



Český telekomunikační úřad

# CZECH TELECOMMUNICATION OFFICE

# ANNUAL REPORT

# 2013



APRIL 2014



Český **telekomunikační** úřad

Annual Report  
of the Czech Telecommunication Office  
for the year 2013

**Include:**

- Annual Report on the Universal Service
- Annual report on provision of information pursuant to Act No. 106/1999 Sb. (Collection of Laws), on free access to information
- Information on the handling of complaints about the activities of the Office



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#### Definitions

## INTRODUCTION BY THE CHAIRMAN

In 2013 the Czech electronic communications market saw perhaps more ground-breaking events than in the past five years together. Some of them were a result of the situation in telecommunication markets in the European Union, but a majority of them were also influenced by the regulator – the Czech Telecommunication Office.

The Office announced and also successfully completed another auction of free frequencies which are suitable for the operation of high-speed LTE mobile networks. The Czech Republic has therefore a chance to be quickly covered with the mobile Internet signal similarly to more than half of European countries which managed to sell the spectrum in an auction earlier. Thanks to the auction conditions laid down by the Office, the mobile Internet coverage will soon improve significantly in particular in rural areas. These areas have been neglected by the operators when building coverage.

The telecommunication market which the Office monitors by operation of the law saw the largest transaction in the Czech Republic of the last year when the PPF Group acquired a majority share in the Czech Republic's largest integrated operator from the multinational Telefónica group. The market is and will be affected also by the mergers of major European and Central European telecommunication companies, specifically the acquisition of GTS by Deutsche Telekom. The process of consolidation of the Czech market which has lasted several years therefore continued.

Last year the Office also much more intensively monitored the competitive environment in particular in mobile communications market. In addition to the set-up of the conditions of the auction guaranteeing, among other things, also strengthening of the competition, the Office continued with the analysis of the respective market. Also with respect to the impending regulation the operators did something last year which they have never done before: they allowed wholesale selling of their services and enabled market entry of real virtual operators as well as brand-name resellers. While in early 2012 we were still the Europe's museum without a single virtual operator at the end of 2013 there were dozens of them active in the market.

The consumer can therefore benefit from much broader portfolio of services and lower prices. In average the price per minute of call decreased by nearly one fifth over the first half of the year alone. This was also influenced by the new "unlimited" plans which the operators gradually introduced last April. In the past the Czech Republic normally ranked in the last or second last place as the most expensive country among developed economies, according to the international comparison of price-list prices which is prepared by the Strategy Analytics for OECD. Last year we jumped in the "normal" basket of 100 calls and 500 MB of data from the thirtieth place in February to twenty-fourth place in November. In customers with higher share of voice calls the "jump" is even more significant. It is clear that the impending regulation, properly set conditions of the auction and reduction of the termination charges in the mobile network effectively worked in the market and resulted in significant price decrease for customers.

The Office continues focusing on consumer protection. Last year it finished an audit of the contractual terms of major operators and opened number of administrative proceedings due to evident violation of the law. In addition to these formal tools the Office exerts pressure on the operators to simplify the terms and conditions and make them more comprehensible. The Office also published an extensive document in which it evaluates the fairness of the individual provisions in the operators' contracts.

With a new measure which came into effect in September the Office laid down the rules for quicker porting of telephone numbers between operators, in line with the European rules. Almost half a million numbers were ported last year, which is forty per cent more than in 2012. This can be attributed mainly to the fiercer competition in the market and the entry of virtual operators.

The Office itself also saw a number of changes. Unfortunately, the parliament has not passed the amendment of the Electronic Communications Act and did not allow the matters of payment disputes to transfer from the regulator to the courts (as is the normal case in any other EU country). But the Office received funds for additional 150 employees who process faster the ever-increasing administration of subscriber disputes in the first and second level. There are currently 406,506 disputes pending, and the Office receives up to tens of thousands disputes every month. Although the Office adopted measures toward greater efficiency it is evident that in cooperation with the Ministry of Industry and Trade of the Czech Republic, Ministry of Justice of the Czech Republic and the law-makers it is necessary to find a different method how to approach the solution of these mostly minor disputes which have nothing to do with consumer protection or regulatory activities of the Office. Such solution, however, must be system-based and must not burden the Office or general courts.

Liberalization of the postal market continued last year. The Office acquired new powers as a regulator not only in the electronic communications market, but also in the market of postal services. Also in this area the Office wants to ensure consumer protection and support intensification of competition between individual providers of postal services.

The Office has also fully endorsed the Open Data initiative. Last year it started and this year it will finish a method to publish the vast majority of data acquired from its activities which is not protected as trade secret in an open format and in a manner allowing further processing for any use in the future. The Office thus follows the trend common in public administration in Western Europe. With these and other actions such as, for example, publication of contracts in the register on the Public Administration Portal we want to improve perception of the Office as a modern transparent regulator.

In 2014 the Office plans to finish the third round of analyses of the markets and issue the relevant regulatory decisions. What will also affect the operation of the Office is whether and in what version the European Parliament and the Council approve the proposed regulation on the single European telecommunication market.

The year 2013 has confirmed that digital world and electronic communications are a dynamically developing sector.

## BASIC INFORMATION ON THE OFFICE

The Czech Telecommunication Office (hereinafter also referred to as “CTU” or “Office”) was established by Act No. 127/2005 Sb. (Collection of Laws), on electronic communications and on amendment of some related acts (the Electronic Communications Act), (hereinafter also referred to as “ECA”), on 1 May 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 Office has a separate chapter in the State budget and is an accounting entity.



The Office has a five-member Council of the Office (hereinafter also referred to as “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 Ing. Mgr. Jaromír Novák who was appointed into this office in May 2013.

The Office performs its competencies through its units, i.e., sections, departments and independent divisions. The Office has its headquarters in Prague and has also detached units located outside of Prague. They include 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 also referred to as “Report”) has been prepared pursuant to Section 110 (1) of the Electronic Communications Act. The first part of the Report is focused primarily on the evaluation of basic indicators of the critical segments of the electronic communications and postal services market. In the other parts the Report comments in detail on the activities carried out by the Office, the results achieved in the individual expert areas, including a commentary on the international activities of the Office. The conclusion of the Report provides comprehensive information on the financial results of the Office and its compliance with stipulated budget indicators for the year 2013, information on the human resources for the operation of the Office and on the provision of other ancillary activities essential in terms of the proper fulfillment of the Office’s tasks.

Pursuant to the requirements of Section 110 and other applicable provisions of the Electronic Communications Act, the Report also includes the Annual Report on the Universal Service (pursuant to Section 50 of the Electronic Communications Act), and Profit and Loss Statement of the funds of radio-communication account (pursuant to Section 27 (7) of the Electronic Communications Act). The Report also includes the Annual Report on the Provision of Information pursuant to Act No. 106/1999 Sb. (Collection of Laws), on free access to information, as amended, as well as the summary information on the approach of the Office to handling complaints pursuant to Section 175 of Act No. 500/2004 Sb. (Collection of Laws), Code of Administrative Procedure, as amended (hereinafter also referred to as “Code of Administrative Procedure”).

## EXECUTIVE SUMMARY

Last year the operation of the Czech Telecommunication Office was affected by a number of events, including but not limited to:

- Entry of tens of mobile virtual operators in the mobile market, which has broadened the possibilities of the end users to choose from alternative offers of mobile services in GSM/UMTS networks,
- Introduction of new offers of the so-called unlimited plans by the mobile operators, which contributed to further decrease of prices of mobile services,
- Auction of frequencies for new 4th generation mobile networks,
- Continued growth of the share of data traffic in mobile networks, in particular due to the increasing penetration of smart phones and tablet PCs and further development of UMTS networks and introduction of the first commercial offers in LTE networks 900 and 1800 MHz in selected areas,
- Intensification of infrastructure competition in the market of the services of broad-

band access to the Internet, with the increasing share of data services in optical networks (FTTx) and Wi-Fi networks,

- Further development of transmission networks for the dissemination of terrestrial digital television broadcasting (DVB-T) after the successful completion of the digitalization process,
- Continuing consolidation of the market in terms of acquisitions and mergers of major undertakings operating networks and providing the services of electronic communications.

Probably the most significant changes, compared to the previous years, occurred in the mobile market. In 2013 almost 50 new alternative of service providers, virtual mobile operators (hereinafter also referred to as “MVNO”) entered the market. A major change was also the introduction of new offers of unlimited plans in the price lists of individual mobile operators. The mobile market saw also another year-on-year increase in the total number of reported active SIM cards for all providers of mobile services relative to 2012, which further intensified the trend of increasing of the difference between the use of voice services in mobile and fixed networks. The entry of MVNOs in the mobile market as well as the offers of new “unlimited plans” (as well as prepaid services) had a positive impact also on the year-on-year increase in the number of mobile phone numbers ported.

Telefónica Czech Republic, a.s. (hereinafter also referred to as “Telefónica”), T-Mobile Czech Republic a.s. (hereinafter also referred to as “T-Mobile”) and Vodafone Czech Republic a.s. (hereinafter also referred to as “Vodafone”) continued expanding their offers of mobile data services in 2013. They also gradually increased the availability of their UMTS networks to achieve coverage from 60.8 to 78.5 % of the population. In 2013 all three operators launched a commercial offer of LTE in their networks in a defined area, using the already held frequencies in band 1800 MHz. In addition, in fall 2013 Vodafone introduced a project for gradual coverage of rural areas with LTE services on frequencies in band 900 MHz.

For further support of the development of new 4th generation mobile networks the Office organized another bidding procedure (Auction) of radio frequencies in bands 800, 1800 and 2600 MHz in 2013. On the other hand, the results of the auction showed that the positive changes which occurred in the mobile market mainly in 2013 also significantly reduced the space for the commercially attractive model of a market entry of a new national network operator. The successful completion of the Auction and the subsequent allocation of the frequencies will allow the winning bidders to develop quickly new mobile networks and increase the availability of high-speed mobile broadband access.

The defining element in the market of services of broadband access to the Internet in 2013 was still the competition of technological platforms. In addition to the continued decrease of the share of xDSL services, the retail market was primarily affected by the development of locally developed optical networks (FTTx) and the development of local WiFi networks.

The digital terrestrial television broadcasting developed significantly in 2013. In addition to the existing nationwide multiplexes 1 to 3 (with coverage 97.6 – 99.9 % of the population), multiplex 4 has achieved the fastest development - with coverage 86 % of the population in nearly 2013 and the current coverage 95 % achieved during the year. Six other regional multiplexes emerged in 2013; the total number of regional multiplexes therefore increased to the current 15.

Year 2013 was also the year of continued market consolidation and major acquisitions. The most important acquisition is the sale of the majority share in Telefónica (65.9 %, including the

100 % share in the Slovak subsidiary) owned by Spain's Telefónica S.A. to the PPF investment group. Another major acquisition in international terms, which can also have impact on the Czech market, is the purchase of GTS Central Europe by Deutsche Telekom. GTS Czech s.r.o. (hereinafter also referred to as "GTS") is a provider of fixed and mobile services in the Czech Republic. At the end of 2013 T-Mobile completed the merger with T-Systems Czech Republic a.s. There is currently growing cooperation in the market based on sharing of infrastructures or parts thereof in order to realize cost savings while increasing the effectiveness of utilization of the capacities built. Probably the most important one is the agreement between Telefónica and T-Mobile on sharing of their mobile networks of the second and third generation announced in August 2013.

One of the most important activities on which the Office focused in 2013 was consumer protection. In the second half of 2013, as a part of its audit, the Office analyzed contract documents of 40 selected providers of the publicly available services of electronic communications. The Office also evaluated the availability and clarity of the contract documents published by the providers by way of remote access, and the investigation was similarly focused on selected issues defined by the letter of the chairman of the Council of the Office to mobile operators dated 23 April 2012. The insights acquired within this analysis were used by the Office when preparing the document entitled "Recommendations of the Czech Telecommunication Office on Draft Contracts on Provision of the Publicly Available Services of Electronic Communications" which includes the opinions of the Office on the fairness or unfairness of the selected contract arrangements and practices of the providers of the services of electronic communications. The aforesaid document should help subscribers find their way through the contract terms and conditions of the providers and also motivate the service providers to amend the draft contracts in line with the recommendations of the Office.

In 2013 there was a significant change in the trend in the area of subscriber disputes, i.e., private-law disputes regarding the fulfillment of the obligation to pay between the entities carrying out communication activities and the subscriber or, if applicable, user (Section 129 of the Electronic Communications Act), which – in spite of all efforts to return the administrative work to the decision-making authority of the courts – is still under the decision-making authority of the Office. Based on the government decision No. 528 dated 3 July 2013 the Office received additional personnel but it is still in charge of administrative work which does not belong to the scope of powers and responsibilities of a utility regulator.

In 2013 the Office was settling 460,418 subscriber disputes, out of which 355,808 pending administrative proceedings were transferred from 2012 and 104,610 new administrative proceedings were opened. In the period in question, a total of 53,912 decisions in the matter were issued. The Office settled subscriber disputes regarding the payment for services and issued 53,500 decisions in the matter. The Office issued 336 decisions on objections against the handling of a complaint about the service provided and on objections against the handling of a complaint about the billing of the price for the service, out of which 301 decisions were issued on objections against the handling of a complaint about the billing of the price for the service.

2013 was the first year of a fully liberalized postal market. The amendment of Act No. 221/2012 Sb. (Collection of Laws), which cancelled the monopoly of Česká pošta, s.p. in delivery of letters weighing up to 50 g for the price lower than CZK 18 and at the same time opened this market segment to alternative post operators, came to effect on 1 January 2013.

In this respect, the amendment of Act No. 29/2000 Sb. (Collection of Laws), on postal services and on the amendment of some acts (Postal Services Act) (hereinafter also referred to as "Postal Services Act"), newly defined the scope of powers and responsibilities of the Office for keeping the

registry of undertakings in the area of postal services as the previous system was only notification to the trade licensing authority. To date, there has not been an overview of the number of businesses in the postal market. In 2013 16 businesses notified their business activities in the market of postal services to the Office, two of which have subsequently ceased their activities. The development of the competitive environment, which has not developed as in the area of electronic communications, was manifested in particular in the area of the basic service delivery of mailings weighing up to 2 kg. This service is currently offered by all 14 active providers of postal services, but not all of them offer this service in the entire Czech Republic.

In 2013 the Office also was active internationally, coordinating and facilitating direct participation at working meetings in the advisory committees and groups of the European Commission, bodies or working groups of such international organizations as ITU, CEPT, OECD, ETSI and NATO, in bilateral and multilateral negotiations and professional events. Together with the Slovak Office for Regulation of Electronic Communications and Postal Services and PricewaterhouseCoopers Slovakia is successfully participated in and won the project entitled “Eastern Partnership of the Regulators of Electronic Communications” announced by the European Commission.

Financial management in 2013 was based on the defined budgetary framework, in which the Ministry of Finance determined the binding indicators of budgetary chapter of the Office. The revenues amounting to CZK 1,173,466,121.35 exceeded the defined binding indicator and reached 126.09 % of the adjusted budget. On the other hand, on the expenditure side of the budget for the year 2013 the Office saved money because expenditures were drawn in the amount of CZK 587,797,132.32, i.e., only 82.72 % of the adjusted budget. The average converted headcount in 2013 was 503 employees.

More information on the tasks which the Office fulfilled in 2013 in the area of electronic communications or postal services as well as additional information related to the operation of the Office is provided in the individual chapters of this Report.

## CHAPTER 1

### STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS IN 2013

#### 1. Evaluation of the electronic communications market

##### 1.1 General evaluation of the electronic communications market

Probably the most significant changes, compared to the previous years, occurred in the mobile market. In 2013 almost 50 new alternative of service providers, virtual mobile operators entered the market. A major change was also the introduction of new offers of unlimited plans in the price lists of individual mobile operators. The mobile market saw also another year-on-year increase in the total number of reported active SIM cards for all providers of mobile servic-

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Companies Telefónica, T-Mobile and Vodafone continued expanding their offers of mobile data services in 2013. They also gradually increased the availability of their UMTS networks to achieve coverage from 60.8 to 78.5 % of the population. In 2013 all three operators launched a commercial offer of LTE in their networks in a defined area, using the already held frequencies in band 1800 MHz. In addition, in fall 2013 Vodafone introduced a project for gradual coverage of rural areas with LTE services on frequencies in band 900 MHz.

For further support of the development of new 4th generation mobile networks the Office organized another bidding procedure (Auction) of radio frequencies in bands 800, 1800 and 2600 MHz in 2013. On the other hand, the results of the auction showed that the positive changes which occurred in the mobile market mainly in 2013 also significantly reduced the space for the commercially attractive model of a market entry of a new national network operator. The successful completion of the Auction and the subsequent allocation of the frequencies will allow the winning bidders to develop quickly new mobile networks and increase the availability of high-speed mobile broadband access.

The defining element in the market of services of broadband access to the Internet in 2013 was still the competition of technological platforms. In addition to the continued decrease of the share of xDSL services, the retail market was primarily affected by the development of locally developed optical networks (FTTx) and the development of local WiFi networks.

In 2013 service providers continued increasing the speed of broadband Internet connection. This trend is documented by the last year's offers of the two largest providers of broadband services in the retail market, Telefónica and UPC the Czech Republic, s.r.o. (hereinafter also referred to as “UPC”). Telefónica started offering Internet access in its network with speed up to 40 Mbit/s already in 2012, and UPC started offering speed up to 240 Mbit/s in the second half of 2013. Telefónica, which is regulated by the Office in the wholesale broadband market, announced further modernization of its network in 2013 (construction of the so-called remote DSLAMs) which would allow it to improve the availability of higher-quality VDSL2 services.

There was a continuing trend of decrease in the number of subscribers and subscriber stations and the associated decrease of the volume of voice services over fixed networks and their migration to mobile networks. In spite of this fact, however, the competition in this market segment has intensified in particular in the area of services for large (business) customers.

The digital terrestrial television broadcasting developed significantly in 2013. In addition to the existing nationwide multiplexes 1 to 3 (with coverage 97.6 – 99.9 % of the population), multiplex 4 has achieved the fastest development - with coverage 86 % of the population in nearly 2013 and the current coverage 95 % achieved during the year. Six other regional multiplexes emerged in 2013; the total number of regional multiplexes therefore increased to the current 15.

Year 2013 was also the year of continued market consolidation and major acquisitions. The most important acquisition is the sale of the majority share in Telefónica (65.9 %, including the 100 % share in the Slovak subsidiary) owned by Spain's Telefónica S.A. to the PPF investment group. Another major acquisition in international terms, which can also have im-



pact on the Czech market, is the purchase of GTS Central Europe by Deutsche Telekom. GTS Czech s.r.o. (hereinafter also referred to as “GTS”) is a provider of fixed and mobile services in the Czech Republic. At the end of 2013 T-Mobile completed the merger with T-Systems Czech Republic a.s. There is currently growing cooperation in the market based on sharing of infrastructures or parts thereof in order to realize cost savings while increasing the effectiveness of utilization of the capacities built. Probably the most important one is the agreement between Telefónica and T-Mobile on sharing of their mobile networks of the second and third generation announced in August 2013.

More detailed information on the situation in selected parts of the electronic communications market is provided in the following chapters of this Report.

## 1.2 Regulation of the electronic communications market

Within the framework of ex-ante regulation, as in the previous years, the Office continuously monitored development in all segments of the electronic communications market and monitored the principal development trends in the services provided in mobile and fixed networks also in 2013. In 2013 the Office performed eight analyses of the relevant markets which are laid down for the ex-ante regulation by the Measure of General Nature No. OOP/1/02.2008-2, as amended by Measure of General Nature No. OOP/1/04.2012-4. In the preparation of the analyses, the Office employed the already established system of workshops at which experts can assert their views and comments concerning proposals of analyses of the relevant markets before opening of public consultations. The Office received the data necessary for analysis of relevant market particularly through the system of electronic collection of data (ESD) from businesses in electronic communications. The process of preparation of the individual analyses of the relevant markets is documented by the below overview.

### **Relevant market No. 1 – retail market of access to public telephone network at a fixed location.**

The Office started the analysis of the market as early as in December 2012. It presented the draft analysis at a work meeting with the experts on 6 November 2013 and subsequently published it in December 2013 at a discussion place with the invitation of comments within one month. After having dealt with and incorporated the comments received the Office submitted the draft analysis to the Office for the Protection of Competition for commenting. The preparation of the analysis of relevant market No. 1, including the notification to the European Commission and the imposition of the proposed remedial measures on the undertaking with separate significant market power will be completed by the Office in the first half of 2014.

### **Relevant market No. 2 – wholesale market of call origin (origination) in the public telephone network at a fixed location.**

The Office started the analysis of relevant market No. 2 in June 2012. After it had presented the draft analysis at a work meeting with the experts at the end of 2012 the Office published the draft analysis on 15 February 2013 at a discussion place with the invitation of comments. After having dealt with the comments and amended the text of the analysis a consultation was held with the Office for the Protection of Competition, and on 10 July 2013 the text was submitted to the European Commission for notification. The Office published the analysis on 10 September 2013.

Based on the conclusions of the analysis, on 13 December 2013 the Office designated Telefónica as an undertaking with separate significant market power in this market. In the last quarter in 2013 the Office opened administrative proceedings on the subject of imposition of remedial actions and obligation related to price control which will be finished in the first half of 2014.

**Relevant market No. 3 – wholesale market of call termination on individual public mobile telephone networks provided at a fixed location.**

The Office started the analysis of this market in January 2013. On 25 April a workshop was organized on the draft analysis, and the Office started public consultation on the draft analysis on 13 May 2013. After having discussed it with the Office for the Protection of Competition the draft analysis was submitted to the European Commission for notification on 29 August 2013. Because the European Commission voiced reservations to the proposed draft analysis, the Office informed the European Commission on 2 October 2013 that it is withdrawing the submitted draft analysis of the relevant market.

Subsequently it finished the draft analysis according to the suggestions of the Commission and on 9 October 2013 it published it at a discussion place with the invitation of comments. After having incorporated the comments from the public consultation, the Office re-submitted the amended draft analysis to the European Commission for notification on 7 November 2013. After its successful execution the analysis of this market was issued on 10 December 2013. Subsequently in January 2014 the Office started the process of designation of undertakings with separate significant market power and imposition of the corrective measures proposed by the analysis. The Office expects this process to be completed in the first half of 2014.

**Relevant market No. 4 - Wholesale physical network infrastructure access (including shared or fully unbundled access) at a fixed location and relevant market No. 5 - wholesale broadband in the network of electronic communications.**

Within the third round of analyses in 2012, the Office prepared and submitted to the European Commission for notification the draft analysis of relevant market No. 5. Based on the suggestions of the Commission the Office took the draft analysis back for re-processing. With respect to the close connection between relevant markets No. 4 and No. 5, the Office decided to perform the analysis of the two markets at the same time.

On 22 February 2013 the Office organized a work meeting with the experts concerning the two draft analyses and subsequently on 8 April 2013 presented the two draft analyses for public consultation. After the published settlement of the comments and suggestions on 24 June 2013 the Office then consulted the two draft analyses with the Office for the Protection of Competition. On 8 October 2013 the Office sent the draft analyses of the relevant markets No. 4 and No. 5 to the European Commission for notification. The Office will finish the process of the subsequent modifications, discussion of the finalized draft versions of both analyses and the publication thereof in 2014.

**Relevant market No. 6 – wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity**

The Office started the analysis of this relevant market in March 2013. The discussion of the factual definition of the market with the experts took place on 14 May 2013. The suggestions arisen from the workshop were incorporated by the Office, and the second work meeting on the modified draft was held on 21 August 2013. Subsequently, on 10 October 2013 the

Office started a public consultation on the draft analysis. The Office dealt with the suggestions and comments received, and in early 2014 it presented the draft analysis to the Office for the Protection of Competition.

After having incorporated the suggestions of the Office for the Protection of Competition the Office in 2014 it will notify the analysis and impose the proposed corrective measures on the undertaking with separate significant market power.

#### **Relevant market No. 7 – wholesale voice call termination on individual public mobile telephone networks**

The Office started working on the analysis in March 2013. A workshop was held on 22 May 2013 on the draft prepared, and the public consultation followed from 29 May 2013. After having discussed it with the Office for the Protection of Competition the draft analysis was submitted to the European Commission for notification in September 2013. With respect to the reservations of the European Commission the Office took the draft analysis of the relevant market back on 9 October 2013, amended it in line with the suggestions, and on 15 October it started a new public consultation. The modified draft analysis was re-submitted to the European Commission for notification by the Office on 7 November 2013. After its successful execution the analysis of this market was issued on 10 December 2013. In January 2014 the Office started the process of designation of undertakings with separate significant market power and imposition of the corrective measures proposed by the analysis. The Office expects this process to be completed in the first half of 2014.

#### **Relevant market No. 8 – wholesale access and origination in public mobile telephone networks**

The Office designated this relevant market for pro ex-ante regulation at the beginning of 2012. The reason was the situation in the mobile market at that time where the Office identified persisting higher price level and continuing refusal to reach an agreement on MVNOs' access to the networks of the existing operators.

Draft version of the analysis of the market in which the Office introduced its plan to impose corrective measures on all mobile operators of GSM and UMTS networks was consulted by the Office in early 2013. Subsequently significant changes occurred in the mobile market (see the evaluation of the mobile market in chapter 1.3.1 below) which the Office attributes also to its activities in the preparation of the analysis of this wholesale market. The ongoing changes, however, need to be taken into account in the draft analysis, together with the results of the completed auction of the frequencies and their impact on the market in the medium term. The Office is therefore currently preparing a completed version of the draft analysis of this market and will present it again for public consultation in the first half of 2014.

#### **Application of price regulation of wholesale services of electronic communications**

With respect to the nature of the currently defined relevant markets, the Office applies price regulation only in selected wholesale markets. The goal is to create conditions for the development of competitive environment in the market as a whole through the available wholesale services.

In 2013 the Office resorted to modification of the maximum amount of the regulated wholesale prices in relevant market No. 4. Reduction of the prices of selected services in this market for Telefónica, in the service of fully unbundled access from CZK 197 to CZK 179 and in shared unbundled access from CZK 39 to CZK 30, has provided room for greater utilization



of the unbundled lines in particular for the provision of the services of broadband Internet access.

In terms of the mobile market, further decrease of the maximum amount of the price of termination in mobile networks was significant. In order to determine the new price, similarly to the proposal of a new price for termination of calls in fixed networks, the Office used the models created in line with the relevant recommendation of the European Commission.

The Office issued a Measure of General Nature No. OOP/4/08.2013-3 (which amends Measure of General Nature No. OOP/4/03.2006-3) which lays down the methodology of purpose-based classification of costs and revenues and the allocation thereof and defines the structure of the reported information. In accordance with the Recommendation of the European Commission No. 2010/572/EU of 20 September 2010 on regulated access to Next Generation Access Networks (NGA) the Office defined the risk premium reflecting the quantifiable investment risk of an operator with significant market power in building an optical fiber access network. This risk premium was taken into account in the weighted average cost of capital (WACC) determined separately for the service of access to next generation access networks.

## 1.3 Development in the main segments of the retail market

### 1.3.1 Services provided in mobile networks

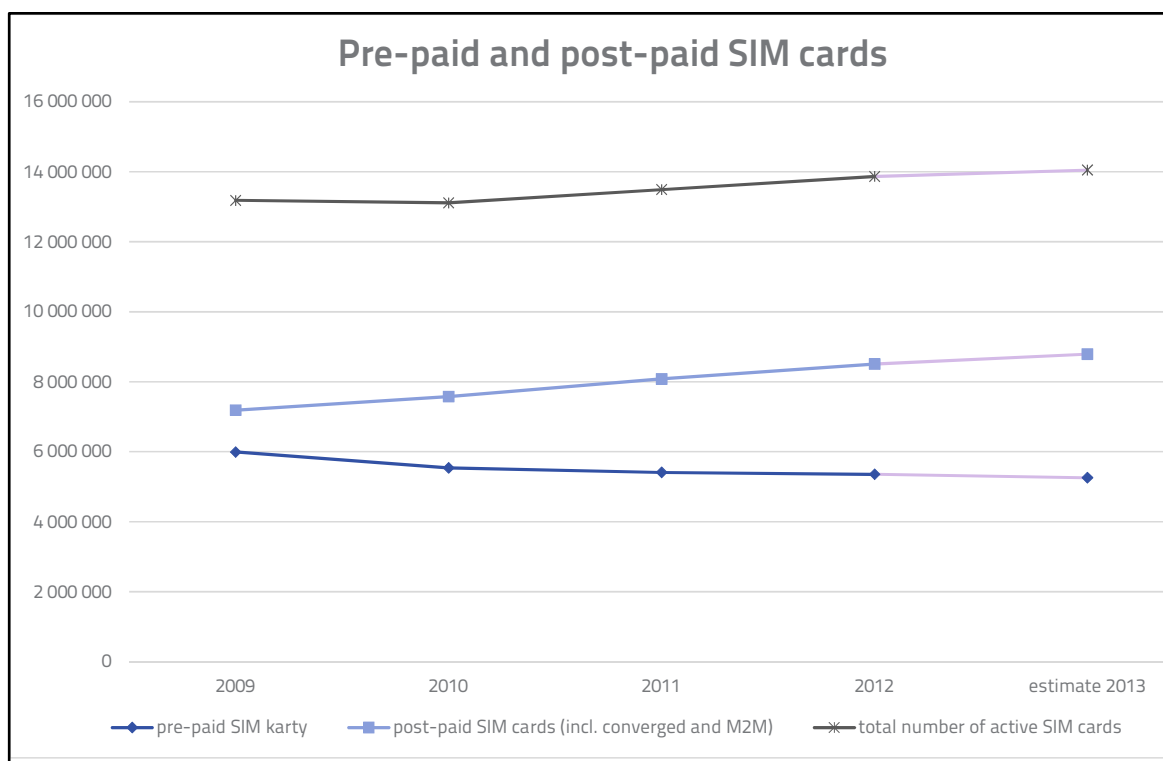
In addition to the four mobile network operators, i.e., Telefónica, T-Mobile, Vodafone and Air Telecom, almost 50 virtual mobile operators entered the retail market with their offers). In terms of the development of competition conditions in the market the Office deems it important that also alternative providers of wholesale mobile services in the form of MVNEs (e.g., GTS, Quadruple a.s., DH Telecom a.s.) have been active in the wholesale market since 2013; they operate as integrators of mobile services with wholesale offers for other alternative providers of mobile services.

Another major change which occurred in 2013 in the retail market was the introduction of the offers of new, so-called unlimited plans. In April these plans were presented in a very short time sequence by all three mobile GSM/UMTS operators (Telefónica offered the “FREE” series plans, Vodafone offered “RED” series plans, and T-Mobile offered “S name” series plans). The introduction of these new plans and their subsequent modifications contributed to the significant year-on-year reduction of prices in the market of mobile services in the Czech Republic.

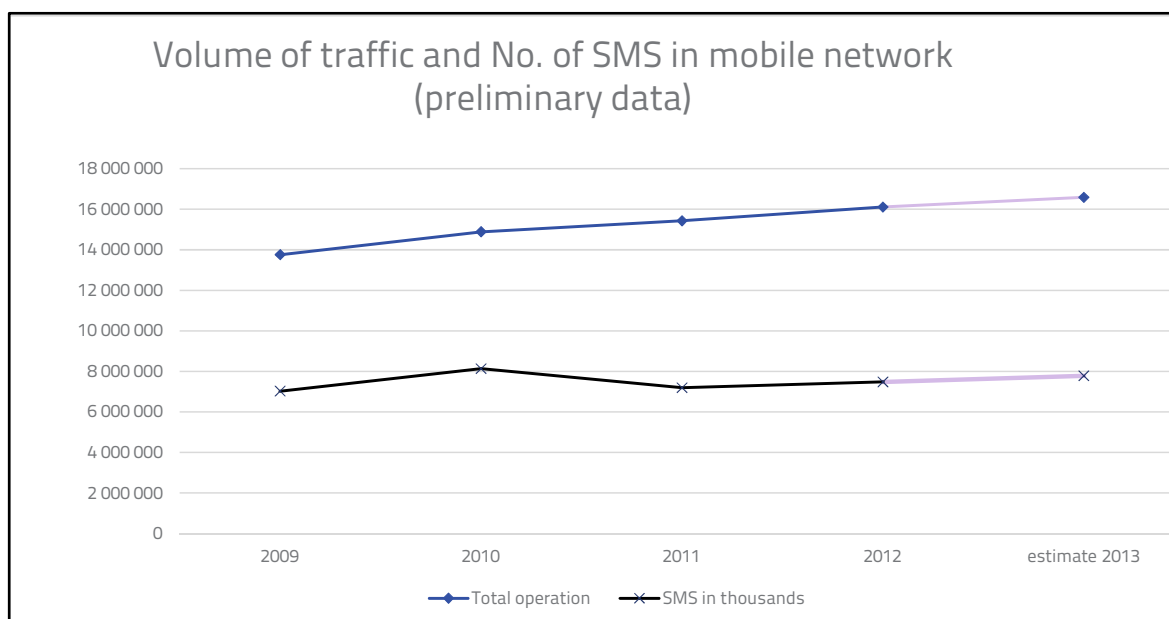
The number of active SIM cards, according to the preliminary outlook as of 31 December 2013, was approximately 14.0 million. In comparison with 2012, the total number of active SIM cards is therefore expected to grow approximately by 1.3 %. The number of active post-paid SIM cards is expected to be 8.8 million, and the number of active pre-paid SIM cards is expected to be 5.3 million. Development of the number of active SIM cards in mobile networks, including the division into post-paid and pre-paid SIM cards, is shown on the following chart.

With respect to the fact that the total number of subscribers only grows moderately, there are greater movements of subscribers between individual service providers, newly including MVNOs. The possibility to change the provider of mobile services was further supported, starting from 1 September 2013, the effectiveness of the new conditions for number porting

(e.g., reduction of the total time for the implementation of the change to no more than four days), which was laid down by the Office by a Measure of general Nature No. OOP/10/10.2012-12. Newly it is possible to port numbers also in a situation where the subscriber first terminated the contract with his/her existing operator.



The year-on-year increase of the volume of the traffic of voice calls generated by mobile networks subscribers in 2013 is estimated at 3 %, i.e., to 16.6 billion real minute, and the increase of the number of sent text messages (SMS) from mobile networks (not including outbound roaming of outbound SMS) by 4 % to 7.8 billion. The Office will obtain the exact information from the operators.



An important factor of the development of retail mobile market in 2013 was, just like in 2012, the significant growth of the volume of data traffic. If the volume of data transmitted in mobile networks in 2012, according to the available data, was 14,343.5 TB (Tera Byte) with the coefficient of the year-on-year increase 1.286 the aggregate volume of data traffic in mobile networks in 2013, according to the Office's estimate, will be 18,500 TB.

The Office anticipates additional significant growth of the data traffic volume also in 2013 with the development of services on UMTS networks and with the commencement of the offers of new 4th generation networks on frequencies which the Office allocated based on the results of the frequency auction held in the second half of 2013.

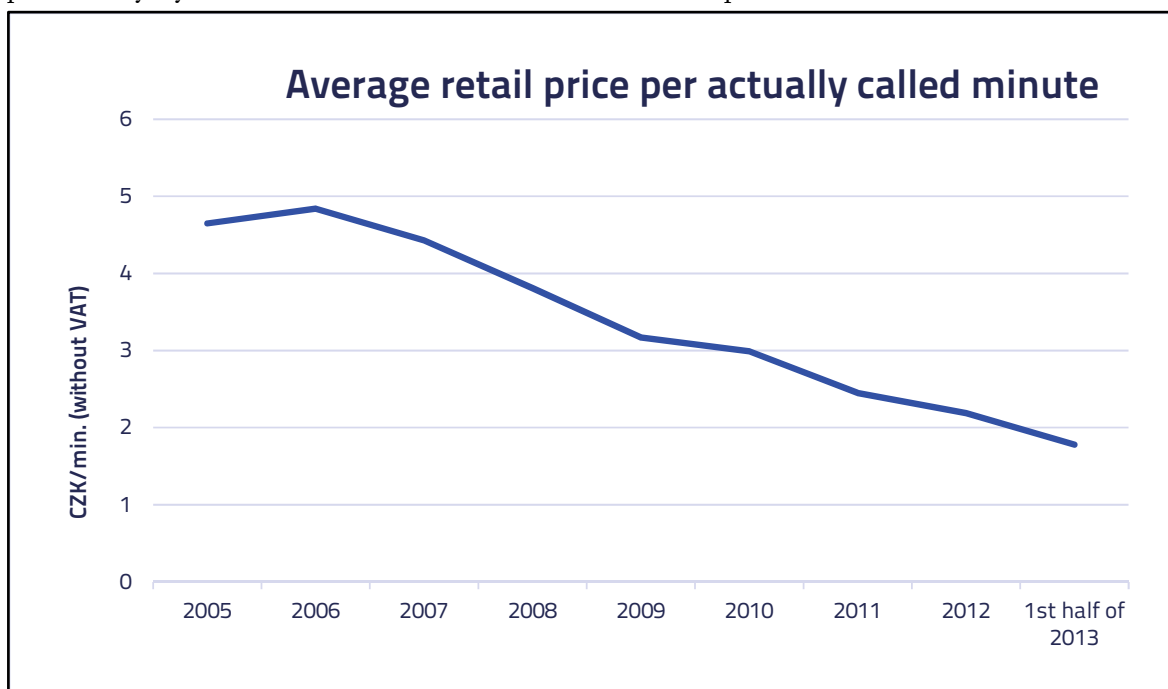
### Prices of mobile voice services and SMS

The Office monitors the development of retail prices of mobile services on regular basis<sup>1)</sup>. The price development is monitored by the Office according to average prices per actually called minute (including the add-on packages, free minutes, etc.), and also according to the defined consumption baskets of mobile services.

#### Price development according to the average price per minute

Average price per minute of a call is also used by the European Commission for the international comparison of the price level in different EU Member States. According to this methodology, the average price in Czech mobile market has been going down since 2006.

