

**REPORT ON THE ACTIVITIES OF
THE CZECH TELECOMMUNICATION OFFICE
FOR THE YEAR 2005**

MAY 2006

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Introduction

The Report on the Activities of the Czech Telecommunication Office for the year 2005 (hereinafter referred to as the "Report") documents the activities of the Czech Telecommunication Office (hereinafter referred to as the "CTO") in the period in which a time of completely fundamental changes from the point of view of the market of electronic communications and postal services, also influencing the activities of the CTO in a decisive manner.

From the perspective of the CTO's position in the structure of state administration authorities, the most decisive change was its being made the central administrative and regulatory authority in matters of telecommunications and postal services from April 1st, 2005 by Act No. 95/2005 Coll., which amends Act No. 29/2000 Coll., on Postal Services and on amendments to certain acts (the Postal Services Act), as amended, and some other acts (hereinafter referred to as the "Postal Services Act"). The CTO was also entrusted with new powers in the area of regulating postal services by this Act.

The passing of Act No. 127/2005 Coll., on Electronic Communications and on amendments to certain connected acts (the Electronic Communications Act), as later amended (hereinafter referred to as the "Electronic Communications Act"), effective from May 1st, 2005, was fundamentally important for the CTO's activities from the perspective of the scope

of activities provided in the area of the regulation of the electronic communications market and the manner they are carried out. Apart from the fact that this Act confirmed the CTO's standing as a central state administrative authority, it also transposed the EU's New Regulatory Framework for Electronic Communications to the Czech law.

Thus the Report documents all of the Czech Telecommunication Office's important activities during the course of the year 2005 both from the beginning of the year to April 30th, 2005, i.e. while the Telecommunications Act was in force, and in the period starting from May 1st, when the new Electronic Communications Act came into effect.

Based on the general recapitulation of the main principles of the implementation of the new regulatory framework and its impact on the activities and the organisation of the CTO, the activities and results in the individual specialised areas that the CTO provides are commented on in more detail in the later parts of the Report, including commentary on the CTO's international activities.

In conclusion, the Report provides comprehensive information on CTO's economic and workforce results and the provisioning of other supporting activities that are necessary for the proper fulfilment of the CTO's tasks.

Chapter I.

THE IMPLEMENTATION OF THE EUROPEAN UNION'S NEW REGULATORY FRAMEWORK

Regulatory Rules for Electronic Communication

Knowing that electronic communications are one of the basic fields whose development is a precondition for the total growth of the economy and for the purpose of specifying a legal framework supporting the development of electronic communications services and networks and creating a unified legal environment in the European Union, a new regulatory framework was accepted by the Commission of the European Community in 2002, made up primarily by these basic regulations:

- Directive 2002/19/EC of the European Parliament and of the Council on access to, and interconnection of, electronic communications networks and associated facilities (Access Directive).

- Directive 2002/20/EC of the European Parliament and of the Council on the authorisation of electronic communications networks and services (Authorisation Directive).

- Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services (Framework Directive).

- Directive 2002/22/EC of the European Parliament and of the Council on universal service and users' rights relating to electronic communications networks and services (Universal Service Directive).

- Directive 2002/58/EC of the European Parliament and of the Council concerning the processing of personal data and the protection of privacy in the electronic communications sector (Direc-

tive on privacy and electronic communications).

- Commission Directive 2002/77/EC on competition in the markets for electronic communications networks and services.

- Directive 1999/5/EC of the European Parliament and of the Council on radio equipment and telecommunications terminal equipment and the mutual recognition of their conformity.

This regulatory framework, with the objectives of supporting competition on the electronic communications markets and improving the working of the common market, was implemented in the Czech Republic's legal code effective from May 1st, 2005 by the Electronic Communications Act. The rules for the CTO's activities were hereby newly regulated in comparison with the original legal regulation which was represented by Act No. 151/2000 Coll., on Telecommunications and on the amendments of other acts, as amended (hereinafter referred to as the "Telecommunications Act").

The basic goal of the new legal regulations of the implemented Electronic Communications Act is the establishment of new principles and rules for the regulation of communication activities with the goal of ensuring easier entry to the market for new undertakings, the protection and development of competition in this field and, last but not least, also an increase in the protection of the interests and rights of the users of electronic communications networks and services.

The sense of the Electronic Communications Act is the gradual replacement of sector-specific regulation by asserting

general rules of the given regulations of commercial and competition rights. Analyses of the relevant markets are carried out with this aim and, in accordance with their results, the undertakings that have been found to have significant market power are given special obligations (corrective measures), including a possible obligation connected with the regulation of prices.

From a factual point of view an objective perspective, the Electronic Communications Act also regulates the conditions for ensuring the effective management and reasonable utilisation of radio frequencies. An institute for allocation of radio frequencies was established by the Electronic Communications Act as a basic element, which should, in the future, simplify the transition to possible trading with the rights to use radio frequencies. The obligation to establish and administer a Radiocommunications Account, which is determined for covering effectively and reasonably spent expenses incurred as a result of changes in the use of the radio spectrum based on the CTO's decision, also newly arose for the CTO in this area from the Electronic Communications Act.

The ensuring of the effective management and reasonable utilisation of numbers, number series and codes, addresses and names is also resolved by the Electronic Communications Act. In this area, the obligation to implement the portability of telephone numbers between public mobile telephone networks (the portability of telephone numbers between public fixed telephone networks was already resolved by the Telecommunications Act and has been available in the Czech Republic since January 1st, 2003) was also newly specified by the Electronic Communications Act.

The legal regulations of the universal service were also changed considerably where, in addition to the new definition of the package of services and their division into individual partial services, which should be available to all end users throughout the Czech Republic in the

specified quality and for an affordable price, the CTO's procedures when imposing obligations on its providers as well as the new solution for paying the expenses for providing the universal services and the manner it is financed were also changed at the same time.

Though originally the debated proposal for the Electronic Communications Act did not involve a continuation of the CTO's deciding on disputes between participants and undertakings performing communications activities (as it was stipulated in the Telecommunications Act), with this activity being transferred to the judgemental jurisdiction of the courts, where it essentially belongs, the approved version of the Electronic Communications Act specifies that the CTO will continue to perform this activity.

The Electronic Communications Act brought with it higher demands on the regulatory authority, primarily in new activities that the CTO had not been performing until that time, but also by introducing new processes and procedures when performing its field of activities. This is mainly about managing selection procedures, consultation processes, both with the subjects in question on a domestic level or with the Commission of the European Community and the regulatory authorities of other member states of the European Union on an international level, as well as the CTO's widely-conceived information and publication obligations.

Another new activity arose for the CTO when Act No. 206/2005 Coll., on the Protection of some Services in the Area of Radio and Television Broadcasting and Information Company Services, came into effect. Through this Act the directive of the European Parliament and Council 98/84/ES on the legal protection of services based on, or consisting of, conditional access was transposed to the Czech Republic's legal code. The meaning of the legal regulation in question is thus the protection of paid, conditional access to protected radio and television services, information company services, and also

conditional access itself against illegal intervention. According to this Act, the CTO is to judge administrative offences and misdemeanours starting from June 1st, 2005 and also to accept and enforce fines in this area.

In connection with the implementation of the new regulatory framework the CTO has taken part in the preparation of government orders and decrees by the Czech Ministry of Informatics pursuant to the Electronic Communications Act. The CTO prepared and released an entire collection of measures of a general nature in which (pursuant to the CTO's authorisation by the Electronic Communications Act) the more detailed conditions for performing a communications activity are regulated. A comprehensive overview, including a more detailed description, is given in Table No. 1 in the Annex.

Regulatory Rules for Postal Services

With Act No 95/2004 Coll. coming into effect, thus from April 1st, 2005, the CTO started performing activities in the area of the regulation of postal services according to the Postal Services Act, with the exception of the regulation of domestic prices. Until that time the regulation of postal services had been carried out by the Ministry of Informatics.

The Postal Services Act conceptually represents an entirely new law in the area of postal services, which implements the Directive 97/67/EC of the European Parliament and of the Council on common rules for the development of the internal market of Community postal services and the improvement of the quality of service, as amended by Directive 2002/39/EC, which amends Directive 97/67/EC with regard to the further opening of postal services to competition. Similarly to the case of electronic communications, the conditions for new undertakings to enter the market were relaxed in the area of postal services as well. General principles that must be adhered to when arranging and providing postal services and which

lead to increasing the protection and development of competition in this area and to increasing the protection of the interests and rights of postal service users were also introduced in accordance with European law.

Impact in the CTO organisation by the Implementation of the new Regulatory Framework

All of the changes in question, which made a significant impact in the CTO's activities as a regulatory authority, also required changes to be made in the position and organisation of this office.

The CTO, established pursuant to the Telecommunications Act, was made the central administrative and regulatory authority in matter of telecommunications and postal services by the Postal Services Act, which came into effect on April 1st, 2005. When the Electronic Communications Act came into effect the statute of this regulatory authority was confirmed when the Electronic Communications Act established the CTO as the central administrative authority for the performance of state administration in matters specified by this act, including the regulation of the market and specification of the conditions for doing business in the areas of electronic communications and postal services. The rights and obligations from the labour-law and other relations from the CTO established pursuant to the Telecommunications Act thereby passed to the Czech Telecommunication Office.

The Electronic Communications Act also entirely changed the organisation of the CTO. According to Section 107 of the Electronic Communications Act a five-member CTO council (hereinafter referred to as the "Council") is part of the CTO, unlike the previous state. One of the Council members is the Council Chairman, who conducts the Council's activities. The Council Chairman acts on the CTO's behalf and represents the head of the CTO. The government names and dismisses the Council members and the Chairman on a proposal by the Minister of

Informatics. Three council members were named by the Resolution of the Czech Government No. 450 from April 13th, 2005 and a fourth member of the council, who

simultaneously became Council Chairman, was named by the Resolution of the Czech Government No. 481 from April 20th, 2005.

Chapter II.

SPECIALISED ACTIVITIES IN ELECTRONIC COMMUNICATIONS AND IN POSTAL SERVICES

1. The CTO's Domestic Activities in 2005

1.1 Economic Regulation

The Regulation of Prices and Price Controls according to the Telecommunications Act

In 2005 the issue of the prices of the universal service was resolved. The CTO issued Pricing Decision No. 01/2005, which changed, among other things, the level of the maximum prices, conditions and scope of the regulated prices of services provided in the framework of the universal service, which cancelled pricing decision no. 01/2002, 01/US/2003, 01/US/2004 and Amendment No. 2 to Pricing Decision No. 01/2002.

In the framework of resolving disputes related to interconnection prices, a total of 5 pricing decisions were made in 2005 (on the basis of the detailed analyses of the proposals submitted by the individual public telecommunications network providers) on prices for the interconnection of public telecommunications networks in a structure according to the individual telecommunications services, by a procedure pursuant to Section 78 of the Telecommunications Act. In addition, amendments were issued for six price decisions (09/PROP/2002, 02/PROP/2003, 03/PROP/2003, 04/PROP/2003, 05/PROP/2003 and 03/PROP/2004) – see the Annexe – Table No. 1).

In 2005 the CTO calculated new prices for the interconnection of public telecommunications networks for the service of calls terminated in the public

fixed telecommunications networks using the LRAIS (Long Run Average Incremental Cost) method and the entry data for this method was verified. The calculation of the prices for the interconnection of public telecommunications networks for the service of calls terminated in the public mobile telecommunications networks was verified using the FAC (Fully Allocated Cost) method. As a result of the aforementioned facts the maximum interconnection price was decreased both for the service of calls terminated in the public fixed telecommunications networks and for the service of calls terminated in the public mobile telecommunications networks.

In the area of interconnection prices the CTO also addressed the issue of local loop unbundling. Costs for local loop unbundling were verified on the part of the CTO in connection with the calculation submitted by ČESKÝ TELECOM, a.s. The LRAIC model was newly used for the calculation. This model is based on the principle of fixed incremental costs, i.e. the calculation is not based on historical costs maintained in the company's accounting, but from the optimal model of the network whose individual components are valued at current prices taking the pricing trends for the years to come into account. In April, 2005 a pricing decision was issued that resolved the issue of the calculation method and the maximum price for local loop unbundling or its part.

In the area of price controls, a price control was carried out at ČESKÝ TELECOM, a.s. according to Act No. 526/1990 Coll., on Prices, as amended and in accordance with the executing notice to this act - no. 580/1990 Coll. It

concerned a verification of the correctness of the submitted data for the regulation of prices for interconnection using the LRAIC method.

Price Regulation pursuant to the Electronic Communications Act

Once the Electronic Communications Act came into effect, the CTO proceeded in accordance with the rule of administration when deciding on disputes concerning prices. In this period an administrative procedure was initiated in the matter of issuing a decision on a price that cancels Pricing Decision No. 03/PROP/2004 for the ADSL service and in the matter of issuing an objectively relevant decision on the price for the service of local loop unbundling or its part.

In accordance with Section 44 (5) and Section 64 (13) of the Electronic Communications Act, the CTO issued a measure of a general nature no. OOP/2/07.2005-5 in June, 2005, laying down the extent of itemised billing and a measure of a general nature no. OOP/3/07.2005-4, laying down the extent of billing based on the type of service.

The CTO also engaged in the issue of publishing information on current prices and the conditions of providing publicly available electronic communications services and in December 2005 it issued a measure of a general nature no. OOP/14/12.2005-43, that specifies the quality parameters of the provided services that are to be measured, the content, form and method of publishing information on current prices, quality and conditions of the publicly available electronic communications services provided.

In 2005 the CTO prepared a proposal for a measure of a general nature that specifies the methodology of the classification of expenses and revenue by product and their allocation and dictates the structure of the allocated information. In light of the serious comments that it

received during consultation, the CTO agreed to rewrite it. After repeated consultation, the modified version of this measure was issued in 2006 as measure of a general nature no. OOP_/4/03.2006-03.

Financing the Universal Service

On the basis of interim provisions of the Electronic Communications Act, the CTO resolved the issue of financing the universal service in 2005 in a manner pursuant to the original legal regulation, i.e. pursuant to the Telecommunications Act.

In this context it is important to mention that the CTO established the universal service account in accordance with Section 32 (1) of the Telecommunications Act in 2002 for the payment of demonstrable losses from the provisioning of the universal service. The accounting of the demonstrable losses is carried out after the end of the calendar year in which the demonstrable losses were incurred on the basis of audited financial statements and separate records of expenses, receipts and income, including invested capital. The universal service provider submits the calculation of the demonstrable losses to the CTO by June 30th of the following year.

For the following information on the management of the universal service account in 2005, it is important that:

- Information on the management of the universal service account in 2002 was published in the Telecommunications Bulletin in part 1/2003. As of December 31st, 2005 the unpaid loss for the year 2001 was in the amount of 129,859,233 CZK.

- Information on the management of the universal service account in 2003 was published in the Telecommunications Bulletin in part 2/2004. As of December 31st, 2005 the unpaid loss for the year 2002 was in the amount of 1,695,442 CZK.

- Information on the management of the account in 2004 was published in the Telecommunications Bulletin in part

2/2005. As of December 31st, 2005 the unpaid loss for the year 2003 was in the amount of 186,518,010 CZK.

- In the year 2004 ČESKÝ TELECOM, a.s. submitted a calculation of the additional settlement to cover the 2002 loss (in accordance with Section 32 (5) of the Act and in accordance with the decree) in the amount corresponding to the demonstrable loss for the unprofitable service in accordance with points 2.1., 2.2. and 2.3. of Annexe No. 1 of the decree. The CTO has not yet come to a legal decision in this matter.

- On August 12th, 2005 the CTO verified the loss for providing the universal service for the year 2004 submitted by ČESKÝ TELECOM, a.s. in the amount of 302,622,498 CZK by Decision ref. no. 28 799/05-611-III vyř. ČESKÝ TELECOM, a.s. submitted an appeal against this decision on August 30th, 2005. As of December 31st, 2005 the matter had not been legally decided.

Report on Management of Universal Service Account for the year 2005

Universal service account – developments in the year 2005 – see the table below:

Name of Telecommunications Licence Holder	Loss from Provisioning Universal Service in CZK	Contributions to Universal Service Account in CZK	Date of Payment to Account
Demonstrable Loss for 2001			
Accumulated loss for 2001 balance as of December 31 st , 2005	129,859,233	Contributions are the subject of legal cases on the part of the liable subjects	
Demonstrable Loss for 2002			
Accumulated loss for 2002 balance as of December 31 st , 2005	1,695,442	Contributions are the subject of legal cases on the part of the liable subjects	
Additional Settlement of Demonstrable Loss for 2002			
Accumulated loss for additional settlement for 2002 balance as of December 31 st , 2005	250,795,635	The level of the demonstrable loss is the subject of legal cases and therefore the contribution to the universal service account for the year 2002 has not yet been assigned to the liable subjects	
Demonstrable Loss for 2003			
Accumulated loss for 2003 balance as of December 31 st , 2004	186,604,636		
Contributions Paid to the US Account in 2005 for the 2003 losses		86,626	
In which			
ha-vel voice a.s.		46,626	January 5 th , 2005
NEW TELEKOM, spol. s r.o.		40,000	January 3 rd , 2005
Total contributions paid to the US account for the 2003 losses		9,611,114	
Accumulated loss for 2003 balance as of December 31 st , 2005	186,518,010	Contributions are the subject of legal cases on the part of the liable subjects	
Demonstrable Loss for 2004			
ČESKÝ TELECOM, a.s.'s accumulated loss from providing the universal service, verified by the CTO	302,622,498	The decision on the level of the demonstrable loss has not yet come into force, and therefore the amount of the contribution to the universal service account for the year 2004 has not yet been assigned to the liable subjects	

The CTO has issued payment orders from the universal service account for ČESKÝ TELECOM, a.s., in the itemisation and in the amount of the paid contributions.

Universal Service Account – Balance at End of 2005

Balance as of December 31 st , 2005	159,141 CZK
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1.2 Analyses of the Relevant Markets and Statistical Surveying in Electronic Communications

With the implementation of the new regulatory framework the possibility of applying regulations shifted significantly in the direction of asserting the principles of communitarian competition rights. The original regulatory framework did not require the markets on which regulation was applied to be defined pursuant to the principles of competition rights. The current regulatory framework, however, requires the detailed mapping of competition conditions existing in each individual relevant market, i.e. not only on the basis of market share calculations, but also on the evaluation of several other criteria. It is then possible to apply the regulation exclusively as a result of determining the non-existence of effective competition on a relevant market (specifying an undertaking with significant market power).

Analyses of Relevant Markets

The CTO started to analyse the relevant markets immediately after the Electronic Communications Act came into force (from May 1st, 2005).

The CTO primarily issued a measure of a general nature no. OOP/1/07.2005-2 to determine the relevant markets in the electronic communications sector, including criteria to assess significant market power. In connection with this measure the CTO sent questionnaires for the analysis of the relevant markets to undertakings in electronic communications. The CTO evaluated the information from the questionnaires when preparing the analyses. By the end of 2005 the CTO released the proposals of analyses for 3 relevant markets for

discussion. In connection with the preparation of the analyses of the relevant markets, representatives of the CTO held "pre-notification" talks with the European Commission. For the preparation of the analysis proposals for the relevant markets, the CTO organised working meetings with representatives of associations, the Competition Protection Office and the Czech Ministry of Informatics.

Statistical Surveying

The focus of the activities in the Division of Statistical Surveying in 2005 was based on the necessity to determine the basic informational data on electronic communications in the Czech Republic for the needs of the Czech Statistical Office, the regulatory authority and for the international statistics of electronic communications. The main goal was to prepare statistical surveying in the form of section reports for 2006 for the Statistical Surveying Programme.

The statistical survey reports in the field of electronic communications for the year 2006 were approved during the course of 2005 by the Czech Statistical Office and included in the Statistical Surveying Programme for 2006, which was published in the Collection of Law of the Czech Republic.

During the course of 2005 a collection of information on the electronic communications market for 2004 was collected and reports for 2005 were sent to approx. 3000 news units that do business in the area of telecommunications. On the basis of the gradual collection of data from the news units and their subsequent summarisation, questionnaires were developed for international statistics, primarily for OECD, ITU, EUROSTAT and the European Union.

1.3 The Regulation of Electronic Communications Networks and Services

Tenders for Granting Telecommunications Licenses Pursuant to the Telecommunications Act

a) Telecommunications License for Establishing and Operating a Public Mobile Telecommunications Network in the UMTS Standard

In January 2005, the CTO announced a tender for granting a telecommunications license for establishing and operating a public mobile telecommunications network in the UMTS standard (hereinafter referred to as the "UMTS license"). The announcement of the tender followed the notification of the intention to announce the tender in question, published in December, 2004.

The conditions of the tender respected the Resolution of the Government of the Czech Republic from December 15th, 2004, No. 1295, on the procedure for granting the 3rd public license for a mobile telecommunications network of a universal mobile telecommunications system in the Czech Republic. The aforementioned Resolution specified that the UMTS license in question should, in the framework of a two-round tender, be preferentially offered in the first round of the tender to an existing GSM network operator that does not yet own this license, i.e. Oskar Mobil, a.s. (now Vodafone Czech Republic a.s.). The level of the fee for the UMTS license was set at 2,000,000,000 CZK. It was intended that the second round of the tender, also open for the participation of other interested parties, would only be announced if the UMTS license would not be granted on the basis of the results of the first round of the tender.

Oskar Mobil, a.s. (now Vodafone Czech Republic a.s.) accepted the set conditions of the tender and thus it was, on the basis of the recommendation of the

tender's Steering Committee, granted the telecommunications license in February, 2005, valid for 20 years and with the obligation to begin operating the network in Prague by January 1st, 2008 at the latest.

b) Telecommunications License for Establishing and Operating a Public Mobile Telecommunications Network in the 872 MHz Frequency Band

In January 2005, the CTO also announced a tender for granting a telecommunications license for establishing and operating a public mobile telecommunications network in the 872 MHz frequency band (hereinafter referred to as the "license for the 872 MHz band"). The announcement of the tender followed the notification of the intention to announce the tender in question, published in December, 2004.

Three companies submitted their applications to the tender. On the basis of an assessment of the submitted applications by the tender's Steering Committee using the "beauty contest" method, the CTO decided to grant the telecommunications license in question to T-Mobile Czech Republic, a.s. The license for the 872 MHz band was granted to T-Mobile Czech Republic, a.s. in April, 2005 and is valid for 10 years and carries an obligation to put the network into operation in the extent of ten base stations within 12 months from the date the license was granted.

Co-operation with Operators Associations

At the beginning of 2005 the CTO participated in the closing meetings of a working group appointed at the Association of Public Telecommunications Network Operators (hereinafter referred to as the "APVTS") for resolving the issue of services for providing access to public data services with a special tariff (SAC 976). The result of the solution was the specification of principles that would enable limiting undesired forwarding when accessing the Internet ("fraudulent

diallers"). The result of the solution was subsequently applied in the form of amendments to the connection contracts between the individual interested operators.

During the course of 2005 the CTO also ensured the participation at meetings of the Association of Mobile Network Operators' working groups for the realisation of the portability of mobile numbers in the manner specified in the measure of a general nature no. OOP/10/07.2005-3. It primarily concerned meetings for ensuring a common solution, also meant as an informational source of reference on ported numbers.

The Regulation of Doing Business under the Conditions of the Electronic Communications Act

The new Electronic Communications Act brought considerable changes for doing business. These changes, when compared with the regime entrenched in the legal regulations that had previously been in effect, a considerable simplification and facilitation of access to doing business in electronic communications for people and undertakings.

The Electronic Communications Act specifies that people and undertakings that intend to carry out a communications activity that are doing business in electronic communications are obliged to notify the CTO of this fact in advance in writing. The agenda connected with the notification of the performance of communications activities was, effective from May 1st, 2005, demonstrated at the regional branches of the CTO so that interested parties in the individual regions of the Czech Republic could familiarise themselves with the entire notification procedure. The CTO, in connection with this, set up an electronic database of people and undertakings that had fulfilled the notification obligation. This database is publicly available on the CTO's web pages.

The CTO's activities connected with arranging the agenda to announce conducting business in electronic communications is documented in outline in the Annexe - Table No. 2.

The Universal Service under the Conditions of the Electronic Communications Act

In connection with the conception of the extent and manner of storing the universal service newly defined in the Electronic Communications Act, the CTO initiated steps in August, 2005 leading to specifying universal service providers pursuant to Title III, Volume 6 of this Act.

a) Unified Telephone Directory and Unified Information Service

In August, 2005 the CTO published its intention to impose these partial services in the framework of the universal service:

- The regular publishing of telephone directories containing the numbers of publicly-available telephone service subscribers and end users' access to these directories pursuant to Section 38 (2) (c) of the Electronic Communications
- An information service on the telephone numbers of publicly-available telephone service subscribers pursuant to Section 38 (2) (d) of the Electronic Communications Act.

On the basis of the results of the review and incorporation of comments from the public discussion on this intention from October, 2005, the CTO announced a tender for the operator of the aforementioned partial services in the framework of the universal service in November, 2005. Two companies submitted their applications to the tender. On the basis of the recommendation from the selection committee, the CTO issued a decision in December, 2005 that imposed the obligation of providing the aforementioned partial services in the framework of the universal service to ČESKÝ TELECOM, a.s.

b) Public Telephone Services

In September, 2005 the CTO published its intention to impose the obligation to provide another partial service in the framework of the universal service – public telephone services. On the basis of the results of the review and incorporation of comments from the public consultation on this intention from November, 2005, the CTO announced a tender for the operator of the aforementioned partial services in the framework of the universal service in December, 2005. This tender was completed at the beginning of 2006 in March, 2006, the CTO issuing a decision on the basis of the recommendation from the selection committee that imposed the obligation of providing the aforementioned partial services in the framework of the universal service to ČESKÝ TELECOM, a.s.

Number Management and Numbering Plans

A continual activity that the CTO provided throughout 2005 was making decisions on the requests of undertakings for the allocation of numbers from the numbering plan in the form of a decision for allocating numbers pursuant to Section 69 and on of the Telecommunications Act or by a decision on the authorisation to use numbers pursuant to Section 30 of the

Electronic Communications Act. During the course of 2005 a total of 271 decisions were issued in this way. Furthermore, 55 requests for revoking numbers were handled by decisions and 787 decisions were issued in the form of changes. Furthermore, 74 decisions were issued for extending the period of validity for the authorisation to use a number. In summary, the CTO issued 1213 decisions in the area of number management. In all of the specified cases the appropriate fees were prescribed and collected (in addition to administration fees) on the basis of Government Order No. 181/2000 Coll., which specifies the fees for allocating frequencies and for allocating numbers or Government Order No. 154/2005 Coll., on specifying the level and the manner of the fee. Their amount represents, in summary, income in the amount of 116,921,000 CZK for 2005.

In connection with Government Order No. 154/2005 Coll., on Specifying the Level and the Manner of the Fee for the Utilisation of Radio Frequencies coming into effect, it was necessary to carry out the recalculation of the invoiced fees for using the allocated numbers pursuant to this order. Thus in the process of administrative procedures approx. 800 decisions were issued in which the fees for the allocated numbers changed for the individual allocated numbers.

The decisions on allocating numbers are documented in outline in the Annexe – Table No. 3 and in the following overview:

Decisions on Allocating Numbers, Changes to Decisions on Allocating Numbers or Decisions on Revoking Numbers (Number Series, Codes, Names and Addresses)		
Type of Number (Destination)	Provided Service/Access to Network	Number of Decisions
10 (destination)	Carrier selection and pre-selection (CS/CPS)	12
11	European harmonised short codes and “mandatory services”	0
12	Nation-wide socially important operator services	7
13	Access to the service equipment of telephone network operators	1
14	Information provided by the public telephone network providers. Commercial, informational and offers, emergency and security services	7
601 ÷ 608; 72X, 73X 77X	Mobile network services	9
700	Personal service numbers UPT	0
712 and 713	Selective signalling services (ERMES, paging)	0
800	Collect Calls	24
800 (A = 0, B = 0)	Home Country Direct-type services	1
81Y; 83Y; 84Y	Shared cost services	12
82Y	Virtual prepaid calling card services	21
84Y (Y = 0, 1, 2, 7, 8, 9)	Shared cost services – Universal Access Number (UAN) services	1
900; 906; 909	Premium rate services (PRS)	51
93	National answering service	1
950 – 959	Access to non-public telecommunications services	1
960 – 969	National answering service, voice message delivery service	2
971	Access to the Internet	37
97Y (Y = 2, 3, 4)	Access to the Czech Railways network, to the Ministry of Defence’s stationary military network and to the Ministry of the Interior	2
976	Special-tariff access to services provided on the Internet or other data networks	18
977	Public data networks and interactive services	2
Numbers by individual TOs	Subscriber numbers in the telephone districts (TOs) applicable after September 22 nd , 2002	22
Domain Names and Addresses	Administrative management domains (ADMDs)	0
DNIC	Public data network identification code	5
ISPC	International signalling point codes of the SS7 signalling network	6
SPC	Signalling point codes of the SS7 transition signalling network	22
OpID	Operator identification number	5
ExID	Exchange identification number	2
Total Number of Decisions		271

In order to ensure the CTO's procedure pursuant to Section 31 of the Electronic Communications Act, i.e. when deciding on granting the authorisation to use numbers of a special economic value, the CTO developed a document entitled "Detailed Specifications for Numbers of Special Economic Value and the CTO's Procedure when Granting Authorisation for their Use," which has been published on the CTO's web pages in the numbering plan section.

