2012, within the framework of this project, CZK 12,261,340 was drawn in total, of which the share of State budget was CZK 1,839,600 and the share of budget of the European Union was 10,421,740 (The project was completed in 2012).
- CZ.1.04/4.1.00/59.00015 named „System of tools of regulatory authority for the purposes of ensuring competition environment for provision of postal services on liberalized postal market“. As per December 31, 2012, within the framework of this project, CZK 8,510,380 was drawn in total, of which the share of State budget was CZK 1,276,660 and the share of budget of the European Union was CZK 7,233,720.

The first two above mentioned projects are implemented within the framework of the call No. 48 in the Operational programme Human Resources and Employment, the third project is implemented within the framework of the call No. 7 in Integrated Operational programme. Fourth and Fifth project are also implemented within the framework of the Operational programme Human Resources and Employment, but within the framework of the call No. 59.

These expenditures were during the period monitored drawn in total at 69 %, i.e in the volume of CZK 38,903,750 of which the share of State budget was CZK 5,837,010 and the share of the budget of the European Union was CZK 33,066,000.74., where savings were CZK 17,481,250 in total of which the share of the State budget was CZK 2,620,990 and the share of the European Union was CZK 14,860,260. Savings were brought about by the fact that contractors selected in tender procedures were able to realise tasks for significantly lower amounts than was planned in budgets of projects. The CTU will employ these savings for funding these projects in 2013.

The expenditures earmarked for the programmes run in ISPROFIN

In 2012 the CTU had in ISPROFIN register, and/or since 2011 in SMVS register (the Management of the property in the State's ownership), one programme registered having registration number 128010 – The Development and Reconstruction of material - technical base of the CTU, with the total volume of expenditures CZK 51,507,000 of the budget approved of which CZK 6,648,000 accounted for capital expenditures and CZK 44,859,000 for running expenditures.

1.2 Management of Non-Budgetary Funds

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

With the exception of loss incurred in connection with the provision of the Universal Service reimbursed by the State and budgeted in the CTU's Chapter (for the service "Special prices and price plans"), the CTU, since 2005, manages the account of the Universal Service which was opened in 2002 as the account of foreign funds having extended prefix "16010" entitled Foreign funds – Universal Service with the Česká národní banka (ČNB), Branch Praha. The account was established pursuant to Section 32 of the Act on Telecommunications. During 2012 the operators contributed to this account the total amount of CZK 137,013,653 and the company Telefónica contributed to this account continuously in the total amount of CZK 137,013,653.

The account 16010-725001/0710 (in CZK)

Account balance as per 1. 1. 2012	CZK 43,459.09 ¹⁾
Contributions from operators	CZK 137,030,519.00 ²⁾
Disbursed to the company Telefónica O2	CZK 137,030,319.00 ³⁾
Account balance as per 31. 12. 2012	CZK 43,659.09 ⁴⁾

Note:

¹⁾ Account balance consists of overpayment of dissolved company Zephyr Communications, spol. s r.o.

²⁾ Revenues include two amounts which were paid to the account in error (CZK 16,666 and CZK 200).

³⁾ Expenditures include one amount which was paid to the account in error and was returned to payer (CZK 16,666).

⁴⁾ Account balance consists of overpayment of dissolved company Zephyr Communications, spol. s r.o. and the payment (CZK 200), which was paid to the account in error and was transferred in 2013.

In 2008 another foreign funds account was set up for the payment of net costs of the provider of the Universal Service pursuant to Section 49 (3) of Act No. 127/2005 Coll., on Electronic Communications. The account was also set up at the Česká národní banka (ČNB), Branch Praha with the prefix "46017". During the year 2012 contributions from individual operators were credited to this account in the total amount of CZK 34,737,768, these contributions were continually credited to the company Telefónica O2 in the total amount of CZK 36,278,243.

The account 46017-725001/0710 (in CZK)

Account balance as per 1. 1. 2012	1,540,475.00
Contributions from operators	34,737,768.00
Disbursed to the company Telefónica O2	36,278,243.00
Account balance as per 31. 12. 2012	0.00

Radiocommunication account

The obligation of the CTU to open the Radiocommunication Account is stipulated in the Electronic Communications Act. The generation of funds for the Radiocommunication Account has been determined by the Government Resolution No. 153/2005 Coll., on specifying the manner and level of generation of funds for the Radiocommunication Account

and the method it is drawn upon, at the level of 6 % of the collected fees for the use of radio frequencies. The Amendment of the Act on Electronic Communications – the Act No. 153/2010 Coll., which was effective from July 1, 2010 until December 31, 2012, the CTU transfers to this account funds increased by 6 % of total revenues from charges collected for utilization of radio frequencies. These funds are transferred to this account quarterly (after the end of every quarter).

The funds are utilized for the disbursement of efficiently and purposefully expended costs incurred to the holders of individual authorisations for the use of radio frequencies, and/or, to operators of the network of electronic communications, which incurred these costs in the period from the day on which the Government Resolution, stipulating Technical plan of transition, became effective, until the termination of terrestrial analogue television broadcasting in the Czech Republic. Eligibility of costs incurred claimed by a holder, and/or operator, is assessed in the CTU by the commission of experts established for this purpose. In 2012 CZK 4,568,873.41 was reimbursed to this account from the radiocommunication account.

The Amendment of the Act on Electronic Communications valid from January 1, 2012, allows the CTU to utilize the funds of radiocommunication account also for evaluation of cases according to points 2, 3 and 4 of this Amendment, monitoring of the situation and extent of distribution of television broadcasting, analysis of availability of television broadcasting and effective utilization of radio frequencies, and/or disbursement of extraordinary costs relating to the activity of the CTU etc. In 2012 the CTU reimbursed from the radiocommunication account invoices in the total amount of CZK 88,561,358.90. These funds were used for:

- spectrum analysers and monitoring receivers for CZK 20,648,473.20 in total,
- consultancy, advisory, legal and other services in connection with the Auction of frequencies for 18,184,154.60 CZK in total,
- maintenance and support of highly specialized SW for control of instrumentation equipment monitoring frequency spectrum for CZK 13,815,004.80 in total,
- service support of application program equipment for unification and formalization of administrative-technical processes in monitoring of frequency spectrum for CZK 8,942,400 in total,
- connection of modular administrative system (MOSS) to Information system of basic registers (ISZR) for CZK 8,611,376 in total,
- license fee Oracle, which is the database employed for the system of frequency spectrum management, for CZK 5,112,480 in total,
- recovery of servers in data centre of the CTU for the needs of Automated system of monitoring of frequency spectrum (ASMKS) and other applications for CZK 4,413,420 in total,
- support and study of extension of database system for frequency spectrum management for CZK 2,143,284 in total,
- update of maps employed within the framework of frequency spectrum management in its planning and control performed by the ASMKS for CZK 1,800,000,
- access to the knowledge base and advisory support for CZK 1,588,248,
- development and implementation of calculation moduls for frequency planning and evaluation of coverage of territory by radio signal including services for CZK 1,579,200 in total,
- management of the project „Increasing efficiency of frequency spectrum management“ focused on the agendas related to award of authorization for utilization of frequency spectrum for CZK 675,000 in total,
- travel, accommodation and participation in conferences (for example, Future Network and Mobile Summit) for CZK 453,653.30 in total
- modification of the system for Electronic data collection (ESD) for CZK 333,840,

- record sheets for bands 2.4–18 GHz, 10 GHz, 71–76 GHz and 81–86 GHz for CZK 270,000,
- the book „Essentials of Modern Spectrum Management“ for CZK 825.

The Statement of the Radiocommunication Account (in CZK)

The Statement as per 1. 1. 2012	317,490,528.36
Generation in the year 2012	132,744,741.00
Utilization of the year 2012	93,130,232.31
The Statement as per 31. 12. 2012	357,105,037.05

Account for the Development of Terrestrial Digital Television Broadcasting

Since the year 2008 the CTU has the account opened 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, for the so-called development of terrestrial digital television broadcasting. To this account the Česká televize transfers the funds obtained from proceeds ensuing from advertisements at the amount of CZK 1,250,000 monthly, 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 8x the amount of CZK 1,250,000 i.e. during this period lasting from 11/2011 to 06/2012 in the total amount of CZK 10,000,000. During 2012 the CTU used the funds on this account to cover following expenditures :

- CZK 9,101,520 for monitoring receiver,
- CZK 4,702,200 for development and implementation of calculation moduls for frequency planning and evaluation of territory coverage by radio signal including services,
- CZK 2,088,249 for support of digitalisation,
- CZK 180,000 for organisation of the workshop on DVB-T2,
- CZK 36,000 for participation at the conference DIGImedia,
- CZK 12,000 for participation at the conference on regulation.

As per December 31, 2012 the account shows the balance of CZK 4,247,440.94.

Account for development of terrestrial digital television broadcasting (in CZK)

The Statement as per 1. 1. 2012	10,367,410.54
Generation in the year 2012	10,000,000.00
Utilization of the year 2012	16,119,969.60
The Statement as per 31. 12. 2012	4,247,440.94

Current Bank Account for Payment Cards

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

As per January 1, 2012 the account showed the balance of CZK 1,882.08 CZK. In January 2012 the amount of CZK 300,000 was transferred to this account from the expense account. Payments realised through VISA card per 31. 12. 2012 amounted to CZK 644,777.74. Transfer from the budget of expenses of 2012 was effected in the total amount of CZK 639,422.99, charges for payment cards were CZK 3,639 and banking fees from January to December 2012 were CZK 4,972.

Final balance on the account per 31. 12. 2012 is CZK 1,595.68.

