

The background of the image is a complex, abstract pattern of overlapping, wavy lines in various shades of blue and orange. The lines are dense and create a sense of movement and depth. The overall color palette is dominated by deep blues and vibrant oranges, set against a dark blue background.

Český telekomunikační úřad

Annual Report for 2007



Český telekomunikační úřad

ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2007

Including:

- The Annual Report on the Universal Service
- The Report on the Management of the Radiocommunication Account Funds
- The Annual Report on the Provision of Information pursuant to Act No. 106/1999 Coll.

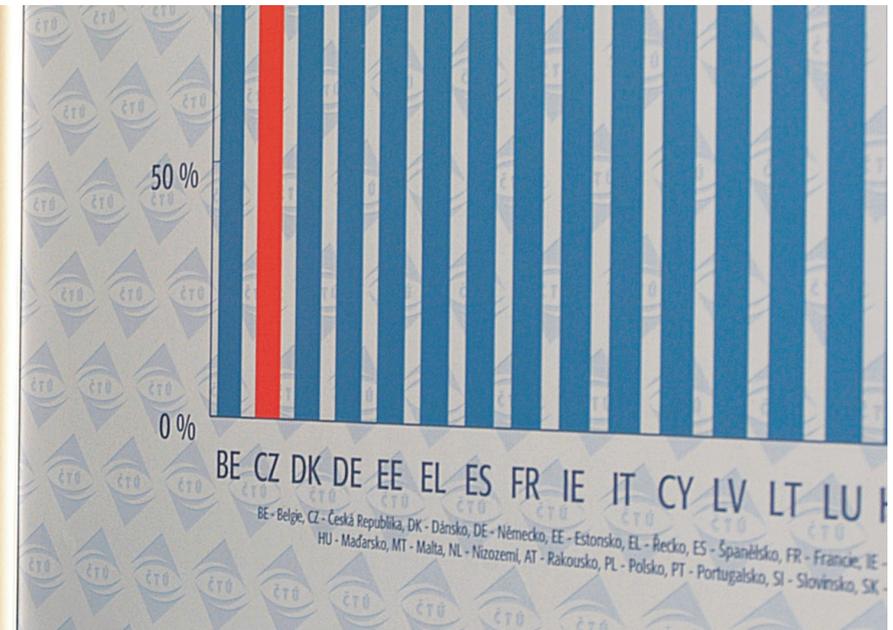
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INTRODUCTION

INTRODUCTION BY THE CHAIRMAN OF THE CTO COUNCIL / EXECUTIVE SUMMARY



This annual report on the activities of the Czech Telecommunication Office (hereinafter only the "CTO") for 2007 (hereinafter only the "Report") documents the wide range of activities undertaken in 2007. The activities of the CTO of course include a wide range of standard tasks and their corresponding activities in relation to the competencies and obligations of the CTO pursuant to legislation. The 2007 Report thus concretely presents in individual sections and in appropriate detail the complexity and scope of the tasks carried out by the CTO. Its day-to-day activities include, for example, the administration of the radio spectrum, the resolution of disputes on the electronic communications markets, and regulatory and inspection activities.

However, behind these standard activities the CTO also performed a series of important tasks with very significant consequences. These included in particular the commencement of a new round of relevant market analyses and the finalisation of the preparations for the transition to terrestrial digital television broadcasting. At the same time, the CTO had to monitor and appropriately react to steps taken by the European Commission in the regulation of international roaming and, in the second half of the year, also properly react to the proposal for a revision of

the regulatory framework of the European Commission for electronic communications. The CTO also regularly presented its findings from its standard activities as well as from the resolution of important tasks in the monthly monitoring reports that it began to regularly issue back in September 2006, and which are viewed positively by both the expert public and the business community as a demonstration of its transparent behaviour and a source of relevant and valid information.

During the year being assessed, in the area of regulation the CTO focused on the monitoring and assessment of the impacts of regulatory measures imposed on the basis of relevant market analyses, the first round of which was completed in 2006. During the entire year, the CTO of course continuously monitored the whole electronic communications market and the postal services market. In the second half of 2007 the CTO commenced the second round of relevant market analyses. As the first of all the relevant markets to be newly analysed was the wholesale broadband access market (the broadband market).

During 2007 the CTO again paid particular attention to the process for the transfer to digital terrestrial broadcasting. During the year it closely cooperated with the entities involved in relation to the implementation of pilot projects for the transfer to digital broadcasting in the Domažlice and Ústí nad Labem areas. Within the framework of the National Coordination Group for Digital Broadcasting, the CTO was actively involved in the preparation of an amendment to the legal framework for the transfer to digital broadcasting. At the same time, the CTO, in cooperation with all the decisive involved parties, prepared a draft Government Order through which is issued the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television and also two related norms.

During the year, CTO representatives participated at the most varied forums in the discussions of the drafts for a European Commission Regulation on the regulation of international roaming. Immediately after this came into effect in mid-2007 the CTO began assessing its impacts in the Czech environment. In particular at the end of the year the CTO actively participated in the process of discussing the proposal by the European Commission for a revision of the legal and regulatory framework for electronic communications. As part of this activity the CTO is attempting, in cooperation with the responsible bodies, to assert within the framework of the preparation of the position of the Czech Republic, its fundamental comments regarding the proposal for the revision of the regulatory framework to ensure that the new conditions permit simplified regulatory practice while retaining the required effectiveness.

During the year the CTO also made great efforts to address the issue of the financing of the universal service, in particular in the case of the payment of the losses from its provision for the period since 2001. In this connection the CTO also proposed legislative amendments that would in the future contribute to simplifying the rules for the financing of the universal service. In the second half of the year the CTO also commenced a procedure for investigating the persistence of the reasons for imposing the obligation to provide the individual partial services of the universal service.

When performing its activities the CTO closely cooperated with other state bodies throughout 2007. In the area of the monitoring and analysis of the electronic communications market, the CTO continued in particular in its close cooperation with the Office for the Protection of Competition; with the Council for Radio and Television Broadcasting as part of the preparations for the process for the transition to terrestrial digital broadcasting; and in connection with the performance of state inspection of electronic communications and postal services and networks with the Czech Commercial Inspection. Close cooperation with the Ministry of Industry and Trade was a matter of fact, in particular in the area of legislation and international activities. Within the framework of the preparations for the transition to terrestrial digital broadcasting, it commenced specific cooperation with the Association of Regions and with the Union of Towns and Municipalities. During 2007, close cooperation with professional organisations and associations was also a matter of course.

In connection with the ever clearer need for the harmonisation of regulatory measures within the EU and the need for international cooperation, it also ensured participation in the work of working teams in particular within the ITU and ERG and in other international events.

In 2007 the CTO focused on the rationalisation of its own activities through the implementation of information and communications technologies; for example, it continued with work on the integration of the CTO information systems and the implementation of findings from the internal audit for improvements to its work.

The CTO continues, just as in previous years, to make significant use of workshops and public consultations relating to current expert problems and solutions for key questions. In this way it is attempting to ensure sufficient transparency and objectivity regarding its procedures for ensuring the performance of all its activities according to the competencies it is charged with by law.

It is my opinion that, for the CTO, 2007 was another year in which it succeeded in fulfilling, responsibly and even more effectively, the tasks of the central public administration authority for the electronic communications and postal services sector.

This annual report has been prepared pursuant to Section 110 (1) of Act No. 127/2005 Coll. on electronic communications and on amendments to certain related acts (the Electronic Communications Act), as amended (hereinafter also the "Act").

The first part of the Report focuses on an assessment of the state and development of the electronic communications and postal services sector. In this part of the Report an assessment of the decisive segments of the electronic communications and postal services market is provided on the basis of the development of basic indicators. As part of the assessment of the development of basic services, attention has also been paid to the question of the development of prices from the perspective of end users (consumers).

This part of the Annual Report also includes information about the preparations for the transition from terrestrial analogue broadcasting to terrestrial digital broadcasting, which is very topical at the time of submission of this Report.

In other parts of the Annual Report you can find a detailed examination of other activities and results achieved in the individual expert areas the CTO is charged with, including a commentary on the international activities of the CTO and its activities within the framework of cooperation with other public administration bodies. The conclusion of the Report provides concise information about the financial results of the CTO and its compliance with stipulated budget indicators for 2007, information about the personnel ensuring the CTO activities and about the provision of other support activities essential in terms of the proper fulfilment of the CTO's mission.

Pursuant to the requirements of Section 110 and other applicable provisions of the Act, the Report also includes the Annual Report on the Universal Service (pursuant to Section 50 of the Act), the Report on the Management of the Radiocommunication Account Funds (pursuant to Section 27 (4) of the Act). The Report also includes the Annual Report on the Provision of Information pursuant to Act No. 106/1999 Coll. on free access to information, as amended, and also summary information about the approach of the CTO in regard to handling complaints pursuant to Section 175 of Act No. 500/2004 Coll., the Administrative Code, as amended.

The background features a complex, abstract pattern of overlapping, wavy lines in shades of blue and orange. The lines are dense and create a sense of movement and depth, resembling a digital or network-like structure. The overall color palette is dominated by a rich blue, with vibrant orange and yellow accents.

CHAPTER I.

STATE AND DEVELOPMENT OF THE ELECTRONIC
COMMUNICATIONS AND POSTAL SERVICES IN 2007

CHAPTER I.

STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS IN 2007

L. LEGAL FRAMEWORK

The legal framework for the market of networks and electronic communications services and the postal services market was in 2007 composed in particular of basic legal norms adopted in previous years, in particular Act No. 127/2005 Coll. on electronic communications and on amendments to certain related acts (the Electronic Communications Act), as amended, and Act No. 29/2000 Coll., on postal services and on amendments to certain related acts (the Postal Services Act), as amended, including the regulations issued to put them into effect. For the activities of the CTO in 2007, Act No. 500/2004 Coll., the Administrative Code, as amended by Act No. 413/2005 Coll., was of fundamental importance for the procedural perspective

During 2007 the following legal regulations with an impact on electronic communications or postal services were issued:

1.1 AMENDMENTS TO THE ELECTRONIC COMMUNICATIONS ACT

Act No. 110/2007 Coll., on some measures in the central public administration bodies related to the dissolution of the Ministry of Informatics and on amendment to some acts

- effective from June 1, 2007
- through this act were performed mainly legislative technical amendments to the Electronic Communications Act in relation to the dissolution of the Ministry of Informatics of the Czech Republic and the transfer of its competencies in the area of electronic communications to the Ministry of Industry and Trade of the Czech Republic.

Act No. 261/2007 Coll. on the stabilisation of public budgets

- effective from January 1, 2008
- through this act were performed, apart from other things, an amendment to the Electronic Communications Act in the area relating to the universal service, specifically the provision of special prices or pricing plans for persons with special social needs (Section 38 (3) to (8) of the Electronic Communications Act).

Act No. 304/2007 Coll. amending some laws in relation to completion of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting

- effective from January 1, 2008
- the aim of this act is to unblock the situation that occurred regarding the digitisation of the terrestrial television broadcasting. For this purpose the amendment of fundamental acts relating to this issue was carried out (the Act on the Operation of Radio and Television Broadcasts, the Czech Television Act as well as the Electronic Communications Act).

Due to the fundamental importance for the approach of the CTO during the process for the preparation for the transition to terrestrial digital broadcasting, a more detailed commentary has been provided relating to the impacts of this legal amendment.

One important amendment to the Electronic Communications Act performed by Act No. 304/2007 Coll. is a change to the division and amounts of charges for the use of radio frequencies in the area of the propagation and transmission of broadcasting (radio service) (Section 24 of the Electronic Communications Act). The actual implementation of this legal amendment should be accompanied by an amendment to Government Order No. 154/2005 Coll. on specifying the level and the manner of the fees for the utilisation of radio frequencies, as amended. The obligation of the operators of radio or television broadcasting to pay the holders of individual authorisations to use radio frequencies the fees they pay for the use of radio frequencies for the radio service was laid down at the same time.

Another amendment to the Electronic Communications Act implemented through the act in question is a further specification of the process for concluding contracts for the service of propagation of radio and television broadcasting, the resolution of disputes between the operators of digital networks and the operators of television broadcasting (Sections 72 (a) to 72 (c) of the Electronic Communications Act) and also the stipulation of some special obligations for the holders of individual authorisations relating to the use of radio frequencies for territorial digital television broadcasting (Section 83 of the Electronic Communications Act).

The amendment to legislation implemented through Act No. 304/2007 Coll. also impacted the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting, which will be, unlike previous legislation, issued in the form of a government order. The amendment also had a minor influence on the content of the Technical Plan for the Transition, in particular as regards the specification of its scope and the dates for the termination of terrestrial analogue television broadcasting.

A similarly important change is the empowerment of the CTO to issue a regulation through which it stipulates the method of stipulating the territorial coverage of television broadcasting, the method of stipulating the intensity of the electromagnetic field and, derived from this, the coverage of the population with a television broadcasting signal (Section 112 (4) of the Electronic Communications Act). This regulation closely depends on the implementation of the Technical Plan for the Transition, in particular as regards the determination of the fulfilment of the conditions it stipulated for the termination of terrestrial analogue television broadcasting.

1.2 AMENDMENT TO THE POSTAL SERVICES ACT

Act No. 110/2007 Coll., on some measures in the central public administration bodies related to the dissolution of the Ministry of Informatics and on amendment to some acts

- effective from June 1, 2007
- through this act were performed mainly legislative technical amendments to the Postal Services Act in relation to the dissolution of the Ministry of Informatics of the Czech Republic and the transfer of its competencies in the area of postal services to the Ministry of Industry and Trade of the Czech Republic.

1.3 OTHER LEGAL REGULATIONS

Regulation (EC) No. 717/2007 of the European Parliament and of the Council on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC

- effective from June 30, 2007
- this Regulation introduces a common approach to find reasonable prices for the users of public mobile telephone networks when travelling within the Community and stipulates rules for the prices, including pricing limits, that mobile operators can charge for the provision of international roaming services for voice calls commenced and terminated inside the Community, at both retail and wholesale levels.

Government Order No. 288/2007 Coll., which amends Government Order No. 154/2005 Coll., on specifying the level and method of calculating fees for the use of radio frequencies and numbers

- effective from January 1, 2008
- this change implemented amendments to Government Order No. 154/2005 Coll. in connection with the issue of Decree No. 117/2007 Coll. (see below) and, concurrently, regulation was also implemented regarding the charges paid the use of selected types of numbers.

Decree No. 117/2007 Coll., on numbering plans of electronic communications networks and services

- effective from July 1, 2007
- this decree stipulated the rules for the creation and use of numbers for publicly available electronic communications services. At the same time it replaced the previous numbering plans issued by the CTO pursuant to the preceding legislation (Act No. 151/2000 Coll. on Telecommunications).

Decree No. 238/2007 Coll., on the scope, form and method of providing personal and identification information, on the form of databases of such information and on the scope, form and method of providing this information to a subject that operates a workplace for receiving calls to emergency numbers (the Decree on the Provision of Information for the Purpose of Emergency Calls)

- effective from October 1, 2007
- this decree regulates the rules for the provision of information between operators that is essential for locating subscribers calling emergency lines from mutually connected networks.

Decree No. 290/2007 Coll., on the payment of the costs for databases of information for the needs of emergency calls

- effective from December 1, 2007
- this decree stipulates the method of calculation of the costs paid by the operators of workplaces for receiving emergency calls to network operators for the maintenance of databases with information to locate the person calling the emergency service, including the method of payment of such costs.

2. EVALUATION OF THE ELECTRONIC COMMUNICATIONS MARKET

At the start of the year the CTO completed the implementation of remedies imposed on the basis of the first round of the relevant market analyses, which was in turn completed in the middle of 2006. The last of the remedies to come into force at the start of 2007 were the remedies imposed on the broadband market.

This market was also the first market on which the CTO in the second half of 2007 commenced the new round of relevant market analyses. Within the framework of the new analyses, the CTO, apart from other things, will assess also the effects of the imposed remedies on the competitive environment on the market in question.

During 2007 the CTO continually monitored developments in all segments of the electronic communications market and recorded the main development trends in both fixed and mobile networks.

In 2007 the operators of networks and service providers in the case of fixed services remained unable, in spite of the quantities of special offers and offers of service packages, to halt the fall in the number of subscribers and subscriber lines. Concurrently, the use of the publicly available telephone services in fixed networks also continued to fall together with a slightly rising share of use of Carrier Selection and Pre-selection (CS/CPS).

In 2007 the number of broadband subscribers continued to rise. The technology most used was xDSL. At the same time, however, the rate of growth gradually slowed. In the coming years we cannot expect such significant growth as in the past.

The number of mobile services subscribers expressed as the number of active SIM cards continued to rise. However, we can assume that the point at which demand is saturated is approaching. The total volume of both use of mobile networks and also average use per subscriber continued to rise. Operators also expanded their offers of data and voice services in UMTS networks.

During 2007 the assumption of previous years was confirmed, when some services based on broadband access began to make inroads onto the market to a greater extent. Of the voice services, this involves in particular Voice over Internet Protocol (VoIP). In addition, the television broadcasting over the internet service Internet Protocol Television (IPTV) also expanded. The providers of these services commenced offering their services in the form of packages, namely a combination of several services for a single price. Such offers are frequently a combination of voice services on both fixed and mobile networks, broadband internet access and IPTV. This development of the offer of quality broadband access services for end users was supported by the compliance with imposed obligations on the relevant wholesale markets.

During the continuous monitoring of the state and development of the electronic communications market and, similarly, during the handling of specific submissions, just like last year the CTO closely cooperated with the Office for the Protection of Competition.

2.1 MARKET ANALYSES AND MONITORING

In 2007 the CTO amended, on the basis of its continuous assessment of the effects of the remedies imposed on the relevant markets, some of the obligations on relevant markets No. 9 and 16 (wholesale termination markets for calling from fixed and mobile publicly available telephone networks). The reason for these amendments was the finding that the imposed obligation in its original scope was proved to be excessive, because it could exceed the actual definition of the relevant market. The imposed obligation was therefore explicitly applied by a new decision only to calling to subscriber numbers. Calling to a number other than a subscriber number is usually connected with a different price because as part of the provision of the services, content services are concurrently provided. The CTO therefore came to the conclusion that the imposed obligation represents, for its addressee, an unreasonable burden and decided to cancel the obligation to make connections when calls are made to a number other than a subscriber number.

As part of the monitoring of the development on the electronic communications market, the CTO focused its attention on an assessment of the impact of service packages offered by Tele-

fónica O2. In this connection, the CTO also addressed several submissions from alternative operators and mobile network operators.

The CTO expects that the wholesale offer of the service of resale of access to the public telephone network, or Wholesale Line Rental (WLR) announced by Telefónica O2 on December 20, 2007 in the form of a "Contract for ensuring access for subscribers of other licensed operators to the public telephone network" will significantly contribute towards an increase in competition on the market of services provided in fixed networks. This offer should enable alternative operators to provide their own services to end users and differentiate them more from offers from Telefónica O2.

On December 28, 2007 the European Commission published its Recommendation on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services. An explanatory memorandum was concurrently published – the accompanying document on this recommendation. This recommendation replaces the Commission Recommendation 2003/311/EC. The main benefit of this new recommendation is a reduction in the number of relevant markets susceptible to ex ante regulation.

The CTO immediately commenced preparations for updating Measure of a General Nature No. OOP/1/07.2005-2 so that it would be in accordance with the new recommendation from the European Commission. The CTO issued this measure under the designation OOP/1/02.2008-2 at the start of 2008.

2.2 DEVELOPMENT OF SELECTED SERVICES IN THE MAIN MARKET SEGMENTS

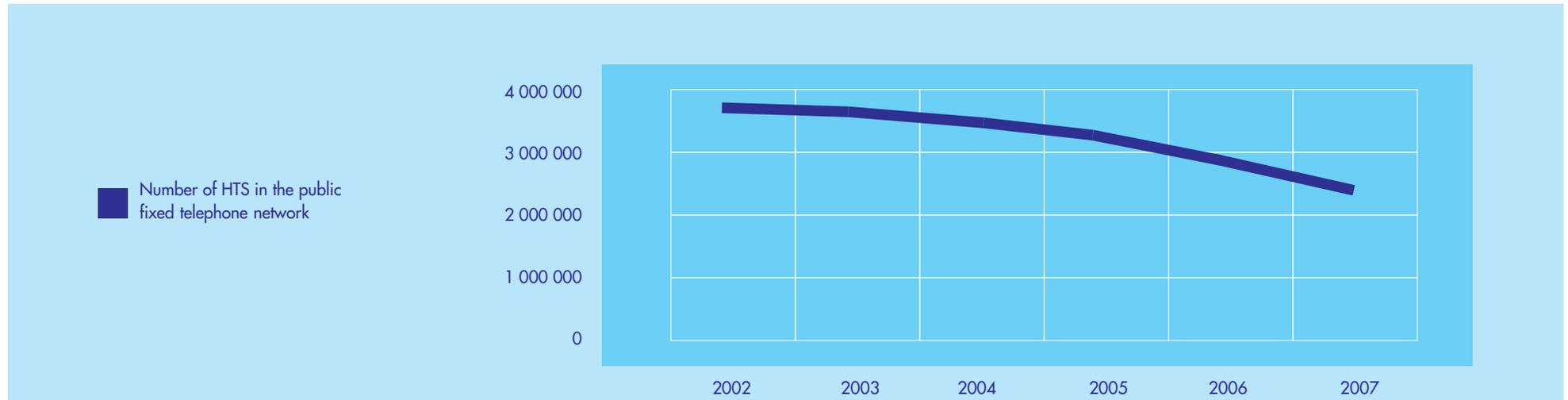
Voice services provided in fixed networks

Among the most important undertakings operating on the telephone services marketing in 2007 were Telefónica O2, GTS Novera, Radiokomunikace, Telekom Austria (formerly Czech on Line, to which Etel was added in 2007), Tiscali, T-Systems Pragonet, BT Limited, ČD-Telematika, ČEZnet and UPC. Telefónica O2 has maintained unequivocally the strongest position in the provision of publicly available telephone services. For this reason, the selected indicators are subsequently presented primarily in relation to data from this company.

During 2007 in the area of voice services, the migration of users to mobile and broadband networks continued, together with the trend of expansion of services via VoIP. Operators began to offer their customers their services in the form of packages that mostly represent a specific (as a rule price) advantage for the end users. The greatest interest from the public was focused on

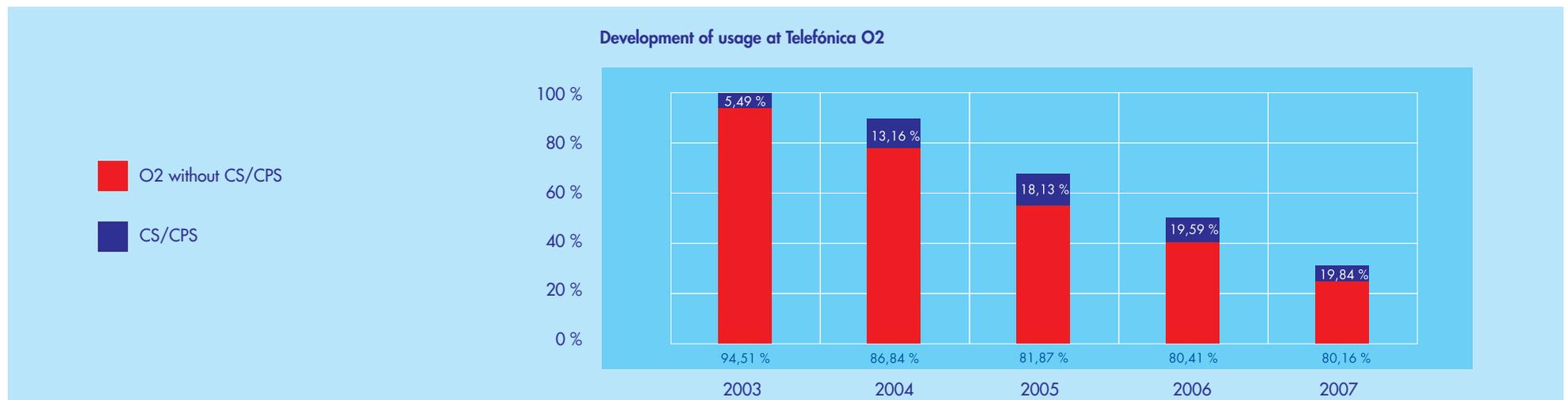
a combination of the provision of IPTV services offered together with a telephone service and broadband internet access.