Resolving Disputes in the Area of Contracts for Access, for Network Interconnection and for Local Loop Unbundling, or Amendments to Already Existing Contracts

Throughout 2005 the CTO held administrative proceedings in the disputes of undertakings in this area both in accordance with the Telecommunications Act and in accordance with the Electronic Communications Act after it came into effect. An administrative procedure initiated under the Telecommunications Act continued to be managed according to the original Act with regard to the interim provisions of the Electronic Communications Act. In 2005 a total of 51 administrative procedures were held and 40 decisions were issued in cases, which corresponds to a similar situation in 2004 from the perspective of the amount of resolved disputes. The most important disputes included a dispute among undertakings on the closing of amendments to contracts for interconnections for the service of providing wideband access to the Internet with the use of ADSL (xDSL) technology, access to Internet services with the use of the FRIACO model, virtual prepaid calling cards, special-tariff services and also disputes for improving the conditions for local loop unbundling.

Towards the end of 2005, in connection with the obligations given by the measure of a general nature no. OP/10/07.2005-3, the CTO started to resolve disputes between undertakings for

closing amendments to interconnection contracts in which the undertakings had to modify the conditions for ensuring the portability of mobile numbers.

The disputes in the area of contracts for access or for network interconnections and local loop unbundling are documented in outline in the Annexe – Table No. 1 and Table No. 4.

Specifying Conditions and Rules for the Performance of Selected Communications Activities

In connection with the relevant authorisation in the Electronic Communications Act and for the concretisation of its selected provisions, the CTO issued the following measures of a general nature over the course of 2005:

- OOP/10/07.2005-3, which specifies the technical and organisational conditions for realising the portability of telephone numbers and principles for charging prices among undertakings in connection with the portability of the numbers;

- OOP/11/10.2005-42, which specifies the technical and organisational conditions for realising the selection and pre-selection of operators and principles for charging prices among undertakings in connection with the selection and pre-selection of operators;

- OOP/7/07.2005-12, which specifies the scope, form and manner of publishing information concerning network access or interconnections to electronic communications networks, as well as the requisites, scope and form of reference offers for access or interconnections;

- OOP/8/07.2005-11, which specifies the requisites and conditions of a reference offer for local loop unbundling;

- OOP/5/07.2005-8, which specifies the content, form and manner of publishing information on the results of provisioning the universal service;

- OOP/6/07.2005-7, which specifies the range of the minimum set of leased lines;

- VO/1/07.2005-9, which specifies the conditions for supplying electronic communications services;

- VO/2/07.2005-10, which specifies the conditions for arranging public communications networks and associated facilities.

In connection with the authorisation specified in the Electronic Communications Act the CTO also issued the following network plans:

- The network plan for the synchronisation of the electronic communications networks based on the interconnection of lines no. SP/1/09.2005;

- The network plan of the transmission parameters of public telephone networks no. SP/2/09.2005;

- The network plan for the signalisation of public communications networks no. SP/3/09.2005.

1.4 Radio spectrum management

The Allocation of Radio Frequencies Pursuant to the Electronic Communications Act

In connection with the fact that the Electronic Communications Act introduced a new institution of radio frequency allocation, through which the CTO specifies the rights for utilisation of particular radio spectrum bands, in the cases where the number of such rights is limited, the CTO elaborated and issued, in accordance with Section 136 (6) of the Electronic Communications Act, issued 30 radio frequencies allotments which replaced the telecommunications licenses issued on the basis of previous legal regulations in that part which concerned the allocation of radio frequencies.

The CTO had already applied Section 23 of the Electronic Communications Act in 2005 for granting approval to the transfer of rights ensuing from the allocation of radio frequencies and in accordance with the measure of a general nature no. OOP/12/07.2005-6, which specifies the conditions and procedures necessary for the transfer of radio frequency rights (of one network operator) for dissemination of digital television broadcasting in the DVB-T standard.

Deciding on the Awarding of Authorisation to Use of Radio Frequencies

During the course of 2005 the CTO continually granted individual decisions on allocation of radio frequencies or authorisations to use radio frequencies. In this context 23,698 decisions in the matter of changing the fee section of the individual authorisations for the use of radio frequencies, which replaced the valid permissions for the operation of transmitting radio equipment issued according to previous legal regulations, were issued pursuant to Section 136 (11) of the Electronic Communications Act after the Act came into force.

In this context the CTO also prepared and subsequently published a database of allocated radio frequencies, the issued individual authorisations to use radio frequencies and the issued radio frequency allocations.

During the course of 2005 the CTO granted, on the basis of the harmonisation with the European use of frequencies and the harmonisation of frequencies for the needs of armed forces in NATO member countries, new authorisations for the use of radio frequencies that replace the authorisations that stopped being valid on May 31st, 2005. This concerned 329 authorisations in the frequency range from 146-174 MHz and 534 authorisations in the frequency range from 220-380 MHz.

In connection with the granting of authorisations for the use of radio frequencies, domestic (and in some

specified cases international) co-ordination was carried out for all requested frequencies. Because the international co-ordination also involved international requests that can also influence the use of the radio frequencies on the territory of the Czech Republic, 1902 frequency requests by the administrations of neighbouring countries were also assessed in the framework of fulfilling international obligations.

An overview of the issued and revoked authorisations (or permissions up to May 1st, 2005) to use radio frequencies according to the individual services is given in the Annexe – Table No. 5 and in the Graph to Table No. 5.

The Preparation of Digital Television Broadcasting

In the area of digital television broadcasting, representatives of the CTO actively participated in the meetings of Central European groups for the preparation of a common frequency plan for digital broadcasting, which is co-ordinately based on the activities of the member countries of the European Conference of Postal and Telecommunications Administrations (CEPT). At the same time the conditions for the initiation of regular digital broadcasting were created in Prague on October 21st, 2005. At the end of the year the CTO participated in the preparation of the regular broadcasting in other locations, where the launch was planned for February, 2006. CTO representatives regularly took part in international multilateral co-ordinative meetings on the issue of planning the use of the frequencies for digital radio T-DAB and digital television DVB-T broadcasting. These meetings dealt with the issue of bilateral or multilateral international frequency co-ordination for DVB-T and the issue of the harmonised preparation of the technical data for the Regional ITU Radiocommunication Conference, the second part of which was held in 2006. The CTO's documents and opinions were prepared and elaborated in the framework

of the preparation of the amendment to the law on operating radio and television broadcasting and in the framework of the proposal of the Concept on the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting.

Co-operation with the Council for Radio and Television Broadcasting

In accordance with the draft of the Telecommunications Act and also, from May 1st, 2005, with the Electronic Communications Act itself, the issue of using the frequency spectrum designated for broadcasting service has been discussed with the Council for Radio and Television Broadcasting. In 2005, the co-operation between the Council for Radio and Television Broadcasting and the CTO proceeded in accordance with the Telecommunications Act, the Electronic Communications Act and the Radio and Television Broadcasting Act. The CTO submits the co-ordinated frequencies, including technical parameters, to the Council for Radio and Television Broadcasting upon its request and submits a database of operated transmitters, including parameters to the Council for Radio and Television Broadcasting in regular monthly intervals.

In the framework of the preparation for the transition to digital broadcasting, the Council for Radio and Television Broadcasting was asked to issue approval for the reservation of frequencies for Česká Televize. The CTO repeatedly prepared an opinion on the extent of the terrestrial coverage of the existing "transitional" digital transmitting network on the Council for Radio and Television Broadcasting's request and submitted this opinion to the Council for Radio and Television Broadcasting.

In 2005, CTO representatives also participated in the meetings of the SWG-FS (Subworking Group-Fixed Service) and SWG-MS (Subworking Group-Mobile Service) working groups in the framework of the HCM (Harmonized Calculation

Method) Agreement, of which the Czech Republic is a member. These subgroups, which are part of the TWG-HCM technical group, resolve important issues concerning international frequency co-ordination in fixed and band mobile services. Considerable attention was given by the subgroup for the fixed service on the issue of ways to simplify the international frequency co-ordination process for the fixed service and the preparation of documents for the exchange of frequency registers for co-ordinated frequencies in fixed and land mobile services frequency bands.

Intersectoral Co-operation

In accordance with the Telecommunications Act and, from May 1st, 2005, the Electronic Communications Act, the problems with using the frequency spectrum and the issues of effective frequency spectrum management are discussed only with the Ministry of Defence, which was represented at these meetings by the NARFA CZ Frequency Office of the Czech Army. The primary issues discussed at these joint meetings concerned the division of the individual frequency bands between civilian and army users and other requirements ensuing from the specific use of the frequencies by the sector under the Ministry of Defence.

The focus of the activities consisted in the preparation of the Czech Republic's standpoint on the proposals or requirements of NATO's frequency authorities or on the preparation of the requested questionnaires.

The following issues were among the most important discussed ones during the course of 2005:

- Elaborating the timetable for releasing the frequency bands for the future use of the army;
- The subsequent releasing of the frequency bands of the Czech Army for civil users;
- The preparation of a joint position towards the individual points of the agenda

of the WRC-07 World Radio Communications Conference;

- The issue of releasing of the remaining frequencies in the GSM bands and in the bands of the broadcasting service that the Czech Army has been using up until now for Aeronautical Radio-Navigation Systems.

Specifying Other Conditions in Connection with the Administration of the Frequency Spectrum

The CTO, in connection with the relevant authorisations in the Electronic Communications Act and for the concretisation of its selected provisions, issued the following measures of a general nature during the course of 2005:

In accordance with Section 23 (2) of the Electronic Communications Act the CTO, after public discussions and their inclusion, developed a proposal for a measure of a general nature no. OOP/12/07.2005-6, which specifies the conditions and procedures necessary for the transfer of rights ensuing from the allocation of radio frequencies, which was subsequently approved by the CTO's Council. This measure relates to undertakings providing public communications networks or providing publicly-available electronic communications services.

In accordance with Section 17 (4) of the Electronic Communications Act the measure of a general nature no. OOP/13/07.2005-1, which specifies the extent of the required information in the application for granting an individual authorisation for the use of radio frequencies and is used in proceedings on applications for the utilisation planning and the assessment of the mutual compatibility of the frequencies used by the individual radiocommunications services, was issued after public discussions and their inclusion and its approval by the CO's Council. In connection with international agreements and specific conditions concerning the use of the radio frequencies, the range of the information for the individual radiocom-

munications services is specified separately. This measure relates to the applicant for granting the individual authorisation for the use of radio frequencies.

Pursuant to Section 136 (8) of the Electronic Communications Act, the CTO issued 21 general authorisations for the use of radio frequencies and for operating equipment that came into effect on September 1st, 2005. These general authorisations replaced the original 34 general licenses issued on the basis of previous legal regulations. In some cases some previously-issued general licenses were combined into one general authorisation by reason of ensuring technological neutrality and contributing to their better systematisation at the same time. All of the general authorisations are available on the CTO's web pages (including the English version), including an easy-to-follow conversion chart.

In connection with the carrying out of the management of the frequency spectrum, the issues connected with harmonised use frequency bands was primarily solved by the CTO during the course of 2005 at joint meetings with representatives of European

administrations. It is possible to list the following as among the most important issues negotiated during the course of 2005:

- The preparation of documents for the plenary meeting which was concluded by the signing of the HCM Agreement (Vilnius, 2005). The HCM Agreement, previously known under the name "Vienna Agreement," specifies the rules and procedures on how to carry out international frequency co-ordination among the signatories of the HCM Agreement in the frequency band from 29.7 MHz to 39.5 GHz for a fixed service and for a land mobile service;

- The preparation of a common frequency plan for the Central European group, in the framework of which CZE, D, AUT, POL, SVK and HNG co-ordinate the administration of their frequency requirements;

- The evaluation of the results of the first planning practise in the preparation of the new ITU frequency plan for digital broadcasting;

- Preparation of the Czech Republic's frequency requirements for the proposal of the new ITU frequency plan for digital broadcasting.

1.5 State Inspection of Electronic Communication

The performance of state inspection in the segment of electronic communications was focussed primarily on these activities in 2005:

a) The inspection of the compliance to telephone service quality parameters and indicators for 2005 according to Decree No. 196/2000 Coll., which specifies the quality characteristics, parameters and indicators for services provided in the framework of the universal service by holders of the telecommunications license:

- ČESKÝ TELECOM, a.s., when providing a publicly available telephone service and the universal service, did not adhere to the value of the "Period necessary for installing a telephone service" parameter, which was set at a maximum of 10 days for 2004, in 95% of the cases. The limiting value of the aforementioned parameter was exceeded by 0.68 days. The reasons for exceeding the limits were delays in construction proceedings, primarily as a result of asserting the authorization to use someone else's property and establishing rights of use. It was outside the company's possibilities to significantly influence these problems. Seeing that the level of exceeding this parameter's limit did not threaten the provisioning of partial services, a fine was not imposed on the company.

- According to the evaluation of the reports submitted by the other companies that provide a public telephone service, all of the indicators and parameters specified by the aforementioned Decree were fulfilled.

b) The inspection of compliance to the obligations specified by public telephone service providers in connection with the distribution, issuing and updating of a telephone directory of subscribers and all undertakings providing publicly available telephone services:

- The CTO performed inspections, at all of the operators providing a public

mobile telephone network, of the compliance to the obligation pursuant to Section 35 (1) (c) of Act No. 151/2000 Coll. to provide identification information on all of the subscribers for the purpose of the telecommunications licence holder's information service, which was given duty to provide universal services. A fine was imposed on all of the aforementioned operators in administrative proceedings for not fulfilling the obligation.

After the Electronic Communications Act came into force, the CTO initiated administrative proceedings with the operators providing a public mobile network in the matter of not fulfilling the obligations specified in Section 66 (1) of the Electronic Communications Act and imposing a fine pursuant to Section 118 (4) (h) and Section 118 (12) of the same Act, for not handing over the available personal and identification data of the subscribers for informational and operator services. The issued decisions have not yet come into force.

c) The inspection of compliance to the fulfilment of network interconnection contracts, or the CTO's decision in disputes in the matter in question

- The CTO conducted 7 administrative proceedings in the matter of not fulfilling the CTO's decision on the interconnection of public communications networks, from which 2 of the administrative proceedings were concerned with the service of special-tariff service access and 5 administrative proceedings concerned the service of arranging broadband access to Internet services with the use of ADSL technology.

d) The inspection of the use of numbers and radio frequencies from the perspective of adhering to conditions specified by CTO decisions on the use of numbers or for the use of radio frequencies:

- The CTO conducted 80 administrative proceedings in the matter of the use of numbers or radio frequencies without authorisation or not adhering to the

conditions of an individual authorisation to use numbers or radio frequencies.

- In 2005, at the newly-created office for the control of electronic communications voice and data services, 57 numbers were discovered whose utilisation was in conflict with the Public Telephone Network Numbering Plan and Authorisation to use the numbers.

Pursuant to Section 114 (1) of the Electronic Communications Act, five operators were sent an appeal to remove the identified irregularities and administrative proceedings were initiated for not fulfilling the appeal. The use of 113 numbers without authorisation was also ascertained at eight operators. Administrative proceedings were initiated with all of them.

e) The inspection of the database of subscribers using special rates (discounts) for the purpose of assessing the losses incurred by ČESKÝ TELECOM, a.s. for the year 2002 when providing the public telephone service in the framework of the universal service. The inspection of the appropriate documents of 3855 subscribers was carried out.

f) Imposing fines for not fulfilling the obligation to provide the CTO with information that is necessary for fulfilling the activities for which the CTO, pursuant to the Electronic Communications Act, is responsible for. The CTO conducted 15 administrative proceedings in the matter of not fulfilling the obligations specified by Section 115 of the Electronic Communications Act. Fines were imposed for not providing information for the analyses of the relevant markets, which are necessary for ensuring the effectively competitive electronic communications market.

g) Imposing fines for a breach of the law that is discovered when deciding on disputes between entities performing communications activities. The CTO conducted 41 administrative proceedings, which is almost double the amount compared to the previous year, and

imposed fines in a total amount of 8,250,000 CZK.

The activities in the area of the state control of electronic communications are documented in Table No. 6 in the Annexe. An overview on the fines imposed in connection with the performance of the state control of electronic communications is specified in Table No. 7 in the Annexe.

State Control and Monitoring in the Area of the Radio Spectrum

The performance of the state control in the segment of radiocommunications was primarily focussed on these activities:

a) The measurement connected with the introduction of DVB-T digital television and the trial operations of T-DAB digital radio in Prague; the investigation of interference of analogue television transmissions by digital television from Germany and the interference by the strong signal when situating DVB-T transmitters in cities (Brno).

b) The measurement of the GSM signal levels of Polish operators using Czech priority channels in the framework of investigating a complaint on mobile phones accessing Polish GSM networks in the Karviná and Český Těšín regions and resolving problems with the Polish administration.

c) Inspections of the compliance to conditions specified in the individual and general authorisations to use radio frequencies.

d) An in-depth inspection of the compliance to conditions specified in the individual authorisations to use radio frequencies by private VHF FM transmitter operators. Ninety-eight transmitters were controlled; failures, mainly in adhering to the allowed standing place and the height of the antennae above the ground, were ascertained in 28 cases.-

e) The inspection of the compliance to technical parameters in the general authorisations for the use of radio frequencies when operating RLAN equipment in the 2.4 GHz and 5.5 GHz bands and short-range equipment in the 5.8 GHz band used for securing user access to Internet services.

f) Measuring the occupation of the frequency bands, the use of the allocated frequencies, the measurements needed for the co-ordination and assignment of specific frequencies and the measurements for the administration of the frequency spectrum. The controls were primarily focussed on the frequency bands and frequencies for terrestrial digital DVB-T television broadcasting and frequency bands meant for broadband digital systems for ensuring access to the Internet.

g) Investigating and detecting sources of interference, particularly in microwave frequency bands and in the UMTS band,

h) The measurement of shortwave frequency bands was carried out on the basis of requests by the CEPT and ITU organisations in the framework of preparation for the WRC07 conference.

i) Verifying professional qualifications for the operation of radio equipment transmitters and issuing professional qualification certificates (Restricted Radiotelephone Operator's Certificate of Aeronautical Mobile Service).

The performance of the state control in the area of the radio spectrum is documented in the Annexe – Table No. 8, Table No. 9, the Graph to Table No. 9 and Table No. 10.

Continuing the Implementation of the “Automated System of Frequency Spectrum Monitoring” (ASFMS) Project

The ASFMS Project, the implementation of this was begun in 2004, continued by completing the actions in

progress pursuant to the Fixed Work Contracts (hereinafter referred to as the “FWCs”) from 2004 and the realisation of the actions pursuant to the FWCs from 2005. A total of 16 FWCs were made in 2005.

The subjects of fulfilment for five FWCs were completed and accepted, the fulfilment for the remaining FWCs will be completed in 2006.

In 2005 the delivery of the technological equipment pursuant to the Phare Project registered under No. Europe Aid/19517/D/S/CZ was completely carried out. Measuring instruments and antennae systems were delivered for 6 mobile unattended monitoring stations of the open-air type, for 4 mobile unattended monitoring stations of the inside version and 11 sets of hand instruments. The project was also closed on the part of the Centre for Foreign Assistance of the Czech Ministry of Finance and documents were provided for including the technology in fixed asset records.

In the framework of the Automated System of Frequency Spectrum Monitoring the following devices were in trial operations as of December 31st, 2005:

- The ASFMS Control Centre in Tehov;
- The Stationary Attended Monitoring Station in Tehov;
- The Control Centre in Karlovice;
- The Stationary Attended Monitoring Station in Karlovice;
- The Stationary Unattended Detection Station in Prague – Sedlec;
- The Stationary Unattended Monitoring Station in Hradec Králové - Poběžovice;
- The Stationary Unattended Monitoring Station in Plzeň – Doubravec;
- The Stationary Unattended Monitoring Station in České Budějovice – Lišova;
- The Stationary Unattended Monitoring Station in Jihlava – Větrný Jeníkov.

Making Decisions on Subscriber Disputes

The CTO made decisions on disputes between an entrepreneur providing publicly-available electronic communications services on one side and a subscriber or user on the other side, on the basis of a proposal by either of the sides of the dispute if the dispute concerned the obligations imposed by the Electronic Communications Act or by the Telecommunications Act, valid before the former Act came into effect.

In 2005 the CTO issued 70,425 decisions, 19,869 of which were in the period up to April 30th, 2005 (while the Telecommunications Act was in effect) and 50,556 decisions from May 1st, 2005 (when the Electronic Communications Act came into effect).

The subjects of the decisions on subscriber disputes were objections against the settlement of complaints against the accounting of prices for electronic communications services (873 decisions, or 1.24% from the total amount of subscriber disputes), disputes on the payment of a price for a service ensuing from a contract between the subscriber and service provider – disputes on payments (69,394 decisions, i.e. 98.54%) and complaints on the service provided (154 decisions, i.e. 0.22%).

There was a significant increase of decisions made on subscriber disputes in 2005, primarily disputes on the payment of a price for a service ensuing from a contract between the subscriber and the electronic communications service provider. This fact is based on the ever increasing number of electronic communications service users, particularly the services of Internet access and public data services.

Information on the number of resolved subscriber disputes is specified in the Annexe – Table No. 11 and the Graph to Table No. 11.

1.6 The Regulation of Postal Services

The transfer of the performance of regulatory powers in the area of postal services from the Ministry of Informatics to the CTO took place effective April 1st, 2005 in connection with Act No. 95/2005 Coll. coming into effect, which amends Act No. 29/2000 Coll. on Postal Services and on amendments to some Acts (the Postal Services Act), as later amended, and some other Acts.

In the period up to March 31st, 2005, the function of the regulatory office in the area of postal services was performed by the Czech Ministry of Informatics. This state of affairs, however, was not in accordance with the requirements of Directive 97/67/EC, according to which the regulatory office must be independent of Česká Pošta, s.p. in all regards (the ministry of Informatics is the founder of this state enterprise). Thus only with the transfer of the regulatory function to the Czech Telecommunications Office was the requirement of independent regulation ensuing from the law of the European Union fulfilled.

The CTO's sphere of activities in the area of basic services is primarily the regulation of the most important postal services (the so-called basic services) and supervision over their being provided by Česká Pošta, s.p. (hereinafter referred to as "Česká Pošta"). The CTO's basic tasks in the area of basic services are:

- ensuring the general availability of quality basic services;
- ensuring the public awareness of the optimum use of the basic services;
- to universally protect customers against the negative consequences of Česká Pošta's dominant position.

Accepted Regulatory Measures

The CTO's primary regulatory measure is specifying which postal services will be considered to be basic with regard to the

needs of the public. A list of basic services was announced as of April 1st, 2005.

A connected regulatory tool is then the expression of agreement with the conditions under which Česká Pošta will offer the basic services (the so-called postal conditions) and the specification of the basic qualitative requirements that Česká Pošta is required to adhere to when providing the basic services.

During the course of the year the CTO issued 4 decisions on expressing approval with the postal conditions or with changes to them. During the course of the year the CTO also issued 3 decisions on the specification of basic qualitative requirements or changes to them.

Because the existing license (granted to the entity that will provide the basic services) expired as of December 31st, 2005, the CTO initiated proceedings on granting a new postal licence. Only one applicant, Česká Pošta s.p., applied for the postal license. Česká Pošta was also granted the postal license for the years 2006-2008.

Part of the decision on granting the license was also the new expressed approval of the postal conditions and the newly specified basic qualitative requirements.

The binding requirements on improving services to Česká Pošta customers that the CTO applied to Česká Pošta during the course of 2005 concerned, for example, the following requirements:

a) for the instructions that a Česká Pošta customer gives in connection with delivery are accepted in as short a time as possible;

b) for customers in large cities to have the possibility to pick up stored postal deliveries and transferred funds on Sundays and holidays as well;

c) for the rights of people in wheelchairs to a special manner of service in the event that wheelchair access to the

post office is not provided to be extended to include people who have a pram and child with them;

d) for Česká Pošta to handle complaints free of charge.

Supervision in the Area of Basic Postal Services

The CTO supervised the manner in which Česká Pošta fulfilled its obligations in a number of different forms. The CTO performed 23 inspections in 2005 during which it performed inspections at 330 Česká Pošta branches. The comprehensive report on the fulfilment of the obligations imposed on Česká Pošta required by both the Postal Services Act and Directive 97/67/EC was published in March, 2006.

The CTO helped customers when resolving their disputes with Česká Pošta. This primarily concerned cases in which the customers' negotiations with Česká Pošta had not led to a satisfactory resolution of the matter or cases in which the customers retained a feeling of injury

to their rights. During the last year the CTO handled 87 customer submissions relating to the basic services including intervening at Česká Pošta if it was necessary.

If a dispute that can not be resolved arises between a customer and Česká Pošta, each customer can ask the CTO to issue its professional opinion in the matter. The objective is to resolve the situation out of court, if possible, with the CTO's contribution. Last year the CTO issued 24 such opinions on disputes.

If the CTO ascertains that Česká Pošta has breached its legal obligations, primarily the obligation to offer basic services in accordance with the needs of the public, it imposes a fine on Česká Pošta. In 2005 one (not yet legally binding) fine in the amount of 100,000 CZK was imposed on Česká Pošta; another proceeding for imposing a fine was initiated at the end of the year.

The Annexe (Table No. 12) documents a summary of the main activities in the area of postal service regulation.

1.7 Legislative and Legal Activities

The Area of External Legislation

It is necessary to consider the CTO's participation in the final phase of the legislative process in approving the draft Electronic Communications Act and its participation in the preparation and legislative process of the relevant implementing legal regulations for this Act to be the CTO's main legislative task in the area of external legislation in 2005. The CTO co-operated with the Czech Ministry of Informatics and Czech Ministry of the Interior on the preparation of the proposals for the individual implementing legal regulations pursuant to Section 150 (1) to (4) of the Electronic Communications Act.

The CTO asserted comments to the legal regulation proposals both from the perspective of its operations as an administrative authority and from the perspective of its operations in the area of electronic communications and postal services, primarily with regard to its newly defined position.

The CTO submitted proposals of these Government Orders to the Ministry of Informatics:

- On specifying the manner and level of the creation of funds for the radiocommunications account and the method it is drawn upon (Government Order No. 153/2005 Coll.);
- On specifying the level and method of calculating fees for the use of radio frequencies and numbers (Government Order No. 154/2005 Coll.);
- Pursuant to Section 38 (4) and Section 43 (5) of the Electronic Communications Act, on specifying a range of low-income persons and persons special social needs and the documents by which these persons prove themselves to universal service providers (the Government Order has not been issued by the Ministry of Informatics).

The CTO submitted proposals of these Decrees to the Ministry of Informatics:

- on the method of creating calling symbols, identification numbers and codes, their use and on other radiocommunication services for which they are required (Decree 155/2005 Coll.);
- on the technical and operating conditions of amateur radiocommunication services (Decree 156/2005 Coll.);
- on the requisites of applications for test to prove professional qualifications for operating radio equipment transmitters, on the range of knowledge required for the individual types of professional qualifications, on the manner of carrying out the tests, on the types of professional qualification certificates and the period of their validity (Decree 157/2005 Coll.);
- which specifies the minimum requisites of a contract proposal for access or interconnection to public communications networks (Decree 158/2005 Coll.);
- which specifies the template of the certificate for the performance of state electronic communications inspections (Decree 159/2005 Coll.);
- which specifies the form of the Telecommunications Bulletin, the method of publishing information and the method of submitting information for publishing (Decree 160/2005 Coll.);
- on specifying the characteristics of functions of specially-equipped telecommunications end equipment for various types of disabled persons (Decree 161/2005 Coll.);
- on specifying the quality parameters of the universal service and its possible values (Decree 162/2005 Coll.);
- which specifies the criteria for judging whether more undertakings have joint significant market power on the relevant electronic communications market (Decree 430/2005 Coll.);
- a plan for allocating frequency bands pursuant to Section 16 (1) of the Electronic Communications Act (the order has not been issued by the Ministry of Informatics);
- which specifies the characteristics of reasonable requests for an interconnection at a fixed location to the publicly available telephone network and

conditions of internet access for interconnection to the public telephone network pursuant to Section 40 (7) of the Electronic Communications Act (the order has not been issued by the Ministry of Informatics);

- to specify the procedure for calculating and specifying the net costs for providing the universal service, including the evaluation of unbearable economic burden, the procedure for calculating the net costs for providing partial services, the procedure for defining market benefits and documentation that must be used to prove these calculations pursuant to Section 48 (7) of the Electronic Communications Act (the order has not been issued by the Ministry of Informatics);

The CTO has furthermore co-operated with the Ministry of Informatics on the preparation of these Government Orders and Decrees:

- on the form and extent of information provided from the database of publicly available telephone service subscribers and on the technical and operating conditions and points for connecting end telecommunications equipment for wiretapping and recording messages (Decree No. 336/2005 Coll.),

- on the extent of the operating and localisation information, the period it is kept and the form and manner of its being handed over to authorities authorised to use it (Decree No. 485/2005 Coll.),

- on the specification of the extent, form and manner of the delivery of localised and other information that enables the identification of the caller, in accordance with Section 33 (3) of the Electronic Communications Act (Decree has not yet been released by the Ministry of Informatics),

- on the specification of the bodies that are entitled to submit lists of listed users and their updates and the amounts to be paid for the inclusion and maintenance of the users in the listed user database, the manner in which they are to be submitted and the securing of the obligation of preference schemes, in accordance with Section 99 (11) of the Electronic Communications Act

(Government Order has not yet been released by the Ministry of Informatics),

- on the specification of the operating and technical reasons on the basis of which it is possible to refuse the user's inclusion in the international or national preference scheme, the periods within which they must be implemented, the extent and format of the data and the method the database of listed users is managed, in accordance with Section 99 (12) of the Electronic Communications Act (Decree has not yet been released by the Ministry of Informatics).