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

Account's balance as per 1.1.2012	1,882.08
Transfer from the expenses' account	300,000.00
Interest entered on the account from January to December 2012	256.87
Interest paid to the MF from January to December 2012	-267.52
Fee charged for the Visa card from January to December 2012	-3,639.00
Banking fees from January to December 2012	-4,972.00
Insurance of payment cards – loss/theft	-3,510.00
Insurance of payment cards – GOLD	-9,800.00
Settlements for accomodation from January to December 2012	-644,777.74
Transferred from expenditures January to December 2012	639,422.99
Transfer to ČNB	-273,000.00
Final balance as per 31.12.2012	1,595.68

1.3 Results of External Inspections in 2012

In 2012 no external inspection took place in the CTU.

2. Human Resources

During 2012 42 employees began to work at the CTU, 5 employees went on maternal leave, 71 employees terminated their employment (of which 3 employees terminated their employment because they retired, 27 employees terminated their employment pursuant to Section 52 Letter c) of the Labour Code).

Average adjusted number was 445 employees. As per December 31, 2012 registered number of employees was 443. As per December 31, 2012, 46 employees received old-age pension.

Number of employees (as compared with the years 2010 and 2011)

Indicator / period	2010	2011	2012
Systemised number of employees	447	444	444
Average adjusted number of employees	447	443	445
Number of newly hired employees	48	50	42
Number of employment terminations	50	54	71
Number of employees in post-productive age as of December 31.	63	57	69

Budget 2012

On December 14, 2011 the Chamber of Representatives of the Parliament of the Czech Republic, by its Resolution No. 917, approved the Act No. 455/2011 Coll., on State budget of the Czech Republic for the year 2012.

Through the letter from the Ministry of Finance of the Czech Republic, ref. No. 19/108 795/2011-193 of December 19, 2011 "Binding volumes of funds for salaries and the payments for work done (limits of funds for salaries) and the numbers of employees for 2012" of budget head 328 – the Czech Telecommunication Office, were stipulated as follows:

The limit of funds for salaries and other payments for work done	CZK 156,919,000
of which:	
- funds for salaries	CZK 149,114,000
- other payments	
for work done	CZK 7,805,000
Limit on the number of employees:	444 persons

The Ministry of Finance complied with the request of the CTU from November 8, 2012 (Ref. No. CTU-223 048/2012-602-II. vyř.) concerning budgetary measure and in its letter Ref. No. MF-112 276/2012/19-193 dated December 10, 2012 approved budgetary measure – increment of the budget head 328 – Czech Telecommunication Office by the amount of CZK 2,606,000, which has been transferred from the budget head 398-VPS/items VRR concerning severance payments to departing employees on the basis of Government Resolution No. 815/2011.

Modified budget:

The limit of funds for salaries and other payments for work done	CZK 159,525,000
From this:	
a) funds for salaries	CZK 149,114,000
b) other payments for work done	CZK 10,411,000
Limit of the number employees	444 persons

Funds for salaries of employees

Budget of Funds for salaries of employees without projects of European Union for the year 2012 was CZK 147,620,000.

Modified budget of Funds for salaries of employees with projects of European Union for the year 2012 was CZK 149,114,000.

When comparing limit of Funds for salaries of 2011 (reality was CZK 148,615,000) with reality of 2012 (reality was CZK 148,660,000) it is an increase by CZK 45,000.

Budget of Funds for salaries of employees for 2012 brought about increase of average salary in 2012 (CZK 26,939) by CZK 918 as compared with 2011 (CZK 26,021).

Number of positions

In 2012 the number of positions remained the same as in 2011, i.e. 444.

Organisational changes

Within the framework of its powers the Chairman of the CTU's Council during 2012 made some organisational changes to increase efficiency and quality of CTU's activities.

Quite exceptional was organisational measure which the Chairman of the CTU's Council promulgated to exercise the first part of the task ensuing from the Government Resolution No. 815 from November 9, 2011. This was the transfer of altogether 50 positions from the CTU to the resort of justice. In this connection, the Measure of the Chairman of the CTU's Council No. 28/2012 ref. No. CTU-150 080/2012-601, dated August 15, 2012, on organisational changes, on cancellation of workplaces and on promulgation of new systematization on December 31, 2012, 13 positions were cancelled in the department for the region Praha, 4 positions in the department for the region South Bohemia, 6 positions in the department for the region West Bohemia, 6 positions in the department for the region of North Bohemia, 6 positions in the department for the region of East Bohemia, 9 positions in the department for the region of South Moravia and 6 positions in the department for the region of North Moravia. Simultaneously, branch offices in Chrudim, Jihlava, Zlín and Olomouc were cancelled.

Other payments for work done

Budget of other payments for work done (without funds for salaries of representatives of State power) without projects of the European Union for the year 2012 was CZK 1,135,000.

Modified budget of other payments for work done (without funds for salaries of representatives of State power) without projects of the European Union for the year 2012 was CZK 1,558,000.

Modified budget of other payments for work done (without funds for salaries of representatives of State power) – increase by severance by CZK 2,606,000 for the year 2012 was CZK 4,164,000.

From the budget of other payments for works done only the activities which could not be provided by own resources were covered. There are, in particular, works related to the assessment of cases of remedies against decisions of the CTU pursuant to Section 123 of the Act on Electronic Communications, i.e. activities of Remonstrance Commission of the Chairman of the CTU's Council and Remonstrance Commission of the CTU's Council, further the works of examiners for examinations of radiooperators and radioamateurs and the associated paperwork, works related to archiving of documents and severance.

In the budget of other payments for work done (without funds for salaries of representatives of State power), without projects of the European Union for the year 2012 CZK 25 remained outstanding together with the amount of CZK 670,362 for severance.

The CTU's Council

The Budget of other payments for work done - salaries of representatives of State power for 2012 was CZK 6,670,000.

Modified budget of other payments for work done - salaries of representatives of State power for 2012 was CZK 5,460,000.

In harmony with the Act No. 425/2010 Coll., which amends the Act No. 236/1995 Coll., on Salary and other essentials connected with the exercise of the position of representatives of State power and some other State authorities and judges and deputies of the European Parliament, as amended by later regulations, and the Act No. 201/1997 Coll., on Salary and other essentials of prosecutors and on Amendment of the Act No. 143/1992 Coll., on Salary and remuneration for on-call service of employees in budgetary and some other organisations and authorities, as amended by later regulations, from January 1, 2011 until December 31, 2014 the salary basis is CZK 51,731 monthly.

On June 30, 2012 the term in office of the member of the CTU's Council Ing. Zdeněk Švrček ended. Pursuant to Section 109 Para. 2 of the Act No. 127/2005 Coll., on Electronic communications and on Amendment of some other Acts (the Act on Electronic Communications), as amended by later regulations, the member of the CTU's Council is entitled, for the period of 6 months after his/her term in office in the Council has ended, to the salary at the amount of average monthly salary during his/her term in office. Simultaneously, the member of the CTU's Council is entitled to severance at the amount of five monthly salaries.

In the budget of other payments for work done - salaries of representatives of State power for 2012, CZK 531 remained outstanding.

Education of employees

Employee education was carried out according to the CTU's Employee Education Plan for 2012 pursuant to Act No. 262/2006 Coll., the Labour Code, as later amended, the Rules Laying Down the Method of Professional Preparation of Employees in Administration Bodies (approved by the Government Resolution No. 1542 of November 30, 2005) and the CTU's Binding Instruction No. 15/2006, which specifies the improvement and increase of qualifications of CTU's employees. The education of employees in 2012 was focused primarily on professional training, education of foreign languages, education focused on development of personal and managerial skills.

Newly hired CTU's employees completed, mostly in the form of e-learning, entry education, that mediated for them basic information on State administration, the issues of the CTU and other information necessary to acquire basic knowledge and skills for ability to perform activities in the State administration.

Within the framework of the CTU units professional training was organised concerning the issues of electronic communications and Administrative Regulations which these units are dealing with. In collaboration with the Faculty of Electrical Engineering of the Czech Technical University in Prague and the Faculty of Electrical Engineering and Communication

Technologies at the Brno University of Technology selected employees took courses focused on technologies, services of electronic communications and trends of their development. To deepen the knowledge in the field of information technologies, employees participated in courses of MS Office and other applications employed in the CTU.

To maintain and develop language knowledge employees participated in group and individual courses of English, French and German languages.

For designated staff courses were organized focused on managerial, communication and presentation skills.

Individual employees completed, in harmony with their individual educational needs, educational events organized by different educational companies.

On 31. 12. 2012 the expenditures in the account Services of training and education were CZK 2,454,000 and expenditures in the account Participation fees for conferences reached CZK 276,000.

The Number of Graduates of Various Educational Events (in comparison to 2010 a 2011)			
Orientation	2010	2011	2012
Language courses	128	136	130
Education in European Union Affairs	32	39	27
Courses oriented on Information Technology	102	208	421
Other educational Events	681	770	960
Costs for Education (in CZK)	2,700	2,783	2,730

Overview of the employment regulation limits, Overview of the basic personnel data and Overview of mandatory indicators broken down for 2012 are presented in Annexes Nos. 11 and 12 of this Annual Report.

3. Informatics

On April 29, 2012, according to stipulated time schedule, the CTU completed the implementation of the project „Electronic handover in the process of administrative procedure“, solved within the framework of Integrated operational program CZ.1.06, under the invitation number 07 „Limited time invitation for the field of support 6.1a and 6.1b – Electronization of services of public administration“. The target of the project was creation and implementation of processes and related program equipment serving for electronic handover of stimuli for opening of administrative procedure in the CTU. The purpose and orientation of the project was electronization of comprehensive section in the process of administrative procedure in the field of receiving and processing of incoming documents instead of existing system of rewriting of incoming stimuli by CTU's officers.

Following the launching of Information system of basic registers from July 1, 2011, the CTU gradually modified during the year the Modular administrative system (MOSS) so as to be able, through its mediation, to comply with the requirements of the Act No. 111/2009 Coll., on Basic registers. Development of the MOSS further concerned connection to Insolvency register (ISIR), preparation for keeping the records of entrepreneurs in postal services (see the the Act No. 29/2000 Coll., the Act on Postal Services), development of web services of interface between the MOSS system and program equipment for Automated system of monitoring of frequency spectrum (ASMKS) etc.