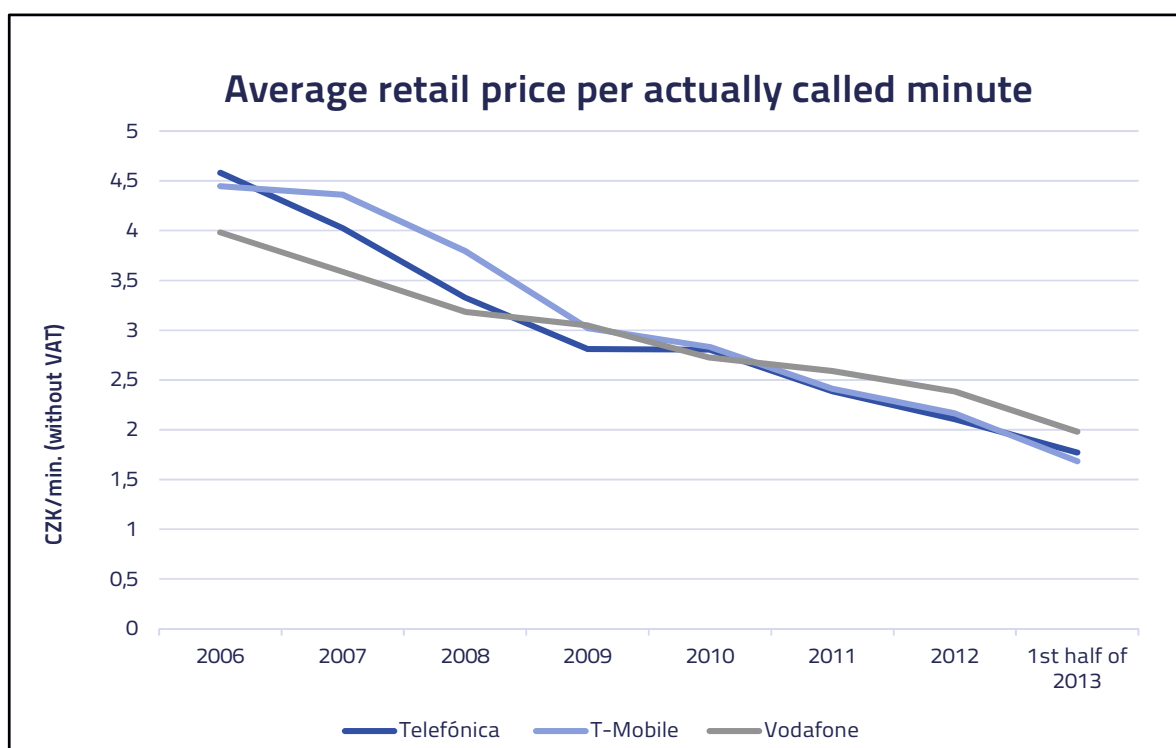
This trend continued also in 2013. In the first half of 2013 the average price per minute (for the actually called minutes) decreased approximately by 19 % to CZK 1.78 per minute (relative to the value at the end of 2012). In addition to the decrease of the wholesale termination rate (having impact also on retail prices) regulated by the Office, the decrease was also caused particularly by the offer of the new so-called unlimited plans. What also contributed to the



1) In 2012 the Office completed the methodology for comparison of the prices of mobile calls which was published on its website [download: <http://www.ctu.cz/ctu-informuje/srovnaci-prehled-cen-a-podminek/metodika-ctu.html>] in connection with the launch of the so-called price barometer [download: <http://www.ctu.cz/ctu-informuje/srovnaci-prehled-cen-a-podminek/cenovy-barometer.html>]

decrease of the price per minute of call is the unification of the price per minute of calls to own network and to other networks.

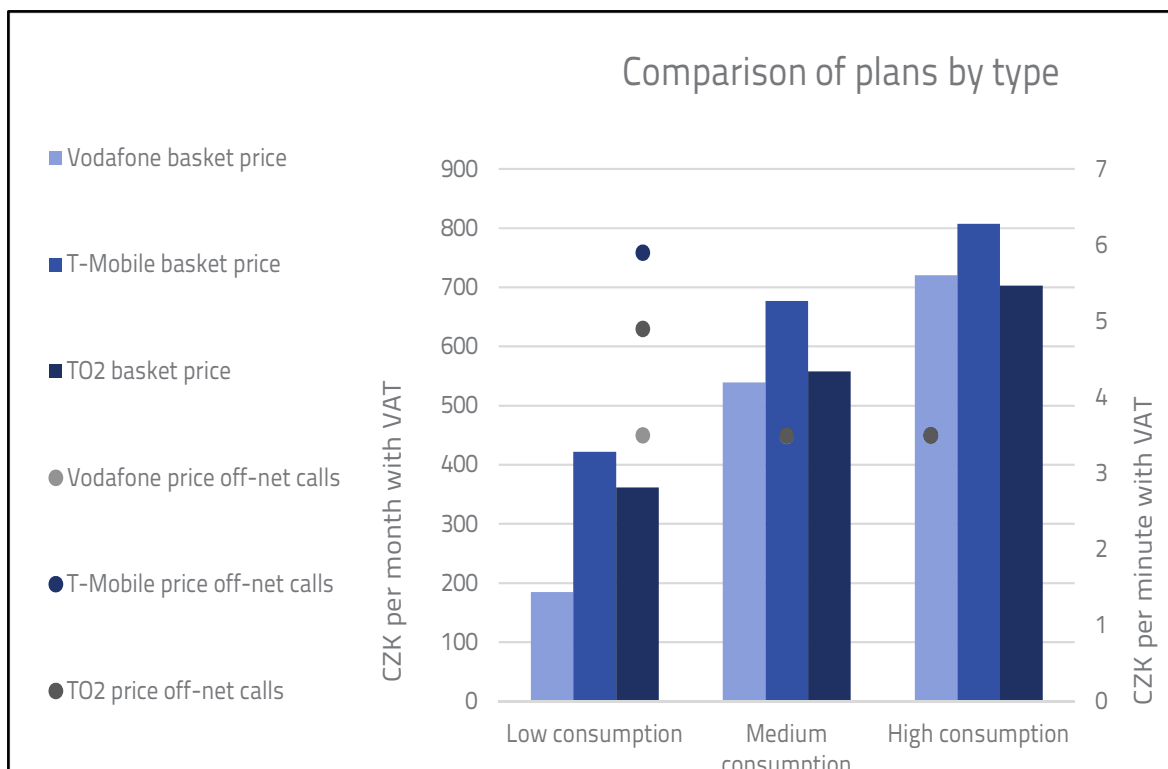
In terms of the prices of the services of individual mobile operators, the greatest decrease of the price of calls occurred in the first half of 2013 in T-Mobile, approximately by 22 % to CZK 1.68 per minute. This comparison takes into account also the price charged to legal entities and individuals carrying out business activities. According to the Office's knowledge, in the average of all mobile operators the level of prices of the services for individuals carrying out business activities is 28 % lower than the prices for individuals not carrying out business activities. Development of average prices per minute in different mobile operators is shown by the below chart. The effect of price offers of the MVNOs can be evaluated by the Office only after a certain time, at least the following year 2014.



#### Price development according to the consumption baskets<sup>2)</sup>

The following chart shows the price comparison of network mobile operators according to the consumption basket for low, medium and high consumption when using the cheapest plans of the 4th quarter of 2013. These are plans without commitment both for pre-paid and post-paid customers. In the following chart, the total monthly price of the basket is shown by the columns and the price per minute of calls to other networks (off-net call) by the colored points.

2) Consumption baskets are defined in the price barometer: [download: <http://www.ctu.cz/ctu-informuje/srovnavaci-prehled-cen-a-podminek/metodika-ctu.html>]



Note: Off-net calls are calls to the other mobile networks and fixed networks in the plans represented in the basket. In the winning plans for medium and high consumption the price per minute for off-net calls in all operators is the same, amounting to CZK 3.5.

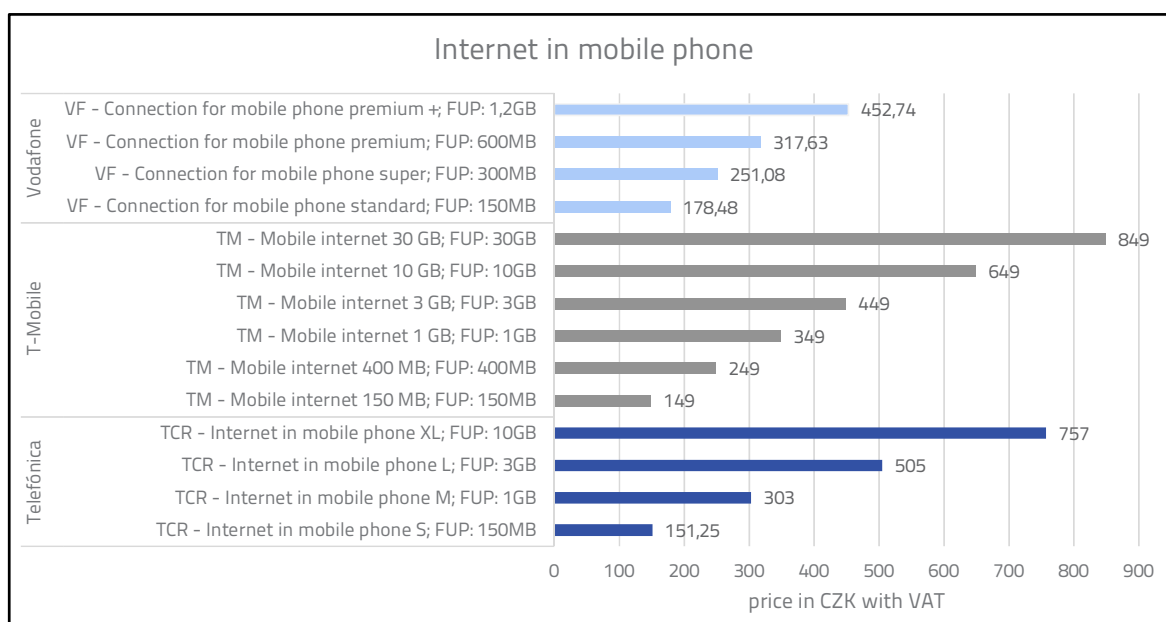
In 2013 the monthly price for each consumption basket significantly dropped on year-on-year basis. The greatest drop was achieved in the basket with high consumption with Telefónica where the user (with similar consumption structure) paid approximately 39 % less than in 2012 (CZK 703 per month in 2013 relative to CZK 1,145 per month in 2012).

At the same time, the prices of calls within the operator's own network and to other mobile networks and fixed networks (the so-called off-net calls) were unified, in particular in the new series of unlimited plans which are represented - through individual plans - in the basket with medium and high consumption.

### Prices of mobile data services

Mobile operators offer basically two types of mobile connection – Internet in mobile phone and mobile Internet using a modem.

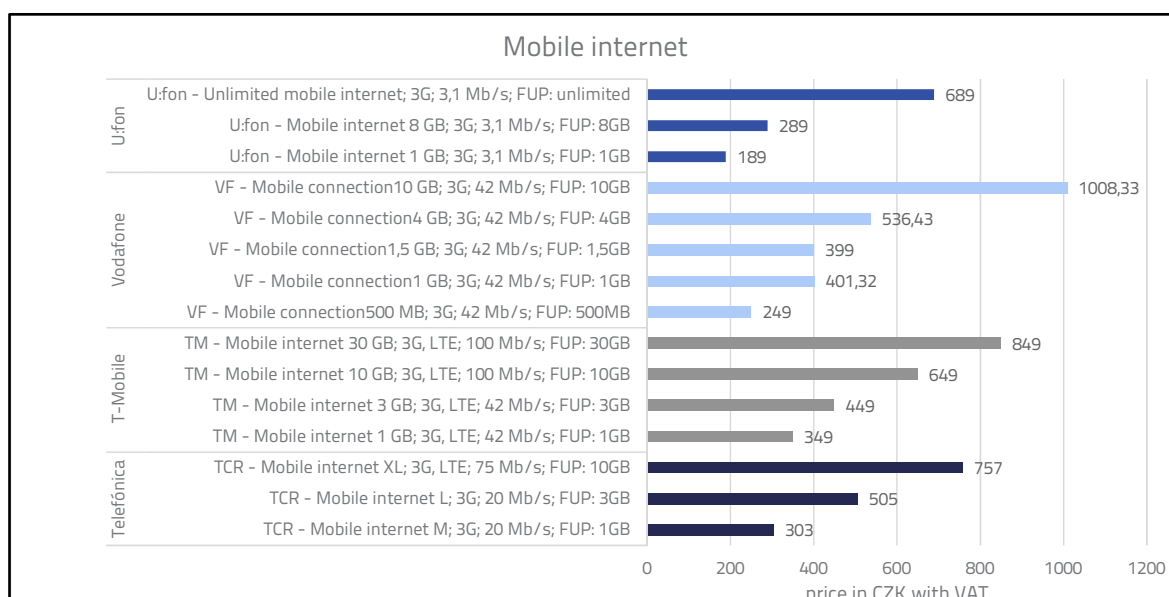
Within the comparison of the offers of the services of Internet in mobile phone the individual offers of the operators are compared according to the size of the data limit (FUP). Relative to 2012, the most significant changes occurred in T-Mobile who increased the data limit in the existing data services to 150 MB, 400 MB and 3 GB (from the original data limits of 100 MB, 300 MB and 2 GB) and also added to the offer of data services three new plans with data limits 1 GB, 10 GB and 30 GB. A change of data plans occurred also in Telefónica where the data limits were also increased to 1 GB and 3 GB (from the original data limits of 500 MB and 2 GB), and the operator also cancelled the service of Internet in mobile phone with unlimited data.



In the case of the second option of provision of mobile data services, i.e., mobile Internet using a modem, the price comparison of the individual mobile operators is illustrated by the following chart. During the year the data limits were increased and the data download speed in individual operators was also increased.

#### Evaluation of the terms and conditions of the agreements between network mobile operators and MVNOs

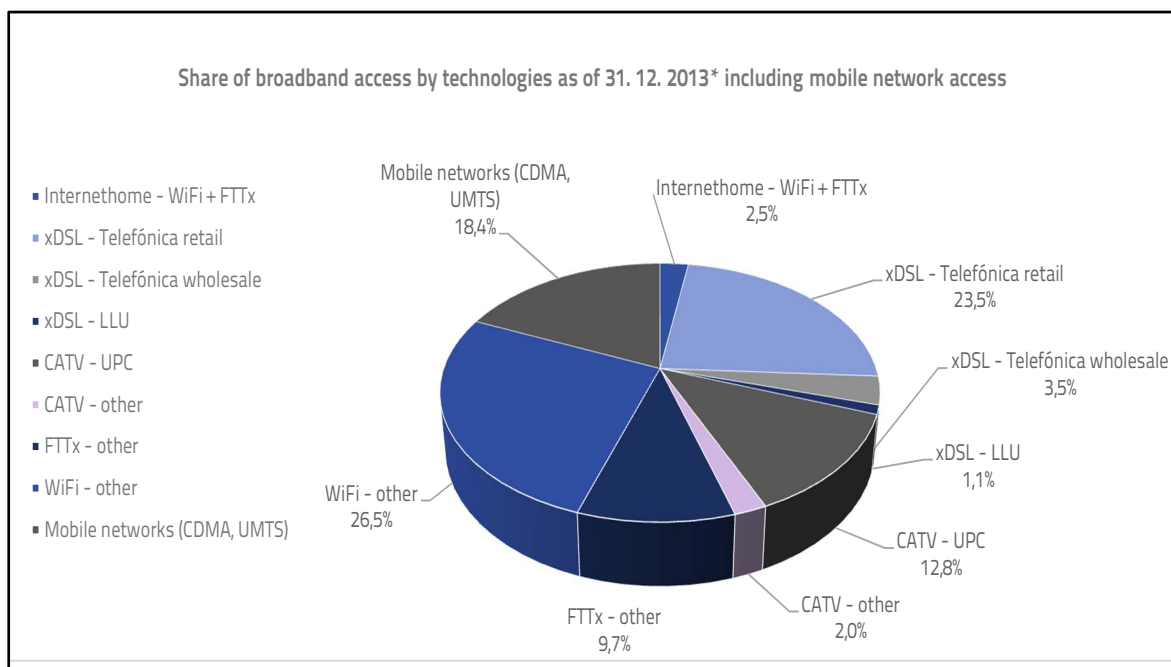
In connection with the entry of new MVNOs in the market, the Office assessed the terms and conditions of the wholesale agreements between network mobile operators and MVNOs. It focused primarily on the conditions regulating the quality and price terms of the wholesale services provided and it assessed whether they allow MVNOs to provide retail services under similar terms as the network mobile operators.



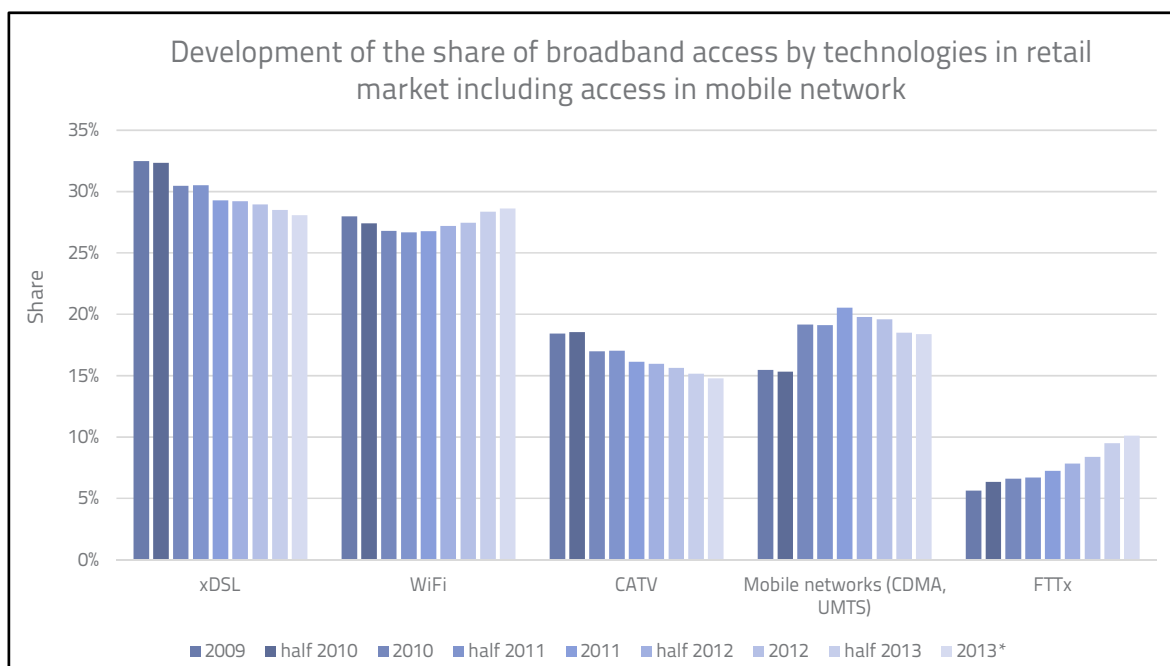
According to the Office's findings, the terms and conditions of the agreements as well as the structure and amount of the wholesale prices applied are quite variable depending on the character (type) of the individual MVNOs.

### 1.3.2 Broadband access services

In 2013 the situation in the retail market of the services of broadband Internet connection represented by the amounts of market shares according to the number of access connections according to the different technological solutions has only changed minimally. This prevailing trend shows a significant level of competition on the infrastructure. The most represented access connections represented in the retail market are still xDSL and WLL (WLL include all fixed radio access connections and access connections via WiFi) which, put together, constitute approximately 70 % of the market of broadband access to the Internet. The current shares of technologies in the market of retail access to the Internet and the long-term development are documented by the following charts.



Note: \* qualified estimates have been used



In 2013 the trend of gradual decrease of the shares of xDSL and CATV technologies in the market of broadband access to the Internet continued, especially in favor of FTTx and WiFi access. The high share of WiFi in the broadband market is a long-term important characteristic of the Czech market unlike the other European markets. A major factor for the use of broadband services through WiFi is particularly the lower price level with still sufficient user quality of these services.

On the other hand, the development of FTTx access connections in the Czech Republic is still characterized in particular by smaller local providers. Telefónica currently owns optical-fiber access networks only to very limited extent. Telefónica has declared its intention to increase the availability of the VDSL-based services by building the so-called “street cabinets”, combining the use of the existing subscriber metallic loops with the optical-fiber network (FTTC<sup>3)</sup>) which is brought closer to the customer. At the same time, the future development of FTTx access networks should be supported by the implementation of the prepared program of support for development of NGA networks (see below).

In the following period the Office expects in particular significant growth of the share of broadband access connections through mobile networks operated on the newly allocated frequencies in bands 800, 1800 and 2600 MHz (fourth generation networks).

3) Fibre to the cabinet.



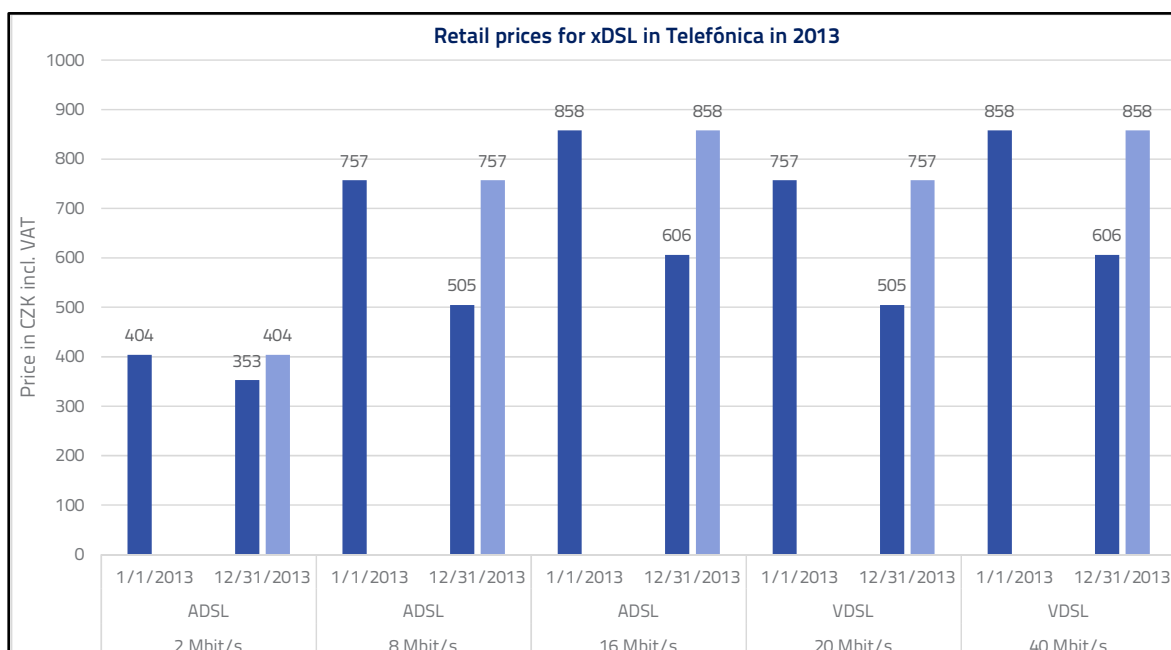
### Retail prices of the broadband access services

The retail market of fixed broadband access to the Internet in 2013 can be described as relative stable in terms of the prices. Most of the time the data speeds in the offers were increased while the overall price level in absolute terms did not change much.

In addition to the standard nominal prices of the fixed Internet access services, in 2013 most providers offered its existing or new customers also options with lower prices with a contract commitment (usually for 12 months) for continuous use of the respective service or purchase of other services (e.g., fixed-fee mobile plans, cable TV or, if applicable, VoIP services).

In March 2013 the largest service provider, Telefónica, introduced new, less expensive terms and conditions for the services of fixed Internet connection to customers who agree with periodical renewal (automatic prolongation) of the yearly commitment for the use of the service. The monthly prices of fixed Internet are lower by CZK 52 – 252 (depending on the particular plan).

The amount of the prices for each speed of the retail offer of Internet access by Telefónica in 2013 is shown in the following overview.

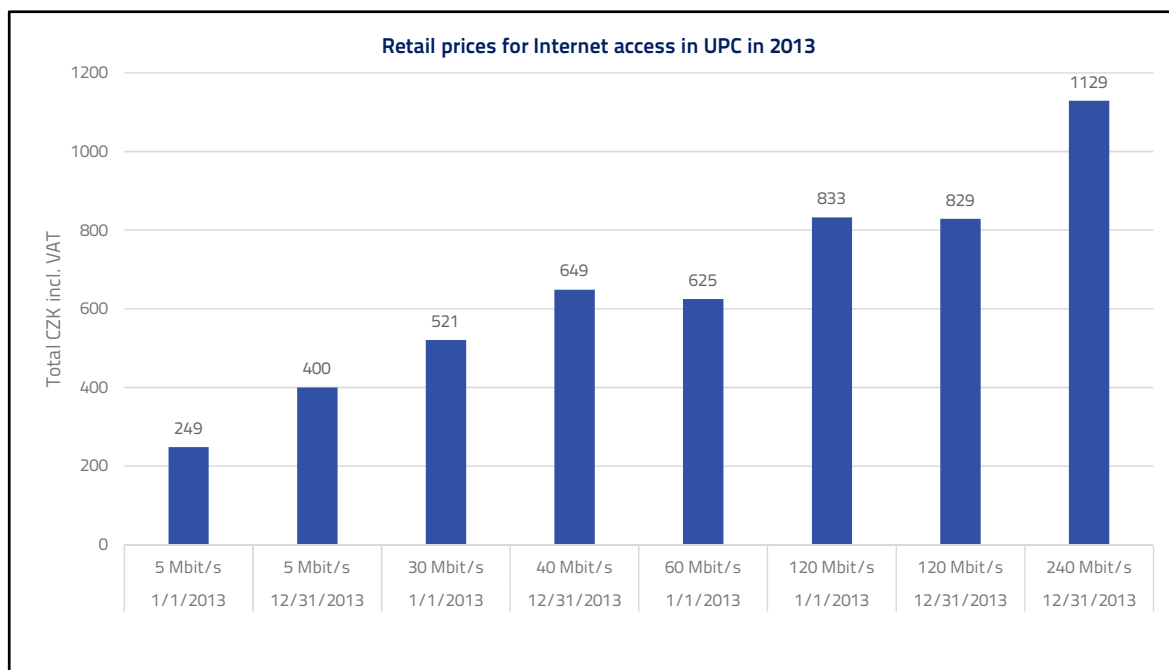


Note: The cheaper offers with the so-called automatic prolongation are highlighted by color.

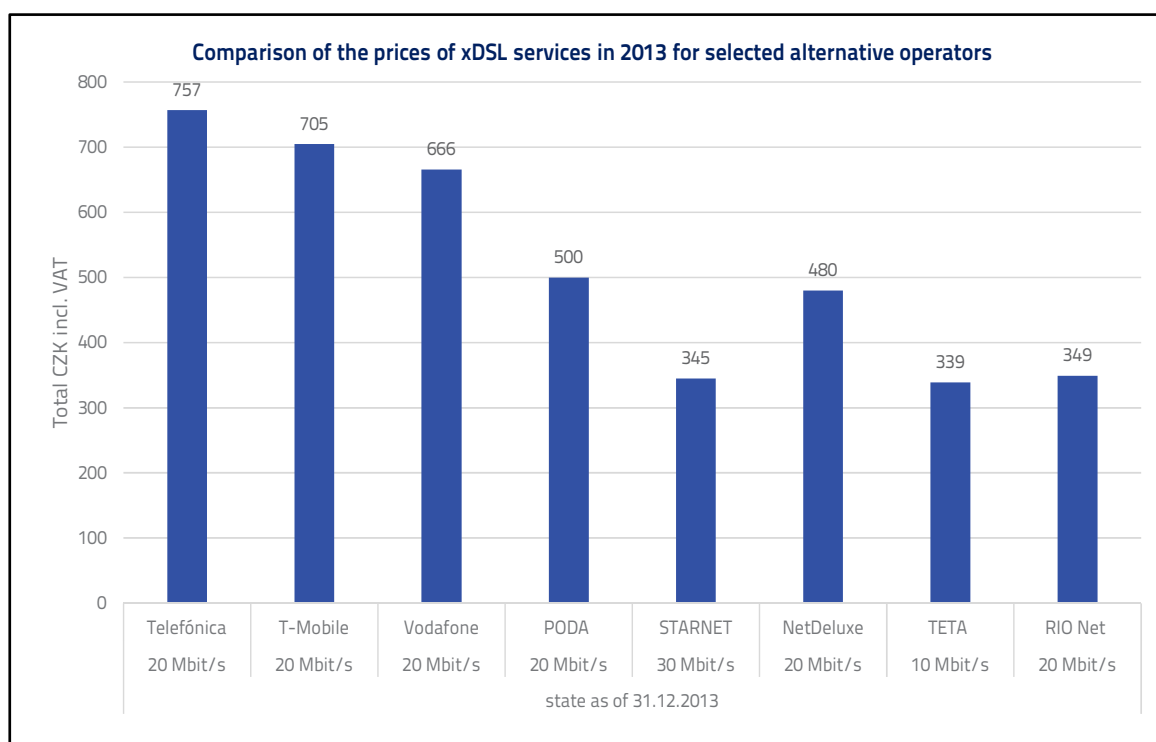
The chart above clearly shows that in higher speeds Telefónica distinguished prices depending on the technology by which the Internet access was provided. For example, at a monthly price of CZK 858 it was possible to get a service with nominal speed 16 Mbit/s using the ADSL technology, while in locations where VDSL technology was available it was possible to get a service with maximum speed 40 Mbit/s at the same price, which was the maximum available speed at the end of 2013.

Another major provider of fixed access to the Internet, UPC, offered its subscribers within the new service called Fiber Power 240 a maximum data download speed of 240 Mbit/s at the monthly price of CZK 1,129. Other changes in the offering of UPC occurred in the second half of the year when the service with speed 240 Mbit/s or service with speed 40 Mbit/s

at monthly price of CZK 649 were offered, replacing the current service with the speed 30 Mbit/s and at monthly price of CZK 521. The structure of the prices of UPC in 2013 is documented by the following chart.



The following summary comparison on the level of the services 10, 20, or 30 Mbit/s (depending on the structure of the offers of the providers assessed) documents the existing strong price competition in the retail market of fixed broadband Internet connection.



### **Preparation of the program of support for building access networks for the provision of high-speed Internet access services**

In 2013 the Office was preparing, in cooperation with the Ministry of Industry and Trade, a program of support for building new generation access networks (the so-called NGA networks) which enable provision of high-capacity high-speed Internet connection. The implementation of such program should help, according to the plans of the Office and the Ministry of Industry and Trade, fulfill the strategic goals of the state policy of electronic communications “Digitální Česko” v. 2.0 – a journey to digital economy in the area of ensuring broad availability of high-speed access with speed at least 30 Mbit/s, or up to 100 Mbit/s. Within this activity the Office performed an extensive initial mapping of the existing NGA infrastructure (hereinafter referred to as “mapping”).

Based on the evaluation of the acquired data, the Office subsequently defined the “color” character of the basic settlement units according to the parameter of percentage coverage of households with available subscriber lines of NGA networks. Such definition in accordance with the EU Guidelines for the application of state aid rules in relation to the rapid deployment of broadband networks (Commission Communication 2013/C 25/01 dated 26 January 2013) will make it possible to identify more precisely the places suitable for aid for the development of the NGA infrastructure.

On 5 December 2013 the Office presented the results of the mapping in the public consultation with the preliminary conclusion that approximately in 82 % basic settlement units assessed there is no sufficient availability of the lines of NGA networks. These are therefore the places where the support from the program prepared should be directed as a priority. After having evaluated the suggestions from the consultation, the Office will publish the final conclusions of the mapping. Information from the mapping will be used also for the operational programme Enterprises and Innovation for competitiveness.

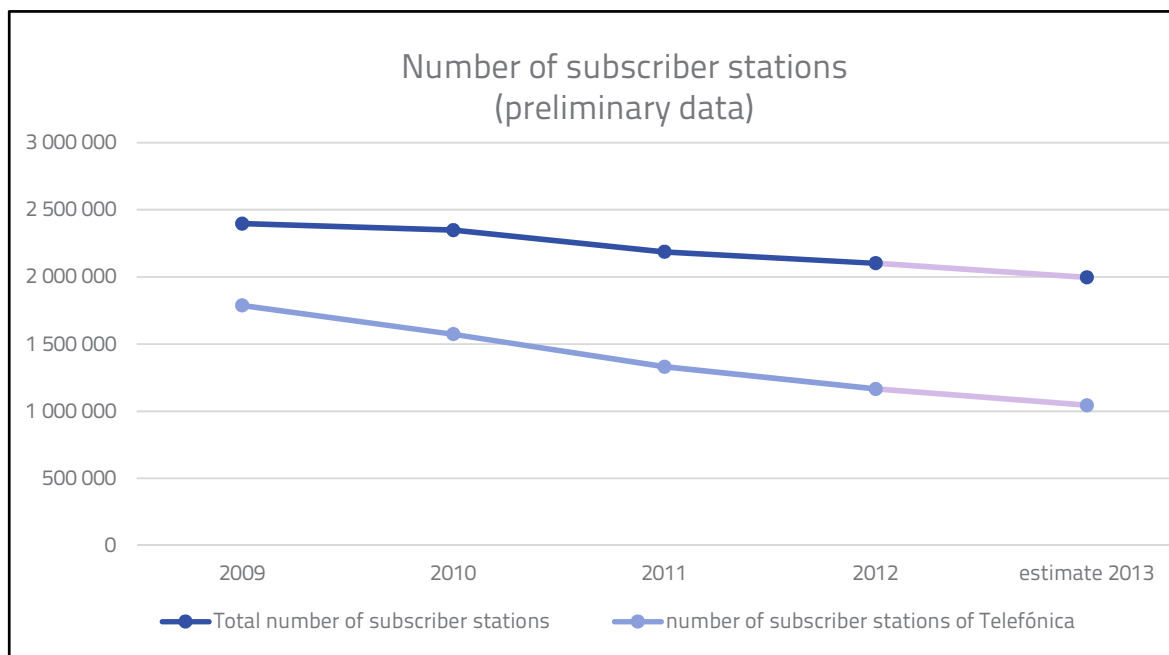
### **1.3.3 Voice services provided in fixed networks**

The greatest providers of voice services in fixed networks (in terms of the market share) in 2013 were Telefónica, UPC, T-Mobile, GTS, Dial Telecom, a.s., Air Telecom a.s. and RIO Media a.s.

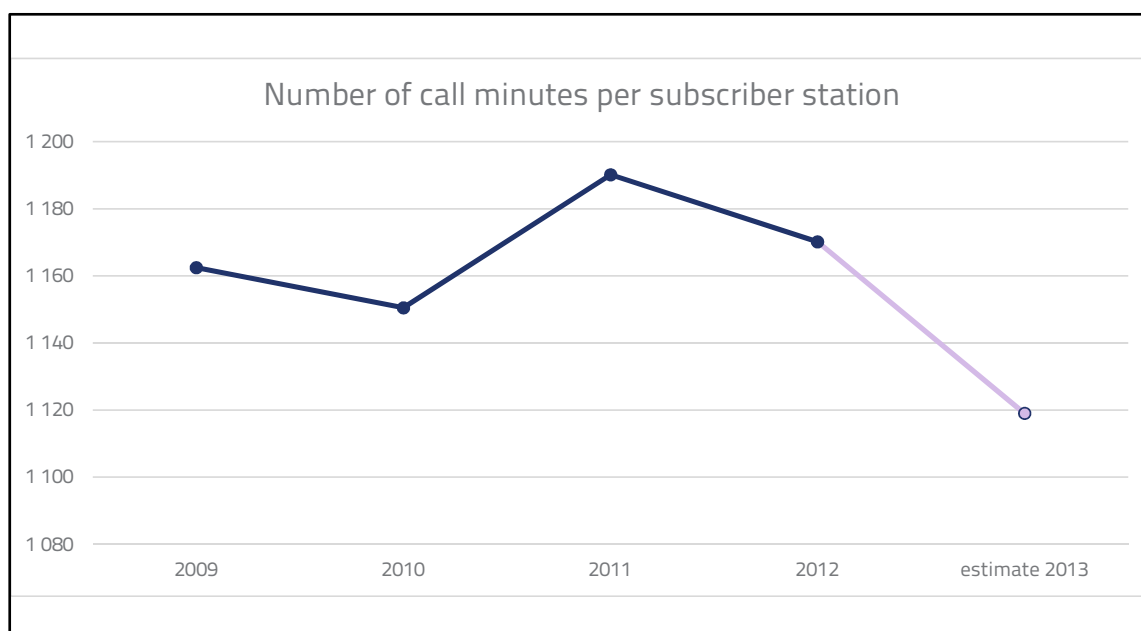
The share of services using new technologies, in particular VoIP, continued growing. But the trend of replacement of voice services in fixed networks with mobile voice services also continued. Further intensification of convergence trends was characteristic. This shows in the market in particular in the offering of different packages.

In 2013 the total number of subscribers of voice services provided in fixed networks, represented by the number of subscriber stations, decreased, according to the estimates, on year-on-year basis by more than 5 % to approximately 1.99 million subscriber stations. The year-on-year decrease for Telefónica was more significant, by more than 11 % (see the following chart).