During the course of 2005 the CTO also intensively worked on the preparation of proposals for decree pursuant to Section 29 (4) of the Electronic Communications Act, which specifies numbering plans. In light of the complexity of the entire problem and the necessity of including the new legal regulation of the Electronic Communications Act in the area of number management, the CTO's concluded the proposals of the numbering plans and submitted them to the Ministry of Informatics at the beginning of 2006.

It is also necessary to emphasise that the Electronic Communications Act (Section 150 (5)) entrusted the CTO with the legislative authorisation to issue an implementing legal regulation to provide Section 97 (6) of the Electronic Communications Act. The CTO fulfilled this authorisation by issuing Decree No. 486/2005 Coll., which specifies the amount and method for the reimbursement of the efficiently incurred costs for establishing and securing an interface for connecting end telecommunications equipment for wiretapping and recording messages, for storing and providing operating and localisation data and for providing information from the database of publicly available telephone service users. Seeing that the order involved an entirely new field of activity for the CTO, several months of co-operation with operators and with representatives of the Czech Interior Ministry and the Czech Police preceded the issuing of this order. This Decree came into effect on December 15th, 2005.

In addition to the implementing legal regulations the Electronic Communications Act assumes other Acts of a normative nature will be issued, being measures of a general nature in which the CTO specifies conditions for the performance of communications activities in more detail. There is more information on measures of a general nature issued by the Office in 2005 in the individual chapters of this report. The Annex contains an overview of the issued measures of a general nature in Table No. 13.

The CTO's general activities as an administrative body primarily concerned changes to regulations in the area of administrative law, primarily changes relating to issues of administrative fees. The new Act No. 634/2004 Coll., on Administrative Fees, unlike the previous Act No. 368/1992 Coll., on Administrative Fees, as later amended, did not enable the CTO to collect administrative fees for all administrative acts that it carries out. This defect was not even removed by Electronic Communications Act. On the contrary it just exacerbated the problem. This problematic state was removed on the basis of repeated requests and intervention by the CTO until the Electronic Communications Act was amended, effective October 1st, 2005, by Act No. 361/2005 Coll., which amends Act No. 143/2001 Coll., on the Protection of Competition, as later amended, and some other Acts.

In the area of external legislation the CTO also raised comments on the draft legal regulations generally related to the status of administrative authorities and their employees connected with the realisation of the governmental reform of the state administration. Among other things, the Office of the Government of the Czech Republic took further steps in the matter of procedures when implementing reforms and modernisation of the central state administration in the years 2005 – 2010. The related steps taken primarily by the Czech Interior Ministry and the Czech Ministry of Justice, particularly in the area of unifying the legal environment of inspections carried out by public

administration bodies or proposals for the concept of control systems in the Czech Republic with a focus on the system of financial management and the system of internal audits in the public administration, are also connected to this.

The issue of the mutual co-operation of administrative bodies and the issue of sharing data by these bodies is part of the reform of the state administration in relation to the performance of public authority. The goal of these endeavours is the creation of a set of public administration registers that should be, in the future, the content core of e-Government and which should be, at least at the beginning, comprised of the "basic" registers (register of inhabitants, economic register, register of territorial identification, addresses and a register of property). In this matter the CTO participated in the Ministry of Informatics' activities aimed at fulfilling the given objective, specifically with the preparation of a draft legal regulation for sharing data when carrying out public authority and analyses connected with the proposal for resolving registers of territorial identification, addresses and property.

The CTO, in the extent of its operations as a regulatory authority in the area of electronic communications, has also raised important comments on materials of a conceptual character, such as the materials produced by the Ministry of Informatics, i.e. "The National Strategy of Information Security" or "The Implementation of the Galileo Navigational System under the Conditions of the Czech Republic."

The CTO's Other Legislative Activities

In the area of the administration of the frequency spectrum, the CTO continued to provide co-operation to the Ministry of Informatics when preparing running reports for the Government of the Czech Republic on the co-ordination of radio frequencies for expanding terrestrial digital television broadcasting by national and regional networks. The CTO, in co-

operation with the Ministry of Informatics, also actively participated in the preparation of a draft amendment to Act No. 231/2001 Coll., on Radio and Television Broadcast Operations and on amendments to other Acts, as later amended, as well as other Acts (the Czech Television Act, the Czech Radio Act), and in connection with the process of the transition from terrestrial analogue to terrestrial digital television broadcasting.

It is also necessary to include the CTO's activities relating to the issue of changes to IMEI identifiers for mobile telephones (particularly in connection with the crime of stealing mobile telephones) in the area of the CTO's activities in conceptual issues. This is a problem that the European Commission is currently intensively discussing. Due to some of the tasks and requirements by the European Commission, and because it is a negative cultural phenomenon with a negative impact on the consumer, the CTO established an intersectoral working group on this matter in 2005. The group began its activities in September, 2005. In addition to CTO representatives, its members are representatives from the Ministry of Informatics, the Czech Interior Ministry (including representatives of the Czech Police), the Czech Ministry of Justice and also representatives of the affected business public, specifically mobile phone operators. The goal of this working group is primarily to carry out analyses that would map the current situation in the Czech Republic in this matter including an analysis of legislative regulations and the possibility of solutions through the current legal code of the Czech Republic. The working group also dealt with this issue in relation to the obligations specified in Section 75 (1) and (3) of the Electronic Communications Act, being the obligations of undertakings providing publicly available telephone services through the public mobile telephone network to prevent the use of mobile telecommunications end equipment (a mobile telephone device) in the public mobile telephone network on the basis of a written request by the Police of the Czech Republic. Due to the complexity

and vastness of the problem, however, the working group's activities will continue in 2006.

In the area of the CTO's internal legislation, it is necessary to point out the fact that, with regard to the dissolution of the CTO established by the Telecommunications Act and the establishment of the new CTO by the Electronic Communications Act, it was necessary to accept an entire system of internal regulations for this newly-created CTO. Apart from the system changes called for by the CTO's new integration among other central administration authorities and the change in the Office's organisation and the activities, it was also necessary to include the changes relating to the CTO's position as an administrative body in the appropriate internal regulations, particularly in the Office's basic documents (the Statute, Organisation Order, Signing Order, etc.) and to react to the changes of the general legal regulations that occurred during the course of 2005.

Last but not least, we cannot forget about the CTO's legal activities, especially as far as the processes of preparing and creating contractual documents with the individual suppliers for the gradual implementation of the CTO's projects, including the bargaining discussions, are concerned. The most important projects include the continuing activities on the project for building an "Automated System of Frequency Spectrum Monitoring," which is a long-term non-legislative governmental task for which the CTO is responsible, as well as projects used for fulfilling the CTO's activities in accordance with the Electronic Communications Act, primarily in the area of the analyses of relevant markets or the administration of the radio spectrum.

The Financial Office's Inspection in the Area of the Collection of Administrative Fees

At the end of 2005, the CTO underwent an inspection on the part of the

Financial Office for Prague 9 in the area of the collection of administrative fees according to the individual items of Act No. 368/1992 Coll., collected in the period from July 1st, 2002 to December 31st, 2004. A total of 180 of the CTO's randomly-selected files were controlled. No defects were found in any of the inspected cases.

Settling Complaints

The CTO has continued to settle complaints, reports and suggestions in accordance with Decree No. 150/1958 Coll., and has continued to intensively co-operate with the Public Protector of Rights when resolving cases concerning the investigation of the CTO by this organ.

In 2005 the CTO settled a total of 21 submissions that were judged with regard to their nature and content to be complaints pursuant to Government Decree No. 150/1958 Coll., on the Handling of Complaints, Reports and Suggestions of the Working People (hereinafter referred to as the "Decree"). This total amount includes 3 submissions from 2004 that were handed in 2005 due to the complexity of the investigation.

The content of the complaints was a criticism of the CTO's activities or the working procedures of the CTO's employees as to whether they had committed a breach of the Telecommunications Act effective until May 1st 2005 and the Electronic Communications Act, or pointing to a gross breach of both cited Acts.

It was found by the investigations in the individual cases that 15 of the aforementioned complaints were unjustified complaints and 6 were assessed to be justified complaints. The settlement of one of the received complaints was passed on to 2006 due to the fact that the preparation of the response required a more detailed verification of all the facts.

Twelve of the cases of complaints settled as unjustified allegedly involved the incorrect approach or unsuitable behaviour of CTO employees, which was not demonstrated, however. Three complaints were made against the CTO's inactivity and delays in administrative proceedings. No corrective measures had to be taken for complaints that were judged to be unjustified.

The content of the justified complaints was in two instances a criticism of a CTO employee's approach in administrative proceedings handled pursuant to Act No. 71/1967 Coll., on Administrative Proceedings (the Administrative Code), as later amended, from the perspective of failing to observe the specified process principles and procedural time limits, in one instance it concerned the unsuitable and unreasonable behaviour of a CTO employee towards the claimant with a request for providing information on the developments of an administrative procedure, and three instances concerned the assertion of the incorrect or ambiguous interpretation of the relevant provision of the Electronic Communications Act for the discussed situation.

If the defects in the administrative proceedings were only of a formal nature and neither the Administrative Code nor the Telecommunications Act or Electronic Communications Act was breached significantly, then the given employee was only given a reprimand concerning a professional approach and polite communication with the public. In one instance a managing employee of the CTO decided to remove his subordinate from discussions and decisions in the given administrative proceedings and in two instances of a justified complaint corrective measures of a labour-law nature were taken against the respective CTO employees.

In addition to the consistent procedures used when handling complaints in accordance with the Order, the CTO regularly carries out certain improvements in the sense of the correct recording of the relevant complaints in the

"Complaint Records" database, including complying with the principles for maintaining clear complaint files and the through performance of regular analyses of settled complaints connected with the CTO's operations. An emphasis is also placed on the timely and complete processing of the submitted complaints. Generally speaking, complaints and the handling thereof enjoy careful and consistent attention in the Office.

Apart from the handling of the aforementioned complaints, no anonymous submission was delivered to the CTO in 2005. The CTO did not have to address any suggestions, nor did it receive any petition suggesting how to resolve any specific situation.

The Czech Telecommunication Office's Annual Report for the Year 2005 on the Provision of Information in Accordance with Act No. 106/1999 Coll., on Free Access to Information

The Czech Telecommunication Office's Annual Report for the Year 2005 on the Provision of Information in Accordance with Act No. 106/1999 Coll., on Free Access to Information is provided separately in full at the end of the Annexe. A summary of the documented information is given in Table No. 14 of the Annexe.

1.8 Deciding on the Appeals and Analyses Issued by the Chairman of the CTO Council and the CTO Council and other Submissions Settled by the Department Reviewing Decisions

In connection with the substantial changes in the legal regulations important for the CTO's activities the CTO became "another central authority of the state administration" effective April 1st, 2005 on the basis of the amendments to Section 2 (1) of Act No. 2/1969 Coll., on the Establishment of Ministries and other Central Authorities of State Administration of the Czech Republic. Pursuant to

Section 61 (2) of Act No. 71/1967 Coll., on Administrative Proceedings (the Administrative Code) the Chairman of the CTO decided on the analysis against decisions made from that date on the basis of a proposal to the CTO Chairman from a special commission. For this reason the CTO Chairman named a special commission on the basis of whose proposals the CTO Chairman made his decision. With the Electronic Communications Act coming into effect, i.e. on May 1st, 2006, the organisation of the CTU changed (the CTO's Council originated) as did the authorised hierarchy in specific matters. The Electronic Communications Act specifically specified in which cases the Chairman of the CTO Council decides on a regular remedial instrument and in which cases the CTO Council decides. Therefore two special (analytical) commissions were formed – the Commission of the CTO Council Chairman and the Commission of the CTO Council. The Electronic Communications Act also fundamentally changed the legal and procedural requisites and conditions for the CTO to make decisions, which required a certain delay, especially with the necessity of unifying the interpretation of the Electronic Communications Act (particularly when judging disputes in the area of interconnection).

In the year 2005 the CTO recorded 2713 cases in the framework of the 2nd Level of Administrative Proceedings, with 205 unsettled cases coming from last year. 2450 cases were settled.

From the overview in Table No. 15 in the Annexe, it can be seen that in 2005 the number of submissions received increased by almost two hundred cases compared to the previous year, which was also caused by the fact that there were not submissions in disputes for which administrative fees were charged as a result of legislative defects (from May 1st to December 30th, 2005), which operators used for the submission of proposals even though it was evident that they cannot be met. The number of cases of extended deadlines for issuing decisions pursuant to Section 49 (2) of the Administrative Code

increased due to the increase of the number of submissions even when making first-instance decisions. At the end of 2005 the first cases decided on pursuant to Section 127 of the Electronic Communications Act were submitted and were passed on to the following period (which was partially caused by the novelty of the issues and the personal reorganisation of the CTO Council's Analytical Commission and the change to

1.9 Crisis Management and Security

The activity and main tasks of the CTO in the area of security, defence planning and civil emergency planning were oriented on the application of the provisions of the Electronic Communications Act to the activities of undertakings providing support of electronic communications for the needs of the country's security and defence. For the aforementioned purposes the CTO issued the measure of a general nature no. OOP/9/07.2005-13, laying down the essentials of the technical and organisational rules of ensuring access to the public telephone network at fixed locations and to the publicly available telephone services in states of crisis

In the framework of the protection of confidential information a measure was prepared at the CTO to ease the CTO's transition in this area in accordance with the new Act No. 412/2005 Coll., on the Protection of Classified Information and on the Security Capacity, which was specified to go into effect on January 1st, 2006.

According to a resolution by the State Security Council and the Defence Planning Committee (DPC), CTO representatives took part in the preparation of documents necessary for the creation of the Czech Republic's Defence Plan, primarily in the framework of the decreed Intersectoral Temporary Professional Working Group established at the DPC. The participation and activities given to the CTO representatives at the

the Rules of Procedure of the CTO Council's Analytical Commission).

Like in previous years, most of the cases are disputes on the payment of prices for electronic communications services, the number of which increased by about 100 compared with the previous period (just like the number of objections against settled complaints).

DPC planning meetings and other professional working groups were arranged. According to the requirements, the CTO also participated in the arrangement of the activities of the Civil Emergency Planning Committee. Through appointed representatives; the CTO was actively connected to the activities of the Civil Communications Planning Committee (CCPC-NATO) and its subcommittees and working groups. Participation at work meetings, seminars and studies were arranged, the benefit consisting in obtaining information and data for producing conceptual and legislative documents, but also in the mutual international co-operation during the planning and provisioning of aid under crisis situations in the area of electronic communications and post offices.

The planned meeting of the CTO Crisis Management Group was carried out during the course of the year and focussed on the update of the "CTO Crisis Plan" and other crisis management documents that had to be changed as a result of the Electronic Communications Act coming into effect. Attention was similarly placed on the "National Action Plan for the Fight against Terrorism," primarily in connection with terrorist attacks carried out in the London metro. The CTO's activities ensuing from the "National Crisis Reaction System" and a connected task, the production of new catalogue pages, were also discussed and elaborated.

The constant availability of a member of the Central Crisis Management Group, including the fulfilment of tasks specified

by this Group, were regularly provided by specified CTO representatives. In the first half of 2005 CTO representatives participated in the preparation, implementation and evaluation of the NATO CMX-2005 international exercise.

In the area of economic measures for crisis situations, the CTO ensured the

release of the Administration of State Financial Reserves in accordance with the "Orientation of the Activities of the Central Administrative Authorities." Attention was primarily focussed on acquiring and upgrading new modules of the ARGIS and EPOZ information system.

2. The CTO's International Activities in 2005

In 2005 the CTO carried out the activities that it was entrusted with by the Telecommunications Act and then by the Electronic Communications Act. The CTO, in the framework of its powers given by Government Resolution No. 676/2005 from June 1st, 2005, represented the interests of the Czech Republic and contributed to the further integration to the European and worldwide structures. During the course of 2005 it arranged bilateral and multilateral international relations with foreign telecommunications administration bodies (particularly with telecommunications regulators), with international organisations, and other institutions operating in the telecommunications sector.

The International Telecommunication Union (ITU)

The year 2005 can be characterised as a year of intensive preparations for the important upcoming events in 2006 and 2007, which include primarily the 2006 Regional Radiocommunication Conference (RRC-06), the World Telecommunication Development Conference (WTDC-06), the Plenipotentiary Conference (PP-06) and 2007 World Radiocommunication Conference (WRC-07). Preparations for the aforementioned conferences took place in the framework of CEPT/Commission for the ITU and in the ITU, e.g. the preparation for the Regional Radiocommunication Conference (RRC-06) took place in the ITU at IPG (Intersessional Planning Group) and RPG (Regulatory/Procedural Group) meetings at which CTO representatives actively participated.

World Summit on the Information Society (WSIS)

The World Summit on the Information Society took place in Tunis from November 16th - 18th, 2005 with representatives of governmental and regulatory bodies attending along with representatives of the private sector, investors, consumers and CTO representative, who formed panel discussions to discuss current issues in the development of the information society. Clear support for wireless broadband access, as one of the basic means of obtaining information and forming an information society, was expressed at the summit.

Global Symposium for Regulators (GSR)

The GSR took place in 2005 on the occasion of the WSIS on the theme of Regulation in the Broadband World and Basic Tools for Forming an Information Society. The issue of the role of regulators when forming the electronic communications market, spectrum management for the support of wireless broadband access, international measures for limiting spam and other current issues were focussed on at the symposium.

The ITU Council

Apart from issues connected with the ITU's activities in the previous and following periods, the meeting of the ITU Council discussed and approved the external auditor's reports on the ITU's financial management, reports of working groups established on a number of topical issues relating to the revision of the ITU's

documents and policies. The ITU Council is primarily focussed on the state and course of preparations for the major ITU conferences in 2005-2007. The state and further course of the preparations for the 2005 World Summit on the Information Society, the 2006 World Telecommunication Development Conference, the 2006 Regional Radiocommunication Conference, the 2006 Plenipotentiary Conference and the 2007 World Radiocommunication Conference were discussed.

ITU Radiocommunication Advisory Group

In accordance with the powers entrusted to it, the Radiocommunication Advisory Group expresses its opinions on the issues of the ITU Radiocommunication Sector (ITU-R) and makes decisions on a number of issues related to this sector's activities between the sessions of the Radiocommunication Assembly. The role of ITU-R during 2005 was to ensure the reasonable, equitable, effective and economical use of the radio spectrum in all radiocommunication services. The main attention of the meetings that took place in 2005 was therefore focussed on the state of fulfilling the tasks entrusted to the radiocommunication sector by the last World Radiocommunication Conference and preparation for the 2nd part of the Regional Radiocommunication Conference RRC-06 and for the World Radiocommunication Conference WRC-2007.

ITU Telecommunication Development Advisory Group (TDAG)

The TDAG meetings were focussed on the preparation of the World Telecommunication Development Conference in 2006, particularly on the proposal of the ITU-D Strategic Plan and Action Plan for the period of 2008-2011 including analyses and the inclusion of the results of the World Summit on the Information Society and regional

preparation meetings for the WTDC-06 in their texts. Proposals for the revision of WTDC resolutions for the ITU-D working methods were discussed and elaborated, a proposal for the structure and organisation of the WTDC-06 was evaluated and the conclusions from the Global Symposium for Regulators was discussed. In addition to these issues related to the common activities of the ITU's Telecommunication Development Bureau - the use of the official languages, information on the activities of regional representation, the state of the implementation of the Operational Plan for 2005, etc.

ITU Telecommunication Standardisation Advisory Group (TSAG)

In accordance with the powers entrusted to it, the ITU Telecommunication Standardisation Advisory Group (TSAG) has the right to express its opinion on all of the issues of the ITU Telecommunication Standardisation Sector (ITU-T) and makes decisions on a number of issues related to this sector's activities between the sessions of the World Telecommunication Standardisation Assembly. In addition to the usual issues connected with the ITU-T's normal activities, attention at the TSAG meetings in 2005 was primarily focussed on issues connected with the performance of the tasks resulting the resolutions and decisions of the World Telecommunication Standardisation Assembly (WTSA-04), on the TSAG's structure in the following period, the ITU-T's strategic and operational plans for the following period, preparation of the ITU-T for the meeting of the ITU Council and for the Plenipotentiary Conference in 2006, the co-ordination of seminars in the framework of ITU-T and on other activities of the TSAG.

WSIS Preparatory Committee

The task of the meeting of the Preparatory Committee of the second phase of the World Summit on the

Information Society was to discuss the organisation of, and preparations for, the second stage of the World Summit on the Information Society (WSIS II) which took place in 2005 in Tunis (the first stage of the WSIS was held in Geneva in 2003 in accordance with UN General Assembly Resolution No. 56/183 and under the auspices of the UN General Secretary).

ITU Study Groups and Working Groups

In 2005 CTO employees actively participated in the work of the ITU's study groups and working groups of the ITU Radiocommunication Sector (ITU-R). They attended the meetings of Study Groups SG 1 (Spectrum Management), SG 6 (Broadcasting Service), SG 8 (Mobile, Radiodetermination, Amateur and Related Satellite Services), SG 9 (Fixed Services) and other working groups established to prepare materials for the meetings of ITU governing bodies.

Co-operation with the ITU Telecommunication Development Sector

The ITU Telecommunication Development Sector organised a number of seminars for participants from member countries in 2005 as well. Representatives of the CTO's specialised departments took part in regional seminars.

Each year the CTO submits, in the form of completed questionnaires, data on the telecommunications market and the extent and quality of telecommunication services in the Czech Republic for the ITU database, which is subsequently used by international institutions, such as the World Bank, as a basis for producing studies on the development of telecommunications and information technologies in the world.

The European Conference of Postal and Telecommunications Administrations (CEPT)

Within the range of its responsibilities, the CTO takes part in the work of the CEPT, including both its supreme body (the CEPT Assembly) and its commissions and working groups oriented on the co-ordination and harmonisation of electronic communications in European countries.

The main content of the activities in 2005 was focussed on the Electronic Communications Committee (ECC) and its working groups, on WG RRC-06 (a group for the preparation of the ITU conference for the planning of digital broadcasting), on WG FM (Frequency Management), WG SE (Spectrum Engineering) and WG RA (Regulatory Affairs). CTO representatives took part in the work of those bodies, including the preparation of CEPT harmonisation documents (Decisions, Recommendations, Reports) and the implementation of regulatory measures. The results of studies related to new technologies and the methods of frequency spectrum sharing by radiocommunication services and their applications are reflected in this work.

CEPT's accepted harmonisation was subsequently reflected in the CTO's measures, for example, in the Radio Spectrum Utilisation Plan. The Czech Republic belongs to the most active countries in Europe in terms of the number of accepted measures, i.e. implementing CEPT Decisions and making information on the ERO Frequency Information System available. The specified information is available on the European Radiocommunications Office (ERO) web pages - www.ero.dk.

In compliance with the harmonisation plans, the CTO takes measures in the areas of technical and economical regulation, e.g. the telecommunications network numbering plans and tariff setting policies.

The CTO representatives also participated in the work of ECC further

working groups, surgically established for making ECC activities more effective and to implement new ECC working methods and in the Conference Preparation Group (CPG) which ensures the co-ordinated preparation of telecommunications administrators of European countries for the World Telecommunication Conference (WRC – 07). In the CPG meetings the CTO representatives contributed to drawing up the background documents for the preparation of common European proposals on the individual points of the WRC-07 agenda.

The CEPT results not only influence the electronic communications sector, but also other sectors that use the frequency spectrum or electronic communications services.

European Union

The activities connected with the implementation (fulfilment) of the European regulatory framework for electronic communications networks and services since 2002 are among the CTO's main activities in the framework of the European Union. The obligation to arrange an analysis of the electronic communications markets and to implement the notification of these markets at the European Commission ensues from this.

The participation of the CTO's representatives at the meetings of the Independent Regulators Group (IRG), European Regulator's Group (ERG), Communications Committee (COCOM), Radio Spectrum Committee (RSC), Radio Spectrum Policy Group (RSPG) and Telecommunications Conformity Assessment and Market Surveillance Committee (TCAM) is also connected to the implementation of the regulatory framework.

The Independent Regulators Group (IRG) is not part of the EU structure, but it associates the national regulators both in the EU member countries and in the non-member countries and, with its participation at the meetings, the CTO

contributes to the sharing of experience and positions on issues of common interest during the development of the European electronic communications market. The Czech Republic uses this experience to regulate the Czech telecommunications market and to draw up draft legislation measures. CTO representatives are co-operating on the preparation of the 2006 Regulatory Framework Revision.

In the European Regulators Group (ERG), an advisory body to the European Commission, the CTO participated in work according to the ERG work programme, which is published under the title *Work Programme 2005* on the ERG's web site – http://www.erg.eu.int/index_en.htm.

At the meetings of the Communications Committee of the European Commission (COCOM), CTO representatives, along with representatives of the Czech Ministry of Informatics, participated in the preparation of European Commission documents from the point of view of a legislative advisory body.

The Radio Spectrum Committee (RSC) is an executive body of the European Commission that takes measures leading to the harmonised and effective utilisation of the radio spectrum in the EU. The CTO has been represented in the RSC since its inception. The most important issues that the RSC addressed in 2005 include, for example, issues of harmonisation of the conditions for the operation of access networks RLAN in the 5 GHz band, the harmonisation of the utilisation of frequency bands freed up by the ERMES system and the conditions for operating short-range equipment.

The Radio Spectrum Policy Group (RSPG) is an advisory body of the European Commission in strategic issues of the utilisation of this spectrum. The following are among the most important issues discussed by the RSPG in 2005: the wireless access policy for electronic communications services (WAPECS), the transition from analogue to digital radio

and television broadcasting, ensuring the protection and development of “scientific” services, the utilisation of the radio spectrum and the co-ordination of preparations for the ITU radiocommunication conference. The CTO took part in the work of the RSPG as such as well as activities in working groups established for developing the RSPG's respective positions.

The CTO is connected to the activities of the Departmental Co-ordination Group (DCG) established at the Ministry of Informatics under the Committee for the EU and is currently the co-creator in the EU Council Working Groups. The DCG developed a general position for the Czech Republic or instructions for the current issues to be discussed at the EU Council Working Group for Telecommunications and the Information Society.

In 2005 the CTO, for the second year, co-operated on developing the European Commission's implementation report. This, the eleventh report, was issued by the European Commission in February, 2006. The CTO sent the prescribed set of indicators for this report to the European Commission in co-operation with the Czech Ministry of Informatics and the Czech Statistics Office (CSO) at the end of 2005. The report gives information on the implementation and enforcement of electronic communication regulatory framework in the EU member countries (hereinafter referred to as the “EU”). The implementation reports include an assessment of the development of markets, an analysis of key regulatory principles, etc. Like all the previous reports, this summary report also covers an evaluation period of one year. It documents the individual progress achieved in each of the member countries over the given period and evaluates the EU electronic communications market in an overall context.

Representatives of the Division of European Affairs under the Department of International Relations actively co-operated with the Czech Office of the

Government and the Czech Ministry of Foreign Affairs for providing documentation for the evaluation of the fulfilment and updating of the Overview of Outstanding Legislative and Non-Legislative Tasks in the relation of the Czech Republic to the EU (the Electronic Communications Act, numbering plans, automated system for frequency spectrum monitoring). In connection with the Ministry of Informatics, it provided the work connected with adding up-to-date information to the database of the Information System for the Approximation of Rights (ISAR), administered by the Czech Office of the Government. The CTO is the creator for European Community regulations in the area of the regulation of electronic communications. A database of EC regulations and their translations and analyses for the use of the CTO is also maintained at the CTO. The Department of International Relations has also contributed to the preparation of the CTO's web pages in the English language.