To launch remaining parts of Integrated information system of Treasury (IISSP) from January 1, 2013, the CTU created prerequisites resting, inter alia, in implementation of exchange of data between economic information system and between the system MOSS and Spectra Plus.

In the second half of the year 2012 preparatory works started on migration of operational system of working stations Windows XP to the operational system Windows 7. These works will continue also in 2013.

In November 2012 the CTU submitted request for support in the project „Joining non-editing AIS CTU with ISZR“, on the basis of the invitation No. 14 „Joining non-editing agenda information systems with information system of basic registers“ within the framework of Integrated operational program. The subject of the program is connection of other information systems of the CTU to basic registers by means of joint communication interface, utilization of services of unified identity space and modification of internal logics of IS concerned.

4. Internal audit

In 2012 a total of six regular audits were carried out by independent department of internal audits of the CTU in 2012.

The following audits were involved:

- a) Audit of procurement of public tenders in 2011,
- b) Audit of the system of foreign business trips,
- c) Audit of the process of contracts on works done outside employment contract,
- d) Audit of performance of managing control in department for regions,
- e) Audit of recovery of claims in department 610,
- f) Audit of Modular administrative system of the CTU, which will be completed in January 2013 according to the plan endorsed.

In implementing all audits the emphasis was given on control and observance of legislative and internal standards and the existence of conscious process of risk management in the CTU was verified and effectiveness of managing and control mechanisms of processes audited. All audits were executed within the stipulated deadlines and, besides recommendations ensuing from the Audit of the system of foreign business trips and the Audit of the process of contracts on works done outside employment contract, all further recommendations were accepted in the form of Note of approval as the task of the meeting of the Chairman of the CTU Council.

Pursuant to the Act on Financial Control, the Annual report on the results of the financial inspections for the previous year was prepared and submitted to the Ministry of Finance of the Czech Republic in the stipulated form and by the stipulated date. The Annual report was also prepared on the activities of the Independent Internal Audit department for 2011 and the report on the results of inspections by management for 2011. In November 2012 the plan for the independent internal audit department for 2013 was approved. Also in 2012 a report from the internal evaluation of the quality of the internal audit at CTU was prepared and presented for information to the Chairman of the CTU Council.

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

As in previous years also in 2012 the CTU put emphasis on improving performance of internal audit, providing feedback and increase of awareness about activity of internal

audit. Work of internal auditors became stable part of activity of the Office and tool for detecting potential irregularities and reduction of potential risks, including recommendation for their systematic removal and prevention of potential 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 2012, the Annual Report also contains legally stipulated information on the method of financing of the Universal Service in 2012. Most important information concerning Universal services for 2012 are listed below in this Report.

1.1 Partial Services of the Universal Service

1.1.1 Services Provided Obligatorily in 2012 within the Framework of the Universal Service

Public Pay Telephone Services or other similar technical devices permitting access to publicly available telephone service

The obligation to provide this service (Section 38 Para. 2 Letter e) of the Act) was imposed by the CTU on the company Telefónica by the decision, which became effective on March 9, 2012. The obligation imposed by this decision is valid until December 31, 2014.

In order to ensure efficiency of Universal service provided the CTU continues to stipulate exact extent of provision of the service for utilization of density criteria and other parameters in harmony with the needs identified within the framework of review. The CTU modified the list of public pay telephones (hereinafter „VTA“) and their locations falling in the mode of Universal service for 2012 in the form of Annex to the above mentioned decision. During the whole year of 2012 the VTA were operated in determined extent within the framework of the Universal service.

In the second half of 2012 the CTU, on the basis of review, promulgated the decision which amended annex to the above mentioned decision and determined thus the new list of VTA falling in the mode of Universal service for years 2013 and 2014.

Access of handicapped persons to publicly available telephone service

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

On the basis of conclusions of review the CTU, on June 26, 2012, promulgated the decision, in which it imposed on the company Telefónica the obligation to continue to provide, within the framework of the Universal service, the above mentioned partial service. The Decision on imposition of the obligation became effective on July 9, 2012. The obligation to provide this partial services has been imposed for the period of three years from July 15, 2012 to July 15, 2015.

Special prices or price plans

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

The obligation to provide this service has been imposed on the company Telefónica O2 by the decision of the CTU on the basis of tender procedure. The decision became effective on June 13, 2011 for the period of three years from July 2, 2011 to July 2, 2014.

1.1.2 Other Partial Services

In 2012 the obligation was still not imposed to provide, within the framework of the Universal service, partial services, which are available on the market without determination of obligation for their provision. They are the following partial services,:

- a) connection at a fixed point to the public communication network (Section 38, (2), (a) of the Act,
- b) access at a fixed point to the publicly available telephone service (38, (2), (b) of the Act,
- c) regular issuance of telephone directories and end-users' access to those directories (Section 38, (2), (c) of the Act),
- d) information service about telephone numbers of subscribers of publicly available telephone service available to end-users (Section 38, (2), (d) of Act),

These services are the subject of regular monitoring and current knowledge of the CTU received from monitoring in 2012 confirm that there is no reason to impose the obligation of their provision within the framework of the Universal service.

Even in 2012 it was not necessary to impose the provide, within the framework of the Universal service, partial service „Additional services to services of connection in fixed location to public communication network and access in fixed location to publicly available telephone service“ (Section 38 Para. 2 Letter g) of the Act). Individual additional services or their equivalents are, according to the CTU's findings, provided in the Czech Republic on commercial basis.

1.2 The Financing of the Universal Service

In 2012 the financing of the Universal Service was provided 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 some other Acts, as amended by later regulations (hereinafter „the Act on Telecommunications“), in cases where some resumed procedures were completed concerning financing of the Universal service for the years 2001, 2002, 2003, 2004, 2005 and part of the year 2006,

- b) pursuant to the Act on Electronic Communication in cases when procedures were running concerning financing of the Universal service for the years 2006, 2007, 2008, 2009, 2010 and 2011.

1.2.1 Pursuant to the Act on Telecommunications

As in the previous years, also in 2012 the CTU administered the Universal Service account, which was set up in 2002 and which was established pursuant to Section 32 of Act on Telecommunications and the payments are made from it to cover demonstrable losses of the Universal Service provider pursuant to the Act on Telecommunications. Pursuant to the Act No. 151/2000 Coll. the obligation to provide Universal service was imposed only on the company Telefónica.

On the basis of decision of the Supreme Administrative Court on the cancellation of previous decisions concerning verification of demonstrable loss and determination of the amount of payments to the account of Universal Service for the provision of the Universal Service in the years 2001-2005, the CTU was engaged during 2010 till 2012 in retrial proceedings regarding the demonstrable losses and determination of contributions to the account of Universal Service for individual years.

Following is the situation in individual proceedings up to December 31, 2012.

Losses for 2001

In 2012 the CTU did not complete administrative proceedings concerning recovery of contribution of the company FACTCOM a.s. at the amount of CZK 4,013 in the case of reimbursement of contribution to the loss, which the CTU verified at the amount of CZK 195,042,676 by its decision from November 30, 2010.

All other contributions were paid, of which CZK 173,364 was out of the State budget (there are the payments on behalf of dissolved companies without legal successor or the payments which were written off for impregnability). The funds were immediately transferred in favour of the company Telefónica, which provided Universal services in 2001 in determined extent.

Losses for 2002

Concerning reimbursement of contribution to the loss, which the CTU verified at the amount of CZK 257,494,476 by its decision from December 30, 2010, the CTU did not complete administrative proceedings concerning recovery of contribution of the company FACTCOM a.s. at the amount of CZK 2,990.

All other contributions were paid, of which CZK 126,826 was out of the State budget (there are the payments on behalf of dissolved companies without legal successor or the payments which were written off for impregnability). The funds were immediately transferred in favour of the company Telefónica, which provided Universal services in 2002 in determined extent.

Losses for 2003

The reimbursement of the loss, which the CTU verified at the amount of CZK 290,510,226 by its decision from December 30, 2010, was completely settled. Within

the framework of the reimbursement of the loss of which its part at the amount of CZK 7,055 was paid out of the State budget (there are the payments on behind of dissolved companies without legal successor or the payments which were written off for impregnability). The funds were immediately transferred in favour of the company Telefónica, which provided Universal services in 2003 in determined extent.

Losses for 2004

The reimbursement of the loss, which the CTU verified at the amount of CZK 302,622,498 by its decision from September 27, 2010, was completely settled. Within the framework of the reimbursement of the loss of which its part at the amount of CZK 671 was paid out of the State budget (there are the payments on behind of dissolved companies without legal successor or the payments which were written off for impregnability). The funds were immediately transferred in favour of the company Telefónica, which provided Universal services in 2004 in determined extent.

Losses for 2005

The reimbursement of the loss, which the CTU verified at the amount of CZK 286,966,147 by its decision from April 13, 2011, was completely settled. Within the framework of the reimbursement of the loss of which its part at the amount of CZK 5,530 was paid out of the State budget (there are the payments on behind of dissolved companies without legal successor or the payments which were written off for impregnability). The funds were immediately transferred in favour of the company Telefónica, which provided Universal services in 2005 in determined extent.

Losses for 2006

Concerning reimbursement of contribution to the loss, which the CTU verified at the amount of CZK 280,274,507 by its decision from November 1, 2010, the CTU did not complete administrative proceedings concerning recovery of contribution of the company BELLBRIDGE s.r.o. at the amount of CZK 1,387 and company Tel CZ, s.r.o. at the amount CZK 118.

All other contributions were paid, of which CZK 1,214 was out of the State budget (there are the payments on behind of dissolved companies without legal successor or the payments which were written off for impregnability). The funds were immediately transferred in favour of the provider of Universal services.