With the decreasing number of subscribers, the volume of traffic in fixed networks was also



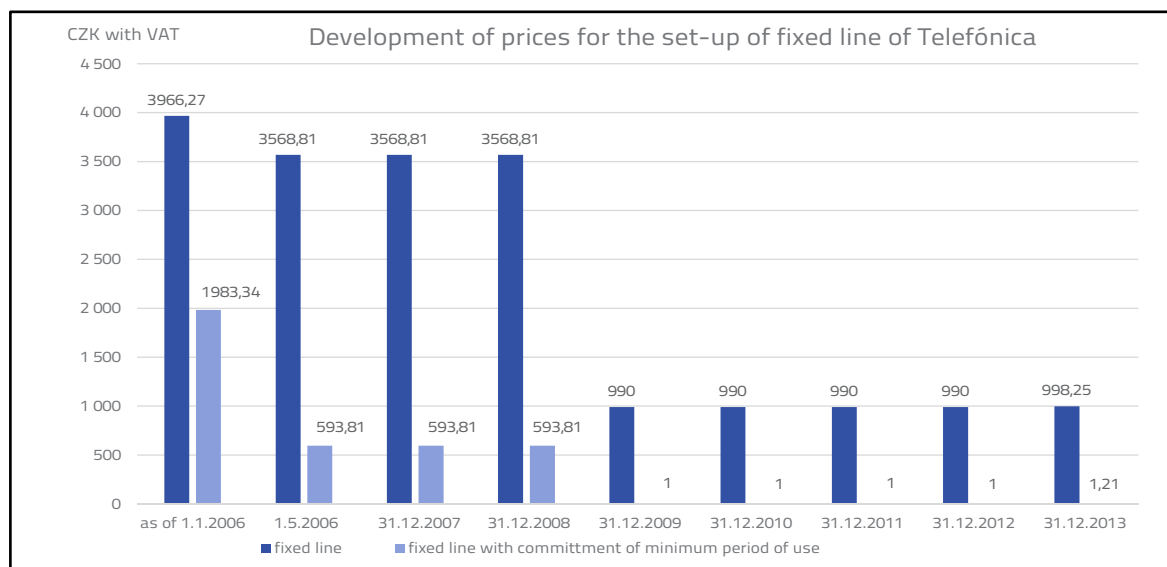
decreasing in 2013. This can be documented also in the estimate of the development of the volume of retail calls per subscriber station in Telefónica, the largest provider of the publicly available telephone service. According to the estimates, the number of minutes of calling per subscriber station with Telefónica in 2013 dropped to approximately 1.1 thousand real minutes, which represents year-on-year decrease by approximately 4.4 % (see the following chart).



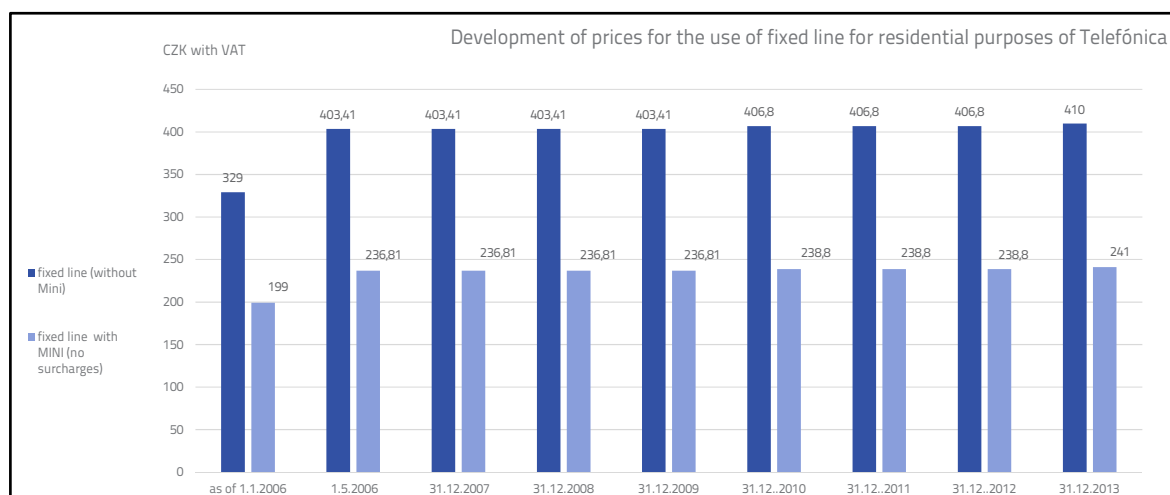
### Development of the prices of voice services in fixed networks

In order to evaluate the price development in the market of voice services in fixed networks, the prices of Telefónica are the critical indicator in terms of the prices for the set-up of

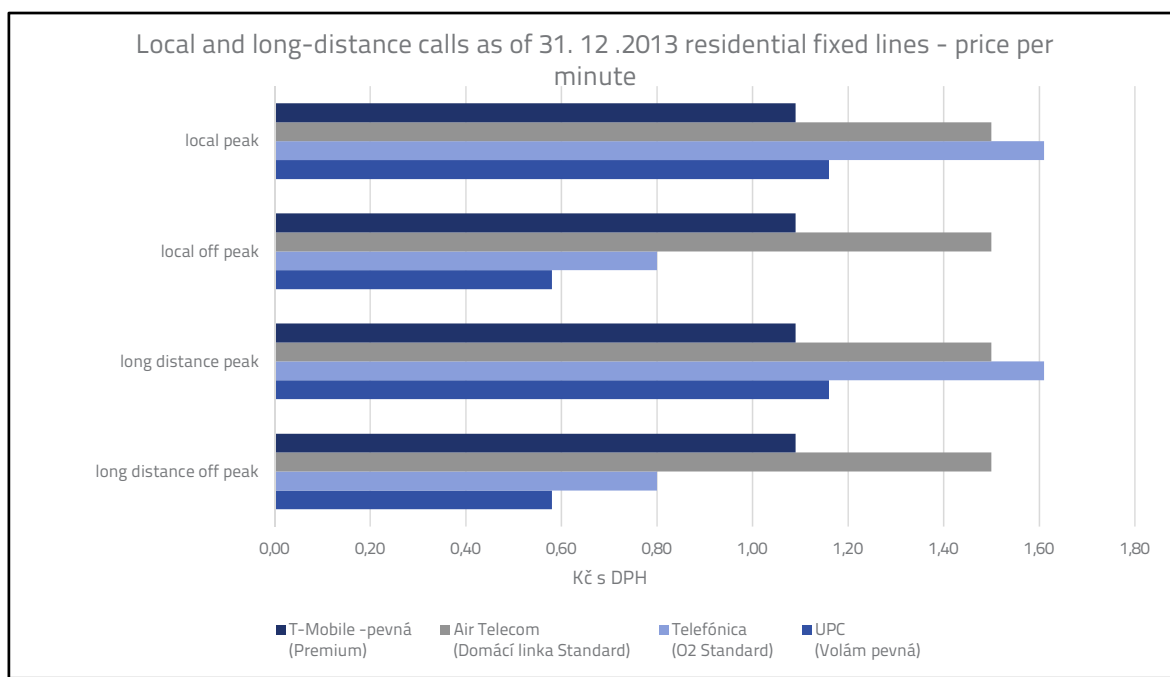
a fixed line and the use thereof. As documented by the following charts, these prices did not change in 2013.



Note: From the end of 2011, Telefónica has been diluting the price for the set-up of a fixed line into the basic price of the different plans. A separate price for the set-up of a fixed line is only applied for temporary lines (set up for a maximum period of six months).



In terms of comparison of local and long-distance calls in 2013 from fixed lines to fixed lines according to the offers of the individual major operators, as shown by the following chart, it is obvious that alternative competitive price offers are available to users in the market



Note: The chart shows the standard prices per minute of call, i.e., it does not show average prices after taking into account free minutes, free calls within the operator's network or charging. T-Mobile and Air Telecom use a single plan which does not distinguish between prices of calls during peak hours and calls during off-peak hours.

## 1.4 Development of the prices of selected wholesale services

In 2013 the Office also focused on monitoring of the price level of selected wholesale services in order to check the terms and conditions for the offers of alternative service providers in the retail market for the end users.

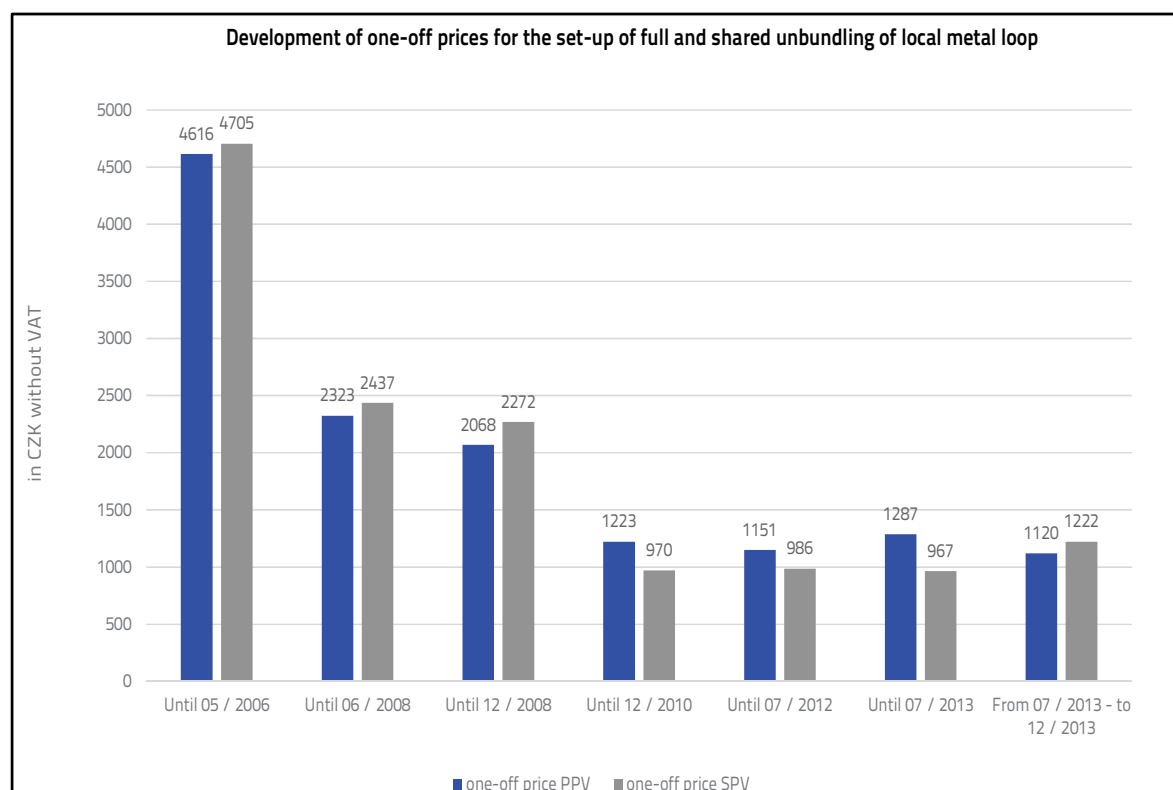
### 1.4.1 Wholesale market of unbundling of subscriber loop

In 2013 the Office checked whether the previously set maximum regulated prices are cost-oriented with regard to the results of separate records of the costs and revenues of Telefónica in the previous period. In order to do this it used, for the first time, the cost model completed at the end of 2012<sup>4)</sup>. The cost model is based on the methodology of long-run incremental costs increased by the adequate portion of the common costs (model LRIC+).

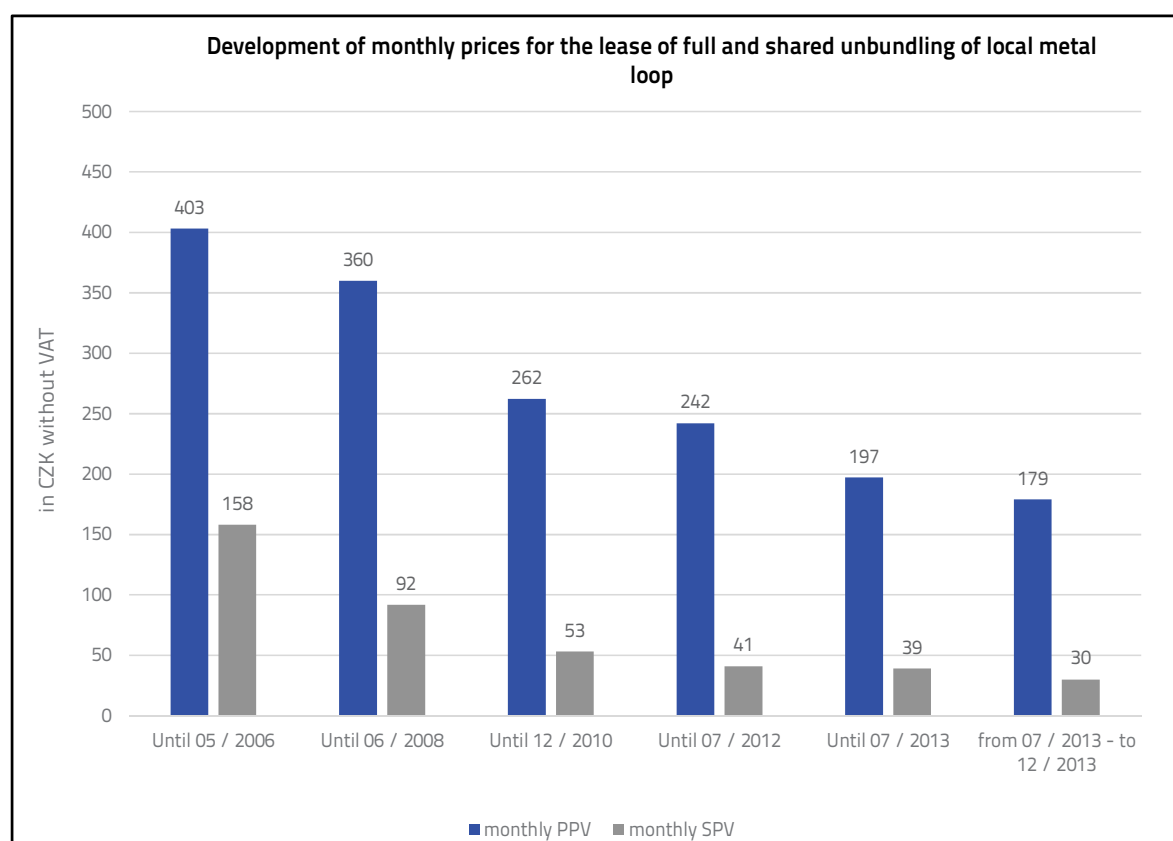
With a new decision of June 2013 the Office subsequently decreased the maximum level of monthly prices for the services of full unbundling from CZK 197 to CZK 179, and in shared unbundling from CZK 39 to CZK 30.

4) The model is published on the Office's website [download: [http://www.ctu.cz/cs/download/oop/oop\\_04/vosp\\_02-2013.zip](http://www.ctu.cz/cs/download/oop/oop_04/vosp_02-2013.zip)].

Development of the prices in the two basic wholesale services, i.e., on-off price for the set-up and the monthly price unbundling of subscriber metallic loop, is illustrated by the following charts.



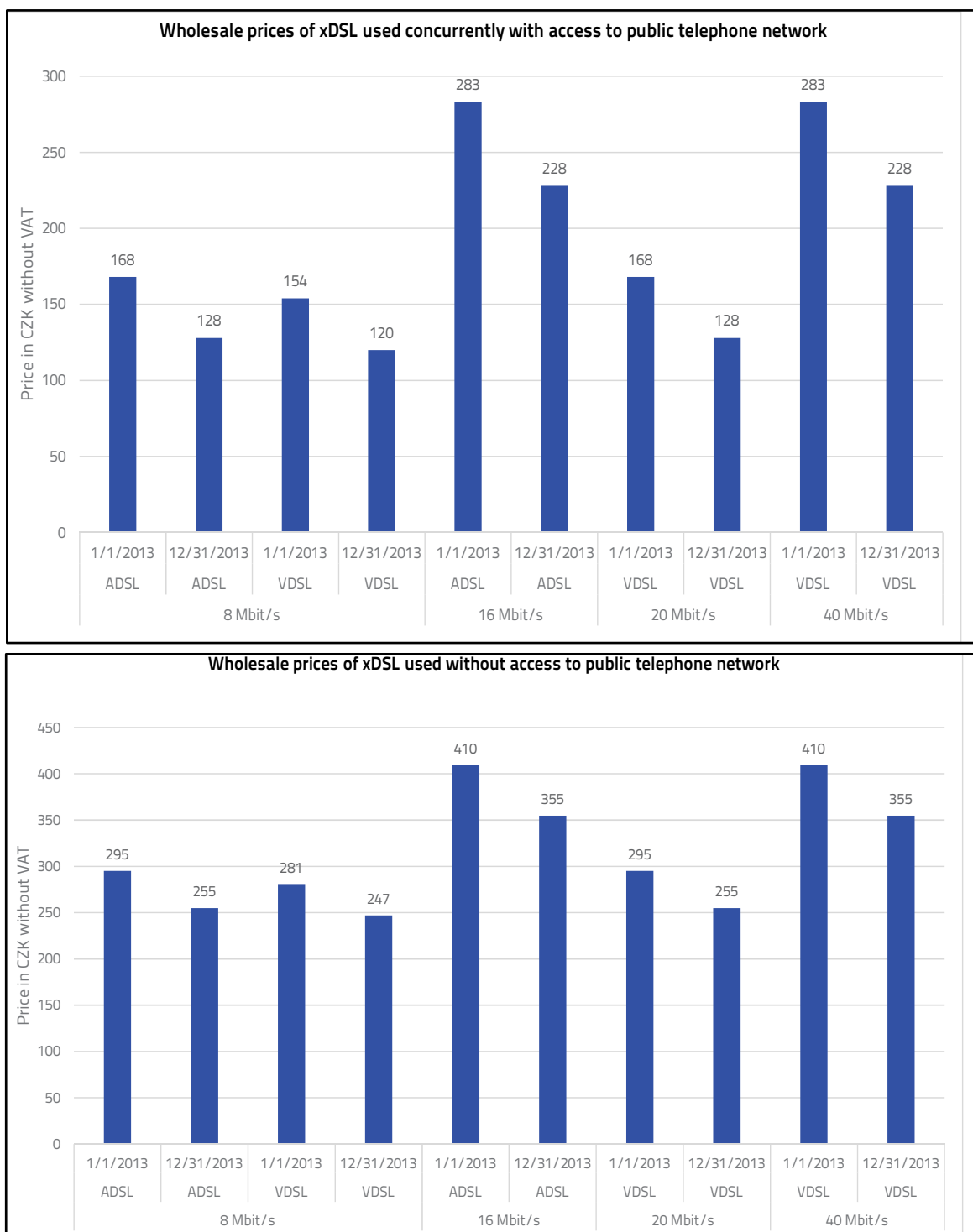
Note: PPV – full access to the loop, SPV – shared access to the loop



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

### 1.4.2 Wholesale broadband Internet access

The long-term trend of dropping prices of the services from the wholesale offering of Internet access by Telefónica also continued in 2013. A brief comparison of the prices of some selected services out of the wholesale offering at the end and beginning of 2013 is shown by the two following charts. The first is for the services of “dressed” xDSL<sup>5)</sup>, the second is for “naked” xDSL<sup>6)</sup>.



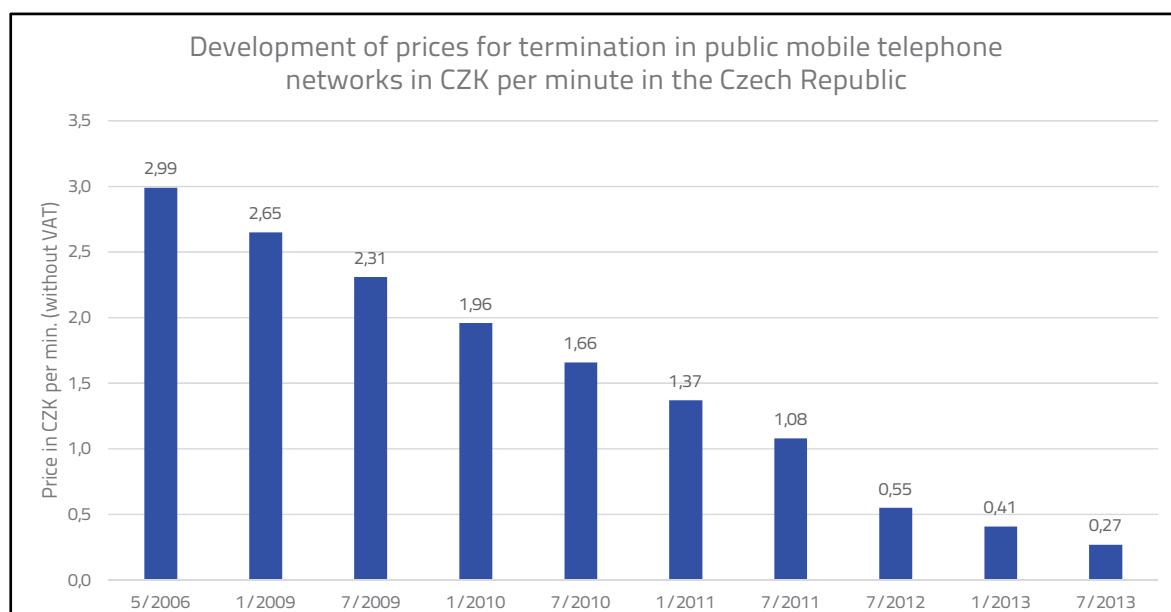
5) i.e., services which are available only when the subscriber is also paying the price for access to the public telephone network and the “traditional” publicly available telephone service is activated.

6) i.e., services where it is no longer necessary to pay also a separate price for access to the public telephone network and the “traditional” publicly available telephone service is not activated.



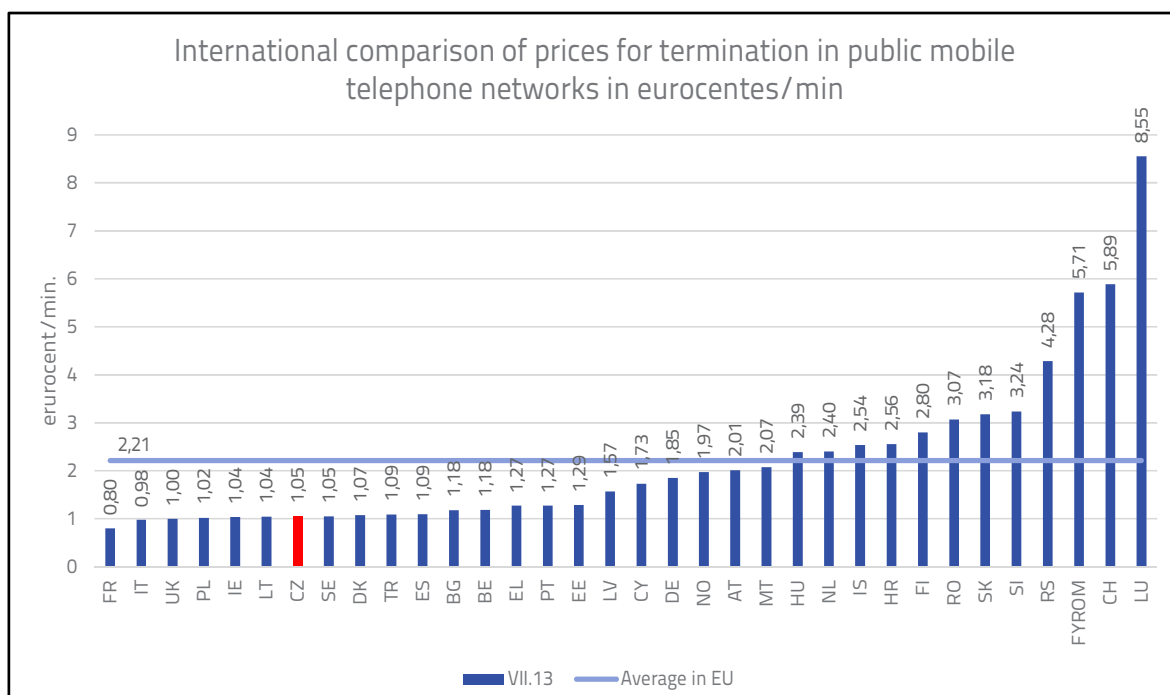
### 1.4.3 Wholesale market of call termination in individual public mobile telephone networks

In 2013 the maximum regulated minute price for call termination in mobile networks in three regulated entities (Telefónica, T-Mobile and Vodafone) decreased twice. First as of 1 April 2013 the maximum price dropped from CZK 0.55 per minute to CZK 0.41 per minute (for the existing contracts; for new contracts it was already in January 2013), and subsequently as of 1 July 2013 the price dropped to as low as CZK 0.27 per minute (both for new and existing contracts). This price (CZK 0.27 per minute) was set by the Office using the methodology of the so-called “pure” LRIC<sup>7)</sup> in line with the Commission Recommendation of 7 May 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU. Development of the regulated termination prices from 2006 is shown by the following chart.



7) The cost model of “pure” LRIC [download: [http://www.ctu.cz/cs/download/oop/oop\\_04/model\\_lric\\_terminace\\_v\\_mobilni\\_siti.zip](http://www.ctu.cz/cs/download/oop/oop_04/model_lric_terminace_v_mobilni_siti.zip)] for call termination in mobile networks which was used by the Office to determine the maximum price according to this decision is published on the Office’s website, including the detailed LRIC methodology [download: [http://www.ctu.cz/cs/download/oop/oop\\_04/metodika\\_mobil.pdf](http://www.ctu.cz/cs/download/oop/oop_04/metodika_mobil.pdf)] for the service of call termination in public mobile networks and including the user manual and functionality description of the mathematical model for the calculation of the price of the service of call termination in public mobile networks

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



Source: Termination Rates Benchmark Snapshot (as of July 2013), BEREC, BoR (13) 178

## 1.5 Compliance with the international roaming regulation

In accordance with the Regulation of the European Parliament and of the Council (EC) No. 531/2012 of 13 June 2012 (hereinafter also referred to as “Regulation”), the Office performs monitoring and supervision of the compliance with this Regulation and monitors the development<sup>8)</sup> of wholesale and retail prices for the provision of voice and data services including to SMS roaming customers. The Regulation follows up on the previous regulation of roaming (roaming regulation No. 717 of 2007 and No. 544 of 2009), specifically from 1 July 2012. The Regulation will be effective until 30 June 2022.

Based on the Regulation, starting from 1 July 2013 the wholesale and retail price limits were decreased as shown in the following two tables. All three major mobile operators use prices in accordance with the Regulation, as implied by the below data. In 2013 the Office also checked the compliance with the Regulation in new virtual operators entering the market of mobile services, and in several cases discovered violation of this Regulation (exceeding price limits). All operators concerned immediately modified their offers upon request according to the applicable requirements.

8) The Office addressed in detail the development of the regulated roaming prices in the monthly monitoring report No. 6/2013 for June 2013 [download: [http://www.ctu.cz/cs/download/monitorovaci\\_zpravy/monitorovaci\\_zprava\\_06-2013\\_cerven.pdf](http://www.ctu.cz/cs/download/monitorovaci_zpravy/monitorovaci_zprava_06-2013_cerven.pdf)]

**Price limits for retail roaming services**

in CZK per minute excluding VTA	From 1 July 2012				From 1 July 2013			
	Out- bound calls	Inbound calls	SMS	data	Outbound calls	Inbound calls	SMS	data
<b>Regulated maximum prices</b>	<b>7.20</b>	<b>1.99</b>	<b>2.23</b>	<b>17.38</b>	<b>6.17</b>	<b>1.80</b>	<b>2.06</b>	<b>11.58</b>
Vodafone	7.20	1.98	2.23	17.37	6.17	1.79	2.06	11.57
T-mobile	7.17	1.98	2.23	17.37	6.17	1.80	2.05	11.57
Telefónica	7.16	1.92	2.17	16.67	6.16	1.78	2.02	11.57

**1.6 Tender procedure (Auction) for frequencies 800, 1800 and 2600 MHz**

Tender procedures (Auctions) for the allocation of frequencies in bands 800, 1800 and 2600 MHz were one of the most important activities of the Office in 2013 in the electronic communications market. The objective of the Office was to offer the applicants a comprehensive set of frequencies for the development of new modern fourth-generation mobile networks using the LTE technology, and thus support the improvement of availability of high-speed mobile services of Internet access also in rural areas. The Office also laid down the conditions in favour of intensification of competition in the mobile market, including the entry, if any, of a new network mobile operator. At the beginning of the year the Office continued with the tender procedure which started in 2012. After its cancellation (see below) it prepared the second (repeated) tender procedure which was held in the second half of 2013.

**1.6.1 Cancellation of tender procedure (Auction 2012)**

On 8 March 2013 the then chairman of the Council of the Office decided to cancel the tender procedure which started in July 2012 (hereinafter referred to as “Auction 2012”). The reason was achievement of extraordinarily high aggregate level of the bid prices (CZK 20 billion) with persisting full activity of all subscribers Auction 2012, i.e., Telefónica, T-Mobile, Vodafone and PPF Mobile Services, a.s.

The achieved amount of the prices in particular in bands 800 MHz and 1800 MHz, which are of key importance for the development and required capacity of new fourth generation mobile networks, reached an extraordinarily high amount per capita and per MHz of the spectrum also in comparison with the prices of the then completed auctions in other European countries.

**1.6.2 New tender procedure (Auction 2013)**

Immediately after the termination of Auction 2012 the Office together with its advisors started preparation of the conditions for a new tender procedure (hereinafter referred to as “Auction 2013”). With respect to the significance of Auction 2013 for the entire market of electronic communications, the Office provided information during the preparation of the conditions thereof to the Ministry of Industry and Trade as well as the government of the Czech Republic.

On 8 April 2012 the Office published the draft version of the full text of the Announcement of tender procedure for public consultation. The published draft version included the Auction Rules, set conditions for the coverage of the population and area, and a procedure for the resolution of cases of interference with the reception of terrestrial television broadcasting. Based on the requirements received in the course of the public consultation, the Office extended the period for commenting on the materials published until 22 May 2013, primarily in order to provide sufficient space for the application of suggestions of all potential auction participants. 19 entities raised their suggestions within the set period. The Office, in cooperation with the advisor for the preparation of the conditions of the tender procedure, Grant Thornton Advisory, subsequently prepared the settlement of all suggestions received.

The Office announced the tender procedure on 15 August 2013. Within the set period until 30 September 2013 the Office received applications from the following companies:

- a) T-Mobile,
- b) Telefónica,
- c) Vodafone,
- d) Revolution Mobile a.s.,
- e) SAZKA Telecommunications a.s.

After the training in the use of the electronic auction system (hereinafter referred to as “EAS”) the participants could take part in two test auctions. The auction phase itself started on 11 November 2013 and ended on 19 November 2013. Winners were T-Mobile, Telefónica and Vodafone. Each successful participant acquired a section of the size of  $2 \times 10$  MHz in band 800 MHz and  $2 \times 20$  MHz in the pair section of band 2600 MHz and allocations amounting to  $2 \times 2$  MHz to  $2 \times 4$  MHz in band 1800 MHz. The total price for radio spectrum achieved within the Auction phase was CZK 8,529.5 million. After the completion of the Auction phase the Office allocated the frequencies. On 19 December 2013 the successful bidders presented a common agreement on distribution of the frequency sections acquired by them which was accepted by the Office.

Based on the results of Auction 2013, the Office allocated the radio frequencies to the winning companies in February 2014. The Office expects substantial development of the new networks as early as in 2014. The commitments for compliance with the development criteria which were accepted by all participants of Auction 2013 will ensure full coverage of the Czech Republic with the services of high-speed mobile Internet within seven years.

Some of the blocks of frequencies offered (blocks B1, C-9, C-10, D-1 to D-9) in bands 1800 MHz and 2600 MHz remained undistributed within the auction, and the Office now considers the method of selling them.

## 2. Phone number portability

On 1 September 2013 the Measure of General Nature No. OOP/10/10.2012-12 by which the Office newly defined the conditions for the implementation of telephone number portability, came into effect.

The most significant change is the unification and reduction of the time for telephone number porting to four business days, both in fixed and mobile networks. The time of interruption of the service on the number ported must not exceed six hours. A major change is the possibility for the subscriber to request change of the service provider until the end of the existing

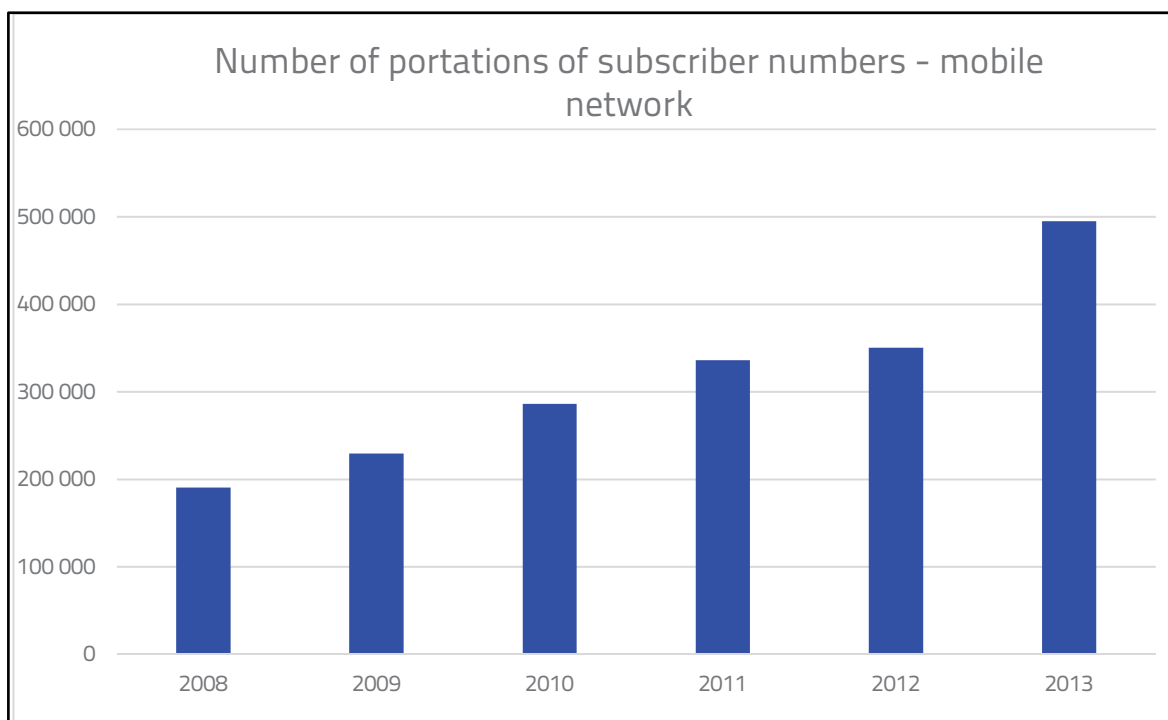
contract, i.e., also during the notice period, if any. The condition for telephone number porting is termination of the service provision on the number ported.

The Office perceives as positive the discovery that the above-mentioned changes did not have negative impact on the number of complaints about telephone number porting.

### Portability in mobile networks

Since the introduction of telephone number portability in mobile networks (2006) 2,185,216 numbers were ported until 2013. According to the information of CNPAC (operators of the number porting system) in 2013, the number of ported numbers into own network from other mobile networks grew on year-on-year basis approximately by 40 % to 495,000 numbers. To a great extent, this increase in the number of telephone numbers ported is a result of the great increase of the number of the so-called virtual operators in 2013 and the offers of the so-called unlimited calls of the network operators.

The trend of using the service of mobile phone number porting in the period 2009 to 2013 is documented by the following chart.

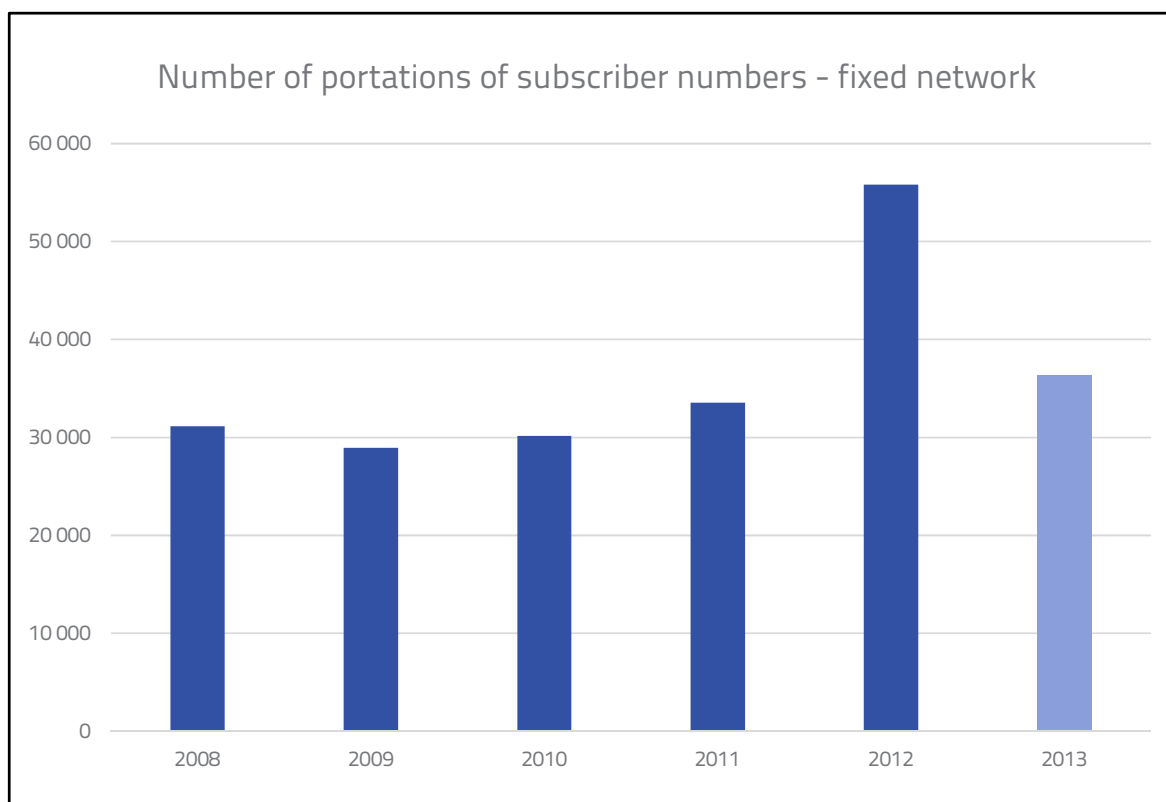


From the beginning of the year the operators in the mobile market applied the new wholesale prices for number porting in response to the conclusions of the audit which was completed at the end of 2012 in the three largest mobile operators, Telefónica, T-Mobile and Vodafone.

The level of wholesale prices in 2013 was CZK 217 to CZK 220. Mobile operators did not require any retail payments from the subscribers for the porting of a number into their network in 2013, or it was, in the case of Vodafone, only CZK 1.20 inclusive of VAT.

### Portability in fixed networks

The number portations of subscriber numbers (number series) in fixed networks in 2013 decreased on year-on-year basis almost by 35 % to 36,357 portations of subscriber numbers – in 2012 a record number of 55,803 portations of subscriber numbers (number series) occurred.