In connection with the implementation of the system of recognised professional qualifications of state nationals of EU countries (resulting from Act No. 18/2004 Coll., on the Recognition of Professional Qualifications, as later amended), the responsible party for this issue and the central administrative body is the Czech Ministry of Education, Youth and Sports (hereinafter referred to as the “MEYS”). CTO representatives prepared positions and commentary on EU and MEYS materials and participated in the seminars on this issue organised by the National Equivalence Information Centre (NARIC) for the EU and Council of Europe in co-operation with UNESCO.

The Phare Project

The Phare Project CZ 2002/000-282.04.01 “Introduction and Management of a Global Automated System for Frequency Spectrum Monitoring – GASFSM, approved by the European Commission on the basis of the Financial

Memorandum for the 2002 National Phare Programme, has been underway in the CTO since 2002 and in 2005 it was completed for the CTO in a financial respect by the delivery of documents from the Czech Ministry of Finance – Centre for Foreign Aid. These documents were necessary for recording the property in the CTO.

The Phare GASFSM Project, financed from EU funds, is part of the larger Automated Frequency Spectrum Monitoring System (AFSMS) project, financed from head 328 of the state budget. The concept of the AFSMS system was prepared in the CTO. The intention was to create a rational tool for monitoring the frequency spectrum (pursuant to Act No. 127/2005 Coll., on Electronic Communications “of the radio spectrum”) under the conditions of the free electronic communications market in the Czech Republic, as well as in the framework of the EU, while fully preserving and utilising investments that have already been made. The AFSMS system is built as a modern, effective and fully automated monitoring system including a communications infrastructure of data services with the integration of existing stationary and mobile elements used for monitoring the radio spectrum and other partial data sources in the CTO.

The Phare GASFSM Project fulfilled its purpose and the delivered components put into operation are used to monitor the radio spectrum and locating unauthorised transmission equipment on part of the territory of the Czech Republic. Approximately 40% of the volume of the equipment delivered is used for the construction of more new stationary unattended monitoring stations in 2006 and the following years.

The mandatory co-financing of the Phare GASFSM Project in the amount of 1,730,000 EUR was already fulfilled by December 31st, 2004.

NATO

In 2005 CTO specialists actively engaged in the activities of the Civil Communications Planning Committee (CCPC NATO), Working Group for Telecommunications and with regard to the new authorities given to the CTO by the Electronic Communications Act for postal issues (WGP). Several meetings and seminars took place during 2005 in the framework of NATO's planned activities.

The CTO representatives participated in the Plenary Meetings of NATO's Committee on Civil Communications, which were held in Romania (May, 2005) and Brussels (October, 2005).

The important meeting agenda points primarily included the continuing reorganisation of NATO's committees and subcommittees in connection with the ministerial directive in the summer of 2005 – 2006, the fight against terrorism and the plans of the Senior Civil Emergency Planning Committee (SCEPC) for closer co-operation with the Euroatlantic Partnership Council (EAPC). The meetings also dealt with the Civil Emergency Planning action plan, the defence of the crisis infrastructure against weapons of mass destruction, the conception of the activities of a team for the fast reaction to a crisis situation, the analysis of the impact of new technology for the support of civil emergency planning, elaborating on the plan for the CCPC's activities for the years 2005-2006 and its development into an implementation plan that precisely specifies the work of working subgroups. During the course of the meetings primarily the following were discussed: issues of civilian – military co-operation, issues of the international preference scheme, crisis communication legislation, the use of local loops for the use of civil emergency planning and the use of public radio broadcasting for the purpose of civil protection with the objective of speedily informing the population in the event of a crisis. The preparation of the 2005 exercise for new CCPC NATO experts,

which took part in the first half of 2005 with the co-operation of other NATO committees, for practicing the co-operation of the individual NATO committees was discussed.

The information obtained from the meetings was used as a foundation for the activities in the CTO's crisis management bodies and entities subject to economic mobilisation in telecommunications area in crisis situations and in the preparation of the draft Government Order for the Regulatory Measures in Crisis Situations and in preparing amendments to the Electronic Communications Act.

The meetings of the Working Group for Telecommunications under the Civil Communications Planning Committee (WGT CCPC NATO) paid special attention to the plans of the CCPC's and CEP's activities, the finalisation of the work on the issues related to the international preference scheme (where the Czech delegation was the leader of the working subgroup entrusted with the co-ordination and completion of documents), the selection and nomination of telecommunications and postal experts, the training programme for new NATO experts and the preparation of a new Compendium (where the Czech delegation was once again the leader of the working subgroup entrusted with the co-ordination and completion of documents and discussion of comments). Other important points that were discussed include: the communications support for first-wave rescue units, cryptographic communications, communication in the form of internet protocols in relation to civil emergency planning and the support of new NATO member and partner countries.

The meeting of the working group for post offices was primarily concerned with the results for civil emergency planning ensuing from the continuing privatisation and liberalisation of the postal sector and the utilisation of postal resources for the support of civil protection in a crisis situation.

CTO employees also participated in the TechNet Europe Conference (Conference on Electronic Communications Networks), which was put on by AFCEA Europe (Armed Forces Communications and Electronics Association) in co-operation with the Czech branch of the AFCEA. These conferences are held regularly with representatives of NATO and EU member countries and representatives of public administrations and self-administrations in attendance. The key themes were security, crisis management and modern information technologies, the problem of the abuse of communications and information systems by terrorist groups. Another part of the conference was oriented on training and simulation technologies in the education process.

CTO representatives participated in the meetings of the CEPT/ECC working groups for frequency planning, system engineering and regulation and the meetings of selected working groups of these groups as well as some meetings of individual working groups in the framework of the CEPT/ERC/ECC frequency planning group.

CTO representatives, together with the Frequency Office of the Czech Army, also regularly participate in the joint civil/military meetings of the Frequency Modulation Subcommittee (FMSC) and its working group (PWG FMSC). A CTO representative, in the framework of the work of the Frequency Modulation Subcommittee, actively participated in the preparation of NATO's Army Frequency Position on the various points of the World Radiocommunication Conference WRC-07. NATO's Frequency Modulation Subcommittee, whose meetings are organised exclusively as civil/military, resolves all issues connected with the use of frequencies needed for ensuring the activities of the armies in NATO's member countries and associated countries. A CTO representative also actively participated in the meetings of the PWG FMSC working group, which dealt with the harmonisation of frequencies for the needs of the army in new member countries. At

these meetings, representatives of telecommunications administrations and army frequency offices were presented with experiences and information from the process of harmonising the utilisation of frequencies which, after their entry into NATO, was held in Poland, Hungary and the Czech Republic.

Organisation for Economic Co-operation and Development (OECD)

Regarding co-operation with the OECD, the CTO is represented on OECD's Working Part on Telecommunication and Information Services Policies (WP TISP), where it acts in co-operation with the Czech Ministry of Informatics. The CTO provides data for the annual OECD Communication Outlook report and other documents for OECD reports and publications concerning the issues of telecommunications, which is oriented on monitoring developments in the area of telecommunication and information technologies in OECD countries.

The focus of the WP TISP agenda in 2005 consisted in preparing documents concerning some technical and political aspects of convergence in telecommunications, business trends in operating the Internet, the character of the universal service in the changing environment of next generation networks and the update of consumption basket methods. Other themes concerned the trends of telecommunications services in the period of convergence, prospective policies of radio and television broadcasting and the latest developments in the area of domain names and internet search engines. Documents were produced on the issue of voice over internet protocol (VoIP) and on the political results of and experiences in the regulation of this transmission, on the context of implementing new technologies (WiMAX), on the results of competition in the area of the distribution of video programmes for the regulation of these services and on the study dedicated to the issue of conduction business with the

spectrum. The aforementioned themes were discussed in 2005 at two meetings of the working group in June and at the beginning of December, after which the CTO provided its comments and suggestions on a number of the discussed documents by the required deadlines.

European Telecommunications Standards Institute (ETSI)

The European Telecommunications Standards Institute, of which the CTO is a regular member, is one of the three standard-setting organisations jointly called ESO (CEN - the European Committee for Standardisation, CENELEC - the European Committee for Electrotechnical Standardisation, ETSI - The European Telecommunications Standardisation Institute), which create the standard-setting environment in the EU in a defining manner. ETSI issues standards, standard-setting documents and technical specifications in the area of electronic communications. ETSI's supreme body is the General Assembly, with CTO representatives participating at its meetings. In 2005, the General Assembly paid most attention to standards with new technologies, developing technical elements to EC directives, harmonised standards in the EC's New Approach, open standards, global access to standards and other organisational matters of the ETSI including project co-operation. Considerable attention was also paid to the ETSI's future activities, particularly in connection to the EC Action Plan, where an item indicating the preparation of a strategic study on the role of the European standard-setting policy in the field of information technologies is mentioned.

Bilateral and Multilateral International Contacts

CTO representatives also took part in many bilateral and multilateral international meetings, seminars and discussions with representatives of foreign

administrations, the objective of which was not only to obtain experience in issues connected with the fulfilment of the tasks of the CTO's specialised departments, but also to obtain information on new technologies in telecommunications and information communications from all over the world. The following were some of the most important actions:

- The meeting of the leading officials of the CTO and the Telecommunication Office of the Slovak Republic, the purpose of which was to share experience in the utilisation of EU legislation, knowledge from the application of the Public Service Act in the Slovak Republic and a discussion of the activities of the specialised departments and special regional units.

- The meeting of the Central-European Group of Countries for Frequency Planning of digital broadcasting held April in Prague with representatives of the following countries attending: the Czech Republic, The Croatian Republic, the Republic of Hungary, the Republic of Poland, the Republic of Austria, the Slovak Republic and Germany.

- Participation at the conference on the theme of the Lisbon Strategy and Information Technology, which took place in England and was focussed on the familiarisation with opinions on the development of information technologies. The strategy of the development of the information process to the year 2010 and the expected influence of strategy on the economic growth in the member countries were also subjects of the conference's meetings.

- The September, 2005 visit to the CTO of the delegation from the Kingdom of Thailand's National Telecommunications Commission comprised of representatives of the newly-established regulator (for the first time in the Kingdom of Thailand), oriented primarily on the collection of information in the area of regulation.

- The visit by representatives of the British regulator from OFCOM with the goal of informing each other of the status and strategy in the area of radio spectrum management.

- Participation at the meetings of the Telecommunications Conformity Assessment and Market Surveillance Committee (TCAM), which is the advisory body of the European Commission for the purpose of implementing Directive No. 1999/5/EC on radio and television end equipment and the mutual recognition of their conformity.

- Participation at the meetings of the RAINWAT Committee (Regional Arrangement Concerning Radiotelephone Services on Inland Waterways), whose main task was to introduce harmonisation in this issue on the European level and to specify the conditions for operating radio stations within the VHF frequency aboard vessels on European inland waterways.

Chapter III.

3. Securing the CTO's Activities

3.1 Economic Results

Specific Issues Related to the Budget

In the area of economics, the CTO resolved the lack of funds for financing the asset replacement programme during the course of the year. Furthermore, in connection with two legislative changes (an amendment to the Postal Services Act and the new Electronic Communications Act), budgetary measures (hereinafter referred to as "BMs") had an impact on the increase of the approved budget in the area of expenses (delimitation from the Ministry of Informatics) and remunerating members of the Council.

In the first quarter of 2005, in connection with meetings at the Ministry of Finance, the CTO asked for the expenses for financing the asset replacement programme (or the capital expenditures for 2005) to be increased by 31,000 thousand CZK by a transfer of the same amount from current expenses, without an impact on the total expenses of the head. The requested funds were to be used for an event not covered in the budget (the reconstruction of the CTO building in Tehov, the Radio Spectrum Monitoring Department (hereinafter referred to as the RSMD), which is recorded in ISP-ROFIN in programme 228 010, and the replacement of assets). The Ministry of Finance complied with the CTO's request and gave approval to this transfer in letter ref. no. 19/34 946/2005-194 from March 24th, 2005.

The agenda of the regulation of postal services was transferred to the CTO from the Ministry of Informatics in connection with the amendment to the Postal Services Act, effective from April 1st, 2005. A "Delimitation Agreement" was signed for the transfer of these powers, activities, rights and obligations ensuing from the labour-law and all other relations, tangible assets, the transfer of job positions and the corresponding budgetary funds. On the basis of this Agreement, the CTO asked the Ministry of Finance to approve a BM by which 3 job positions and the corresponding budgetary funds were transferred from budget head No. 338 – the Ministry of Informatics, to head no. 328 - the CTO. The BM was approved by the Ministry of Finance's letter ref. no. 19/45 461/2005-191 from May 3rd, 2005.

The issue of remunerating the members of the newly-elected Council in connection with the passing of the Electronic Communications Act was resolved. The CTO asked the Ministry of Finance to increase the binding volume of funds for employee salaries and other payments for work done by 2,503 thousand CZK and the volume of funds for the mandatory insurance by 876 thousand CZK. This request was also approved by the Ministry of Finance and the approved budget for 2005 was amended by letter ref. no. 14/51 002/2005-141 from May 27th, 2005.

Further amendments to the remuneration of the members of the Council were called for by Act No. 361/2005 Coll., which amends Act No. 143/2001 Coll., on the Protection of

Competition and amendments to other Acts coming into effect, by which (among others) Act No. 236/1995 Coll., on the Payment and other Matters Associated with the Performance of the Function of Representatives of State Authority and Certain State Bodies and Judges and European Parliament Members was amended and by which the coefficients for specifying the salaries of the Chairman and Members of the Council were newly specified. Funds for the salaries of Council Members increased by a total of 63 thousand CZK and mandatory insurance increased by 22 thousand CZK. The total expenses of the head in this context were increased by 85 thousand CZK (see the Ministry of Finance's letter ref. no. 19/101 318/2005-193 from October 27th, 2005).

During the course of the year the CTO also resolved the lack of funds for the payment of severance pay which was paid out to employees whose employment was terminated for organisational reasons. The funds for the payment of the severance pay were transferred both from the expenses for other payment for work done and also from savings in current expenses (after the prior approval of the Ministry of Finance).

Evaluation of the Fulfilment of Head Indicators for 2005

The CTO complied with all of the indicators set for it by the 2005 State Budget Act and eventually adjusted with the Ministry of Finance's approval. The budgetary income was highly exceeded, so the balance between the income achieved and the expenses spent is again highly positive. The income exceeds the expenses by 1,095,084 thousand CZK.

During the course of 2005, the CTO implemented a total of 13 BMs, from which 4 BMs were subject to the Ministry of Finance's approval from which 3 had an impact on changes or increases to the approved budget head and 9 BMs were implemented under the CTO's authority without an impact on the volumes of binding indicators. This relatively high

number of BMs, however, is influenced by the BMs called for by the amendments to several Acts (the Electronic Communications Act, amendments to the Postal Services Act and the Act on the Protection of Competition). The approved budget was increased in the area of expenses by a total of 4,789 thousand CZK, 1,325 thousand CZK of which was due to the delimitation of activities from the Ministry of Informatics and 3,464 thousand CZK of which was for remunerating the newly-established Council. An overview of the implemented BMs during 2005 that had an impact on the adjustment of the approved budget is given in a later section of the report.

An overview of the compliance of the aggregate indicators and uniform and specific partial indicators specified for the CTO for 2005 is given in Table No. 16 of the Annexe. We provide the following information on the individual indicators:

Total Income

The approved income budget for the year 2005 was fulfilled at 211.02%, i.e. the annual volume was exceeded by 821,977 thousand CZK. In comparison with the facts in 2004, the income achieved is lower by 4,337,239 thousand CZK because the income for 2004 contained extraordinary payments from 2 mobile operators for UMTS licenses. In comparison with the state of facts as of September 30th, 2005, the budgetary income for the 4th quarter of 2005 increased by 493,190 thousand CZK, despite an UMTS payment in the amount of 500,000 thousand CZK being collected from Oskar Mobile, a. s. in December. From this comparison it is apparent that the income for the 4th quarter of 2005 decreased primarily due to returning part of the annual fees for assigned frequencies specified in accordance with Government Order No. 154/2005 Coll., on Specifying the Level and the Manner of Calculating the Fees for the Utilisation of Radio Frequencies and Numbers, which came into effect on May 1st, 2005. Furthermore, the income derived from the

administration of the frequency spectrum for 2005 were decreased by the creation of the Radiocommunication Account (hereinafter referred to as the "RA"), to which an amount totalling 360 thousand CZK was transferred. The low creation of the RA is based on the low volume of income realised for the period from May 1st, 2005 to December 10th, 2005 (the majority of the income ensuing from the administration of the frequency spectrum was collected in January, 2005).

According to the budget structure 99.92% of the income received is maintained in item 2111 – Income generated from own services and 0.08% is of a causal nature. These primarily amount to income from:

- the lease of other property or its part (from the rooms in the CTO's building on Sokolovská Street leased to the building superintendent);
- interest (interest accruing on the CTO's bank accounts);
- the sale of short-term and low-value fixed assets (CTO's unnecessary or obsolete assets, acquired during the purchase of non-capital and capital expenditures);
- non-capital contributions and compensations received (compensations from natural persons for damages they caused to assets and credit notes in respect of expenses from previous years);
- providing information pursuant to Act No. 106/1999 Coll., on Free Access to Information, as later amended, and capital investments during tenders);
- transfers from other own funds (according to the Ministry of Finance's instructions funds transferred from the deposit account which remained in this account after the calculation of salaries for December, 2004 (unused salaries, mandatory insurance, travel expenses) are posted here).

According to the CTO's activities, the greater part of the income (57.12%) is income from the administration of the frequency spectrum, 42.79% is income from assigning numbers and 0.09% is for other activities. An overview of the income is shown in Table No. 17 in the Annexe.

Total Expenses

The adjusted budget of expenses for 2005 amounted altogether to 467,293 thousand CZK, i.e. using 99.63% of the yearly volume including the transfer of savings in the amount of 12,992 thousand CZK to the reserve fund. The transferred savings represent 2.76% of the total adjusted budget of expenses for 2005. After deducting these savings, 96.85% of the total expenses were used.

In comparison with 2004, the actual expenses for 2005 are actually lower by 4,218 thousand CZK. In 2004 a total of 100.45% of the adjusted budget of expenses was used, when the CTO had the Ministry of Finances approval for exceeding the budget.

Current Expenses

The current expenses of the head was decreased by a total of 26,211 thousand CZK against the approved 2005 budget, from which 31,000 thousand CZK was transferred with the Ministry of Finance's approval to Capital Expenditures, 1,325 thousand CZK was transferred from budget head 338 (the Ministry of Informatics) to the CTO due to the delimitation of the agenda of postal service regulation and 3,464 thousand CZK was newly assigned for remunerating the Council and the payment of mandatory insurance with the Ministry of Finance's approval.

A total of 316,487 thousand CZK of the current expenses for 2005, or 99.51% of the adjusted budget, were used. Saving in the amount of 11,392 thousand CZK were transferred to the reserve fund, i.e. in the amount of 3.58% of the adjusted budget of these expenses. After deducting these savings the use is decreased to 95.93%.

In comparison with 2004, the current expenses used for 2005 are actually lower by 24,076 thousand CZK, with the use of the adjusted budget in 2004 reaching a

value of 100.63% (the CTO was authorised to exceed current expenses).

The current expenses for 2005 were utilised as follows:

- 290,680 thousand CZK, i.e. 91.85%, to Article 2461. A major part of this, namely 186,329 thousand CZK, i.e. 64.10%, went to funds for salaries and other payments for work done, mandatory insurance payable by the employer and welfare fund transfers, 60,694 thousand CZK, i.e. 20.88%, went to the purchase of services (postal, telecommunication and radiocommunication services, monetary institutes, rent and services connected to rent, consultation, advisory and legal services, training and education, cleaning, meal ticket contributions, and other services), 18,363 thousand CZK, i.e. 6.31%, for the purchase of materials (the purchase of protective aids, books, teaching aids and publications, low-cost fixed tangible assets, office and other materials), 11,938 thousand CZK, i.e. 4.10%, for the purchase of repairs and maintenance of property (including the purchase of software and domestic travel expenses), and 5,427 thousand CZK, i.e. 1.86%, for the purchase of water, fuels and energy;

- 14,574 thousand CZK, i.e. 4.60%, to Article 2491. The greatest part of these expenses, being 8,662 thousand CZK, i.e. 59.43%, went to foreign travel expenses, entertainment during visits by foreign guests and during international meetings and to other purchases (especially visas). Another part in the amount of 1,732 thousand CZK, i.e. 11.88%, went to the payment of membership contributions to the international non-government organisations ETSI and ETO. Membership is primarily necessary for the harmonisation of technical and regulatory measures leading to the creation of a unified European telecommunications market. The remaining funds were used for the purchase of services (the payment of invoices to the CTO from ANACOM – the Portuguese national regulator) for ensuring the operation of IRG's network and web pages, the purchase of services during international meetings and

seminars held in the Czech Republic (meetings of the CEPT Commission for ITU working groups CEPT/EEC/WGSE, meetings of the Central European countries for frequency planning of digital broadcasting, at the meeting of the ERG/IRG working groups, CEPT/ECC/WG working group, during meetings with employees of the German regulator Reg TP Bayreuth);

- 10,755 thousand CZK, i.e. 3.40%, to Article 2549. The purchase of services, namely consultation and advisory services, are covered from these funds. This involves the solution of highly specialised and complex tasks necessary for the performance of the state administration in electronic communications that the CTO cannot provide with its own resources and where the solution is ordered by contracting it out;

- 478 thousand CZK, i.e. 0.15%, was used for the purchase of materials or low-cost tangible fixed assets in connection with the building of the crisis management office for the CTO.

There is a detailed overview of the use of current expenses in Table Nos. 18a and 18b in the Annexe.

Capital Expenditures

The capital expenditures increased by 31,000 thousand CZK compared to the approved 2005 budget by a shift from current expenses with the approval of the Ministry of Finance. Altogether 150,806 thousand CZK (99.87%) of the adjusted budget (including the transfer of savings to the reserve fund) was utilised. A total of 1,600 thousand CZK was transferred to the reserve fund and after deducting this amount the actual utilisation decreases to 98.81%.

The absolute amount increased by 19,858 thousand CZK in comparison with 2004, when 130,948 thousand CZK (99.79 of the budget) was utilised.

A total of 92,485 thousand CZK from the overall volume of the capital

expenditures for 2005 was budgeted in the form of systematically specified expenses and 58,515 thousand CZK as individually evaluated expenses, specified for 2 events included in sub-programme no. 228013 ASFMS, namely the Building of the Information System (57,707 thousand CZK) and the Acquisition of Mobile Unattended Stations (808 thousand CZK). 99.93% of the individual expenses for 2005 (including the transfer of 1,350 thousand CZK to the reserve fund) were utilised as were 99.84% of the system expenses (including a transfer of 250 thousand CZK to the reserve fund).

A detailed commentary on the utilisation of the capital expenditures is given in Table No. 19 in the Annex.

Employee Salaries and other Payments for Work Done

The approved budget for 2005 for this indicator was increased altogether by 3,473 thousand CZK for the year 2005, from which 782 thousand CZK went to the increase of salaries due to the delimitation of activities from the Ministry of Informatics and 2,691 thousand CZK was used for the remuneration of Council Members and for increasing other personal expenses due to the payment of severance pay.

100.00% of this expense item of the adjusted budget was utilised since an amount for the payment of salaries for December, 2005 was transferred to the deposit account to the level of the adjusted budget. The absolute amount increased by 4,546 thousand CZK in comparison with 2004, when 102.33% of the budget was used (overdraft permitted).

Funds for the employees' salaries for 2005 were also utilised at 100.00% of the adjusted budget. The absolute amount increased by 1,999 thousand CZK in comparison with 2004, when 102.35% of the budget was used (overdraft permitted).

Other payments for work done for 2005 were utilised at 100.00% of the adjusted budget. The absolute amount

increased by 2,547 thousand CZK in comparison with 2004, when this indicator was also utilised at 100.00%. In 2005 the payments for the Council Members were newly paid from this item in a total amount of 2,566 thousand CZK, as were other personal expenses in the amount of 837 thousand CZK and severance pay in the amount of 219 thousand CZK, paid out to employees whose employment was terminated for organisational reasons.

The average salary in the CTO as of December 31st, 2005 reached 23,940 CZK, i.e. 813 CZK higher when compared with 2004, 397 more than anticipated in the approved budget and 358 CZK more than in the adjusted budget.

Mandatory Insurance Payable by the Employer

The approved budget was also adjusted for this binding indicator in connection with three BMs, increasing it by 1,216 thousand CZK, from which 274 thousand CZK was delimited from the Ministry of Informatics and 942 thousand CZK ensued from increasing the other payments for work done for remunerating Council Members for the payment of other personal expenses. These expenses are used depending on the salaries actually paid out. They were utilised at 100% for 2005 since an amount for the settlement of salaries for December, 2005 was transferred to the deposit account to the level of the adjusted budget. A total of 152,909 CZK remained unused in the deposit account and was transferred to the CTO's income account upon the Ministry of Finance's instructions as an accounting case for 2006. In connection with 2004, the utilisation for 2005 is 1,654 thousand CZK higher.

An amount of 35,376 thousand CZK from the total amount went to social security premiums and state unemployment contributions and an amount of 12,245 thousand CZK went to public health insurance.

Transfer to the Cultural and Social Welfare Fund

The approved budget for 2005 for this indicator was increased by 16 thousand CZK by the influence of delimitation from the ministry of Informatics. A total of 2,649 thousand CZK was transferred to the cultural and social welfare fund for 2005 in accordance with the funds used for the employees' salaries.

As of December 31st, 2005 the Cultural and Social Welfare Fund showed a balance of 1,521 thousand CZK, which was transferred to the year 2006.

Expenses to Finance the Asset Replacement Programme

As was mentioned in previous sections of the report, the budget for this indicator was increased, with the Ministry of Finance's agreement, by 31,000 thousand crowns, with the approval effective from March 24th, 2005. The increase of the funds was used for the payment of actions in 2005 that were not accounted for in the budget - the Reconstruction of the CTO's Attended Monitoring Radio Station building in Tehov, which is registered in ISPROFIN in programme no. 228 010 Development and Renewal of the CTO Material and Technical Base. The need to speed up the reconstruction of the Tehov Attended Monitoring Station was caused by the building of the ASFMS. The increase was projected into capital expenditures. Design work and the corresponding technical work was then carried out during the course of 2005 on the Tehov Attended Monitoring Station building for the preparation of the reconstruction and the unused funds for this action were used for other actions in the ASFMS project.

In 2005 the CTO had one programme registered in the ISPROFIN Register with registration number 228 010 (Development and Renewal of the CTO Material and Technical Base) with the total budgeted expenses for 2005 amounting to 165,287 thousand CZK. From this amount,

151,000 thousand CZK was earmarked for capital expenditures and 14,287 thousand CZK for the payment of current expenses maintained in ISPROFIN. In 2005, these expenses were drawn upon in the amount of 164,792 thousand CZK (including the transfer of savings to the reserve fund), i.e. 99.70% of the adjusted budget, from which capital expenditures amounting to 150,806 thousand CZK, i.e. 99.87% used, and current expenses amounting to 13,986 thousand CZK, i.e. 97.89%.

Savings in the amount of 6,787 thousand CZK (1,600 thousand CZK from capital expenditures and 5,187 thousand CZK from current expenses) were transferred to the reserve fund. After deducting these savings, the use of the expenses drop to 158,005 thousand CZK, i.e. 95.59% of the adjusted budget, with capital expenditures dropping to 149,206 thousand CZK (i.e. to 98.81%) and current expenses to 8,799 thousand CZK (i.e. to 61.58%).

The CTO posted savings of the capital expenditures in the amount of 1,350 thousand CZK primarily for individually assessed expenses for the "information system" action, which arose as a result of not receiving the delivery of software modules that were part of the delivery of the application software. The delivery of the software was not accepted because the contractor did not manage to ensure its implementation and the verification of its functionality to the full extent. Another reason was the decrease of prices for some hardware components acquired in the project compared to the original estimated prices. The CTO intends to use these saved funds in 2006 in accordance with the further steps in the implementation of the ASFMS project.

The CTO posted savings of the current expenses primarily in expenses for the purchase of Public Administration Communication Infrastructure (hereinafter referred to as the "PACI") services, which are registered in ISPROFIN pursuant to the Ministry of Finance's instructions. Meanwhile the Ministry of Finance did not methodologically regulate which expenses

are included in the PACI category. Seeing that this information was not especially monitored in accounting in past years, its amount had to be estimated. At the same time the level of expenses for the purchase of telecommunications services, which are also covered by this expense group, stabilised against expectations.

In connection with 2004 (after deducting savings), the use of the expenses for financing asset replacement was higher by 20,010 thousand CZK (capital expenditures were higher by 18,478 thousand CZK and current expenses by 1,532 thousand CZK).