The Universal Service Account pursuant to the Telecommunications Act

- balance of funds on the account 16010-725001/0710 in 2012

Balance on the Universal Service account as of 1/1/2012	43,459.09 CZK ¹⁾
Account income – total contributions paid	137,030,519.00 CZK ²⁾
Account expenses - contributions transferred to the Universal Service by providers	137,030,319.00 CZK ³⁾
Balance on the Universal Service account as of 31/12/2012	43,659.09 CZK ⁴⁾

Note.:

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

²⁾ Incomes also include two amounts which were paid to the account by mistake (CZK 16,666 and CZK 200).

- 3) Expenses include also the amount which was paid to the account by mistake and was returned to payer (CZK 16,666).
- 4) The balance on the account is due to an excess payment of dissolved company Zephyr Communications, spol. s r. o., and the payment (CZK 200), which was paid to the account by mistake was transferred in 2013.

1.2.2 Pursuant to the Electronic Communications Act

During 2012 the CTU administered the account of the Universal Service, which was established in 2008 pursuant to Section 49 of the Act on Electronic Communications and from which net costs, incurred by provision of the Universal Service to the provider the Universal Service pursuant to the Act on Electronic Communications, are covered.

Net Costs for 2006

The reimbursement of net loss, which the CTU verified at the amount of CZK 73,875,953 by its decision from July 23, 2010, was completely settled in favour of the company Telefónica, which provided Universal services in 2006 in determined extent.

Net Costs for 2007

The reimbursement of net loss, which the CTU verified at the amount of CZK 105,478,583 by its decision from April 9, 2010, was completely settled in favour of the company Telefónica, which provided Universal services in 2007 in determined extent.

Net Costs for 2008

Concerning reimbursement of contribution to the loss, which the CTU verified at the amount of CZK 100,992,529 by its decision from October 29, 2010, in 2012 the CTU did not complete administrative proceedings concerning recovery of contribution of the company ATC RESLER at the amount of CZK 10,190.

All other contributions to the account of Universal service were completely settled in favour of the company Telefónica, which provided Universal services in 2008 in determined extent.

Net Costs for 2009

Concerning reimbursement of contribution to the loss, which the CTU verified at the amount of CZK 73,363,998 by its decision from July 7, 2011, in 2012 the CTU did not complete administrative proceedings concerning recovery of contribution of the company ATC RESLER at the amount of CZK 7,468 and proceedings concerning recovery of contribution of the company MobilKomat the amount of CZK 275,262.

All other contributions to the account of Universal service were completely settled in favour of the company Telefónica, which provided Universal services in 2009 in determined extent.

Net Costs for 2010

The reimbursement of net loss, which the CTU verified at the amount of CZK 46,582,341 by its decision from November 29, 2011, was completely settled out of the State budget already in 2011 in favour of the company Telefónica, which provided Universal services in 2010 in determined extent.

Net Costs for 2011

The reimbursement of net loss, which the CTU verified at the amount of CZK 55,028,579 by its decision from December 12, 2012, was completely settled out of the State budget on December 12, 2012 in favour of the company Telefónica, which provided Universal services in 2011 in determined extent.

Account of Universal service

- the balance of funds on the account 46017-725001/0710 in 2012T

the balance of account of Universal service per 1. 1. 2012	CZK 1,540,475
Incomes of the account – contributions paid in total	CZK 34,737,768 ¹⁾
Expenses of the account – contributions transferred to provider of Universal service	CZK 36,278,243 ²⁾
the balance of account of Universal service per k 31. 12. 2012	CZK 0

Note.:

- 1) The balance on the account is due to an excess payment of dissolved company Zephyr Communications, spol. s r. o.
- 2) Incomes also include two amounts which were paid to the account by mistake (CZK 16,666 and CZK 200).
- 3) Expenses include also the amount which was paid to the account by mistake and was returned to payer (CZK 16,666).
- 4) The balance on the account is due to an excess payment of dissolved company Zephyr Communications, spol. s r. o., and the payment (CZK 200), which was paid to the account by mistake was transferred in 2013.

Summary of payments of net costs incurred in 2006–2011

– balance of funds on the account in 2012

	Request 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 was set at CZK 36,342,204
Net Costs for 2007	118,666,047	105,478,583	56,652,325	The amount of the contribution of the company Telefónica was set at CZK 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 was set at CZK 45,304,451
Net Costs for 2009	89,435,212	73,363,998	40,357,315	The amount of the contribution of the company Telefónica was set at CZK 32,723,953
Net Costs for 2010	47,483,383	46,582,341	–	Net costs are covered from the State budget
Net Costs for 2011	54,992,883	55,028,579	–	Net costs are covered from the State budget

1.2.3 The Loss from the Provision of the Universal Service “Special Prices”

The loss from obligatory provision of partial service „Special prices“ (pursuant to Section 38 Para. 3 of the Act) for 2011, was in 2012, as in previous years, covered from the State budget.

The Loss from the Provision of special prices in 2011

On July 31, 2010 the companies Telefónica and Vodafone submitted a request for the payment of the loss for the provision of special prices in 2011 pursuant to Section 38 of the Electronic Communications Act. The data submitted were subject to the control of the CTU and after deficiencies discovered were eliminated it verified new calculations.

By its decision on determination of loss from the provision of special prices within the framework of Universal services, the CTU determined in case of the company Vodafone the loss at the amount of CZK 1,172,086 and in case of the company Telefónica the loss at the amount of CZK 102,854,621. Verified loss was reimbursed to companies mentioned on December 11, and/or 12, 2012.

Summary on reimbursement of loss from provision of special prices

	Submitted loss in CZK	Recognized loss in CZK
Telefónica in total	103,128,482	102,854,621
of which:		
fixed network	99,144,555	98,867,359
mobile network	3,983,927	3,987,262
Vodafone	1,183,289	1,172,086
In total	104,311,771	104,026,707

2. Annual Report of the CTU on the Provision of Information pursuant to the Act No. 106/1999 Coll., on Free access to information, as later amended, for 2012

The Czech Telecommunication Office hereby publishes this Annual Report on the Provision of Information in 2012, prepared in accordance with Section 18 of Act No. 106/1999 Coll., on Free access to information, as amended by later regulations.

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 by later regulations (effective as of May 1, 2005), the CTU is the central administrative authority for the exercise 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.

Basic information about the CTU's organizational structure and its activities are available for the general public both on the CTU's website (www.ctu.cz), which includes an electronic information board, and on the information board located on the bulletin board in the CTU's entrance hall, and is also published in the promotional material issued by the CTU. Information about the handling of life situations pursuant to Decree No. 442/2006 Coll., which stipulates the structure of information published about the mandatory subject in a way enabling remote access pursuant to Decree No. 416/2008 Coll., is also available through the public administration portal (www.portal.gov.cz).

a) The Number of Requests for Information

In 2012, 40 written or electronically submitted requests for information were submitted and registered at the CTU (in this number three requests from the end of 2011 are also included, the settlement of which was effected in 2012), primarily concerning electronic communications field and, within its scope and to a certain extent, the field of radiocommunications, regulation of postal services and personal issues and property management. As far as the field of the regulation of postal services is concerned, out of this number, the Office in this year did not register nor transacted any submission the subject of which would be information relevant to this competency of the Office.

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

- causes of overcharge of comparable unit of services (as, for example, 1 minute of call or SMS and price for 1 MB of data), observance of Section 4 of the Act on Electronic Communications a specific steps of the Office for protection of users and attainment of fully competitive environment in the past 5 years, method with the help of which the Office will utilize the Auction of frequencies for mobile networks prepared to enhance the competition in the market of electronic communications (repetitive submissions having identical contents from 15 applicants),
- steps and regulation methods of the Office concerning availability of mobile services under conditions of Free Mobile, press release to the offer of Free Mobile, opinion concerning oligopol or cartel on the Czech mobile market,
- price comparison of foreign offers to prices of Czech operators, conditions of „licences of free frequencies“ and options of entry of new operator, opinion of the Office on

requirements of operators applied within the framework of consultation of draft Measure of General Nature No. OOP/10/07.2005-3, disposable tools of the CTU to remedy the situation in which mobile operators do not publish all its tariffs, reasons why in the Czech Republic affordable prices of mobile services are not provided for common consumer, and/or social weak citizens, situation on the retail market of mobile origination (applications from 2 applicants),

- method with the help of which the Office prevents potential cartel contracts of operators concerning the method of charging prices of mobile services, including the method of implementation of controls in this respect, milestones of coverage of the territory of the Czech Republic by 3G networks, conditions stipulated for coverage by 3G networks for operators, policy of the Office in case when these conditions were not stipulated in connection with the allocation of UMTS licences,
- reduction of interconnection charges and their reflection into end prices, the level of price for transmission of SMS in another networks and intentions of the Office concerning their reduction, reasons of operators concerning applied method of tariffication and intentions of the Office how to solve these problems, reasons for non-existence of mobile virtual operators, reasons for the degree of profitability attained by domestic mobile operators,
- communication what bands were measured by the Office in given time (i.e. on March 3, 2012 and on April 24, 2012) in the cadastre of relevant municipalities (Janová, Hovězí, Huslenky, Halenkov and Nový Hrozenkov), which methodology was used, including results of measurement (applications from 2 applicants),
- to send decision of the Office in the case of dispute between the company Telefónica, on the one hand, and the company TMT CZECH, a.s. a Hermod a.s., on the other hand,
- selection of provider of data and voice services provided within the framework of „Communication infrastructure of State administration for the period of one year“,
- data (relevant personal data concerning citizens of the Czech Republic) registered by the Office in connection with exercise of its agenda,
- the number of administrative procedures launched by the Office pursuant to Section 129 of the Act on Electronic telecommunications, including promulgated decisions and remonstrances submitted during 2011,
- communication if relevant authorization of the Office is necessary for the exercise of specific activity within the framework of public communication networks – transfer of data through optical cables,
- lease of telephone as an end device of subscriber telephone ADSL feeder point,
- determination of database on the basis of which subjects (compulsory persons) are selected and identified for applications concerning information, specifically in the form of topology and description of WiFi networks operating according to conditions specified in the General authorization No. VO-R/12/09.2010-12“,
- opinion of the Office concerning the issues regulated by the Act No. 110/1964 Coll., on Telecommunications, as amended by later regulations, including paper documents which relate to the period of the year 1998,
- information on the existence of documents (including provision of their copies) relating to relevant director of the company EuroTel Praha spol. s r.o.,
- sending the Rules of procedure of Remonstrance Commission of the Office,
- exercise of activity of remonstrance commissions of the Office, established by the Office as a special advisory authority pursuant to Section 152 Para. 3 of the

Administrative Regulations for the purposes of taking administrative decisions concerning remedies against decision of administrative authority of the first degree,

- advisory and legal services employed by the Office for the support of its activity within the framework of its material competency determined by the Act on Electronic Communications.