Note: Portation is the porting of a separate number or the entire number series (e.g., if the series ported is 1000 numbers it is one portation);

Source: RNPDB..

Telefónica, the largest operator of fixed networks required CZK 379 for telephone number porting from its network on wholesale level. From the end users Telefónica did not require any price for telephone number porting. Other operators often derive the retail prices from the wholesale prices because the recipient operators can charge the end user the wholesale prices including their own costs associated with number portability.

## 3. Evaluation of the postal services market

Year 2013 was the first year of fully liberalized postal market. Amendment of Act No. 221/2012 Sb. (Collection of Laws), which cancelled the monopoly of Česká pošta, s.p. (hereinafter referred to as “Czech Post”) for delivery of letters weighing up to 50 g at the price less than CZK 18 and also opened up this market segment to alternative postal service operators, came into effect on 1 January 2013.

In this respect the amendment of the Postal Services Act newly defined the scope of powers and responsibilities of the Office for keeping the registry of undertakings in the area of postal services as the previous system was only notification to the trade licensing authority. To date, there has not been an overview of the number of businesses in the postal market. In 2013

16 businesses notified their business activities in the market of postal services to the Office, two of which have subsequently ceased their activities. The development of the competitive environment, which has not developed as in the area of electronic communications, was manifested in particular in the area of the basic service delivery of mailings weighing up to 2 kg. This service is currently offered by all 14 active providers of postal services, but not all of them offer this service in the entire Czech Republic.

Development of the postal market in 2013 was also affected by the offering of non-postal services of a nature similar to some of the postal services. A certain substitute from the customers' perspective in particular for the basic service of delivery of a mail package is some shipping, courier or transport services. The Office, however considers some of these services offered by entities not active in the market of postal services, pursuant to the Postal Services Act, postal services and therefore requested that these companies file notification of business in the area of postal services.

For the purpose of checking the costs of the individual basic services a cost model of the postal network has been created. The model is based on the principle of bottom-up modelling of long-run incremental costs incurred by the effective provider of the basic services, i.e., by such provider who would be theoretically able to provide the basic services on nationwide basis with the lowest costs. The model takes into account the geographic specifics of the Czech Republic and the scope of obligation imposed on the provider of the basic services by the Postal Services Act and other related laws and regulations. It is based on the principle of Scorched node, i.e., it is primarily based on the architecture of the post network of the Czech Post which it optimizes in such manner that it maintains the current distribution of elements and nodes and sizes them in terms of capacity so that they would be capable of covering the current demand for the basic services.

On 13 December 2013, in a proceeding conducted with the Czech Post, the Czech Telecommunication Office issued a decision in which it approves the rules according to which the costs shared by multiple activities of a postal licence holder will be allocated to the individual basic costs. This decision, which is effective from 1 January 2014, was issued based on the amendment of the Postal Services Act No. 221/2012 Sb. (Collection of Laws). The Czech Post, as the postal licence holder, is obliged, pursuant to Section 33a of the Postal Services Act, to keep separate records of the costs and revenues associated with the provision of individual basic services which are included in its postal licence and other services in order to secure information for the calculation of net costs for the individual basic services, for regulation, if any, of the prices of the basic services and for providing evidence that there is no cross-funding between the basic services and other services. These separate records must respect the rules laid down by Decree No. 465/2012 Sb. (Collection of Laws), on the method of keeping separate records of the costs and revenues of the postal licence holder.

### 3.1 Development of the basic services in 2013

Only the designated postal licence holder is obliged to provide the set of services identified as the so-called "basic postal services". For the period 2013 – 2017, pursuant to the Postal Services Act, the postal licence holder is Czech Post to which the Office granted the postal licence at the beginning of 2013. Other undertakings in the market of postal services can also provide basic postal services within their offering. The only exception is the service of delivery of money via



postal remittance order; this service can only be provided by the postal licence holder in accordance with Section 20 of the Postal Services Act.

The situation in the provision of the basic services by the Czech Post is documented by the following comparison of the period prior to the liberalization of the postal market and the year 2013. Section 3 of the Postal Services Act introduced new nomenclature of the individual basic services which slightly differs from the previous one. Until the end of 2012 the existing basic services (service of delivery of mailings up to 2 kg and the service of delivery of mail packages up to 10 kg) were provided under the trade name 'ordinary mailing'. For the sake of clarity, the following table contains not only the new names of the basic services but also the names used until the end of 2012.

It is self-evident that the volume of mailings shipped is continuously declining. This negative development is primarily a result of the intensified substitution of postal services with their alternatives, for example courier or shipping services, or the increasing degree of use of the services of electronic communications.

**Basic services provided by the Czech Post (in thousands) (2009-2013)**

Indicator	2009	2010	2011	2012	2013
Number of mailings up to 2 kg (ordinary mailings) shipped	511 254	515 434	472 366	406 599	428 314
Number of mail packages up to 10 kg (of ordinary mailings) shipped					1 521
Number of registered mailings shipped	110 001	101 641	84 036	88 418	82 972
Number of valuable mailings (packages) shipped	11 339	10 141	8 381	6 988	5 395
Number of postal remittance orders received	92 587	73 503	65 426	59 722	71 150

Source: Czech Post (Česká pošta)

### 3.2 Development of the prices of basic postal services in 2013

Until the end of 2012 the regulation of the prices of domestic postal services was within the scope of powers and responsibilities of the Ministry of Finance of the Czech Republic. The prices were determined as factually regulated, provided that in some of the services the maximum admissible amounts were defined.

From 1 August 2013 the Czech Post increased the prices of some basic domestic postal services and basic international postal services. The amendment of the Postal Services Act (Act No. 221/2012 Sb. (Collection of Laws)) stipulated an obligation for the postal licence holder i.e., the Czech Post, to provide the basic postal services at cost-oriented prices. At the same time, the principle of affordability of the basic services applies. The Office therefore checked the new prices, including for affordability in terms of the development of consumer prices, inflation and the average wage. The conclusions of the assessment did not indicate a need for regulation of the prices in 2013 because the Office did not find the basic services to be not affordable.

Development of the prices of selected domestic basic services in the period 2008–2013 is shown by the following table and chart.



**Prices of selected domestic basic services in the period 2008–2013 [CZK per item]**

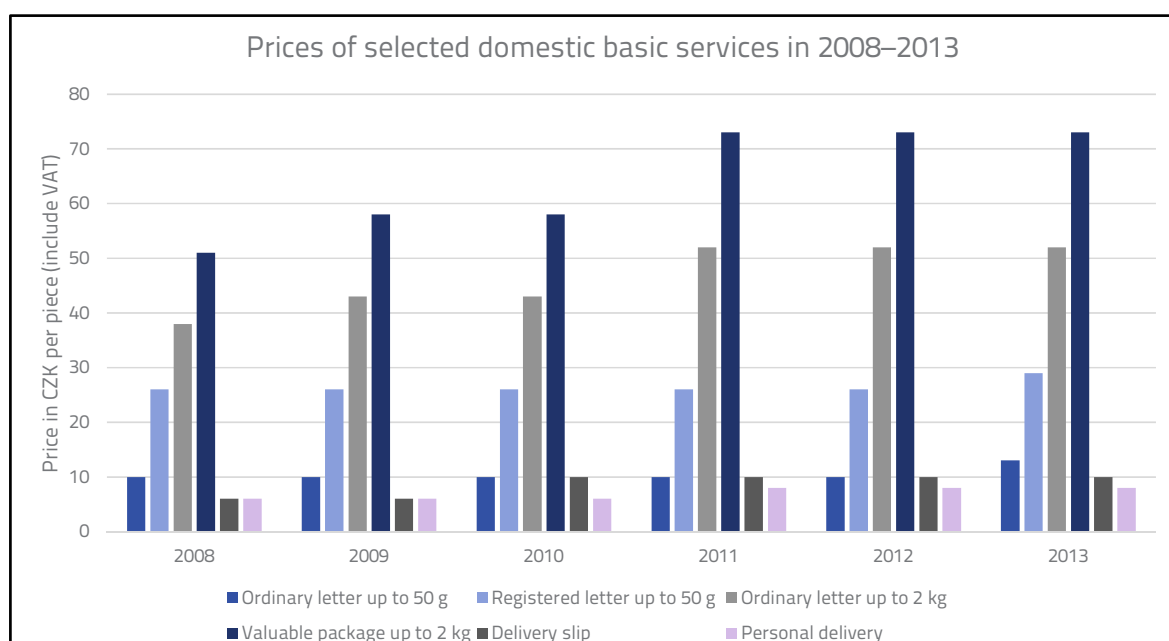
Service	2008	2009	2010	2011	2012	2013
Ordinary letter up to 50 g	10	10	10	10	10	13 <sup>*)</sup>
Registered letter up to 50 g	26	26	26	26	26	29 <sup>*)</sup>
Ordinary letter up to 2 kg	38	43	43	52 <sup>†)</sup>	52	52
Valuable package up to 2 kg	51	58	58	73 <sup>‡)</sup>	73	73
Delivery slip	6	6	10 <sup>§)</sup>	10	10	10
Personal delivery	6	6	6	8 <sup>†)</sup>	8	8

\*) the price has been changed to 2013/08/01

†) the price has been changed to 2011/10/01

‡) the price has been changed to 2011/10/01. In the phase from 2011/01/01 to 2011/09/30 the price was CZK 68.

§) the price has been changed to 2010/07/01



The Czech Post, however, when making the above-mentioned modifications of the prices, breached its legal obligation to notify the Office pursuant to Section 33 (9) of the Postal Services Act about the increase of the prices of the basic services at least 90 days in advance. The Office therefore imposed a fine on the Czech Post in the subsequent proceeding in the amount of CZK 1,500,000 (the decision has not become final as of the end of 2013).

## 4. Terrestrial digital television and digital radio broadcasting

### Television broadcasting

Terrestrial digital television broadcasting currently covers more than 95 % of the population with national channels and the regional broadcasting coverage is also rapidly increasing. The offering for the broadcasting of television broadcasting for the content providers and the

programming offering for the end users have grown significantly. Total capacity of the multiplexes currently meets the demand of the content providers for nationwide broadcasting and provides also opportunity for switching between the individual multiplexes.

Holders of the frequency allocation for terrestrial digital television broadcasting are the operators of digital multiplexes (MUX) Česká televize (Czech Television) (MUX1) and also České Radiokomunikace a.s. (MUX2), Czech Digital Group, a.s. (MUX3) and Digital Broadcasting s.r.o. (MUX4). České Radiokomunikace a.s. owns and operates a significant percentage of transmitters for the terrestrial digital television broadcasting. It provides full-scale dissemination of the signals of the first, second and third multiplex and therefore has a significant share in the dissemination of terrestrial television broadcasting. The transmission infrastructure for the dissemination of the fourth multiplex is owned and operated by Digital Broadcasting s.r.o. The Office evaluated the situation in the market of digital television broadcasting in 2013 in terms of the existence of reasons for the application of ex-ante regulation, if necessary. With respect to the development of the network of Digital Broadcasting and the existence of alternative platforms for the dissemination of digital television broadcasting (CATV, satelit, IPTV) it did not find reasons for application of the regulation.

In addition to the nationwide broadcasting networks, regional terrestrial digital television broadcasting is developing rapidly through regional multiplexes which are disseminated on frequencies allocated by the Office under the individual authorization for the use of frequencies for transmitters with coverage in the region concerned. On regional level, regional frequencies for 15 regional broadcasting networks were allocated at the end of 2013, currently in different degrees of implementation.

Digitalization of terrestrial television broadcasting allowed for improvement of the transmission of television broadcasting and substantial expansion of the capacity of the broadcasting networks. Currently the digital networks transmit 26 nationwide programmes, five of which are disseminated in regional networks in HD version.

#### **Broadcasting network 1 (public multiplex)**

The operator of the multiplex and of the broadcasting network is Česká televize (Czech Television) which provides television broadcasting of the public service pursuant to Act No. 483/1991 Sb. (Collection of Laws) on Czech Television, as amended. It operates the broadcasting infrastructure and provides the services of dissemination of the broadcasting under agreements with České Radiokomunikace a.s.

The programs disseminated within broadcasting network 1 are four nationwide programmes of the Czech Television and seven programmes of the Czech Radio. The current coverage is 99.9 % of the population. The capacity of the network is full.

#### **Broadcasting network 2**

The operator of the multiplex and of the broadcasting network is České Radiokomunikace, a.s. The programs currently disseminated within broadcasting network 2 are five nationwide programmes of commercial television stations (TV Nova, TV Prima, TV Barrandov). The current coverage is 99.8 % of the population. The capacity of the network is full.

#### **Broadcasting network 3**

The operator of the multiplex and of the broadcasting network is Czech Digital Group, a.s. (CDG), a company České Radiokomunikace, a.s. in which holds a 100% share. The pro-

grams currently disseminated within broadcasting network 3 are seven nationwide programmes of commercial television stations and one commercial radio programme, and also five regional television programmes with regional coverage. The current coverage is 97.6 % of the population. The network has currently free capacity for 1–2 nationwide programmes (minimum free data stream 4.8 Mb/s).

#### **Broadcasting network 4**

The operator of the multiplex and of the broadcasting network is Digital Broadcasting s.r.o. The programs currently disseminated within broadcasting network 4 are seven nationwide programmes of commercial television stations and 1 regional television programme with regional coverage. The current coverage is 95 % of the population. The capacity of the network is full.

#### **Regional broadcasting networks**

Substantial development occurred also within the regional broadcasting networks for which the radio frequencies were made available in accordance with the relevant change of the Plan of utilization of the frequency spectrum for a limited period until the end of 2017.

The current overview of regional broadcasting networks and the coverage of the population with television broadcasting disseminated through these networks are shown in the following table.

<b>Regional network</b>	<b>Coverage</b>	<b>Area covered</b>
Reg 1	19.5 %	Regional broadcasting in Bohemia
Reg 2	5.3 %	Regional broadcasting – Moravia-Silesia
Reg 3	1.7 %	Transmitters Jablonec n. N. 46 and Liberec Hanychov 32
Reg 4	16 %	Regional broadcasting Praha 46
Reg 5	0.2 %	Transmitter Svitavy Říční 35
Reg 6	4.2 %	Transmitter Praha Butovice 21
Reg 7	85.2 %	Regional broadcasting in the Czech Republic
Reg 8	37.8 %	Regional broadcasting in the Czech Republic
Reg 9	0.7 %	Transmitter Most Široký vrch 54
Reg 10	0.5 %	Transmitters Hanušovice škola 48, Jeseník Zlatý chlum 41, Loket 53, Pec p. Sn. 51, Pelechov 51, Prachatice vodárna 37
Reg 11	0.6 %	Transmitter Jihlava Hosov 57
Reg 12	15.9 %	Transmitter Praha město 47
Reg 13	15.3 %	Transmitter Praha Olšanská 56, Brno 37
Reg 14	0.4 %	Transmitter J. Hradec Políkno 54
Reg 15	0.1 %	Transmitter Adamov 32

Further details on the state of terrestrial television and radio digital broadcasting can be found on the website <http://dtv.ctu.cz/>. In this context it is necessary to point out that the results of the calculation of the coverage of the population of the Czech Republic with the respective digital broadcasting provided on this page are based solely on the technical parameters specified in the individual authorizations issued. A holder of the individual authorization is obliged to start using the allocated radio frequency within six months of the issuance. If the transmitter operation has not started due to the dates of the individual authorizations or if its technical parameters are different the results of the calculation may not correspond with the actual possible reception. The calculation is also affected by the fact that it does not include the buildings which, in particular in areas with dense or high-rise development, can also be a reason for inaccuracies.

The information on the coverage with digital broadcasting provided on the website is updated by the Office depending on the issuance of other individual authorizations. Also for this reason the results of the calculation can be different from the actual situation in certain periods and in certain locations.

Further significant development of broadcasting networks cannot be expected, given the number of individual authorizations issued in 2013, because all remaining frequency options have been used up.

At the end of 2013 the Office initiated discussions with the parties concerned about the future of terrestrial television broadcasting or, more precisely, possible implementation of terrestrial television broadcasting within the DVB-T2 system, which was operated in the past period in some locations of the Czech Republic only as experimental broadcasting. The objective is to prepare jointly the possible scenario of migration to the technologically newer standard DVB-T2. The migration to DVB-T2 is also closely related to the planned release of band 700 MHz and its future utilization also for mobile data services.

## **Radio broadcasting**

At the end of 2013 there were eleven transmitters for the dissemination of terrestrial of radio digital broadcasting in the systems DAB and DAB+ operating in the frequency band 1452–1479.5 MHz (the so-called L band). This new radio service in the L band did not further develop.

Based on the interest of some of the parties concerned, in 2013 the Office prepared the principles of tender procedures for the granting of rights to the frequencies in band III. for broadcasting networks for the dissemination of radio digital broadcasting in the system DAB+ and published them in early August for public consultation. The purpose of this consultation was to gain knowledge on the ideas of the parties concerned regarding the plans of the Office to announce these tenders. The Office wishes to support development of terrestrial digital radio broadcasting, and for that purpose it will prepare and consult in 2014 the conditions for the tender procedure for allocations in band III. In the first half of 2013 the Office received dozens of applications for individual authorizations to use radio frequencies in band III. These were applications for allocation of frequency blocks (for certain locations of transmitters) coordinated beyond the Plan GE06 under which the respective group allocations of radio frequencies for DVB-T and T-DAB were reserved for the Czech Republic based on the principle of equal access to the spectrum.

By the end of 2013 there were therefore ten transmitters put into operation in band III, disseminating the signals of terrestrial digital radio broadcasting. Further granting of authorizations for these local transmitters were discontinued by the Office by a change of the part of the Plan of utilization of the radio spectrum No. PV-P/21/11.213-6 until the time of granting of the rights to the use of the group allocations of radio frequencies under Plan GE06.

## 5. Legal framework

In 2013 the legal framework for the market of networks and services of electronic communications and the market of postal services consisted primarily of the basic regulations passed in the previous years, including but not limited to the Electronic Communications Act and the Postal Services Act, including the regulations issued for the implementation thereof. In procedural terms, the fundamental regulation for the operation of the Office in 2013 was the Code of Administrative Procedure.

The following laws and regulations were issued in 2013 which had impact on the field of electronic communications or postal services. The changes of the legal framework brought along mainly improved protection of the users of the services of electronic communications when entering into and termination contracts on the provision of the services (Act No. 214/2013 Sb. [Collection of Laws]).

### 5.1 Amendments of the Electronic Communications Act

Act No. 214/2013 Sb. (Collection of Laws), which amends Act No. 127/2005 Sb. (Collection of Laws), on electronic communications and on amendment of some related acts (the Electronic Communications Act), as amended

- Effective from 8 August 2013,
- This act amends Section 63 of the Electronic Communications Act together with the relevant provisions of Section 118 (Administrative offences of legal entities and individuals carrying out business activities) and Section 80 of the Electronic Communications Act in order to improve the protection of subscribers of the publicly available services of electronic communications and support communication between businesses in electronic communications in negotiations on agreements on access or connection.

In the case of the amendment of Section 63 of the Electronic Communications Act the lawmaker declared an effort to eliminate some improper practices of the providers of the services of electronic communications vis-a-vis their customers. The main issues addressed by the amendment are:

1. Limitation of the amount of payment in the event of termination of the contract before the expiry of the period for which the contract was made – the payment must not be more than one fifth of the sum of monthly fees remaining until the end of the agreed-upon contract term, or one fifth of the sum of the minimum agreed-upon monthly payment remaining until the end of the agreed-upon contract term; the amount of payment of the costs associated with the telecommunication equipment is not affected by this (Section 63 (1) p) of the Electronic Communications Act),
2. Obligation of the undertaking to provide subsequently (immediately after the signing of the contract or any amendment thereof) information in writing on the contents of the

contract in the event of signing contracts on the provision of the publicly available service of electronic communications or connection to the public communication network or any amendments thereof using the means of remote communication (Section 63 (9) of the Electronic Communications Act),

3. In the event of contracts made for a definite period, an obligation of the undertaking to inform the subscriber in a legal manner and within the legal periods prior to the expiry of the contract term containing a provision on automatic renewal of the contract about the possibility and method of termination thereof (Section 63 (10) of the Electronic Communications Act),
4. Possibility of termination of the contract made for a definite period by notice (Section 63 of the Electronic Communications Act).
5. The motivation for the changes made in Section 80 of the Electronic Communications Act was also the effort to improve the situation, but here on the level of communication between undertakings in the market of electronic communications in access or connection contract negotiations. For this purpose the individual steps of the process were fine-tuned and an obligation of the undertaking concerned of more transparent dealing, i.e., obligation to state specific reasons for which it refuses to enter into agreement on access or connection.

Act No. 303/2013 Sb. (Collection of Laws) which amends some acts in the context of adoption of re-codification of the private law

- Effective from 1 January 2014,
- This act amends, among other acts, Section 104 of the Electronic Communications Act, into which this amendment inserts a new paragraph 10 which responds to the new Civil Code (Act No. 89/2012 Sb. (Collection of Laws)) on the subject of unification of the ownership of land and the building located on that land. According to the new version of the Electronic Communications Act, the network of electronic communications (including poles, overhead and underground communication lines and their supporting and layout points) is not a part of the land pursuant to Act No. 89/2012 Sb. (Collection of Laws) and is considered a utility line according to this act. Pursuant to Section 509 of Act No. 89/2012 Sb. (Collection of Laws), utility lines are not a part of the plot of land. In this context, for legislative and technical reasons, Section 104 (7) of the Electronic Communications Act was then formally amended (modification of the numbering of the subsections referred to).

## 5.2 Amendment of the Postal Services Act

Act No. 212/2013 Sb. (Collection of Laws), which amends Act No. 29/2000 Sb. (Collection of Laws), on postal services and on the amendment of some acts (Postal Services Act), as amended

- Effective from 1 October 2013,
- This act addresses some factual and legislative-technical changes to the Postal Services Act in response to the amendments proposed by the Senate when discussing the draft version of Act No. 221/2012 Sb. (Collection of Laws) – implementation of the



Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services (third postal directive).

The factual changes adopted by Act No. 212/2013 Sb. (Collection of Laws) are as follows:

1. Authorization to issue government regulation in order to define the minimum number of establishments of the postal licence holder through which the availability of the basic services will be ensured; these establishments can be operated also by a person other than the postal licence holder (e.g., municipalities, store operators, etc.). The purpose of this measure is supposed to be improvement of legal security in terms of ensuring availability of the basic postal services [Section 3 (2) a) of the Postal Services Act],
2. Introduction of an obligation for the providers of postal services to mark the mailings posted with them in such manner that it is evident with which provider the mailing was posted. This obligation is supposed to prevent the misuse of the postal network of the postal licence holder (Section 34 (10) of the Postal Services Act),
3. Reduction of the limit of annual revenues of the providers of postal services who should potentially contribute to the coverage of net costs, if any, from CZK 10 million to CZK 3 million. The newly set limit for the obligation to contribute to the coverage of net costs (Section 34b et seq. of the Postal Services Act) responds to the ratio between the degree of administrative burden, meaningful amount of the payment, if any, and the possibility of potential by-passing of the obligation by means of self-serving division into smaller business entities (Section 34c (6) of the Postal Services Act).

Other changes adopted by Act No. 212/2013 Sb. (Collection of Laws) have the character of legislatively technical modifications.

### 5.3 Implementing regulations

Decree No. 73/2013 Sb. (Collection of Laws) which amends Decree No. 486/2005 Sb. (Collection of Laws) which defines the amount and method of payment of effectively spent costs for the set-up and facilitation of the interface for the connection of terminal telecommunication equipment for wiretapping and recording of messages, for storage and provision of operating and localization data, and for provision of information from the database of subscribers of the publicly available telephone service.

- Effective from 1 April 2013,
- This decree reflects the changes related to the adoption of Decree No. 357/2012 Sb. (Collection of Laws), on storage, provision and liquidation of operating and localization data, issued by the Ministry of Industry and Trade (hereinafter also referred to as “Ministry of Industry and Trade”) for implementation of Section 97 (4) of the Electronic Communications Act. It mainly concerns unification of the scope of the operating and localization data stored and provided and also unification of the terminology of the two decrees. At the same time the amendment of the decree takes into account the development of the modes of communication between the entitled and obliged parties and reflects other experience from the application practice, in particular in terms of administration of the entire process.

Decree No. 462/2013 Sb. (Collection of Laws), on definition of the amount and method of payment of effectively spent costs for the wiretapping and recording of messages, for storage and provision of operating and localization data, and for provision of information from the database of subscribers of the publicly available telephone service

- Effective from 1 January 2014,
- This decree, in accordance with Section 97 (7) of the Electronic Communications Act, newly defines the method of payment of effectively spent costs for the set-up and facilitation of the interface for the connection of terminal telecommunication equipment for wiretapping and recording of messages, for storage and provision of operating and localization data, and for provision of information from the database of subscribers of the publicly available telephone service. The decree replaces the existing decree No. 486/2005 Sb. (Collection of Laws) while reflecting the changes of the legislation and financial impact in particular of Decree No. 357/2012 Sb. (Collection of Laws), on storage and provision of operating and localization data and responds to the experience regarding the documents for the billing of the costs and makes the calculation of the costs more precise.

## 5.4 Other normative acts

Rules of the Czech Telecommunication Office for consultations at a discussion place (Ref. No. ČTÚ-87 392/2013-606)

- Effective from 1 December 2013,
- The new rules for consultations at a discussion place respond to the current experience in application of the Rules of the Czech Telecommunication Office for consultations at a discussion place issued on 30 November 2005, ref. No. 40 566/2005-606. For the sake of transparency, simplification and better efficiency of the entire process of public consultations (Section 130 of the Electronic Communications Act) the following changes are reflected in the new rules:
  1. Mode of handling of suggestions, positions and opinions with vulgar or other extremely offensive content,
  2. Mode of handling of suggestions, positions and opinions or, if applicable, any parts thereof, identified as confidential or trade secret,
  3. Legislative-technical modifications related in particular with the amendment of legislation or technical development in the area of written communication.



## CHAPTER 2

# PROFESSIONAL AND ADMINISTRATIVE ACTIVITIES OF THE OFFICE

In addition to the professional activities which are documented in previous parts of this Report dealing with the evaluation of the market of electronic communications and postal services, the Office was involved in 2012 also in other significant domestic and international activities. The general summary of these activities is provided in the following parts of this Report.

## 1. Domestic activities

### 1.1 Consumer protection

#### 1.1.1 Price calculators

Pursuant to Section 5 of the Electronic Communications Act, the tasks of the Office include also promotion of the interests of the end users. One of the tools to achieve this is to enable the users in a simple and well-organized manner to compare the prices of the services of electronic communications and allow them to choose the best service for them. In this context, in March 2013 the Office updated the document entitled Accreditation of price calculators [download: [http://www.ctu.cz/cs/download/ostatni/akreditace\\_cenovych\\_kalkulacek\\_27\\_03\\_2013.pdf](http://www.ctu.cz/cs/download/ostatni/akreditace_cenovych_kalkulacek_27_03_2013.pdf)]<sup>9)</sup> in which it specifies the accreditation criteria and procedure for the accreditation. In 2013 the Office performed two renewal accreditations for previously (in 2012) accredited price calculators, Tarifomat and Tarifon. Both price calculators were accredited by the Office for comparisons of the prices of mobile services (pre-paid and post-paid). In 2013 the Office also worked together in the accreditation process with the Czech Technical University (ČVUT), the technical auditor whose role in the entire process is to verify compliance with the accreditation criterion “accuracy”, mostly according to the specified individual consumption. Continuation of this cooperation between the Office and the Czech Technical University in the accreditations is envisaged by the Office also in 2014.

In 2013 the Office did not receive any new application for an accreditation of a price calculator, but it provided informal consultations to one entity which was interested in undergoing the accreditation process in 2014.

The link to the accredited price calculators can be found on the Office’s website [download: <http://www.ctu.cz/pusobnost-ctu/ochrana-spotrebitele/cenove-kalkulacky.html>].

#### 1.1.2 Price barometer

In November 2012 the Office published on its website [download: <http://www.ctu.cz/ctu-informuje/srovnaci-prehled-cen-a-podminek/cenovy-barometer.html>] a price barometer

9) The first version of the document was issued by the Office in January 2012 and it is available in the archive on the Office’s website [download: [http://www.ctu.cz/cs/download/ostatni/akreditace\\_cenovych\\_kalkulacek\\_24\\_01\\_2012.pdf](http://www.ctu.cz/cs/download/ostatni/akreditace_cenovych_kalkulacek_24_01_2012.pdf)].

which offers an interactive view of the development of retail prices of calls from mobile phones and for fixed access to the Internet.

The barometer compares retail prices of mobile telephone services of Telefónica, T-Mobile and Vodafone. The prices are compared using consumption baskets which represent three types of customers according to the quantity of the services purchased: small, medium and large customer. The barometer also displays the development of total (real) average prices per minute of call used in the national market, in aggregate for all three mobile operators.

In the event of fixed Internet access the price barometer represents the development of the prices of the three largest mobile operators, and also in the largest provider of cable Internet – UPC. It also shows how the prices develop in terms of the speed of the downstream data (download) and according to the technology used.

The price barometer is supposed to improve the knowledge and enable easier orientation of the public in using of the services of electronic communications. Its goal is therefore not comparison of the offer of individual providers of the services of electronic communications. This makes it different from price calculators to which the Office grants accreditations and which help in the selection of the best service.

With respect to the significant changes which occurred in 2013 in the retail (and wholesale) market of mobile services in the Czech Republic, i.e., in particular with respect to the introduction of the so-called new unlimited plans at lower prices by the three largest domestic mobile operators, the Office started working on the update of the consumption baskets so that they would correspond with the current demand for mobile services. The Office plans to apply the modified baskets within the price barometer in 2014.

### 1.1.3 Subscriber contracts

In the second half of 2013 the Office analyzed as a part of an audit contract documents of 40 selected providers of the publicly available services of electronic communications, based on the analysis of contract terms of three mobile operators in 2012. The main objective of the analysis was to check whether the providers have adapted their contract documents in accordance with the so-called “implementation amendment” of Act No. 468/2011 Sb. (Collection of Laws). The Office also evaluated the availability and clarity of the contract documents published by the providers using remote access, and the investigation was similarly focused on selected problematic issues defined by the letter of the chairman of the Council of the Office to mobile operators dated 23 April 2012. The analysis has shown a number of deficiencies, most often consisting of incomplete or inaccurate incorporation of the requisites stipulated by the law into the draft contract. In the event of deficiencies the providers were requested to provide explanation. Based on it, in a number of cases they modified the documents as desired. The insights acquired within this analysis were used by the Office in the preparation of the document entitled “Recommendations of the Czech Telecommunication Office on draft contracts on provision of the publicly available services of electronic communications” which includes the opinions of the Office on the fairness or unfairness of selected contract arrangements and practices of the providers of the services of electronic communications. The above-mentioned document should help the subscribers to be better oriented in the contract terms of the providers and also motivate the providers of the services to adapt the draft contracts in accordance with the recommendations of the Office.

#### 1.1.4 Rules and recommendations for the use of data traffic control

The Office, taking into account the relevant decisions, recommendations, guidelines and positions issued by the bodies of the European Union and BEREC (Body of European Regulators for Electronic Communications), prepared a proposal of general rules and recommendations for the use of data traffic control in the first half of 2013, including the proposal of the parameters of the quality of the Internet access service. The Office informed the public on 31 July 2013 about this proposal in preparation by issuing a press release, inviting the experts and business in the field to discuss the proposal.

After having evaluated all suggestions received and the responses published on specialized Internet server LUPA.cz, it prepared a new, modified proposal of the general rules of data traffic control. On 24 October 2013 it held a workshop with the experts on this proposal. The suggestions raised during this workshop and thereafter were evaluated by the Office and on 20 December 2013 they were published on its website: “General rules and recommendations for the use of data traffic control in the provision of the Internet access service” [download: [http://www.ctu.cz/cs/download/obecna\\_pravidla\\_a\\_doporuceni\\_pro\\_vyuzivani\\_rizeni\\_datoveho\\_provozu\\_19122013.pdf](http://www.ctu.cz/cs/download/obecna_pravidla_a_doporuceni_pro_vyuzivani_rizeni_datoveho_provozu_19122013.pdf)]

In the above-mentioned document the Office defined seven rules for the use of data traffic control. At the same time it decided to lay down individual quality parameters which will be used to assess the quality of the Internet access service, together with the methodology of measurement thereof. This step also followed from the results of the discussion of the issue of network neutrality within BEREC where a mapping started of whether and by what means the quality of Internet access is measured in each Member State, with the intention to consider potential future introduction of a single approach within the European Union.

## 1.2 Settlement of subscriber disputes and complaints of users of the services

Settlement of subscriber disputes is one of the pivotal administrative activities of the Office within the protection of subscribers of the services of electronic communications.

### 1.2.1 1<sup>st</sup> level administrative proceeding

In 2013 the Office was engaged in 460,418 subscriber disputes, out of which 355,808 pending proceedings were transferred from 2012 and 104,610 new administrative proceedings were opened. 53,912 decisions on the subject were issued in the period concerned. The Office decided in subscriber disputes concerning the payment of the price for services and issued 53,500 decisions on the subject. The Office issued 336 decisions on objections against the handling of a complaint about the service provided and on objections against the handling of a complaint about the billing of the price for the service, 301 of which were decisions on objections against the handling of a complaint about the billing of the price for the service. The remaining decisions pertained to other disputed subjects.

In 2013 the number of subscriber disputes grew by 4.1 % relative to 2012. The number the subscriber disputes on the payment of the price for services increased on year-on-year basis by the same amount, i.e., by 4.1 %. Also in 2013 the settlement of disputes on the 1st level was signifi-

cantly affected by the implementation of government resolution No. 815 of 9 November 2011 on gradual transfer of the administration of subscriber disputes to general courts, based on which the Office in 2012 reduced the number of employees in dispute settlement by 50%, which has resulted in the increase of unfinished proceedings which were transferred to 2013 (it concerned 355,808 disputes in total). In 2013 the above-mentioned resolution of the government was revoked by government resolution No. 528 of 3 July 2013 and the administration of subscriber disputes was left with the Office. In this context funds were released from the state budget for the year 2013 for personnel reinforcement of the departments in charge of dispute settlement, so that the number of undecided disputes would be gradually reduced.

Overviews of subscriber disputes in 2013 are provided in annexes No. 1 and 1a) hereto.

### 1.2.2 2<sup>nd</sup> level administrative proceeding

In 2013, 3,271 administrative appeals in disputes regarding the payment of the price for services of electronic communications were newly submitted to the decision review department for processing (these are primarily administrative appeals filed by the services providers). In comparison with 2012 when there were 8013 such administrative appeals were submitted for processing, there is an obvious decrease of the number of administrative appeals submitted, which is undoubtedly also due to the lower number of decisions issued by the 1st level administrative body for the above-mentioned reasons. At the end of 2013 the total number of pending administrative appeals (i.e., including the administrative appeals not settled in the previous period) in these disputes was 14,330. In comparison with 2012 when the total number of pending administrative appeals at the end of the year was 15,334 there was a decrease by 1004 cases, but the still high number of cases in the area of private-law disputes on both levels of the administrative proceedings results in persisting delays in the issuing of decisions in this area.

Just like in 2012, lawsuits against the inactivity of the Office were lodged in this context. The number of these lawsuits remains similar to 2012 when there were 62 such lawsuits. It is worth noting that the Office was generally successful in the proceedings concerning these lawsuits. In vast majority of cases the administrative court dismissed the lawsuit because it found it premature with respect to the issued measure of the chairman of the Council of the Office, or, as the case may be, it dismissed it because the claimant was satisfied with the action of the Office (i.e., issuing of a decision).

Prior to the filing of a lawsuit against inactivity the party is obliged to exhaust the vehicles of protection against inactivity of an administrative body regulated by the Code of Administrative Procedure (see Section 80 of the Code of Administrative Procedure). In 2012 the decision review department, as the superior administrative body which is obliged to hear such submission, processed a total of 314 requests for protection against inactivity of the 1st level administrative body.

In 2,161 cases a 2nd level decision was issued on administrative appeals against the decisions on the payment of the price for services of electronic communications (Section 129 (1) of the Electronic Communications Act in conjunction with Section 64 (1) of the Electronic Communications Act) issued on the 1st level. The subject of the administrative appeal filed by the service providers was, in particular, reservation of the claimant against the failure to recognize the right to the payment of contractual fine due to the invalidity of the contract arrangement on the contractual fine. The subscribers of the services objected in particular against

the absence of the contract on provision of the services or failure to comply with contractual obligations by the service provider. In this context it is necessary to mention, for example, the ruling of the Constitutional Court of the Czech Republic file No. I. ÚS 3512/11 dated 11 November 2013 which supported with its arguments the conclusions of the administrative body on both levels regarding the reasons for non-recognition of the right to the contractual fines in cases where one of the contracting parties is consumer. In this ruling the Constitutional Court stated that within consumer contracts the arrangements providing for contractual fine cannot principally be a part of the so-called terms and conditions but rather of the consumer contract itself (i.e., the document which the consumer signs). These terms and conditions are supposed to contain in [articular arrangements of technical and explanatory nature; they are not supposed to be used to hide unclear, complicated and small-print provisions (disadvantageous for the consumer) which are expected to be probably overlooked by the consumer. This is contrary to the principle of honesty and such provisions cannot be granted legal protection according to the opinion of the Constitutional Court.

The failure to recognize some rights of the service providers in 2013 also led to the submission of lawsuits against the decisions of the Chairman of the Council of the Office according to part five of Act No. 99/1963 Sb. (Collection of Laws), Code of Civil Procedure, as amended. In this respect the Office recorded 10 lawsuits (i.e., in ten cases the competent general court approached the Office with a request to provide file material on the subject and comment on the lawsuit filed – see Section 250c of the Code of Civil Procedure). In comparison with 2012 when there were 181 such lawsuits filed, there is a significant decrease in the incidence of such cases and the continued downward trend which was recorded already in the previous period. The reason for the decrease might be the fact that service providers were generally unsuccessful in the proceedings on such lawsuits because the general courts mostly agreed with the legal opinion of the Office in their decisions (i.e., they evaluated the arrangement on the contractual fine as void) and therefore dismissed the lawsuits.