According to the budget structure, the capital expenditures were drawn upon as follows:

- 29,686 thousand CZK were used for the purchase of software.

65 licenses for NetWare Novell Open Enterprise were purchased, the INSYCO accounting program was upgraded, new CTO web pages were created including the purchase of a new CMS Publisher editing system, which enables the easier content administration of web applications and the CTO intranet, the form of which was also updated. New software was acquired for the servers in the CTO building, the MSORTS module was expanded, Novell Border Manager was upgraded. Furthermore a Novell Enterprise multi-license was acquired for 250 clients, as was an administrative control module, 6 Exchange Server licenses and 1 Spectra Exchange SW license. A Help Desk administrative console was purchased to improve the quality of the technical support for information system users. The GINIS system for document administration and document flow (already in use) was expanded to allow the connection of regional offices. An anti-spam filter (hereinafter referred to as the "firewall") was purchased for the prepared interconnection of the ASFMS and CTO networks, enabling the secure interconnection of these networks. To process the data from the analyses of

relevant markets in the area of electronic communications, a modular system for data processing and analysis was bought. A special database of operating areas was acquired for the Frequency Spectrum Management Department and the database of Undertaking Records and the database of allocated radio frequencies according to the issued allocations and individual authorisations were produced and placed on the CTO web pages.

Software for the Sedlec, Brno and Ústí nad Labem monitoring stations in the ASFMS project was purchased. Monitor Plus SW was also purchased and the e-Synergy tool for the administration of office projects was put into use. Software was delivered for the built data centre.

- 43,308 thousand CZK were used for other purchases of intangible fixed assets.

The first stage of the study for the reconstruction of the Attended Monitoring Radio Station building in Tehov was made, documents were acquired for the Security Audit Information System, Operation Security Directive, Security Policy Regulations, the study for the system of information system user identities and a study of the methods for calculating the intensity of the electromagnetic field. Invoices for system integration services for 2005 in the framework of the ASFMS project and documents were delivered for Project Management Methodology, Quality Management Methodology, Cross-Sectional Security, the TIF Implementation Project, a feasibility study for the mobile unattended monitoring station type B and project documentation for antennae supports for mobile unattended monitoring stations (hereinafter referred to as a "MUMS") of an internal type. Furthermore the surcharge for the Information System Concept and Rough Process Analysis, which are documents necessary for the further implementation of the project, was paid.

- 37,077 thousand CZK were used for the buildings, halls and structures item.

In the framework of the ASFMS project, the fee for the temporary removal of the forest land for the construction of the Ústí nad Labem - Dlouhá Louka - Osek monitoring stations was paid and the share for the expenses on the connection of the collection location for the České Budějovice – Lišov, Plzeň, Hradec Králové – Poběžovice monitoring stations was paid. Furthermore building works on monitoring stations Sedlec, Karlovice, Hradec Králové – Poběžovice, České Budějovice – Líšov, Plzeň, Jihlava – Větrný Jeníkov, Brno and Ústí nad Labem - Dlouhá Louka - Osek monitoring stations were carried out. Geodetic and dendrologic surveys were carried out in the Attended Monitoring Radio Station building in Tehov and work continued on the selection of stations for the last three localities for Karlovy Vary, Liberec and Ostrava. A camera security system was purchased for the protection of the Attended Monitoring Radio Station building in Tehov.

Layout modifications were carried out at the CTO building in Sokolovská Street in connection with the building of offices for the newly-established CTO Council. The existing joint television antenna for the reception and comparison of the quality of analogue and digital television broadcasts was modified; work connected to the building of the data centre was performed and modifications to the archive's ceiling were also carried out.

- 9,194 thousand CZK were used for the purchase of machines and equipment.

Accessories for the spectral analysers, equipment for measuring FM modulation, one projector, 4 copy machines and an exchange for the Ostrava office were purchased. Equipment was also bought for the Sedlec, Karlovice, Tehov, Hradec Králové, České Budějovice, Plzeň, Jihlava, Brno and Ústí nad Labem monitoring stations and the Prague and Karlovice control stations and for the MUMS of an external type.

- 10,957 thousand CZK were used for the purchase of means of transportation.

1 Škoda Fabia Sedan was purchased for technological purposes and 1 Mercedes-Benz Sprinter measuring vehicle (including equipment) was also purchased.

- 18,984 thousand CZK were used for the purchase of computer equipment.

Due to the considerable increase in the share of delivered unsolicited e-mail a firewall was purchased. Seventeen notebooks, twelve PCs, a server for the Attended Monitoring Radio Station office in Tehov, a printer, a backup disk, a backup server and a server for Internet access were also purchased. The Microsoft Sharepoint Portal Server and mail server were acquired and put into operation for the professional activities of the Council and some of the CTO's Departments. The existing server at the Olomouc office was also enhanced. With regards to the ASFMS project, computer equipment was also bought for the Karlovice, Tehov, Jihlava, Brno and Ústí nad Labem monitoring stations and special PC configurations and equipment was supplied for the data centre.

According to the budget structure, the current expenses were drawn upon as follows:

- 2,788 thousand CZK were used for the purchase of materials.

Expenses for the purchase of materials or spare parts for information and communication technology (hereinafter referred to as "ICT") devices, such as toners and cartridges to printers and faxes, cleaning agents for computer equipment, etc. were covered from this item.

- 5,320 thousand CZK were used for the purchase of telecommunication and radiocommunication services.

Expenses connected with the operation of fixed telephone lines, mobile telephones, GSM gateways and also, for example, for the purchase of SIM cards for mobile phones or telephone cards for public pay phones used by certain CTO employees for inspections are posted to this item. Expenses for IP VPN data lines, which ensure the connection between the individual CTO offices and also with the individual stations of the constructed ASFSM system.

- 80 thousand CZK were used for the purchase of other services.

Expenses connected with the use of electronic alarms for CTO buildings, including their connection to the centralised protection desk are covered in this item.

- 610 thousand CZK were used for the purchase of repairs and maintenance.

Expenses for the repair and maintenance of ICT devices and also, for example, the revision of electronic security systems or the regular maintenance of branch exchanges are covered from this item.

Non-Investment Transfers to International Organisations

This expense item was used to the amount of 2,097 thousand CZK in 2005 (including transferring the savings to the reserve fund), i.e. 99.86%. Savings in the amount of 365 thousand CZK (i.e. 17.38 of the approved budget for this indicator) were sent to the reserve fund. After deducting these savings the utilisation decreased to 1,732 thousand CZK, i.e. to 82.48%.

The absolute amount, in comparison with 2004 (after deducting savings) when the use reached 87.28%, is higher by 159 thousand CZK. The highest expenses during 2005 were for membership fees in the international organisation ETSI (1,643 thousand CZK) and membership fees in

the international organisation ETO in the amount of 89 thousand CZK.

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

From the year 2005, the CTO budgets to Article 5273 – Other Administration in the Area of Crisis Management Expenses for the Activities of Crisis Management Offices. The funds were budgeted to the structure of item 513 – the Purchase of Materials. In 2005 478 thousand CZK (i.e. 95.55%) of these expenses (including the transfer of savings to the reserve fund) were used. Savings in the amount of 340 thousand CZK (i.e. 68.00% of the approved budget for this indicator) were transferred to the reserve fund. After deducting the savings, 27.60% of the savings were drawn upon. A considerable part of the funds were budgeted for building a concealed government connection in accordance with the Czech Government's Order No. 112 from February 4th, 2004. The deadline for building this connection was moved to the years 2006-2007 by the subsequent Czech Government Resolution No. 855 from July 7th, 2005 and therefore the funds could not be fully utilised in 2005. The CTO expects their utilisation from the reserve fund in 2006 for the same reason.

Expenses from the State Budget to Finance Joint EU/Czech Programmes

The CTO did not use any funds in 2005 for financing joint EU/Czech programmes. The Phare Project 2002/000-282.04.01 "Introduction and Management of a Global Automated System for Frequency Spectrum Monitoring (hereinafter referred to "GASFSM"), approved by the European Commission on the basis of the Financial Memorandum for the 2002 Phare National Programme, which was co-financed from the state budget in 2003 and 2004 was in the handover phase in 2005 and all of the

deliveries of the requested equipment were completed in 2005.

Expenses from Phare Funds

In 2005 the CTO did not draw upon any other funds from Phare, but all the deliveries that were supposed to be made in 2004 in the framework of the Phare Project 2002/000-282.04.01 GASFSM, approved by the European Commission on the basis of the Financial Memorandum for the 2002 Phare National Programme, were completed.

Budgetary Measures

During the course of 2005, the CTO implemented a total of 13 budgetary measures, from which 4 BMs were with the Ministry of Finance's approval (from which 3 had an impact on a change or increase to the approved budget heads) and 9 BMs were implemented on the CTO's authority. The number of BMs was influenced primarily by a number of Acts coming into effect, such as the Postal Services Act, the Electronic Communications Act, and the amendment to the Act on the Protection of Competition. The following are the individual BMs that had an impact on the adjustment to the approved budget:

a) BM (subject to the Ministry of Finance's approval) – in effect from March 24th, 2005

The Ministry of Finance satisfied the CTO's request (see letter ref. no. 12 128/2005-602 from March 11th, 2005) and in letter ref. no. 19/34 946/2005-194 from March 24th, 2005 expressed approval with the transfer of funds in the amount of 31,000 thousand CZK from current expenses to expenses for financing the asset replacement programme ref. no. 228 010 "The Development and Renewal of the CTO Material and Technical Base" for financing the action ref. no. 228 012-A004 "The Reconstruction of the Attended Monitoring Radio Station office in Tehov"

in accordance with the Czech Government's Order No. 273 from March 9th, 2005.

The need to increase the funds for covering the reconstruction of the attended monitoring radio station office in Tehov in 2005 arose on the basis of the State Electronic Communication Inspection Department, since this building is an essential part of the newly-built ASFSM system. The adjustment was made to Article 2461 of the budget.

b) BM (subject to the Ministry of Finance's approval) – in effect from May 3rd, 2005

The Ministry of Finance satisfied the CTO's request (see letter ref. no. 15 751/2005-602 from April 19th, 2005) and in letter ref. no. 19/45 461/2005-191 from May 3rd, 2005 expressed approval of 3 job positions and the corresponding funds totalling 1,325 thousand CZK in accordance with the delimitation protocol from budget head 338 (the Ministry of Informatics) to budget head 328 (the CTO) in connection with the Postal Services Act coming into force. The adjustment was made to Article 2461 of the budget.

c) BM (subject to the Ministry of Finance's approval) – in effect from May 27th, 2005

The Ministry of Finance satisfied the CTO's request (see letter ref. no. 18 747/2005-602 from May 4th, 2005) and in letter ref. no. 14/51 002/2005-141 from May 27th, 2005 increased the binding volume of funds for the salaries of employees and other payments for work done, from which the other payments for work done increased by 2,503 thousand CZK in connection with the remuneration of the Council, which was named by Resolution of Czech Government No. 450 from April 13th, 2005 and Resolution of Czech Government No. 481 from April 20th, 2005. At the same time the volume of funds for the mandatory insurance payable by the employer was increased by 876

thousand CZK. The total expenses of the head increased by 3,379 thousand CZK with this measure and the adjustment was made to Article 2461 of the budget.

d) BM (subject to the Ministry of Finance's approval) – in effect from October 27th, 2005

The Ministry of Finance satisfied the CTO's request (see letter ref. no. 37 590/2005-602 from October 17th, 2005) and in letter ref. no. 19/101 318/2005-193 from October 27th, 2005 expressed approval of the request concerning the increase of funds for the salaries of the Council Members due to Act No. 361/2005 coming into effect, which amends Act No. 143/2001 Coll., on the Protection of Competition and on changes to some Acts (the Act on the Protection of Competition), by which Act No. 236/1995 Coll., on the Payment and other Matters Associated with the Performance of the Function of Representatives of State Authority and Certain State Bodies and Judges and European Parliament Members, was also amended and by which the coefficient for specifying the salaries of the Council Chairman and Members was also increased. The funds for the payment of the Council Members were increased by a total of 63 thousand CZK and mandatory insurance by 22 thousand CZK. The total expenses of this budget head increased by 85 thousand CZK.

At the same time the Ministry of Finance satisfied the request to increase the limit of other personal expenses by 125 thousand CZK and mandatory insurance by 44 thousand CZK, i.e. by a total of 169 thousand CZK on other current expenses (the item used for the purchase of consulting, advisory and legal services) due to the payment of severance pay which was not under consideration during the 2005 budget planning stage. The adjustment was made to Article 2461 and 2549 of the budget.

Balance Sheet as of December 31st, 2005 (Úc OUP0 3-02)

The states of the assets and liabilities as of January 1st, 2005 are based on the states posted as of December 31st, 2004 and are identical with them.

The states of the assets and liabilities as of December 31st, 2005 after performing the transfers of expenses and costs and income and revenue showed a difference in the amount of 0.02 thousand CZK, which results from rounding. This difference, however, does not exceed the specified level of tolerance for errors incurred by rounding.

The state of the assets for the monitored period increased by 308,902.36 thousand CZK and the state of the intangible fixed assets in an amount of 77,259.58 thousand CZK and tangible assets in an amount of 218,117.96 thousand CZK primarily contributed to this increase. The bank account for the reserve fund was also increased by 12,992 thousand CZK.

The status of the liabilities for the monitored period increased by 308,902.35 thousand CZK and the fixed asset fund, which increased by 237,396.48 thousand CZK, primarily contributed to this increase.

Receivables as of December 31st, 2005 reached a level of 48,951.72 thousand CZK, which is 638.35 thousand CZK higher when compared with the state as of January 1st, 2005 and 8,279.67 thousand CZK lower than the state when compared with September 30th, 2005. The CTO posts the entire volume of receivables to account 315 – Receivables for budgetary revenue. Its state as of December 31st, 2005 amounts to only 0.03% in comparison with the budgetary revenue attained.

The total value of the overdue outstanding receivables is 48,941.16 thousand CZK, receivables for debtors in bankruptcy proceedings amount to 3,221.02 thousand CZK and receivables that are the subject of legal disputes amount to 3,133.04 thousand CZK. The total value of written-off receivables for the budgetary revenue, which are maintained

in a sub-budgetary account, amounts to 246.50 thousand CZK.

Payables as of December 31st, 2005 reached a state of 45,608.89 thousand CZK, which is 27,164.75 thousand CZK higher when compared with the state as of January 1st, 2005 and 33,046.12 thousand CZK higher than the state when compared with September 30th, 2005. The predominant part of the payables is comprised of overpayments to revenues ensuing from the administration of the frequency spectrum, which arose in connection with the Electronic Communications Act and Government Order No. 154/2005 Coll., on Specifying the Level and the Manner of Calculating the Fees for the Utilisation of Radio Frequencies and Numbers, coming into effect. Furthermore the balance of the analytical universal service account and the balance in the radiocommunication account also belong in the end state of the payables. Other payables result from the calculation of salaries for December, 2005 and will be settled during the course of the month of January, 2006 in the payment period, i.e. January 14th, or January 13th, 2006.

The intangible fixed assets reached a value of 242,816.81 thousand CZK as of December 31st, 2005, allocated to the following accounts:

- 013 – Software – 137,479.37 thousand CZK
- 018 – Low-Value Intangible Fixed Assets – 13,901.98 thousand CZK
- 019 – Other Intangible Fixed Assets – 15,770.36 thousand CZK
- 041 – Intangible Fixed Assets Under Construction – 75,666.10 thousand CZK

The tangible fixed assets reached a value of 907,903.60 thousand CZK as of December 31st, 2005, allocated to the following accounts:

- 021 – Structures – 430,817.83 thousand CZK
- 022 – Moveable Assets and Sets of Moveable Assets – 338,853.33 thousand CZK

- 028 – Low-value tangible fixed assets – 58,080.60 thousand CZK
- 029 – Other Tangible Fixed Assets – 233.77 thousand CZK
- 041 – Tangible fixed assets under construction – 79,918.07 thousand CZK

The relatively high states of both tangible and intangible assets under construction ensues from the ongoing implementation of the approved ASFMS project, which is classified in the ISPROFIN information system at the Ministry of Finance as sub-programme 013 of the CTO's approved programme reference number 228 010 – The Development and Renewal of the CTO Material and Technical Base. This programme is expected to be completed in 2008.

The CTO, as an organisational component of the state which is as yet fully financed from the state budget, does not amortise its assets. As long as they are on record, the assets are listed in their acquisition costs.

The CTO assets are regularly controlled and assessed both in relation to completion as well as in relation to the technical usability with regard to the CTO's specific activities. In the case that the assets are not used, further use is sought in the form of offers among the individual components of the CTO. If the assets do not find use within the CTO, it is evaluated as unnecessary. Handling CTO assets is regulated by the CTO's binding order no. 4/2005, by which the unified approach to dealing with Czech assets under the CTO's conditions is specified. At least once every year, the unnecessary assets are offered in a wider offer to other organisational components of the state. If any of the organisational components of the state expresses interest in the unnecessary assets, then these assets are transferred without charge. If there is not interest in the unnecessary assets on the part of the organisational components of the state, the assets are offered to second-hand shops for a fee and the best offer is accepted. The situation where it is not possible to offer some of the

unnecessary assets to the second-hand shops for a fee is starting to occur more and more often and it is necessary to physically liquidate such assets (this mainly applies to computer and measuring equipment). In the event that it is possible to give components of some assets to junkyards, then this is done under the condition that the financial difficulty of disassembling the components is evaluated and compared with the possibility of ecological liquidation for a fee by companies that are authorised to carry out ecological liquidation. In such a case the liquidation method is chosen depending on the economic benefit of the liquidation method.

Special State Budget Revenue Accounts

The CTO has 9 special state budget accounts with a prefix "3711" established for the collection of administrative fees and 8 accounts with the prefix "3754" for the collection of fines in administrative proceedings. The high number of accounts is a result of the necessity to establish them for regional CTO offices due to the large number of fees collected. A further 28,892.11 thousand CZK was collected to the state budget from administrative fees for 2005 as well as 12,541.22 thousand CZK for fines imposed in administrative proceedings. Fee stamps worth 90 thousand CZK were also paid in administrative proceedings.

Transfers to the Reserve Fund and its Use

Savings in expenses totalling 12,992 thousand CZK were transferred to the reserve fund in 2005, with 11,392 thousand CZK coming from the area of current expenses and 1,600 thousand CZK coming from the area of capital expenditures. The transferred savings amounts to 2.76% of the head's adjusted budget of overall expenses. It is 51,515 thousand CZK lower in comparison with the transferred savings for 2004.

A total of 6,787 thousand CZK (i.e. 52.23%) from the overall amount was allotted to savings of funds for financing the Asset Replacement Programmes maintained in ISPROFIN and 6,205 thousand CZK (i.e. 47.76%) was allotted to other expenses.

A total of 5,187 thousand CZK from the savings of expenses meant for the financing of the reproduction of assets was allotted to current expenses and 1,600 thousand CZK was allotted to capital expenditures. On the Ministry of Finance's instructions the CTO has been budgeting, among other things, expenses for the payment of PACI services in current expenses maintained in ISPROFIN since 2004. The Ministry of Finance, however, did not methodically specify which expenses are allocated to the PACI category. Seeing that these expenses were not especially monitored in the accounting in previous years, the CTO had to estimate their amount.

The CTO primarily posted savings of capital expenditures in the amount of 1,350 thousand CZK on individually-evaluated expenditures for the "information system" action, which arose as a result of not accepting the delivery of SW modules that were part of the delivery of the application software. The delivery of the SW was not accepted because the contractor did not fully manage to ensure its implementation and the verification of the functionality. Another reason was the decrease in the prices for some HW components acquired in the project compared with the originally-estimated prices. The CTO intends to use these savings in 2006 in accordance with the continuation of the ASFMS project implementation.

From the other transferred funds:

- 340 thousand CZK was allotted to savings for specific partial indicators of the "Ensuring Preparations for Crisis Situations Pursuant to Act No. 240/2000 Coll." head, which was budgeted in the amount of 500 thousand CZK. The predominant part of the funds was

budgeted for building a concealed government connection in accordance with the Czech Government's Order No. 112 from February 4th, 2004. The deadline for building this connection was moved to the years 2006-2007 by the subsequent Czech Government Resolution No. 855 from July 7th, 2005 and therefore the funds could not be fully utilised in 2005. The CTO expects their utilisation from the reserve fund in 2006 for the same reason.

- 365 thousand CZK was allotted to savings for specific partial indicators of the "Non-Investment Transfers to International Organisations" head, which was budgeted in the amount of 2,100 thousand CZK and where the CTO expected higher membership fees for the international organisations ETSI and STO. In 2006 the indicator is budgeted in a lower volume, namely 1,900 thousand CZK.

- 3,000 thousand CZK was allotted for other items budgeted to Article 2491 (International Co-operation in Telecommunications), primarily due to savings on foreign business trips. The savings of budgeted expenses on foreign business trips was influenced by some business trips being cancelled (by the Electronic Communications Act coming into effect on May 1st, 2005) and by the economical handling of the funds when booking airline tickets.

The reserve fund posted a balance of 78,279 thousand CZK as of December 31st, 2005. The CTO expects to use the funds from the reserve fund in 2006 for financing the expenses of asset reproduction, especially the ASFMS project. It must, however, request the Ministry of Finance's prior approval to use the reserve fund's resources for that purpose. No funds were drawn upon from the reserve fund in 2005.

Current Bank Account for the Visa Card

The CTO has had a current account set up at the Prague 9 branch of ČSOB, a. s. since 2002 for the purpose of obtaining a VISA bank card for occasionally

covering expenses during foreign business trips, especially for accommodations.

The account posted a balance of 133,937.19 CZK as of January 1st, 2005 and the closing balance as of December 31st, 2005 amounted to 133,730.74 CZK. Payments made through the VISA card in 2005 amounting to 7,974.66 CZK and bank fees amounting to 4,650 CZK were offset by a transfer from 2005 expenses. Interest in the amount of 132.13 CZK was deposited to the account for 2005 and was sent throughout the course of the year to the Ministry of Finance's account (a total of 131.58 CZK was transferred, i.e. including interest for the 4th quarter of 2004 in the amount of 32.41 CZK and without the interest for the 4th quarter of 2005 in the amount of 32.96 CZK), which was transferred to the Ministry of Finance in January, 2006.

Universal Service Account

The CTO has had another account of foreign funds set up since 2002 with an extended prefix of 16010 and the title Foreign Funds – Universal Service at the Czech National Bank, Prague branch. The account was established pursuant to Section 32 of the Telecommunications Act and it is used to cover the demonstrable loss of universal service providers from the contributions of other operators. ČESKÝ TELECOM, a.s. did not agree with the verified level of demonstrable losses that were specified and submitted an appeal against the decision of the administrative body's decision in the 1st instance of the administrative proceedings. The appeals body decided to cancel the first-instance decision and the case was returned for a new hearing and decision. Thus the CTO could not yet approach the calculation of the contributions for the universal services account for 2004. Thus as of December 31st, 2005 the universal services account posts an unchanged balance of 159,141.09 CZK when compared with the status as of January 1st, 2005.

Radiocommunication Account

The obligation to set up and maintain a radiocommunication account (to which monetary funds in the amount of 6% of the collected fees for the use of radio frequencies are transferred) arose for the CTO from the Electronic Communications Act. The creation of the Radiocommunication Account is regulated by Government Order No. 153/2005 Coll., on Specifying the Manner and Level of the Creation of Funds for the Radiocommunication Account and the Method it is Drawn Upon. The account was established at the Czech National Bank, Prague branch, also as a foreign funds account with the extended prefix of "26016" and until now part of the realised expenses in the amount of 360,179 CZK have been transferred to it from the moment the Electronic Communications Act came into effect, i.e. from May 1st, 2005 until December 10th, 2005.

External Audits

An inspection of premiums, administered health insurance and the

fulfilment of tasks in pension insurance for the period from May 1st, 2003 until April 30th, 2005 was carried out at the CTO in 2005. The inspection took place on June 6th - 8th and June 15th, 2005 and it was performed by employees of the Prague Social Security Administration in Prague 8, Trojská 13/1997, Postal Code 182 00.

A non-lapsed back payment of health insurance in the amount of 348 CZK for one CTO employee was discovered by the inspection – see Inspection Protocol No. 1507/05. According to point 4 of the aforementioned protocol, a back payment for health insurance paid to the employee for June, 2005, i.e. on the payment date of June 14th, 2005, was discovered. A fine was not imposed.

The following corrective measure was imposed on the CTO: "If a citizen goes on sick leave again, one calendar day after completing sick leave, this sick leave is considered to be a continuation of the previous sick leave – the provisions of Section 8 of Decree No. 31/1993 Coll., as amended." The CTO took note of this corrective measure and will continue to proceed according to it.

3.2 The Human Resources Area

Sixty-nine new employees joined the CTO in 2005, one employee went on maternity leave and 82 employees terminated their employment, from which 15 retired to become old-age or disability pensioners, 3 employees died, 5 employees terminated their employment pursuant to Section 46(1)(c) of the Labour Code No. 65/1965 Coll., as later amended (hereinafter referred to as the "Labour Code").

There were 459 employees in the CTO as of December 31st, 2005 with the average number of full-time equivalents being 461 employees.

Ten job positions were terminated as of January 1st, 2005 in accordance with the Government Resolution No. 808 from August 6th, 2003 for the reduction of the number of job positions in the central bodies of the state administrations and in organisations controlled or financed by them.

Indicator / Period	As of Dec. 31 2003	As of Dec. 31 2004	As of April 30 2005	As of Dec. 31 2005
Number of job positions	486	476	469	469
Average number of employees as full-time equivalents	477	470	461	461
Number of new hires	54	46	29	69
Number of employment terminations	53	45	13	82
Number of employees in post-productive age:	60	58	46	49
- of this, women:	32	36	28	28

In 2005, as in previous years, selected representatives of the CTO took part in the meetings of working groups established with the Office of the Czech Government and contributed to the preparation of materials in the area of the organisation, human resources and employee education in administrative authorities in order to inform and co-operate with the representatives of administrative authorities in the implementation of the Public Services Act. There are two representatives from CTO in the Project Team for Central State Administration Reform.

In accordance with the intentions of the National Employment Plan, an integrated system of type positions (ISTP) has been under construction since November 2004 under the supervision of the Ministry of Labour and Social Affairs. The system represents a new tool to effectively facilitate the mediation and consultation on

the labour market. One CTO representative is on the working team that is to develop specific positions in the state administration.

In connection with the Postal Services Act coming into effect, the agenda of postal service regulation was transferred from the Ministry of Informatics to the CTO, effective from April 1st, 2005. A "Delimitation Agreement" was signed for the transfer of these powers, activities, rights and obligations ensuing from the labour-law and all other relations, tangible assets, the transfer of job positions and the corresponding budgetary funds. With the Ministry of Finance's budgetary measure ref. no. 19/45 461/2005-191 from May 3rd, 2005 the current expenses in the amount of 1,325 thousand CZK were transferred from budget head No. 338 (the Ministry of Informatics), to head no. 328 (the CTO) as well as three job positions – effective from April 1st, 2005. The CTO is

also a central state administration effective from April 1st, 2005.

With regard to the amendment to the Postal Services Act, 6 job positions were terminated, the Mladá Boleslav office in the Department for the Prague Region, the Division of Measurement Centre Inspections and the Vestec office in the Department of State Telecommunications Inspections were closed and the Postal Service Regulation Department and Market Analysis Department were established in the Economic Regulation Department, all effective April 1st, 2005 by the CTO President's Decision No. 2/2005, on naming new managers, issuing a supplement to the organisation rules and on the issuance of new job classifications.

An exception for the CTO and its legal successor was approved in accordance with the Electronic Communications Act and on amendments to some related Acts by Resolution of Government No. 466 from April 20th, 2005 on Limiting the Reduction of the Number of Job Positions in the CTO, so that the number of job positions for 2006 will be kept at the level of the approved Czech budget for 2005 for these subjects in the framework of the reduction of the number of job positions in the central bodies of the state administrations, with an increase of 4 job positions for 2006.

In connection with the Electronic Communications Act coming into effect, which dissolved the CTO established by the Telecommunications Act and on amendments to other Acts, as later amended, the CTO changed its organisational structure as of May 1st, 2005 – CTO President's Decision No. 3/2005, on organisational changes and on the issuance of new job classifications. The reason was an attempt to optimise the existing structure as much as possible for the purpose of ensuring the scope and circle of activities that originated for the CTO with the Electronic Communications Act coming into effect. As a result of these organisational changes 5 employees become redundant and, pursuant to Section 46(1)(c) of the Labour Code, were

entitled to severance pay in the amount of twice their average income.

With the CTO Council Chairman's Measure No. 1/2005, on establishing advisory and working bodies and on naming management, a special (analytical) commission, damage commission and commission for verifying professional qualifications for the operation of radio equipment transmitters and issuing professional qualification certificates were established effective from May 2nd, 2005.