In 2007 the number of subscribers to the publicly available telephone service fell further (the number of subscriber lines expressed by the Main Telephone Line (HTS) indicator) as documented in the following graph.



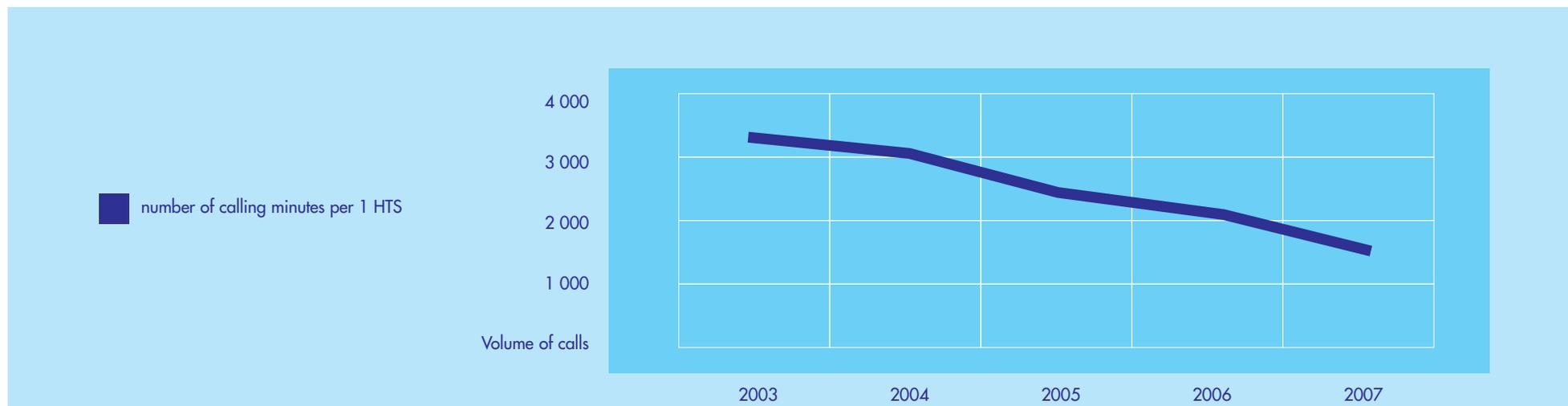
Together with the falling number of subscribers, the volume of use of fixed networks is also falling, as is clear from the following graph, which contains usage data for Telefónica O2.

Of the total usage, almost 20 % has left for the networks of other operators in fixed networks through Carrier Selection and Pre-selection (CS/CPS). The growth in the share of CS/CPS in 2007 significantly slowed in comparison to previous years.



In 2007, too, the volume of calls expressed in minutes per subscriber line continued to fall, which is demonstrated by data from Telefónica O2 in the following graph.

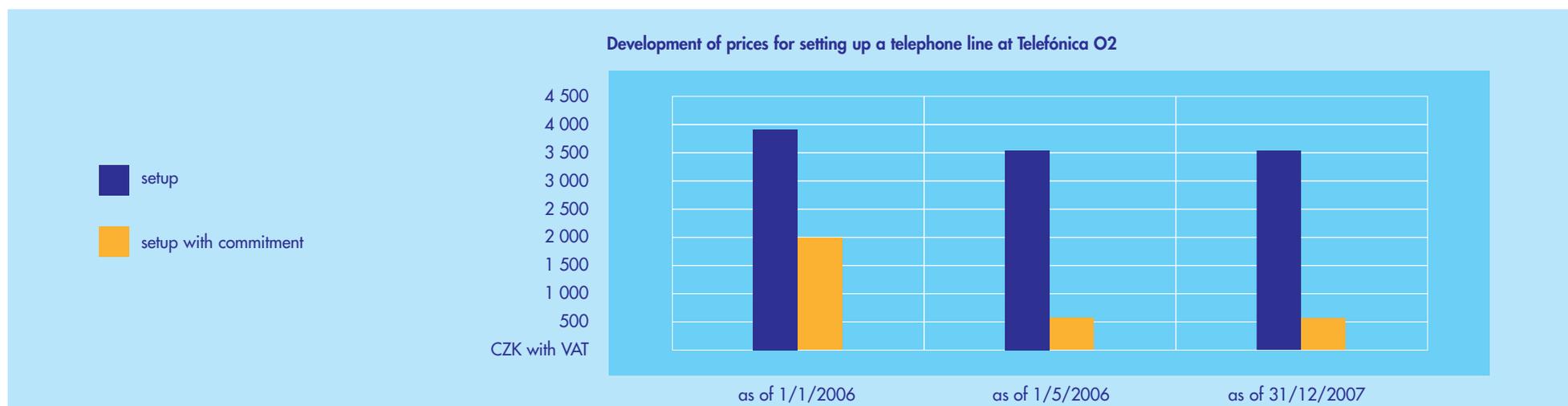
The figure of 2,084 calling minutes per subscriber line in 2006 fell in 2007 to 1,567 calling minutes. The reason for this drop is a transfer of such voice calls to mobile networks and a higher use of calling via broadband in internet access (VoIP and VoB).



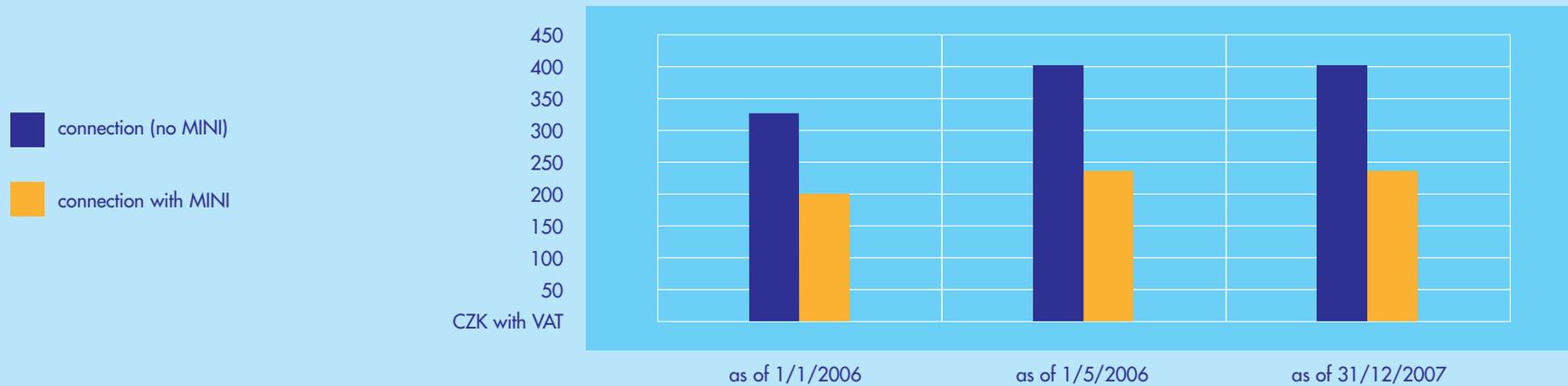
Development in Prices of Voice Services in Fixed Networks

The development of prices of voice services is given in the following graphs. In view of the standing of Telefónica O2, the prices for the services of setting up and using a telephone sub-

scriber line for this company are given in the graphs. For voice services the graph shows the prices of the important operators providing telephone services via fixed telephone networks.

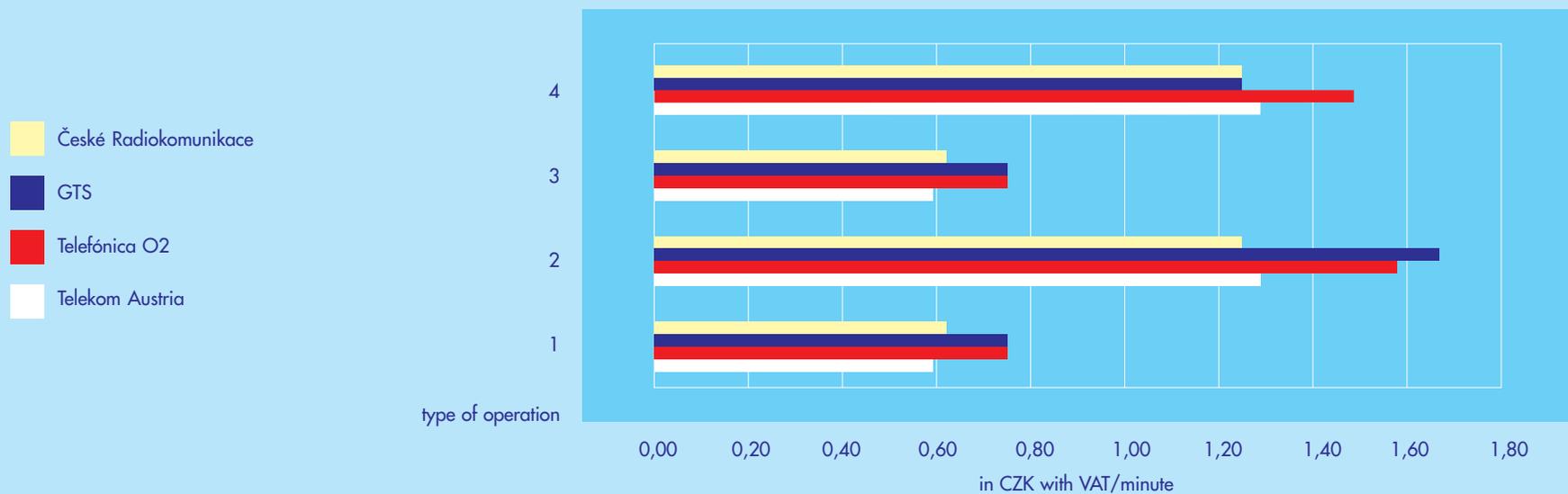


Development of prices for using a telephone line at Telefónica O2



Comparison summary of prices in 2007 for local and long-distance calls for residential lines according to the offers of the individual operators

Local and long-distance calls as of 31/12/2007 telephone line – residential



Broadband services

In 2007 there was not such a sharp rise in the number of broadband service subscribers. A similar development can be expected in the future. The most widespread technology used for broadband access for end users remains xDSL. Other options for broadband access are, in particular, wireless networks, television cable networks (CATV), mobile networks and optical networks.

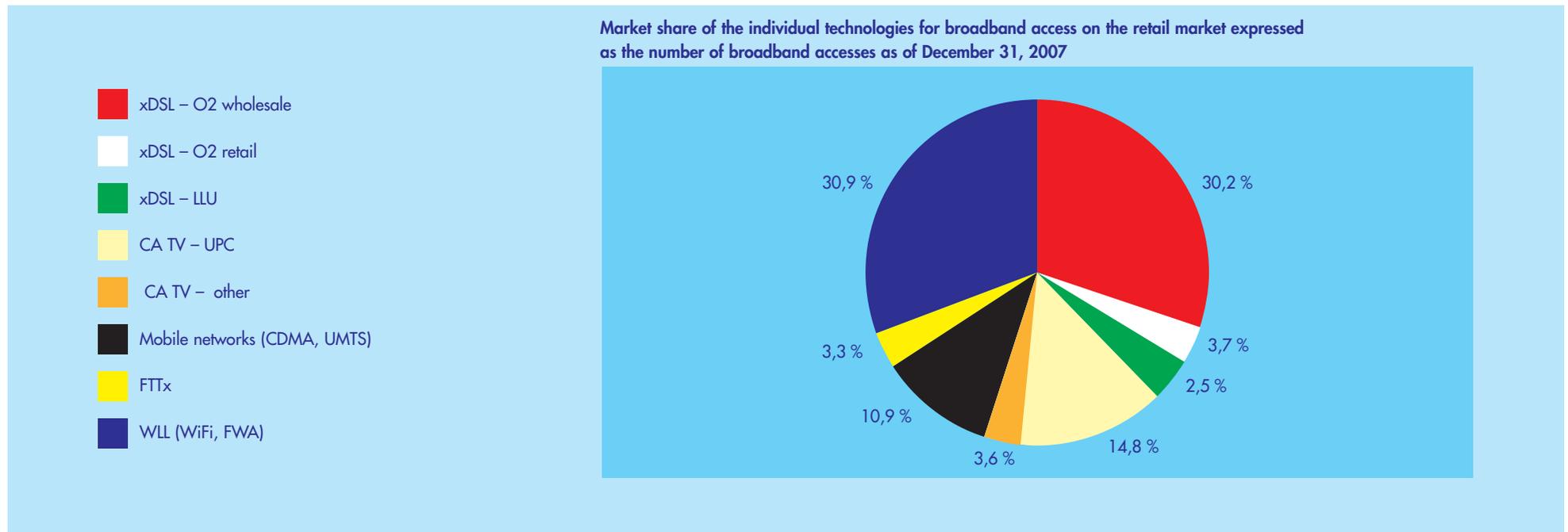
As regards data regarding the connection of end users through wireless connections in free frequency bands, the CTO has used, in view of the specificity of this option for broadband access, expert estimates for the number of individual accesses via Wi-Fi. The estimate of the number of these accesses in 2007 is 520,000, while the real figure could be even higher.

The largest provider of broadband access services for end users was Telefónica O2, which has strengthened its position in terms of the number of accesses. Another important provider of such services is UPC, in particular thanks to its merger with Karneval Media.

Market share of the individual technologies for broadband access on the retail market expressed as the number of broadband accesses as of December 31, 2007 is given on the following graph.

The following table shows the development of the number of broadband accesses according to the individual technologies.

One thing in particular is positive – the fact that the most dynamic growth was seen in accesses provided through optical fibres. Some providers of wireless and cable connections have already begun investing in the development of their networks (thanks to their long experience in the broadband access market) through the construction of optical lines to ensure that in the future they will be able to compete with the largest providers with an offer of even higher quality services.



	As of 31/12/ 2005	As of 31/12/2006	As of 30/9/2007	As of 31/12/2007	Note
xDSL – O2 (retail)	225 266	404 570	482 433	508 199	
xDSL – O2 (wholesale)	48 475	65 227	62 781	61 951	
xDSL – LLU	6 833	23 195	39 687	42 570	
xDSL – total	279 853	493 402	585 396	613 220	
CATV – UPC	113 840	185 582	230 655	248 891	
CATV – total	132 944	229 780	286 721	309 000	31/12/2007 estimate
CDMA + UMTS	70 342	119 405	163 292	183 456	
FTTx	17 000	36 000	50 000	55 000	Estimates
WLL (WiFi, FWA)	210 000	370 000	485 000	520 000	Estimates
Total	709 063	1 248 587	1 565 409	1 680 676	Penetration in 2007 cca 16,5 %

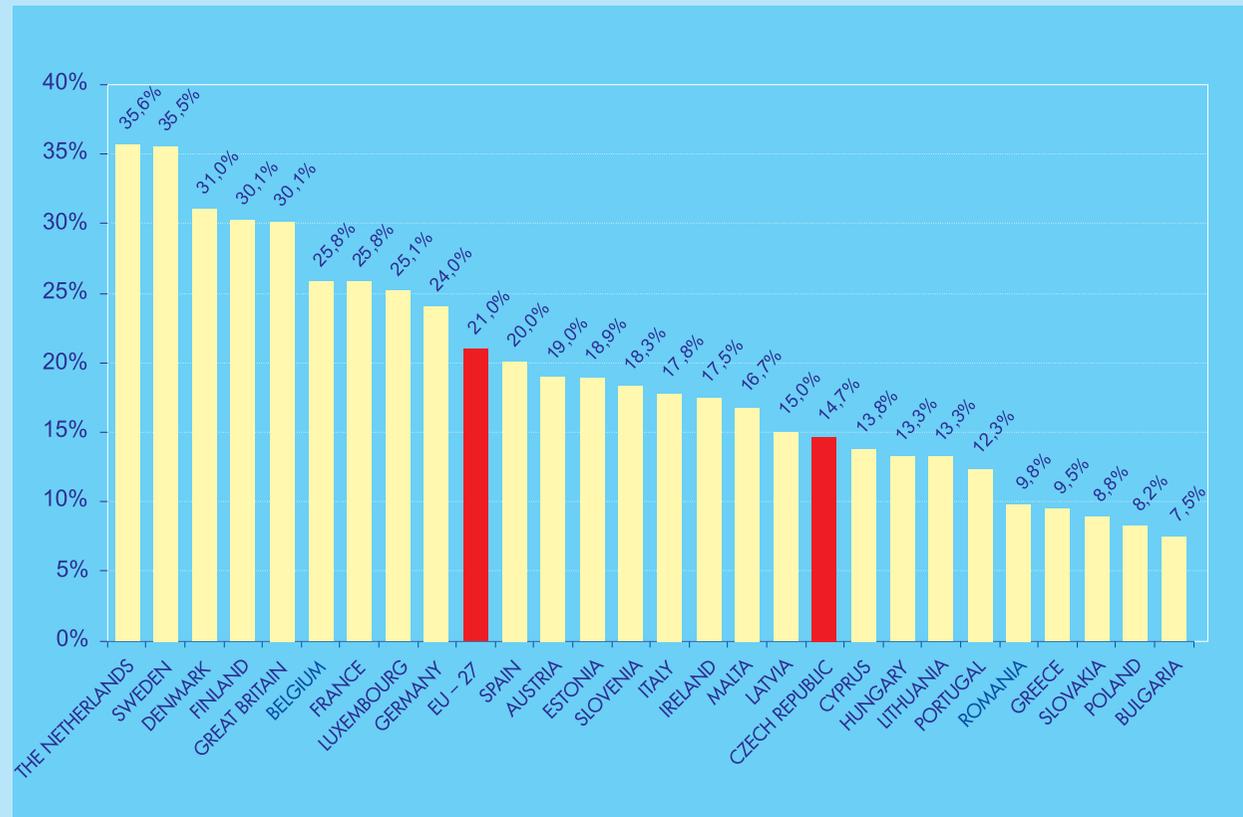
Number of accesses	Number of providers	Market share	Note
> 500 000	1	38 %	Telefónica O2 Czech Republic, a.s. (ADSL, CDMA, UMTS)
100 000 – 500 000	1	15 %	UPC Česká republika, a.s.
25 000 – 100 000	3	7 %	GTS Novera, České Radiokomunikace, T-Mobile
10 000 – 25 000	5	5 %	Telekom Austria, Smart Comp, COMA, ERKOR, PODA
5 000 – 10 000	11	5 %	Average share per provider < 0,5 %
3 000 – 5 000	20	5 %	
1 500 – 3 000	59	8 %	Average share per provider < 0,2 %
500 – 1 500	167	10 %	
< 500	863	7 %	
Total	1 130	100 %	

The penetration of broadband access services (the number of accesses per 100 inhabitants) was, on an international comparison, estimated at the end of the year at around 17 % in the Czech Republic (including accesses in mobile networks). In the graph below (see next page), providing a comparison with other EU states, but not including accesses in mobile networks (CDMA and UMTS), the Czech Republic is approaching the EU average.

In spite of the fact that the xDSL technology is one of the most widespread in the Czech Republic, its share of the retail markets is the lowest of all countries in the European Union. This is due to the specific situation in the Czech Republic, where a significant share is maintained by the providers of wireless access services in free (non-licence) frequency bands. This fact was caused in particular by the late expansion of xDSL services, and the insufficient coverage and relatively high prices for these services for end users in 2004 and 2005.

Providers of broadband access services have a significant share of the retail market through both cable television systems and also through the wireless connection technology WiFi. These providers have maintained their shares on the market, in particular thanks to lower prices and increasing service quality. At the same time, however, it is important to add that these providers are, in particular, local in character (which is shown in the table below). In addition, the other providers (except UPC) have not yet achieved a significant market share and so from the perspective of specific companies, therefore, Telefónica O2 and UPC are practically the only providers with significant shares of the retail market.

Penetration of broadband access services



Source: REPORT ON THE SINGLE EUROPEAN ELECTRONIC COMMUNICATIONS MARKET 2007 (13TH REPORT)
 Figures for Estonia, France, Latvia, The Netherlands and Austria are as of 30/9/2007

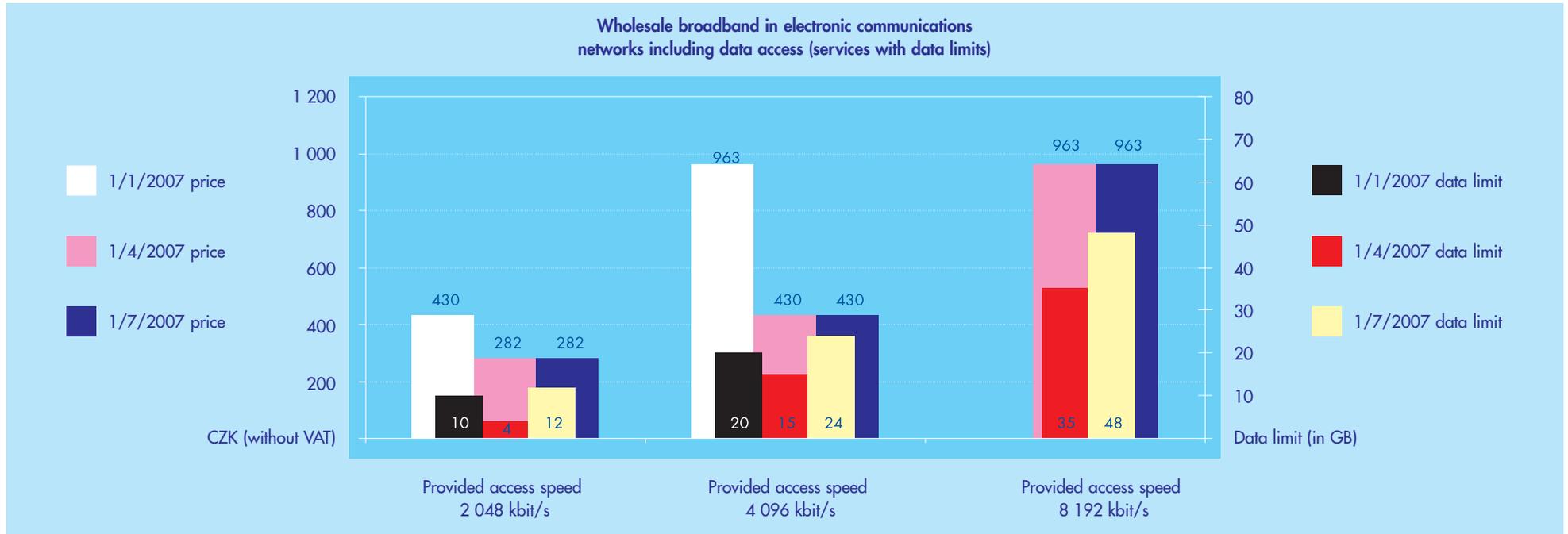
Development in Prices for Broadband Access Services

The development of retail and wholesale prices for broadband access services is documented in the graphs below in terms of Telefónica O2 prices.

During 2007 the broadband internet access market saw several changes at both retail and wholesale levels. The first was the publication of a new form of wholesale offer of ADSL (RAO) at the start of March by Telefónica O2. These changes affected downstream speeds in particular, while there was also an increase in the total data volume limits for the individual operators. The

speeds 512/128 and 768/128 kbit/s completely disappeared from the wholesale offer and the slowest speed therefore became 2048/128 kbit/s. The highest speed option became 8192/512

kbit/s. This is, together with the second highest speed of 6144/384 kbit/s, provided only through the ADSL2+ technology. The others can be provided on both technologies, meaning both ADSL as well as ADSL2+.



Since April 2007 the alternative operators have been able to select from two wholesale offers for broadband access, where the new offer is based around CTO remedy REM/12/ /10.2006-69 of December 4, 2006.

Within the framework of the new Carrier IP Stream wholesale offer, the alternative operators "put together" the final form of the service for the end user from the price for the declared nominal connection speed and individual data volume (the so-called Carrier IP DSL CA), from the price for one of the 17 offered aggregation ratios from 1:20 through to 1:100, for which the required total volume limit is also calculated (Carrier IP VPN), and also from the price for the connection with the Telefónica O2 network (Carrier IP Access).