In 64 cases a decision was issued on administrative appeals against the decisions on the objections against the handling of a complaint (Section 129 (3) of the Electronic Communications Act) issued in the administrative proceedings on the 1st level. In most of the cases the subject of the objections filed by the subscriber (user) was handling of a complaint about the billing of the price of services, in the remaining number of cases the subscriber (user) approached the Office with an objection against the handling of a complaint about the service provided. In the matters where the subscriber (user) filed the objection after the statutory period of one month for the filing of an objection has expired the Office dismissed the objection because the conditions of complying with the period of one month within which the objection must be filed represents the factual aspect of the dispute and as such must be established within the factual assessment and, together with the proof of the incorrect and unlawful assessment of the complaint by the provider of the services of electronic communications, is a prerequisite for issuing a meritorial decision. Similar arguments regarding this issue were published by the Office on its website [download: [http://www.ctu.cz/cs/download/disputes/129/cj\\_ctu-88756\\_2013-603.pdf](http://www.ctu.cz/cs/download/disputes/129/cj_ctu-88756_2013-603.pdf)]

In addition to the above disputes, the Office was engaged in proceedings on administrative appeal in 34 cases in the disputes pertaining to the origination (termination) of a contract or the content of the rights and obligations of both parties, i.e., the service provider and the subscriber. In the area of these decision powers it is worth mentioning the case where the Office, regarding the request for determination whether the contract was entered into (Section 142 of

the Code of Administrative Procedure), assessed the validity of the contract arrangement in the terms and conditions which, specifically when requesting telephone number porting, also regulated the right of the provider of the services of electronic communications to activate for the subscriber a telephone number out of its own numbering range, i.e., in fact set up another contract also in a situation where the number was not ported. In this case the Office deduced that such contract arrangement is void due to inconsistency with the principles of consumer protection and therefore invalid, and therefore the contract did not originate. The Office published on its website [download: [http://www.ctu.cz/cs/download/disputes/129/cj\\_ctu-89460\\_2013-603.pdf](http://www.ctu.cz/cs/download/disputes/129/cj_ctu-89460_2013-603.pdf)] the substantial parts of the decision, including the specific reasoning.

27 lawsuits were filed in 2013 with the special panel established at the Supreme Administrative Court for settling competency disputes. The lawsuits filed reflect the partly persisting interpretation difficulties regarding the decision-making powers of the Office in the area of private-law disputes. Nevertheless, the decrease in the number of such disputes by more than half relative to 2012 shows that the claimants accept more the position of the Office regarding the factual powers defined by the Electronic Communications Act and therefore file their requests with the body having the right powers and responsibilities. The decision-making practice of the Office in this context was affected by two decisions of the special panel dated 27 June 2013 file No. Konf 17/2013-14 and Konf 20/2013-14 which specified the powers and responsibilities of the Office and of the general courts regarding the settlement of subscriber disputes in the area of electronic communications.

### 1.2.3 Disputes in the area of postal services

With the coming into force of the amendment of the Postal Services Act the Office was granted, starting from 1 January 2013, a power pursuant to Section 37 (3) a) of the Postal Services Act to take positions on disputes pertaining to the provision and facilitation of postal services for which it was asked if necessary for the settlement of the dispute. In addition, the Office has a new power and responsibility to decide on objections against the handling of a complaint of postal services. In 2013 the Office did not take any position pursuant to Section 37 (3) a) of the Postal Services Act. As for the objections against the handling of a complaint, the Office was engaged in 14 cases and issued seven decisions. Seven pending disputes on objections against the handling of a complaint are therefore transferred to the following period.

An overview of customer disputes in 2013 is provided in annex No. 6 hereto.

### 1.2.4 Complaints of subscribers and users of the services of electronic communications

Within its scope of powers and responsibilities, the Office also handles complaints of subscribers or, as the case may be, users of the services of electronic communications. These are not complaints pursuant to Section 175 of the Code of Administrative Procedure (complaints against improper conduct of officials or against the actions of an administrative body).

In respect of 2013 the Office recorded 2,559 complaints, 599 (23.4 %) of which were unfounded and there was no breach of the Electronic Communications Act; 353 (13.8 %) com-



plaints were not within the scope of the Office and were referred to the relevant public administration bodies, and 1,607 (62.8 %) complaints were settled by the Office in accordance with the Electronic Communications Act. In respect of 2013 the Office recorded 26.3 % less complaints than in 2012. Such significant reduction of the number of complaints is mainly due to the significantly lower number of complaints about the practices of M7 Group S.A. (formerly M77 Group S.A.) having its registered office in Luxembourg which is the provider of the services of the satellite television Skylink and CS Link in the Czech Republic and in respect of which nearly one third of all complaints received by the Office were filed in 2012.

Most complaints in 2013 were therefore filed against the billing of the price for the services, namely 700 (27.3 %). These cases were for the most part settled within administrative proceedings pursuant to Section 129 of the Electronic Communications Act (subscriber disputes).

From 2012 the Office also started recording the numbers of written queries related to the services of electronic communications. In 2013 it processed 4,699 queries, which is an increase by 4.1 % relative to 2012. In addition to the queries regarding the conditions of business in the area of electronic communications and the qualification examinations, most questions were about the billing of the price of the services, subscriber contracts and consumer protection.

In 2013 the growing trend of the number of complaints about subscriber contracts in particular with mobile operators, in particular about the terms and conditions of entering into them, termination thereof, and in general terms also about the lack of clarity and comprehensibility thereof.

The third significant group of complaints were complaints about the telephone number portability within a mobile network where the number of complaints slightly grew in 2013. It is possible to deduce that it was due to the coming into force of the Measure of General Nature No. OOP/10/10.2012-12 which lays down the technical and organizational requirements for the implementation of telephone number portability, as of 1 September 2013. It is necessary to state, however, that in a number of cases the complaints of subscribers were dismissed as unfounded.

The number of complaints about services provided within the Universal Service was minimal: five (0.2 %) complaints. Four of these complaints pertained to the access of handicapped persons to the publicly available telephone service and one complaint was about public telephones.

In 2013 the number of complaints about the reception of TV signal in connection with the digitalization of broadcasting decreased on year-on-year basis by 107.1 %.

An overview of the complaints of subscribers/users is provided in annex No. 2 hereto.

### 1.2.5 Complaints of the users of postal services

In connection with the above-mentioned amendment of the Postal Services Act, the Office newly settles also complaints related to the basic postal services and other postal services. It also records complaints about non-postal services which are referred to the body or authority authorized to handle them. These are not complaints pursuant to Section 175 of the Code of Administrative Procedure (complaints against improper conduct of officials or against the actions of an administrative body).

In respect of 2013 the Office recorded 70 complaints about the basic postal services and also 171 complaints about other postal and non-postal services.

As for the administration of the basic postal services, out of the total number of 70 complaints 32 were unfounded (45.7 %), three complaints (4.3 %) were not within the scope of the Office and were referred to the relevant public administration bodies, and 35 (50 %) complaints were settled by the Office in a manner pursuant to the Postal Services Act.

An overview of the complaints of the customers is provided in annex No. 2a hereto.

## 1.3 Radio spectrum management

The most important activity in the radio spectrum management in 2013, in addition to the normal activities of deciding on the individual authorizations for the use of radio frequencies, determination of the fees for the use thereof, was in particular the repeated announcement of the tender procedure in order to grant rights to use radio frequencies to ensure the public communication network in bands 800 MHz, 1800 MHz and 2600 MHz and the organization of the auction of radio frequencies. This process was connected with the same tender procedures started in 2012 where the auction phase was discontinued on 8 March 2013 and the tender procedure was cancelled. Detailed information on this issue can be found in chapter 1.6.

In 2013 there was a significant development of the broadcasting resources for regional and local broadcasting, a result of the possibility to use the available radio frequencies in a limited time period until 31 December 2017. The long-term experimental terrestrial digital television broadcasting in DVB-T2 standard also continued during the year. A more detailed description of the development in this area can be found in chapter 4 *“Terrestrial digital television and digital radio broadcasting”*. At the same time the Office also carried out other activities, in particular by fulfilling the obligations under the Electronic Communications Act and the Code of Administrative Procedure.

### 1.3.1 Deciding on allocations of radio frequencies

In January the Office issued, in accordance with Section 23 (1) of the Electronic Communications Act, a certificate of the change of person of the holder of the allocation of radio frequencies for the provision of the public communication network. The new holder of the allocation of radio frequencies is Air Telecom, a.s.

Based on the need to release the frequency band 790 – 862 MHz for mobile broadband services, the Office decided on a change of the allocation of radio frequencies of Digital Broadcasting s.r.o., a company which operates broadcasting networks 4 of terrestrial digital television broadcasting. With this decision the Office changed the radio frequencies – in the Liberec region from channel 65 to channel 25 and in Moravia-Silesia from channel 63 to channel 45.

The Office performed an audit of compliance with the conditions laid down for the holders of the allocations of radio frequencies for the provision of networks of electronic communications for the provision of the service of dissemination of terrestrial digital radio broadcasting in band L. Based on this audit the Office found out that some holders of the allocations of radio frequencies did not meet the condition to start using the radio frequencies within two years of the allocation of radio frequencies. The Office therefore requested these holders of the



allocation of radio frequencies to provide remedy (start using the frequencies) within the set period. Otherwise the Office will open administrative proceedings to revoke these allocations.

### 1.3.2 Decisions on authorizations for the 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 use of radio frequencies. Within the framework of exercise of state administration the Office awards, amends, prolongates the period of validity or revokes individual authorizations for the use of radio frequencies. Total numbers of decisions in the related administrative proceedings, divided according to individual radiocommunication services, are summarized in the Table of Annex No. 3 hereto.

As in the previous years, the biggest interest is in radio frequencies necessary for the provision of the public service of electronic communications consisting in particular of wireless access to sufficiently fast data services (e.g., Internet access) or used for radio link between the base stations of mobile operators. The reasons is in particular optimization of the network within which mobile operators also increase the transmission speeds, which is a result of the ever-increasing data volume required by customers within new applications and the use of smart phones. Although in 2013 the rapid development of mobile networks in the UMTS standard (3G síť) of all holders of the allocations of radio frequencies for UMTS networks did not continue as in the previous period all holders of the allocations of radio frequencies (in bands GSM and UMTS) started providing new services with the use of the LTE technology in band 1800 MHz, and Vodafone announced a plan to use this system also in band 900 MHz. In connection with the anticipated launch of 4G networks on frequencies in bands 800 MHz and 2600 MHz it is possible to expect in 2014 increase of the requirements for the use of radio frequencies for the infrastructure of these networks.

As for the other radiocommunication services, the number of the decisions issued in air mobile service increased; based on the implementing decision of the European Commission, there is a change of individual authorizations for the use of radio frequencies for air stations depending on the scope of the air information provided.

### 1.3.3 Conditions of the use of radio frequencies under general authorizations

The conditions of the use of radio frequencies under general authorizations changed in 2013 by the amendment of these general authorizations:

- General authorization No. VO-R/14/12.2012–17 for the use of radio frequencies and for the operation of equipment in band 10 GHz, effective from 15 January 2013.
- General authorization for the use of radio frequencies and for the operation of equipment of fixed service in frequency bands 71–76 GHz and 81–86 GHz, effective from 15 October 2013.

In connection with general authorization No. VO-R/23/09.2013-5, in October the Office launched a web portal <http://vor-kmitocty.ctu.cz> which makes it possible to comply with the notification obligation laid down in this authorization.

The mode of notification newly consists of the completion of a prescribed electronic form, its sending and submission through the web portal. The form is available to the use only after registration in the portal. The submitted form can be repeatedly downloaded and revised by the user (e.g., finishing the completion of the form). By submitting the properly completed form the notification obligation has been fulfilled. Selected technical data from the form will be published by the Office on its website. The published information can be used to prevent harmful interference between individual fixed links of different operators or to deal with harmful interference using a procedure pursuant to Section 100 of the Electronic Communications Act also in international dealings.

#### 1.3.4 Checking the qualification

The Electronic Communications Act, in Section 26 (1), defines in which cases qualification is required for the operation of broadcasting radio equipment; pursuant to Section 26 (2) of the Electronic Communications Act, such radio equipment can only be operated by persons who have a valid certificate of qualification for the operation of this equipment. The examination commissions of the Office test the qualification of the applicants for general and restricted certificate of operator of the air mobile service, certificates of naval mobile service and HAREC and NOVICE certificates of the operators of radio amateur service stations. After the 2012 modification of the document entitled 'Test questions and correct answers' which is the basic document for the preparation for the qualification tests, it was not necessary to make any other changes in 2013.

The greatest interest is in the Short Range Certificate (SRC) which authorizes the holder to operate a radio station in inland waterways and shore sea areas. Although the numbers of certificates issued remain approximately the same the number of applications for extension of the validity of previously issued certificates increases due to the newly issued certificates. Detailed information on the numbers of each type of qualification certificate and on certificates whose validity was extended is provided in a table in annex No. 4 hereto.

#### 1.3.5 Other activities in the area of frequency spectrum management

Government regulation No. 175/2012 Sb. (Collection of Laws), which amended government regulation No. 154/2005 Sb. (Collection of Laws), on determination of the amount and method of calculation of the fees for the use of radio frequencies and numbers, came to effect on 1 June 2012. This regulation, effective from 1 January 2013, changed the method of calculation of the fees for the use of radio frequencies in the fixed service, resulting in total reduction of the fees prescribed for the use of radio frequencies by CZK 130 million a year. The change affected fees in all valid individual authorizations for microwave links used in particular for the infrastructure of radio mobile networks. Since another change of the method of calculation of the fees for the use of radio frequencies in the fixed service consisting of full-scale reduction of the fees came to effect on 1 January 2014, the Office made another change of all individual authorizations for the use of radio frequencies of the fixed service at the end of the year.

#### 1.3.6 Fees for the use of radio frequencies

In accordance with government regulation No. 154/2005 Sb. (Collection of Laws), on determination of the amount and method of calculation of the fees for the use of radio fre-

quencies and numbers, total fees prescribed and collected for the year 2013 amounted to CZK 1,063.6 million. The balance of the income account of the frequency spectrum management department as of 31 December 2013 was CZK 974.7 million. This amount is lower than the amount paid because, in accordance with Act No. 280/2009 Sb. (Collection of Laws), tax regulations, overpayments were returned upon the request of the authorization holders in total amount of approximately CZK 28.9 million. In accordance with the amendment of the Electronic Communications Act (Act No. 153/2010 Sb. (Collection of Laws)), CZK 60 million was also transferred from the above-mentioned income account to the radiocommunication account.

In comparison with 2012 the amount of fees collected decreased by CZK 110 million, which was caused by the change of the amount of fees for the use of radio frequencies of the fixed service which came to effect on 1 January 2013.

## 1.4 Automated System of Monitoring of the Frequency Spectrum (ASMKS)

The supervision of radio spectrum was exercised continuously using the ASMKS. In 2013 2,496 requirements for monitoring of radio spectrum and other measurements were commissioned through ASMKS, 2,155 requirements for inspections of radio and electric equipment and electronic equipment, networks and services and 942 requirements for investigation of interference of radiocommunication services. Information concerning the number of measurements in the course of radio spectrum monitoring exercised during the state inspections of radio spectrum and the cases of interference addressed are provided in annex 7 hereto; the share of devices and networks of electronic communications interfered with is provided in annex No. 5 hereto.

In 2013 the Office performed continuous inspections of the compliance with general authorisations and individual authorisations in the sphere of radio spectrum use. The inspections were focused on the use of radio frequencies without authorisation or after expiry of the individual authorisations (151 inspections performed) and on observance of the conditions stipulated in General authorization No. VO-R/12/09.2010-12. In 2013 the Office 303 performed inspections in 218 different providers and checked 3300 devices operated. In twelve operators the operation of WiFi equipment outside the frequency bands defined by the by the general authorization was discovered. The Office issued 225 requests for rectification and carried out 93 checks of the compliance. Out of the total number of inspections, 110 were carried out due to the interference with meteorological radars.

In 2013 the Office checked the compliance with the planning parameters in operation of all UHF FM transmitters in band 87.5 to 108 MHz. The employees of the Office carried out 769 inspections of the transmitters, issued 141 requests for rectification and subsequently carried out 141 checks of the rectification of the deficiencies. In 18 instances the deficiencies were not rectified within the set deadline.

In 2013 the number of the investigated cases of interference with television and radio signal decreased and the number of interferences with meteorological radars increased (110 cases), caused by the violation of the conditions laid down in General Authorization No. VO-

R/12/09.2010-12, and interference with public mobile networks of electronic communications (187 cases), caused in particular by radiation of illegal or defective frequency repeaters, illegal DECT phones designed for U.S. market, and radiation of defective active TV antennas.

## 1.5 Regulation of Communication Activities

### 1.5.1 Monitoring of quality in the provision of the Universal Service

The Office prepared Measure of General Nature No. OOP/5/05.2013-2 [download: [http://www.ctu.cz/cs/download/oop/rok\\_2013/oop\\_05-05\\_2013-02.pdf](http://www.ctu.cz/cs/download/oop/rok_2013/oop_05-05_2013-02.pdf)] which amends Measure of General Nature No. OOP/5/11.2007-14 [download: [http://www.ctu.cz/1/download/OOP/Rok\\_2007/OOP\\_05\\_11\\_2007\\_14.pdf](http://www.ctu.cz/1/download/OOP/Rok_2007/OOP_05_11_2007_14.pdf)] which defines the content, form and mode of publication of information on the results of provision of the Universal Service and published it after the public consultation of the proposal on 24 May 2013 in part 6/2013 of the Telecommunication Bulletin.

The reason for the change of the above-mentioned measure of general nature is the new wording of the Electronic Communications Act in the part pertaining to the Universal Service and the related amendment of Decree No. 162/2005 Sb. (Collection of Laws), on definition of the parameters of quality of the Universal Service and its limit values, as amended by Decree No. 227/2012 Sb. (Collection of Laws). In this respect it was necessary to modify the scope of the information published on the results of provision of all partial services within the Universal Service.

### 1.5.2 Number management

Throughout the year 2013 the Office made decisions on requests of undertakings concerning the award of authorization for the use of numbers, numerical series and codes, addresses and names (hereinafter referred to as “numbers”), and/or requests of undertakings concerning the change, prolongation of validity or revocation of the authorization for the use of numbers from the numbering plans pursuant to Section 30 et seq. of the Electronic Communications Act.

In 2013 the Office issued 380 decisions in the area of number management, 161 of which were decisions on authorization to use numbers, 44 decisions on the change of the authorization, 95 decisions on the prolongation of the authorization, 39 decisions on revocation of the authorization, and 41 decisions on the matter of transfer of the authorization.

## 1.6 Regulation in the area of postal services

In accordance with the transitory provisions of the amendment of the Postal Services Act No. 221/2012 Sb. (Collection of Laws), the Office granted a postal licence to the Czech Post by a decision dated 22 February 2013. The content of the postal licence granted is the obligation to ensure general availability of all basic services specified in Section 3 of the Postal Services Act in the whole territory of the Czech Republic in the period until 31 December 2017.

One of the basic tasks of the Office in the area of postal services pursuant to Section 37 of the Postal Services Act is supervision whether the individual providers fulfil their obligations pursuant to the Postal Services Act. In the case of the postal licence holder, the Office supervised whether the general availability of the basic services is ensured in the defined quality, including sufficient awareness of the general public on the mode of use of the basic services. In accordance with Section 37 (3) b) of the Postal Services Act, the Office will publish annual summary report on the results of the supervision in the Postal Bulletin and on its website [download: <http://www.ctu.cz/pusobnost-ctu/postovni-sluzby/zprava-o-plneni-povinnosti-ceske-posty-s.p.-v-oblasti-zakladnich-sluzeb.html>].

Availability of the basic services must be ensured in accordance with the requirements of Decree No. 464/2012 Sb. (Collection of Laws), on specification of the individual basic services and basic quality requirements for the provision thereof which lay down specific requirements for the availability of post offices and mailboxes.

The basic requirements for the availability of post offices include the obligation to operate a post office in every municipality with population of 2500 and more, and in every municipality with population less than 2500 where the post office was operated as of 1 January 2013 and there was also a registrar, general building authority or primary school with elementary and junior high level. There is a requirement for exceptional locations where the post office availability according to these criteria is not provided that the travel distance to a post office from any place within the municipality in the Czech Republic must not exceed 10 km. In addition to the criterion of local availability, the decree also defines time availability of the post offices in the form of minimum weekly opening hours which must not be less than 15 hours in a week which has 5 working days.

The above-mentioned requirements define the minimum obligatory number of post offices for the provision of the basic postal services, not an effort to close down post offices. This conclusion is supported also by the more than one year of experience since the coming into effect of Decree No. 464/2012 Sb. (Collection of Laws) when post offices were only closed down in very few cases. The fact that the activities of the Office are in no way directed at closing down post offices is documented also by the obligation in Section 28 of Decree No. 464/2012 Sb. (Collection of Laws) according to which the Czech Post must discuss the plan, if any, to close down a post office with all municipalities potentially affected by the change and make an effort to ensure availability of the basic services in other suitable ways.

The Office also used the above-mentioned applicable criteria when preparing the government regulation which lays down the minimum requirement for availability of post offices in a different manner, i.e., in the form of a specific number. Similarly to the decree, it does not order closing down of post offices operated above this minimum number. Closing down post offices when meeting all requirements of Decree No. 464/2012 Sb. (Collection of Laws) is a decision of the Czech Post.

In 2013 the Office carried out an extensive audit of compliance with the criteria of availability of post offices according to Decree No. 464/2012 Sb. (Collection of Laws) and did not find any deficiencies related to local availability. Partial deficiencies were found by the Office in the area of time availability and asked the Czech Post to rectify them.

One of the new obligations of the Czech Post is to inform the users of the basic services about the places where the Czech Post is not obliged to deliver and where it uses this opportu-

nity. As of 31 December 2013 there were only 91 such places in the entire Czech Republic. In the case of application of these exemptions the delivery is provided in an alternative way, e.g., through delivery mailboxes, delivery at a different place or deposition at the post office. These alternative options are used also in many other cases based on the request of the recipients who can take back these requests at any time and request delivery at their place of residence of registered office.

One of the main criteria of quality of the service provided is speed at which the service is provided. The requirement that a mailing or remitted money be delivered as quickly as possible is one of the parameters which can be quantified quite clearly. This was done with the help of measurement of transport times of ordinary mailings according to EN 13850+A1 which was replaced with EN 13850 in 2013. Section 22 of Decree No. 464/2012 Sb. (Collection of Laws) imposes an obligation to perform such measurement. The decree defines as a sufficient quality indicator the achievement of a result of at least 92 % mailings weighing up to 50 g delivered the next business day after posted. The Czech Post fulfilled this indicator by achieving 93.09 % in 2013.

Based on the authorization in Section 37 (3) d) of the Postal Services Act, the Office decides in the event of a doubt whether or not a certain service is a postal service. In 2013 the Office received five requests for such decision. Three of the subsequently issued decisions were challenged by an administrative appeal which is settled by the chairman of the Council of the Office. The contested decisions were confirmed and the administrative appeals were dismissed, and so all decisions have become final. In two instances the decisions of the chairman of the Council of the Office were challenged by a lawsuit filed with the administrative court. Undertakings whose services were established as postal services are obliged without undue delay to notify to the Office the business activities in the area of postal services from which new obligations will arise for them under the Postal Services Act.

## 1.7 Performance of the supervisory activity

### 1.7.1 Keeping records and checking of undertakings in the area of electronic communications and postal services

- Pursuant to Section 14 of the Electronic Communications Act, the Office issued in 2013 227 certificates certifying that the entity intending to carry out business activities in the area of electronic communications fulfilled the obligation pursuant to Section 13 of the same Act and notified the Office of this fact in writing. In addition, 337 certificates of notification of the information specified in the notification of business activities pursuant to Section 13 (6) of the Electronic Communications Act were issued. The Office continuously checked undertakings in the area of electronic communications whether they carry out their business in accordance with the reported activity pursuant to Section 13 of the Electronic Communications Act.
- Pursuant to Section 19 of the Postal Services Act, the Office issued sixteen certificates certifying that the entity intending to carry out business activities in the area of postal services submitted the notification pursuant to Section 18 of the Postal Services Act.



### 1.7.2 Checking the compliance with the Office's decisions

- Audit of public telephones (hereinafter referred to as “public telephones”) operated by Telefónica was performed in order to review the obligation within the Universal Service for the partial service of public telephones or other similar technical equipment enabling access to the publicly available telephone service pursuant to Section 38 (2) e) of the Electronic Communications Act. The audit took place in the period from 22 March 2013 to 29 November 2013 in municipalities with population up to 4,999 where it was researched whether the particular location in the municipality where the public telephone or other similar technical equipment are installed or whether or not it is covered with GSM network signal of at least two mobile operators in sufficient quality. The audit was carried out in 5,996 municipalities, in accordance with the recommendation CEPT/ECC/REC (05)08 and the single methodology of the Office for the check of the quality of GSM signal. Unavailability of the signal of GSM networks of two or more operators was discovered only in 46 instances. The result of the check will be used for the determination of the new obligation for the partial service of public telephones in 2014.

### 1.7.3 Other supervisory activities

- The Office checked with selected offices of the Czech Post whether they comply with the conditions of opening hours pursuant to Section 14 (4) of Decree No. 464/2012 Sb. (Collection of Laws), on definition of specification of the individual basic services and basic quality requirements for the provision thereof, i.e., how long are the working hours in a week with five working days and whether the post office is open every working day. The audit was performed in the period from 15 April 2013 to 30 June 2013 in 642 selected municipalities. In 39 cases it was ascertained that post office was open, in violation of the above-mentioned provision, for a shorter time than 15 hours a week. It was also discovered that in six cases the post office was not operated; in one case the post office was not open every working day, and in four cases the post office was closed even during the opening hours.
- Audit of compliance with the conditions for telephone number portability under the new “Measure of General Nature No. OOP/10/10.2012-12, which lays down the technical and organizational requirements for the implementation of telephone number portability and the principles of billing of the price between undertakings in relation to telephone number portability”, effective from 1 September 2013. The audit was performed in the period from 29 October 2013 to 13 December 2013 in 637 entities which reported provision of the publicly available telephone service. The audit showed that 40 entities do not provide this service. Out of 597 entities, 487 did not publish their contract terms for the provision of the services of electronic communications in a manner allowing remote access (website). Out of 110 entities which published their contract terms, only 35 complied with all requisites. In 75 cases it was ascertained that the contract terms do not include procedures for ensuring number portability or that the provisions of number portability are incomplete.

An overview of the supervisory activities is provided in annex No. 7 hereto.

## 1.8 Cooperation with Česká obchodní inspekce (the Czech Trade Inspection Authority)

Cooperation between the Office and Česká obchodní inspekce (the Czech Trade Inspection Authority) continued in 2013. It consisted mainly of participation of the employees of the Office in the inspections of sold telecommunication terminal and radio equipment and products using radio frequencies. The Office provided assistance in the verification of the properties of radio equipment in the field or measurement of samples taken during the inspection carried out by the Czech Trade Inspection Authority, namely in the checking of 90X numbers. Inspection of the vendors for the purpose of the Czech Trade Inspection Authority was carried out in 27 municipalities of the Czech Republic. The cooperation between the two authorities in the provision of information to the consumers on problematic products was supported by the linking between the websites. The website of the Czech Trade Inspection Authority [download: <http://www.coi.cz/cz/spotrebitel/podani-stiznosti-podnetu-dotazu/>] also published a link for submission in the event of non-acceptance of the billing of the service of electronic communications where the Office is authorized to settle such disputes.

## 1.9 Settlement of disputes between entities carrying out communication activities

In the area of settlement of disputes between entities carrying out communication activities mutually or between these entities and other undertakings in another Member State in whose favour there is an obligation of access or linking pursuant to Section 127 of the Electronic Communications Act, in which on the 1<sup>st</sup> level the decision is made by the chairman of the Council of the Office, the number of dispute proceedings in 2013 did not change compared to the previous year.

In 2013 seven requests were filed for dispute administrative proceedings pursuant to Section 127 of the Electronic Communications Act, and the Office continued with three administrative proceedings which had been opened and not finished.

In 2013 the 1<sup>st</sup> level administrative body issued five decisions in the dispute administrative proceedings, three of which were decisions on the matter and two were discontinued by adopting a discontinuation decision. In two cases an administrative appeal was filed against those decisions. In one case the 2<sup>nd</sup> level administrative body confirmed the decision of the 1<sup>st</sup> level administrative body within the proceeding on the administrative appeal. In the second case the 2<sup>nd</sup> level administrative body cancelled the decision of the 1<sup>st</sup> level administrative body, and in December 2013 it returned the case to the 1<sup>st</sup> level administrative body for completion and issuing of a new decision. In three disputes the proceeding in the matter was terminated by a final decision of the 1<sup>st</sup> level administrative body.

Until the end of 2013 there were three pending disputes which started at the end of 2013 and where the statutory period for issuing a decision has not expired. In one of these cases, a request for preliminary injunction was filed together with the request for commencement of a proceeding in the matter of settlement of the dispute. The 1<sup>st</sup> level administrative body complied with this request and within the statutory period issued a decision on the preliminary



injunction. The defendant filed an administrative appeal against this decision at the end of 2013. The 2<sup>nd</sup> administrative body will decide on the administrative appeal in early 2014, and the 1<sup>st</sup> level administrative body will also issue a decision on the matter.

Two disputes which started in May 2013 are still pending due to their factual and procedural difficulty. One of the above-mentioned cases pertains to the dispute which was finally terminated by the 2<sup>nd</sup> level administrative body in July 2008 but both parties filed a lawsuit against this decision of the 2<sup>nd</sup> level administrative body with the Metropolitan Court in Prague which subsequently repealed the said decision of the administrative body with a ruling of December 2012. In May 2013 then the 2<sup>nd</sup> level administrative body cancelled also the decision of the 1<sup>st</sup> level administrative body of May 2008 and the matter was returned for new hearing and decision on the matter. Until the end of 2013 this proceeding has not been finished due to its complexity. In both contested proceedings a decision of the 1<sup>st</sup> level administrative body is expected to be issued in the 1<sup>st</sup> quarter 2014 just as in the other proceedings not finished by the end of 2013.

During the contested administrative proceedings the administrative body produced and evaluated evidence offered by the parties to the proceeding such that the contested proceedings could be finally completed as soon as possible. In spite of that, in two cases of requests for commencement of proceedings in 2013 the statutory period for the issue of a decision on the matter was exceeded, mainly due to the fact that the proceedings were complicated and the parties to the proceedings did not sufficiently cooperate with the administrative body. It concerned in particular deficiencies in claims, obstructions in terms of additions to evidence, etc.

In terms of the subject of the disputes processed in 2013 within the contested administrative proceedings pursuant to Section 127 of the Electronic Communications Act it can be summarized that the above-mentioned disputes pertained mainly to the issue of payments of due amounts for the services of electronic communications provided and also issues related to the signing or performance of contracts on access or linking (Section 80 of the Electronic Communications Act).

In 2013, for the first time since 2006 when the Office was entrusted, within the system of Section 127 of the Electronic Communications Act, the settlement of disputes between an undertaking providing the service of dissemination of radio and television broadcasting and the operator of radio and television broadcasting regarding the signing of agreement for the provision of this service (Section 72a of the Electronic Communications Act), the subject of the requests for commencement of administrative proceedings or settlement were not disputes related to this issue.

Final decisions issued within the administrative proceedings conducted pursuant to Section 127 of the Electronic Communications Act on the matters of disputes between entities carrying out communication activities are available on the Office's website.

## 1.10 External legislation and related activities

In the area of external legislation in 2013 the Office prepared and applied, having regard to the Legislative rules of the Government, suggestions concerning proposals of regulations and other materials, in particular those having conceptual or evaluating character, the contents of which had reference to the scope of powers and responsibilities of the Office. The Office exercised these activities both within the framework of interdepartmental commentary proce-

dures, and 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 main legislative tasks of the Office in the area of external legislation in 2013 was participation in the legislative process of changes to the Electronic Communications Act and to the Postal Services Act as well as the preparation of new implementing regulations for these acts.

In this context it is necessary to point out for the year 2013 in particular the amendment of the Electronic Communications Act by Act No. 214/2013 Sb. (Collection of Laws) and the amendment of the Postal Services Act by Act No. 212/2013 Sb. (Collection of Laws). The Office also prepared and started a legislative process for adoption of two implementing regulations for the Postal Services Act. Specifically, it was a draft government regulation on determination of the minimum number of establishments for the provision of the basic services for the implementation of Section 3 (2) a) of the Postal Services Act, as amended by Act No. 212/2013 Sb. (Collection of Laws), and also draft amendment of Decree No. 464/2012 Sb. (Collection of Laws), on specification of the individual basic services and basic quality requirements for the provision thereof, which is a response to the changes of the Acts of the Universal Postal Union in the area provision of postal services for the blind, based on the conclusions from the convention of the Universal Postal Union which took place at the end of 2012 in Doha. These processes, however, will not be completed until early 2014.

An overview of principal acts and by-laws with a brief description of the contents of the changes by which the modifications of the legal framework were made in 2013 in the area of electronic communications and postal services is provided in chapter I. of this Report.

In addition to the above, legislation in the area of electronic communications and postal services in 2013 was affected by the active involvement of the Office in different interdepartmental working groups and bodies. For the year 2013 it is possible to summarize its involvement within interdepartmental working groups at the Ministry of Industry and Trade, both in the project of reduction of administrative burden created by legislation and, for example, in the area of consumer protection (for example, systems of extrajudicial settlement of disputes in the area of implementation of the EU law, on-line settlement of consumer disputes (regulation “ODR”) and alternative settlement of consumer disputes (directive “ADR”). The basic principles which govern the projects were taken into account by the Office in particular in the preparation of proposals of regulations and other normative acts issued within its scope of powers and responsibilities.

The Office was also actively involved in the activities of the interdepartmental working group led by the National Security Authority in the matter of preparation of new laws and regulations for the area of cyber-security. It is also possible to mention the working group at the Ministry of the Interior for issues related to corruption.

In addition to domestic legislative activities, the Office is involved also in the system of allocation of authorizations and fulfilment of legislative obligations resulting from the membership of the Czech Republic in the EU – Information system for law approximation (ISAP) which is used for the recording and checking of the compliance with the obligations of state administration bodies in the implementation of the law of the European Union. In 2013 the Office duly complied with its obligations associated with this system and no deficiencies of factual or registration nature were found on its part.

In this context it is necessary to mention also the involvement of the Office in the activities of the Committee of the government commissioner established and maintained at the Ministry of Foreign Affairs. Among other things, the committee sponsors the issues of representation and defending of the interests of the Czech Republic in proceedings before the Court of Justice of the EU and in proceedings on breach of the Agreement in the stage of proceeding before the European Commission, including the preceding actions. The Office thus expects that within the group it will be able not only to actively contribute to the resolution of specific cases in the area of electronic communications and postal services but it will also be able to draw on the experience and conclusions from other fields.

#### 1.10.1 Other legislative activities of the Office

In addition to the implementing regulations, the Electronic Communications Act also foresees promulgation of other acts of normative nature, the so-called measures of general nature by which the Office lays down specific conditions for the performance of communication activities or performs the analysis of the relevant markets. In 2013 the Office adopted 17 measures of general nature. For the individual measures of general nature see the relevant chapters of this Report. An overview of the measures of general nature issued is provided in annex No. 8 hereto.

### 1.11 Crisis management and security

In the area of crisis management and security the Office performed the tasks related to the defence planning and civil emergency planning focusing on electronic communications and obligations laid down in the relevant provisions of the Electronic Communications Act. It paid attention in particular to the protection of classified information focusing on personnel, administrative and physical security. Other tasks performed by the Office pertained to the dealings and cooperation with the National Security Authority in the preparation of the cyber-security legislation.

Pursuant to Section 97 (11) of the Electronic Communications Act and based on Section 97 (10), the Office organized and facilitated in January and February 2013 collection of records of the operating and localization data provided to authorized bodies by legal entities and natural persons facilitating the public communication network and providing the publicly available service of electronic communications. This information was subsequently processed into the annual report and in March 2013 it was submitted to the relevant bodies in the European Commission.

At the same time, a summary annual report for the year 2012 was prepared in February 2013 on material breaches of security and loss of integrity of the networks and the services of electronic communications which was sent in the prescribed format to the European Commission and the European Network and Information Security Agency (ENISA).

In accordance with the tasks assigned to the Office in Section 88 and Section 99 of the Electronic Communications Act, three comprehensive audits were performed in telecommunication companies Dial Telecom, a.s., Magnalink a.s. and Vodafone. The audits were focused on ensuring protection of the operating and localization data, confidentiality of communication

and security and integrity of networks and the services of electronic communications during crisis. All three companies were requested to implement corrective measures in order to ensure compliance with the above-mentioned obligations.

During the floods in June 2013 in Bohemia selected members of the Emergency Headquarters of the Office participated in the investigation of the current condition of electronic communications and post in the affected areas and in cooperation with the businesses which provided the services of electronic communications and postal services. Eight dominant providers of the services of electronic communications and the Czech Post were approached. During the floods there was no overall full-scale disruption of the services of electronic communications; individual short-term outages were caused in particular by power failures, flooding of plants, and partial disruption of cable lines. Priority connection of subscribers of emergency communication to the public communication network and to the publicly available telephone service was activated in the affected areas.

## 2. International activities

In 2013 the Office was in charge of international relations based on the resolution of the government of the Czech Republic 507/2011 dated 29 June 2011, as amended (hereinafter referred to as “government resolution”), on specification of cases where international relations in the area of electronic communications are covered by the Office. In line with this government resolution and in accordance with the performance of the tasks under the Electronic Communications Act and the Postal Services Act, as amended, last year the Office coordinated and facilitated direct participation at working meetings in the advisory committees and groups of the European Commission, bodies or working groups of such international organizations as ITU, CEPT, OECD, ETSI and NATO, in bilateral and multilateral negotiations and professional events.

### 2.1 Activities of the Office in relation to the European Union

The Office is represented in the European Union in advisory and working bodies of the European Commission and other organizations, including but not limited to the following bodies:

- **Body of European Regulators for Electronic Communications (BEREC)** is an advisory authority of the European Commission members of which are national regulators of the Member States of the European Union and representatives of the European Commission. The principal task of 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 is managed by the Council of regulatory authorities, in which 28 representatives of do-

mestic regulatory authorities from individual Member States of the European Union are represented. Business facilities for BEREC's activities is provided by the BEREC Office which is managed by the administrative director and is located in Riga, Latvia.