With the CTO Council Chairman's Measure No. 15/2005, on organisational changes and on the issuance of new job classifications, 2 job positions in the Economic Regulation Department were established effective from November 1st, 2005.

A selection procedure was underway in September, 2005 for the function of the Director of the Department for the CTO's North Moravian Region. Twelve applicants applied to the selection procedure. Three of the applicants did not fulfil the requirements specified for the selection procedure. The actual selection procedure took place in two parts, one immediately after the other – the applicant's individual interview with a psychologist, including the necessarily associated psychology tests (the first part) and the selection committee's individual interview with the applicant (the second part). Nine applicants took part in the selection procedure. The new Director of the Department for the North Moravian Region, who was selected on the basis of the results of the selection procedure, was named to his function effective December 1st, 2005 by the CTO Council Chairman's Measure No. 16/2005, on naming new managers.

With the CTO Council Chairman's Measure No. 17/2005, on organisational changes, on removing and naming managers and on the issuance of new job classifications, the Market Analysis Department of the Economic Regulation Department was dissolved and the Market

Analysis Department was established as of November 24th, 2005.

With the CTO Council Chairman's Measure No. 20/2005, on closing offices, on naming new managers and on the issuance of new job classifications, the Department for the North Bohemian Region's Most office was closed as of December 31st, 2005.

The extra wage was cancelled in 2005 by Act No. 626/2004 Coll., on the amendment to some Acts in connection with the implementation of public finance reforms in the area of remuneration, and Government Order No. 213/2005 Coll., which amends Government Order No. 330/2003 Coll., on the Salaries of Employees in Public Services and Administration, as amended by Government Order No. 637/2004 Coll. and Government Order No. 469/2002 Coll., which specifies the catalogue of work and qualification conditions and which amends the Government Order on the Salaries of Employees in Public Services and Administration, as later amended.

A comparison of the limit of the funds for salaries for 2005 (132,437 thousand CZK) with the actual situation in 2004 (130,438 thousand CZK) shows an increase of 1,999 thousand CZK. A predominant part of this sum was used for increasing the salary brackets by law, increasing personal bonuses and for honouring working merits when reaching personal milestones and for extraordinary work assignments that were completed in 2005.

The 2005 budget only provided for the growth of the average wage on the basis of legislative amendments. The average monthly salary of CTO employees in 2005 (23,940 CZK) increased by 813 CZK in comparison with 2004 (23,127 CZK).

Other Payment for Work Done

The budget for other payment for work done for 2005 was 931 thousand CZK. Due to the payment of severance pay from other payment for work done in the

amount of 219 thousand CZK to five employees whose employment was terminated for organisational reasons, and since this amount was not under consideration when specifying the volume of this indicator for 2005, the need to increase this indicator by 125 thousand CZK arose. It was proposed to cover the increase in the other payment for work done by the savings from current expenses without any impact on the overall volume of the CTO head's expenses. This request was approved with the budgetary measure ref. no. 19/101 318/2005-193 from October 27th, 2005.

The only other activities that were covered from the budget for other payment for work done were those that could not be provided in-house. These included, in particular, the work of the CTO President's special commission (until April 30th, 2005), the CTO Council Chairman's special commission, the CTO Council's special commission, examiners for radio operator tests and expert lecturers in the courses and seminars organised for the CTO employees. Severance payments in the amount of 219 thousand CZK were given to 5 CTO employees.

The CTO Council

The organisation of the CTO was changed effective from May 1st, 2005 and in accordance with the Electronic Communications Act. According to Section 107 of the Electronic Communications Act a five-member Council is at the head of the CTO. One of the Members of the Council is the Chairman of the Council. Three Members of the CTO Council were named by Czech Government Resolution No. 450 from April 13th, 2005. The Chairman of the CTO Council was named by Czech Government Resolution No. 481 from April 20th, 2005. Members of the CTO Council do not come under the limit on the number of the CTO's job positions and are paid from the limits of other payments for work done. Members of the CTO's Council are remunerated according to Act No. 236/1995 Coll., on the Payment and other Matters Associated with the Performance

of the Function of Representatives of State Authority and Certain State Bodies and Judges and European Parliament Members, as later amended.

An amount of 2,503 thousand CZK for the payment of the CTO Council Members was transferred, effective May 1st, 2005, from budget head 398 (General Cash Administration, the Funds for Salaries, including appurtenances item) to head 328 (the CTO) by budgetary measure ref. no. 14/51 002/2005-141 from May 27th, 2005. The coefficient specified for calculating the salaries of the CTO Council Members was increased effective October 1st, 2005 by Act No. 361/2005 Coll., which amends Act No. 143/2001 Coll. on the Protection of Competition and on the amendment of other Acts (The Act on the Protection of Competition), as later amended and some other Acts. On the basis of these changes, the budget for other payment for work done was increased by 63 thousand CZK effective October 1st, 2005 by the Ministry of Finance's budgetary measure ref. no. 19/101 318/2005-193 from October 27th, 2005.

Employee Education

The education of CTO Employees in 2005 was implemented in accordance with the Labour Code, the Rules Laying Down the Method of Professional Preparation of Employees in Professional Bodies and in the Office of the Czech Government, approved by Government Resolution No. 1028/2001, and the CTO's Binding Instruction No. 15/2005, which specifies the improvement and increase of the qualifications of CTO employees. The specific education events followed the CTO Employee Education Plan for 2005.

The majority of the educational events were organised solely for the CTO employees, which made it possible to tailor their content to the CTO's needs and to effectively use the funds from the budget for education and travelling expenses. In other cases the CTO made use of offers of courses and seminars that were organised by selected educational

agencies, universities and by the Public Administration Institute or else educational events were made to order and held pursuant to the CTO's requirements.

The education of employees was primarily oriented on electronic communications, law, information technology, foreign languages, European affairs, managerial skills and the environmental minimum.

Newly-hired CTO employees went through the entry education programme, during which they got to know the basic legal regulations, internal by-laws, specific CTO issues, the function of the public administration system, public finance issues, European Union affairs, effective communication techniques, etc.

In connection with the Electronic Communications Act, effective from May 1st, 2005, and the Administrative Code No. 500/2004, as amended by Act No. 413/2005 Coll., effective from January 1st, 2006, the priority in education in 2005 was to introduce the employees to the issues of the aforementioned Acts in more detail.

Selected employees with a technical education took part in courses oriented on electric communication techniques, which were prepared by the Electrical Engineering Faculty of the Czech Technical University in Prague and the Electrical Engineering and Communication Technology Faculty of the Technical University in Brno.

Employees in the Informatics Department went through specialised computer technology training courses. Selected employees attended training courses related to the programs used in the CTO.

English language courses were held at the CTO's Prague offices. In addition other employees (mainly those in Departments for regions) attended foreign language courses in language schools.

Training related to European Union issues was organised in accordance with

Resolution of Czech Government No. 965/2003. New employees went through an "EU Minimum" course either in the classroom or through e-learning. Selected employees went through other training courses on European affairs, primarily at the Public Administration Institute.

Employees took an "Environmental Minimum" e-learning course in accordance with Resolution of Czech Government No. 991/2003.

In addition to the activities mentioned above, various training events were organised in accordance with the educational needs of the employees.

As of December 31st, 2005 the costs for the Training and Education Service Account amounted to 3,615 thousand CZK.

Overview of Selected Educational Events that CTO Employees Attended in 2005

- Seminar on the entry education programme – 34 participants (1 day);
- Universal education block for the entry education programme – 28 participants (5 days);
- New Legal Regulations in the Area of Electronic Communications course– 407 participants (2 days);
- The Application of the New Administrative Procedure Legal Regulations course – 367 participants (1 day);

- Application of the Administrative Act in the CTO's Activities course – 312 participants (2 days);
- Seminar on the Administrative Court Rule and the Czech Administrative Court in Practice – 10 participants (1 day);
- Teleinformatics III course – 40 participants (5 days);
- New Techniques in Telecommunications VIII course on the entry education programme – 39 participants (4 days);
- 2005 Radiocommunication Conference – 24 participants (3 days);
- Professional training for employees of the Frequency Spectrum Management Department – 30 participants (3 days);
- Professional training for employees of the Radio Spectrum Monitoring Division and the Technical Support Division of the State Inspection of Electronic Communications Department – 24 participants (2 days);
- MS Office 2003 course – 72 participants (2 days);
- User training of MONITOR plus software – 17 participants (6 days);
- User training of ARGUS-IT software – 17 participants (5 days);
- Training for the GINIS program – 34 participants (5 days);
- Language courses – 76 participants (2-4 hours a week);
- Course entitled Minimum on the European Union – 53 participants (1 day)
- Course entitled Environmental Minimum – 188 participants (1 day)

The number of employees that participated in various educational events:

Orientation	2001	2002	2003	2004	2005
Language Courses	55	107	98	66	76
Education in European Union Affairs	37	364	45	41	64
Courses Oriented on Information Technology	134	114	222	65	404
Professional Training for Employees of Departments for Regions	206	184	192	190	182
Other Educational Events	715	454	1,068	860	1,452
Costs for Education in CZK '000	1,341	1,269	1,697	1,901	3,615

An overview of the employment regulation limit is given in Tables 20, 21 and 22 of the Annexe.

3.3 Informatics

A priority task in the area of informatics in 2005 was to ensure the realisation of the requirements that arose from the Electronic Communications Act in the version of Act No. 290/2005 Coll. and Act No. 361/2005 Coll., which obliged the CTO to release far more information concerning the CTO's activities than it had to release until this time, e.g. the database of the Registry of Undertakings in Electronic Communications was released, as was the database of Allocated Radio Frequencies according to the Issued Allocations and Individual Authorisations, etc. Another non-public database for the special activities of the individual Departments was subsequently implemented. In connection with this, the new CMS Publisher 2.5 editing system was purchased, which enables the simpler content administration of internet applications and a conceptually new version of the Intranet.

In order to satisfy the requirement of unlimited user email boxes, a new mail server was purchased with the Microsoft Exchange 2003 mail system, which fulfils this requirement and the BrightStor ARCserve Backup backup system from CA, fulfilling higher demands on the backup of data. The CTO's internet gateway was transferred from a technically obsolete server to a new Novell Open Enterprise Server 6.5 with the updated version of the BorderManager 3.8 interface and supplemented with a module enabling access to the CTO network by creating a secure virtual private network (VPN) with encrypted data coming through the Internet. Furthermore, in light of the considerable increase of delivered unsolicited mail, a spam filter from Barracuda, enabling messages showing clear traits of unsolicited mail to be removed from the flow of email messages, was purchased and installed before the mail server. The flow of mail to client stations was reduced by roughly one third by this measure.

After already successfully implementing the Document Management and Circulation system (GINIS) at the Sokolovská office, the following was carried out in order for the regional offices to use it as well: the preparation of the environment for the connection of the other regional offices, the installation of an application server for providing GINIS services to all branch offices, providing work stations and training. In accordance with this, servers with mail and file services and AM and DirXML systems were installed at the Tehov, Karlovice, Karlovy Vary, Liberec, Chrudim, Jihlava, Zlín and Olomouc offices, thereby uniformly integrating these locations to the CTO's IP VPN. Their employees also have access to data services in the Prague headquarters through the installed Novell clients.

One of the other important tasks that arose from the new Electronic Communications Act was to ensure the possibility of processing the analyses of relevant markets in the area of all parts of the electronic communications market. A modular system for processing and analyzing data, which is used to create tables, graphs, relation graphs and classification and decision trees was provided for this activity. It is also possible to analyse and regroup the data, to model developments and to predict future trends.

In the area of the CTO's other important IS, the Spectra Exchange SW module was purchased and tested for the integrated modular frequency spectrum management system (SPECTRA+). This program supports the exchange of technical data between SPECTRA+ and the CTO's "customers" in XML format since some applicants with large volumes of applications wanting authorisation for the allocation of radio frequencies are capable of providing the data of their applications in XML format, which SPECTRA+ is capable of reading and Spectra Exchange is used to control and browse this data in XML format. At the same time a tool for the co-ordination of individual authorisations of Point-Multipoint systems, with the capability of various

graphic treatments, was completed for this IS.

A Rough Process Analysis and IS Conception were completed in the framework of the ASFMS project, and the process of developing a Detailed Analysis (Increment 1) for creating the first part of the application superstructure of the Monitoring Plan module was begun. An implementation project for creating a data centre and the related ASFMS information system subsystems were developed in connection with this. A firewall satisfying high security requirements and high data transmission was prepared for the prepared interconnection of the ASFMS and CTO networks with the constructed data centre, ensuring the full availability of this service.

The replacement of workstations throughout the entire CTO network took

place throughout 2005 with the objective of having a uniform Win2000 operating system and MS Office 2003, with the new workstations in the headquarters installed using ZEN installation images in larger batches. Sufficient working space was created on an HP storage server with Ultrium tape backup in order to store these images and the servers' system images.

In connection with the building and development of the CTO's IS, the "CTO IS Operational Security Directive" was updated in the framework of new installations and following up on the "CTO IS Security Policy" and the implemented security "scans" of the operations of the CTO's entire IP VPN and their evaluation, with the fact that the security of operations and the protection of the data of all the CTO's information systems must continue to be ensured.

3.4 Internal Audit Activities

In 2005, a total of 5 new audits and 1 follow-up audit were performed according to a plan approved by the Chairman of the CTO Council. During the audits, emphasis was laid on the inspection and adherence to the CTO's internal regulations and also on their agreement with legal regulations (legislative acts, implementing decrees, government orders, etc.).

The new audits were as follows:

- Inspection of the GASFSM project – SPO audit;
- An audit of the process of creating and using the Fund of Cultural and Social Needs;
- Compliance with Act No. 71/1967 Coll., on Administrative Procedure, as later amended;
- An audit on the preparation, implementation and use of the GINIS SW for document services;
- An audit on the process of hiring new employees, performing selection procedures and competitive examinations when filling managerial positions in the CTO.

The concluding reports from the individual audits were submitted to the CTO management together with the recommendations resulting from the audit findings. The majority of the recommendations were formulated as tasks to be performed and as measures to be subsequently taken. In certain cases, such as when it concerned the application of the Act on Financial Control in the Public Administration, the auditors

subsequently co-operated in the form of consultation.

The follow-up audit dealt with the inspection of the fulfilment of tasks resulting from the recommendations of an audit carried out in 2004.

The "Medium-Term Plan of Internal Audit Activities for 2006-2010" was developed at the end of 2005 and concretised in the "Internal Audit Activity Plan for 2006" in accordance with Section 30 of the Act on Financial Control.

The employees of the Independent Internal Audit Division took part in regular quarterly work meetings of the Internal Audit Division and Public Inspection managers organised by the Central Harmonisation Unit of the Czech Ministry of Finance.

The Annual Report on the Results of Financial Controls for the Past Year was produced on the basis of Section 32 and 33 of Decree No. 416/2004 Coll., by which the Act on Financial Control is adhered to, and was submitted to the Ministry of Finance by the requested deadline through the financial control in public administration information system (annual report module).

During the course of 2005, employees of the Independent Internal Audit Division took part in training courses and seminars organised by the Czech Internal Auditors Institute.

Annexes to the Report on the Activities of the Czech Telecommunication Office for 2005

“The Annual Report of the Czech Telecommunication Office for the Year 2005 on the Provision of Information in Accordance with Act No. 106/1999 Coll., on Free Access to Information”

The Annual Report of the Czech Telecommunication Office for the Year 2005 on the Provision of Information in Accordance with Act No. 106/1999 Coll., on Free Access to Information (document)

The Czech Telecommunication Office (hereinafter referred to as the “Office”) hereby publishes this Annual Report on the Provision of Information in 2005, which was prepared in accordance with Section 18 of Act No. 106/1999 Coll., on Free Access to Information, as later amended (hereinafter referred to as the “Act”).

In connection with the Electronic Communications Act, and the amendment of some connected Acts (the Electronic Communications Act), as later amended, coming in to effect, the Office is 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 areas of electronic communications and postal services, as of May 1st, 2005 pursuant to Section 3 of the Electronic Communications Act. In the framework of the authorities specified by the Act it therefore performs supervision on the compliance to the law in the areas of electronic communications and postal services as a body of the state administration.

In accordance with Article 3(2) of the Act, the basic information about the Office's organisational structure and its activities is accessible to the general public either on the Office's web pages (www.ctu.cz), which includes an electronic information board, or on the information board located in the information bulletin board in the Office's entrance hall, and is published in the “Český telekomunikační úřad” publication issued by the office (the last issue was in November, 2005).

a) The number of applications for information submitted

- In 2005, 69 written (or electronically-submitted) requests for information were submitted and registered. They were predominantly related to the area of electronic communications, and also partially to the area of radiocommunications, in connection with the interpretation of individual provisions of the Electronic Communications Act. In one case the subject of the application was to provide information on the salaries of the Office's management. As far as the area of postal service regulation is concerned, the Office did not register or handle any submission asking for information of this kind to be provided;

- The inquires regarding radiocommunications were aimed at information on the manner of co-ordinating the 105/5 MHz frequency at the Brno-Hády station, allocating frequencies to specific users in the 410-415 MHz and 420-425 MHz frequency bands, the procedure for eliminating ambiguity in the method of evaluating the level of professional qualifications for the amateur radiocommunication service and extending the validity of the respective authorisation, which occurred in connection with the Electronic Communications Act coming into effect;

- The Office also handled inquiries focussed on the legal mode of the passing of individual authorisations for the use of radio frequencies and authorisations for the use of numbers and the transfer of allocated radio frequencies in relation to the legal successor during the dissolution of a legal entity that was the holder of these authorisations;

- The content of a further group of inquiries in the area of electronic communications was requests for obtaining information regarding the legal mode of announcing the performance of communications activities in connection with conducting business in electronic communications, a timeline and classification of issuing general

authorisations replacing the general licenses pursuant to the Telecommunications Act No. 151/2000 Coll., and on the amendments of other Acts, as later amended, specifying the technical and organisational conditions for implementing the portability of telephone numbers and principles for charging prices between undertakings in connection with the portability of numbers, providing the service of the regular issuance of telephone directories, information services for telephone numbers and public pay phone services in the framework of providing the universal service, the possible methods of charging for telephone services by their provider and the issue of the validity of a right of user incurred pursuant to the relevant provisions of Act No. 110/1964 Coll., on Telecommunications, as later amended, in relation to the similar provisions of the Telecommunications Act No. 151/2000 Coll., and on the amendments of other Acts, as later amended, and the Electronic Communications Act No. 127/2005 Coll., and on amendments to some related Acts (the Electronic Communications Act), as later amended;

- The subject of information provided was also the specification of conditions under which the monitoring of the radio spectrum and the recording of messages are carried out, including the specification of the facts when an authorised person can be informed with the content of the transmitted messages, a clarification of the procedure for a subscriber in the event of a disagreement with the charges for the electronic communication services provided, including the authorisation to submit a proposal for initiating proceedings on the refusal against the complaint settlement to the Office and instructions on the obligation to pay an administrative fee for the aforementioned proposal, the issue of providing the service of the high-speed ADSL Internet connection, how to protect oneself against unsolicited emails and advertisements, including the issue of paying expenses when providing the caller identification service, from which malevolent or harassing calls were made, etc.

b) The number of appeals filed against decisions

One appeal against a decision to reject a request for information was filed in 2005.

c) A copy of the substantial parts of every court ruling

The courts did not make any decisions on any case of rejecting requests for information in 2005.

d) Results of proceedings on sanctions for a breach of the law

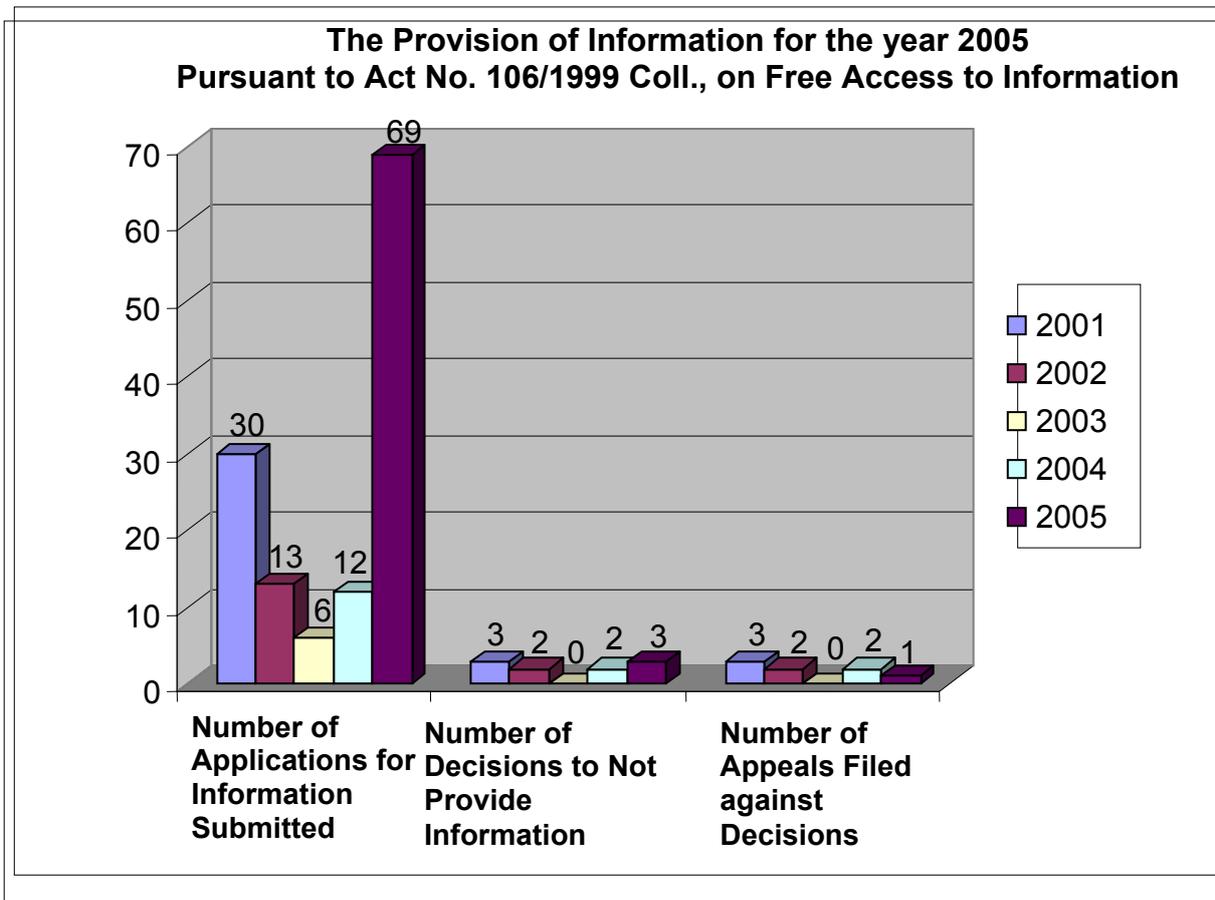
In 2005, the Office did not apply any sanctions because there was no failure to comply with statutory procedures.

e) Other information

In 2005, the Office collected and delivered to the state budget a total amount of 16,738 CZK. This amount represents the level of compensation for the costs of the provision of information pursuant to Act No. 106/1999 Coll., on Free Access to Information, as later amended.

The written applications for information, included in the 2005 records, were met in compliance with the Act and with the Office's internal regulations. The Office did not maintain records of the requests for information over the telephone because of the quantity and nature of such requests and because they were promptly answered over the telephone. Three requests for information were rejected in accordance with the relevant provisions of Act No. 106/1999 Coll., on Free Access to Information, as later amended, and in one case an appeal against the decision to not provide information was submitted by the applicant.

An overview of the settled written requests for information for 2005 in comparison with the previous periods starting in 2000 is given in the following table and graph:



Note:
This annual report was published on March 1st, 2006 in a manner enabling remote access, i.e. on the Office's web pages (www.ctu.cz).

Table:
The provision of information for the year 2005 pursuant to Act No. 106/1999 Coll., on Free Access to Information, as later amended

	2001	2002	2003	2004	2005
1. Number of Applications for Information Submitted	30	13	6	12	69
2. Number of Decisions to Not Provide Information	3	2	0	2	3
3. Number of Appeals Filed against Decisions	3	2	0	2	1

THE ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR THE YEAR 2005 was issued by the **CZECH TELECOMMUNICATION OFFICE, Prague** with registered offices at Sokolovská 219, Prague 9; tel: 224 004 605, fax: 224 004 827, e-mail: podatelna@ctu.cz • **Postal Address:** The Czech Telecommunication Office, P.O. Box 02, 225 02 Prague 025 • Company Identification Number: 70106975, Taxation Identification Number: CZ70106975 • An electronic version is simultaneously available on the Czech Telecommunication Office's web pages - <http://www.ctu.cz> • Layout: The Office of the Chairman of the CTO Council • Copyright © 2006

Czech Telecommunication Office

Table No. 1

**Decisions in the Area of Interconnections of Public Telecommunications Networks,
Access to Networks and Local Loop Unbundling
Pursuant to Act No. 151/2000 Coll. in 2005**

Subject		Number of Administrative Proceedings from Previous Periods	Number of Administrative Proceedings Commenced	Number of Administrative Proceedings Suspended	Number of Issued Decisions	Number of Administrative Proceedings to Continue in Next Period
1.	Network Interconnection or Access to Networks ¹⁾	24	5	4	30	4
2.	Amendments to Contracts of Network Interconnection or Access to Networks ²⁾	2	1	2	1	0
3.	Reference Offer of Interconnection ³⁾ Reference Offer of Access ⁴⁾	0	1	1	0	0
4.	Amendments to Contracts of Access ⁵⁾	3	1	1	2	1
5.	Disputes Arising after the Signing of Contracts of Network Interconnection or Access to Networks ⁶⁾	2	2	0	3	1
6.	Others ⁷⁾	4	4	2	4	2
Total		35	14	10	0	8

Subject		Number of Resolved Pricing Decisions / Addendums from Previous Periods		Number of Resolved Pricing Decisions / Addendums from the Current Year		Number of Pricing Decisions / Addendums Issued		Number of Pricing Decisions / Addendums to Continue in Next Period	
7.	Disputes about Interconnection Prices ⁸⁾	5	1	0	5	5	6	0	0

¹⁾ Section 40 (2), (5) of Act No. 151/2000 Coll., on Telecommunications and on changes to other acts (hereinafter referred to as the "TA"),

²⁾ Section 39 (3) of the TA, ³⁾ Section 39 (7) of the TA, ⁴⁾ Section 37b (1)(a) of the TA, ⁵⁾ Section 37b (1)(d) of the TA, ⁶⁾ Section 40 (4) of the TA,

⁷⁾ Section 38 (2) and Section 40 (3) of the TA, ⁸⁾ Section 78 (5) of the TA

Czech Telecommunication Office

Table No. 2a

**Overview of Licenses and Number Allocation Decisions
in the Period from January 1st to April 30th, 2005**

Telecommunications Licenses

Telecommunications Activities		Number of Decisions*)	
		To Grant	To Withdraw
		a Telecommunication License	
1.	Provision of public telephone service through public fixed telecommunications network	2	0
2.	Provision of public telephone service through public mobile telecommunications network	1	0
3.	Installing and operating a public telecommunications network except for telecommunications networks solely intended for the one-way broadcast of television or radio signals via lines	4	0
Total		7	0

Number Allocation

Number Allocation	Number of Decisions*)		
	To Allocate	To Withdraw	To Change
numbers			
	81	9	25

*) Only the decisions that have come into effect are posted

Czech Telecommunication Office

Table No. 2b

**Notifications of Business Activities
in the Period from May 1st to December 31st, 2005**

Number of issued certificates on the notification of business activities	809
Number of changes to certificates on the notification of business activities	18

Overview of Notified Communications Activities		Number of Registered Activities
1.	Provision of Public Communications Networks and the Associated Facilities	
	a) Public fixed electronic communications network	314
	b) Public mobile electronic communications network	35
	c) Public fixed telephone network	51
	d) Public mobile telephone network	11
	e) Public network for the broadcast of R and TV transmissions	90
2.	Provision of Electronic Communication Services	
	a) Publicly available telephone service	110
	b) Other voice services	483
	c) Data transmission service	516
	d) Internet access service	716
	e) Leased circuits	230
	f) Broadcast of radio and television signal	85

Czech Telecommunication Office

Table No. 3a

**Overview of the Numbers of Registration Certificates based on General Licenses
in the Period from January 1st to April 30th, 2005**

Number and Name of General License		Number of Registration Certificates	
		Issued	Cancelled
GL-24/T/2000	for the construction and operation of public telecommunications networks designated exclusively for the unidirectional broadcasting of television or radio signals through cables	4	0
GL-25/S/2000	for the provisioning of additional and other telecommunications services based on voice transmission	21	0
GL-26/S/2000	for the provisioning of additional telecommunications services based on data transmission	7	0
GL-27/S/2000	for the provisioning of data transmission telecommunications services	34	0
GL-28/S/2000	for the provisioning of telecommunications services a) mediation of user access to INTERNET services b) voice services through the INTERNET	161	0
GL-29/S/2000	for the provisioning of telecommunication services of telecommunication circuits leasing	11	0
GL-31/S/2001	for the provisioning of telecommunication services of the transmission of data and other information by means of public and private, fixed and mobile radio network transmitters	2	0
GL-32/S/2001	for the provisioning of the public telecommunications service of public paging	0	0
GL-33/S/2001	for the provisioning of the telecommunications service of broadcasting radio and television signals through terrestrial transmitters	0	0
GL-34/S/2001	for the provisioning of public telecommunications services of the transmission of data and other information by means of satellite connections	0	0
GL-35/S/2001	for the provisioning of telecommunications services of broadcasting radio and television signals through satellite connections	0	0
Total		240	0

**Overview of Issued Authorisations to Use Numbers
in the Period from May 1st to December 31st, 2005**

Authorisations to Use Numbers	Number of Decisions ¹⁾			
	to issue	to withdraw	to change	to extend the period of validity
	an authorisation to use numbers			
	216	46	758	74

¹⁾ Only the decisions that have come into effect are posted

**Deciding on Disputes between Undertakings Performing Communications Activities¹⁾
in the Period from May 1st to December 31st, 2005**

Subject of Dispute	Number of Disputes from Previous Periods	Number of New Disputes	Number of Rejected Disputes ²⁾	Number of Decided Disputes	Number of Disputes to Continue in Next Period
a) on the interconnections [pursuant to Section 80 (4)]	0	14	0	6	8
b) on the price	0	8	6	2	0
c) on financial fulfilment	0	17	1	9	7
d) others	0	5	1	2	2
Total	0	44	8	19	17

¹⁾ Activities performed pursuant to Act No. 127/2005 Coll., from May 1st, 2005

²⁾ Section 128 of Act No. 127/2005 Coll.