Comparable final wholesale prices can be achieved for a service built around the Carrier IP Stream offer, while retaining comparable speed and type of aggregation, and also for services

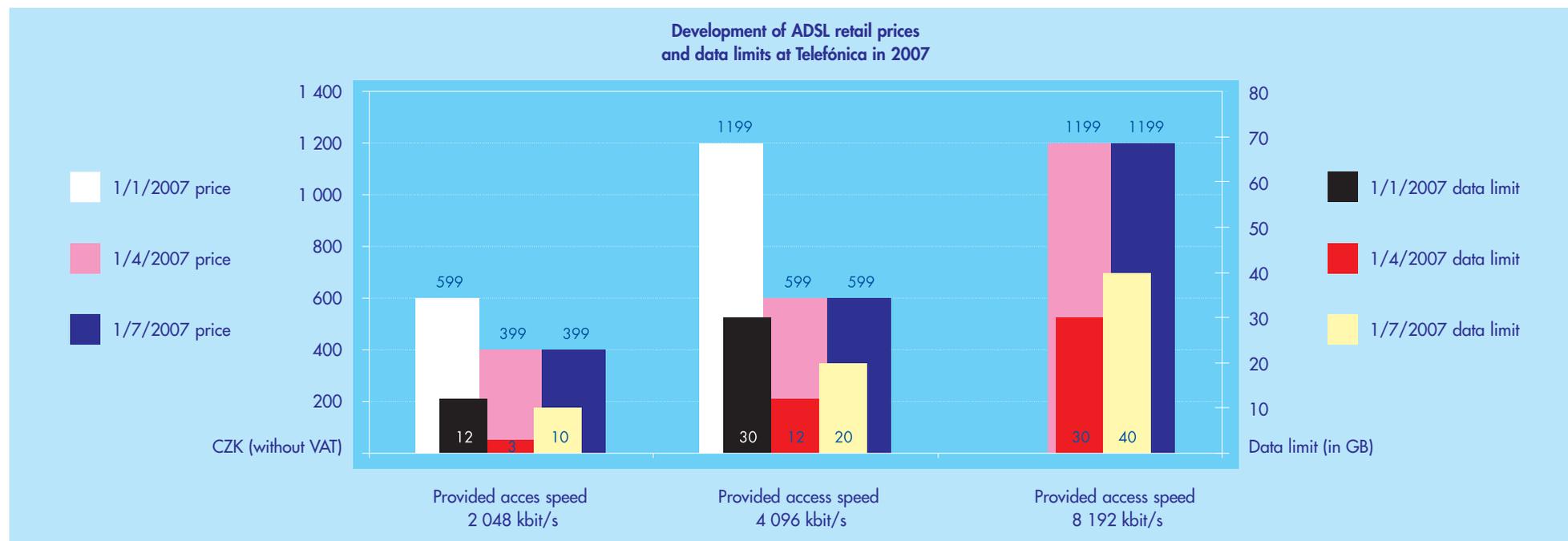
within the framework of Carrier Broadband Limit07. Alternative operators, however, have greater options within the framework of Carrier IP Stream to diversify their services for end users according to the type of aggregation from the cheapest 1:100 to the most expensive 1:20.

Telefónica O2 added another fundamental change to its wholesale ADSL offer effective from July 1, 2007. This time, increases were also seen in volume limits, which for the lowest of the offered speeds (2048/128 kbit/s) rose from 4 to 12GB (per month) and at the highest provided speed (8192/512 kbit/s) from 35 to 48GB. The changes to the wholesale services parameters described above for 2007 are shown in the graph below.

Thanks to the change in wholesale prices by Telefónica O2, there has been a reduction in the prices of retail services. This price reduction was caused by the increase in the speeds for existing wholesale and retail services. For the same price, the customer was provided with a higher-

speed service. At the same time, as part of the competitive battle for customers, there was an increase in the volume of data that could be downloaded for the given monthly price (without

any additional charges) and/or at the original speed without the implementation of the Fair Use Policy (FUP), i.e. a reduction in speed down to 64 kbit/s for example.



Services Provided in Mobile Networks

Three mobile operators operated on the market of services provided in GSM mobile networks in 2007, namely Telefónica O2 Czech Republic, T-Mobile Czech Republic and Vodafone Czech Republic. The market shares of the individual service providers are relatively stable on the retail market according to subscriber numbers, and have remained practically unchanged since 2006. Telefónica O2 and T-Mobile have market shares of around 40 % and Vodafone has the remaining 20 %. The market of services provided in mobile networks as a whole is generally assessed as effectively competitive.

The current mobile operators are also holders of licences to operate UMTS mobile networks. Voice and data services within a UMTS network is currently commercially offered by Telefónica O2. T-Mobile offers an internet connection service in a UMTS network. Vodafone has requested an extension to the deadline for commencing the operation of a UMTS network to 2009.

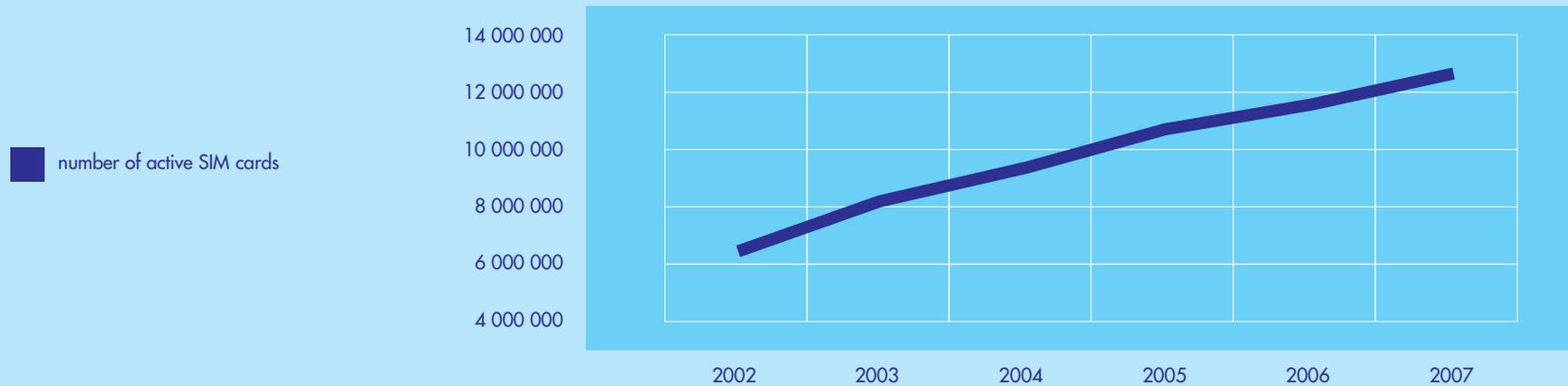
The development of the number of subscribers in GSM/UMTS mobile networks expressed as the number of active SIM cards is given in the following graph and confirms that the growth tendency has continued into 2007.

The total number of active SIM cards at the end of 2007 reached 13,074,666.

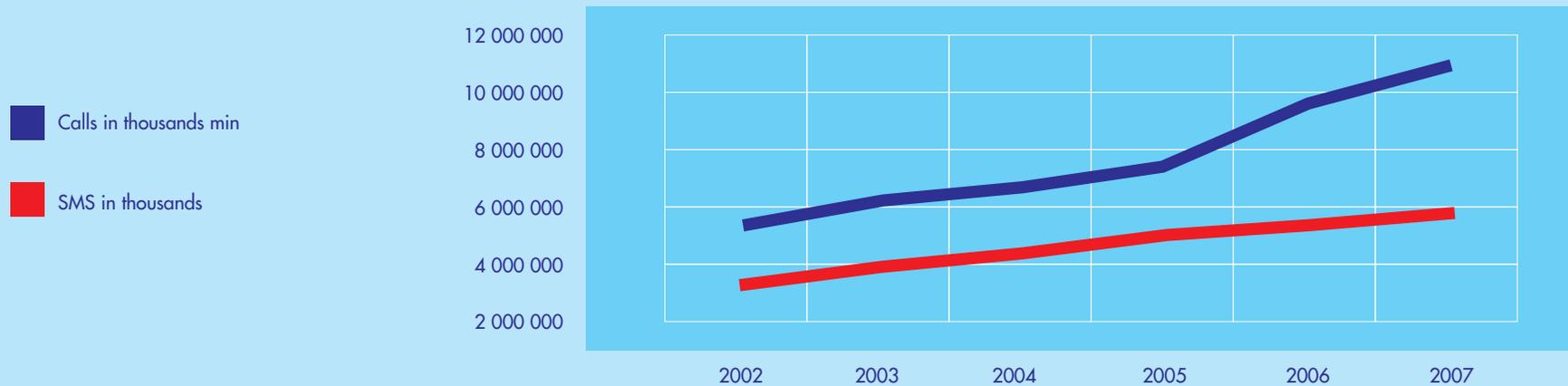
2007 saw another significant rise in the volume of voice calls and also a rise in the number of SMS messages sent, as shown in the following graph.

Volume expressed in calling minutes per active SIM card, meaning per subscriber, also significantly rose in 2007, reaching 833 minutes per subscriber compared to 800 minutes per subscriber in 2006. On the other hand, the slow fall in the number of SMS sent continued to 447. The development of both indicators since 2002 is given in the following graph.

Number of active SIM cards

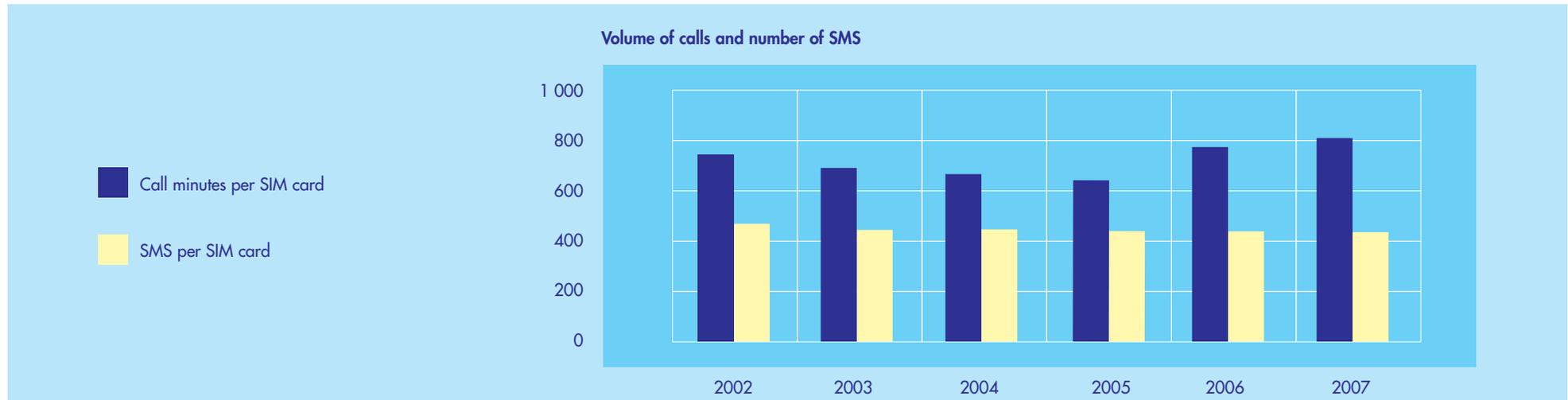


Volume of calls and number of SMS



Telefónica O2 also operates a CDMA mobile network in the 450 MHz band, on which it provides an internet access service. In 2007, MobilKom commenced the operation of its CDMA

mobile network in the 420 MHz band, and through this network currently provides a publicly available telephone service in a fixed location and access to the internet.



Comparison of Prices for Services Provided in Mobile Networks

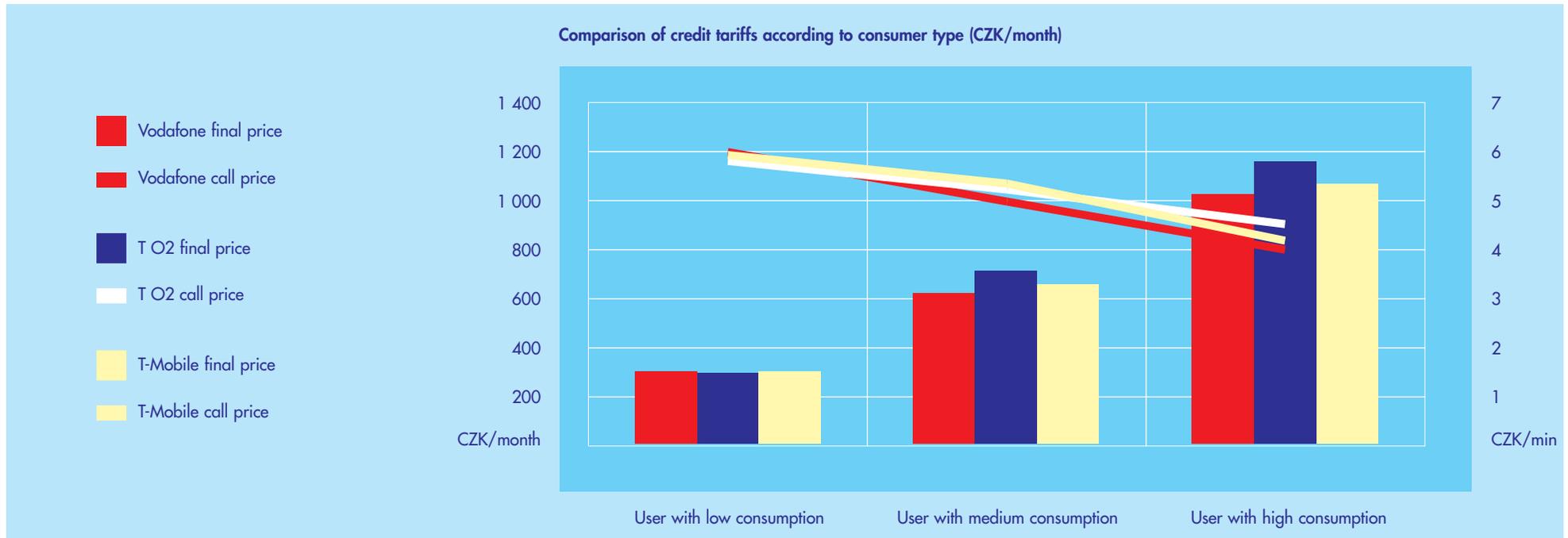
The CTO monitored the development of prices for services provided at retail. Apart from the price tariffs offered as standard, it also monitored tariffs providing specific advantages for end users such as the so-called credit tariffs.

The graph below compares the credit tariffs offered in 2007 of all three mobile operators for three types of end user – low consumption, medium and high consumption. The columns show the monthly price for the average number of calls, SMS and MMS sent according to user type

(see the table below), and the flow line shows the price per minute for calling using the selected credit tariff.

The table below shows the number of minutes stipulated using the OECD 2006 method for the individual user types (these are final totals of minutes including average call length) and the monthly tariffs of the mobile operators that were used for the above graph.

		User with low consumption	User with medium consumption	User with high consumption
OECD 2006 method				
Average number of calls		44	114	246
– calls to all networks in the CR		42	110	238
– voice box		2	4	8
Average number of SMS		33	50	55
Average number of MMS		0,67	0,67	1
Names of the monthly prepaid services used				
Comparison of credit tariffs	Vodafone	Nabito 119	Nabito 350	Nabito 700
	TO2	O2 Simple 240	O2 Simple 600	O2 Simple 980
	T-Mobile	Kredit 250	Kredit 450	Kredit 700



Services offered as packages

During 2007 the CTO recorded an increased offer of service packages in particular by Telefónica O2, which was labelled on the basis of relevant market analyses as the undertaking with significant market power on several of them.

In general, the CTO considers the offers of service packages on markets on which there is effective competition as a significant stimulus to the development of supply as well as demand. From the perspective of end users, who then have the possibility to acquire several selected services in one under (as a rule) better conditions, including pricing conditions, this is positive. The offer of packages, however, could in some cases also mean anti-competitive practices by a service provider, which was indicated on one of the relevant markets as the undertaking with significant market power. Therefore the CTO considers it necessary to analyse the individual offers.

With the market launch of the Telefónica O2 package offers, the CTO received several instigations from alternative and mobile operators. The measures proposed by the individual operators to improve the competitive environment however differed depending on their strategic plans. The CTO assessed the offers in question and did not find that they had a negative impact on the

market. For this purpose the CTO created a methodological procedure that relates in particular to the packages of products provided on the electronic communications markets by the company that was, at least on one of the markets in question, indicated as the undertaking with significant market power. Focus has been concentrated in particular on the influence of the packages on the competitive environment, compliance with imposed remedies on the basis of relevant market analyses and an assessment of the effectiveness of any ex ante regulation applied.

2.3 REGULATION ON INTERNATIONAL ROAMING

The end of June 2007 saw the publication of Regulation (EC) of June 27, 2007 No. 717/ /2007 of the European Parliament and of the Council on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC. The Regulation came into force on June 30, 2007. As of that date the Regulation was binding in full and directly applicable in all member states. This Regulation introduced a common approach for ensuring reasonable prices for the users of public mobile telephone networks when travelling in the Community and stipulated the rules for prices that mobile operators can charge for the provision of international roaming services within the Community, at both retail and wholesale levels.

After the Regulation came into force the CTO, in accordance with the schedule for common activities for all international regulators, began to collect data and facts on the fulfilment of obligations arising from this Regulation. On the basis of an evaluation of the data collected, the CTO came to the conclusion that the operators are fulfilling their obligations stipulated by the Regulation.

The decisive result of the Regulation is a reduction in the prices for roaming calls through the so-called eurotariff, within the framework of which the price (without VAT) for an outgoing call may not exceed 0.49 EUR/min (i.e. 14.07182 CZK/min) and for an incoming call may not exceed 0.24 EUR/min (i.e. 6.89232 CZK/min).

Within the stipulated deadline all three mobile operators in the Czech Republic introduced tariffs that did not exceed the maximum price given in the Regulation (see the table below):

	T-Mobile	Telefónica O2	Vodafone	Pursuant to the Regulation (Article 4(2))
Name	EU roaming pricing	Eurotarif	Vodafone World	Eurotarif
Outgoing calls (CZK/min)	16,54 (with VAT) 13,89916 (without VAT)	16,60 (with VAT) 13,94958 (without VAT)	16,70 (with VAT) 14,033613 (without VAT)	16,7454658
Incoming calls (CZK/min)	8,09 (with VAT) 6,798319 (without VAT)	8,15 (with VAT) 6,848739 (without VAT)	8,20 (with VAT) 6,890756 (without VAT)	8,543605

2.4 TELEPHONE NUMBER PORTABILITY

In the Czech Republic it has been possible to use the telephone number portability service since January 2003, when the possibility of transferring fixed-network telephone numbers was introduced. This obligation had already been stipulated by previous legislation (Section 76 of Act No. 151/2000 Coll. on telecommunications). Mobile telephone numbers have been portable since January 15, 2006.

The obligation to provide telephone number portability is stipulated in the Electronic Communications Act in such a way that there is an obligation imposed on undertakings providing public telephony to ensure that subscribers to a publicly available telephone service are able to keep their telephone number independently of the undertaking that is providing them with the service. The regulation in the Act independently stipulates portability for fixed networks and for mobile networks, while number portability between these two network types is subject to no obligation.

On the basis of its authorisation in the Electronic Communications Act, the CTO issued, in relation to the implementation of number portability, Measure of a General Nature OOP/10/07.2005-3 (June 2005) through which it stipulated the technical and organisational conditions

Other effects of the Regulation are (in general):

- to enable existing customers to activate the so-called eurotariff (transfer to the eurotariff) within a stipulated deadline,
- to provide free SMS information messages relating to prices for roaming calls; to provide complete information about prices for roaming calls, including the eurotariff, when contracts are being concluded.

The conclusions of the inspection carried out by the CTO in the autumn of 2007 relating to the fulfilment of the conditions of the Regulation are that the requirements given above have been fulfilled by the mobile operators.

and fundamentals for charging between undertakings in connection with number portability (hereinafter only "OOP 10").

The CTO amended this measure twice during 2007. In the first amendment, through Measure of a General Nature OOP 10/01.2007-1 (January 2007), it amended in particular:

- a) the calculation of the deadline for authorisation for an applicant for number portability, and tied the authorisation process to the process for verifying applications for number portability,
- b) the entitlement of an operator, which carried out a search for a transferred number and "redirection" for incorrectly addressed calls, to the reimbursement of the related costs,
- c) the range of numbers to which the number portability service obligations applies, including other subscriber numbers in mobile networks.

In the second amendment, the CTO, through Measure OOP 10/06.2007-10 (June 2007) in particular thoroughly stipulated the individual types of portable numbers in both fixed and mobile networks. This was because Decree of the Ministry of Informatics No. 117/2007 Coll. on numbering plans of electronic communications networks and services (effective from 1/7/2007), unlike previous amendments to numbering plans, did not contain such a definition.

Numbers of Transferred Numbers and Blocks of Numbers in Fixed Networks by Year

	2003	2004	2005	2006	2007
Quantity of numbers in simple portings	844	5 619	6 436	10 833	21 207
Quantity of ported blocks of 10	52	235	311	399	895
Quantity of ported blocks of 100	153	386	333	457	547
Quantity of ported blocks of 1 000	186	328	285	237	234
Quantity of ported blocks of 10 000	32	31	42	27	25
Quantity of ported geographic numbers	522 664	684 569	747 846	567 523	568 857
Quantity of ported non-geographic numbers	214	243	218	215	215
Quantity of ported numbers total	522 878	684 812	748 064	567 738	569 072

(Source: CNPAC)

From the perspective of the quantities of transferred numbers, we can say that this service operates in both the fixed and mobile networks as a pro-competition factor. The fact, however, remains that in particular in the case of mobile networks the expectations at the time of the implementation of number portability have as yet remained unfulfilled. Therefore, in 2008 the CTO intends to check how optimised the process actually is pursuant to OOP 10.

In the case of number portability in fixed networks it is necessary to point out that both individual geographic numbers are transferred (or other numbers that are portable pursuant to OOP 10), as well as whole blocks of numbers. The transfer of a single block of numbers of varying size (10, 100, 1000 and 10000 numbers) is always considered to be a single porting. In a block, all the numbers within the given scope are transferred, yet whether or not a number is actually being used cannot be unequivocally established. This means that the total number of transferred numbers includes the sum of the portings and the size of the appropriate number block.

As shown in the table above, in the period from the introduction of telephone number portability in fixed networks (1/1/2003) to the end of 2007 a total of 3,092,564 numbers were transferred (including numbers transferred in blocks).

From the given overview it is clear that the trend of growth in the number of simple ports continues (i.e. cases of the transfer of individual numbers), when during 2007 approximately the same number of individual ports were carried out as in 2004, 2005 and 2006 together.

The numbers of transferred numbers in mobile networks, in contrast to this, represent genuinely used numbers (blocks of numbers are not transferred in mobile networks). From the introduction of portability in mobile networks in 2006 to 31/12/2007 a total of 301,356 numbers were ported between mobile operators.

From the perspective of prices for ported numbers paid by the end user, the CTO focused on prices charged by fixed operators. In the case of mobile operators, end users are either not charged anything or only a symbolic amount (CZK 1) for porting a number. The CTO commented on the issue of prices charged to end users by fixed operators in its report for May 2007 (as part of its assessment of price developments).

During 2007 the CTO was still running two administrative proceedings in which it – after the preceding two discussed items and decisions made in 1st and 2nd instances – in new proceedings (after the repeated cancellation of the decision of the 2nd instance administrative body) decided in the disputes 'Vodafone versus Telefónica O2' and 'Vodafone versus T-Mobile' pursuant to Section 127 of the Electronic Communications Act. The subject of the disputes, alongside minor conditions for the implementation of number portability, is in particular the price that the operators charge each other for number porting.

Within the framework of its activities, the CTO continues to pay extra attention to the question of telephone number portability in view of the pro-competition character of that service. On the basis of its findings to date from its provision, we can say that the adoption of any new measures of a regulatory character is not essential.

3. ASSESSMENT OF THE POSTAL SERVICES MARKET

On the postal services market in 2007 there were no exceptional changes compared to the state in 2006.

Basic Services Provided by Czech Post and Monitored by the CTO (in thousands of units)(2003 to 2007)

Indicator	2003	2004	2005	2006	2007
Number of delivered ordinary consignments	593 300	598 400	561 600	534 200	575 200
Number of delivered registered consignments	111 000	110 900	107 900	108 000	117 500
Number of delivered packages	7 900	7 100	7 900	10 600	28 700
Number of accepted postal orders	99 600	103 700	100 000	102 000	92 200

For historical reasons Česká pošta, s.p. (hereinafter only "Czech Post") continues to be the highly dominant operator on the postal services market. Although the establishment of other, private operators was enabled on July 1, 2000 when the new Act on Postal Services came into effect, in view of all the competitive advantages of Czech Post (its extensive nationwide branch network, its well-established services with customers, the possibility of using letter boxes and postal stamps, bulk and range savings) competition has so far only appeared in a relatively minor measure.