The subject of inquiries from the field of radiocommunications was the communication of the extent of radio spectrum in individual bands with individual mobile operators and application of stimulus requesting commencement of administrative procedure concerning utilization of radio frequencies, provision of information explaining why radio frequencies allocated to operators are not used, and provision of complete versions of decisions on promulgation of individual authorizations for utilization of relevant radio frequencies.

In the field of property management the subject of application was provision of information about expenses and extent of press for the period of 2009 - 2011 and communication of electronic address and number of data box of the Office.

In the field of personal policy the Office was asked for provision of information concerning Code of ethics of employees in public administration, which was approved by the Government of the Czech Republic, and its projection in the activity of the Office by means of relevant internal regulation.

b) The Number of Decisions to withhold Information

In 2012 three decisions were taken to withhold information (with regard to the provisions of Section 8, (a) of Act No. 106/1999 Coll.), when the Office, in harmony with provisions of Section 11 Para. 1 Letter a) and b) and Section 11 Para. 2 Letter a) of the Act No. 106/1999 Coll., do not provide relevant information, which were the subject of application or do not have such information.

c) the number of deferred requests for information settled by notifying applicant, within the meaning of Section 14 Para. 5 Letter c) the Act No. 106/1999 Coll., (because relevant application is not the application within the meaning of the Act No. 106/1999 Coll. or because it is the information which do not fall within the scope of competency of compulsory subject)

In 2012 the Office deferred 1 request for information within the meaning of Section 17 Para. 5 of the Act No. 106/1999 Coll., by notifying applicant that the call of the Office, asking for reimbursement of costs connected to the provision of requested information, was not answered by the applicant within the statutory deadline.

d) The Number of Appeals Filed Against Decisions

No appeal (remonstrance) was filed against a decision to defer provision of information required in 2012 because provision of information do not fall within the scope of competency of the Office.

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

In 2012 courts did not take any decision concerning withholding of information.

f) 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 2012 the CTU did not address any complaint in connection with an alleged breach of procedures stipulated by the Act No. 106/1999 Coll. in dealing with a request for information.

g) 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 Office did not provide any exclusive license in 2012.

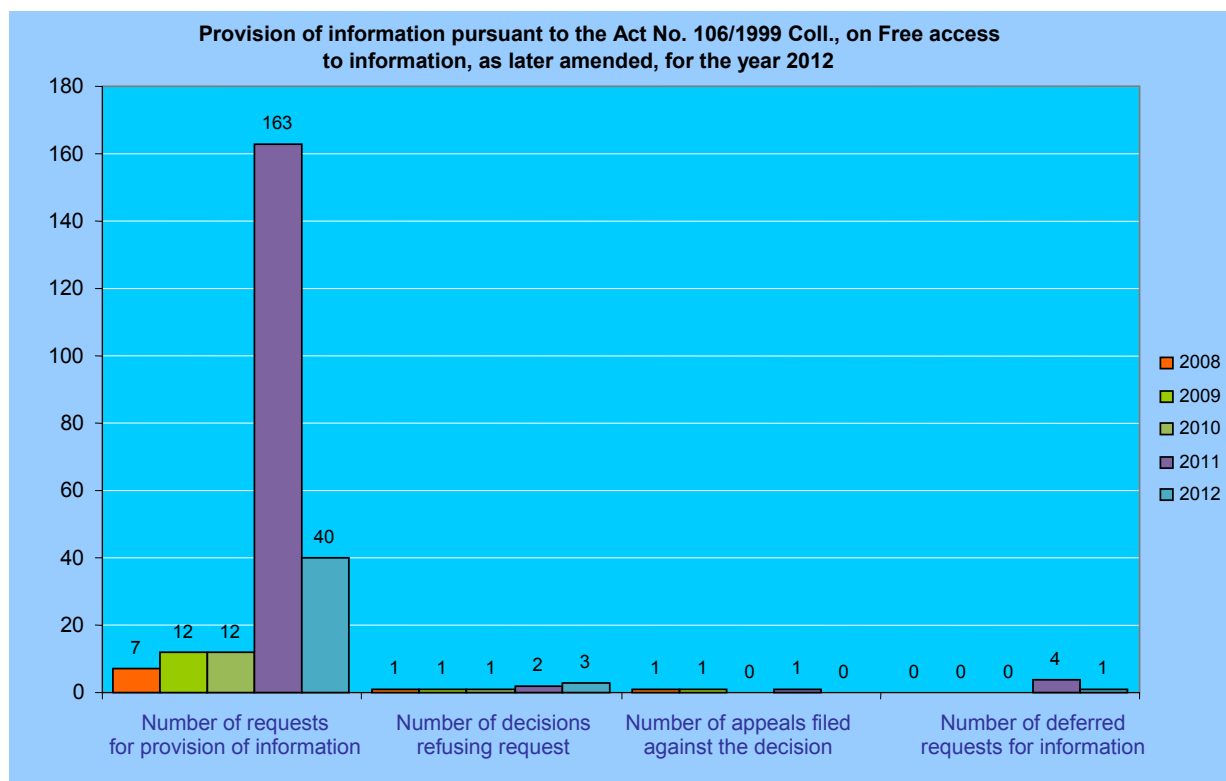
h) Other Information Relating to the Application of the Act No. 106/1999 Coll.

In 2012 the CTU collected and delivered to the State budget altogether CZK 2,336. This amount represents the compensation for the costs of the provision of information pursuant to Act No. 106/1999 Coll.

The written applications for information included in the 2012 records were resolved in compliance with the Act No. 106/1999 Coll. and with the CTU's internal Directives. The CTU did not maintain records of telephoned requests for information considering their quantity and nature and resolved them operationally in the same manner.

The information provided is, in harmony with the Act No. 106/1999 Coll., published on web pages of the Office.

An overview of the resolved written requests for information for 2012, in comparison with the previous periods starting with 2008, is given in the table and in the following graph:



Provision of information pursuant to the Act No. 106/1999 Coll., on Free access to information, as later amended, for the year 2012

		2008	2009	2010	2011	2012
1.	Number of requests for provision of information	7	12	12	163	40
2.	Number of decisions refusing request	1	1	1	2	3
3.	Number of appeals filed against the decision	1	1	0	1	0
4.	Number of deferred requests for information	0	0	0	4	1

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

Note.:

This Annual Report has been published on February 11, 2013 by means of the method permitting long-distance access on the Internet pages of the Office (www.ctu.cu).

3. Information on the settlement of complaints against the activities of the Czech telecommunication Office

In 2010 the CTU settled a total of 9 submissions that were judged, with regard to their character and content, as complaints in accordance with the provisions of Section 175 of the Act No. 500/2004 Coll., the Administrative Procedure Code, as amended. In this number one submission from 2011 is included because its settlement, considering complexity of investigation, was performed in 2012.

The contents of complaints were criticisms of the CTU's activities or CTU employees' working procedures in the sense of whether they had not breached the Act No. 127/2005 Coll., on Electronic communications and on amendments to certain related Acts (the Electronic Communications Act), as later amended, and/or the Act No. 500/2004 Coll., the Administrative Procedure Order, as later amended, or indicated a significant breach of these regulations. An overview (list) of the submissions made to the CTU in 2012 is given in Annex No. 13 to this Annual Report.

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

The complaints settled as unjustified referred to allegedly incorrect procedures or unsuitable behaviour by CTU employees, which was not demonstrated, however, during the investigations. No remedies were taken for complaints that were judged to be unjustified.

Concerning justified complaints whose validity was confirmed, the subject was passivity of the CTU, delays in investigating the matter and overrun of deadline stipulated for the promulgation of administrative decision in administrative procedure. Reasonable measures were taken with relevant employees emphasizing timely consideration of the case in administrative procedure in strict compliance with legal procedures.

It should also be noted, however, that as far as overrun of the deadline for promulgation of administrative decision in administrative procedure, concerning subscriber disputes pursuant to Section 129 of the Act on Electronic Communications, is concerned, all possible measures within the framework of the Office were taken in the past in this respect in order to prevent overrun of determined deadline for promulgation of administrative decision, however, numbers of submissions submitted to the Office in recent years were so high that it is not possible for the Office to affect significantly improvement of real situation of timeliness in dealing with these cases.

In connection with compliance with procedures when handling complaints in accordance with part seven of the Administrative Procedure Code, the CTU regularly adopts other essential measures in the sense of more detailed administrative records of the relevant complaints in the "Complaint Records" database, including complying with the principles for maintaining clear complaint files and thorough performance of regular analyses of settled complaints connected with the CTU's operations. Emphasis is in particular placed on the timely and complete processing of submitted complaints. In light of the aforementioned information it can be stated that the division settling complaints enjoys exceptional and consistent attention in the CTU.

Apart from the handling of the aforementioned complaints, no anonymous submission and no stimulus was delivered to the CTU in 2012.

In 2012 2 petitions proposing solution of specific situation were delivered to the CTU of which only one (concerning inclusion of additional requirements in conditions of tender procedure prepared for the purposes of allocation of rights for utilization of radio frequencies for the provision of public communication networks in bands 800 MHz, 1,800 MHz and 2,600 MHz) was approved. The subject of the second petition, which the CTU could not meet because, pursuant to Act on Electronic Communications, it lacks relevant competency determined by this Act, was improvement of coverage by the signal for utilization of mobile telephone services in selected municipalities of the region Strakonice.