**Overview of Number of Licences
to Operate Radio Transmission Equipment
in the Period from January 1st to April 30th, 2005**

Type of Licence		Number of Decisions ⁴⁾	
		To Grant	To Withdraw
		Licence	
1.	Fixed Service		
	Total	1,872	374
	of this		
	Point-To-Point	1,850	360
	Point-To-Multipoint	22	14
2.	Amateur Service		
	Total	845	0
	of this		
	Individuals	740	0
	Club Stations	90	0
	Foreigners ¹⁾	5	0
	Repeaters and Packet Nodes	10	0
3.	Satellite Service		
	Total	11	0
	of this		
	VAST	4	0
	SNG	7	0
4.	Aeronautical Service		
	Total	152	93
	of this		
	Aircraft Stations ²⁾	131	86
	Aviation Stations ³⁾	21	7
5.	Maritime Service		
	Total	22	11
6.	Broadcasting Service		
	Total	668	47
	of this		
	Television Equipment	573	23
	Radio Equipment	95	24
7.	Land Mobile Service		
	Total	290	271
	of this		
	Radiotelephone Networks	110	170
	Data and Telemetric Networks	177	100
	Paging	3	1
8.	Short-Term Licences		
	Total	49	0
	of this		
	Fixed Service	25	0
	Land Mobile Service	13	0
	Broadcasting Service	11	0

¹⁾ Citizens of other countries having licences for radio transmission on the territory of the Czech Republic under a Czech call signal

²⁾ Stations aboard aircraft

³⁾ Stations located on the ground

⁴⁾ Only the decisions that have come into effect are posted

Explanation of Abbreviations:

VSAT - Very Small Aperture Terminal

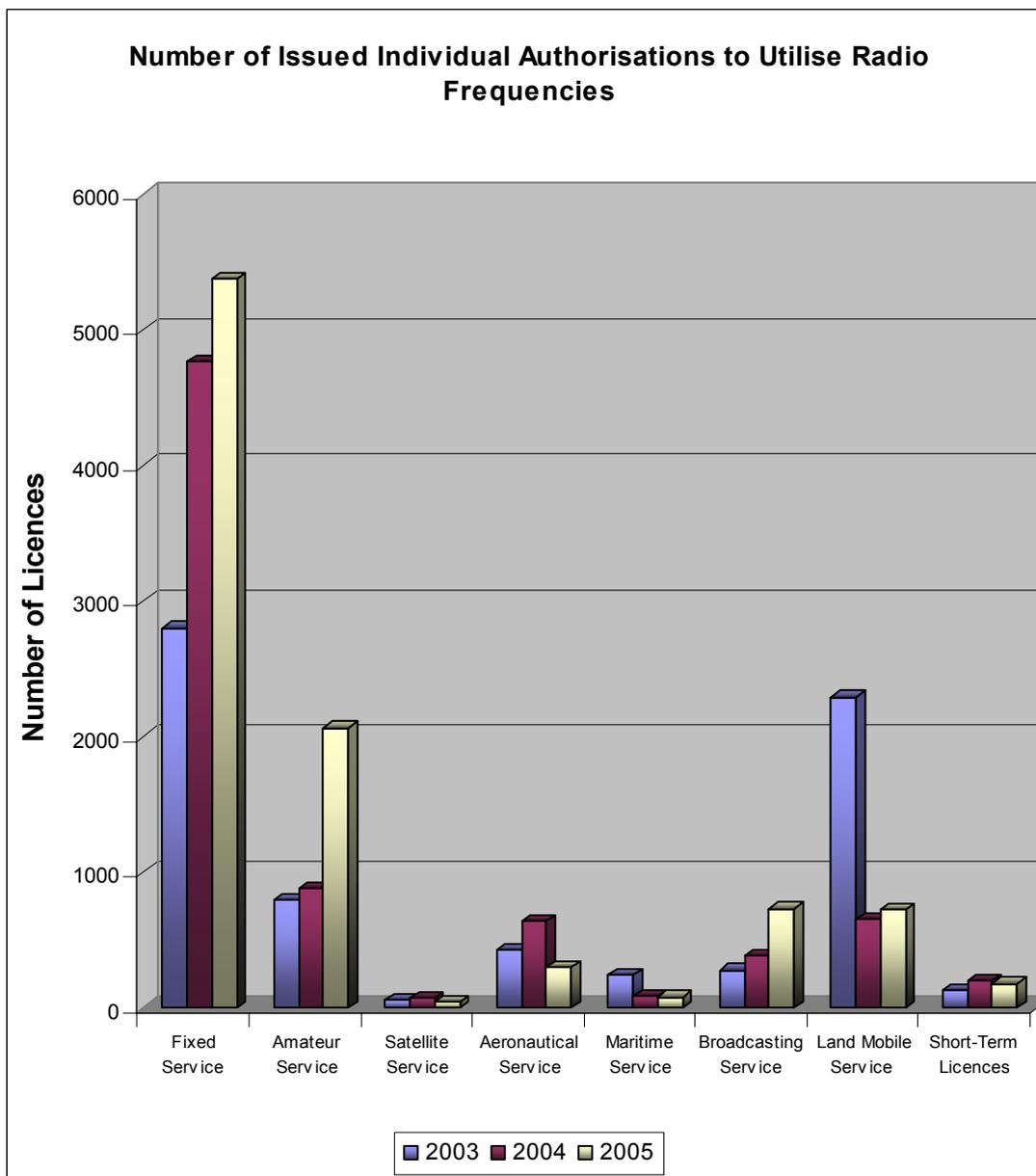
SNG - Satellite News Gathering

Czech Telecommunication Office

Graph for Table No. 5a

Number of Issued Individual Authorisations to Utilise Radio Frequencies

	2003	2004	2005
Fixed Service	2,802	4,766	5,374
Amateur Service	794	881	2,064
Satellite Service	55	72	47
Aeronautical Service	432	642	304
Maritime Service	243	89	80
Broadcasting Service	279	387	730
Land Mobile Service	2,291	652	724
Short-Term Licences	131	196	179



Czech Telecommunication Office

Table No. 5b

**Overview of Number of Issued Individual Authorisations
to Utilise Radio Frequencies
in the Period from May 1st to December 31st, 2005**

Type of Authorisation		Number of Decisions ¹⁾	
		To Grant	To Withdraw
Authorisation			
1.	Fixed Service		
	Total	3,503	664
	of this		
	Point-To-Point	3,316	645
	Point-To-Multipoint	187	19
2.	Amateur Service		
	Total	1,221	0
	of this		
	Individuals	1,184	0
	Club Stations	25	0
	Foreigners ²⁾	11	0
	Repeaters and Packet Nodes	1	0
3.	Satellite Service		
	Total	36	7
	of this		
	VAST	5	7
	SNG	31	0
4.	Aeronautical Service		
	Total	152	57
	of this		
	Aircraft Stations ³⁾	147	56
	Aviation Stations ⁴⁾	5	1
5.	Maritime Service		
	Total	58	20
6.	Broadcasting Service		
	Total	62	27
	of this		
	Television Equipment	10	12
	Radio Equipment	52	15
7.	Land Mobile Service		
	Total	434	393
	of this		
	Radiotelephone Networks	342	265
	Data and Telemetric Networks	83	124
	Paging	9	4
8.	Short-Term Authorisations		
	Total	130	0
	of this		
	Fixed Service	76	0
	Land Mobile Service	48	0
	Broadcasting Service	6	0

From May 1st to June 30th, 2005 another 23,698 decisions were issued in the matter of changing the fee section of the authorisation to utilise radio frequencies pursuant to Section 136(11) of Act No. 127/2005 Coll.

¹⁾ Only the decisions that have come into effect are posted

²⁾ Citizens of other countries having authorisation for radio transmission on the territory of the Czech Republic under a Czech call signal

³⁾ Mobile Stations of the Aeronautical Mobile Service, other than emergency stations, located aboard an aircraft

⁴⁾ Terrestrial stations of aviation mobile services

Explanation of Abbreviations:

VSAT - Very Small Aperture Terminal
SNG - Satellite News Gathering

Czech Telecommunication Office

Table No. 6a

**Overview of the Inspection Activities during the Performance of
State Telecommunications Inspections
in the Period from January 1st to April 30th, 2005**

Focus of Inspection		Number of Completed Inspections ²⁾	Number of Administrative Proceedings from Previous Periods	Number of Initiated Administrative Proceedings	Number of Issued Decisions ¹⁾	Other ³⁾	Fines Imposed		Number of Administrative Proceedings Continued in Next Period
							Number	Amount in CZK	
1.	Compliance with the conditions of the telecommunications license (authorisation)								
	a) To establish and operate a public telecommunications network	0	1	0	1	0	1	50,000	0
	b) To provide public telephone services through a public fixed network	30	2	0	2	0	2	41,000	0
	c) To provide public telephone services through a public mobile network	2	3	0	3	0	3	1,250,000	0
2.	Compliance with the conditions of:								
	a) A general license or authorisation to provide telecommunications services	12	0	3	2	0	0	0	1
	b) A general license to provide the telecommunications service of leased telecommunications line	0	1	0	0	0	0	0	1
	c) A general license to establish and operate public telecommunications networks meant solely for unidirectional broadcasting of TV or Radio signal via cables	13	0	0	0	0	0	0	
	d) A general license for operating radio transmission equipment	73	6	38	38	0	36	484,400	6
	e) A licence to operate radio transmission equipment	140	5	21	25	0	24	91,500	1
3.	Compliance with the conditions for displaying and launching terminal telecommunications equipment and radio equipment on the market	15	0	0	0	0	0	0	0
4.	Compliance with the conditions for connecting terminal telecommunications equipment to a public telecommunications network	2	0	1	1	0	1	18,750	0
5.	Unauthorised telecommunications activities (performing telecommunications activities without a telecommunications license, authorisation, entitlement or certificate of registration)	15	6	11	13	0	13	78,000	4
6.	Investigation within the procedure of objections against the handling of a claim in respect of the settlement of prices for telecommunications services	188	0	0	0	0	0	0	0
7.	Other	165	3	0	3	0	2	48,000	0
Total		655	27	74	88	0	82	2,061,650	13

¹⁾ The number of issued decisions in the 1st instance of administrative proceedings is posted (regardless of the legal force)

²⁾ The inspection is completed by the lapse of the period specified for submitting objections against the protocol or by completing the proceedings on objections pursuant to Act No. 552/1991 Coll., on State Inspections, as later amended

³⁾ The cases of completed administrative proceedings without a decision are given, i.e. cases where a participant dies, the dissolution of the company, an interruption of the proceedings by law (bankruptcy), no jurisdiction, etc.

Czech Telecommunication Office

Table No. 6b

**Overview of the Inspection Activities during the Performance of
State Electronic Communications Inspections
in the Period from May 1st to December 31st, 2005**

Focus of Inspection	Number of Completed Inspections ²⁾	Number of Administrative Proceedings from Previous Periods	Number of Initiated Administrative Proceedings	Number of Issued Decisions ¹⁾	Other ³⁾	Fines Imposed		Number of Administrative Proceedings Continued in Next Period
						Number	Amount in CZK	
1. Compliance with the conditions of the general authorisation								
a) To provide the public communications network and the associated facilities	25	0	0	0	0	0	0	0
b) To provide electronic communications services	13	0	7	6	0	3	135,000	1
c) To operate radio transmission equipment	166	6	58	60	0	58	925,800	4
2. Compliance with the conditions of an individual authorisation to utilise radio frequencies and numbers	563	3	28	30	0	30	158,000	1
3. The utilisation of radio frequencies and numbers without authorisation	72	5	44	30	0	28	262,750	19
4. Compliance with the specified conditions for operating devices	49	0	1	1	0	1	5,000	0
5. The performance of communications activities without authorisation	9	2	9	8	0	8	1,691,000	3
6. Prices in the area of electronic communications ⁴⁾	0	0	0	0	0	0	0	0
7. Other	908	5	16	14	0	11	2,624,000	7
Total	1805	21	163	149	0	139	5,801,550	35

¹⁾ The number of issued decisions in the 1st instance of administrative proceedings is posted (regardless of the legal force)

²⁾ The inspection is completed by the lapse of the period specified for submitting objections against the protocol or by completing the proceedings on objections pursuant to Act No. 552/1991 Coll., on State Inspections, as later amended

³⁾ The cases of completed administrative proceedings without a decision are given, i.e. cases where a participant dies, the dissolution of the company, an interruption of the proceedings by law (bankruptcy), no jurisdiction, etc.

⁴⁾ An activity carried out pursuant to Section 113(6) of Act No. 127/2005 Coll.

Czech Telecommunication Office

Table No. 7a

**Overview of Fines Imposed in Administrative Proceedings
in the Period from January 1st to April 30th, 2005**

Subject	Number of Administrative Proceedings from Previous Periods	Number of Initiated Administrative Proceedings	Number of Issued Decisions ¹⁾	Other ²⁾	Fines Imposed		Number of Administrative Proceedings Continued in Next Period
					Number	Amount in CZK	
1. Fines							
a) Imposed for faults found during inspection activities (pursuant to table No. 7)	27	74	88	0	81	2,061,650	13
b) For banned activities in the protected band	0	0	0	0	0	0	0
c) For the unauthorised reception, use or interruption of telecommunications services or any other intervention in it	56	157	160	0	136	596,400	53
d) For preventing the performance of a state telecommunications inspection	0	0	0	0	0	0	0
e) Others	4	7	9	0	7	840,000	2
2. Disputes between public telecommunications network operators	10	7	8	0	2	8,250,000	9
T o t a l	97	245	265	0	226	11,748,050	77

¹⁾ The number of issued decisions in the 1st instance of administrative proceedings is posted (regardless of the legal force)

²⁾ The cases of completed administrative proceedings without a decision are given, i.e. cases where a participant dies, the dissolution of the company, an interruption of the proceedings by law (bankruptcy), no jurisdiction, etc.

Czech Telecommunication Office

Table No. 7b

**Overview of Fines Imposed in Administrative Proceedings
in the Period from May 1st to December 31st, 2005**

Subject	Number of Administrative Proceedings from Previous Periods	Number of Initiated Administrative Proceedings	Number of Issued Decisions ¹⁾	Other ²⁾	Fines Imposed		Number of Administrative Proceedings Continued in Next Period
					Number	Amount in CZK	
1. Fines							
a) For faults found during inspection activities (pursuant to table No. 7)	21	163	149	0	139	5,801,550	35
b) For banned activities in the protected band	0	22	15	0	9	163,000	7
c) Others	2	32	7	0	6	134,200	27
2. Fines for breaking the law found while deciding on disputed between undertakings performing communications activities	9	29	10	0	0	0	28
3. Coercive fines ³⁾	0	0	0	0	0	0	0
T o t a l	32	246	181	0	154	6,098 750	97

¹⁾ The number of issued decisions in the 1st instance of administrative proceedings is posted (regardless of the legal force)

²⁾ The cases of completed administrative proceedings without a decision are given, i.e. cases where a participant dies, the dissolution of the company, an interruption of the proceedings by law (bankruptcy), no jurisdiction, etc.

³⁾ Fines imposed pursuant to Section 122 (9) of Act No. 127/2005 Coll.

**Detection of Sources of Interference of Telecommunications Equipment and Networks,
the Provisioning of Telecommunications Services or with the Operation of Radiocommunication Services
in the Period from January 1st to April 30th, 2005**

F o c u s		Number of Completed Investigations ¹⁾
1.	Radio and television reception	650
2.	Radio equipment and networks	34
3.	Public telecommunications networks meant solely for the unidirectional broadcasting of television or radio signals over cables	223
4.	Others	4
T o t a l		911

¹⁾ *The investigations were carried out on the basis of reports or an investigator's own findings*

**Detection of Sources of Interference of Electronic Communications Equipment and Networks,
the Provisioning of Electronic Communications Services or with the Operation of Radiocommunication Services
in the Period from May 1st to December 31st, 2005**

F o c u s		Number of Completed Investigations ¹⁾
1.	Radio and television reception	1,098
2.	Radio equipment and networks	50
3.	Public communications networks for radio or television transmissions	112
4.	Others	3
T o t a l		1,263

¹⁾ The investigations were carried out on the basis of reports or an investigator's own findings

**Overview of the Activities
of Measurement Inspection Centres
in the Period from January 1st to April 30th, 2005**

Focus of Activity		Number of Inspections
1.	Frequency Spectrum (FS) Monitoring	
	a) For frequency spectrum administration	795
	b) In the international FS monitoring system ^{*)}	8
2.	Detecting Sources of Interference with the Operation of Telecommunications Equipment and Networks, the Provisioning of Telecommunications Services or the Operation of Radiocommunication Services	
	a) Radio (R) and television (TV) reception	19
	b) Radio equipment and networks	55
	c) Public telecommunications networks meant solely for the unidirectional broadcasting of TV or R signals over cables	2
	d) Others	9
3.	Inspecting Compliance to the Conditions Specified by the Law, Implementing Regulations and CTO Decisions	
	a) Radio equipment and networks	312
	b) Terminal Equipment	0
	c) Public telecommunications networks meant solely for the unidirectional broadcasting of TV or R signals over cables	1
	d) Others	5
4.	Detecting Unauthorised Radio Transmission Stations	
	Number of unauthorised stations detected	36

^{*)} Co-operation with foreign administrations pursuant to Article S16 (International Monitoring) of the Radio Regulations (Geneva 1998)

**Activities of the Radio Spectrum Monitoring
and Technical Support Divisions
of the State Electronic Communications Inspection Department
in the Period from May 1st to December 31st, 2005**

Focus of Activity		Number of Inspections
1.	Monitoring of the Radio Spectrum	
	a) For radio spectrum administration	2,463
	b) In the international radio spectrum monitoring system ¹⁾	28
2.	Detecting Sources of Interference with the Operation of Electronic Communications Equipment and Networks, the Provisioning of Electronic Communications Services or the Operation of Radiocommunication Services	
	a) Radio and television reception (broadcasting service)	24
	b) Radio equipment and networks	46
	c) Public communications networks transmission of R and TV broadcasts	3
	d) Others	7
3.	Inspection Activities	
	a) Compliance to the conditions of the general authorisation	
	aa) for providing public communications networks and associated facilities	55
	bb) for providing electronic communications services	44
	cc) for operating radio transmission equipment	32
	b) Compliance with the conditions of individual	102
	d) The utilisation of radio frequencies and numbers without authorisation	8
	d) Compliance to the specified conditions for operating devices	11
e) The performance of communications activities without authorisation	14	
f) Others	25	
4.	Detecting Unauthorised Radio Transmission Stations	
	Number of unauthorised stations detected	114

¹⁾ Co-operation with foreign administrations pursuant to Article S16 (International Monitoring) of the Radio Regulations (Geneva 2004)

Czech Telecommunication Office

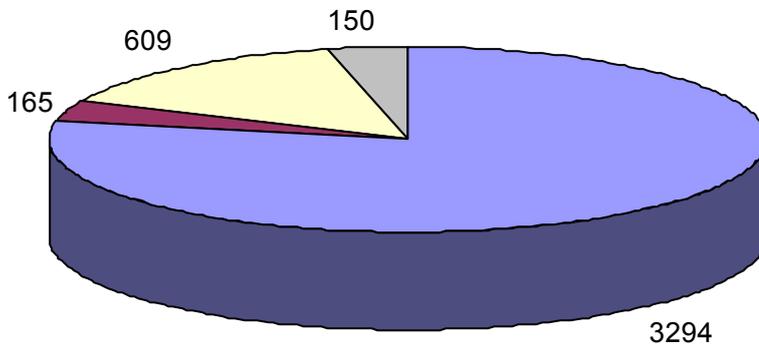
Graph for Table No. 9

Activities of Radio Spectrum Monitoring and Technical Support Divisions

	Number of Inspections
Monitoring of the Radio Spectrum	3,294
Detecting Sources of Interference with the Operation of Electronic Communications Equipment and Networks, the Provisioning of Electronic Communications Services or the Operation of Radiocommunication Services	165
Inspecting Compliance to the Conditions Specified by the Law, Implementing Regulations and CTO Decisions	609
Detecting Unauthorised Radio Transmission Stations	150

**Activities of the Radio Spectrum Monitoring
and Technical Support Divisions
of the State Electronic Communications Inspection
Department
in 2005**

number of inspections



- Monitoring of the Radio Spectrum
- Detecting Sources of Interference with the Operation of Electronic Communications Equipment and Networks, the Provisioning of Electronic Communications Services or the Operation of Radiocommunication Services
- Inspecting Compliance to the Conditions Specified by the Law, Implementing Regulations and CTO Decisions
- Detecting Unauthorised Radio Transmission Stations

**Verification of the Special Qualifications to Operate
Radio Transmitting Stations
in the Period from January 1st to April 30th, 2005**

Type of Special Qualification Certificate ⁾		Number of Certificates Issued on the Basis of:	
		An Exam	An Application for an Extension or Duplicate
1.	General radiotelephone operator's certificate of aeronautical mobile service	115	150
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	272	264
3.	Radiotelephone operator's general certificate (of maritime mobile service)	59	38
4.	Radiotelephone operator's restricted certificate (of maritime mobile service)	98	71
5.	General operator's certificate of maritime mobile service (GMDSS)	0	18
6.	Restricted operator's certificate of maritime mobile service (GMDSS)	0	0
7.	Terrestrial radiotelegraphy operator's certificate	0	14
8.	Amateur radio operator's certificate (HAREC certificate)	137	0
Total		681	555

⁾ Order No.202/2000 Coll., on the Requisites of the Application for Admission to Examination to Prove Special Qualifications to Operate Radio Transmitting Equipment, on the Extent of Knowledge Required for Different Types of Special Qualifications, on the Methods of the Examinations, on the Types of Special Qualification Certificates and the Period of their Validity.

Czech Telecommunication Office

Table No. 10b

**Verification of the Professional Qualifications to Operate
Radio Transmitting Stations
in the Period from May 1st to December 31st, 2005**

Type of Professional Qualification Certificate ¹⁾		Number of Certificates Issued on the Basis of:	
		An Exam	An Application for an Extension or Duplicate
1.	General radiotelephone operator's certificate of aeronautical mobile service	117	124
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	176	358
3.	General operator's certificate of maritime mobile service (GOC)	0	20
4.	General operator's certificate of maritime mobile service (LRC)	0	0
5.	Restricted operator's certificate of maritime mobile service (ROC)	0	0
6.	Restricted operator's certificate of maritime mobile service (SRC)	0	0
7.	General radiotelephone operator's certificate of maritime mobile service	40	29
8.	Restricted radiotelephone operator's certificate of maritime mobile service	141	70
9.	Radiotelegraph operator's certificate	0	0
10.	Harmonised amateur radio examination certificate (HAREC)	42	102
11.	NOVICE amateur radio operator's certificate (Class N)	17	0
T o t a l		533	703

¹⁾ Section 2 of Decree No.157/2005 Coll., on the Requisites of the Application for Admission to Examination to Prove Professional Qualifications to Operate Radio Transmitting Equipment, on the Extent of Knowledge Required for Different Types of Professional Qualifications, on the Methods of the Examinations, on the Types of Professional Qualification Certificates and the Period of their Validity. The Decree come into effect on May 1st, 2005.

Czech Telecommunication Office

Table No. 11a

**Overview of the Numbers of Administrative Proceedings in the area
of the Provision of Telecommunications Services
in the Period from January 1st to April 30th, 2005**

Subject	Number of Administrative Proceedings from Previous Periods	Number of Initiated Administrative Proceedings	Number of Completed Administrative Proceedings	From Which				Number of Administrative Proceedings Continued in Next Period
				Number of Issued Decisions ¹⁾			Others ²⁾	
				In Favour of Subscriber	In Favour of Provider	Suspended		
1. Breach of general conditions	2	0	1	1	0	0	0	1
2. Disputes between user/subscriber and telecommunications service provider ³⁾	38	80	60	22	33	4	1	58
3. Objections against the handling of a claim in respect to the settlement of the price for telecommunications services	161	342	295	19	208	42	26	208
4. Disputes on payments ensuing from the contract between the subscriber and the telecommunications service provider	6,864	35,172	19,945	696	18,330	511	408	22,091
5. Other disputes	1	14	6	0	3	0	3	9
T o t a l	7,066	35,608	20,307	738	18,574	557	438	22,367

¹⁾ The number of issued decisions in the 1st instance of administrative proceedings is posted (regardless of the legal force)

²⁾ The cases of completed administrative proceedings without a decision are given, i.e. cases where a participant dies, the dissolution of the company, an interruption of the proceedings by law (bankruptcy), no jurisdiction, etc.

³⁾ Except for disputes specified in points 3 and 4.

Czech Telecommunication Office

Table No. 11b

**Decisions on Subscriber Disputes
in the Period from May 1st to December 31st, 2005**

Subject	Number of Administrative Proceedings from Previous Periods	Number of Initiated Administrative Proceedings	Number of Completed Administrative Proceedings	From Which				Number of Administrative Proceedings Continued in Next Period
				Number of Issued Decisions ¹⁾			Others ²⁾	
				In Favour of Subscriber	In Favour of Provider	Suspended		
2005								
1. Disputes between user/subscriber and electronic communications service provider ³⁾	58	131	108	22	64	9	13	81
2. Objections against the handling of a claim in respect to the settlement of the price for electronic communications services	208	697	667	69	464	71	63	238
3. Disputes on the payment of prices for services ensuing from the contract between the subscriber and the electronic communications service provider	22,091	40,212	50,640	886	47,913	1,058	783	11,663
Total	22,357	41,040	51,415	977	48,441	1,138	859	11,982

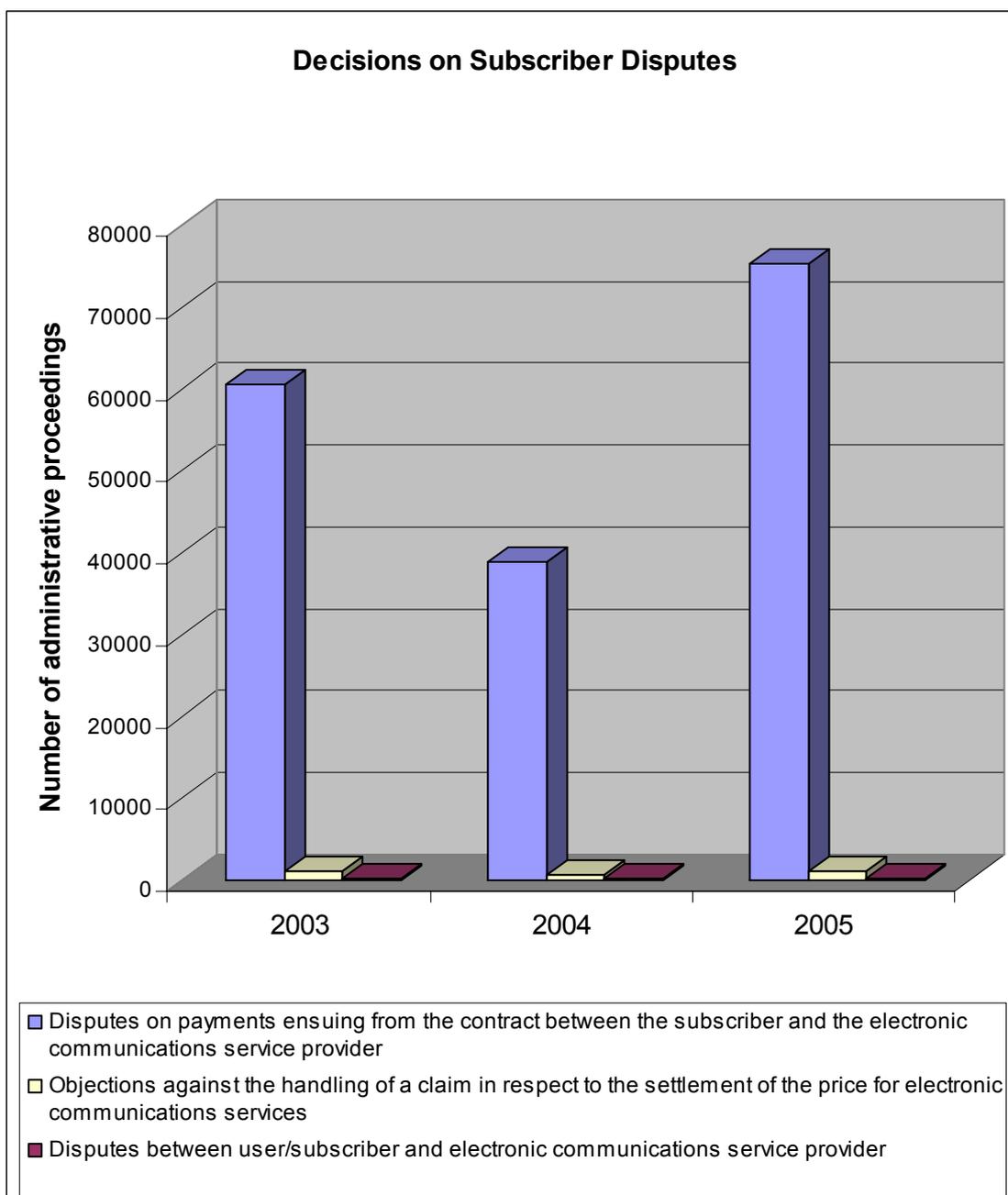
¹⁾ The number of issued decisions in the 1st instance of administrative proceedings is posted (regardless of the legal force)

²⁾ The cases of completed administrative proceedings without a decision are given, i.e. cases where a participant dies, the dissolution of the company, an interruption of the proceedings by law (bankruptcy), no jurisdiction, etc.