The possibility for competition is, in addition, restricted as a consequence of the Czech Post monopoly in the delivery of written correspondence (letters) weighing up to 50g for a price of under CZK 18. This monopoly was originally to have been cancelled by January 1, 2009 in connection with the full opening of the market in the EU. This original deadline for opening the market was, however, after a series of negotiations as part of the preparations for the new wording of Directive 97/67/EC, extended to January 1, 2011.

The termination of the monopoly should provide a fundamental impulse to the development of competition on this market. On the basis of experience from other countries it is, however, envisaged that for the foreseeable future Czech Post will remain the highly dominant operator.

The goal of the full opening of the EU postal market is the establishment of at least a certain degree of real competition, which will force the current very dominant operators to increase quality and efficiency. The experience from several countries that have already undergone liberalisation shows that in order to achieve this goal a market penetration of 10 % by new competitors is sufficient.

The new postal market legislation in the EU leaves it up to the member states to choose for themselves the method in which the most important (basic) services will be ensured in their countries after the opening of the market. This involves mainly the question of whether they will be fully financed through the prices paid by the customers (this model is envisaged in the Czech Republic) or whether they will be partly financed from additional sources.

Competition in basic services (regular consignments, registered mail, packages, postal orders) is as yet only minimal and does not have any real influence on the functioning of the market. The single exception is express and courier services for packages, where the customer can choose from, apart from the Czech Post "EMS package" service, several other similar services provided by other postal operators.

In direct mail (addressed mail containing advertisements), which is a very dynamic market, there has never been a Czech Post monopoly, unlike the situation in several other EU member states. Thanks to this, in past years effective competition has developed, in particular between Czech Post and Mediaservis. However, even here, Czech Post continues to have a dominant position on this market (estimated at around 80 %).

Mediaservis is currently the only other operator apart from Czech Post that is capable of providing deliveries throughout the Czech Republic. Another large operator, TNT Post, is gradually approaching 100 % coverage of the Czech Republic with its own network.

For the development of competition on the postal market the neighbouring market of deliveries of press and non-addressed mail is important (as a rule of an advertising nature – flyers, brochures and so on). For the economic success of the newly established operators it is important that they are able to use facilities, means of transportation and staff in a parallel fashion on both the postal market and also on the market for delivering newspapers and magazines and non-addressed consignments. In this sense Mediaservis serves as an example as it has successfully established itself on the newspaper and magazine market (around 90 %), which has allowed it to expand onto the postal market.

At the start of 2007 the CTO, in cooperation with the market research institute GfK Praha, commenced an extensive survey of customer satisfaction with the provision of postal services entitled "Czech Post Survey 2007". With 5000 respondents (natural persons) and 3017 respondents (legal entities) the goal of the survey was primarily to verify customer satisfaction with the services provided by Czech Post and also to assess other problems in the wider area of the provision of postal services.

The survey resulted in the following selected findings (the CTO presented a more thorough analysis of the survey in its monitoring report for October 2007):

Level of Awareness of Services

The majority of customers think that they have sufficient information about Czech Post services (59 % of citizens and 86 % of companies). On the other hand only a small number of customers are aware of many services available for customers (deliveries to authorised representatives 8 % of citizens, reforwarding 6 % of citizens and so on). Improving the awareness of customers is therefore a large task for the future, both for Czech Post and also for the CTO.

The majority of customers obtain the information they require from a post office (66 % of citizens and 58 % of companies). A significant portion of them obtain information from brochures and flyers available at post offices (36 % of citizens and 55 % of companies). Information is obtained from the Czech Post website mainly by companies (45 %).

Quality of Deliveries

In this area the single, albeit the most important, finding in terms of quality of deliveries was: how often addressees have to go to a post office to collect a consignment even though they were actually at home at the time of delivery.

A total of 34 % of people stated that the obligatory delivery attempt at their address had not been performed. If we take into account that around half of people are not at home at the time of delivery (they are at work) and therefore cannot meet such a situation, this means that around two-thirds of people who tend to be at home during the day have had to go to a post office to collect a consignment.

Service Availability

The assessment of the availability of post offices and letter boxes was generally positive, which the CTO considers as a demonstration of the justification for the requirements to ensure the necessary availability of Czech Post services. However, there was much less satisfaction with the opening hours of post offices, with the waiting time before being served and with the availability of staff at post offices.

General Satisfaction

In general, the majority of customers are not satisfied with prices (around two-thirds). The majority of customers are satisfied with the speed of deliveries (around 80 %).

The general satisfaction level with Czech Post services is 72 % for people and 78 % for companies. These results can be compared, for example, with the level of satisfaction of customers with postal services abroad, where the typical feature of this field is very high satisfaction (in Western Europe this is as a rule over 90 %). This assessment of the Czech Post results also draws attention to the greater level of customer satisfaction with Czech Post competitors (TNT Post 87 %, UPS 88 % and DHL 89 %).

The survey also, according to expectations, confirmed the significant difference between the assessment of Czech Post services in towns (less satisfaction) and in the country (more satisfaction).

Conclusions Arising from the Survey for Further CTO Activities

The results of the survey correspond very closely to what has been discovered through the supervision process. There is complete agreement in terms of the identification of the greatest problems – missing attempts at delivery to the addressee's address, long waiting time, inadequate opening hours, slow and/or "inadequate" resolution of complaints. The CTO will there-

fore continue to pay special attention to the listed problems, including the question of the availability of branches, even though this is currently assessed positively in general. The results of the survey thus confirm that the long-term focus of the CTO's supervision precisely on such questions is the correct approach.

4. TRANSITION TO TERRESTRIAL DIGITAL BROADCASTING

In connection with the preparations for the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting an experiment was completed in 2007 in a geographical area in which the reception of terrestrial television broadcasting is ensured from the Domažlice transmitter. On August 31, 2007 all analogue television broadcasting from this transmitter was terminated. Unfortunately, at the end of the year, according to a decision by the licence-holding operator of the broadcasting, analogue television broadcasting of the NOVA channel was recommenced from this transmitter. On June 1, 2007 digital television broadcasting was launched from the Buková hora transmitter as a pilot project in the Ústí nad Labem area. In both cases the CTO carried out not only all the necessary technical calculations but verified the reception situation in many localities by taking measurements.

In connection with the commencement of terrestrial digital broadcasting in Germany in the Saxony region, there was interference with television broadcasts from low-power transmitters using the channels used in accordance with the GE-06 plan. The CTO, in cooperation with the operator of the transmission network, which provided the necessary technical measures, selected and coordinated new radio frequencies in those cases where a change in frequency was seen to be essential.

After Act No. 304/2007 Coll., which amended some other acts as a result of the completion of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, came into force, the need arose to prepare materials for a Government Order through which the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting would be issued. The CTO, according to the findings obtained during the preparation of the Measure of a General Nature and also within the framework of both the projects listed above, prepared an updated draft of the Government Order that was, at the end of the year, sent out for an inter-departmental comments procedure. At the same time, a draft for a decree on the method of stipulating the territory covered by the television broadcasting signal and the method for stipulating the intensity of the electromagnetic field, and the coverage of the population by the television broadcasting signal derived from this, which was prepared by the CTO on the basis of the authorisation from Act No. 304/2007 Coll., was also sent out for an inter-departmental comments procedure.

The coordination negotiations with employees of the telecommunications administrations of neighbouring states continued throughout 2007 with the goal of ensuring, for the transition to terrestrial digital television broadcasting under preparation, the essential number of internationally coordinated radio frequencies.

During the preparation of the regulations essential for ensuring the process of the transition to terrestrial digital television broadcasting, the CTO closely cooperated with relevant state bodies, in particular the Ministry of the Interior and the Ministry of Culture, and also with the Council for Radio and Television Broadcasting and the National Coordination Group for Digital Television in the Czech Republic.

In connection with the preparation of the legislation for the transition to terrestrial digital broadcasting, the CTO concurrently, in the second half of the year and in cooperation with the relevant subjects, prepared a draft network plan for the identification labels of networks, data flows and services for the terrestrial digital television broadcasting network in the Czech Republic.

5. INTERNATIONAL EVENTS AND CTO ACTIVITIES

5.1 REVISION OF THE REGULATORY FRAMEWORK FOR NETWORKS AND ELECTRONIC COMMUNICATIONS SERVICES

Among the decisive activities of the European Commission in 2007 in the area of electronic communications with an impact on the activities of the CTO was cooperation on the revision of the Regulatory Framework for Networks and Electronic Communications Services from 2002. In this connection meetings took place at Commission level and at regulator level of all the member states in the area of electronic communications. On November 13, 2007 the Commission published legislative drafts for an amendment to the directives of the current regulatory framework with the goal of achieving a unified market, increasing competitiveness in the field of electronic communications and improving user access to services. The advised plan is also to simplify access to radio frequencies, to make their use more efficient, to strengthen consumer protection and protection for personal data.

The Commission drafts must, before they are laid down in law, be approved by the European Parliament and the Council of Ministers of the EU. On November 29, 2007 there was a general discussion at the Council of Ministers regarding these drafts and these discussions will continue in 2008. These involve the following documents:

- Proposal for a Directive of the European Parliament and of the Council amending Directives 2002/21/EC on a common regulatory framework for electronic communications networks

and services, 2002/19/EC on access to, and interconnection of, electronic communications networks and services, and 2002/20/EC on the authorisation of electronic communications networks and services,

- Proposal for a Directive of the European Parliament and of the Council amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks, Directive 2002/58/EC concerning the processing of personal data and the protection of privacy in the electronic communications sector and Regulation (EC) No 2006/2004 on consumer protection cooperation,
- Proposal for a Regulation of the European Parliament and of the Council establishing the European Electronic Communications Market Authority,
- Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Report on the outcome of the Review of the EU regulatory framework for electronic communications networks and services in accordance with Directive 2002/21/EC and Summary of the 2007 Reform Proposals,
- Impact Assessment and its Summary,
- Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Reaping the full benefits of the digital dividend in Europe: A common approach to the use of the spectrum released by the digital switchover.

The CTO positively welcomes the need to update the current regulatory framework. However, it cannot agree with all the submitted proposals, in particular with those that will result in an expansion of regulation. The CTO considers as unacceptable the proposals for expanding the powers of veto of the Commission to include imposing obligations, the implementation of functional separation into the catalogue of remedies and the significant shift of decision-making powers in spectrum administration towards the Commission. The CTO also cannot *a priori* agree with the approach of the European Commission to new generation networks (NGN). The question itself of the establishment of a European Electronic Communications Market Authority (EECMA) will without doubt become more of a political than an expert issue. The CTO sees the proposals and the institutional measures as an incommensurate shift of decision-making from the national regulators to the European Commission because it goes against the principle of proportionality and subsidiarity.

The CTO will therefore exercise its opinions both in the framework of cooperation with the Ministry of Industry and Trade of the Czech Republic in the formulation of the framework position

of the Czech Republic, and also within the framework of the negotiations for the new regulatory framework through working groups, and is attempting to achieve more favourable regulation for the electronic communications sector in the Czech Republic.

5.2 RECOMMENDATIONS ON THE RELEVANT MARKETS

December 28, 2007 saw the publication of the Commission Recommendation on relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services. At the same time an explanatory memorandum was published – the accompanying document for this recommendation. This recommendation replaces Commission Recommendation 2003/311/EC. The main benefit of the new recommendation is a reduction in the number of relevant markets susceptible to ex ante regulation from 18 to 7.

In connection with this new Commission Recommendation, the CTO performed essential steps for its implementation into the body of laws of the Czech Republic and prepared a draft for a new Measure of a General Nature that, for the conditions of the Czech Republic, would stipulate the relevant markets and replace the previous regulation in this area (Measure of a General Nature No. OOP/1/07.2005-2). The new measure was issued and labelled OOP/1/02.2008-2 at the start of 2008.

5.3 IMPLEMENTATION REPORTS OF THE EUROPEAN COMMISSION

On March 29, 2007 the European Commission (EC) published its 12th implementation report on the implementation of the regulatory framework assessing developments on the electronic communications market, regulation and its impacts on the market in 2006. The assessment of the Czech Republic is in this report mainly positive, in particular in connection with the successful completion of the relevant market analyses.

During 2007 the CTO closely cooperated with the European Commission in the collection of data and information needed for the preparation of the 13th implementation report for 2007. The Commission published this report on March 19, 2008 again with a generally positive assessment of the Czech Republic.

5.4 HARMONISATION OF THE CONDITIONS FOR THE USE OF THE RADIO SPECTRUM

In 2007 the World Radiocommunication Conference (WRC-07) was held by the International Telecommunication Union. The conclusions of the conference have global effects and are decisive for the subsequent development of radiocommunications. The preparations for this conference and the provision of participation by the Czech delegation were entrusted to the CTO. From the perspective of the future of the electronic communications markets, one of the most important results was the identification of the spectrum for future generation mobile systems (IMT). It is generally assumed that these systems will be capable of offering a series of new services, including multimedia ones.

In the conditions of European countries technical solutions were prepared and harmonization measures adopted at CEPT and European Commission level. Some of the most important results projected into the harmonization documents of a binding as well as recommendation nature for the markets of products and services are the harmonization conditions for the introduction of broadband access networks, products on the basis of ultra-wideband technologies and new mobile applications. All the Decisions of the European Commission in the area of the radio spectrum made in 2007 were implemented by the CTO.

5.5 PREPARED OPENING OF THE POSTAL SERVICES MARKET

At international level two regular meetings of the Postal Directive Committee of the European Commission were held in the area of postal services. This committee focuses on questions connected with the application of Directive 97/67/EC in current practice.

In 2007 the CTO participated in a total of 15 meetings of the EU Council working group focusing on the preparation of a new wording for the Directive in connection with the planned full opening of the postal market. The draft for the new wording of the Directive was subsequently adopted at the start of 2008 by the EU Council and the European Parliament.



CHAPTER II.

CTO EXPERT AND ADMINISTRATIVE ACTIVITIES

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1. DOMESTIC ACTIVITIES

1.1 MARKET MONITORING AND DATA COLLECTION

In connection with the conception for data collection and the pilot operation of the portal for electronic data collection (EDC) implemented in January 2007, the CTO commenced regular EDC with the largest operators on February 1, 2007. This was in the first phase used to provide seven types of statistical statements, while additional forms will gradually be added to the portal. All undertakings in the field of electronic communications recorded in the CTO database were informed of the change in the form of the collection of data that they are obligated to submit to the CTO for statistical analysis and other data that they must submit pursuant to law (in particular for the purposes of relevant market analyses, reporting the service quality parameters, pricing data, materials relating to the universal service and so on). The EDC portal is accessible at the web portal <https://monitoringtrhu.ctu.cz>. The electronic forms make it easier for the CTO to process the submitted data while allowing the undertakings to submit the data easily and conveniently over the internet, and offer other functionality such as checking the submitted data, mathematical functions, sorting forms according to reported activity, sending information about the deadlines for form submission, providing new forms and so on. Throughout the year work continued on the further development of the portal, including its connection to other CTO databases. The processing of forms for EDC was completed, including extensive methodologies that replace the statistical statements, forms for one-off data collection for relevant market analyses, international reporting and so on used to date. The goal is, in accordance with the conception of data collection, also to reduce the administrative workload on undertakings as much as possible and to replace several different forms with a single form.

In 2007 the CTO issued amendments to General Authorisation No. VO-S/1/07.2005-9 that stipulated the conditions for the provision of electronic communications services and No. VO-S/2/07.2005-10 that stipulated the conditions for the provision of public communications networks and allocated resources.

A supplement to the existing wording of the Authorisation are the newly stipulated conditions for reporting through the use of an electronic reporting system and prescribed electronic forms that are located on the CTO website.

In 2007 statistical data from the statistical statements for 2006 was prepared and submitted to the ČSÚ. The quality of the processing of the data from the undertakings was increased from

the year before in accordance with the data collection conception. The quality management system is based on the verification of the submitted data with data provided by undertakings for the business register maintained by the CTO. cooperation with the Czech Statistical Office was also expanded, and included discussion of the cancellation of statistical statements from 2008 and the retention of the CTO as a departmental workplace of the state statistical unit. Further cooperation involved the exchange of experience with electronic data collection and the preparation of a European Code of Practice for statistics.

The CTO regularly issued its monthly monitoring reports, which always include a summary of the most important events on the electronic communications market and postal services market from the perspective of the regulator, and summary information on decision-related activities of the CTO in the month in question. The CTO regularly publishes these monitoring reports on its website.

1.2 PRICE REGULATION

Price Regulation in Electronic Communications

During the course of 2007 the CTO issued 13 decisions on price, through which it amended the pricing decisions issued in 2006, through which it regulated prices for undertakings with significant market power on market No.9 – Termination in the Individual Public Telephone Networks Provided in a fixed location and on market No.16 – Termination in Individual Mobile Telephone Networks. Through these decisions it reduced the scope of implemented pricing regulation.

The CTO also monitored and assessed the fulfilment of imposed obligations connected with price regulation within the framework of offers of new services or pricing plans to end users at Telefónica O2. In connection with the provision of the 'Volno' and 'Volno Plus' pricing plans it was investigated whether Telefónica O2 was in breach of the remedies imposed on the basis of the results of relevant market analyses, in particular on market No.8 – Origin in a Public Telephone Network in a fixed location. The CTO carried out a pricing check on the 'Volno' and 'Volno Plus' pricing plans to verify whether alternative operators also had the possibility of offering their end users a service with a "postpaid" price if they pay Telefónica O2 a connection price on a per-minute basis.

On market No.1 – Access to the Public Telephone Network in a fixed location for Residential Customers administrative proceedings were commenced on the basis of the results of the state inspection in relation to the cancellation of the imposed obligation.

On market No.1 the CTO continued to monitor the pricing plans that could, through a specific development (potentially a change in the behaviour of the end user) lead to non-compliance with imposed obligations.

In addition, the CTO assessed compliance with the imposed obligation on market No.13 – Wholesale Market for Leased Line Terminal Segments in electronic communications networks at Telefónica O2, the undertaking with significant market power on this market. This investigation was not completed in 2007.

In connection with the introduction of price regulation for roaming services by the EC, the CTO assisted the EC with the collection of data for the assessment of compliance with imposed obligations through questionnaires created directly by the EC.

The CTO further, pursuant to Section 56 (3) and Section 45 (1) of the Act, monitored and assessed the developments in price levels that are or could be subject to regulation. In addition to these prices, the CTO also monitored the developments in prices of services requiring increased attention, for example retail prices for ADSL services and the publicly available telephone services provided by mobile operators. Information about the monitored developments was published on the CTO website.

Within the framework of the resolution of disputes between parties carrying out communication activities, the CTO issued a decision in the dispute regarding the price for number porting between Telefónica O2 and T-Mobile Czech Republic a.s.

As part of its cooperation with the Office for the Protection of Competition in the area of prices, the CTO addressed in particular the issue of ADSL prices and conditions under which prices are applied by Telefónica O2.

Price Inspections in Electronic Communications

During 2007 the CTO carried out 10 state inspections in the area of prices, focusing on compliance with obligations imposed on undertakings with significant market power, in particular where pricing based around costs was imposed.

In addition there were inspections of the newly submitted input data for the models for price calculations where the CTO exercises regulation. This involved the verification of costs for LRIC and LLU models used for price regulation for origin and termination in fixed networks and the prices for making available metallic subscriber lines and collocation. The CTO uses the results of these inspections when calculating prices for termination and origin in fixed networks and the prices for making available metallic subscriber lines and will incorporate them into decisions on prices that it plans to issue in the first half of 2008.

The CTO completed two state inspections that were commenced in 2006 relating to compliance with obligations arising directly from the Electronic Communications Act at UPC and ETEL relating to the provision of telephone number portability services. The CTO investigated whether there was a breach of the provisions of Section 55 (3) of the Act in the stipulation of prices for number portability for end users. No breach of obligation was found.

Price Regulation in Postal Services

As regards postal services, on December 3, 2007 the CTO issued price decision No. CR/P/12.2007-2 in which it stipulated the maximum prices for deliveries of regular letter mail to foreign countries in weight categories up to 2kg. The increase in these maximum prices was caused by the increase in the so-called terminal expenditure that Czech Post pays to foreign post offices for the delivery of this mail to addressees in their countries. These expenses, which are arranged between EU member states in the REIMS treaty, rose for 2008 from 55 % of the domestic prices for the same services to 60 %.

In order to improve cost-based pricing, a new method was used for projecting the terminal expenses into the maximum prices. This new method fully considers the two-part structure of the terminal expenses (part of the expenses arising from the quantity of delivered mail, the other part from its weight). As a result of this, for mail weighing up to 50g there has been an increase in prices, while for mail from 51g to 2kg there has been a reduction. The price decision was published in the Postal Bulletin of December 20, 2007.

1.3 SUBSCRIBER DISPUTES

Subscriber disputes where the CTO, on the basis of its competencies, is addressing disputes between users of electronic communications services (consumers) and their providers, have a the specific character of private law disputes. In such private law disputes, which form a significant part of the activities of the CTO, the CTO makes decisions within the competency transferred to it from the decision-making competency of general courts. The advantage of such a solution is the CTO's better knowledge of electronic communications and, compared to courts, a significantly shorter time to reach a decision. Such decision-making by the CTO involves two instances, while the first instance is the CTO (in cases stipulated by law the Chairman of the CTO Council), while the second instance, which makes decisions on appeals against a 1st instance decision after discussion in the appeals commission, is the Chairman of the CTO Council (in cases where in the 1st instance the Chairman of the CTO Council makes a decision, the 2nd instance is the CTO Council). A decision on an appeal can then be challenged at a general court pursuant to part five of the Civil Procedure Code.

It is important to note that in private law disputes there is (unlike in decisions on public law matters) the principle to try and the principle of formal truth, which place on both the participants to the proceedings much greater requirements in the demonstration of their assertions. In decision-making regarding objections against the settlement of a complaint, the participants to the proceedings do not bear the burden of proof and in that sense the decision is made, which clearly results in a feeling of "injustice" relating to the decision. Very frequent challenges by telephone subscribers and electronic communications service users are due to the fact that they sign the contract including the contractual conditions without thoroughly reading those conditions.

1st Instance Administrative Proceedings

In 2007 the CTO addressed 71,575 subscriber disputes with a total of 61,247 administrative proceedings. In the monitored period a total of 63,361 decisions were issued in such matters. The CTO decided on subscriber disputes about the payment of the price for a service (financial performance) and issued 62,680 decisions. The CTO issued 681 decisions on objections against the handling of a complaint against a provided service and on objections against the handling of a complaint relating to the charging of prices. In the monitored period there were 858 subscriber disputes relating to objections against the handling of a complaint against the charging of prices for services, and 694 new administrative proceedings were commenced. 513 decisions were issued.

In proceedings relating to objections against the handling of complaints about the provision of the service of access to premium-rate services provided on the internet or in other data networks, the CTO addressed 164 subscriber disputes and issued 139 decisions, of which in 124 cases the decisions were in favour of the subscriber and in 14 cases in favour of the electronic communications service provider.

In 2007 the CTO addressed 18.5 % more subscriber disputes than in 2006. Regarding the number of addressed subscriber disputes relating to the payment of the price for a service (financial performance) there was a year-on-year increase of 19.5 %. On the other hand, within the framework of decision-making on subscriber disputes relating to access to premium-rate data services provided on the internet or on other data networks (Dialer) the CTO recorded a significant fall of 61 % in the number of such cases. This downwards trend is also influenced by the awareness of the public, the obligation imposed on Telefónica O2 to provide the free selective restriction on outgoing calls as part of the universal service as well as the transfer of subscribers to more modern technologies for internet access where there is no danger of fraudulent redirecting.

A detailed overview of the numbers of addressed subscriber disputes is given in Annex No. 1 and a detailed overview of cases addressed in the area of services with a special tariff is given in the table and the accompanying graph in Annex No. 2 to this Annual Report.

2nd Instance Administrative Proceedings

In 2007, 976 cases were challenged within the framework of decision-making on the obligation to pay the price for provided electronic communications services, which is only 1.6 % of all cases decided upon in 1st instance. On the other hand, regarding decision-making on objections against the settlement of complaints (about billing or quality) about provided electronic communications services 478 cases were challenged, which is 70 % of such cases decided on in 1st instance. We can state from this that in the vast majority of cases the participants to proceedings regarding the obligation to pay owed amounts for provided electronic communications services see CTO decisions as correct, while decisions on objections against the settlement of complaints are seen as rather debateable and are challenged through appeals from the (unsuccessful) participants to the proceedings. These appeals against decisions on objections are submitted to relatively the same extent by telephone subscribers (users) whose objections were not

accepted, as well as by the provider of the service that did not demonstrate that the legal conditions for the proper provision of the service were complied with when billing for the service (last year the most common reason for complying with an objection was the lack of demonstration of the fulfilment of the condition to acquaint the caller with an increase in price for redirected calls).