The CTU also maintains all records regarding all notified or delivered submissions in matters of suspicion of corruption or fraud involving CTU employees, and within its competence it investigates them and regularly assesses them within the framework of analysis of complaints resolved 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).

The CTU also maintains all 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 complaints on the basis of 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).

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 2012 no submission relating to the suspicion of perpetrating an activity of a corruption character by CTU employees was delivered at the relevant e-mail address

It is necessary to note that the public has shown practically no interest in the anti-corruption e-mail address during its operation to date. The existence of an e-mail contact has no influence of the activities of the CTU from a practical perspective, while the costs for its operation are negligible from the economic perspective.

Despite the above mentioned facts the benefit of the anti-corruption e-mail address can, however, be seen in the possibility for the CTU to react immediately to a submission and to take without delay any required preventive and corrective measures.

In view of the fact that the toll-free anti-corruption line 199 (www.linka199.cz) which was officially launched in September, 2007, was, on the basis of evaluation of efficiency of its operation, cancelled by the Minister of Interior on April 30, 2012, preservation of the operation of anti-corruption e-mail address of the CTU is considered as justified. Therefore, the CTU, considering these facts, refers to the page www.korupce.cz in the field of fight against corruption.

Annexes

TO THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2012

SURVEY OF SUBSCRIBER DISPUTES FOR 2012

ANNEX NO. 1

Type of activity		Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued 1)	Decisions in favour of		Other 3)	Number of administrative proceedings left to next period
					subscriber	provider		
1.	1. Decision concerning subscriber disputes	141,277	301,014	86,483	2,916	64,957	18,610	355,808
	a) on objection about the settlement of a complaint against a service provided	1	65	36	6	7	23	30
	b) on objection about the settlement of a complaint about prices charged for a service	15	435	274	84	81	109	176
	ba) of access to services with expressed price (data and voice)	0	36	19	4	2	13	17
	baa) of access to data services with expressed price provided on the internet or on other data networks (Dialer).	0	0	0	0	0	0	0
	c) on the payment of a price for a service (financial performance)	141,261	300,374	86,097	2,809	64,854	18,434	355,538
	d) others	0	140	76	17	15	44	64

¹⁾ The inspection is completed by its physical performance.

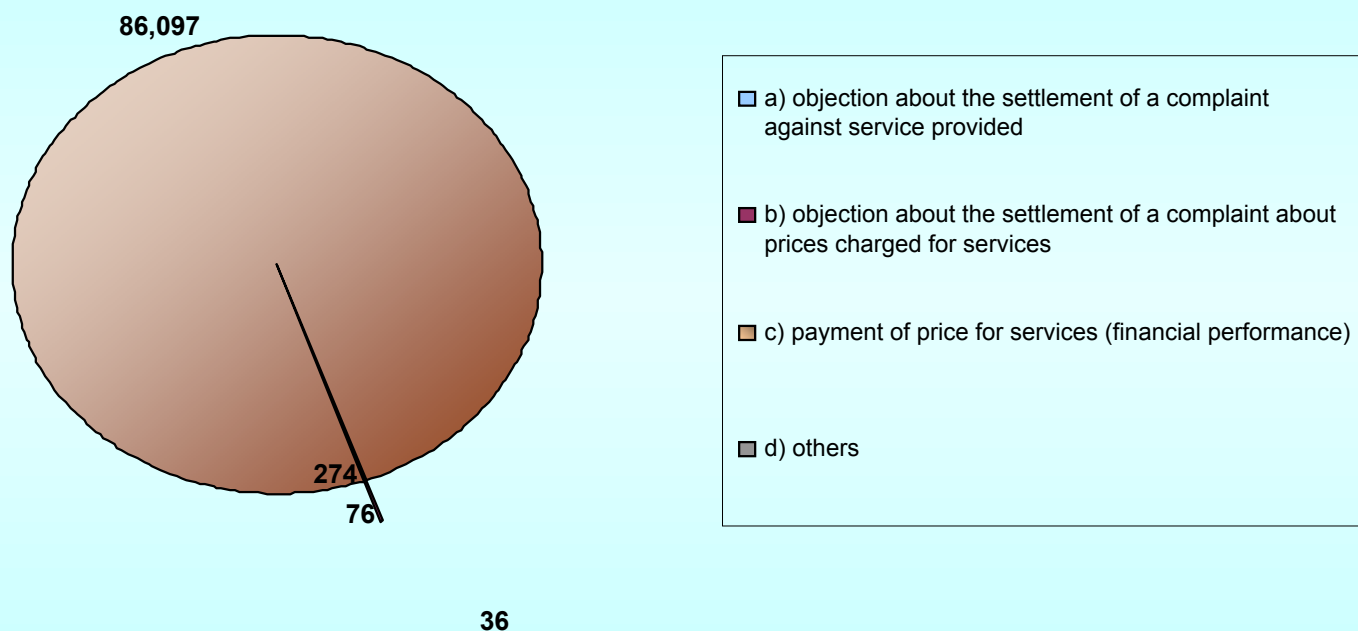
²⁾ The number of promulgated decisions in the 1st degree of administrative procedure is reported (regardless of legal power).

³⁾ Cases of the completion of administrative proceedings with a resolution are reported, 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

SUBSCRIBER DISPUTES - NUMBERS OF DECISIONS ISSUED IN 2012

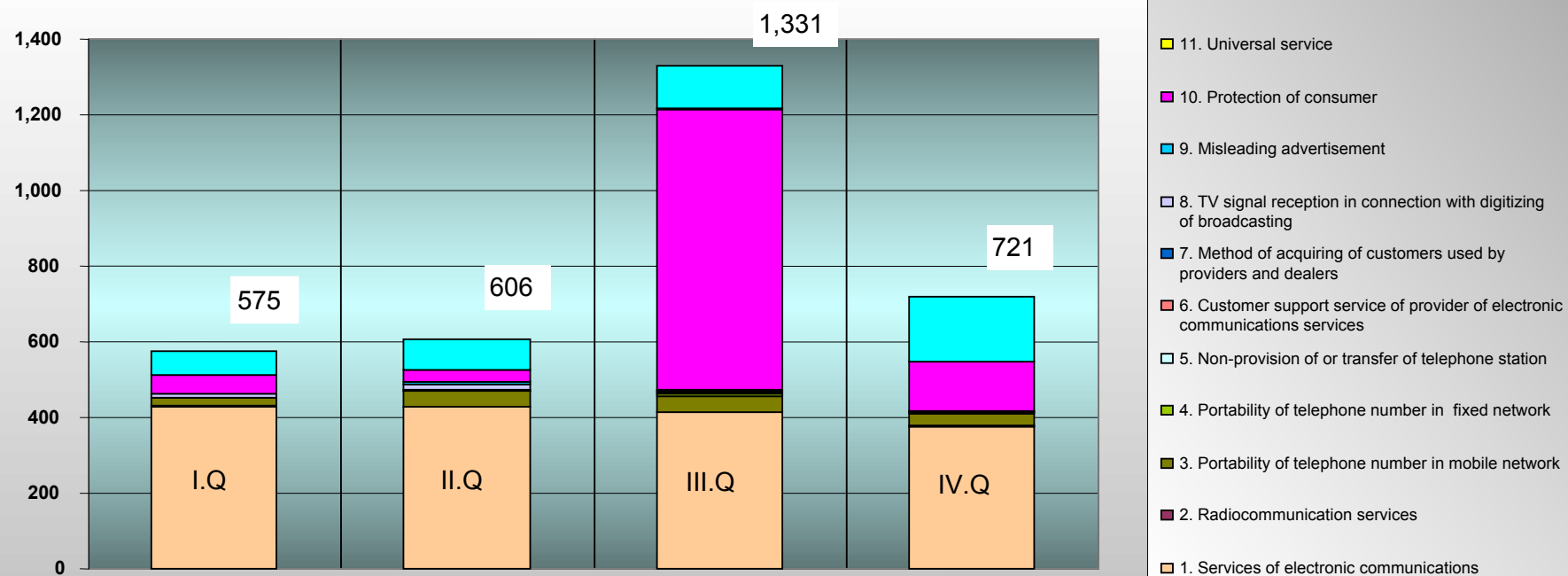
ANNEX NO. 1 A

		2012
Number of promulgated decisions		86,483
z toho	a) objection about the settlement of a complaint against service provided	36
	b) objection about the settlement of a complaint about prices charged for services	274
	c) payment of price for services (financial performance)	86,097
	d) others	76



COMPLAINTS OF SUBSCRIBERS / USERS ¹⁾ FOR 2012

Subject of complaint	I.Q	II.Q	III.Q	IV.Q	Σ
1. Services of electronic communications	427	429	413	377	1,646
2. Radiocommunication services	5	0	0	1	6
3. Portability of telephone number in mobile network	19	40	44	31	134
4. Portability of telephone number in fixed network	1	0	6	1	8
5. Non-provision of or transfer of telephone station	0	1	0	0	1
6. Customer support service of provider of electronic communications services	1	2	2	1	6
7. Method of acquiring of customers used by providers and dealers	1	3	2	3	9
8. TV signal reception in connection with digitizing of broadcasting	9	14	4	2	29
9. Misleading advertisement	1	5	4	3	13
10. Protection of consumer	49	31	740	127	947
11. Universal service	0	0	1	1	2
12. Others	62	81	115	174	432
Σ	575	606	1,331	721	3,233