³⁾ Except for disputes specified in points 2 and 3.

Decisions on Subscriber Disputes

	2003	2004	2005
Disputes on payments ensuing from the contract between the subscriber and the electronic communications service provider	60,574	38,887	75,384
Objections against the handling of a claim in respect to the settlement of the price for electronic communications services	1,024	662	1,039
Disputes between user/subscriber and electronic communications service provider	172	151	211



**Overview of the Main Activities
in the Area of Postal Service Regulation ¹⁾
for the Year 2005 ²⁾**

Focus of Activity		Number	Amount in CZK
1.	Regulatory Measures		
	Decisions on expressing approval with postal conditions	4	
	Decisions on specifying basic qualitative requirements	3	
2.	Supervision on the Compliance to Česká Pošta, s.p.'s Obligations in the Area of Basic Services		
	a) Inspection Activities on the CTO's Suggestion		
	Inspection actions	23	
	Inspected buildings	330	
	b) Customer Help		
	Opinion on a dispute between a customer and Česká Pošta, s.p. issued pursuant to Section 37 of the Act	24	
	Other settled customer submissions concerning the basic services	87	
	c) Fines Imposed on Česká Pošta, s.p.	1	100,000

¹⁾ Act No. 29/2000 Coll., on Postal Services and on amendments to certain Acts (the Postal Services Act), as later amended. The full version decreed under No. 141/2005 Coll.

²⁾ The Czech Telecommunication Office has been performing activities in the area of postal service regulation since April 1st, 2005 on the basis of an amendment to Act No. 95/2005 Coll., which amends the Postal Services Act.

Table No. 13a-d

An Overview of Measures of a General Nature (MGN) Issued by the Czech Telecommunication Office in 2005			
Order Number	Number of Measure of a General Nature	Name of Measure of a General Nature	Provision of Act
1	OOP/1/07.2005-2	The MGN to determine the relevant markets in the electronic communications sector, including criteria to assess significant market power	Section 52 (1)
2	OOP/2/07.2005-5	The MGN laying down the extent of itemised billing	Section 44 (5)
3	OOP/3/07.2005-4	The MGN laying down the extent of billing based on the type of service	Section 64 (13)
4	OOP/5/07.2005-8	The MGN laying down the content, form and mode of publishing information about the results of universal service provision	Section 47 (3)
5	OOP/6/07.2005-7	The MGN laying down the range of the minimum set of leased lines	Section 76 (2)
6	OOP/7/07.2005-12	The MGN laying down the extent, form and mode of publishing information about access to, or interconnection of, electronic communications networks as well as the essentials, extent and form of the reference offer of access and/or interconnection	Section 82 (4)
7	OOP/8/07.2005-11	The MGN laying down the essentials and conditions of the reference offer of unbundled access to the metallic local loop	Section 85 (7)
8	OOP/9/07.2005-13	The MGN laying down the essentials of the technical and organisational rules of ensuring access to the public telephone network at fixed locations and to the publicly available telephone services in states of crisis	Section 99 (1)
9	OOP/10/07.2005-3	The MGN laying down the technical and organisational conditions for implementing telephone number portability and the principles for number portability billing between undertakings	Section 34 (4)
10	OOP/11/10.2005-42	The MGN laying down the technical and organisational conditions for implementing carrier selection and pre-selection and the principles for carrier selection and pre-selection billing between undertakings	Section 70 (3)
11	OOP/12/07.2005-6	The MGN laying down the conditions and procedures needed for the transfer of the rights resulting from the allocation of radio frequencies	Section 23 (2)

12	OOP/13/07.2005-1	The MGN laying down the extent of the data required to be contained in the application for individual authorisation for the use of radio frequencies	Section 17 (4)
13	OOP/14/12.2005-43	The MGN that specifies the quality parameters of the provided services that are to be measured, the content, form and method of publishing information on current prices, quality and conditions of the publicly available electronic communications services provided	Section 71 (3)
14	VO-S/1/07.2005-9	The MGN (General Authorisation) laying down the conditions for the provision of electronic communication services	Section 9 (2)
15	VO-S/2/07.2005-10	The MGN (General Authorisation) laying down the conditions for securing public communication networks and associated facilities	Section 9 (2)
16	VO-R/1/07.2005-14	The MGN (General Authorisation) for the operation of user terminals in the GSM and UMTS networks	Section 9 (2)
17	VO-R/2/07.2005-15	The MGN (General Authorisation) for the use of radio frequencies and for the operation of the stations of wireless local information systems in the 70 MHz band	Section 9 (2)
18	VO-R/3/07.2005-16	The MGN (General Authorisation) for the use of radio frequencies and for the operation of PMR 446 equipment	Section 9 (2)
19	VO-R/4/07.2005-17	The MGN (General Authorisation) to operate terminals for communication using satellites in the 10 to 30 GHz bands	Section 9 (2)
20	VO-R/5/07.2005-18	The MGN (General Authorisation) for the operation of user terminals in the TETRA- and TETRAPOL-standard radio networks	Section 9 (2)
21	VO-R/6/07.2005-19	The MGN (General Authorisation) for the operation of the terminals of the land mobile service networks in the 450 MHz band (collective radio networks)	Section 9 (2)
22	VO-R/7/08.2005-22	The MGN (General Authorisation) for the use of radio frequencies and for the operation of citizen band radio stations in the 27 MHz band	Section 9 (2)
23	VO-R/8/08.2005-23	The MGN (General Authorisation) for the use of radio frequencies and for the operation of DECT-standard cordless telecommunications devices	Section 9 (2)
24	VO-R/9/07.2005-20	The MGN (General Authorisation) to operate terminals for communication using satellites in the 1525 to 2200 MHz bands	Section 9 (2)
25	VO-R/10/08.2005-24	The MGN (General Authorisation) for the use of radio frequencies and for the operation of short-range devices	Section 9 (2)
26	VO-R/11/07.2005-21	The MGN (General Authorisation) for the operation of the equipment of the non-public radio network of the land mobile service in the 150 MHz and 450 MHz bands for use in rail transport	Section 9 (2)

27	VO-R/12/08.2005-34	The MGN (General Authorisation) for the use of radio frequencies and for the operation of equipment for wideband data transmission based on the principle of spread spectrum or OFDM in the 2.4 GHz and 5 GHz bands	Section 9 (2)
28	VO-R/13/08.2005-25	The MGN (General Authorisation) for the operation of user terminals in the NMT 450 networks	Section 9 (2)
29	VO-R/14/08.2005-26	The MGN (General Authorisation) for the use of radio frequencies and for the operation of equipment in the 10 GHz band	Section 9 (2)
30	VO-R/15/08.2005-27	The MGN (General Authorisation) for the use of radio frequencies and for the operation of equipment for remote control of models in the 13 MHz to 40 MHz bands	Section 9 (2)
31	VO-R/16/08.2005-28	The MGN (General Authorisation) for the use of radio frequencies and for the operation of equipment jointly operated on predetermined radio frequencies in the 27 MHz to 450 MHz bands	Section 9 (2)
32	VO-R/17/08.2005-29	The MGN (General Authorisation) for the use of radio frequencies and for the operation of CT0-standard cordless telephones	Section 9 (2)
33	VO-R/18/08.2005-30	The MGN (General Authorisation) for the operation of terminals in fixed wireless access networks, serving for the connection of telecommunication terminal equipment to the public communication network	Section 9 (2)
34	VO-R/19/08.2005-31	The MGN (General Authorisation) for the operation of GSM-R network user terminals	Section 9 (2)
35	VO-R/20/08.2005-32	The MGN (General Authorisation) for the operation of broadband digital transmitting radio equipment in the 400 MHz and 800/900 MHz bands	Section 9 (2)
36	VO-R/21/08.2005-33	The MGN (General Authorisation) for the use of radio frequencies and for the operation of CT1, CT1+ and CT2 standard cordless telephones	Section 9 (2)
37	PV/10.2005-35	The radio spectrum utilisation scheme	Section 16 (2)
38	PV-P/3/10.2005-36	The part of the radio spectrum utilisation scheme for the 52.6-59 GHz frequency band	Section 16 (2)
39	PV-P/4/10.2005-37	The part of the radio spectrum utilisation scheme for the 33.4-39.5 GHz frequency band	Section 16 (2)
40	PV-P/8/10.2005-38	The part of the radio spectrum utilisation scheme for the 14.5-15.35 GHz frequency band	Section 16 (2)

41	PV-P/9/10.2005-39	The part of the radio spectrum utilisation scheme for the 39.5-43.5 GHz frequency band	Section 16 (2)
42	PV-P/16/12.2005-44	The part of the radio spectrum utilisation scheme for the 21.2-24.25 GHz frequency band	Section 16 (2)
43	PV-P/17/12.2005-45	The part of the radio spectrum utilisation scheme for the 15.35-21.2 GHz frequency band	Section 16 (2)
44	PV-P/18/12.2005-46	The part of the radio spectrum utilisation scheme for the 12.5-14.5 GHz frequency band	Section 16 (2)
45	PV-P/19/12.2005-47	The part of the radio spectrum utilisation scheme for the 5.925-10 GHz frequency band	Section 16 (2)
46	PV-P/20/12.2005-48	The part of the radio spectrum utilisation scheme for the 900-1700 MHz frequency band	Section 16 (2)
47	PV-P/21/12.2005-49	The part of the radio spectrum utilisation scheme for the 174-380 MHz frequency band	Section 16 (2)
48	PV-P/22/10.2005-40	The part of the radio spectrum utilisation scheme for the 87.5-146 MHz frequency band	Section 16 (2)
49	PV-P/23/10.2005-41	The part of the radio spectrum utilisation scheme for the 59-105 GHz frequency band	Section 16 (2)

**Provision of Information Pursuant to Act No. 106/1999 Coll.,
on Free Access to Information
for the Year 2005**

		2003	2004	2005
1.	Number of submitted applications for the provision of information	6	12	69
2.	Number of decisions not to provide information	0	2	3
3.	Number of submitted appeals against decisions	0	2	1

Overview of the Numbers of Administrative Decisions on Appeals Issued by the Chairman of the CTO Council and by the CTO Council and other Submissions Settled during the period from January 1st, 2005 to December 31st, 2005

Table No. 15a

	Received	Outstanding from Previous Period	Total to Consider	Settled	Not Settled
Objections against the handling of claims [Section 95(8)(c)]	90	31	121	119	2
Payments – ČESKÝ TELECOM, a.s. [Section 95(8)(d)]	127	37	164	162	2
Payments – Eurotel, a.s.	81	44	125	120	5
Payments – RadioMobil, a.s.	75	31	106	105	1
Payments – Český Mobil, a.s.	0	0	0	0	0
Payments of other service providers	70	18	88	88	0
Other disputes from the general conditions [Section 95(8)(a),(b),(e),(f)]	4	2	6	5	1
Regulation of telecommunications activities Sections 13 - 54, 68 - 76	30	10	40	38	2
Frequency spectrum management Sections 56 - 67	1	0	1	0	1
Telecommunications equipment Sections 4 - 12	0	0	0	0	0
Sanctions imposed on undertakings [Section 97(1) and (2)] except for [Section 97(1)(s)]	24	9	33	33	0
Sanctions repeatedly imposed on undertakings [Section 98]	0	1	1	1	0
Sanctions imposed on individuals [Section 97(3) except for letter (f)]	11	8	19	19	0
Sanctions repeatedly imposed on individuals [Section 98]	0	0	0	0	0
Sanctions pursuant to Section 97(1)(s)	0	0	0	0	0
Sanctions pursuant to Section 97(3)(f)	0	0	0	0	0
Other decisions in administrative proceedings [Section 95(1)(c)]	25	11	36	35	1
Decision on non-payment of administrative fee	1	0	1	1	0
Administrative submissions	369	0	369	369	0
Conflicts of jurisdiction	2	2	4	1	3
Cases that do not need to be completed [Section 107 – transient provision]	0	0	0	0	0
Decisions in execution proceedings	0	3	3	1	2
Payments – T-Mobile Czech Republic a.s.	14	1	15	15	0
TOTAL	924	208	1,132	1,112	20

Overview of the Numbers of Administrative Decisions on Appeals Issued by the Chairman of the CTO Council and by the CTO Council and other Submissions Settled during the period from May 1st, 2005 to December 31st, 2005

Table No. 15b

	Received	Outstanding from Previous Period	Total to Consider	Settled	Not Settled
Regulation of communication activities Sections 7 – 14	0	0	0	0	0
Frequency spectrum management Sections 15 – 26	3	0	3	2	1
Number management Sections 28 – 37	0	0	0	0	0
Universal service, market analyses Sections 38 – 53	2	0	2	1	1
Prices, cost accounting Sections 54 – 60, Section 86	1	0	1	1	0
Rights and obligations of providers and service users Sections 61 – 77, Sections 87 – 104	51	0	51	40	11
Interconnection and access Sections 78 – 85	24	0	24	17	7
Disputes from non-payment of price – ČESKÝ TELECOM, a.s.	218	0	218	114	104
Disputes from non-payment of price – T-Mobile Czech Republic a.s.	195	0	195	118	77
Disputes from non-payment of price – Eurotel Praha spol. s r.o.	181	0	181	85	96
Disputes from non-payment of price – Oskar Mobile	1	0	1	0	1
Disputes from non-payment of price – others	142	0	142	79	63
Objections Section 129(2)	174	0	174	100	74
Administrative offences Section 118	10	0	10	6	4
Contraventions Section 120	2	0	2	0	2
Others (adm. fees, execution, prov. inf., ...)	10	0	10	4	6
Jurisdiction lawsuits	3	0	3	2	1
Administrative submissions	767	2	769	752	17
Rights and obligations according to Post Office Act	1	0	1	0	1
Administrative offences according to Post Office Act	1	0	1	1	0
Contraventions according to Post Office Act	0	0	0	0	0
Decisions pursuant to Section 127	6	0	6	0	6
Decisions pursuant to Section 22, 23	0	0	0	0	0
TOTAL	1,792	2	1,794	1,322	472

Czech Telecommunication Office

Table No. 16

Overview of Binding Indicators of 2005 Budget

(in '000 CZK)

Indicators		Actual 2003	Actual 2004	Approved Budget 2005	Adjusted Budget 2005	Actual 2005	% Compliance	Difference between Columns 5-2
		1	2	3	4	5	6	7
I. Summarising indicators								
1.	Non-tax income, capital income and subsidies received, total	1,105,062	5,899,616	740,400	740,400	1,562,377	211.02	-4,337,239
2.	Total expenses	x) 344,529	x) 471,511	464,245	469,034	x) 467,293	99.63	-4,218
II. Partial indicators of expenditures								
1. Individual partial indicators								
	Employee salaries and other payment for work done	125,590	131,513	132,586	136,059	136,059	100.00	4,546
	from this: employee salaries	124,566	130,438	131,655	132,437	132,437	100.00	1,999
	Mandatory insurance paid by employer ¹⁾	43,957	45,967	46,405	47,621	47,621	100.00	1,654
	Allocation to cultural and social welfare fund	2,491	2,608	2,633	2,649	2,649	100.00	41
	Expenses to finance the asset replacement programmes total pursuant to Annexe No. 5	54,049	137,995	134,287	165,287	158,005	95.59	20,010
2. Specific partial indicators								
	Employee salaries and other payment for work done in public administration	125,590	131,513	132,586	136,059	136,059	100.00	4,546
	from this: employee salaries in public administration	124,566	130,438	131,655	132,437	132,437	100.00	1,999
	Non-investment transfers to international organisations	1,179	1,573	2,100	2,100	1,732	82.48	159
	Ensuring preparation in crisis situation pursuant to Act No. 240/2000 Coll.			500	500	138	27.60	138
	Expenses for financing joint EU and Czech Republic programmes	14,968	38,800					-38,800
	in this:							
	a) connected with financial instruments for the period before the Czech Republic entered the EU, in total	14,968	38,800					-38,800
	in this: PHARE	14,968	38,800					-38,800

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

^{x)} Including transfers of savings to the reserve fund.

Czech Telecommunication Office

Table No. 17

Overview of Income for the Year 2005

(in '000 CZK)

Budget Structure	Item	Indicator	Actual 2003	Actual 2004	Approved Budget 2005	Adjusted Budget 2005	Actual 2005	% Compliance	Difference between Columns 5-2
			1	2	3	4	5	6	7
		Total Income from which:	1,105,062	5,899,616	740,400	740,400	1,562,377	211.02	- 4,337,239
	2111	Income from provision of services	1,102,611	5,895,562	740,348	740,348	1,561,177	210.87	- 4,334,385
	2132	Income from lease of other real property and parts thereof	62	52	52	52	54	103.85	2
	2141	Interest income	12	27			259		232
	2310	Income from sale of short-term and low-value fixed assets	19	67			13		-54
	2322	Insurance compensations received	37	24					-24
	2324	Non-capital contributions and compensations received	241	169			361		192
	2329	Other non-tax income	51	253			342		89
	3119	Other income from sale of fixed assets	57	310			117		-193
	4132	Transfers from other own funds	91	152			54		-98
	4135	Transfers from the funds of the organisational units of the state	1,881	3,000					-3,000

Czech Telecommunication Office

Table No. 18

Overview of Current Expenses for the Year 2005

(in '000 CZK)

Budget Structure	Item	Indicator	Actual 2003	Actual 2004	Approved Budget 2005	Adjusted Budget 2005	Actual 2005	% Compliance	Difference between Columns 5-2
			1	2	3	4	5	6	7
		Total current expenses from which:	297,719	340,563	344,245	318,034	316,487	99.51	-24,076
Article 2461		Activities of state administration bodies in telecomm. from which:	283,390	311,495	313,045	292,079	290,680	99.52	-20,815
	5011	Employee's salaries	124,566	130,438	131,655	132,437	132,437	100.00	1,999
	5021	Other personnel costs	853	853	931	837	837	100.00	-16
	5022	Salaries of representatives of the state authorities				2,566	2,566	100.00	2,566
	5024	Severance pay	171	222		219	219	100.00	-3
	5031	Mandatory insurance – social security and contribution to the state employment policy	32,654	34,172	34,472	35,376	35,376	100.00	1,204
	5032	Mandatory insurance – public health insurance	11,303	11,795	11,933	12,245	12,245	100.00	450
	5132	Protective aids	83	39	100	110	110	100.00	71
	5136	Books, teaching aids, press	599	807	700	777	776	99.87	-31
	5137	Low-value tangible fixed assets	7,673	4,878	4,500	12,331	12,293	99.69	7,415
	5139	Purchase of material	29,722	5,653	48,200	8,210	5,184	63.14	-469
	5151	Cold water	209	277	250	250	169	67.60	-108
	5152	Payments for district heating supply	862	869	1,000	1,000	934	93.40	65
	5153	Gas	315	346	400	400	334	83.50	-12
	5154	Electricity	1,870	1,680	2,200	2,200	1,930	87.73	250
	5156	Fuels and lubricants	1,840	1,878	2,400	2,420	2,060	85.12	182
	5157	Hot water	5		10	10		0.00	0
	5161	Postal services	7,870	5,201	5,000	9,717	9,716	99.99	4,515
	5162	Telecommunications and radiocommunications services	4,305	4,114	5,000	5,850	5,320	90.94	1,206
	5163	Banking services	284	288	520	520	255	49.04	-33
	5164	Rental	6,944	6,594	7,000	7,000	6,592	94.17	-2
	5166	Consulting, advisory and legal services	9,036	9,907	10,100	10,100	9,795	96.98	-112
	5167	Training and educational services	1,697	1,901	1,500	3,900	3,615	92.69	1,714
	5168	Data processing services	6	6	50	50	6	12.00	0
	5169	Purchase of other services	19,913	21,531	27,000	26,342	25,395	96.40	3,864
	5171	Repairs and maintenance	5,214	4,525	11,071	10,333	8,349	80.80	3,824
	5172	Computer software	7,603	1,369	2,000	542	357	65.87	-1,012

Budget Structure	Item	Indicator	Actual 2003	Actual 2004	Approved Budget 2005	Adjusted Budget 2005	Actual 2005	% Compliance	Difference between Columns 5-2
			1	2	3	4	5	6	7
	5173	Domestic travel expenses	1,776	1,951	2,000	3,064	3,063	99.97	1,112
	5175	Entertainment	146	146	300	300	169	56.33	23
	5192	Expenses for non-investment contributions and compensation	4	12	10	50	38	76.00	26
	5195	Levies for not employing disabled persons	91						0
	5342	Allocation to cultural and social welfare fund	2,491	2,608	2,633	2,649	2 49	100.00	41
	5346	Allocations to other OSS funds – reserve fund	3,220	57,367			7,687		-49,680
	5362	Payments of taxes and charges	52	57	70	70	1	1.43	-56
	5363	Payments (in respect to sanctions) to other budgets	11						0
	5429	Other compensation paid to individuals	2	11	40	204	203	99.51	192
§ 2491		International Co-operation in telecommunications from which:	8,382	13,993	14,700	14,700	14,574	99.14	581
	5136	Books, teaching aids, press	116	118	300	300	148	49.33	30
	5169	Purchase of other services	187	37	1,500	1,455	626	43.02	589
	5173	Foreign travel expenses	6,626	9,018	10,500	10,500	8,444	80.42	-574
	5175	Entertainment	166	110	200	215	212	98.60	102
	5179	Other purchases	31	14	80	80	6	7.50	-8
	5194	Gifts	2	3	20	50	41	82.00	38
	5346	Allocations to other OSS funds – reserve fund	75	3,120			3,365		245
	5511	Non-investment transfers to international organisations	1,179	1,573	2,100	2,100	1,732	82.48	159
§ 2549		General economic services from which:	5,947	14,996	16,000	10,755	10,755	100.00	-4,241
	5166	Consulting, advisory and legal services	5,947	11,196	16,000	10,755	10,755	100.00	-441
	5346	Allocations to other OSS funds – reserve fund		3,800	0		0		-3,800
§ 5273		Other administration in the area of crisis management from which:		79	500	500	478	95.60	399
	5137	Low-value tangible fixed assets		77	400	400	135	33.75	58
	5139	Purchase of material		2	100	100	3	3.00	1
	5346	Allocations to other OSS funds – reserve fund					340		340

Czech Telecommunication Office

Table No. 19

Overview of Capital Expenditures for the Year 2005
(in '000 CZK)

Budget Structure	Item	Indicator	Actual 2003	Actual 2004	Approved Budget 2005	Adjusted Budget 2005	Actual 2005	% Compliance	Difference between Columns 5-2
			1	2	3	4	5	6	7
§ 2461		Total capital expenditures from which:	46,810	130,948	120,000	151,000	150,806	99.87	19,858
	6111	Computer software	26,944	38,124	16,051	30,949	29,686	95.92	-8,438
	6119	Other purchases of intangible fixed assets	819	18,812	3,700	43,337	43,308	99.93	24,496
	6121	Buildings, halls and structures	2,023	48,219	5,500	37,079	37,077	99.99	-11,142
	6122	Equipment (machines, instruments, equipment)	10,614	15,471	78,689	9,215	9,194	99.77	-6,277
	6123	Vehicles	3,344	2,393	3,100	10,993	10,957	99.67	8,564
	6125	Computer hardware	2,581	7,709	12,960	19,427	18,984	97.72	11,275
	6361	Investment transfer to OSS reserve fund	485	220			1,600		1,380

Czech Telecommunication Office

Table No. 20

Overview of Employment Regulation Limits for the Year 2005
(in '000 CZK)

Indicator	Actual 2003	Actual 2004	Approved Budget 2005	Adjusted Budget 2005	Actual 2005	% Com- pliance	Difference between Columns 5-2
	1	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done: from which:	125,590	131,513	132,586	136,059	135,992	99.95	4,479
Limit of funds for salaries	124,566	130,438	131,655	132,437	132,437	100.00	1,999
Limit of other payment for work done	1,024	1,075	931	3,622	3,555	98.15	2,480
Limit on the number of employees (average full-time equivalent)	477	470	466	469	461	98.29	-9
Number of employees as of December 31st	478	472	466	469	459	97.87	-13

Table No. 21a, b

Annexe No. 1 to Decree No. 323/2005 Coll.

Name of Compiler: Czech Telecommunication Office

Basic Personnel Data**1. Classification of Employees according to Age and Sex – Status as of December 31st, 2005**

Age	Men	Women	Total	%
up to 20 years of age	0	0	0	-
21 – 30 years of age	25	35	60	13.07
31 – 40 years of age	23	26	49	10.68
41 – 50 years of age	55	63	118	25.71
51 – 60 years of age	85	115	200	43.57
61 years of age and over	25	7	32	6.97
Total	213	246	459	100.00
%	46.41	53.59	100.00	x

2. Classification of Employees according to Education and Sex – Status as of December 31st, 2005

Education Achieved	Men	Women	Total	%
Primary	1	4	5	1.09
Trained	2	5	7	1.53
Secondary Vocational	0	6	6	1.31
Secondary Complete	4	43	47	10.24
Sec. Voc. Complete	93	113	208	45.32
Higher Vocational	0	5	3	0.65
University	113	70	183	39.87
Total	213	246	459	100.00

3. Overall Data on Average Salaries as of December 31st, 2005

	Total
Average Gross Monthly Salary	23,940 CZK

4. Overall Data on the Origin and Termination of Employee's Employment in 2005

	Number
Hired	65
Terminated	67

5. Duration of Employee Employment – Status as of December 31st, 2005

Duration	Number	%
up to 5 years	166	36.17
up to 10 years	69	15.03
up to 15 years	126	27.45
up to 20 years	25	5.45
over 20 years	73	15.90
Total	459	100.00

6. Employees' Language Skills

Type of Language	Number of selected positions for which a qualification requirement of standardised language examinations was specified, classed according to level of knowledge			Total number of specified requirements for job positions
	1st Level	2nd Level	3rd Level	
English Language	-	5	3	8
German Language	-	-	-	-
French Language	-	-	-	-
Total	-	5	3	8

Note: The levels of standardised examinations were specified in accordance with Resolution of the Czech Government No. 1088 from November 6th, 2002

Table No. 22

Annexe No. 2 to Decree No. 323/2005 Coll.

Name of Compiler: Czech Telecommunication Office

Overview of Itemised Binding Indicators

in '000

CZK

Indicator	Budget		Reality
	Approved	After Changes	
and	1	2	3
Limit of funds for salaries and other payments for work done	132,586	136,059	135,992
from which:			
Limit of funds for salaries	131,655	132,437	132,437
Limit of other payments for work done	931	3,622	3,555
Limit of number of employees (average full-time)	466	469	461

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