Complaints from Subscribers and Users of Electronic Communications Services

The CTO, within the framework of its competencies, also resolves complaints from subscribers or users of electronic communications services. These are not complaints pursuant to Section 175 of Act No. 500/2004 Coll., the Administrative Code, as amended by Act No. 413/2005 Coll., or objections to the settlement of complaints against the billing of prices for a provided electronic communications service.

In the case of complaints regarding the method of settling a complaint and the quality of services the CTO commenced administrative proceedings after an investigation into the matter.

In 2007 a more detailed breakdown of the records of complaints was introduced with a focus on monitoring complaints relating to the provision of partial services as part of the universal service imposed on undertakings by a CTO decision.

In 2007 the CTO documented almost three times more complaints than in 2006. For 2007 the CTO documented 1042 complaints, of which 153 were unjustified and did not involve a breach of the Electronic Communications Act; in 126 cases the CTO was not competent to address them; and 763 cases were addressed by the CTO through a procedure pursuant to the Electronic Communications Act. The causes of the significant increase in the number of complaints can be found in the increase in new services and subscribers (e.g. internet access services), easier access to information for people and people's increased legal awareness.

According to the subject of the complaints it is clear that the majority of the complaints in 2007 related to billing for services. These cases are decided on in administrative proceedings (subscriber disputes).

In connection with the investigation of the obligations imposed as part of the universal service, we can say that the number of complaints in this area was minimal and that these complaints either arose mainly out of the subscriber's / user's lack of information about the service or involved areas outside the competency of the CTO.

A detailed overview of the resolved complaints is given in the two tables (one for each half of 2007) in Annex No.3 and Annex No. 4. The graph in Annex No. 5 presents a summary overview.

Due to the need for a more detailed breakdown of complaints and the rise in complaints relating to electronic communications services, the table of complaints was expanded in the

middle of 2007 to include more data obtained (radiocommunication services, services that were not set up and the quality of electronic communications services, subscriber contracts, non-provision of electronic communications services pursuant to the contract, the activation of unsolicited electronic communications services and disagreement with billing) and, further, the documentation of the method of submission of resolved complaints was expanded.

1.4 ADMINISTRATION OF THE FREQUENCY SPECTRUM

Apart from its decision-making activities in the area of preparations for the transition to terrestrial digital television broadcasting, as given in point 4, chapter I. of this Report, during 2007 the CTO focused, as part of its administration of the frequency spectrum, in particular on the activities listed below.

Deciding on the Authorisation to Use Radio Frequencies

As part of the performance of its activities in the administration of the radio spectrum, the CTO issues, changes and withdraws individual authorisations to use radio frequencies (hereinafter referred to as "authorisations"), on the basis of which their holders can use the applicable radio frequencies. Just as the previous period, 2007 saw the most authorisations granted for the use of radio frequencies by a fixed service. This was caused in particular because the majority of these authorisations were microwave radio connections for operators providing mobile electronic communications services. This does not involve exclusively new authorisations, but mainly authorisations whose validity was extended. In comparison with 2006 there was a slight fall in the number of authorisations issued. The situation was similar for other radiocommunication services.

The total numbers of granted and rejected Authorisations are given in the overview in table No. 6 of this Report.

Frequency Coordination

In connection with the granting of Authorisations for the use of radio frequencies, domestic and, in stipulated cases, international coordination was carried out for all the requested frequencies. In the land mobile service 161 coordination requests from the Czech Republic were internationally coordinated. As international coordination also involves foreign requests that can influence the use of the frequency spectrum also in the territory of the Czech Republic, 1147 frequency requests from administrators in neighbouring countries were assessed in the territorial mobile service within the framework of the fulfilment of international commitments. In the fixed service 1926 RR connections operated in the Czech Republic were similarly internationally coordinated and 6785 foreign coordination requests were assessed.

Other Activities in Frequency Spectrum Administration

During 2007 the CTO prepared and subsequently, pursuant to the Electronic Communications Act, issued the following Measures of a General Nature and other General Authorisations for the use of radio frequencies and the operation of radio equipment:

- a) General Authorisation No. VO-R/2/03.2007-5 on the use of radio frequencies and on the operation of stations for wireless local information systems (BMIS) in the 70 MHz frequency band was published in Telecommunications Bulletin No. 7/2007 and became valid on 1/4/2007.
- b) General Authorisation No. VO-R/3/07.2007-13 on the use of radio frequencies and on the operation of PMR 446 equipment was published in Telecommunications Bulletin No. 15/2007 and became valid on 1/9/2007.
- c) General Authorisation No. VO-R/10/03.2007-4 on the use of radio frequencies and on the operation of short-range equipment was published in Telecommunications Bulletin No. 7/2007 and became valid on 1/4/2007.
- d) General Authorisation No. VO-R/12/05.2007-6, which amends General Authorisation No. VO-R/12/08.2005-34 on the use of radio frequencies and on the operation of broadband data transmission equipment on the principle of the wide spectrum or OFDM in the 2.4 GHz and 5 GHz bands was published in Telecommunications Bulletin No. 10/2007 and became valid on 12/6/2007.
- e) General Authorisation No. VO-R/14/12.2006-38 on the use of radio frequencies and on the operation of equipment in the 10 GHz band was published in Telecommunications Bulletin No. 2/2007 and became valid on 19/1/2007.
- f) General Authorisation No. VO-R/22/02.2007-2 on the operation of satellite system terminals for personal communication in the 150 MHz band was published in Telecommunications Bulletin No. 5/2007 and became valid on 1/3/2007.

The CTO carried out, pursuant to Section 20 (5) of the Electronic Communications Act, an investigation into whether the reasons remain valid for the restriction on the number of rights to the use of radio frequencies in the sections 455.74 to 457.38 and 465.74 to 467.38 MHz. On the basis of the results of a public discussion of the conclusions of the investigation and after discussion at the CTO Council, the conclusion is that the reasons for the restriction on the number of rights to the use of the radio frequencies in these sections have expired, as the use of these frequency sections is insufficient and that in view of the interest in the development of economic competition it is necessary to cancel the restriction on the number of rights to use the radio frequencies so that the free frequencies can be allocated to all interested parties. In accordance with these conclusions of the investigation the CTO commenced administrative proceedings with the holders of radio frequency allocations in these frequency sections on the termination of the validity of the issued decisions on the granting of rights to use the radio frequencies.

The termination of the validity of the given decisions does not affect the rights of the users of the radio frequencies arising from granted individual authorisations for the use of radio frequencies in these frequency sections. These rights remain valid for the period of time given in the individual authorisations.

Verification of Expert Competency

Section 26 (1) of the Electronic Communications Act states in which cases expert competency is required to operate radio transmission equipment and Section 26 (2) stipulates when the operation of the equipment in question can only be carried out by people with valid expert competency certification for such operation. The verification of expert competency to operate broadcasting radio equipment of the aeronautical mobile service, the maritime mobile service and the amateur radio service and the issuing of the appropriate types of internationally-valid expert competency certification is the responsibility of four testing commissions set up under the CTO. The first testing commission verifies the expert competency of applicants for the general radiotelephone operator's certificate of aeronautical mobile service and maritime mobile service certification. Another two testing commissions verify the expert competency of applicants for the restricted radiotelephone operator's certificate of aeronautical mobile service and the final testing commission verifies the expert competency of applicants for the HAREC and NOVICE certification for operators of amateur stations.

Detailed information about the numbers of granted licences and also identification cards whose validity has been extended is given in the table in Annex No. 7 to this Report.

Administration of the Frequency Spectrum

- continuous monitoring of the 300 MHz frequency band, which has been released exclusively for military use since January 1, 2006;
- measurement of coverage by digital and analogue television signal in municipalities in Domažlice and in the specified part of Ústí nad Labem after the commencement of operation of the DVB-T transmitters Vrani vrch 38 and Buková hora 58. In connection with the commencement of operation of DVB-T in Germany an investigation was carried out of the interference of television repeaters in Kraslice, Kamenický Šenov, Velký Šenov, Jindřichovice pod Smrkem, Aš, Doubrava and Kopanina;
- measurement of the efficiency of installed technology designed to restrict unauthorised communication by prisoners from the prisons at Oráčov, Jiřice, Jablonec nad Nisou, Příbram and Nové Sedlo, and measurement of the interference caused by these technologies outside the prison grounds, upon request by the Ministry of Justice of the Czech Republic;
- continuous monitoring of the 2.4 GHz and 5 GHz bands from the perspective of compliance with the conditions for the use of frequencies pursuant to General Authorisation No. VO-R/12/08.2005-34;

- investigation of complaints of television interference through the operation of CDMA equipment in the 420 MHz band by MobilKom, a.s. A large number of complaints from people are from localities where it is necessary to use a TV signal amplifier;
- continuous monitoring of compliance with the conditions of individual authorisations to use the frequencies of VSW FM transmitters;
- continuous monitoring of compliance with conditions pursuant to VO-R/2/07.2005-15 on the use of radio frequencies and on the operation of Wireless Local Information Systems (WLIS) in the 70 MHz band.

Automated System for Frequency Spectrum Monitoring (ASFSM)

The implementation of the ASFSM project begun on October 19, 2004 by the signing of the "General Contract on the Implementation of the ASFSM Project in the Form of System Integration" continued in 2007 through the performances specified in 5 newly concluded Contracts for Work (hereinafter referred to as "CFWs"), by the completion of 9 CFWs from previous years. In 2007, 4 CFWs were completed.

The material and financial scope of the fulfilment of the individual contracts was duly negotiated and approved at meetings of the ASFSM project's Steering Committee. The work implemented on the basis of the CFWs that were entered into ranged from construction work on the implementation of stationary unattended monitoring stations (SUMS), through the design of mobile resources and steel constructions, the delivery and assembly of technology to the development of application SW. At the end of 2007 these monitoring stations, workstations and HW and SW units were in operation as part of the implementation of the ASFSM project:

- 6 Mobile Unattended Monitoring Station external
- 1 Mobile Attended Monitoring Station type B
- 1 Mobile Attended Monitoring Station type D
- 1 Mobile Attended Monitoring Station type P
- Application Software (ASW) – task planning part.

All the technical facilities implemented pursuant to the aforementioned CFWs fully correspond to the needs of the CTO administering the radio spectrum at national level, charged to the CTO by law. After the completion of the acceptance proceedings, all technical facilities are used in accordance with the needs of the radio spectrum administration, its monitoring and for the investigation of non-standard conditions.

1.5 NUMBER MANAGEMENT

An activity that the CTO continuously provided throughout 2007 was making decisions on the requests of undertakings for the granting of authorisations to use numbers, number series and codes, addresses and names (hereinafter only "Numbers"), or on the requests of undertakings for changes, extensions or removals of authorisations for the use of numbers, from the number plans pursuant to Section 30 and subsequent of the Electronic Communications Act. Thus 266 decisions on authorisation to use numbers, 99 decisions on changes to authorisations, 33 decisions on extending the validity of authorisations and 62 decisions on revoking authorisations were issued in 2007. The CTO issued a total of 460 decisions in the area of number management. In all the specified cases the appropriate fees (totalling CZK 114,096,000) were set and collected (in addition to administration fees) on the basis of Government Order No. 154/2005 Coll. on specifying the level and method of calculating fees for the use of radio frequencies and numbers. Apart from this, the CTO in six cases granted agreement with the transfer of rights arising from authorisations for the use of numbers to another undertaking.

The authorisations to use numbers issued in 2007 are presented in outline in the following overview:

Decisions on Authorisations to Use Numbers (Number Series and Codes, Addresses and Names)		
Access Codes to Services or Networks	Types of Services or Networks	Authorisations Issued
1000 to 1059	Carrier Selection and Pre-selection codes (CS/CPS)	3
11 to 19	Shortened telephone numbers for access to services	8
21 to 59	Public fixed telephone network	49
600	Selective signalling (paging) services	0
601 – 608, 72, 73, 77, 7900 to 7999	Public mobile telephone network	2
700, 701	UPT personal service numbers, universal personal service access number (UPTAN)	0
800 AB (AB q 00)	Collect calls (Freephone)	66
800 AB (A = 0, B = 0)	Home Country Direct – type calls	0
810 to 819, 830 to 839, 843 to 849	Access to services with shared costs	15
820 to 829	Access to virtual calling cards services	11
840 to 842, 847 to 849	Access to universal access numbers services	10
900	Premium rate services – voice services – commercial and professional	27
906	Premium rate services – contests and games, dating, advertisements, horoscopes and similar services	11

908	Premium rate services – voice services – one-off connection price	3
909	Premium rate services – voice services – adult entertainment services	14
910	Public communications networks designed for voice calls (VoIP)	10
93, 960 to 969	National answering service and voice mail transfer service	1
9500 to 9599	Access to non-public telephone networks	2
971	Access to the Internet through service access providers	5
972 to 974	Access to non-public telephone networks	0
976	Special-tariff access to services provided on the Internet through service access providers	1
980, 983	Virtual private network (VPN) voice services	0
MNC	Public mobile telephone network code	0
DNIC	Public data network identification code	1
ExID	Exchange identification number	0
OpID	Operator identification number	13
ISPC	International signalling point code	1
SPC	Signalling point code	12
IIN	Issuer identification number	0
ADMD	Administrative management domain	1
Total for 2007:		266

On July 1, 2007 Decree No. 117/2007 Coll. on numbering plans of electronic communications networks and services became effective. This Decree, which has replaced the numbering plans issued in the past by the CTO, stipulated a total of six numbering plans that contain rules for the creation and use of numbers, codes, identifiers, addresses and names. The Decree stipulated numbers that are symmetric and easily to remember, the formats of telephone numbers, regulated the names and description of some electronic communications services and regulated the relationship between telephone numbers and SMS and MMS short codes. In this connection the CTO amended the content of newly issued decisions on the authorisation to use numbers and on their change.

November 23, 2007 saw the publication in the Collection of Laws part 95 of Government Order No. 288/2007 Coll., which amended Government Order No. 154/2005 Coll. on specifying the level and the manner of the fee for the utilisation of radio frequencies, as amended, effective from January 1, 2008. This Government Order, apart from amendments to terms pursuant to Decree No. 117/2007 Coll., introduced charges for symmetric and easy to remember telephone numbers with the access codes 800, 810 to 849, 976 and for the mobile telephone network code. The CTO therefore at the end of 2007 commenced administrative proceedings to change those authorisations to use numbers affected by the newly stipulated charges.

1.6 REGULATION OF POSTAL SERVICES

The CTO has regulated and monitored postal services since April 1, 2005. The competencies of the CTO are in this area regulated by the Postal Services Act, which is fully compatible with EC law.

In terms of postal services only the highly dominant operator, namely Czech Post, is regulated.

The regulation involves supervision in the area of so-called basic services. The basic services are the most important postal services (regular mail, registered mail, packages and postal orders), which play an irreplaceable role for the whole of the public. The regulation involves supervision over whether these services are being provided in accordance with customers' needs. These customers are in fact all the natural persons and legal entities in the Czech Republic, while their needs are correspondingly extremely diverse.

The basic tasks of the CTO in the area of basic services are:

- To ensure the general availability of quality basic services;
- To ensure public awareness of the optimum use of the basic services;
- To universally protect customers from the negative consequences of Czech Post's dominant position.

The CTO's regulatory tools include approving the postal conditions under which Czech Post will offer the basic services (their importance depends on the fact that the provisions affecting selected services become part of the contract concluded between the sender and Czech Post) and specifying basic qualitative requirements that Czech Post is required to comply with when providing basic services (for example the numbers of post offices, their opening hours, the settlement of complaints, requirements relating to service for handicapped customers and many others).

During the course of 2007 the CTO issued 9 decisions approving postal conditions or changes to them and 2 decisions on specifying basic qualitative requirements or changes to them.

The CTO supervises the manner in which Czech Post complies with its obligations in several different forms. The CTO performed 24 inspections in 2007 that covered 375 Czech Post branches. The comprehensive report on compliance with the obligations imposed on Czech Post required by both the Postal Services Act and Directive 97/67/EC will be published by the end of April 2008.

The CTO also assists customers when resolving disputes with Czech Post. This primarily concerns cases in which the customers' negotiations with Czech Post do not lead to a satisfactory resolution of the matter, or cases in which customers feel their rights have not been respected.

Last year, the CTO handled 273 customer submissions relating to basic services, including intervening at Czech Post if necessary.

Further competencies include the obligation of the CTO to issue, if so required by a customer, its standpoint on a dispute between that customer and Czech Post. The sense of this regulatory tool is an attempt to help the parties achieve a conciliatory resolution to the dispute; otherwise the customer would be forced to go through the difficult procedure of enforcing his/her rights in court. Last year the CTO issued 4 such opinions on disputes.

An overview of the main activities in the area of regulation of postal services is given in Annex No.8 to this Annual Report.

If the CTO finds that Czech Post has breached its legal obligations, in particular the obligation to provide basic services in accordance with the needs of the public, it will impose a fine. In 2007, Czech Post imposed 15 fines, of which 5 have not yet come into force. As a result of legal delicts, fines totalling CZK 387,000 have already been imposed through the 10 administrative proceedings already finally completed.

Among the most serious insufficiencies found was a significant worsening in delivery times and very widespread storage of mail without an initial attempt at delivery to the addressee.

The CTO's competencies also include supervision of compliance with the legal monopoly of Czech Post by other operators (this involves mail containing written correspondence where the price for this service is less the CZK 18 and the weight of the mail is under 50g). In practice however no such case has been identified.

In the area of postal services the CTO cooperates with the relevant bodies of the European Commission. The CTO also participates in regular plenary sessions of the European Committee for Postal Regulation (CERP). Here there are representatives from practically all postal European regulators; representatives of the Commission also regularly participate. The main purposes of the meetings are mutual consultation between the individual postal regulators, various methodical questions on regulatory activities and the exchange of experience.

At the international level in the area of postal services there are two regular meetings of the so-called Postal Directive Committee. This committee focuses on questions connected with the application of Directive 97/67/EC in current practice.

1.7 THE PERFORMANCE OF STATE INSPECTIONS

Keeping Records and Inspections of Undertakings in Electronic Communications

The CTO issued 383 certificates pursuant to Section 14 of the Electronic Communications Act confirming that the entity intending to do business in electronic communications fulfilled the obligation pursuant to Section 13 of the Act and notified the CTO in writing of this fact. Furthermore, 380 certificates on the notification of changes in the information given in the notification of business were issued pursuant to Section 13 paragraph 6 of the Act. The CTO carried out a thorough inspection of compliance with the obligation to provide notification of communications activities, changes to notified data or termination of activities pursuant to Section 13 of the Act.

Inspections on Compliance with CTO Decisions

In 2007 the CTO carried out at Telefónica O2 a state inspection of compliance with decision ref. No. 466/2006-610/II.vyř. of March 13, 2006, on the imposition of the obligation to provide a partial service within the framework of the universal service – the public telephone (PT) service. 1,268 of the total number of 9,311 PTs that Telefónica O2 designated as under operation as part of the universal service were inspected. Apart from the basic requirements on PTs such as constant and free access, information on prices, information on the calling number, on the existence and conditions of use of emergency numbers and the presence of a telephone directory, the inspection focused on compliance with the requirements for the handicapped, pursuant to Decree No. 369/2001 Coll. on general technical requirements enabling use of buildings for mobility and orientation impaired people.

In October and November the CTO inspected compliance with obligations imposed through CTO decision No. 41 709/205-610/II. vyř of 21/12/2005 on the imposition of the obligation to provide, as part of the universal service, the partial service of regular issuing of lists of the numbers of subscribers to publicly available telephone services and access for end users to these lists, and the information service for telephone numbers of publicly available telephone service subscribers.

Other Inspection Activities

- inspection of compliance with the decision on the allocation of numbers with Service Access Code (SAC) 90X. Over 26,000 control calls were made. The correctness of the use of the number being tested was verified by comparing the description for the use of 90X numbers given in Decree No. 117/2007 Coll., on numbering plans of electronic communications networks and services (hereinafter only the “Numbering Plan”) and the content (character) of the service for each control call. The CTO will address any problems found in accordance with the Electronic Communications Act.

- inspection of compliance with the decision on the allocation of numbers with Service Access Code (SAC) 800, access to collect call services and access to direct calling services from abroad to the customer’s own country. Approximately 8,000 control calls were made.
- state inspection at Telefónica O2 focusing on a comprehensive investigation of the approach by this company during compliance with the obligation to make metallic subscriber lines available (LLU). Within the framework of the investigation the CTO focused primarily on:
- verifying the real duration of the individual processes connected with the processing of an order from its receipt by Telefónica O2 through to its successful completion for each verified case;
- verifying the capacities of collocation rooms of Telefónica O2, including the main distribution room and the other spaces, the so-called “other technical solutions”, the finding of the actual area of the rooms, the presence of stands in the rooms, the presence of connection strips for cabling, in the air-conditioning method and the power feed method, etc.

The summary documentation of the CTO activities relating to state supervision is given in Annex No.9 and the breakdown of cases of investigation into sources of electronic communications services and network interference is given in Annex No.10 to this Report.

Cooperation with Czech Commercial Inspection

In 2007 a new Agreement on Cooperation between the CTO and Czech Commercial Inspection (CCI) was concluded. The purpose of this agreement is to ensure continued cooperation relating to the performance of public administration pursuant to Act No. 22/1997 Coll. on the technical requirements for products and on amendments to some acts, as amended and pursuant to Government Order No. 426/2000 Coll. that lays down technical requirements for radio equipment and telecommunications terminal equipment, as amended, and pursuant to Government Order No. 616/2006 Coll. that lays down technical requirements for products relating to their electromagnetic compatibility when a dangerous product or technical equipment is placed on the market.

Other areas on which cooperation between the CTO and the CCI is focused are the contractual relationships between end users (consumers) and operators or the providers of electronic communications services, and the quality of postal services.

1.8 MAKING DECISIONS ON DISPUTES BETWEEN ENTITIES PERFORMING COMMUNICATION ACTIVITIES

Regarding the issue of making decisions on disputes between entities performing communication activities pursuant to Section 127 of the Electronic Communications Act, for 2007 we can state that there has been a slight fall in the numbers of new administrative proceedings. For 2007

the CTO accepted a total of 8 motions for initiating proceedings in matters of disputes between entities performing communication activities. A total of 4 of the motions for initiating proceedings were finally decided on in the period specified by law (Section 127 (1) of the Electronic Communications Act). The CTO did not manage to comply with the period specified by law in the remaining cases due to their complexity. Decisions will be made on these at the beginning of 2008.

Of the total number of motions for initiating proceedings in matters of disputes between entities performing communication activities addressed in 2007, a total of 20 decisions were issued in proceedings before a 1st instance administrative body, while in 5 proceedings the matter (or part of it) was deferred, and 13 cases were finally completed.

The CTO also continued administrative proceedings begun in previous periods, in particular those involving number portability and the availability of subscriber lines. In disputes it also continued on the basis of 2nd instance decisions with further evidence being produced and individual contentious points being addressed so that they can be finally completed as soon as possible.

1.9 EXTERNAL LEGISLATION

The CTO's participation in the preparation and legislative process of amendments to the Electronic Communications Act as well as its participation in the preparation of other parts of the implementing legal regulations for this Act must be considered as its main legislative task in the area of external legislation in 2007. The CTO cooperated closely with the Czech Ministry of Informatics, the Czech Ministry of the Interior and other state authorities in this activity.

In light of the situation regarding the implementation of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting that arose after the approval of Act No. 235/2006 Coll., which amends Act No. 231/2001 Coll., on the operation of radio and television broadcasting and on amendments to other Acts, as amended, and some other Acts, must be considered as an important amendment the draft Act implementing the amendment to the Electronic Communications Act and other Acts (the Act on Operating Radio and Television Broadcasts, the Act on Czech Television) precisely in connection with the actual state of the digitisation process. This draft was prepared by the Ministry of Informatics of the Czech Republic, but as a consequence of its dissolution (on June 1, 2007) its legislative process was completed under the Ministry of the Interior of the Czech Republic. Work on the draft of this Act in the end resulted in the adoption of Act No. 304/2007 Coll. amending some Acts in relation to completion of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting. The Act in question was adopted for the purpose of resolving the situation that arose in the area of digitising terrestrial television broadcasting. Some of the fundamental changes that this Act introduced in the area of electronic communications affect the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial

Digital Television Broadcasting. The Technical Plan should be, according to the new legislation, issued in the form of a Government Order. The amendment to the legislation also to a certain extent affected the content of the Technical Plan, in particular as regards the details of its scope and the dates for the termination of terrestrial analogue television broadcasting. The Technical Plan should be issued in the first quarter of 2008.