ANNEX NO. 3

OVERVIEW OF NUMBER OF PROMULGATED DECISIONS ON INDIVIDUAL LICENCES TO USE RADIO FREQUENCIES IN 2012

Type of Licence		Number of Decisions	
		to grant ¹⁾	to withdraw
		license	
1.	Fixed service		
	total	6,097	3,914
	of this point – point	5,942	3,837
	point – multipoint	155	77
2.	Amateur service		
	total	912	3
	of this Individuals	847	0
	Club Stations	38	2
	Repeaters and Packet Nodes	27	1
3.	Satellite Service		
	total	9	6
	of this VSAT	4	2
	SNG	5	4
4.	Aeronautical service		
	total	1,221	559
	of this aircraft station ³⁾	1,163	538
	Aeronautical station ⁴⁾	58	21
5.	Maritime service		
	total	153	75
	of this ship stations	136	61
	shore stations	17	14
6.	Broadcasting service		
	total	304	299
	of this television transmitters	125	211
	radio transmitters	179	88
7.	Land Mobile Service		
	total	459	233
8.	Other radiocommunication services		
	total	32	15
	radiolocation service	32	15
9.	Short-term Licences		
	total	270	0
	of this fixed service	123	0
	amateur service	5	0
	Land Mobile Service	104	0
	Aeronautical Mobile service	2	0
	Satellite service	32	0
	Broadcasting service	4	0

¹⁾ There are newly promulgated licences and also licences with prolonged validity as a result of change of amount of charges the change of 23,851 licences of fixed service was made

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

³⁾ Mobile stations aboard aircraft other than rescue stations

⁴⁾ Land stations of Aeronautical Mobile service

VSAT - very small aperture terminal

SNG - satellite news gathering

ANNEX NO. 4

VERIFICATION OF SPECIAL QUALIFICATIONS TO OPERATE RADIO TRANSMITTING EQUIPMENT IN 2012

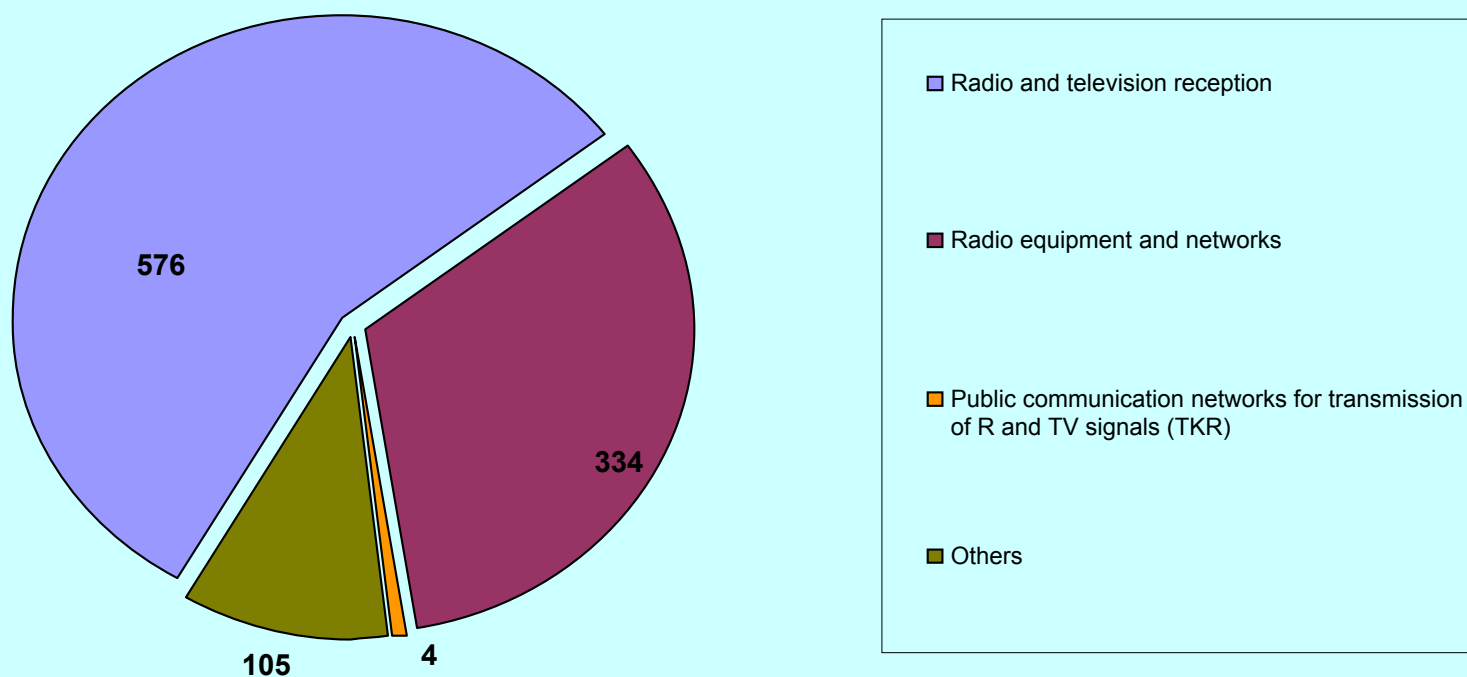
Type of Special Qualification Certificate ¹⁾		Number of Certificates	
		newly promulgated	with prolonged validity
1.	General radiotelephone operator's certificate of aeronautical mobile service	253	258
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	711	703
3.	General operator's certificate of maritime mobile service (GOC)	15	4
4.	General operator's certificate of maritime mobile service (LRC)	3	0
5.	Restricted operator's certificate of maritime mobile service (ROC)	0	0
6.	Restricted operator's certificate of maritime mobile service (SRC)	17	8
7.	Radiotelephone operator's general certificate of maritime mobile service	206	97
8.	Radiotelephone operator's restricted certificate of maritime mobile service	569	329
9.	Terrestrial radiotelegraphy operator's certificate	0	0
10.	Amateur radio operator's certificate (HAREC certificate)	61	0
11.	Amateur radio operator's certificate (NOVICE certificate)	13	0
Total		1,848	1,399

ANNEX NO. 5

DETECTION OF SOURCES OF INTERFERENCE OF ELECTRONIC COMMUNICATIONS EQUIPMENT AND NETWORKS, THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICES OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2012

	2012
Radio and television reception	576
Radio equipment and networks	334
Public communication networks for transmission of R and TV signals (TKR)	4
Others	105

Detection of sources of interference of electronic communications equipment and networks, the provision of electronic communications services or the operation of radiocommunications services - 2012



OVERVIEW OF THE MAIN ACTIVITIES IN THE AREA OF POSTAL SERVICES REGULATION ¹⁾ FOR 2012

ANNEX NO. 6

Focus of Activity		Number	Amount in CZK
1.	Regulatory Measures		
	Decisions on expressing approval with postal conditions	5	
	Decisions on specifying basic qualitative requirements	1	
2.	Supervision over Czech Post Compliance with its Obligations in the Area of Basic Services		
	a) Inspection Activities on the CTU's Suggestion		
	Inspection actions	4	
	Inspected buildings	8	
	b) customer submissions settled in total	371	
	of which settled submissions of customers concerning basic services	244	
	broken down on long waiting times	3	
	opening hours of post offices	6	
	change of storage post	1	
	delivery of postal shipments	183	
	settlement of claims	26	
	breach of postal secret	2	
	postal shipments to/from abroad	16	
	postal orders	7	
	c) Fines Imposed on Czech Post	20	485,000

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

OVERVIEW OF INSPECTION ACTIVITIES DURING THE PERFORMANCE OF STATE ELECTRONIC COMMUNICATIONS INSPECTION IN 2012

[illegible]

	administering the radio spectrum										
	a) measurement of the use of frequencies and frequency bands over time	0	4,248	0	0	0	0	0	0	0	0
	b) measurement of radio signal coverage	0	313	0	0	0	0	0	0	0	0
	c) measurement of electromagnetic field intensity	0	121	0	0	0	0	0	0	0	0
	d) others	0	278	0	0	0	0	0	0	0	0
7.	Failure to provide information pursuant to Section 115 of the ECA	0	0	0	24	27	51	0	45	389,000	0
8.	Other ⁵⁾	307	0	71	174	183	350	0	308	4,058,200	7
	TOTAL	7,948	0	538	213	401	597	0	542	12,839,200	17

1) The inspection is completed with its physical performance.

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

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

4) The total number of calls to telephone numbers.

5) Specific problems are listed.

MEASURES OF A GENERAL NATURE (OOP) PROMULGATED IN 2012 PURSUANT TO THE ELECTRONIC COMMUNICATIONS ACT

OOP ostatní					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
1.	OOP/1/04.2012-4	The MGN amending OOP/1/02.2008-2 that stipulates the relevant markets in electronic communications, including the criteria for evaluating significant market power	4.4.2012	5/2012 dated 13.4.2012	15 th day after publication in the TB
2.	OOP/14/04.2012-5	The MGN which stipulates quality parameters of provided services which should be measured, contents, form and method of publication of information concerning current prices, quality and conditions of provided publicly available services of electronic communications pursuant to Section 71 Para. 3	24.4.2012	6/2012 dated 4.5.2012	1.7.2012
3.	OOP/10/10.2012-12	The MGN which stipulates technical and organizational conditions for implementation of portability of telephone numbers and principles for charging prices among entrepreneurs in connection with portability of telephone numbers pursuant to Section 34 Para. 4	30.10.2012	18/2012 dated 2.11.2012	1.9.2013
4.	OOP/4/11.2012-15	The MGN which amends OOP/4/03.2006-3, which specifies the methodology of classification of costs and revenues and specifies the structure of reported information pursuant to Section 86 Para. 3	28.11.2012	20/2012 dated 4.12.2012	1.1.2013
MGN – General Authorisation					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
5.	VO-S/1/01.2012-2	The MGN which amends VO-S/1/07.2005-9, which stipulates conditions for provision of public communications services pursuant to Section 9, Para. 2	25.1.2012	2/2012 dated 3.2.2012	15 th day after publication in the TB
6.	VO-R/7/04.2012-6	The MGN for the utilization of radio frequencies and for operation of civil radio stations in bands 27 MHz pursuant to Section 9, Para 2	24.4.2012	6/2012 dated 4.5.2012	1.6.2012
7.	VO-R/10/04.2012-7	The MGN for the utilization of radio frequencies and operation of short range devices pursuant to Section 9, Para. 2	24.4.2012	6/2012 dated 4.5.2012	1.6.2012
8.	VO-R/14/06.2012-8	The MGN for the utilization of radio frequencies and operation of equipment in the band 10 GHz pursuant to Section 9 Para. 2	21.6.2012	8/2012 dated 22.6.2012	10.7.2012