- BEREC's meetings are normally combined with meetings of the **Independent Regulators Group (IRG)**. Within the framework of IRG organization regulatory authorities are providing mutual technical assistance in regulatory matters. In 2013 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 single electronic communications market, development of high-speed networks of new generation, support for the development of cross-border services including the implementation of the roaming regulation, reinforcement of the consumer rights including the improvement of communication security. Activities of BEREC are governed by annual work programmes; the Medium-term strategy of BEREC was adopted in February 2013.
- **European Regulators Group for Postal Services (ERGP)** is the advisory authority of the European Commission the members of which are national regulatory authorities in the field of postal services. Its principal tasks include provision of advice and assistance to the European Commission concerning development of the internal market of postal services and consistent application of regulatory framework of postal services in all Member States and in consolidation of the internal market of postal services. In 2013 the activities of individual working groups continued focused on monitoring and development of the market of postal services, protection of consumer and other activities, such as, for example, access to postal infrastructure or provision of cross-border postal services.
- **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. The pivotal topics were discussion of the proposed recommendation on consistent obligations of non-discrimination and methodologies of the cost calculation, issues of the satellite mobile service, possibilities of integration of broadband Internet connection in the obligation of the Universal Service and the funding thereof. The analysis and evaluation of the state of implementation of the harmonized numbers 112 and 116xxx in the individual EU Member States also continued in 2013.
- **RSPG – Radio Spectrum Policy Group** is an advisory body of the European Commission for strategic issues of use of radio spectrum. It expresses its opinion concerning principal relevant topics. It formulates its conclusions particularly in Opinions of the RSPG and Reports of RSPG. In 2013 Opinions of RSPG on common goals for the World Radiocommunication Conference WRC-15, on strategic challenges resulting from the growing demand for wireless high-speed access to the spectrum, to licensed shared access to the spectrum were adopted. RSPG reports on the needs of the spectrum and other sectors and on interference management. The discussed topics also included the plans of the European Commission to adopt a measure "for completion of the single market", application of the tool of bilateral coordination of the Member States with a third-party mediation and a conceptual solution to the future use of the UHF band.
- **RSC – Radio Spectrum Committee** is a body of the European Commission which



participates in the preparation measures aimed at harmonized and effective use of radio spectrum in the European Union, including the assignments for CEPT to carry out technical studies and prepare proposals of regulatory measures awarded in the form of mandates of the European Commission. The main topics in 2013 were amendment of the harmonization decisions on short range devices (SRD) and mobile communications on board of airplanes (MCA), ultra-broadband applications (UWB), new decisions on the spectrum inventory, use of bands 2.3 GHz and 3.6 GHz, mandates for technical resolution of the conditions of the use of band 700 MHz and extension of band 5 GHz, coexistence of public mobile networks and the communication network for railway transport (GSM-R), state of implementation of the regulatory measures of the European Union in the Member States, and fulfilment of the radio spectrum policy programme (RSPP).

- **Telecommunication Conformity Assessment and Market Surveillance Committee for the purpose of Directive 1999/5/EC (TCAM)** In 2013 this Committee, and the group operating within its framework for administrative collaboration ADCO R&TTE dealt with the results of revision of the Directive R&TTE (1999/5/EC), relevant issues of harmonization of conditions of conformity assessment and introduction in the single market of the European Union of radio and telecommunication terminal equipment. Representatives of the Office in the said groups were involved in particular in the measures for ensuring uniform use of radio frequencies focusing on prevention and elimination of harmful interference.
- **ENISA – European Network and Information Security Agency** is an advisory body of the European Commission. ENISA unifies the processes and procedures of national regulatory authorities focused on the area 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 undertakings by means of annual reports from the Member States and partner countries of the European Union. In 2013 the subject of meetings of working groups were particularly the issues of identification, assessment, transfer of experience and taking preventive measures based on the incidents discovered, and amendment of the methodological procedures.
- **Fulfilment of the EU's strategic goals** – within the Europe 2020 strategy the European Commission issued a document entitled Digital Agenda for Europe. In this context, Digital Agenda Scoreboard is issued on regular basis every year, providing information on the progress of the individual Member States in the implementation of EU legislation in the national legislation and evaluation of the regulatory environment in the Member States. The third Scoreboard 2013 document was published in June 2013, containing an evaluation of the development in the markets of electronic communications, regulation and its impact on the market for the previous year. The Office participates in the preparation of the reference materials and in the second half of 2013 it provided a lot of information represented in particular by information on the markets of electronic communications, services on mobile and fixed networks, radio and television broadcasting, plans and indicators of broadband access.

The information is available at <http://ec.europa.eu/digital-agenda/en/scoreboard>.

In 2013 the Office was also involved, in cooperation with the Ministry of Industry and Trade, Ministry of Foreign Affairs and the Office for Standards, Metrology and Testing, in the discussion

and commenting of the draft directive of the European Parliament and of the Council on harmonization of the regulations of the Member States pertaining to the supply of radio equipment in the market which will replace the existing Directive 1999/5/EC on radio equipment and telecommunication terminal equipment.

## 2.2 International activities of the Office in relation to other international bodies and organizations

**International Telecommunication Union (ITU)** - the Office participated in the activities of ITU in the ITU Council, advisory committee of the radiocommunication sector RAG, advisory committee of the telecommunication sector TSAG, and in the study groups and project groups ITU-R, represented in particular in the groups for mobile communications, radio radiocommunication service and satellite service. The Office provided operating and statistical information for the analytical documents prepared by ITU and the Telecommunication Outlook magazine. Representatives of the Office attended the Global symposium of regulators (GSR 2013) and World Telecommunication Policy Forum (WTPF).

**European Conference of Postal and Telecommunications Administrations (CEPT)** - the Office was represented in its bodies - Electronic communications committee (ECC), Committee for the matters of ITU (ComITU), and the Committee for the regulation of post offices (CERP) and also in the working groups of the committees.

The most important results to which the representatives of the Office also contributed include the outputs of ECC and its working groups. The prepared harmonization documents are used by 48 member administrations of CEPT and the CEPT reports prepared under the mandates of the European Commission serve as a basis for the issue of harmonization documents of the EU. The Office was represented, through its experts, in particular in the working groups WG FM (Frequency Management), WG SE (Spectrum Engineering), WG NaN (Naming and Numbering), CPG (Conference Preparatory Group), ECC/PT1 (Mobile Communication), and in their subgroups (project teams).

**European Communication Office (ECO)** – is an organization providing professional and administrative support to CEPT, for which the Office provided statistical data and information, updated the national data in the European Frequency Information System (EFIS), and participated in the activities of the working group providing maintenance and development of this information system. The system is a part of the information resources of the EU by a measure adopted by the European Commission. The Czech Republic currently ratifies the accession to this international organization.

**North Atlantic Treaty Organisation (NATO)** - the Office was involved in the Industrial Resources and Communication Services Group (IRCSG), focusing mainly on ensuring electronic communications and post for the purpose of security and defence, for emergency situations, in a group for cooperation in the use of radio spectrum CaP/3, coordinating the use of the spectrum by civil and non-civil units.

**Organization for Economic Co-operation and Development (OECD)** - the Office was involved, in cooperation with the Ministry of Industry and Trade, in the activities of the working group for strategic issues of telecommunication infrastructures and services

(WP CISP), processing analytical documents from the area of electronic communications and ICT, including provision of the statistical data from this area for periodical publication of the Telecommunication Outlook of OECD and for topical analyses of the economic development in the OECD Member States.

**European Telecommunications Standards Institute (ETSI)** – the Office represented the Czech telecommunication administration in the category of national administrations, participated in the management and administration of the organization which, similarly to the CEPT, provides a professional base for technical standardization of telecommunications in the EU and has multi-regional reach.

## 2.3 Other international activities

In 2013 the employees of the Office attended bilateral and multilateral negotiations on coordination of radio frequencies with the representatives of the administrations of Central European countries, professional training events organized by foreign institutions, manufacturers and suppliers, negotiations with partner regulators of European countries concerning the coordination of procedures and exchange of experience, public technical presentations and conferences.

### 2.3.1 Bilateral and multilateral contacts and other international activities

#### **Regional Arrangement on the Radiocommunication Service for Inland Waterways**

In 2013 a representative of the Office participated in two meetings of the committee of RAINWAT (Regional Arrangement on the Radiocommunication Service for Inland Waterways) (hereinafter referred to as “Arrangement”), of which the Czech Republic is also member. At the meetings in 2013 a new chairman and deputy chairman of the RAINWAT committee were elected and appointed. A representative of the Czech administration (of the Office) was elected deputy chairman of the RAINWAT committee for the term of four years. In relation to the legislation applicable to radiocommunication service in inland waterways in the Czech Republic, the implementation of the Arrangement into national regulations was completed in 2013 and adoption of a new decree on radiocommunication service in inland waterways is expected in 2014.

#### **Issue of international coordination of radio frequencies**

Conditions and procedures of international frequency coordination of radio frequencies used for the fixed and mobile service are regulated by the multilateral international Agreement on coordination of the frequencies between 29.7 MHz and 39.5 GHz for the fixed service and land mobile service – HCM Agreement, as amended (hereinafter also referred to as “HCM Agreement”). Representatives of the Office attend twice a year the regular meetings of the working subgroups of the HCM Agreement set up separately for the issues of land mobile and fixed service. Within these negotiations, issues discussed in terms of the land mobile service were those mainly related to the revision of the rules defining the format and mode of electronic data exchange in international frequency coordinations of the stations of the land mobile service (implementation of XML format) and modifications of the coordination software (new



calculation modes taking into account the principle of technological neutrality). During the meeting of the working subgroups for the fixed service the main discussion topic was update of the calculation software and revision of the technical parameters necessary for the calculation of the possible harmful interference.

#### **Bilateral coordination negotiations on the issue of radio and television broadcasting**

In August 2013 a bilateral coordination meeting of the representatives of the administrations of Slovakia and the Czech Republic took place. The issues discussed at the meeting included strategy of the current and future use of the frequency spectrum. A very relevant discussion was mainly regarding the potential release of another part of the frequency spectrum 694 – 790 MHz for mobile services. The coordination of the pending coordination requirements was finished at the meeting.

In October a trilateral meeting of the administrations of Austria, Germany and the Czech Republic took place in Austria. The main topic of the agenda was mutual confirmation of the frequency changes proposed in band III between the Czech Republic and Germany. Certain changes in band III made for the purpose of optimization of the Plan Geneva 2006 have been continuously dealt with for more than four years with Germany at bilateral meetings. Based on the principle of equal access to the frequency spectrum, a trilateral agreement on the changes in band III in the area of the shared border could be put together and signed; it will allow implementation of broadcasting networks in Germany for the dissemination of terrestrial digital radio broadcasting in the scope as approved on government level, without affecting the plans of the Czech Republic and Austria regarding the future use of band III.

#### **North Atlantic Treaty Organisation (NATO)**

In 2013 two meetings of the Civil/Military Spectrum Capability Panel (CaP-3) took place. One of the objectives of both meetings (in April and in October 2013) was to inform the representatives of the administrations of individual NATO member countries about the current use of radio spectrum reserved for this international organization and the armed forces in individual operations.

The pivotal points in both meetings, however, were the preparation of the joint army position on the individual points of the programme of the prepared World Radiocommunication Conference (WRC-15) and information of the work team set up to carry out revision of the NATO Joint Frequency Agreement NATO (NJFA). This preparation will also be the subject of the following meetings, and the position will be specified more accurately with the incoming information from other countries and stakeholders from the whole world. Military position of NATO will be applied during WRC-15 through the delegations of the individual NATO member countries at this conference. The revision of NJFA, which is reflected, within the CEPT member countries, in the report ERC 25 (ECA) and national frequency tables of the individual NATO member countries, was not successfully completed in 2013. The work team envisages the last meeting with possible presence of the civil representatives in April 2014; then the document will be submitted to CaP-3 for hearing and approval.

In addition to the above, the meetings dealt with e.g., the issue of the study on interference with military radars in band 2900 MHz by broadband systems operated in the adjacent band, possible interference with radars in band 5 GHz by systems of broadband communication ground-aircraft (DA2GC), studies of compatibility carried out by the working groups on the CEPT level, etc.

The relevant NATO bodies also participated (by preparing the agenda) in the preparation of the civil-military meeting of the working group CEPT/ECC/WG FM which took place in November.

#### **Eastern partnership of the regulators of electronic communications (EaP)**

The Office together with the Telecommunication Authority of the Slovak Republic (TÚ SR, today Office for Regulation of Electronic Communications and Postal Services (regulatory authority) and PricewaterhouseCoopers Slovakia won in the tender “Eastern partnership of the regulators of electronic communications” announced by the European Commission. Five workshops took place in 2013 where the representatives of the Office and TÚ SR presented their experience in the member countries of the Eastern partnership (Armenia, Azerbaijan, Belarus, Georgia, Moldavia and Ukraine).

The workshops focused on the following topics: analysis of the markets, methodology of the accounting, universal service, MTR and FTR, service quality and consumer protection. Detailed examples and case studies were discussed within these topics, followed by detailed and interactive discussion. The series of workshops allowed the participants to clarify problematic issues and discuss suitable approaches. Representatives of the Office and TÚ SR presented their experiences in terms of the EU and BEREC cooperation.

## CHAPTER 3

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

#### 1. Electronic communications

##### 1.1 The need of amendment of the Electronic Communications Act

With respect to the fact that the new audit regulations (Act No. 255/2012 Sb. (Collection of Laws), on audit) come to effect from 1 January 2014, an amendment of the Electronic Communications Act, which makes it compatible with the new audit regulations in the parts pertaining to the performance of audit activities and administrative punishment, was prepared in 2013. In this context, a similar revision and proposal of changes were also prepared for the Postal Services Act. The process of adoption of the respective act, however, could not be completed in 2013, and therefore the legislative process will continue in early 2014. The respective implementing regulations associated with this amendment (decrees which specify the model identification card for audit both in the area of electronic communications and in the area of postal services) should also be issued in 2014.

The process of changes to the European regulatory framework for electronic communications also started in 2013, with the scheduled completion in 2014. It is therefore possible to expect that the adoption of the regulations in this area will require modifications of the national legislation concerned by making further changes in particular within the Electronic Communications Act.

##### 1.2 Subscriber disputes – disputes concerning the compliance with the payment obligation

For a long time the Office has been warning about the unsustainable situation regarding the administration of the settlement of subscriber disputes, i.e., of private-law disputes concerning the compliance with the payment obligation between the entities carrying out communication activities and the subscriber or, if applicable, user (Section 129 of the Electronic Communications Act). In spite of the planned returning of this administration to the courts' decision activities in the previous years, this process was not completed in 2013.

The above-mentioned disputes are therefore still within the scope of the Office. By a government decision No. 528 dated 3 July 2013 the Office at least received additional personnel for this area. The government also acknowledged the need for a change of the Electronic Communications Act in order to introduce the following procedural tools and measures for more effective settlement of subscriber disputes:

- Cancellation of a specific period for issuing a decision,
- Introduction of the so-called pre-action request (similar to Section 142a of the Code of Civil Procedure),
- Elimination of remedy in disputes concerning payment up to CZK 10,000 (Section

202 (2) of the Code of Civil Procedure),

- Modification of the administrative fees so that they correspond with court fees.

In 2013 the Ministry of Industry and Trade prepared a proposal of the respective amendment of the Electronic Communications Act. The process of adoption thereof, however, could not be completed by the end of 2013, and therefore it will continue in the beginning of 2014.

The Office, however, still points out that the above-mentioned measures (based on the government resolution No. 528) should be viewed as interim. They can only meet the current needs of the Office for the routine administration of this area in a situation where, due to the unfinished legislative process of removal of the above-mentioned disputes from the scope of powers and responsibilities of the Office, the Office was in fact overwhelmed with new requests of the operators in 2013 (see chapter 1.2). The Office therefore again points out that it is necessary to transfer – at least in medium term – this part of the settlement of subscriber disputes concerning the compliance with the payment obligation outside of the scope of powers and responsibilities of the Office. Settlement of these basically private-law disputes is not regulation and does not bring any feedback for the regulatory and supervisory activities of the Office performed in the area of consumer protection. In the Office's opinion, it is advisable to address the transfer of these responsibilities legislatively comprehensively in accordance with the declared plan of the government to transfer minor disputes from general courts. The Office has repeatedly expressed its preparedness to work on such system solution, stating that the removal of these responsibilities from the scope of powers and responsibilities of the Office will in fact create the necessary space for the Office's regulatory and supervisory activities as well as activities in the area of consumer protection.

### 1.3 The need for issuing implementing regulations in respect of the Electronic Communications Act

The change of the legal framework of electronic communications made in 2013 as well as the general need to respond to the development in the sector are also related to the need to issue some changes of the implementing regulations for the Electronic Communications Act.

Based on the development in the respective regulatory work and also in connection with the adopted state policy in the area of electronic communications, it is therefore advisable to revise and change in particular the following implementing laws and regulations which are within the scope of powers and responsibilities of the Ministry of Industry and Trade:

- Government regulation No. 154/2005 Sb. (Collection of Laws), on determination of the amount and method of calculation of the fees for the use of radio frequencies and numbers, as amended,
- Government regulation No. 109/2008 Sb. (Collection of Laws), on the conditions of provision of special prices of the publicly available telephone service, as amended by Government Regulation No. 354/2012 Sb. (Collection of Laws),
- Decree No. 155/2005 Sb. (Collection of Laws), on the method of development of calling signs, identification numbers, codes and identifiers, the use thereof, and the types of radiocommunication services for which they are required,

- Decree No. 117/2007 Sb. (Collection of Laws), on numbering plans of the networks and services of electronic communications, as amended.

The above-mentioned laws and regulations are among the basic legal tools of regulation. The changes thereto should therefore respond to the needs of the sector of electronic communications, development of the technologies and the services of electronic communications and should be focused on the fulfilment of the goals of the adopted state policy in this area and also on the identified needs of the developing practice.

## 2. Postal services

Similar to the area of electronic communications, an amendment of the Postal Services Act was prepared also in 2013 in the area of postal services in connection with the adoption and effectiveness of Act No. 255/2012 Sb. (Collection of Laws), on audit (audit regulations), which supersedes from 1 January 2014 the existing Act No. 552/1991 Sb. (Collection of Laws), on state audit, as amended, the respective revision should focus on the area regulating the audit activities and administrative punishment in the area of postal services.

### 2.1 The need for issuing implementing regulations in respect of the Postal Services Act

Within the scope of powers and responsibilities of the Office, a legislative process was prepared and commenced in 2013 regarding the proposal of the government regulation on determination of the minimum number of outlets for the provision of the basic postal services for the implementation of Section 3 (2) a) of the Postal Services Act. The authorization for the issue of this implementing regulation for the Postal Services Act was introduced by the amendment of the Postal Services Act made by Act No. 212/2013 Sb. (Collection of Laws), which came to effect on 1 October 2013. The legislative process could not be completed by the end of 2013, and therefore it will continue at the beginning of 2014 when the proposal should be submitted to the government for.

Another implementing regulation within the scope of powers and responsibilities of the Office is the proposed amendment of Decree No. 464/2012 Sb. (Collection of Laws), on specification of the individual basic services and basic quality requirements for the provision thereof. This amendment of the decree is a response to the changes of the Acts of the Universal Postal Union in the area provision of postal services for the blind which occurred based on the conclusions from the convention of the Universal Postal Union which took place at the end of 2012 in Doha. This proposed amendment of the decree has been prepared and the respective legislative process started at the end of 2013. In this case, too, the process could not be completed in 2013, and therefore it will be completed at the beginning of 2014.

## CHAPTER 4

# ORGANIZATION AND PERFORMANCE OF THE ACTIVITIES OF THE OFFICE

## 1. Financial results of the Office

Binding indicators of Chapter 328 – the Office are based on Act No. 504/2012 Sb. (Collection of Laws), on state budget of the Czech Republic for the year 2013 dated 19 December 2012. An overview of the fulfilment of these indicators is provided in annex No. 9, at the same time, an overview of the binding indicators for the year 2014 (obligation laid down by the Electronic Communications Act) is provided in annex No. 10.

### 1.1 Evaluation of the fulfilment of indicators of chapter 328 – Czech Telecommunication Office

#### Total revenues

The approved budget of the binding indicator – *total revenues* - in the amount of CZK 930,650,000 was not modified in any way in 2013. The actual value achieved is CZK 1,173,466,121.35 , i.e., compliance with the adjusted budget at 126.09 % and exceeding thereof by CZK 242,816,121.35 .

Tax revenues – administrative charges were collected in the volume of CZK 68,445,168.33 , i.e., compliance with the adjusted budget at 362.85 % and exceeding thereof by CZK 49,582,168.33 .

A substantial part of non-tax revenues is revenues from the activities of the Office, i.e., revenues from the radio spectrum management which amounted to CZK 975,903,602.68 and revenues from number management in the amount of CZK 107,309,098.

The category of non-tax revenues includes also revenues from the budget of the European Union where the adjusted budget in the amount of 860,000 was complied with at 1,302.07 % the revenues being CZK 11,197,779.77. The Office received

- CZK 2,091,000 as a consideration for the costs spent, according to the monitoring report, for a project reg. No. CZ.1.04./4.1.00/48.00020 entitled “Implementation of the recommendation of the EC Commission on the regulation of rates for call termination in fixed and mobile networks in the EU in the regulation of the prices of the Office” (LRIC),
- CZK 7,365,045.29 as a consideration for the costs spent, according to the monitoring report, for a project reg. No. CZ.1.04./4.1.00/48.00030 entitled “Effective management of the Office”,
- CZK 283,772.71 as a consideration for the costs spent, according to the monitoring report, for a project reg. No. CZ.1.04./4.1.00/59.00014 entitled “Improvement of effectiveness of the frequency spectrum management”,
- CZK 1,457,961.77 as a consideration for the costs spent, according to the monitoring report, for a project reg. No. CZ.1.04./4.1.00/59.00015 entitled “System of tools

of the regulatory body for the purpose of ensuring competitive environment for the provision of postal services in liberalized postal market”.

The achievement of these budget revenues is affected by the dates of submission of the monitoring reports and subsequently by approval and remittance of the eligible costs.

In the fines levied the within administrative proceedings in 2013 the Office collected CZK 9,120,950.27, i.e., compliance with the adjusted budget at 228.02 %.

In 2013 the Office also budgeted revenues resulting from the lease of properties or parts thereof in the amount of CZK 67,000. These revenues amounted to CZK 120,027, i.e., compliance with the adjusted budget at 179.14 % and exceeding by CZK 53,027. These are revenues from the lease of rooms in the building of the Office in Sokolovská street to the building manager and from the lease of space for the placement of a vending machine, and also the payment from the municipality of Loket for the use of an antenna carrier as a lookout tower at the monitoring station of Karlovy Vary which belongs to the Automated system of frequency spectrum monitoring.

Revenues reported in other revenue items are random, and are therefore not budgeted.

The Radiocommunication account is formed using the revenues from radio spectrum management, pursuant to the Electronic Communications Act and the government regulation. For the year 2013 the amount of CZK 60,938,097 was transferred to this account, and the amount of revenues for the year 2013 was reduced accordingly.

Overviews of all revenues for the year 2013 are provided in annex No. 9 and the planned revenues for the year 2014 are provided in annex No. 10 hereto.

### **Total expenditures**

In 2013 the Office received budget funds from the chapter VPS in the amount of CZK 96,000,000 the amount of which ensues from the Government Resolution No. 528/2013 for the increase of the number of systemized functional positions in the Office by 150 – purpose code: 133980050.

In 2013 the Office used the opportunity to use the so-called “claims” in the amount of CZK 37,545,376.94 for the needs not covered by the budget.

On the other hand CZK 193,119,251.63 was saved in the budget in 2013, of which CZK 28,023,922 was the savings of costs for the coverage of the loss from the provision of the Universal Service, CZK 4,110,307.51 was the savings of expenditures on projects co-funded by the EU and CZK 160,985,022.12 is attributable to other expenditure items.

Total expenditures in 2013 were used in the amount of CZK 587,797,132.32, i.e., use on the adjusted budget at 82.72 %.

The budget of the expenditures of the Office is divided, according to the budgetary structure in terms of the branches, into four sections, namely

Section 241200 – Telecommunication matters,

Section 246100 – Activities of central bodies of state administration in communications,

Section 249100 – International cooperation in communications,

Section 527334 – Other administration in the area of crisis management.



in CZK

Indicator/Section	Approved budget 2013	Adjusted budget 2013	Reality as of 31 December 2013	% used (3/2)
a	1	2	3	4
<b>Total expenditures</b>	<b>614,599,000</b>	<b>710,599,000</b>	<b>587,797,132.32</b>	<b>82.72</b>
of which:				
Section 241200	175,000,000	175,000,000	146,976,078.00	83.99
Section 246100	426,069,000	521,653,000	430,565,979.76	82.54
Section 249100	13,450,000	13,866,000	10,189,284.56	73.48
Section 527334	80,000	80,000	65,790.00	82.24

The expenditures are further broken down according to the type into current and capital expenditures.

In CZK

Indicator/Section	Approved budget 2013	Adjusted budget 2013	Reality as of 31 December 2013	% used (3/2)
a	1	2	3	4
<b>Total expenditures</b>	<b>614,599,000</b>	<b>710,599,000</b>	<b>587,797,132.32</b>	<b>82.72</b>
of which:				
Current expenditures	580,213,000	651,964,071	535,993,007.19	82.21
Capital expenditures	34,386,000	58,634,929	51,804,125.13	88.35

### Current expenditures

Current expenditures in 2013 were used in the amount of CZK 535,993,007.19, which represents compliance by 82.21 % with respect to the adjusted budget. The “claims” for the needs not covered by the budget in the total amount of CZK 34,674,288.94 were used in 2013.

#### Section 241200 – Telecommunication matters

Here 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 Office pursuant to Section 38 (3) of the Electronic Communications Act.

In 2013 the loss of the provider of the Universal Service, Telefónica, for the provision of special prices in 2012 was assessed. The total amount of loss of this company was CZK 96,813,185.

In 2013 net costs from the provision of the Universal service of Telefónica in 2012 were assessed. The total reimbursement of these costs was CZK 50,136,727. This item also includes contributions to the account of the Universal service in the total amount of CZK 26,166 which were reimbursed from the State budget to companies which ceased to exist or where payments on their accounts were unrecoverable.

#### Section 246100 – Activities of central bodies of state administration in communications

Out of this section the prevailing part of the Office’s expenditures is covered. Out of the total amount of these current 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 (53.95 % of the adjusted budget or 63.93 % of the reality),

- the remaining part is 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 249100 – International cooperation in communications

In this section the Office 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 Office is bound to perform on the basis of the Government Resolution No. 676 dated June 1 2005, contributions to international organisations in which the Office 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 527334 – Other administration in the area of crisis management

In this section the Office brings forward expenditures related to activities of the unit for crisis management pursuant to Act No. 240/2000 Sb. (Collection of Laws). For the year 2013 the Office reserved total volume of expenditures at the amount of CZK 80,000 and the reality was CZK 65,790, i.e., use of the adjusted budget by 82.24 %.

### Capital expenditures

The Office plans capital expenditures only on Section 246100 and they are registered in information system EDS/SMVS of the Ministry of Finance. The budget approved for the year 2013 amounted to CZK 34,386,000 and during the year was increased by CZK 24,248,929 by means of eleven budgetary measures to the total amount of CZK 58,634,929. This increase was due in particular to the increase of the number of employees by 150 and the related increase of expenditures under Government Resolution No. 528 dated 3 July 2013. Capital expenditures were used in the amount of CZK 51,804,125.13, i.e., use of the adjusted budget by 88.35 %.

In 2013 the Office used “claims” for the needs not covered by the budget in total amount of CZK 2,871,088.

The capital expenditures were drawn by the Office 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 Office.

### Salaries of the employees and other payments for the work performed

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 2013 was increased in total by CZK 20,811,574 in connection with implementation of Government Resolution No. 528 dated 3 July 2013 (increase by 150 functional positions and the respective payroll resources (including the insurance premium and the CSWF) and the associated

expenditures (for establishment and operation) from VPS to the Office). The adjusted budget was used up by 96.59 %.

The budget of salaries of employees was increased during the year by means of the inclusion of the “claims” for 1 project co-funded by the EU, namely by CZK 188,154.73, and the adjusted budget for 2013 was used by 97.76 %.

The approved budget of the indicator “Remaining payments for work done” was increased during the year by the inclusion of the “claims” in total amount of CZK 497,080 primarily for severance pays and for the year 2013 was used by 97.80 %.

#### **Obligatory insurance premiums paid by the employer**

This type of expenditures is drawn depending on wages really disbursed. The approved budget was also adjusted in connection with the above-mentioned resolution and the project co-funded by the EU and was increased by CZK 7,139,763. The adjusted budget was used up in the amount of CZK 60,746,637.78, i.e., by 96.59 %.

The indicator includes expenditures for social security insurance and the contribution for the State employment policy which were used up for the year 2013 in the amount of CZK 44,641,206, i.e., by 96.57 %.

This indicator also includes expenditures for disbursement of public health insurance premiums where the budget adjusted was used up in the amount of CZK 16,088,064.78, i.e., also by 96.67 %.

#### **Transfer to the Cultural and Social Welfare Fund (CSWF)**

In 2013 the amount transferred to the Cultural and Social Welfare Fund was CZK 1,780,605, i.e., use of the adjusted budget by 99.97 %. As of 31 December 2013 the balance of the Cultural and Social Welfare Fund amounts to CZK 502,394.57.

#### **Expenditures co-funded from the budget of the European Union without Common agricultural policy in total**

In 2013 this indicator of the Office included capital and current expenditures earmarked for the coverage of costs for projects concerning invitation No. 14 from the Integrated Operational Programme and invitations No. 48 and 59 from the Operational programme Human Resources and Employment.

In the relevant period the Office implemented five projects co-funded from the EU funds. There are the following projects:

- CZ.1.04/4.1.00/48.00020 named “Implementation of Recommendation of the Commission of the European Communities No. 2009/396/EC dated May 7, 2009 on 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 31 December 2013 CZK 36,300 was used, of which CZK 5,445 is the share of the state budget and CZK 30,855 is the share of the EU budget (The project was completed in 2012, but in 2013 the mandatory audit was performed, which was funded from the project budget).
- CZ.1.04/4.1.00/48.00030 named “Efficient management of the Office”. As of 31 December 2013 CZK 3,799,498.55 was used within this project, of which CZK 569,774.36 is the share of the state budget and CZK 3,229,724.59 is the share of the

EU budget.

- CZ.1.04./4.1.00/59.00014 named „Increase of efficiency of frequency spectrum management“. As of 31 December 2013 CZK 163,700 was used within this project, of which CZK 24,555 is the share of the state budget and CZK 139,145 is the share of the EU budget.
- 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 31 December 2013 CZK 2,297,982.10 was used within this project, of which CZK 344,697.38 is the share of the state budget and CZK 1,953,284.72 is the share of the EU budget.
- CZ.1.06/1.1.00/14.08496 named “Connection of non-editing AIS of the Office in IS ZR”. This project was commenced in 2013 and no expenditures were incurred by 31 December 2013.

The first two above mentioned projects are implemented within the framework of invitation No. 48 in the Operational programme Human Resources and Employment, the third and fourth projects are implemented also within the framework of invitation No. 7 in Integrated Operational programme, but within the framework of the invitation No. 59. The last project is implemented within the framework of invitation No. 14 in the Integrated Operational programme.

These expenditures were used up during the relevant period at 622.90% of the approved budget, i.e., in the amount of CZK 6,297,481.05 of which the share of State budget was CZK 944,471.74 and the share of the budget of the European Union was CZK 5,353,009.74. This is due to the fact that implementation of one project was extended and also because the obligatory audits of the completed projects were performed. Projects beyond the approved budget were funded from the savings realized on the respective projects in the past. The savings were brought about by the fact that contractors selected in tender procedures were able to perform the assignments for significantly lower amounts than was planned in the budgets of the projects.

#### **Total expenditures earmarked for programmes within ISPROFIN**

In 2013 the Office had one programme registered in ISPROFIN register or, more precisely, since 2011 in the register of the Administration of the assets in the state's ownership, with registration number 128010 – Development and Reconstruction of material – technical base of the Office, with the total amount of expenditures CZK 87,081,000 of the approved budget, out of which CZK 34,386,000 accounted for capital expenditures and CZK 52,695,000 for current 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 Office's Chapter (for the service “Special prices and price plans”), the Office, since 2005, manages the account of the Universal Service which was opened in 2002 as liabilities account having extended prefix “16010” entitled Liabilities – Universal Service with the Czech National Bank, Branch Praha. The account was

established pursuant to Section 32 of the Telecommunications Act. In 2013 the operators contributed to this account the total amount of CZK 8,508, these contributions were continuously remitted to Telefonica, in total amount of CZK 8,508. In addition, an erroneous payment in the amount of CZK 200 was made from this account and in December 2013 this account was closed by transferring the balance in the amount of CZK 43,459 to the Radiocommunication account.

#### Account 16010-725001/0710 (in CZK)

<b>Account balance as of 1 January 2013</b>	<b>43,659.09 <sup>1)</sup></b>
Contributions from the operators	8,508.00
Remitted to Telefónica	52,167.09 <sup>2)</sup>
<b>Account balance as of 31 December 2013</b>	<b>0.00 <sup>3)</sup></b>

1) the account balance consists of overpayment of dissolved company Zephyr Communications, spol. s r.o. and the erroneous payment in the amount of CZK 200 .

2) Expenditures include one amount which was paid to the account in error and was transferred to the correct account (CZK 200) and transfer of the balance to the Radiocommunication account.

3) The account was closed by transferring the balance to the Radiocommunication account.

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 the Electronic Communications Act. The account was also set up at the Czech National Bank, Branch Praha, with the prefix "46017". At the beginning of the year the balance was zero and throughout 2013 contributions from individual operators were credited to this account in the total amount of CZK 17,568; these contributions were continuously remitted to Telefonica, in total amount of CZK 17,568.

#### Account 46010-725001/0710 (in CZK)

<b>Account balance as of 1 January 2013</b>	<b>0.00</b>
Contributions from the operators	17,568.00
Remitted to Telefónica	17,568.00
<b>Account balance as of 31 December 2013</b>	<b>0.00</b>

#### Radiocommunication account

The obligation of the Office to open the Radiocommunication Account is stipulated in the Electronic Communications Act. The account was opened with the Czech National Bank (ČNB), branch Praha, as liabilities account having extended prefix "26010". It is set up pursuant to Government Regulation No. 153/2005 Sb. (Collection of Laws), on specifying the manner and level of generation of funds for the Radiocommunication Account and the method of use thereof, in the amount of 6 % of the collected fees for the use of radio frequencies. The money is transferred to this account on quarterly basis (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 Office by the commission of experts established for this purpose. In 2013, CZK 37,039,799.29 was reimbursed to this end from the radiocommunication account.

The Amendment of the Electronic Communications Act effective from 1 January 2012 allows the Office to use the funds of radiocommunication account also for evaluation of cases according to items 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 Office, etc. In 2013 the Office paid invoices from the radiocommunication account in total amount of CZK 80,953,308.39. These funds were used for:

- expenditures incurred in connection with the service support of the Automated system of monitoring of the frequency spectrum in total amount of CZK 35,231,894.54,
- expenditures incurred in connection with the frequency spectrum management in total amount of CZK 31,864,932.72,
- expenditures incurred in connection with the auction of frequencies in total amount of CZK 11,516,857.13,
- expenditures incurred in connection with the IT support of the administration of subscriber disputes in total amount of CZK 2,169,936,
- management of the project entitled “Improvement of effectiveness of the frequency spectrum management” focusing on issues related to the granting of authorizations for the use of the frequency spectrum at CZK 169,688.

#### Overview of the balance of the Radiocommunication Account (in CZK)

<b>Account balance as of 1 January 2013</b>	<b>357,105,037.05</b>
Generated in 2013	60,981,556.09
Used in 2013	117,993,107.68
<b>Account balance as of 31 December 2013</b>	<b>300,093,485.46</b>

#### Account for development of terrestrial digital television broadcasting

Since the year 2008 the Office has the account opened pursuant to Act No. 304/2007 Sb. (Collection of Laws), amending some Acts in connection with the termination of the transition of terrestrial analogue broadcasting to terrestrial digital television broadcasting, which the Office manages, for the so-called development of terrestrial digital television broadcasting. To this account the Czech Television transferred the funds obtained from proceeds ensuing from advertisements in the amount of 1,250,000 a month, always no later than the end of the following calendar month for the preceding calendar month.

The Office 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 Czech National Bank (ČNB), Branch Praha, as liabilities account having extended prefix “36011”.

In 2013 the Office used the funds on this account to cover the following expenditures:

- CZK 1,609,300 for the upgrade of specialized SW for radio spectrum planning and evaluation of the signal coverage,



- CZK 1,028,500 for tender procedures in relation to the use of band III,
- CZK 331,419 for 5 PCs with 27" monitors for working with map applications.

As of 31 December 2013 the account shows the balance of CZK 1,278,221.94.

#### Account pro development of terrestrial digital television broadcasting (in CZK)

<b>Account balance as of 1 January 2013</b>	<b>4,247,440.94</b>
Generated in 2013	0.00
Used in 2013	2,969,219.00
<b>Account balance as of 31 December 2013</b>	<b>1,278,221.94</b>

#### Current Bank Account for Bank Cards

Since 2002 the Office 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 bank cards, in particular for the payment of expenses for accommodation during international business trips.

As of 1 January 2013 the account showed the balance of CZK 1,595.68. In January 2013 the amount of CZK 605,000.00 was transferred to this account from the expense account. Payments made through the VISA card as of 31 December 2013 amounted to CZK 378,747.60. Transfer from the budget of expenses of 2013 was made in total amount of CZK 0.00, charges for cards were CZK 3,375, and banking fees from January to December 2013 were CZK 5,012.

Final balance on the account as of 31 December 2013 is CZK 1,288.10.