In view of the fact that the amendments made through Act No. 304/2007 Coll. were focused exclusively on the regulation of an issue connected with the digitisation process, there remained a need to implement amendments to the Electronic Communications Act in other aspects. Attempts at such amendments to the Electronic Communications Act resulted in the second half of 2007 in the establishment of a joint working group of representatives from the CTO and the Ministry of Industry and Trade of the Czech Republic. The purpose of this working group is to work together on the preparation of drafts for legal regulations in the area of electronic communications or postal services. This group thus prepared a draft for the comprehensive amendment of the Electronic Communications Act. The legislative process for this draft should be completed in 2008. The members of the working group also intensively cooperated in the creation of the draft Government Order listed above on the stipulation of the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting. In view of the good results of the cooperation between the CTO and the Ministry of Industry and Trade of the Czech Republic at the level of the working group, the working group should continue its activities in 2008.

Aside from the above mentioned active participation in the legislative process, the CTO also prepared comments on drafts of legal regulations from other bodies, both from the perspective of its general competency as an administrative body and also from the perspective of its competency in the area of electronic communications and postal services and in particular in view of its defined position. At the same time, the CTO actively engaged in the activities of a series of inter-departmental working groups created for the purpose of carrying out the relevant tasks of the state bodies.

In terms of inter-departmental cooperation, the activities in 2007 were significantly focused on the fight against corruption, in particular in connection with mapping the relevant risks and possible conditions enabling the development and spread of corruption such as public tenders, the provision of information pursuant to Act No. 106/1999 Coll. on free access to information, as amended, and others. In particular in these areas the CTO closely cooperated with the Ministry of Industry and Trade of the Czech Republic, the Ministry for Regional Development of the Czech Republic and the Ministry of the Interior of the Czech Republic as the main carriers of the relevant government tasks in this area. Its smaller scale analyses then formed the basis for the preparation of final conclusions for the public administration area.

From this perspective a significant task for 2007 was the fulfilment of the Government Resolutions addressing the fight against corruption in the area of public administration (e.g. Government Resolution of October 25, 2006 No. 1199). In this connection the CTO prepared several

analyses of various aspects of its activities for the purpose of providing a thorough mapping of the possible system errors leading to an environment suitable for corruption in the relevant areas of the regulation of business, with a focus primarily on stipulating situations in which CTO activities would enable corruption in any form. In addition, an analysis was carried out of valid legislation in electronic communications and postal services and the need for any eventual amendments in view of the findings in this area.

The fight against corruption is closely linked to public tenders. In this perspective, the CTO in 2007 provided the relevant ministries with basic information on the state of public tenders for the CTO focusing on the issue of the need for the so-called central client and also on the possibility of the electronic documentation of public tenders and to enable easier supervision of this area.

The fight against corruption is also closely linked to other areas that were also the subject of focus for the CTO in 2007. These include the application of Act No. 106/1999 Coll. on free access to information, as amended. The CTO fulfilled a call for state bodies and carried out a revision of procedures pursuant to this Act in its practice for the purpose of a comprehensive assessment of current legislation in this area in relation to the sense and purpose of the constitutional requirement on access to information.

Other areas where the CTO actively participated in communication with other ministries was its activity within the framework of the inter-departmental working group for the preparation of new legislation in state inspection, today regulated through Act No. 552/1991 Coll. on state inspection, as amended. The aim of this group's activities is the creation of legislation that is as unified as possible, which would operate across the individual areas of public administration and which would unify the procedures of the administrative authorities in the state inspection process. This would provide more legal certainty for the affected (inspected) public. The activities of this inter-departmental working group will however continue into 2008.

The CTO, within its competence as a regulatory authority in the area of electronic communications and postal services, also raised important comments on materials of a conceptual character. As part of its fulfilment of other programme goals of the government, the CTO also participated in the preparation of material from the Ministry of Industry and Trade of the Czech Republic mapping regulation in the energy sector, and in the electronic communications and postal services areas. The sense of this material was the performance of a revision of legislation and the powers of individual regulatory authorities in the interest of improving the competitive environment in the networks in question.

In addition to domestic legislation the CTO, together with the relevant ministries, participated in the formulation of standpoints for the Czech Republic in cases of adopting legal regulations at European level if such regulations affected electronic communications or postal services. In 2007 the most important event in this area was the process for the preparation and adoption of Regulation (EC) No. 717/2007 of the European Parliament and of the Council of June 27, 2007 on roaming on public mobile telephone networks within the Community and amending Directive

2002/21/EC as the European-legal regulation that, in a fundamental manner, affected the regulation of provided electronic communications services and their prices.

The CTO's Other Legislative Activities

In addition to implementing legal regulations, the Electronic Communications Act also assumes that other Acts of a normative nature will be issued, i.e. measures of a general nature through which the CTO specifies more details on the performance of communication activities and conducts relevant market analyses. In 2007 the CTO issued a total of 15 measures of a general nature. Annex No. 11 of this Report contains an overview of the measures of a general nature that were issued.

Other

During 2007 the CTO Council adopted two amendments to the Statute of the CTO. Schedule No.3, with effect from February 1, 2007, amended both the internal organisational structure of the CTO as a section was established, and also amended its decision-making activity in the area of postal services through the transfer of decision-making, in particular regarding basic regulatory measures in the 1st instance of administrative procedures to the Chairman of the CTO Council. Schedule No.4, with effect from November 1, 2007, adopted another amendment to decision-making processes within the framework of administrative proceedings at 1st and 2nd instances. This amendment was required because of the need to unify decision-making procedures in the area of decision-making on the allocation of radio frequencies and in the area of decision-making on reference offers for access or connection. All of the amendments given above have a significant impact on the public, as in accordance with the relevant legal regulations they stipulate the hierarchy of decision-making at the CTO as an administrative body.

As regards the CTO's internal legislation, in 2007 a total of 20 new binding instructions were issued, which regulated new issues or amended current regulation in a more comprehensive manner. Alongside these there were also more minor regulations and amendments to already issued binding instructions. In this way a total of 8 binding instructions were changed. The internal legislation thus reacted to changes in legal regulations and, in particular, to the above-mentioned government tasks connected with the fight against corruption.

Therefore, among the most important new binding instructions we can include, in particular, the binding instruction regulating the CTO procedure for announcing public tenders; and the binding instruction regulating the CTO procedure in running public tenders pursuant to the Electronic Communications Act. The binding instruction focusing on the issue of addressing corruption or fraudulent behaviour at the CTO is also important.

1.10 CRISIS MANAGEMENT AND SECURITY

The activity and the main tasks of the CTO in this area were focused on the implementation of the provisions of Act No. 127/2005 Coll. on electronic communications and on amendments to some related Acts into the activities of subjects carrying out business in the area of electronic communications and providing communications activities for the needs of security and state defence. Attention was also focused on the area of defence planning and civil emergency planning at inter-departmental and international levels.

During 2007 the CTO continuously provided protection for classified information pursuant to Act No. 412/2005 Coll., on the protection of classified information and on the security capacity, as amended, with a focus on personal, administrative and physical security. In accordance with the plan for the construction of a government secured line, the CTO implemented measures enabling the subsequent connection of certain representatives into this system.

The performance of state control over electronic communications relating to security, integrity and the provision of electronic communications services in crisis situations focused on the implementation of Section 99 (1) and (2) of the Electronic Communications Act and also Measure of a General Nature No. OOP/9/07.2005-13, which stipulates requisites for technical/organisational rules for undertakings to ensure access to a public telephone network at fixed locations and to a publicly available telephone service in crisis situations. The inspection focused on the three dominant undertakings, while on two of which the task of preparing technical/organisational rules according to the obligations imposed in the provisions mentioned above and in the Measure of a General Nature was imposed. In a similar way a state inspection was carried out relating to protection for operational and locating data and confidentiality of communications pursuant to Section 88 (2) of the Electronic Communications Act. The obligation to prepare a technical/organisational regulation pursuant to Section 88 letter b) (1) of the given Act was imposed on all the inspected subjects.

The CTO ensured the participation of named representatives in the preparation and discussion of documents within the framework of the Defence Planning Committee (VOP). According to a resolution of the Security Council and the VOP, the CTO representatives also participated in the activity of the Temporary Inter-departmental Expert Working Group set up by the VOP, the operation of which was also extended and its title change to the Inter-departmental Expert Working Group. The documents discussed within the competency of the CTO (in the area of electronic communications) in particular related to the Defence Plan of the Czech Republic, the Operational Preparation of National Territory and also the subsequent preparation of the Component Defence Plan. In addition the representatives of the CTO participated in the initial commentary procedure on the National Crisis Reaction System document.

Through the named representatives the CTO was actively involved in the activity of the Civil Communications Planning Committee (CCPC-NATO), its subcommittees and working groups. Participation was ensured in working meetings and exercises of IDASSA 2007, the benefit of

which was the acquisition of information and materials for preparing conceptual and legislative documents, but also in mutual international cooperation in the preparation and provision of help in crisis situations in the area of electronic communications and postal services.

The constant availability of a member of the Central Crisis Management Group, including the fulfilment of tasks specified by this group, was ensured by the specified CTO representatives. In the middle of 2007, CTO representatives participated in the preparation, performance and assessment of the inter-departmental exercise OCHRANA-2007.

The economic measures for crisis situations (EMCS) were ensured by the CTO in accordance with the "the scope of activities of the Central Administration Office" issued by the Administration of the State Material Reserves. In this area the CTO in particular cooperated with the Ministry of Industry and Trade of the Czech Republic, which took over competence after the dissolved Ministry of Informatics of the Czech Republic. This cooperation focused on an assessment and proposal for a significant reduction in "Emergency Reserves" stored in warehouses and to a large extent intended for the original telecommunications network and equipment. The equipment and material stored here is mostly out of date and renewing it would be uneconomical due to the variations in the technologies of the networks and the electronic communications equipment constructed and used in the current liberalised telecommunications environment in the Czech Republic.

2. THE CTO'S INTERNATIONAL ACTIVITIES IN 2007

The participation of CTO representatives in meetings of the Independent Regulators Group (IRG), European Regulators Group (ERG), Communication Committee (COCOM), Radio Spectrum Policy Group (RSPG), Radio Spectrum Committee (RSC) and Telecommunication Conformity Assessment and Market Surveillance Committee (TCAM) was to comply with the obligations anchored in the regulatory framework of the EU for electronic communications networks and services from 2002 and in connection with the negotiation of its revision as well as a wide range of other tasks. Within the framework of the defined competencies and the performance of working activities the CTO participated in other activities abroad, in the activities of international bodies and institutions.

2.1 INTERNATIONAL COOPERATION ON THE LEVEL OF REGULATORY BODY ASSOCIATIONS

The Independent Regulators Group (IRG) is not part of the EU structure and its members are European national regulatory bodies of EU member and non-member states. The aim of the IRG is to share experience and deal with issues of common interest related to the development of

the European electronic communications market. The CTO uses these experiences when regulating the Czech electronic communications market and when preparing drafts and standpoints on prepared legislative measures.

2.2 COOPERATION IN THE EUROPEAN COMMISSION

The European Regulators Group (ERG) is a consultation body of the European Commission in basic questions for regulation. Its members are national regulatory bodies of European Union member states. The activities of the ERG followed the Work Programme 2007. The main topic was the simplification of the process of relevant market analyses and a revision of their number, which resulted in the issue of a new recommendation on relevant markets.

Throughout 2007, joint IRG/ERG plenary sessions took place regularly and were attended by the Chairman of the CTO Council. The main themes of the sessions were issues connected with the ongoing revision of the Regulatory Framework for Electronic Communications Networks and Services, thus especially the preparation of revised directives and the regulations connected with them, the drafts of which were published on November 13, 2007. Also discussed were questions connected with international roaming and questions of best practice in ex ante regulation, stipulating the future role of the IRG/ERG in the new conditions of the revised regulatory framework and the content of the Work Programme for 2008.

The **Communication Committee (COCOM)** is a consultation body of the European Commission, in whose activities representatives of the CTO participate together with representatives of the competent ministry, i.e. at the current time the Ministry of Industry and Trade of the Czech Republic. The activities in 2007 included the preparation of measures for international roaming, the revision of the regulatory framework, the simplification of the process for relevant market analyses, the harmonised reservation of the 116 number range for numbers of services with social value, processes connected with the transfer to digital television broadcasting, with the introduction of new services in the area of television broadcasting and the authorisation of systems for mobile satellite services.

The Radio Spectrum Policy Group (RSPG) is a consultative body of the EC in strategic issues on the use of the radio spectrum. CTO representatives also participate in RSPG meetings. In 2007 the group adopted RSPG Standpoints on the World Radiocommunication Conference (WRC-07) and on the impact of digital dividends on EU spectrum policy. The preparation of Standpoints to improve the efficiency of the environment for the regulation of the spectrum in the EU, on the collective use of the spectrum, on the use of the spectrum by the public sector and on questions of the use of the radio spectrum at the borders of the Community was commenced.

The Radio Spectrum Committee (RSC) is a consultative body of the EC that proposes measures for the harmonised and effective use of the radio spectrum in the EU. The CTO is represented in the RSC and in cases where working groups are operatively established for specific ques-

tions, more of its specialists participate in meetings. One of the most important questions that the RSC addressed in 2007 was the harmonisation of the use of the radio spectrum in connection with new technologies. The RSC prepared and adopted drafts of European Commission Decisions on the harmonised accessibility of information on the use of the spectrum, on enabling the use of the spectrum by equipment using ultra-wideband technology and on the harmonised use of the 2 GHz band by systems providing satellite mobile services. EC Decisions become binding documents for adoption. The issued decisions were implemented in the Czech Republic.

The Telecommunication Conformity Assessment and Market Surveillance Committee (TCAM) for the purpose of Directive 1999/5/EC and the group for administrative cooperation (RTTE-ADCO) operating as part of it in 2007 focused primarily on questions of harmonisation of radio equipment in the area of the harmonised use of radio frequencies and harmonised approach to the issue of telecommunications equipment market surveillance. For the purpose of introducing rules for radio equipment interfaces, including requirements for electromagnetic compatibility and the effective use of the radio spectrum, an ad hoc working group of the RIG was established. The CTO is represented in the TCAM, RTTE-ADCO and the RIG.

2.3 THE INTERNATIONAL TELECOMMUNICATION UNION (ITU)

In 2007 one of the most important events was the World Radiocommunication Conference (WRC-07) and its preparatory meetings. The CTO was included in the ITU's activities from representation in the activities of ITU bodies within the framework of representing the Czech telecommunications administration through to the involvement of experts in the activities of the ITU Radiocommunication Sector (ITU-R) study groups.

The Conference Preparatory Meeting (CPM), attended by a group of experts from the CTO, completed the preparations for WRC07 in the ITU and adopted the basic document for the conference, i.e. the CPM Report, which contains proposals for alternative solutions on the individual points of the conference.

The World Radiocommunication Conference (WRC-07), in accordance with the applicable provisions of the ITU Convention and Constitution, discussed and adopted changes to the Radio Regulations, which is the basic regulatory tool for the use of the frequency spectrum with global or regional effect. The WRC-07 focused in particular on discussions of the questions connected with the allocation of frequency bands to radiocommunication services, notes to the Radio Regulations, the possibilities for worldwide or regional allocation to radiocommunication services and technical, operational and administrative measures for operating radio stations.

The ITU Council focused on ensuring the implementation of decisions of the Plenipotentiary Conference of the International Telecommunication Union (Antalya 2006). The main points of the session were the draft ITU budget for 2008/2009, the operational plan for 2008/2011, ensuring the ITU tasks arising from the conclusions of the World Summit on the Information

Society (WSIS), organisational changes in the secretariat and the sectors office of the ITU and the preparation of the next ITU conference.

The ITU Telecommunication Standardisation Advisory Group (TSAG) at its session, apart from the basic questions relating to the running of the ITU-T, focused on ensuring the implementation of the conclusions of the Plenipotentiary Conference (Antalya 2006) in relation to the ITU-T and on the preparation of the sector for the World Telecommunication Standardisation Assembly (WTSA-08). In particular in the area of further approaches in the revision of the International Telecommunication Rules, including the applicable resolutions, the recommendations for ITU-T working methods, intensifying the standardisation activities according to the needs of developing countries, experience with free access to ITU-T recommendations and so on. In addition, the implementation of WTSA-04 resolutions and recommendations was discussed, along with the structure of WTSA-08, the structure of ITU-T study groups, the 2008/2011 operational plan and the budget for 2008/2009.

The ITU Telecommunication Development Advisory Group (TDAG) meeting focused on the performance of the tasks arising from the conclusions of the World Telecommunication Development Conference in 2006 (WTDC-06), the Plenipotentiary Conference of the International Telecommunication Union (Antalya 2006) and the World Summit on the Information Society (WSIS). The meeting discussed the analyses of the results of the above conferences from the perspective of the tasks arising for ITU-D and imposed the incorporation of the identified tasks into the ITU-D Operational Plan for the 2007/2010 period. In connection with the new tasks the new ITU-D structure was also approved, together with the composition and activities of the ITU-D study groups in a new four-year study period and a series of other questions such as the activities of regional representations, study groups, the realisation of the Operational Plan for 2006, the results of the Global Symposium for Regulators (Dubai 2007) and more was discussed.

2.4 OTHER INTERNATIONAL ACTIVITIES

The European Conference of Postal and Telecommunications Administrations (CEPT)

The CTO takes part in CEPT activities within the scope of its competencies, including through its supreme body and its commissions and working groups oriented on the coordination and harmonisation of electronic communications in European countries.

The CEPT Assembly, which is the supreme body of this organisation, discussed questions of a political and strategic nature relating to the activities of the CEPT committees (ECC, CERP and WG ITU) and ERO/ETO committees over the previous period, including the results of the Plenipotentiary Conference and the meeting of the ITU Council in 2006 and the state of preparation of the CEPT for important conferences that were held in 2007 or that will be held in 2008 (WRC-

07, the World Telecommunication Standardisation Assembly in 2008 and the Universal Postal Union Congress in 2008).

The Electronic Communications Committee (ECC) mission is to coordinate the approaches of the telecommunications administration authorities in 48 countries. Specific expert issues were addressed by its permanent working groups, namely the CPG (Conference Preparatory Group), WG FM (Frequency Management), WG SE (Spectrum Engineering), WG RA (Regulatory Affairs), WG NNA (Naming, Numbering and Addressing) and its goal-oriented project teams, for example PT1 (IMT), TG3 (UWB) and so on. CTO representatives participated in the work of these bodies and their project teams, in the preparation of their CEPT harmonisation documents (Decisions, Recommendations, Reports) and the introduction of harmonised regulatory measures. This work reflected the results of studies of new technologies and methods for allocating the frequency spectrum to radiocommunication services and their applications and they are prepared on the basis of their own instigation or on the basis of mandates from the EC.

Organisation for Economic Cooperation and Development (OECD)

The CTO is represented in the OECD Working Party on Communication Infrastructures and Services Policy (WP CISP). This group focuses on topics connected with the future of the internet, questions relating to new-generation networks, developments in optical fibre technologies and in progressive wireless technologies, the aspects of access to high-speed internet including mobile, IPTV issues, monitoring activity at internet nodes, investments and regulation in telecommunications.

The European Telecommunications Standards Institute (ETSI)

The ETSI, as an international European institute which operates in the area of standardisation, is the main tool for European countries' policy in the area of norms and connected projects. Within the framework of technical norms, regulatory measures adopted by the EC are also applied. The CTO represents the Czech administration in the ETSI, is a member of the ETSI in the "administration" category and participates in the meetings of its supreme body – the General Assembly.

North Atlantic Treaty Organisation (NATO)

Within NATO, the CTO is involved in the activities of the NATO Civil Communications Planning Committee and its working groups for telecommunications and post. This committee addresses, in particular, questions of communications and postal services security in crisis situations. In addition, the CTO is represented in the Frequency Management Sub-Committee, the main task of which is to ensure access to the radio spectrum within a scope necessary for ensuring the activities of the NATO states' armed forces. Questions of harmonisation of the use of the spectrum and the coexistence of civilian and military applications are addressed in particular.

Cooperation with Other National Bodies

As part of its international activities the CTO, in accordance with the definition of its competencies, cooperated both at home and abroad with the Ministry of Industry and Trade of the Czech Republic, in the preparation of specific actions, materials for international meetings and participation in them as well as with other bodies and institutions such as the Ministry of Foreign Affairs, the Ministry of the Interior, the Army of the Czech Republic, the Czech Statistical Office, the Office for the Protection of Competition, the Council for Radio and Television Broadcasting and so on.

Bilateral and Multilateral International Contacts

CTO employees took part in many meetings with employees of neighbouring countries' telecommunications administrations relating to frequency coordination, and in working meetings and consultation meetings at the offices of the regulatory bodies of, in particular, Slovakia, Poland, Germany and Austria. In a similar fashion they participated in meetings of bodies established on the basis of concluded treaties such as the RAINWAT committee (Regional Arrangement concerning the Radiotelephone Service on Inland Waterways) or committees of the Agreement on the Coordination of Frequencies between 29.7 MHz and 39.5 MHz for the fixed service and the terrestrial mobile service (Vilnius 2005).

The procedure for the application of the new regulatory measures was consulted at meetings of the senior employees and the CTO Council during bilateral and multilateral meetings with the representatives of European regulatory authorities.

Other meetings with the representatives of international organisations and institutions took place at the CTO. One example is the visit by an American delegation to consult standpoints on individual points of the programme of the World Radiocommunication Conference.

Regional Arrangement concerning the Radiotelephone Service

Representatives of the CTO participated at a meeting of the RAINWAT committee (Regional Arrangement concerning the Radiotelephone Service on Inland Waterways) (hereinafter only the "Arrangement"), of which the Czech Republic is a member. The main task of this Arrangement is, apart from other things, to implement harmonisation at a European level and stipulate the conditions for the operation of ship-board radio stations in the VHF frequency band (160 MHz) on European inland waterways.

An issue relating to the maintenance of a database of identification codes for ATIS (Automatic Transmitter Identification System) vessels and the sending of information and an extension of the Agreement was addressed at the same time. Due to interest from other countries in acceding to the Agreement, an issue relating to the frequencies for the purposes of AIS (Automatic Identi-

fication System) and their protection for the introduction of RIS (River Information Services) in EU member states is also important.

International Coordination of Radio Frequencies

The conditions and procedures for international frequency coordination are regulated by the multilateral Agreement on the Coordination of Frequencies between 29.7 MHz and 39.5 MHz for the fixed service and the terrestrial mobile service (Vilnius 2005). CTO representatives regularly participate in meetings of working subgroups established for individual radiocommunication services. Within the framework of these meetings the issue of territorial coverage by the GSM signal near state borders and the related issue of unsolicited roaming, the issues of the future harmonised use of radio frequencies in the 169.4 to 169.8125 MHz range (formerly the European paging system ERMES), the issue of a potential change in the propagation model according to recommendations ITU-R P.452-13, used to calculate the spread of a signal over free space, and others were addressed in particular.



CHAPTER III.

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

CHAPTER IV.

ORGANISING AND SECURING THE CTO'S ACTIVITIES

CHAPTER III.

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

1. ELECTRONIC COMMUNICATIONS

1.1 THE NEED TO AMEND THE ELECTRONIC COMMUNICATIONS ACT

In view of the fact that the Electronic Communications Act has now been in effect for two years, the CTO carried out an analysis of the application of individual provisions of the Electronic Communications Act in relation to the identified practical requirements. On the basis of the findings a joint working group was established at the CTO made up of representatives of the CTO and the Ministry of Industry and Trade of the Czech Republic. This group prepared a proposal for a comprehensive amendment to the Electronic Communications Act, which apart from other things focused on a more extensive regulation of the issue of administering the radio spectrum and, further, the universal service. The amendment to the Electronic Communications Act in question should remove some of the problematic questions and, in practice, persistent obstacles relating to the application of the Electronic Communications Act. The legislative process for this draft will be completed in 2008 in accordance with the government Plan of Legislative Tasks.