9.	VO-R/1/11.2012-13	The MGN for the operation of user terminals of GSM and UMTS networks pursuant to Section 9 Para. 2	13.11.2012	19/2012 dated 23.12.2012	1.1.2013
10.	VO-R/14/12.2012-17	The MGN for the utilization of radio frequencies and operation of equipment in the band 10 GHz pursuant to Section 9 Para. 2	17.12.2012	22/2012 dated 21.12.2012	15.1.2013
MGN - Plan of radio spectrum utilization					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
11.	PV-P/27/01.2012-1	Part of the Radio Spectrum Utilisation Plan for the frequency band 9-27 500 kHz pursuant to Section 16 Para. 2	17.1.2012	2/2012 dated 3.2.2012	1.3.2012
12.	PV-P/1/03.2012-3	Part of the Radio Spectrum Utilisation Plan for the frequency band 146-174 MHz pursuant to Section 16 Para. 2	6.3.2012	3/2012 dated 16.3.2012	1.4.2012
13.	PV-P/24/06.2012-9	Part of the Radio Spectrum Utilisation Plan for the frequency band 4,200-5,925 MHz pursuant to Section 16 Para. 2	26.6.2012	10/2012 dated 17.7.2012	1.8.2012
14.	PV-P/7/07.2012-10	Part of the Radio Spectrum Utilisation Plan for the frequency band 2,700-4,200 MHz pursuant to Section 16 Para. 2	3.7.2012	11/2012 dated 20.7.2012	1.9.2012
15.	PV-P/10/08.2012-11	Part of the Radio Spectrum Utilisation Plan for the frequency band 470-960 MHz pursuant to Section 16 Para. 2	29.8.2012	14/2012 dated 30.8.2012	15.9.2012
16.	PV-P/2/11.2012-14	Part of the Radio Spectrum Utilisation Plan for the frequency band 24.25-27.5 GHz pursuant to Section 16 Para. 2	14.11.2012	21/2012 dated 7.12.2012	1.1.2013
17.	PV-P/13/12.2012-16	Part of the Radio Spectrum Utilisation Plan for the frequency band 10-12.5 GHz pursuant to Section 16 Para. 2	4.12.2012	21/2012 dated 7.12.2012	1.1.2013

COMPLIANCE WITH BINDING INDICATORS OF THE STATE BUDGET FOR 2012
(In THOUSAND CZK)

Indicators	Budget		Final budget	Actual on 31. 12. 2012	% compliance (5/4)
	Approved	Adjusted			
1	2	3	4	5	6
I. Summarising indicators					
Total incomes	1,057,994.00	1,057,994.00	1,057,994.00	1,259,837.59	119.08%
Total expenses	634,702.00	631,811.00	678,494.00	570,457.31	84.08%
II. Specific indicators - incomes					
Tax incomes	50,000.00	50,000.00	50,000.00	120,496.37	240.99%
Non-tax incomes, capital incomes and transfers received total	1,007,994.00	1,007,994.00	1,007,994.00	1,139,341.22	113.03%
incl: incomes from the budget of the European Union without common agricultural policy in total	47,927.00	47,927.00	47,927.00	7,092.45	14.80%
Other non-tax incomes, capital incomes and transfers received total	960,067.00	960,067.00	960,067.00	1,132,248.77	117.93%
III. Specific indicators - expenses					
Expenses for ensuring fulfilment of CTU tasks	634,702.00	631,811.00	678,494.00	570,457.31	84.08%
incl: expenses covering the loss from provision of the Universal services - special prices	132,850.00	132,850.00	132,850.00	104,026.71	78.30%
expenses covering the loss from provision of the Universal services - net costs	68,500.00	68,500.00	68,500.00	55,364.00	80.82%
other expenses for ensuring fulfilment of tasks of Czech Telecommunication Office	433,352.00	430,461.00	477,144.00	411,066.00	86.15%
IV. Cross-section indicators					
Employee salaries and other payments for work done	156,919.00	159,525.00	159,677.00	158,632.48	99.35%
Mandatory insurance paid by employer	53,085.00	53,085.00	53,136.00	52,962.73	99.67%
Allocation to Cultural and Social Welfare Fund	1,491.00	1,491.00	1,493.00	1,493.00	100.00%
Employee salaries in employment relationship	149,114.00	149,114.00	149,266.00	148,617.48	99.57%
Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	80.00	80.00	80.00	51.13	63.91%
Expenses co-financed from the budget of the European Union without SZP in total	56,385.00	56,385.00	66,904.00	38,903.76	58.15%
incl: from the State budget	8,458.00	8,458.00	10,036.00	5,837.01	58.16%
share of the budget of the European Union	47,927.00	47,927.00	56,868.00	33,066.75	58.15%
Expenses in the information system of program funding EDS/SMVS in total	51,507.00	56,657.00	69,559.00	55,313.61	79.52%

ANNEX NO. 10

BUDGET HEAD INDICATORS - BREAKDOWN OF BUDGET FOR 2013
(In THOUSAND CZK)

Indicators	Breakdown of 2012 budget
I. Summarising indicators	
1. Total incomes	7,930,650
2. Total expenses	614,599
II. Specific indicators - incomes	
1. Tax incomes ⁵⁾	18,863
Non-tax incomes, capital incomes and transfers received total	7,911,787
incl: a) incomes from the budget of the European Union without common agricultural policy in total	860
b) other non-tax incomes, capital incomes and transfers received total	7,910,927
III. Specific indicators - expenses	
1. Expenses for ensuring fulfilment of CTU tasks	614,599
incl: a) expenses covering the loss from provision of the Universal services - special prices	125,000
b) expenses covering the loss from provision of the Universal services - net costs	50,000
c) other expenses for ensuring fulfilment of tasks of Czech telecommunication Office	439,599
IV. Cross-section indicators	
1. Employee salaries and other payments for work done	164,360
2. Mandatory insurance paid by employer ¹⁾	55,749
3. Allocation to Cultural and Social Welfare Fund	1,573
4. Employee salaries in employment relationship	157,282
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	1,011
incl: a) from the State budget	151
b) share of the budget of the European Union	860
Expenses in the information system of program funding EDS/SMVS in total	87,081

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

5) without incomes from the mandatory social insurance premium and contribution to the state employment policy.

ANNEX NO. 11

**OVERVIEW OF EMPLOYMENT REGULATION LIMITS AS OF 31/12/2012
(IN THOUSAND CZK)**

	Actual	Approved budget	Adjusted budget	Actual	% Compliance	Difference between columns
Indicator	2011	2012	2012	2012		5 – 2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done: of which:	155,448.00	156,919.00	159,525.00	158,400.00	99.29	2,952
Limit of funds for salaries	148,615.00	149,114.00	149,114.00	148,660.00	99.70	45
Limit of other payments for work done	6,833.00	7,805.00	10,411.00	9,740.00	93.55	2,907
Limit on the number of employees (average full-time equivalent)	442	444	444	445	100.23	3
Number of employees as of December 31, 2012	453	444	444	443	99.77	-10

ANNEX NO. 12

BASIC PERSONAL DATA – 2012**1. CLASSIFICATION OF EMPLOYEES ACCORDING TO AGE AND SEX – STATE AS OF 31/12 2012**

Age	Men	Women	Total	%
Up				-
21 –	24	30	54	12.19
41 –	38	55	93	20.99
51 –	72	94	166	37.47
61	36	17	53	11.96
Total	211	232	443	100.00
%	47.62	52.38	100.00	x

2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION AND SEX STATE AS OF 31. 12. 2012

Education achieved	Men	Women	Total	%
Primary	0	2	2	0.45
Trained	3	5	8	1.81
Secondary vocational	0	3	3	0.68
Secondary complete	4	27	31	7.00
Secondary vocational complete	54	87	141	3.83
Higher vocational	2	4	6	1.35
University	148	104	252	56.88
Total	211	232	443	100.00

3. OVERALL DATA ON AVERAGE SALARIES AS OF 31. 12. 2012

	total
Average gross monthly salary	26,939 CZK

4. OVERALL DATA ON THE ORIGIN AND TERMINATION OF EMPLOYMENT RELATIONSHIPS IN 2012

	number
Hired	42
Terminated	71

5. DURATION OF EMPLOYMENT – STATE AS OF 31. 12. 2012

Duration	Number	%
Up to 5 years	123	27.77
Up to 10 years	105	23.70
Up to 15 years	72	16.25
Up to 20 years	66	14.90
Over 20 years	77	17.38
Total	443	100.00

6. EMPLOYEES' LANGUAGE SKILLS – YEAR 2012

Type of language	Number of selected positions for which a qualification requirement of standardised language examinations was specified, classed according to level of knowledge			Total number of specified requirements for job positions
	1. degree	2. degree	3. degree	
English	–	8	–	8
German	–	–	–	–
French	–	–	–	–
Total	–	8	–	8

ANNEX NO. 13

THE LIST OF COMPLAINTS AS OF 31. 12. 2012

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

	Type of submission	Number of submissions					
		Received	from the previous period	Resolved	Justified	Unjustified	Continuing to next period
1.	Petitions *)	2	0	2	1	1	0
2.	Complaints **)	9	1	9	3	6	0
3.	Notifications **)	0	0	0	0	0	0
4.	Suggestions **)	0	0	0	0	0	0

*) Act No. 85/1990 Coll., on the Right to petition

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



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