The Office's account for the VISA card is provided in the following table:

<b>Account balance as of 1 January 2013</b>	<b>1,595.68</b>
Transfer from the expenses account	605,000.00
Interest credited to the account from January to December 2013	372.73
Interest paid to the MF from January to December 2013	-365.71
Fee charged for the Visa card from January to December 2013	-3,375.00
Banking fees from January to December 2013	-5,012.00
Insurance of payment cards – loss/theft	-3,480.00
Insurance of the bank cards - GOLD	-8,400.00
Settlements for accommodation from January to December 2013	-378,747.60
Transferred from expenditures January to December 2013	0.00
Transfer to ČNB	-206,300.00
<b>Final balance as of 31 December 2013</b>	<b>1,288.10</b>

### 1.3 Results of external audits

Starting on 2 April 2013 the employees of the Prague Social Security Administration carried out an audit of the payment of sickness insurance, payments of the social security premiums, and the contribution to state employment policy and fulfilment of the tasks in pension insurance for the period from 1 March 2011 until the end of the reporting period prior to the date of the audit.



Protocol No. 1273/13/118 on the audit of the premiums and fulfilment of the tasks in sickness and pension insurance shows no mistakes and no corrective measures were imposed upon the Office as the employer.

On 23 September 2013 an audit of the Supreme Audit Office (NKÚ) No. 13/34 focusing on the funds used for the coverage of the costs from the activities of the Czech Telecommunication Office. On 10 March 2014 the chairman of the Council of the Office was informed about the audit protocol. The audit revealed, among other things, that the Office did not proceed in accordance with Section 13 (3) of Act No. 137/2006 Sb. (Collection of Laws) by splitting the subject of a public contract, lowering the expected value of the public contract below the financial limit of CZK 1,000,000 excluding VAT defined in Section 12 (2) and (3) of Act No. 137/2006 Sb. (Collection of Laws). Prior to the signing of these contracts in the period 2010-2012 the contractor was not subjected to a tender procedure, and therefore the Office failed to proceed in accordance with Section 6 (1) of Act No. 137/2006 Sb. (Collection of Laws) because it did not comply with the principle of transparency. Based on the measure of the chairman of the Council of the Office No. 27/2013 (for details see chapter 4.2 of this Report), effective from 1 January 2014, the process of awarding public contracts was centralized under the legislative and legal department, which will systematically reduce the risk of further mistakes in this area.

The Office did not raise an objection against the audit protocol according to Section 27 of Act No. 166/1993 Sb. (Collection of Laws), on Supreme Audit Office.

## 2. Human resources

In 2013 293 employees joined the Office, four employees went on maternity leave, 77 employees terminated their employment (six of these employees terminated their employment because they retired).

The average adjusted headcount was 503 employees. As of 31 December 2013 the registered number of employees was 639. As of 31 December 2013, 58 employees received old-age pension.

### Number of employees (in comparison with 2011 and 2012)

Indicator/period	2011	2012	2013
Systemized number of employees	444	444	622
Average adjusted number of employees	442	445	503
Number of newly hired employees	70	42	293
Number of terminated employment contracts	68	71	77
Number of employees in post-productive age as of 31 Dec.	62	69	58

### 2013 BUDGET

On 19 December 2012 the Chamber of Representatives of the Parliament of the Czech Republic, by its Resolution No. 1445, approved Act No. 504/2012 Sb. (Collection of Laws), on State budget of the Czech Republic for the year 2013.

Through the letter from the Ministry of Finance of the Czech Republic, ref. No. 19/121 187/2012-193 dated 21 December 2012 “Binding volumes of funds for salaries and the payments for work done (limits of funds for salaries) and the numbers of employees for the year 2013” of the budget chapter 328 – Czech Telecommunication Office, were stipulated as follows.

The limit of funds for salaries and other payments for work done.....	CZK 164,360,000
of which – for salaries .....	CZK 157,282,000
other payments for work done.....	CZK 7,078,000
Limit on the number of employees.....	472 people

The Ministry of Finance complied with the request of the Office dated 23 July 2013 (ref. No. ČTÚ 75 641/2013-602) concerning budgetary measure and in its letter ref. No. MF-75 568/2013/19-1903 dated 16 August 2013 approved the budgetary measure and transferred funds in the amount of CZK 96 million from chapter 398 – VPS to the budget chapter 328 – CTO. The funds have been increased in accordance with Government Resolution No. 528/2013 dated 3 July 2013 for the increase of the number of systemized functional positions in the Office by 150.

Adjusted budget:

The limit of funds for salaries and other payments for work done.....	CZK 185,171,574
of which – for salaries .....	CZK 157,282,000
funds for salaries UV No. 528.....	CZK 20,811,574
other payments for work done.....	CZK 7,078,000
Limit on the number of employees.....	622 people

## FUNDS FOR THE SALARIES OF THE EMPLOYEES OF THE OFFICE

Budget of funds for salaries of employees without projects of European Union for the year 2013 was CZK 157,149,000.

Budget of funds for salaries of employees with the projects of European Union for the year 2013 was CZK 157,282,000.

Budget of funds for salaries of employees according to UV No. 528/2013 for the year 2013 was CZK 20,811,574.

The budget of funds for salaries of employees for the year 2013 provided for salary increase in 2013 (CZK 28,538) by CZK 455 relative to 2012 (CZK 28,083).

## 2.1 Number of positions

In 2013 the number of positions from 1 January 2013 was 472.

Effective from 1 August 2013, the number of positions increased to 622.

## 2.2 Organizational changes

Based on the measure of the chairman of the Council of the Office No. 1/2013 ref. No. ČTÚ-10 549/2013-601 dated 15 February 2013, on organizational changes and on the issue

of new systemization, the scope of powers and responsibilities of the Office changed under the amendment of the Electronic Communications Act (Act No. 468/2011 Sb. (Collection of Laws)) and the Postal Services Act (Act No. 221/2012 Sb. (Collection of Laws)). Effective from 15 February 2013, in order to ensure the activities in the area of postal services, twelve systemized positions were set up and in order to ensure the activities in the area of consumer protection 16 systemized positions were set up in the regulation section and in the section of consumer protection. The new systemization was issued as of the same date.

Based on Government Resolution No. 528 dated 3 July 2013, information on the current critical state of affairs of subscriber disputes pursuant to the Electronic Communications Act, the subject of which is payment, including the impact on the Office, with effect from 1 August 2013 the number of systemized positions was increased by 150 just as the relevant payroll funds (including premiums and the Cultural and Social Welfare Fund) and the associated costs (set up and operation) in total amount of CZK 96 million. At the same time, Government Resolution No. 815 dated 9 November 2011 was changed, Analysis of the current state of affairs of subscriber disputes pursuant to the Electronic Communications Act, the subject of which is payment, including the impact of the transfer, if any, of this administration to the courts, by cancelling section II/2 to 4 and section III/2 to 4 of the resolution. Based on the above-mentioned Government Resolution No. 528, a measure of the chairman of the Council of the Office No. 14/2013 ref. No. ČTÚ-74 173/2013-601 dated 18 July 2013, on organizational changes, appointment of managers, on issuing appendix to the organizational rules and on the issuing of the new systemization, was issued. Effective from 1 August 2013, the organization structure changed and the number of systemized positions was increased, in particular in the departments for the sectors. As of the same date a new separate department of communication (617) was set up, directly reporting to the Chairman of the Council.

Another significant measure which resulted in the change of the organization structure from 1 January 2014 was the measure of the chairman of the Council of the Office No. 27/2013 ref. No. ČTÚ-124 136/2013-601 dated 10 December 2013, on organizational changes, removal and appointment of managers, issuing of the organizational rules and on the issuing of the new systemization. The main changes occurred on four levels: centralization of some activities which are not yet centralized (international business trips (centralization under department 602), debt collection (centralization under department 602), centralization of public contracts (department 606), improvement of methodological management (consumer protection within department 620), improvement of the efficiency of the activities in the entire process of performing analyses of the relevant markets (responsibilities of department 609 divided among departments 611 and 610), and in the implementation of international activities of the Office (transfer of department 605 to report to the chairman of the Council of the Office), adjustments resulting from Act No. 255/2012 Sb. (Collection of Laws), on audit (audit regulations) which comes into effect on 1 January 2014 (changes of the department names in S 30).

## 2.3 Other payments for the work done

Budget of other payments for work done (without funds for salaries of representatives of State authority) without projects of the European Union for the year 2013 was CZK 1,135,000.

From the budget of other payments for works done only the activities which could not be provided by own resources were covered. These are, in particular, works related to the assessment of cases of remedies against the decisions of the Office pursuant to Section 123 of the Electronic Communications Act, i.e., activities of the administrative appeal commission of the chairman of the Council of the Office and the administrative appeal commission of the Council of the Office, the work of the examiners for examinations of radio operators and radio amateurs and the associated paperwork, work related to archiving of documents, consulting and severance pay.

Severance pay was paid to six employees in total amount of CZK 431,840.

## 2.4 Council of the Office

The Budget of other payments for work done - salaries of representatives of state authority - for the year 2013 was CZK 5,549,000.

The Budget of other payments for work done – severance pay – for the year 2013 was CZK 394,000.

Pursuant to Act No. 425/2010 Sb. (Collection of Laws), which amends Act No. 236/1995 Sb. (Collection of Laws), on Salary and other essentials connected with the exercise of the position of representatives of state authority and some other state authorities and judges and deputies of the European Parliament, as amended, and Act No. 201/1997 Sb. (Collection of Laws), on Salary and other essentials of prosecutors and on Amendment of Act No. 143/1992 Sb. (Collection of Laws), on Salary and remuneration for on-call service of employees in budgetary and some other organisations and authorities, as amended, in the period from 1 January 2011 to 31 December 2014 the salary base is CZK 51,731 a month.

On 30 April 2013 the term in office of the chairman of the Council of the Office PhDr. Pavel Dvořák, CSc., ended. He remained member of the Council of the Office.

Based on Government Resolution No. 370 dated 15 May 2013, on appointment of the chairman of the Council of the Office, effective from 16 May 2013, Ing. Mgr. Jaromír Novák was appointed chairman of the Council of the Office for the period of three years.

On 20 May 2013 the term in office of the member of the Council of the Office Ing. Jana Fürstová ended.

Member of the Council of the Office is entitled, pursuant to Section 109 (2) of the Electronic Communications Act, as amended, to the salary in the amount of the average monthly during the office term for the period of six months after his/her term in office in the Council has ended. At the same time, the member of the Office's Council is entitled to severance pay in the amount of five monthly salaries.

Based on Government Resolution No. 527 dated 3 July 2013, on appointment of a member of the Council of the Czech Telecommunication Office, effective from 15 July 2013, Mgr. Ondřej Filip, MBA was appointed member of the Council of the Office for the period of five years.

## 2.5 Training of employees

Employee training was carried out according to the Office's Employee Training Plan for 2013 which was prepared in accordance with Act No. 262/2006 Sb. (Collection of Laws),

labour code, as amended, the Rules Laying Down the Method of Professional Preparation of Employees in Administration Bodies (approved by the Government Resolution No. 1542 dated 30 November 2005, the Office's Binding Instruction No. 15/2006 which specifies the improvement and increase of qualifications of the employees of the Office. The employees received professional, language and management training.

Newly hired employees of the Office completed the introductory training which provided them with basic information on State administration, the issues of the Office and other information necessary to acquire basic knowledge and skills for ability to perform activities in the State administration. The training was provided mostly in the form of e-learning.

In the context with the migration to Microsoft Office 2013 the employees received training in the differences between Microsoft Office 2013 and the currently used Microsoft Office 2003. In the area of information technologies the relevant employees participated also in training courses to deepen their knowledge of the specialized applications used in the Office.

A series of legal training sessions was organized for the employees in 2013. The training focused on the new Civil Code, the new Audit Act, the Code of Administrative Procedure, the Electronic Communications Act, the Consumer Protection Act, the Labour Code, etc.

Within the departments of the Office specialized training took place on the issues of electronic communications or, if applicable, postal services, with which the departments deal. In cooperation with the Faculty of Electrical Engineering of the Czech Technical University (ČVUT) 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 maintain and develop language knowledge employees participated in group and individual courses of English, French and German.

Designated employees attended courses focused on the development of management and personal skills.

Individual employees completed, in line with their individual training needs, training events organized by different training companies.

As of 31 December 2013 the expenditures in the account Services of training and training were CZK 3,309,000 and the expenditures in the account Participation fees for conferences amounted to CZK 174,000.

<b>Number of people who completed different training events (in comparison to 2011 and 2012)</b>			
<b>Focus</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Language courses	136	130	138
Training in the affairs of the European Union	39	27	56
Courses focused on Information Technology	208	421	873
Other training events	770	960	2 140
<b>Costs of training in thousands of CZK</b>	<b>2,783</b>	<b>2,730</b>	<b>3,483</b>

An overview of the employment regulation limits, Overview of the basic personnel data and Overview of mandatory indicators broken down for the year 2013 are provided in annexes No. 10, No. 11 and No. 12 hereto.

### 3. Information technologies

In 2013, based on invitation No. 14 “Joining non-editing agenda information systems with information system of basic registers”, the project “Joining nonediting AIS the Office with ISZR” started within the framework of the Integrated Operational Programme CZ 1.06. The subject of the program is connection of other information systems of the Office to basic registers by means of joint communication interface, utilization of services of unified identity space and modification of internal logics of IS concerned. During the year the so-called Legal Act was issued and three public contracts were announced: for the organization of public contracts within the project pursuant to Act No. 137/2006 Sb. (Collection of Laws), for project and grant management, and for the modification of the Modular administrative system (IS MOSS).

In the context of the announced end of support for OS Windows XP the computers were migrated to OS Windows 7. The project started with an analysis which evaluated the technical conditions for the migration of work stations in terms of their technical configuration and also verified the compatibility of the peripherals with the new operating system. This was followed by the testing of compatibility of the operated applications with OS Windows 7 or, as the case may be, modification thereof. In stage three the work stations were gradually migrated to the new operating system. The entire project was completed in early September 2013.

Another similar project was the migration of the work stations from MS Office 2003 to MS Office 2013. The process, in terms of the division in stages, was similar to the migration to OS Windows 7, in addition, however, the output document templates in the individual information systems had to be adjusted. With respect to the difference in the control of the applications, difference training was provided to all users of MS Office 2013. The project was finished on 31 October 2013.

In IS MOSS, gradual development of the entire system continued: e.g., the Complaints and Suggestions module was put into service, an automatic link to the system of the Prison Service and link to the composite services of the Basic Registers were implemented. A module for registration of the qualification certificates was prepared, resulting in unification of previously separated records in this area. In connection with the increase of the number of users of IS MOSS based on Government Resolution No. 528 dated 3 July 2013, the infrastructure for the administration of subscriber disputes (application server, communication circuits) was reinforced, and partial modifications of IS MOSS were made, aiming at achieving faster work. These modifications are planned also for the year 2014.

Together with the migration to MS Office 2013 the previously separated environment of the Intranet of the Office was unified, and is newly processed in MS SharePoint 2013. The processing included migration of information from the old Intranet and the new distribution of rights to edit the individual parts of the Intranet.



## 4. Internal audit

In 2013 a total of seven audits were carried out by independent department of internal audits (five regular audits, one extraordinary and one follow-up audit).

The following audits were performed:

- “Audit of procurement of public tenders in 2012”,
- “Audit of management of extra-budgetary funds of the Office (Radiocommunication account)”,
- “Audit of the system of hiring new employees with focus on their inclusion in salary levels and salary groups”,
- “Audit of the risk management systems”,
- “Audit of the process of handling of complaints”,
- “Extraordinary audit of compliance with the requirements of the laws and regulations in the area of revenues and expenditures”,
- “Follow-up audit to check compliance with the measures imposed based on the findings from the audits performed in 2012”.

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 Office was verified and effectiveness of managing and control mechanisms of processes audited. All recommendations from the audits were accepted in the form of Note of approval as the task of the meeting of the chairman of the Council of the Office.

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 Office also prepared an annual report on the activities of the Independent Internal Audit department for the year 2012, report on the results of inspections by management for the year 2012. In December 2013 the plan for the independent internal audit department for 2014 and the medium-term plan of activities of the independent internal audit department for the period 2014 - 2016 were approved. A report from the internal evaluation of the quality of the internal audit at the Office was prepared and presented for information to the Chairman of the Council of the Office in 2013.

In 2013 no virtual or real violation of independence or fair-mindedness of internal auditors of the Office occurred in performance of their activities.

As in previous years also in 2013 the Office 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 5

### MANDATORY COMPONENTS OF THE ANNUAL REPORT

#### 1. 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 by the Office 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 2013 the Annual Report also contains the information on the method of funding of the Universal Service in 2013 stipulated by the Electronic Communications Act.

In 2013 some partial services of the Universal Service were provided as mandatory based in a decision of the Office. Some services were provided on voluntary basis.

Most important information concerning Universal services for the year 2013 is provided below in this Report.

##### 1.1 Partial services of the Universal Service

###### 1.1.1 Mandatory services provided in 2013 within the Universal Service

###### **Public telephones**

The obligation to provide the service of public pay telephones or other similar technical devices allowing access to the publicly available telephone service until 31 December 2014 (Section 38 (2) e) of the Electronic Communications Act) was imposed in 2012 on Telefónica by a decision of the Office which came to effect on 9 March 2012.

In order to ensure efficiency of Universal service provided the Office 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 Office modified the list of public pay telephones falling in the mode of Universal Service by a decision which amended the annex to the above-mentioned decision and came to effect on 27 September 2012. The new annex applies to years 2013 and 2014.

###### **Access for handicapped persons to the publicly available telephone service**

The obligation to continue providing the service of access for handicapped persons to the publicly available telephone service, 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 telecommunication terminal equipment (Section 38 (2) f) of the Electronic Communications Act) was imposed in 2012 on Telefónica by a decision of the Office which came to effect on 9 July 2012. The obligation is valid until 15 July 2015.

###### **Special prices or price plans**

The obligation to continue providing people with special social needs, in accordance with Sections 44 and 45 of the Electronic Communications Act, with a selection of prices or price plans which differ from the price plans provided under normal commercial terms, so that

these people have access and could use the partial services and the publicly available service (hereinafter referred to as “special prices”) (Section 38 (3) of the Electronic Communications Act) was imposed in 2012 on Telefónica by a decision of the Office which came to effect on 13 June 2011. The obligation is valid until 2 July 2014.

In the second half of the year the Office started a review of the reasons upon which the obligation was based. Based on the review, the following facts have been found. Reduced-price services for people with special social needs, which the Office considers an alternative to the provision of special prices, are provided by Vodafone within a mobile network and Telefónica within the fixed network. With respect to the age structure and the number of subscribers to whom the special prices are provided by Telefónica in the fixed network and the opinions of the associations of handicapped people, the Office concluded that the reasons persist for imposing the obligation to provide special prices within the Universal Service again. Based on the evaluation of the above, a tender procedure will therefore be commenced in 2014 for a provider of the special prices so that the obligation to provide special prices would still be imposed and the provision of the special prices would be therefore guaranteed.

### 1.1.2 Other partial services

These services are provided on commercial terms. They are the following partial services:

- connection at a fixed point to the public communication network (Section 38 (2) a) of the Electronic Communications Act),
- access at a fixed point to the publicly available telephone service (Section 38 (2) b) of the Electronic Communications Act),
- regular issuance of telephone directories and end-users’ access to those directories (Section 38 (2) c) of the Electronic Communications Act),
- information service about telephone numbers of subscribers of publicly available telephone service available to end-users (Section 38 (2) d) of the Electronic Communications Act),
- additional services to the services listed under a) and b) of the Act (Section 38 (2) g) of the Electronic Communications Act), specifically:
- gradual repayment of the price for the set-up of the connection to the public communication network for consumer,
- free-of-charge blocking of outgoing calls, sending of premium text or multimedia messages or, if technically feasible, access to similar services with increased price or calls to specified types of number for the subscriber,
- free-of-charge itemized bill of the price for the subscriber,
- provision of information upon the subscriber’s request on lower prices or better plans and the conditions under which they are provided, if such information is available, and
- checking of the spending of the subscriber in relation to the use of the publicly available telephone service, including free notification of the consumer in the event of an unusual or excessively increased use of the service.

These services are the subject to regular monitoring regarding the evaluation of which the Office issues a report every year. In March 2013 it was discovered, based on the monitoring of 2012, that there is no reason to impose the obligation.

Monitoring of the partial services for the year 2013 will be evaluated this year, and the Office will proceed based on the results thereof.

## 1.2 Funding of the Universal Service

In 2013 the Universal Service was funded in parallel through two legal and two financial modes:

- pursuant to Act No. 151/2000 Sb. (Collection of Laws), on telecommunications and on amendment of other acts, as amended (hereinafter referred to as “Telecommunications Act”) for the funding of the Universal Service for 2001, 2002, 2003, 2004, 2005 and a part of 2006,
- pursuant to the Electronic Communications Act for the funding of the Universal Service for 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013.

### 1.2.1 Pursuant to the Telecommunications Act

#### **Pursuant to Act No. 151/2000 Sb. (Collection of Laws), on telecommunications**

As in the previous years, also in 2013 the Office administered the Universal Service account, which was set up in 2002 and which was established pursuant to Section 32 of the Telecommunications Act and the payments are made from it to cover demonstrable losses of the Universal Service provider pursuant to the Telecommunications Act. Pursuant to Act No. 151/2000 Sb. (Collection of Laws), the obligation to provide Universal service was imposed only on 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 Office 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. In 2013 the collection of contributions for the account of the Universal Service was completed.

The status of the proceedings as of 31 December 2013 is shown below.

#### Loss for the year 2001

In 2013 the Office completed the administrative proceedings concerning the collection of contributions for the coverage of the loss, which the Office verified at the amount of CZK 195,042,676 by its decision from November 30, 2010. The contribution of FACTCOM a.s. in the amount of CZK 4,013 was paid, due to the non-recoverability, to the account of the Universal Service from the state budget and then credited to Telefónica. All other contributions were paid in 2012 and the funds were immediately credited to the provider of the Universal Service.

#### Loss for the year 2002

In 2013 the Office completed the administrative proceedings concerning the collection of contributions for the coverage of the loss, which the Office verified at the amount of CZK 257,494,476 by its decision dated 30 December 2010. The contribution of FACTCOM a.s. in the amount of CZK 2,990 was paid, due to the non-recoverability, to the account of the Universal Service from the state budget and then credited to Telefónica. All other contributions were paid in 2012 and the funds were immediately credited to the provider of the Universal Service.

Loss for the years 2003, 2004 and 2005

The reimbursement of the loss for 2003, 2004 and 2005 which the Office verified at the amount of CZK 290,510,226 , 302,622,498 and 286,966,147, respectively, was made completely in 2012.

Loss for the year 2006

In 2013 the Office completed the administrative proceedings concerning the collection of contributions for the coverage of the loss, which the Office verified at the amount of CZK 280,274,507 by its decision dated 1 November 2010. The contributions of BELLBRIDGE s.r.o. in the amount of CZK 1,387 and Private Tel CZ, s.r.o., in liquidation, in the amount of CZK 118 were written off due to non-recoverability and paid to the account of the Universal Service from the state budget and then credited to Telefónica. All other contributions were paid in 2012 and the funds were subsequently credited to the provider of the Universal Service.

Account of the Universal Service pursuant to the Telecommunications Act

– balance of funds on the account 16010-725001/0710 in 2013

<b>Balance of the account of the Universal Service as of 1 January 2013</b>	<b>CZK 43,659.09<sup>1)</sup></b>
Credit - total contributions paid	CZK 8,508.00
Total expenditures	CZK 52,167.09
of which:	
Debit – contributions transferred to the providers of the Universal Service	CZK 8,508.00
Debit – payment of CZK 200 in error, transferred in 2013	CZK 200.00
Debit – transfer to the Radiocommunication account when the account was closed	CZK 43,459.09 <sup>2)</sup>
<b>Balance of the account of the Universal Service as of 31 December 2013</b>	<b>CZK 0.00<sup>3)</sup></b>

<sup>1)</sup> Account balance as of 1 January 2013 is due to an excess payment of Zephyr Communications, spol. s r.o. in the amount of CZK 43,459.09 and payment sent to the account in error in the amount of CZK 200.

<sup>2)</sup> Transfer to the Radiocommunication account was made in accordance with Section 49 (14) of the Electronic Communications Act, in wording until 30 June 2010.

<sup>3)</sup> Account of the Universal Service No. 16010-725001/0710 was closed.

## 1.2.2 Pursuant to the Electronic Communications Act

In 2013 the Office administered the account of the Universal Service, which was established in 2008 pursuant to Section 49 of the Electronic Communications Act and from which

net costs, incurred by provision of the Universal Service to the provider the Universal Service pursuant to the Electronic Communications Act, are covered.

#### Net costs for 2006

The reimbursement of net costs, which the Office verified at the amount of CZK 73,875,953 by its decision dated 23 July 2010 was completely settled in favour of Telefónica which provided the Universal Service in 2006 in the defined scope.

#### Net costs for 2007

The reimbursement of net costs, which the Office verified at the amount of CZK 105,478,583 by its decision dated 9 April 2010 was completely settled from the account of the Universal Service in favour of Telefónica which provided the Universal Service in 2007 in the defined scope.

#### Net costs for 2008

The reimbursement of net costs, which the Office verified at the amount of CZK 100,992,529 by its final decision dated 29 October 2010 was completed in 2013. The contribution of ATC RESLER spol. s r.o. in the amount of CZK 10,190 was paid in 2013 to the account of the Universal Service, due to the non-recoverability, from the state budget and then credited to Telefónica which provided the Universal Service in 2008 in the defined scope.

#### Net costs for 2009

Concerning the reimbursement of contribution to the costs, which the Office verified at the amount of CZK 73,363,998 by its final decision dated 7 July 2011, in 2013 the Office did not complete administrative proceedings concerning the recovery of contribution of MobilKom, a.s. in the amount of CZK 275,262, due to the pending insolvency proceeding. The contribution of ATC RESLER spol. s r.o. in the amount of CZK 7,468 was paid to the account of the Universal Service, due to the non-recoverability, from the state budget and then credited to Telefónica. All other contributions to the account of the Universal Service have been paid to Telefónica which provided the Universal Service in 2009 in the defined scope.

#### Net costs for 2010

The reimbursement of net costs, which the Office verified at the amount of CZK 46,582,341 by its final decision dated 29 November 2011 was completely settled out of the State budget already in 2011 in favour of Telefónica which provided the Universal Service in 2010 in the defined scope.

#### Net costs for rok 2011

The reimbursement of net costs, which the Office verified at the amount of CZK 55,028,579 by its decision dated 3 December 2012 was completely settled out of the State budget already in 2012 in favour of Telefónica which provided the Universal Service in 2011 in the defined scope.

#### Net costs for 2012

The reimbursement of net costs, which the Office verified at the amount of CZK 50,136,727 by its final decision dated 7 November 2013 was completely settled out of the State budget on 12 December 2013 in favour of Telefónica which provided the Universal Service in 2012 in the defined scope.

## Account of the Universal Service

– balance of funds on the account 46017-725001/0710 in 2013

<b>Balance of the account of the Universal Service as of 1 January 2013</b>	<b>CZK 0</b>
Credit - total contributions paid	CZK 17,658 <sup>1)</sup>
Debit – contributions transferred to the providers of the Universal Service	CZK 17,658 <sup>2)</sup>
<b>Balance of the account of the Universal Service as of 31 December 2013</b>	<b>CZK 0</b>

<sup>1)</sup> The credit side included also two amounts for ATC RESLER spol. s r.o. (amounts for 2008 in the amount of CZK 10,190 , for 2009 in the amount of CZK 7,468), which were paid from the state budget due to non-recoverability.

<sup>2)</sup> The debit side includes amounts transferred to Telefónica.

## Summary of the payments of net costs incurred in the period 2006 - 2012

	<b>Request for Payment of Net Costs Submitted by the Provider (in CZK</b>	<b>Amount of Net Costs verified by the Office (in CZK)</b>	<b>Payments to the account of US (in CZK)</b>	<b>note</b>
Net costs for the year 2006	84,169,933	73,875,953	37,533,749	The amount of the contribution to Telefónica was quantified at CZK 36,342,204
Net costs for the year 2007	118,666,047	105,478,583	56,652,325	The amount of the contribution to Telefónica was quantified at CZK 48,826,258
Net costs for the year 2008	114,934,483	100,992,529	55,688,078	The amount of the contribution to Telefónica was quantified at CZK 45,304,451
Net costs for the year 2009	89,435,212	73,363,998	40,364,783	The amount of the contribution to Telefónica was quantified at CZK 32,723,953
Net costs for the year 2010	47,483,383	46,582,341	-	Net stocks are covered by the state budget
Net costs for the year 2011	54,992,883	55,028,579	-	Net stocks are covered by the state budget
Net costs for the year 2012	51,285,028	50,136,727	-	Net stocks are covered by the state budget

## 1.2.3 Loss from the provision of the Universal Service "Special prices"

Loss from the provision of the Universal Service "Special prices"

The loss from obligatory provision of partial service „Special prices“ (pursuant to Section 38 (3) of the Electronic Communications Act) for 2012 was covered, as in previous years, from the State budget in 2013.

#### Losses from the provision of special prices in 2012

On 30 July 2013 Telefónica submitted a request for the payment of the loss for the provision of special prices in 2012 pursuant to Section 38 of the Electronic Communications Act. The Office checked the data submitted and, after the deficiencies discovered have been rectified, it verified the new calculations.

By its decision on determination of loss from the provision of special prices within the framework of Universal services, the Office determined in case of Telefónica the loss at the amount of CZK 96,813,185. The verified loss was reimbursed to Telefónica on 22 November 2013.

#### Overview of payments for the loss from the provision of special prices

	<b>Presented loss (in CZK)</b>	<b>Recognized loss (in CZK)</b>
Total Telefónica	96,985,174	96,813,185
of which fixed network	92,050,418	91,878,429
Mobile network	4,934,756	4,934,756
Total	96,985,174	96,813,185



## 2. Annual report of the Office on provision of information pursuant to Act No. 106/1999 Sb. (Collection of Laws), on free access to information, as amended, for the year 2013

The Czech telecommunication Office (hereinafter referred to as “the Office”) hereby publishes this Annual Report on the Provision of Information in 2013, prepared pursuant to Section 18 of Act No. 106/1999 Sb. (Collection of Laws), on free access to information, as amended.

Pursuant to Section 3 of Act No. 127/2005 Sb. (Collection of Laws), on electronic communications and on amendment of some related acts (the Electronic Communications Act), as amended (effective from 1 May 2005), the Office 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 on the Office’s organizational structure and its activities are available for the general public both on the Office’s website at [www.ctu.cz](http://www.ctu.cz) which includes an electronic information board and on the information board located on the bulletin board in the Office’s entrance hall. Information about the handling of life situations pursuant to Decree No. 442/2006 Sb. (Collection of Laws), which stipulates the structure of information published on the obligor in a manner allowing remote access, as amended by Decree No. 416/2008 Sb. (Collection of Laws), is also available through the public administration portal ([www.portal.gov.cz](http://www.portal.gov.cz)).

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

In 2013 36 written or electronically submitted requests for information were submitted and registered at the Office, 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 asset management. As far as the field of the regulation of postal services is concerned, out of this number, the Office this year registered 2 submissions the subject of which was information pertaining to the previous activities of the Office in the assessment whether or not a certain service is postal service, including the specification of the inquirers, contents of the submission and content of the respective position or decision of the Office, and information on the possible participation in a proceeding opened by the Office in the matter of misconduct of the Czech Post.

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

- Provision of documents proving that SKYLINK and CS Link informed the applicant principal contract changes in connection with the preparation and introduction of the SP payment,
- Dates of submission of the administrative appeal of the applicant to the chairman of the Council of the Office (in the matter of decision of the Office ref. No. ČTÚ-149 254/2012-634/VI.-SiA dated 10 December 2012) and the status of processing,
- Information regarding the justification of multiple request for information by the Office (in the register of persons) on TESTAV, realizace staveb, s.r.o.,

- Access to electronic and hardcopy versions of the documents proving the ordering and receipt from e-FRACTAL, s.r.o. or authorized expert Ing. Jiříh Berger (orders, invoices, handover protocols, commercial or other contracts),
- Number of submissions of consumers by the Office in the period from 1 January 2012 to the date of the request, i.e., 17 May 2013,
- Names of the members of the administrative appeal commission discussing the matter registered under ref. No. ČTÚ -3 248/2013-603, regarding the administrative appeal against the decision of the Office, ref. No. ČTÚ-179 753/2012-635/VI.vyř.Url dated 23 November 2012, in the matter of imposition of fine pursuant to Section 120 (2) of the Electronic Communications Act, for an offence pursuant to Section 119 (2) e) of this Act,
- Registration of the objections or complaints sent to the Office in the period 09 to 12/2005 in the matter of adjustment of the use of free minutes,
- Information whether the Office has, in agreement with all suppliers of consulting activities provided in the context of the completed auction of the spectrum and the prepared auction of the spectrum, including their subcontractors, the obligation prohibiting cooperation of these entities in connection with the auction of the spectrum, i.e., suppliers and their subcontractors, if any, with the participants in the auction of the spectrum,
- Statements and positions of the Office for the Protection of Competition (hereinafter referred to as "Office for the Protection of Competition") and the European Commission or other recorded outputs from the consultation of the proposed rules of the frequency auction for fourth generation mobile networks between the Office and the Office for the Protection of Competition and between the Office and the European Commission,
- Amount of money dedicated in 2013 for the remuneration of the employees of the Office participating in the prepared analysis of the mobile call market,
- Communication of the file number of the court proceeding in which the lawsuit, if any against the final decision of the Chairman of the Council of the Office (ref. No. ČTÚ-51 819/2011-603 dated 21 May 2012) will be heard,
- Penalties imposed on M77 Group S.A. and M7 Group S.A. and the reason for these penalties,
- Issuing of a decision in the matter of penalty for administrative offence committed by Telefónica Czech Republic, a.s. pursuant to Act No. 234/1992 Sb. (Collection of Laws), on consumer protection, as amended,
- Legal services provided to the Office in the last five years by law office Dáňa, Pergl & Partneři, used by the Office to support its activities within the factual scope of powers and responsibilities defined by the law,
- Submission of the text of the administrative decision of the Office ref. No. ČTÚ-50 717/2008-636/VII dated 26 September 2008, including the annexes, and other documentation supporting the arguments of the administrative body in the aforesaid decision,
- Performance of the activities of administrative appeal commissions of the Office set up by the Office as special advisory bodies pursuant to Section 152 (3) of the Code

of Administrative Procedure, for the purpose of adoption of administrative decisions on remedies against decision of the 1st level administrative body,

- Organization of the administrative appeal commissions of the Chairman of the Council of the Office and of the Council of the Office (members, number of sessions), including the decisions upon the recommendations of these commissions (number of cases decided in accordance with the recommendation and contrary to the recommendation), and the number of lawsuits filed pursuant to part V. Of the Civil Code against the decisions of the Chairman of the Council of the Office and of the Council of the Office in the period 2007 to 2012.

The subject of inquiries from the field of radiocommunications was provision of information pertaining to

- material entitled Information on the Czech Telecommunication Office on the settlement of the suggestions from the public consultation regarding the text of the proposal of “Announcement of tender procedure for the granting of rights for the use of radio frequencies in order to ensure the public communication network in bands 800 MHz, 1800 MHz and 2600 MHz”, including the presentation report and all related annexes (presented in the agenda of the meeting of the government of the Czech Republic held on 9 August 2013 and 14 August 2013),
- list of allocated frequencies within the individual authorizations pursuant to Section 18 of the Electronic Communications Act,
- lawfulness of the use of specific equipment (mobile phone jamming equipment, mobile network simulators, virtual BTS, IMSI catchers), including the communication, if any, and the agreements signed with the providers of mobile networks or the services of electronic communications, regarding the equipment inquired about,
- entities which were granted individual authorizations for the use of radio frequencies for terrestrial digital broadcasting in regional networks 1 to 4 in the Czech Republic and individual authorizations for experimental purposes in Přerov,
- number of individual authorizations for the use of radio frequencies for radio navigation and radiolocation in the respective bands, pursuant to Section 17 of the Electronic Communications Act.

In the area of asset management the subject of the submissions was provision of information on the profit and loss account of the Office, namely on synthetic accounts for the period 2010 to 2012 (other services, payroll costs and other costs from the activities), amount of capital and non-capital expenditures of the Office in 2012, the budget, salaries, website, method of handling used electrical equipment (electric waste of category 5 – lighting equipment), costs of the operation of the Council of the Office in 2012 and in the 1st half of 2013 (payroll costs, presentation costs and costs of international business trips), small-scale contracts for the period 2008 to 2013, the subject of which was provision of economic, financial, HR and legal consulting, costs and scope of the acquired hardware and software for the period 2010 to 2012, method of function of the electronic mail room and the responsibility for the operation thereof, information pertaining to the number of requests pursuant to Act No. 82/1998 Sb. (Collection of Laws), on liability for damage caused in the performance of public authority by a decision or incorrect official procedure and on amendment of the Act of Czech National Council No. 358/1992 Sb. (Collection of Laws), on notaries and their activities (notary regulations), as amended, claimed from the Office, the approach of the Office in the awarding of

small-scale public contracts through the e-marketplaces and the security of e-mail communication, virus and spam protection in the computers and servers, and perimeter vulnerability tests.

In the area of human resources the Office was asked to provide information on the collective-bargain agreements, including their appendices (in the period from 1 January 2010 to date), and information on the number of employees of the Office in the period 2010, 2011 and 2012, information on the Code of ethics of employees in public administration, which was approved by the Government of the Czech Republic and processing of the relevant internal regulation in the form of a binding guideline (company name, remuneration and date of signing of the agreement), through which it reflected in the activities of the Office, and publication of business e-mail addresses of the employees of the Office.

**b) Number of decisions to withhold information**

In 2013 7 decisions were taken to withhold information where the Office, in accordance with Section 11 (1) a) and b) and Section 11 (2) a) of Act No. 106/1999 Sb. (Collection of Laws), does not provide relevant information which were the subject of application or does not have such information.

**c) The number of deferred requests for information settled by notifying applicant pursuant to Section 14 (5) c) of Act No. 106/1999 Sb. (Collection of Laws) (because the relevant application is not the application within the meaning of Act No. 106/1999 Sb. (Collection of Laws) or because it is the information which do not fall within the scope of powers and responsibilities of the obligor) and pursuant to Section 17 (5) of Act No. 106/1999 Sb. (Collection of Laws) (because the request of the Office to cover the costs associated with the provision of the information was not complied with within the statutory period)**

In 2013 the Office put aside 3 requests for information, and 1 request was put aside due to the fact that the information is not within the scope of powers and responsibilities of the Office and 2 requests were put aside because the request of the Office to cover the costs was not complied with.