1.2 THE NEED TO ISSUE IMPLEMENTING REGULATIONS FOR THE ELECTRONIC COMMUNICATIONS ACT

With the amendment to the legal framework of electronic communications there is also a need to complete the issuing of the remaining part of the implementing legal regulations for the Electronic Communications Act, and this is within the competence of.

a) Ministry of Industry and Trade of the Czech Republic

- Government Order pursuant to Section 99 (11) of the Electronic Communications Act, which specifies the bodies that are authorised to submit lists of listed users and their updates, and the amount of the payment for the listing and maintenance of the users in databases of listed users, the method through which they are submitted and the arrangement of the obligation of preference schemes pursuant to Section 99 (7) of the Electronic Communications Act,
- Government Order pursuant to Article II point 1 of Act No. 304/2007 Coll., which amends some Acts in connection with the completion of the transfer from terrestrial analogue televi-

sion broadcasting to terrestrial digital television broadcasting, on the implementation of this provision of the given Act (Government Order on the stipulation of the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting).

- Decree pursuant to Section 16 (1) of the Electronic Communications Act, which specifies the Frequency Band Allocation Scheme
- Decree pursuant to Section 99 (12) of the Electronic Communications Act, which specifies the operating and technical reasons on the basis of which it is possible to refuse a user's inclusion in the international or national preference scheme, the periods in which they must be implemented, the extent and format of the data and the method of managing the database of listed users.

b) Czech Telecommunication Office

- Decree pursuant to Section 112 (4) of the Electronic Communications Act on the method of stipulating the territory covered by a television broadcasting signal, the method of stipulating the intensity of the electromagnetic field and the coverage of the population by the television broadcasting signal derived from this (on the method of stipulating the coverage by the television broadcasting signal).

2. POSTAL SERVICES

During 2007, work continued at European Commission level on the review of the Directive of the European Parliament and of the Council 97/67/EC on the Common Rules for the Development of the Internal Market of Community Postal Services and the Improvement of Quality of Service. The new stipulation of the conditions for the full opening of the postal services market and thus also a more competitive environment is envisaged for 2011, but at the latest 2013. After the adoption of the changes to the current directive it will be necessary to adopt the relevant amendment to the Postal Services Act or, in the case of a greater extent of amendments, an entirely new Act through which European legislation would be implemented into the legislation of the Czech Republic.

CHAPTER IV.

ORGANISING AND SECURING
THE CTO'S ACTIVITIES

1. THE CTO'S ECONOMIC RESULTS

The 2007 State Budget Act stipulated binding indicators for the CTO, and an overview of these is presented in Annex No. 16 of this Report. For informational purposes a breakdown of the approved state budget for 2008 is presented in Annex No. 17 of this Report.

1.1 EVALUATION OF THE FULFILMENT OF THE INDICATORS
OF HEAD 328 – THE CTO – FOR 2007**Total Income**

The income budget was exceeded by CZK 200,186,970 during the monitored period, i.e. fulfilment was at 115.12 % with a total of CZK 1,524,586,970. In comparison with the same period of the year before, income was CZK 87,177,210 higher.

The actual budget income was reduced during 2007 by CZK 55,783,290 due to the creation of the radiocommunication account (hereinafter only the "RA"), which was an obligation imposed on the CTO by the Electronic Communications Act and which is created from fees for radio frequencies used pursuant to Government Order No. 153/2005 Coll. There is a more detailed commentary on the RA in Chapter V. of this Report.

According to the budget structure, 97.82 % of the income received is posted on item 2111 – Income Generated from Own Services, 2.09 % on item 4135 – Transfers from Reserve Funds, 0.04 % on item 2132 – Income from the Lease of other Properties, and the remaining 0.05 % is of a random nature such as interest, income from the sale of unnecessary or eliminated fixed assets, the balance of the deposit account after the calculation of salaries for December 2007. In 2007 the amount of CZK 31,832,000 was transferred from the reserve fund to income – the same amount as placed in expenses for covering needs not covered from the budget.

According to the types of activities carried out by the CTO, the majority of the income, namely 57.54 %, is derived from income from the administration of the radio spectrum, 32.80 % was for the payment of the fee for the UMTS license, 7.48 % was income from allocated numbers and 2.18 % from other activities. The payment for the UMTS licence of CZK 500,000,000 was

an extraordinary item, and in future years (2008 and 2009) will be CZK 250,000,000 each year.

Total Expenses

In 2007 total expenses were 102.78 % of the adjusted budget, namely CZK 946,204,070. The budget was exceeded on the one hand due to the use of the reserve fund for needs not covered by the budget in 2007 totalling CZK 34,479,110 and also includes the transfer of savings to the reserve fund for 2007 totalling CZK 314,181,000. This relatively high volume of savings arose mainly from the transfer of unutilised funds intended to cover losses from the provision of a partial universal service of CZK 303,661,000 of the adjusted budget, which the CTO had on its budget for the first time and which were not used in 2007 and therefore were transferred to the reserve fund. These funds were intended to cover losses from the provision of a partial universal service "Special prices or price plans for people with low income or with special social needs and for handicapped people" as part of the universal service pursuant to Section 38 (3) of the Electronic Communications Act and pursuant to Government Order No. 336/2006 Coll. on the conditions for providing special prices for publicly available telephone services, which came into effect on July 1, 2006. The obligation to provide this partial service within the framework of the universal service was imposed by the CTO through its decision on September 1, 2006 on three providers of electronic communications services and it set the date for the commencement of its provision as January 1, 2007. As the payment of the loss to the providers of this partial service within the framework of the universal service is carried out at the level of such demonstrable loss, the payment for 2007 is actually made in 2008, which was not known at the time the budget for 2007 was being prepared. For this reason, the funds allocated in 2007 were not used.

In 2007 the CTO carried out a total of 17 Budget Measures (hereinafter only the "BM"), of which 9 BMs were subject to the prior agreement of the Ministry of Finance and 8 BMs were within the competency of the CTO. This relatively high number of BMs was also influenced by several Government Resolutions relating, in particular, to the transfer of funds for the payment of expenses connected with the Czech presidency of the Council of the EU (Government Resolution of February 2, 2007 No. 27, Government Resolution of April 11, 2007, No. 341, Government Resolution of July 18, 2007, No. 819) stipulated contributions from the reserve fund (Government Resolution of March 28, 2007, No. 290) and the transfer of funds intended for the financing of expenses relating to the communication infrastructure of public administration from the head of the Ministry of the Interior of the Czech Republic on behalf of the dissolved Ministry of Informatics to individual heads.

The implementation of all the BMs resulted in a reduction in the approved budget for this indicator by CZK 3,884,000.

- Total expenses for 2007 were budgeted to 5 accounts, namely:
- Account 2412 – Telecommunication matters (including expenses for the coverage of the losses due to the universal service),

- Account 2461 – Activities of the central bodies of state administration in telecommunications (including the majority of expenses for ensuring the activities of the CTO),
- Account 2491 – International cooperation in telecommunications (this includes in particular expenses related to business trips abroad, expenses relating to meetings with foreign delegates, the purchase of publications from international organisations and contributions to international organisations),
- Account 2549 – General economic services (including expenses connected to the performance of special and complex tasks, essential for proper public administration, commissioned for contractors),
- Account 5273 – Other administration in the area of crisis management (including expenses connected with the crisis management centre).

Total expenses are broken down into current and capital expenditures. There follow some details on this system:

a) Current Expenses

The approved budget for this indicator (after the exclusion of expenses for the coverage of the losses from the universal service) was amended during the year through several BMs and increased by CZK 12,255,000. Current expenses were utilised at 105.70 % in 2007, giving a figure of CZK 368,597,710. The adjusted budget was exceeded on the one hand due to the use of CZK 23,287,110 from the reserve fund and also the transfer of savings for 2007 totalling CZK 4,320,000 to the reserve fund.

b) Capital Expenses

The budgeted capital expenses for 2007 were CZK 138,000,000. Through two BMs, approved by the Ministry of Finance, of which one required agreement from the Czech government (Government Resolution of August 22, 2007, No. 944) and the Budget Committee of the Chamber of Deputies (resolution No. 312 of the 16th Session on September 12, 2007), the capital expenses of the programme were increased by CZK 130,200,000 to CZK 268,200,000. During 2007 a total of CZK 8,192,000 from the reserve fund of the CTO was also used for financing needs not covered by the budget – payments for a new software product – the modular administration system (MOSS). On the other hand the amount of CZK 6,200,000 was transferred to the reserve fund, of which CZK 6,000,000 represented a saving – retaining lien on the reconstruction of a CTO building – OMRS Tehov and CZK 200,000 a saving, or rather funds not used for the completion of the government secure connection. In total, the capital expenses (including the use of the reserve fund) were utilised at 102.15 %.

Employee Salaries and Other Payments for Work Done

The approved budget for this indicator was amended through three BMs during the year with the prior approval of the Ministry of Finance and also in connection with Government Resolution of April 11, 2007, No. 341 on the financial securing and strengthening the personnel of central

bodies and other public administration bodies in 2007 in connection with the preparations for the Czech presidency of the Council of the EU. In total this indicator was increased by CZK 5,893,000, of which funds for salaries were increased by CZK 3,635,000 and funds for other payments for work done increased by CZK 2,258,000. This adjusted budget was utilised in 2007 at 99.89 %, meaning that CZK 173,600 remained unused from the funds for the remuneration of members of the CTO Council due to the delayed naming of its fifth member.

The budget of funds for employee salaries for 2007 was CZK 150,067,000. Pursuant to Act No. 262/2006 Coll., the Labour Code, and Government Order No. 564/2006 Coll. on payment rates for employees in public services and public administration, there was a reassessment on January 1, 2007 of the expert practice of all CTO employees and the new stipulation of extra payments for management, which resulted in a lack of funds for salaries totalling CZK 3,453,000. When preparing the budget for 2007 these changes were not taken into account and so the CTO requested the Ministry of Finance to increase the limit for funds for the payment of employees, either by covering them from the state budget reserve or through a transfer from the CTO reserve fund. This request was not complied with, yet there was a recommendation to cover this need through savings on current expenses. In view of the fact that in the CTO budget funds to cover losses from the provision of a partial universal service were included in 2007 for the first time and in this period it was already known that these would not be used in 2007, the increase in the funds required for salaries was covered with the agreement of the Ministry of Finance from these funds.

In connection with the preparations for the Czech presidency of the Council of the EU and on the basis of Government Resolution No. 341 of April 11, 2007, the CTO received in its budget the amount of CZK 182,000 for the employee salaries expenses item, which was intended as motivation for employees who are included and work in EU Council working groups.

After these amendments the budget for this indicator rose to CZK 153,702,000 for 2007 and was utilised at 100 %, with CZK 195 remaining unused. In comparison with 2006 this was an increase of CZK 10,751,000 and the majority of this amount was used for the increase in the salary grades resulting from legislation, the reassessment of practice, the increase in personal additional payments, benefits paid for significant anniversaries and for the performance of extraordinary working tasks. The average salary at the CTO reached CZK 27,664, which represented an increase of CZK 1,829 since 2006.

The budget of funds for other payments for work done in 2007 was CZK 5,910,000, and this was increased during the year through two BMs by CZK 2,258,000 to the amount of CZK 7,168,000, in particular for remuneration for members of the CTO Council due to an increase in the salary base used to calculate their salaries, or remuneration. In addition the indicator was increased for the payment of severance pay to employees whose employment relationship was terminated due to the reduction in the number of jobs at the CTO on January 1, 2008, for the retirement of a member of the CTO Council whose period of office had come to an end and also for increasing the funds for other personnel expenses from which is paid in particular the activity

of the appeal commissions of the Chairman of the CTO Council and the CTO Council. The indicator shows utilisation for 2007 of 97.87 % and CZK 173,600 was saved on item 5022 – Salaries of Representatives of the State Authorities, from which the members of the CTO Council are remunerated.

From this expense grouping the following expenses are paid:

- Item 5021 – Other Personnel Expenses, utilised at 100 % of the adjusted budget, namely CZK 1,364,000.
- Item 5022 – Salaries of Representatives of the State Authorities, utilised at 97.14 % of the adjusted budget, namely CZK 5,904,400.
- Item 5024 – Severance Pay, utilised at 100 % of the adjusted budget, namely CZK 553,000.
- Item 5026 – Retirement Pay, utilised at 100 % of the adjusted budget, namely CZK 173,000.

Mandatory Insurance Payable by the Employer

The approved budget for this indicator was increased during the year, both in connection with the increase in funds for salaries and other payments for work done; also due to the coverage of mandatory insurance in 2007; and also newly from pecuniary gifts paid to employees from the Cultural and Social Welfare Fund, through three BMs by a total of CZK 2,129,000 to the amount of CZK 56,721,000. This adjusted budget was utilised at 100 % in 2007, as onto the deposit account for the settlement of salaries for December 2007 was transferred an amount totalling the adjusted budget. After the payment of insurance for December 2007 the amount of CZK 137,330 remained unused, which was transferred according to instructions from the Ministry of Finance to the CTO income account as an accounting case for 2008.

Transfer to the Cultural and Social Welfare Fund

The approved budget for this indicator was, in connection with the amendment to the funds for salaries, adjusted through two BMs during the year by a total of CZK 73,000 to the amount of CZK 3,074,000. For 2007 this indicator was utilised at 100 %, when an amount corresponding to the amount of the adjusted budget was transferred to the Cultural and Social Welfare Fund.

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

Since 2005 the CTO has been budgeting expenses for the activities of the crisis management centre on account 5273 – Other Administration in the Area of Crisis Management of the Budget Structure. For 2007 CZK 500,000 was budgeted in the area of regular expenses, during the year an amount of CZK 200,000 was transferred after prior agreement by the Ministry of Finance to capital expenses for the completion of the government secure connection (VEGA-D). The company GITY, a.s., selected by the Ministry of the Interior of the Czech Republic, was not able for capacity reasons to complete the work in 2007 and so CZK 200,000 of capital expenses

was transferred to the reserve fund for use in 2008. Regular expenses were utilised totalling CZK 229,990, meaning at 76.66 % and were used to improve the quality of the fittings at the centre for the crisis staff and to secure the activities of the crisis staff, for the purchase of 2 notebooks, a multifunctional printer, a Nokia Communicator, a portable screen, security luggage and a safe and for the purchase of special software worth CZK 14,660.

Expenses Connected with the Preparations for the Czech presidency of the Council of the EU

This indicator was not originally budgeted independently, but during 2007 in connection with three Government Resolutions (Government Resolution of January 3, 2007, No. 27, of April 11, 2007, No. 341 and of July 18, 2007 No. 819) a budget was allocated and adjusted through three BMs to a total of CZK 1,320,000. A total of CZK 1,268,190 of this adjusted budget was utilised in 2007, i.e. 96.08 %. This utilisation also includes the transfer of savings into the reserve fund totalling CZK 250,000. A significant part of these expenses was used to cover business trips abroad in particular by members of the CTO Council to attend seminars focusing on the issue of the economy of mobile markets, but also for the transfer of experience from the presiding PRES country – France, participation at a conference on regulatory convergence in Portugal and participation at the Digi World Summit in France.

Other funds were used as a motivational element, namely bonuses for employees involved and working in working groups of the EU Council in connection with the preparations for the Czech presidency of the Council of the EU. These funds were also used to cover mandatory insurance paid by the employer and for a transfer to the Cultural and Social Welfare Fund.

Part of the funds was used for a meeting between employees of the department for the East Bohemian Area of the CTO in Hradec Králové and representatives of the Polish regulator (UKE), where the coordination of the frequency spectrum in border areas was discussed, together with an exchange of experience and requirements relating to the implementation of DVB-T and DVB-H, a discussion about the revision of the regulatory framework being prepared, meaning questions whose resolution could extend into the period of the Czech presidency of the Council of the EU.

Expenses Designated for Financing the Asset Replacement Programmes in ISPROFIN

In 2007 the CTO had one registered programme in the ISPROFIN registry at the Ministry of Finance with reference number 228010 – The Development and Renewal of The CTO's Material/Technical Base. This programme has been broken down into three sub-programmes, namely:

- 228011 – where the purchase and upgrade of software is budgeted, as is the purchase of computers and current expenditures meant primarily for the acquisition and operation of communication and security technology and public administration communications infrastructure expenses,

- 228012 – where the purchase of measuring and office technology is budgeted, as is the purchase of means of transportation and the reconstruction of the CTO's building in the Tehov stationary attended monitoring station,
- 228013 – where the funds for the construction of the Automated System of Frequency Spectrum Monitoring (hereinafter referred to as the "ASFSM") are budgeted.

The budget for this indicator was also adjusted over the year through several BMs to a total volume of CZK 306,160,000, of which CZK 268,200,000 was earmarked for capital expenses and CZK 37,960,000 for current expenses.

CZK 314,875,420 of the total adjusted budget was utilised, namely 102.85 %, of which capital expenses of CZK 273,963,360 (102.15 %) and current expenses of CZK 40,912,060 (107.78 %). The CTO made use of the possibility of using funds from the reserve fund and transferred the amount of CZK 8,192,000 from the reserve fund to capital expenses for the acquisition of MOSS software and the amount of CZK 3,200,000 to current expenses intended primarily to strengthen the item for covering fixed repetitive costs – technical support and updating the software used at the CTO.

During 2007, savings of CZK 10,000,000 were transferred to the reserve fund, of which CZK 6,200,000 was saved in capital expenses and CZK 3,800,000 in current expenses.

Expenses for International Cooperation and Foreign Business Trips

The CTO budgets expenses for foreign activities to Account 2491 – International Cooperation in Telecommunications. In 2007 the approved budget was adjusted through several BMs to the amount of CZK 16,120,000, of which CZK 15,298,590 was utilised, i.e. 94.9 %. This utilisation includes the transfer of savings into the reserve fund of CZK 520,000, of which CZK 250,000 was saved in expenses connected with the preparations for the Czech presidency of the Council of the EU and CZK 270,000 was saved in non-investment transfers to international organisations.

Government Resolution No. 676 of June 1, 2005 charged the CTO with the competency, or cooperation with the relevant ministry in the bodies of international organisations such as bodies of the European Union, the International Telecommunication Union (ITU), the European Conference of Postal and Telecommunications Administrations (CEPT), the European Telecommunications Standards Institute (ETSI), the North Atlantic Treaty Organisation (NATO), the European Telecommunications Office (ETO) and so on. In addition to this international relationships arising directly from valid legislation were ensured, in particular activities of a specific executive nature – typical examples are the bilateral and multilateral negotiations with other frequency spectrum administrators on frequency coordination, for the implementation of coordination agreements, participation in expert events and so on.

Therefore the majority of business trips abroad were also the result of the charged competencies in these bodies.

In 2007 the membership fees for ETO and ETSI totalling CZK 1,626,020 were paid, i.e. a utilisation of the approved budget of 85.58 %.

An overview of utilisation according to the individual expense items is given in the Statement for Assessing Compliance with the Budget of Head Administrators as of December 31, 2007, which forms part of this Report.

Transfers to the Reserve Fund and its Utilisation

In 2007 the CTO transferred to the reserve fund savings totalling CZK 314,181,000, of which CZK 303,661,000 represented unused expenses for covering losses from the provision of a partial universal service, as mentioned in earlier parts of this Report. CZK 10,000,000 represented savings on expenses intended for the financing of asset replacement programmes in ISPROFIN, CZK 250,000 savings on expenses connected with the Czech presidency of the Council of the EU and CZK 270,000 savings from non-investment transfers to international bodies.

In 2007 a total of CZK 70,971,000 was transferred from the reserve fund, of which there was a transfer to income for head 398 – General Cash Administration pursuant to Government Resolution of June 11, 2007 No. 629 and Ministry of Finance Instruction No. 19/64 368/ /2007-193 of December 24, 2007 of CZK 39,139,000 and the amount of CZK 31,832,000 was used to cover needs not covered in the budget. This amount was also transferred to the CTO budget income according to the Ministry of Finance methodology. The inclusion of funds from the reserve fund into the individual expenses items has already been the subject of commentary in previous parts of this Report.

The balance of the reserve fund as of December 31, 2007 was CZK 321,489,000.

Special State Budget Income Accounts

For the collection of administrative fees the CTO has a total of 9 accounts at the Czech National Bank and its branches, of which 7 are for regional workplaces and a total of 8 accounts for the collection of penalties in administrative proceedings, of which 7 are for regional workplaces, again at the Czech National Bank and its branches.

A total of CZK 58,128,310 was collected for the state budget through administrative fees in 2007, and CZK 6,172,000 was collected through fines imposed in administrative proceedings. The administrative fees paid through fee stamps amounted to CZK 770,000 in 2007.

Account for the Payment of Losses from the Universal Service

In 2007 the CTO administered the universal service account, from which the demonstrable losses of the provider of the universal service are covered. The obligation to set up this account was imposed on the CTO through Section 32 of Act No. 151/2000 Coll. The account was set up in 2002 as a foreign funds account with the extended prefix "16010" and the title Foreign Funds – Universal Service at the Czech National Bank, Prague branch. Payments are made from this account to cover the demonstrable losses of universal service providers in individual years at amounts approved by decisions of the CTO from contributions from other operators.

In view of the facts thoroughly discussed in the part of Chapter V. focusing on the issue of the universal service, namely a description of the state of the proceedings relating to the payment of the losses from the provision of the universal service in individual years between 2001 and 2006, and the performed coverage of the losses for 2004 in favour of Telefónica O2, which corresponded to a sum of contributions from the individual operators of CZK 127,765,531, the balance of the universal service account as of December 31, 2007 remains unchanged at CZK 159,141,090.

Radiocommunication Account

Pursuant to the Electronic Communications Act, the obligation fell to the CTO to establish and administer a radiocommunication account (hereinafter referred to as the "RA"), which is meant for the payment of effectively and purposefully invested costs incurred by the holders of authorisations to use radio frequencies or by the Ministry of Defence when using radio frequencies for military purposes due to changes in the use of the radio spectrum for reasons specified in Section 19 (1) (a) and (b) of the Electronic Communications Act. The RA is not part of the state budget; the balance on the account at the end of the calendar year is transferred to the following year.

In 2007 CZK 55,783,286 was transferred to the RA, which utilised a total of CZK 8,614,874 in favour of the company RADIOKOMUNIKACE a.s., Prague 3, or České radiokomunikace a.s., Prague 3, for the replacement of the analogue Vraní Vrch-Domažlice television transmitter with a digital transmitter and the retuning of the Železná Ruda repeater in connection with the release of the 12th television channel and the end of its use in the Domažlice area. The balance of the RA as of December 31, 2007 was CZK 97,973,072.82.

An overview of the creation and utilisation of the RA (in CZK) is given in the Report on the Management of the Radiocommunication Account Funds that forms part of Chapter V. of this Report.

Current Bank Account for VISA Cards

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

On January 1, 2007 this account showed a balance of CZK 679.56. In January 2007 the amount of CZK 250,000 was transferred to this account from the expenses account and during the year expenses were transferred to this account corresponding to the amounts of payments actually made. The payments made with the VISA cards in 2007 totalled CZK 436,400.31, the fees for the payment cards were CZK 3,500, and bank fees totalled CZK 4,498. In 2007 interest was accrued to this account totalling CZK 231.78 and interest for the 4th quarter of 2006 to the 3rd quarter of 2007 to the value of CZK 242.49 was transferred to the Ministry of Finance, while interest for the 4th quarter of 2007 was transferred in January 2008 as a 2007 accounting case. At the end of the year the balance of this account cannot be zero because ČSOB charges fees and adds interest on the final day of the year, i.e. December 31, 2007. For this reason the contract stipulates a maximum balance at the end of the calendar year of CZK 1,000.

The final balance on December 31, 2007 was CZK 626.85.

Information on the CTO's Assets, Receivables and Liabilities

Information on the CTO's assets that it is authorised to manage is given in the SB Balance Sheet as of December 31, 2007 Uč OUPPO 3-02 financial statement.

Regarding the individual indicators we can mention:

- The CTO posted intangible fixed assets of CZK 394,653,790 as of December 31, 2007, an increase of CZK 80,692,580 compared with the state as of January 1, 2007, primarily due to the purchase of new software, other intangible assets and increasing the state of intangible fixed assets under construction within the framework of building the ASFSM project.
- The CTO posted tangible fixed assets of CZK 1,271,566,640 as of December 31, 2007, an increase of CZK 187,239,640 compared with the state as of January 1, 2007, primarily due to the purchase of new tangible assets but also increasing the state of tangible assets under construction, also in connection with the building of the ASFSM project. For tangible fixed assets the accounting of land was consolidated in favour of Account 031 – Land in connection with a finding by the Supreme Audit Office.
- The CTO, as a state branch, does not write off assets or use amortization. The assets are kept at their acquisition costs in accounting records for the entire period of the assets' use.