**d) Number of appeals lodged against decisions**

In 2013 3 appeals (administrative appeals) were filed against decisions to withhold information.

In 2013 no appeal (administrative appeal) was filed against a decision to put aside a request for information (due to the fact that the information is not within the scope of powers and responsibilities of the Office).

**e) Copies of substantial parts of court rulings (Section 16 (4) of Act No. 106/1999 Sb. [Collection of Laws])**

In 2013 the court did not take any decision concerning withholding of information.

**f) The number of complaints submitted pursuant to Section 16a of Act No. 106/1999 Sb. (Collection of Laws), the reasons for their submission and a brief description of the settlement method**

In 2013 the Office dealt with one complaint in connection with an alleged breach of procedures stipulated by Act No. 106/1999 Sb. (Collection of Laws) in dealing with a request for information (the complaint was granted by the obligor by providing the information – wording of the decision concerned).

**g) List of Exclusive Licenses Provided, including the justification for the necessity of providing an exclusive license (Section 14a of Act No. 106/1999 Sb. [Collection of Laws])**

In 2013 the Office did not provide any exclusive license.

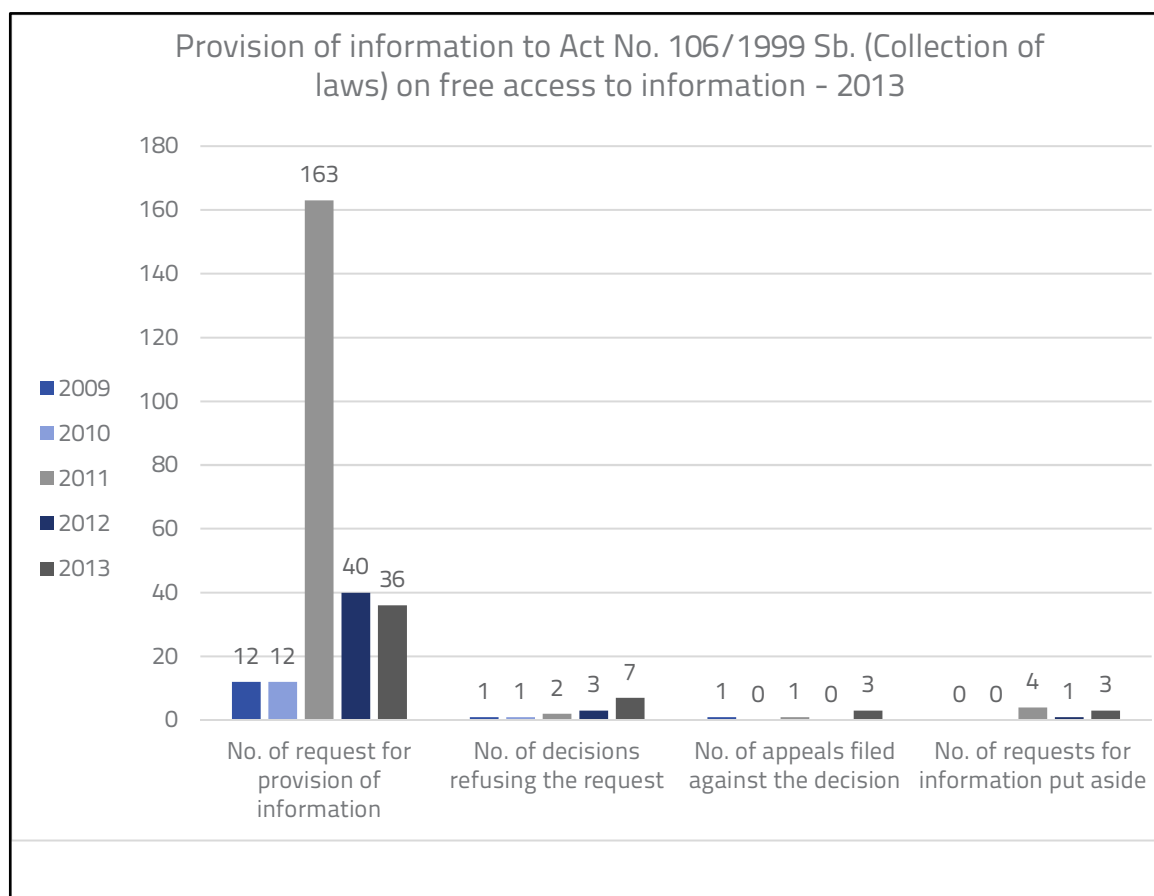
#### **h) Other Information Relating to the Application of Act No. 106/1999 Sb. (Collection of Laws)**

In 2013 the Office did not deliver to the state budget any amount constituting the amount of costs for the information provided pursuant to Act No. 106/1999 Sb. (Collection of Laws)

Written applications for information included in the 2013 were processed in accordance with the law and with the Office's internal Directives. The Office 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 accordance with Act No. 106/1999 Sb. (Collection of Laws), published on the website of the Office.

**Overview of the resolved written requests for information for 2013 in comparison with the previous periods starting with 2009 is provided in the annex and in the following chart:**



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

*Note:*

*This Annual Report was published on 24 February 2014 in a manner allowing remote access, i.e., on the Office's website ([www.ctu.cz](http://www.ctu.cz)).*

**Provision of information to Act No. 106/1999Sb. (Collection of Laws),  
on free access to information, as amended, for the year 2013**

	2009	2010	2011	2012	2013
1. Number of requests for provision of information	12	12	163	40	36
2. Number of decisions refusing the request	1	1	2	3	7
3. Number of appeals filed against the decision	1	0	1	0	3
4. Number of requests for information put aside	0	0	4	1	3

## 2.1 Information on the handling of complaints about the activities of the Office

In 2013 the Office settled twelve submissions that were judged, with regard to their character and content, as complaints in accordance with the provisions of Section 175 of the Code of Administrative Procedure. This number includes also one submission from 2012 because its settlement, considering complexity of investigation, was performed in 2013. The Office also received one submission dated 20 November 2013 the settlement of which, due to the complexity of investigation, still continued in 2014.

The contents of complaints were criticisms of the Office's activities or the Office employees' working procedures in the sense of whether they had not breached the Electronic Communications Act, the Postal Services Act, or the Code of Administrative Procedure, or indicated a significant breach of these regulations. An overview (list) of the submissions made to the Office in 2013 is provided in annex No. 13 hereto.

The investigations of individual cases found that nine 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 the Office 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 Office, delays in investigating the matter and nonstandard procedures of the administrative body in deciding the matter within administrative proceedings. 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 Electronic Communications Act, 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 Code of Administrative Procedure, the Office 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 Office'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 area settling complaints enjoys exceptional and consistent attention in the Office.

Apart from the handling of the aforementioned complaints, no anonymous submission and no action were delivered to the Office in 2013.

In 2013 one petition proposing solution of specific situation was delivered to the Office (restriction of the services and approach to customers and concerns about closing of a post office in the municipality of Loužnice), which the Office could not meet because it lacks relevant competency determined by the legislation, and its recommended to the municipality to contact the Ministry of the Interior as the founder of the Czech Post, or to refer to the Memorandum of the project of Branch network dated 10 February 2011 between the Czech Post and the Union of Cities and Municipalities of the Czech Republic.

The Office also maintains all records regarding all notified or delivered submissions in matters of suspicion of corruption or fraud involving the Office 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 Code of Administrative Procedure (a part of the Annual Report on the Activities of the Office for the relevant calendar year).

In this context, we inform that in 2013 the Office received (electronically) at the anti-corruption e-mail address ([korupce@ctu.cz](mailto:korupce@ctu.cz)) only one submission was filed relating to the suspicion of perpetrating an activity of corruption or fraudulent character by the Office employees, specifically in connection with the tender procedure for the position of a specialized clerk in the department of dispute settlement for the relevant location of the Office when the reporting party considered the procedure non-standard, unprofessional and manifesting possible corruption elements. After having evaluated the contents of the submission in question and after subsequent investigation to the matter, however, no suspected corruption was found.

In terms of the receipt of messages at the anticorruption e-mail address, put into service on 10 July 2007, a very special regime is in force at the Office 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 the Office employees. The Office is prepared to actively react to any submission of this nature in the sense of its internal binding guidelines as well as generally valid legal regulations.

It is necessary to note that the public has shown practically no interest in the anticorruption e-mail address during its operation to date. The existence of an e-mail contact has no influence of the activities of the Office 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 Office to react immediately to a submission and to take without delay any required preventive and corrective measures.

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

# ANNEXES

## TO THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR THE YEAR 2013

## Overview of subscriber disputes in the area of services of electronic communications in 2013

Type of activity	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued <sup>2)</sup>	Decisions in favour of			Number of administrative proceedings left to next period
				subscriber	provider	Other <sup>3)</sup>	
1. Decisions concerning subscriber disputes	355 808	104 610	53 912	4 746	34 656	14 510	406 506
a) on objection about the settlement of a complaint against a service	30	35	35	15	2	18	30
b) on objection about the settlement of a complaint about prices	176	301	301	83	95	123	176
ba) of access to services with expressed price (data and voice)	0	0	0	0	0	0	0
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)	355 538	104 192	53 500	4 623	34 537	14 340	406 230
d) others	64	82	76	25	22	29	70

<sup>1)</sup> The inspection is completed by its physical performance.

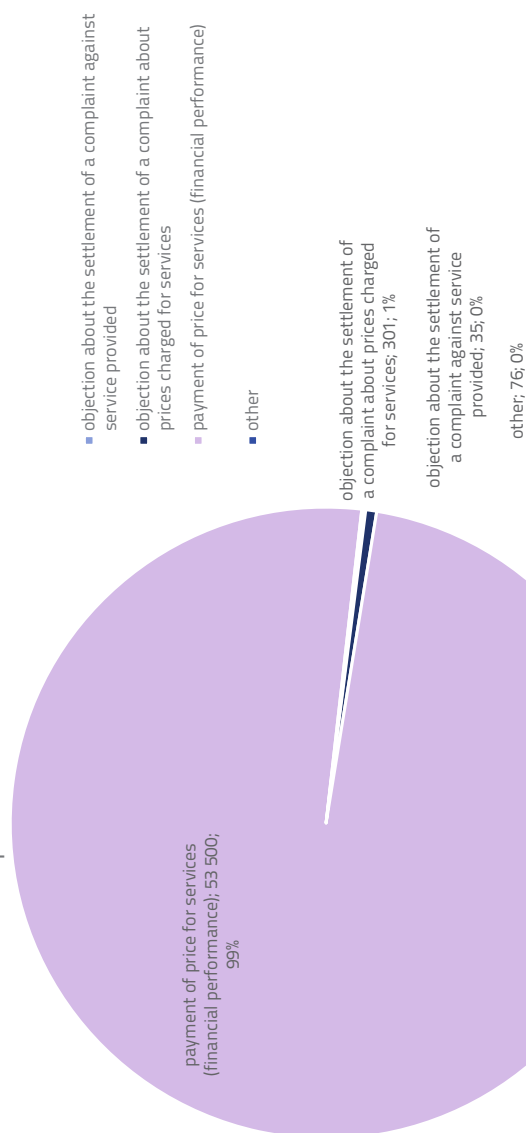
<sup>2)</sup> The number of promulgated decisions in the 1st level of administrative procedure is reported (regardless of legal power).

<sup>3)</sup> 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, etc.

## Subscriber disputes – numbers of decisions issued in 2013

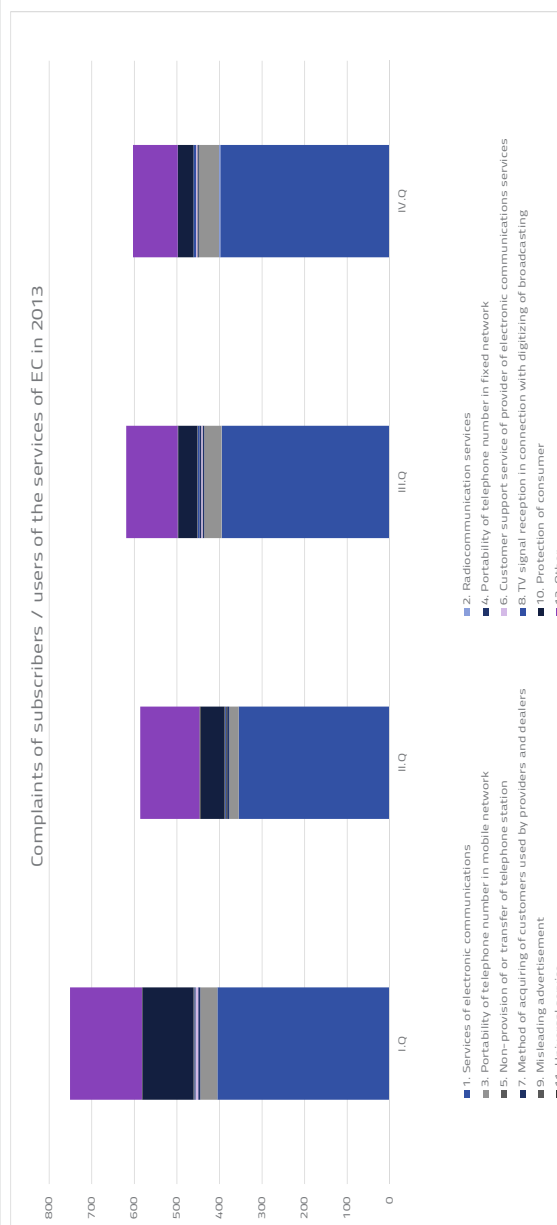
	2013
<b>Number of promulgated decisions</b>	
objection about the settlement of a complaint against service provided	<b>53 912</b>
objection about the settlement of a complaint about prices charged for services	35
payment of price for services (financial performance)	301
other	53 500
of which	76

Subscriber disputes – numbers of decisions issued in 2013



## Complaints of subscribers / users of the services of EC in 2013

Subject of complaint	I.Q.	II.Q.	III.Q.	IV.Q.	Σ
1. Services of electronic communications	405	355	394	398	1552
2. Radiocommunication services	0	0	1	3	4
3. Portability of telephone number in mobile network	40	22	41	47	150
4. Portability of telephone number in fixed network	5	5	3	2	15
5. Non-provision of or transfer of telephone station	0	3	1	2	6
6. Customer support service of provider of electronic communications services	6	0	3	3	12
7. Method of acquiring of customers used by providers and dealers	1	0	4	0	5
8. TV signal reception in connection with digitizing of broadcasting	2	2	4	6	14
9. Misleading advertisement	2	2	1	0	5
10. Protection of consumer	120	55	45	37	257
11. Universal service	1	3	1	0	5
12. Other	169	139	121	105	534
<b>Σ</b>	<b>751</b>	<b>586</b>	<b>619</b>	<b>603</b>	<b>2559</b>



# Complaints and queries of customers about postal services in 2013

Subject		Total complaints
1.	Complaints and questions about basic services pursuant to Section 3 of the Postal Services Act	
	service of delivery of mailings up to 2 kg	21
	service of delivery of packages up to 10 kg	10
	service of delivery of money by postal remittance order	11
	service of delivery of registered letters	18
	service of delivery of valuable mailings	2
	service of free delivery of mailings up to 7 kg for the blind	3
	basic international postal services	4
	service of delivery of packages over 10 kg posted abroad	1
	service of international replies	0
	international service of reply mailings	0
	služba dodání tiskovinového pytle	0
	TOTAL	70
2.	Complaints and questions about postal services	
	long waiting times	0
	opening hours of post offices	14
	change of the deposition post office	19
	delivery of mailings	101
	handling of complaints	16
	breach of mail secrecy	0
	mailings to/from abroad	5
	delivery of official documents	1
	requests for information	8
	TOTAL	164
3.	Complaints and questions about selected non-postal services	
	Czech POINT	0
	data mailboxes	1
	electronic signature	1
	Poštovní spořitelna and other financial services	3
	other services	2
	TOTAL	7

# 1. Overview of number of promulgated decisions on individual licences to use radio frequencies in 2013

Type of licence				Number of Decisions	
				to grant <sup>1)</sup>	to revoke
				licence	
1.	<b>Fixed service</b>				
		total		5095	<b>3479</b>
	of which	point - point		4915	3316
		point - multipoint		180	163
2.	<b>Amateur service</b>				
		total		699	<b>144</b>
	of which	individuals		635	136
		club stations		36	5
		repeaters and packet nodes		28	3
3.	<b>Satellite service</b>				
		total		5	<b>2</b>
	of which	VSAT		1	0
		SNG		4	2
4.	<b>Aeronautical service</b>				
		total		715	<b>330</b>
	of which	aircraft stations <sup>3)</sup>		665	316
		aeronautical stations <sup>4)</sup>		50	14
5.	<b>Maritime service</b>				
		total		108	<b>56</b>
	of which	ship stations		107	56
		shore stations		1	0
6.	<b>Radio broadcasting service</b>				
		total		474	<b>216</b>
	of which	TV transmitters		139	53
		radio transmitters		335	163
7.	<b>Land Mobile Service</b>				
		total		565	<b>248</b>
8.	<b>Other radiocommunication services</b>				
		total		42	<b>2</b>
		radiolocation service		42	2
9.	<b>Short-term Licences</b>				
		total		250	<b>0</b>
	of which	fixed service		85	0
		amateur service		10	0
		land mobile service		122	0
		Aeronautical Mobile service		1	0
		Satellite service		27	0
		Radio broadcasting service		5	0

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

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

3) Mobile stations aboard aircraft other than rescue stations

4) Land stations of Aeronautical Mobile service.

Key:

VSAT - very small aperture terminal

SNG - satellite news gathering



## Verification of special qualifications to operate radio transmitting equipment in 2013

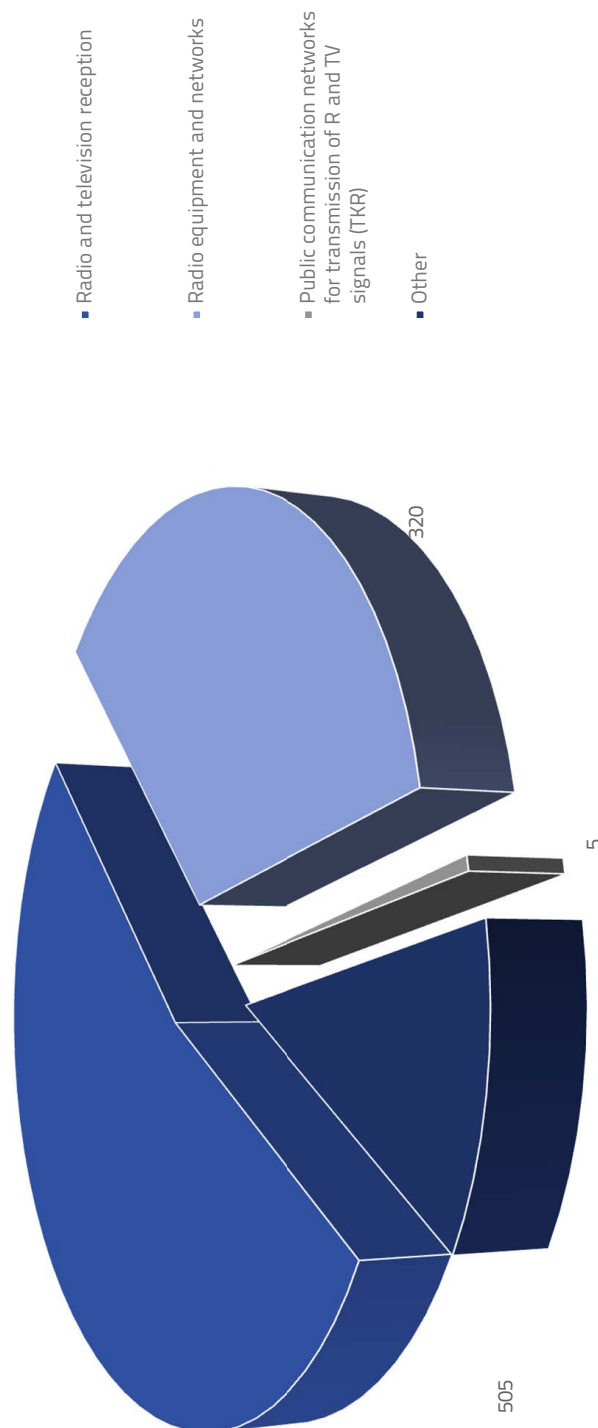
Type of Special Qualification Certificate <sup>1)</sup>	Number of Certificates	
	newly issued	with prolonged validity
1. General radiotelephone operator's certificate of aeronautical mobile service	180	354
2. Restricted radiotelephone operator's certificate of aeronautical mobile service	734	709
3. General operator's certificate of maritime mobile service (GOC)	7	12
4. General operator's certificate of maritime mobile service (LRC)	2	3
5. Restricted operator's certificate of maritime mobile service (ROC)	0	0
6. Restricted operator's certificate of maritime mobile service (SRC)	15	7
7. Radiotelephone operator's general certificate of maritime mobile service	94	136
8. Radiotelephone operator's restricted certificate of maritime mobile service	324	255
9. Land radiotelegraphy operator's certificate	0	1
10. Amateur radio operator's certificate (HAREC certificate)	52	0
11. Amateur radio operator's certificate (NOVICE certificate)	9	0
Total	1417	1477

<sup>1)</sup> Section 2 of decree No. 157/2005 Sb. (Collection of Laws), on the requisites of the application for examination for proving qualification to operate transmission radio equipment, on the scope of knowledge necessary for individual types of the qualification, on the method of examinations, on types of certificates of qualification and the validity period thereof.

## Detection of sources of interference of electronic communications equipment and networks, the provision of Electronic communications services or the operation of radiocommunications services – 2013

	2013
Radio and television reception	505
Radio equipment and networks	320
Public communication networks for transmission of R and TV signals (TKR)	5
Other	105

Detection of sources of interference of electronic communications equipment and networks, the provision of Electronic communications services or the operation of radiocommunications services – 2013



## Overview of activities in the performance of state audit of postal services and subscriber disputes in 2013

Activity	No. of certificates or checks		No. of measures in the interest of proper provision of services	No. of administrative proceedings from previous periods	No. of administrative proceedings commenced	Number of decisions issued	Decided in favor of		Other	Fines imposed		No. of administrative proceedings carried forward to next periods
	total	of which					subscriber	provider		number	amount in CZK	
1. No. of certificates of notification of business issued	16	0	0	0	0	0	0	0	0	0	0	0
2. No. of changes to certificates of notification of business	1	0	0	0	0	0	0	0	0	0	0	0
3. Performance of postal activity without certificate	0	0	0	0	0	0	0	0	0	0	0	0
4. Compliance with the conditions of the Postal Services Act and other regulations	314	0	1	0	24	24	0	0	0	4	4949000	0
a) compliance with postal conditions pursuant to Section 6 of the Postal Services Act	0	104	1	0	3	3	0	0	0	3	461000	0
b) compliance with the conditions of quality requirements pursuant to Decree No. 464/2012	0	210	0	0	21	21	0	0	0	21	4488000	0
5. Decisions on objections against the handling of a complaint pursuant to Section 6a of the Postal Services Act	0	0	0	0	14	7	2	3	2	0	0	7
6. Decisions on disputes pursuant to Section 37 (3) a) of the Postal Services Act	0	0	0	0	0	0	0	0	0	0	0	0
7. Withholding information pursuant to Section 32 a) of the Postal Services Act	0	0	0	0	0	0	0	0	0	0	0	0
8. Other	8	0	0	0	6	2	0	0	0	2	15000	4
TOTAL	335	314	1	0	44	33	2	3	2	6	4964000	11

## Overview of inspection activities during the performance of state electronic communications inspection in 2013

Type of activity	No. of verifications or inspections <sup>1)</sup>	Number of requests for rectification		No. of administrative proceedings commenced	Number of decisions issued <sup>2)</sup>	Other <sup>3)</sup>	Fines imposed in CZK		No. of adm. proceedings carried forward to next periods
	Total	of which					number	amount	
1. Performance of communication activities without authorisation	48	0	0	7	18	25	22	60 263 000	0
2. Compliance with the conditions of General Authorisations	544	0	188	0	144	139	137	1 502 000	5
a) To provide public communications networks and the associated facilities	0	0	0	0	10	10	9	55 000	0
b) To provide electronic communications services	0	20	0	0	4	4	4	15 500	0
c) To use radio frequencies and operate devices	0	524	188	0	130	125	124	1 431 500	5
3. Radio frequencies inspection	1 144	0	174	3	104	106	105	1 076 000	1
a) Use of radio frequencies without authorisation	0	151	0	3	67	70	69	619 000	0
b) Compliance with the conditions of individual authorisations for using radio frequencies	0	993	174	0	37	36	36	457 000	1
4. Discovering sources of interference in electronic communications equipment and networks, provision of electronic communications services or the operation of radiocommunications services	925	0	110	0	9	9	8	90 000	0
a) in radio and television reception (broadcasting service)	0	505	14	0	0	0	0	0	0
b) in radio equipment and networks	0	320	73	0	3	3	2	35 000	0
c) in public communications networks for radio and television signal transmission (TKR)	0	5	1	0	0	0	0	0	0
d) other	0	95	22	0	6	6	6	55 000	0
5. Inspections of numbers for the purpose of number administration (number of inspection calls) <sup>4)</sup>	1 138	0	0	0	0	0	0	0	0
a) use of numbers without authorisation	0	23	0	0	0	0	0	0	0
b) use of numbers in contradiction to the authorisation for their use	0	2	0	0	0	0	0	0	0
6. Monitoring the radio spectrum for the purpose radio spectrum management	2 403	0	0	0	0	0	0	0	0
a) measurement of time use of the frequencies and frequency bands	0	1 902	0	0	0	0	0	0	0
b) measurement of the coverage of the area with radio signal	0	102	0	0	0	0	0	0	0
c) measurement of the intensity of electromagnetic field	0	55	0	0	0	0	0	0	0
d) other	0	344	0	0	0	0	0	0	0
7. Withholding information pursuant to Section 115 of the Electronic Communications Act	0	0	0	0	23	22	23	216 000	1
8. Other <sup>5)</sup>	422	0	56	7	360	343	311	2 197 000	24
TOTAL	6 624	0	528	17	658	644	606	65 344 000	31

1) The inspection is completed by its physical performance.

2) The number of promulgated decisions in the 1st level 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, etc.

4) Total number of calls to phone numbers.

5) Sum of specific problems.

# Measures of a general nature (OOP) promulgated in 2013 pursuant to the Electronic Communications Act

MGN - other		MGN name	MGN dated	TB No. dated	MGN effective date
No.	MGN No.				
1.	OOP/6/03.2013-1	MGN which repeals OOP/6/07.2005-7 which defines the scope of minimum set of leased circuits pursuant to Section 76 (2)	13.3.2013	4/2013 dated 29.3.2013	15th day after publication in the TB
2.	OOP/5/05.2013-2	MGN which amends OOP/5/11.2007-14 which defines the scope, form, and mode of publishing of information on the results of provision of the Universal Service pursuant to Section 47 (3)	15.5.2013	6/2013 dated 24.5.2013	15th day after publication in the TB
3.	OOP/4/08.2013-3	OOP which amends OOP/4/03.2006-3 which defines the methodology of purposeful classification and matching of costs and revenues and defines the structure of reported information pursuant to Section 86 (3)	28.8.2013	12/2013 dated 2.9.2013	15th day after publication in the TB
MGN - General Authorisations					
No.	MGN No.	MGN name	MGN dated	TB No. dated	MGN effective date
4.	VO-R/23/09.2013-5	MGN (VO) for the use of radio frequencies and for operation of fixed service equipment in bands 71 to 76 GHz and 81 to 86 GHz pursuant to Section 9 (2)	17.9.2013	14/2013 dated 23.9.2013	15.10.2013

MGN - Plan of the use of radio spectrum					
No.	MGN No.	MGN name	MGN dated	TB No. dated	MGN effective date
5.	PV-P/21/11.2013-6	Part of plan of the radio spectrum use for frequency band 174-380 MHz pursuant to Section 16 (2)	30.10.2013	16/2013 dated 1.11.2013	1.11.2013
6.	PV-P/22/11.2013-7	Part of plan of the radio spectrum use for frequency band 87.5-146 MHz suant to Section 16 (2)	30.10.2013	16/2013 dated 1.11.2013	15.11.2013
MGN - Analyses of relevant markets					
No.	MGN No.	MGN name	MGN dated	TB No. dated	MGN effective date
7.	A/2/09.2013-4	Call origination in the public telephone network at a fixed location	10.9.2013	13/2013 dated 13.9.2013	15th day after publication in the TB
8.	A/3/12.2013-8	Call termination in individual public telephone networks provided at a fixed location	10.12.2013	20/2013 dated 13.12.2013	15th day after publication in the TB
9.	A/7/12.2013-9	Call termination in individual public mobile telephone networks	10.12.2013	20/2013 dated 13.12.2013	15th day after publication in the TB

## Compliance with binding indicators of the state budget for 2013 (in CZK)

Indicators	Budget			Final budget	Reality as of 31. 12. 2013	% fulfillment (5/4)
	approved	adjusted				
1	2	3	4	5	6	
<b>Aggregate indicators</b>						
Total revenues	930 650 000,00	930 650 000,00	930 650 000,00	1 173 466 121,35	126,09%	
Total expenditures	614 599 000,00	710 599 000,00	780 916 383,95	587 797 132,32	75,27%	
<b>Specific indicators - revenues</b>						
Tax revenues	18 863 000,00	18 863 000,00	18 863 000,00	68 445 168,33	362,85%	
Total non-tax revenues, capital revenues and transfers received	911 787 000,00	911 787 000,00	911 787 000,00	1 105 020 953,02	121,19%	
incl.: Total revenues from the budget of the European Union without common agricultural policy	860 000,00	860 000,00	860 000,00	11 197 779,77	1302,07%	
Other non-tax revenues , capital revenues and transfers received in total	910 927 000,00	910 927 000,00	910 927 000,00	1 093 823 173,25	120,08%	
<b>Specific indicators - expenditures</b>						
Expenditures for ensuring the fulfilment of the tasks of the Czech Telecommunication Office	614 599 000,00	710 599 000,00	780 916 383,95	587 797 132,32	75,27%	
incl: expenditures covering the loss from provision of the Universal services - special prices	125 000 000,00	123 000 000,00	123 000 000,00	96 813 185,00	78,71%	
Expenditures covering the loss from provision of the Universal service - net costs	50 000 000,00	52 000 000,00	52 000 000,00	50 162 893,00	96,47%	
Other expenditures for ensuring the fulfilment of the tasks of the Czech Telecommunication Office	439 599 000,00	535 599 000,00	605 916 383,95	440 821 054,32	72,75%	
<b>Cross-section indicators</b>						
Employee salaries and other payments for work done	164 360 000,00	185 171 574,00	185 856 808,73	179 611 779,22	96,64%	
Mandatory insurance paid by employer	55 749 000,00	62 824 936,00	62 888 763,00	60 746 637,78	96,59%	
Allocation to Cultural and Social Welfare Fund	1 573 000,00	1 781 116,00	1 781 116,00	1 780 605,00	99,97%	
Salaries of employees under employment contract	157 282 000,00	178 093 574,00	178 281 728,73	172 203 611,22	96,59%	
Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Sb. (Collection of Laws)	80 000,00	80 000,00	80 000,00	65 790,00	82,24%	
Total expenditures co-funded from the budget of the European Union without CAP	1 011 000,00	1 011 000,00	10 407 788,56	6 297 481,05	60,51%	
incl: from the State budget	151 000,00	151 000,00	1 561 096,86	944 471,74	60,50%	
share of the budget of the European Union	860 000,00	860 000,00	8 846 691,70	5 353 009,31	60,51%	
Total expenditures recorded in the information system of program funding EDS/SMVS	87 081 000,00	131 270 825,00	142 813 307,22	98 655 930,45	69,08%	



## Budget chapter indicators - breakdown of the budget for 2014

Aggregate indicators		in CZK
	Total revenues	10 988 347 500
	Total expenditures	742 029 711
Specific indicators - revenues		
	Tax revenues <sup>5)</sup>	17 815 000
	Total non-tax revenues, capital revenues and transfers received	10 970 532 500
	incl.: Total revenues from the budget of the European Union without common agricultural policy	24 165 500
	Other non-tax revenues , capital revenues and transfers received in total	10 946 367 000
Specific indicators - expenditures		
	Expenditures for ensuring the fulfilment of the tasks of the Czech Telecommunication Office	742 029 711
	incl: expenditures covering the loss from provision of the Universal services - special prices	110 000 000
	Expenditures covering the loss from provision of the Universal service - net costs	58 000 000
	Other expenditures for ensuring the fulfilment of the tasks of the Czech Telecommunication Office	574 029 711
Cross-section indicators		
	Employee salaries and other payments for work done	218 359 082
	Mandatory insurance paid by employer <sup>1)</sup>	74 108 298
	Allocation to Cultural and Social Welfare Fund	2 112 592
	Salaries of employees under employment contract	211 259 112
	Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Sb. (Collection of Laws)	80 000
	Total expenditures co-funded from the budget of the European Union without CAP	28 430 000
	incl: from the State budget	4 264 500
	share of the budget of the European Union	24 165 500
	Total expenditures recorded in the information system of program funding EDS/SMVS	52 179 518

1) mandatory premiums for social security and state employment policy and premiums for the public health insurance

5) without the revenues from mandatory premiums for social security and state employment policy

## Overview of employment regulation limits as of 31. 12. 2013

Indicator	Actual 2012	Approved budget 2013	Adjusted budget 2013	Actual 2013	% of fulfilment	Difference col 5 - 2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done:	158 400,00	164 360,00	185 172,00	179 561,00	96,97	21 161
of which:						
Limit of funds for salaries	148 660,00	157 282,00	157 282,00	157 426,00	100,09	8 766
Limit of funds for salaries pursuant to UV 528/2013	0,00	0,00	20 812,00	14 778,00	71,01	14 778
Limit of other payments for work done	9 740,00	7 078,00	7 078,00	7 357,00	103,94	-2 383
Limit on the number of employees (average full-time equivalent)	445	472	622	503	80,87	58
Number of employees as of 31. 12.	443	472	622	639	102,73	196

## Basic HR information - 2013

### 1. CLASSIFICATION OF EMPLOYEES ACCORDING TO AGE AND SEX – STATE AS OF 31. 12. 2013

age	men	women	total	%
up to 20 years	0	1	1	0,16
21 - 30 years	51	104	155	24,26
31 - 40 years	48	80	128	20,03
41 - 50 years	30	90	120	18,78
51 - 60 years	68	91	159	24,88
61 years and more	45	31	76	11,89
<b>total</b>	<b>242</b>	<b>397</b>	<b>639</b>	<b>100,00</b>
<b>%</b>	<b>37,87</b>	<b>62,13</b>	<b>100,00</b>	<b>x</b>

### 2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION AND SEX STATE AS OF 31. 12. 2013

highest education	men	women	total	%
elementary	0	3	3	0,47
trade	2	8	10	1,56
secondary - specialized	0	2	2	0,31
full secondary	4	33	37	5,79
full secondary - specialized	52	157	209	32,71
higher - specialized	2	6	8	1,25
university	182	188	370	57,90
<b>total</b>	<b>242</b>	<b>397</b>	<b>639</b>	<b>100,00</b>

### 3. OVERALL DATA ON AVERAGE SALARIES AS OF 31. 12. 2013

	total
average monthly gross salary	CZK 28 538

### 4. OVERALL DATA ON THE ORIGIN AND TERMINATION OF EMPLOYMENT CONTRACTS IN 2013

	total
arrivals	293
departures	77

### 5. DURATION OF EMPLOYMENT – STATE AS OF 31. 12. 2013

duration	No.	%
up to 5 years	339	53,05
up to 10 years	101	15,81
up to 15 years	71	11,11
up to 20 years	49	7,67
over 20 years	79	12,36
<b>total</b>	<b>639</b>	<b>100,00</b>

### 6. EMPLOYEES' LANGUAGE SKILLS – YEAR 2013

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
	1st level	2nd level	3rd level	
English	–	8	–	8
German	–	–	–	–
French	–	–	–	–
<b>total</b>	–	<b>8</b>	–	<b>8</b>

List of complaints as of 31. 12. 2013  
(Section 175 of Act No. 500/2004 Sb. (Collection of Laws), Code of Administrative Procedure, as amended)

Type of submission	Number of submissions					
	received	from the previous period	settled	justified	unfounded	carried forward to next period
1. Petition <sup>*)</sup>	1	0	1	0	1	0
2. Complaint <sup>**)</sup>	3	1	12	3	9	1
3. Notification <sup>**)</sup>	0	0	0	0	0	0
4. Action <sup>**)</sup>	0	0	0	0	0	0

<sup>\*)</sup> Act No. 85/1990 Sb. (Collection of Laws), on the right of petition

<sup>\*\*)</sup> Act No. 500/2004 Sb. (Collection of Laws), Code of Administrative Procedure, as amended, Section 175

## DEFINITIONS

- ČTÚ, the Office - Czech Telecommunication Office
- Report – Annual Report of the Czech Telecommunication Office for the year 2013
- Electronic Communications Act - Act No. 127/2005 Sb. (Collection of Laws), on electronic communications and on amendment of some related acts (the Electronic Communications Act)
- Postal Services Act - Act No. 29/2000 Sb. (Collection of Laws), on postal services and on the amendment of some acts (Postal Services Act)
- Code of Administrative Procedure - Act No. 500/2004 Sb. (Collection of Laws), Code of Administrative Procedure
- Ministry of Industry and Trade –Ministry of Industry and Trade of the Czech Republic
- Telefónica - Telefónica Czech Republic, a.s.
- T-Mobile - T-Mobile Czech Republic a.s.
- Vodafone - Vodafone Czech Republic a.s.
- UPC - UPC the Czech Republic, s.r.o.
- GTS – GTS Czech s.r.o.
- IRG – Independent Regulators Group
- ERGP – European Regulators Group for Postal Services
- COCOM - Communication Committee
- MVNO – Mobile Virtual Network Operator
- ITU – International telecommunication Union
- BEREC - Body of European Regulators for Electronic Communications
- NGA – next generation access
- LTE - Long Term Evolution



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