The CTO posted a large fall on Account 315 – Receivables for Budget Receipts in 2007. The receivables for budget receipts fell by CZK 504,273,360 due to payments for the granted UMTS licence of CZK 500,000,000 by Vodafone Czech Republic, a.s. According to the payment calendar, the company is to pay a further CZK 500,000,000 in coming years, namely CZK 250,000,000 in both 2008 and 2009. Outstanding receivables for budgetary receipts reached CZK 534,652,230 as of December 31, 2007, and represent 35.07 % of budgetary receipts.

- Overdue receivables amount to CZK 34,386,760;
- Receivables for debtors in bankruptcy proceedings amount to CZK 1,684,190;
- Receivables that are subject to legal disputes amounted to CZK 0,
- Receivables that were announced for settlement by the creditor amounted to CZK 0;
- Written-off debts that the CTO maintains on a sub-budgetary account amount to CZK 413,860.

The CTO only posts short-term liabilities, which as of December 31, 2007 increased by a total of CZK 49,926,730 in comparison with the state as of January 1, 2007, reaching CZK 117,878,400. The CTO posted the following liabilities:

- CZK 198,970 was for liabilities towards suppliers – supplier invoices received by the CTO by December 31, 2007 and which could only be paid in January 2008;
- CZK 10,929,850 was for liabilities towards employees – these are liabilities for the calculation of salaries for December 2007 that were payable on the salary date of January 14, 2008;
- CZK 6,374,910 represented liabilities ensuing from social security, health insurance and sickness benefits that were paid after the calculation of the December 2007 salaries on the January 14, 2008 salary date;
- CZK 2,242,460 was liabilities ensuing from the payment of income tax from dependant activities for CTO employees for December 2007, also payable and paid on the January 14, 2008 salary date;
- CZK 98,132,210 was for other liabilities – account 379 – which correspond to the status of the account for the payment of losses from the universal service, which posted a balance of CZK 159,140 and the balance of the radiocommunications account of CZK 97,973,070.

2. HUMAN RESOURCES

During 2007, 64 employees began work at the CTO, 68 employees terminated their employment, of which 1 employee terminated their employment pursuant to Section 46 (1) (c) of Act No. 65/1965 Coll., the Labour Code, as amended, 7 employees finished pursuant to Section 52 (c) of Act No. 262/2006 Coll., the Labour Code, as amended, 19 employees retired, 4 employees went on maternal leave and 2 employees died.

As of December 31, 2007 the CTO had 467 employees, the average for the year being 463.

In connection with point III/3 of Government Resolution of August 13, 2007 No. 881 (on the conception of education for employees in public administration) a contact person was established for the CTO (on October 4, 2007) who must provide cooperation in the preparation of the

general intent of the Act on Employees in Public Administration and on Education in Public Administration.

On December 13, 2006 the Chamber of Deputies approved through Resolution No. 160, the Act on the State Budget of the Czech Republic for 2007.

Through letter from the Ministry of Finance Czech Republic (hereinafter only the "MF CR") No. 19/112 636/2006-193 of December 21, 2006 were sent to the CTO "Binding volumes of funds for salaries and other payments for work done by state branches, salary costs for contributory organisations and the numbers of employees for 2007" of budget head 328 – the CTO.

The limit of funds for salaries and other payments for work done	CZK 155,977,000
of which – funds for salaries	CZK 150,067,000
– other payments for work done	CZK 5,910,000
– (of which the Council: CZK 4,893,000, OON CZK 1,017,000)	

Limit on the number of employees:	473
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Through Measure No. 17/2006 of the Chairman of the CTO Council on organisational changes and on the issue of new systemisation (of December 7, 2006), with effect from February 1, 2007 the CTO organisational structure was changed, a new management level was introduced (or changed for selected divisions) and new divisions were set up.

Reduction in Job Levels

Pursuant to Government Resolution No. 323 of April 2, 2007 (on reform steps taken between 2007 and 2010 to achieve stipulated public budget deficits) and Government Resolution No. 436 of April 25, 2007 (on the proposal for reducing the number of jobs in public administration through 2010 by at least 3 % per year) there will be a gradual reduction through 2010 in the number of jobs at the CTO (i.e. 14 jobs a year).

The draft budget for 2008 incorporates a reduction of 12 jobs (i.e. to 461).

Pursuant to Government Resolution No. 436 of April 25, 2007 the Chairman of the CTO Council issued Measure No. 10/2007 on the naming of a management employee, organisational changes and on the issue of new systemisation (of July 19, 2007). As a result of this measure on January 1, 2008 there was a reduction in the number of jobs at the CTO by 12, i.e. from 473 to 461.

To ensure the fulfilment of the tasks arising from Measure No. 10/2007 of the Chairman of the CTO Council, or the Government Resolution, it was necessary to implement organisational changes in the CTO as early as in August 2007. This resulted in the termination of the employment relationships on December 31, 2007 of 6 employees for reason of redundancy pursuant to Section 52 (c) of the Labour Code. At the termination of their employment relationship these

employees were entitled to severance pay of three times their average salaries (Section 67 (1) of the Labour Code).

Number of Employees (comparison to 2005 and 2006)			
Indicator / period	2005	2006	2007
Systemised number of employees	469	473	473
Average recalculated number of employees	461	461	463
Number of newly hired employees	69	66	64
Number of employment terminations	82	54	68
Number of employees in post-productive age as of December 31	49	31	67
– of this, women:	28	18	45

Preparations for the Czech presidency of the Council of the EU

In connection with the preparations for the Czech presidency of the Council of the EU and on the basis of Government Resolution No. 341 of April 11, 2007 (on the financial securing and strengthening the personnel of central bodies and other public administration bodies in 2007 in connection with the preparations for the Czech presidency of the Council of the EU) the CTO requested the MF CR for a Budget Measure (No. 27 665/2007-602 of April 23, 2007). The funds are intended as motivation for employees who are involved and work in working groups of the Council of the EU in connection with the preparations for the Czech presidency of the Council of the EU.

This request was complied with through letter from the MF CR No. 19/40 108/2007-143 of May 10, 2007 and through this Budget Measure funds of CZK 250,000 were transferred from head 398 – General Cash Administration to budget head 328 – the CTO for 2007 designated for the preparations for the Czech presidency of the Council of the EU for 2007, of which CZK 182,000 to the item Employee Salaries. In view of the fact that the expenses connected with the Czech presidency of the Council of the EU are stipulated as a binding indicator, it is necessary to monitor their utilisation separately, i.e. on an inclusive basis, including expenses utilised for the presidency.

Employee Salaries and other Payments for Work Done

With effect from January 1, 2007 all CTO employees were stipulated a salary pursuant to Act No. 262/2006 Coll, the Labour Code, and through Government Order No. 564/2006 Coll. on payment rates for employees in public services and public administration. Pursuant to Section 10 of Government Order No. 564/2006 Coll., on January 1, 2007 there was a reassessment of the expert work of all CTO employees.

The budget for employee salaries for 2007 provided for a rise in the average salary only on the basis of legislative amendments. The average salary at the CTO reached CZK 27,664, which represented an increase of CZK 1,829 over 2006.

The budget for other payments for work done (without funds for the salaries of representatives of state authority) for 2007 was CZK 1,017,000. Severance pay totalling CZK 552,325,000 was paid to 7 CTO employees.

More information on the issue of the budget for employee salaries and other payments for work done is given in part 1 of the CTO Financial Results.

CTO Council

The budget for other payments for work done – salaries of representatives of state authority – for 2007 was CZK 4,893,000.

On April 30, 2007 the term of office of a member of the Council came to an end (Government Resolution No. 317 of March 29, 2006). Pursuant to Section 109 (2) of Act No. 127/2005 Coll. on electronic communications, the members of the Council are entitled, for a period of 6 months after the end of their term of office in the Council, to a monthly salary at the level of their average monthly salary during their term of office.

On the basis of Government Resolution of June 27, 2007 No. 749, on July 1, 2007 a new Council member was named for a period of five years.

As the events given above (i.e. the rise in the salary base for 2007, the end of the term of office of a Council member through the expiration of their term of office and the obligation to provide him with a salary for 6 months after the end of his term of office pursuant to the Electronic Communications Act and severance pay pursuant to Section 7 of Act No. 236/1995 Coll., the naming of a new CTO Council member) were not taken into account in the preparation of the budget for 2007, it was essential to request the MF CR for a Budget Measure providing the option to increase the OON limit by CZK 1,358,000, of which CZK 1,185,000 item 5022 (salaries to representatives of state authority) and CZK 173,000 item 5026 (severance pay) – through a transfer from the General Cash Administration of the MF CR (No. 28 946/2007-601 of April 25, 2007, or No. 31 005/2007-602 of May 10, 2007).

This request was complied with by the MF CR through letter No. 19/44 150/2007-193 of June 5, 2007 and there was a transfer of funds from head 398 – General Cash Administration to budget head 328 – the CTO (the amount of CZK 666,000 designated for payments to members of the CTO Council). The payment of the average monthly salary for a period of 6 months pursuant to the Electronic Communications Act (the amount of CZK 519,000) and severance pay after the end of the term of office of a Council member (the amount of CZK 173,000) was approved within the framework of the CTO budget through a saving from Section 2422 of item

5192 (provided non-investment contributions and compensation) of CZK 692,000. After the Budget Measure the amount of CZK 6,078,000 (or 6,077,400) was designated for salaries to representatives of state authority (the Council) and the amount of CZK 173,000 for severance pay.

As a new Council member was not named immediately after the expiration of the term of office of the Council member (i.e. from May 1, 2007) but from July 1, 2007, there arose a balance of CZK 173,600 in 2007 in the OON – Salaries for Representatives of State Authority budget.

Employee Education

Employee education was carried out according to the CTO Employee Education Plan for 2007 pursuant to Act No. 262/2006 Coll., the Labour Code, the Rules Laying Down the Method of Professional Preparation of Employees in Professional Bodies, approved by Government Decision No. 1542 of November 30, 2005 and the CTO's Binding Instruction No. 15/2006, which specifies the improvement and increase of the qualifications of CTO employees. The education of employees was focused primarily on electronic communications, information technologies, law, foreign languages and European affairs.

Newly hired CTO employees went through an entry education programme, during which they were provided with basic information on public administration and were able to acquire basic skills and knowledge for activities in public administration, including introductions to the specific issues that the CTO focuses on.

Professional training was given in the individual divisions, focused primarily on the issues of electronic communications and the Administrative Code precisely oriented on the problems that the division in question encounters. Selected employees took courses focused on technologies, services and development trends in electronic communications, which were prepared by the Faculty of Electrical Engineering of the Czech Technical University in Prague and the Faculty of Electrical Engineering and Communication at the Brno University of Technology according to CTO requirements. The relevant employees took courses on the information systems used by the CTO.

Seminars were provided for all management employees on the topic of the new Labour Code and on the topic of prevention of corruption in accordance with Government Resolution of April 25, 2006 No. 1199 on the strategy of the government in the fight against corruption for 2006 to 2011.

Group and individual English and French lessons took place at the CTO's workplaces. Employees assigned to the National Education Programme for Employees in Administrative Offices in relation to the Czech presidency of the Council of the EU took individual English and French

lessons. Apart from the aforementioned activities, various educational events were arranged for the employees in accordance with their needs based on their job content.

As of December 31, 2007 the expenses on the Education and Training Services account amounted to CZK 4,629,000 and on the Attendance Fees for Conferences accounts CZK 514,000.

The overview of the employment regulation limit, of the basic human resources information (pursuant to Annex No. 1 to Decree No. 323/2005 Coll.) and of itemised binding indicators for 2007 (pursuant to Annex No. 2 to Decree No. 323/2005 Coll.) are presented in Annex Nos. 12, 13 and 14 of this Annual Report.

The Number of Graduates of Various Educational Events (in comparison to 2005 and 2006)			
Orientation	2005	2006	2007
Language Courses	76	128	154
Education in European Union Affairs	64	55	32
Courses Oriented on Information Technology	404	285	230
Professional Training for Employees of Divisions for Regions	182	165	170
Other Educational Events	1 452	859	983
Costs for Education in CZK thousands	3 615	4 329	5 153

3. INFORMATICS

In 2007 work continued on the development of information systems that, once completed, will contribute to improving the performance of routine work within the competency of the individual CTO divisions. This involves in particular the Automated System for Frequency Spectrum Monitoring (ASFSM) and the modular administration system (MOSS).

A so-called demilitarised zone was constructed in the ASFSM system. The high availability of application gateways is secured through spreading the workload and other necessary infrastructure. The database cluster was supplemented by another node, which meant that the target state of the central database server for ensuring the requirement for high availability of the information system was achieved.

Another important task was the consolidation of encrypted communication with remote users and CTO systems using the open internet environment for connections to CTO workplaces in Prague, at Sokolovská Street. A single central VPN server is now used to terminate the encryption tunnels and the data centre infrastructure is prepared for the implementation of electronic signatures and both internal and external time stamps within the framework of the ASFSM project.

Map materials were also purchased to ensure there is a single map base for various systems, in particular for the activities of the divisions providing state inspections of electronic communications and frequency spectrum administration.

The development of the information system for administrative proceedings continued with the putting of individual modules into routine operation and building relationships with other operated information systems. The system will be completed and put into routine operation at the start of 2008.

The most significant change carried out in 2007 in the information system for the administration and flow of documents (GINIS) was the preparation for the receipt of mass electronic submissions that will be automatically received and confirmed from January 2008.

To ensure remote access for all computer network users to their email, the overall topology of the Exchange postal servers was modified and expanded.

Another important task in informatics was support for the smooth operation of the installed information systems, increasing their security level and ensuring their continued development. The necessary contracts have been concluded for this purpose.

To ensure the performance of long-term tasks and to set up a stable environment relating to the information systems in the CTO the selection of service and equipment suppliers was commenced and, in some cases, also completed. The selection was through public tenders for the provision of security infrastructure, workstations and notebooks, for certain work connected with the development of the ASFMS, for the implementation of the MS Sharepoint Server product and for support for the operation of the MOSS system. A description of the individual contracts is planned for the end of the first quarter of 2008.

An important step towards ensuring the continuity of operation and the security of operation of selected information systems was their integration into the CTO data centre. This integration also included a fundamental change in the backing up of data stored in these systems.

The CTO continued its regular replacement of end user stations in its computer networks. This focused on the one hand on the oldest workstations and on the other on strengthening the information technologies for processing routine work, which are of decisive importance for the CTO. Work also progressed on the simplification and consolidation of the IT environment at the CTO with the aim of simplifying the administration of the environment and setting unified rules for the individual users of the computer networks, which will also result in a significant contribution towards improving the security of the infrastructure against unauthorised attacks and access.

A study was carried out in the area of identity management, the result of which was the stipulation of new goals and expected benefits from the introduction of such a system at the CTO in such a way that the system is open for the integration of other new or already in-use systems.

4. INTERNAL AUDIT

In 2007 a total of 6 new audits were implemented according to the plan approved by the Chairman of the CTO Council. In addition to the internal audit plan, 4 follow-on audits, 1 extraordinary audit and 1 audit on the basis of a request by the Deputy Chairman of the CTO Council were carried out. The following audits were involved:

- a) SPO audit;
- b) Audit of supplier contracts in relation to the Act on Public Tenders;
- c) ASMKs project audit;
- d) Audit of the performance of inspections by management;
- e) Audit of recovery of receivables;
- f) Audit of risk mapping.

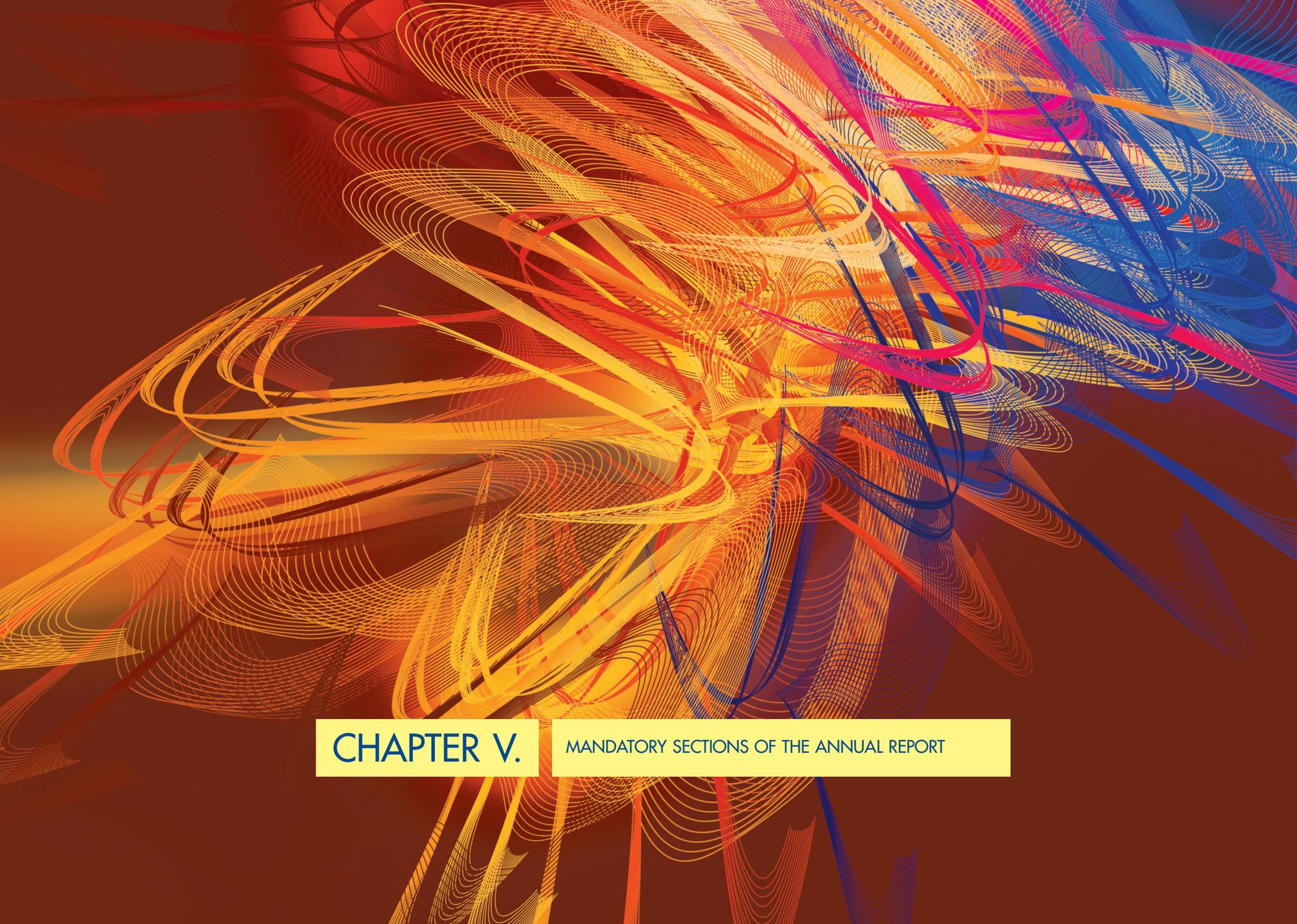
The follow-up audits checked the fulfilment of the measures from the audits carried out in the previous year; the extraordinary audit related to the performance of correspondence at the CTO; and the audit on the basis of a request by the Deputy Chairman of the CTO Council focused on a verification of the processes for selection, recovery and return of fees for allocated radio frequencies and for the right to use numbers.

During the performance of all the audits, emphasis was placed on control and compliance with legal and internal norms. All the audits were carried out within the stipulated deadlines and all the recommendations proposed by the auditors were adopted in the form of an Approval Clause as tasks from the meeting called by the Chairman of the CTO Council.

Pursuant to the Act on Financial Control, the annual report on the results of the financial inspections for the previous year was prepared and submitted to the MF CR in the stipulated form and by the stipulated date. The annual report on the results of inspections by management for the previous year was also prepared, together with the plan for the independent internal audit department for the following year (2008).

Within the framework of methodological activities, SOIA employees reformulated an internal regulation that regulates the performance of internal audits at the CTO, cooperated in particular during the proposal of anti-corruption measures, during the preparation of the CTO Risk Maps and provided the individual CTO divisions with consultation and comments relating to the materials submitted.

The work of the internal auditors became a stable part of the activities of the CTO and a tool for discovering any potential discrepancies, including recommendations for their systematic removal and the prevention of any potential future problems.



CHAPTER V.

MANDATORY SECTIONS OF THE ANNUAL REPORT

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MANDATORY SECTIONS
OF THE ANNUAL REPORT1. THE ANNUAL REPORT ON THE UNIVERSAL SERVICE
(PURSUANT TO SECTION 50 (2) OF THE ELECTRONIC
COMMUNICATIONS ACT)

The Annual Report on the Universal Service is prepared pursuant to Section 50 of the Electronic Communications Act. In addition to the information on the scope of the services provided within the framework of the universal service for 2007, the Annual Report also contains the facts stipulated by the Act.

From the perspective of 2007 it is necessary to point out that the CTO completed the review process for the existence of reasons for imposing the obligation to provide any partial services within the framework of the universal service during 2006 on the basis of selection procedures carried out in relation to the results of a study into the existence of the reasons for their imposition pursuant to Section 143 (2) of the Act. During 2007 the universal service was already completely provided under the regime of the Electronic Communications Act, unlike in 2006 when some of the services falling under the universal service were still provided in the mode of the previous legal regulation (Act No. 151/2000 Coll., on Telecommunications, as amended).

A. SERVICES PROVIDED IN 2007 WITHIN THE UNIVERSAL SERVICE

1. **The regular release of telephone directories** of publicly available telephone services subscriber numbers and end-users' access to these directories (Section 38 (2) (c) of the Act)
2. **The information service** on publicly available telephone services subscriber numbers, available for end users (Section 38 (2) (d) of the Act)

The Decision by which the CTO imposed the obligation to provide the aforementioned partial services already came into effect on December 21, 2005. This partial service is provided by Telefónica O2. The aforementioned company began the provision of services in the specified period according to the issued decision's conditions.

According to the issued decision, ČESKÝ TELECOM, a.s. (now Telefónica O2) also began providing the information service on the day after the date the CTO's decision on imposing the obligation to provide the partial service came into effect.

In accordance with Section 39 (3) of the Electronic Communications Act, in 2007 the CTO carried out a study to identify whether or not the reasons for the imposition of the obligation to provide the above partial services persisted.

On the basis of this study the CTO came to the conclusion that the reasons for the imposition of the obligation to provide the above partial services in fact persisted, even if their utilisation is falling, partly due to the fact that in some cases commercial services are appearing on the market that could be a suitable alternative to the partial services in question. The CTO will therefore continue to monitor the development of the use and availability of these services during 2008.

3. **Public Telephone Services (Section 38 (2) (e) of the Act)**

The CTO, by issuing its decision which came into effect on March 14, 2006, imposed the obligation to begin providing PT services within 3 months from the day the decision came into effect on the provider of this partial service, ČESKÝ TELECOM, a.s. The company began providing the PT service according to the conditions of the issued decision on May 11, 2006.

In accordance with Section 39 (3) of the Electronic Communications Act, in 2007 the CTO commenced a study to identify whether or not the reasons for the imposition of the obligation to provide the above partial service persisted.

On the basis of this study the CTO came to the conclusion that the reasons for the imposition of the obligation to provide the PT partial service in fact persisted. The CTO did, however, find that its utilisation is clearly falling.

In view of the above finding, and taking into account the need to satisfy the reasonable needs of end users, the CTO is preparing to initiate steps during 2008 that will lead to a restriction on the scope of the imposed obligation to provide this partial universal service.

4. **Providing handicapped people with access to a publicly available telephone service** that is equal to the access that other end-users have, especially through specially-equipped telecommunications end equipment (Section 38 (2) (f) of the Act)

The CTO, by issuing its decision which came into effect on July 12, 2006, imposed the obligation to begin providing the partial service within 3 months from the day the decision came into effect on the provider of this partial service, Telefónica O2. The company began providing the service of access for handicapped people according to the conditions of the issued decision on October 11, 2006.

5. **Additional Services** to connection and access services in a fixed location to a publicly available telephone service (Section 38 (g) of the Act), which are:

- a) The gradual payment of the price for setting up the connection to the public telephone network for consumers;
- b) The free selective restriction of outgoing calls for subscribers and

c) Free itemised billing for consumers.

The CTO, by issuing its decision that came into effect on July 28, 2006, imposed on Telefónica O2 Czech Republic, a.s. the obligation to begin providing the partial service within 3 months from the day the imposition of the obligation to provide the partial service within the universal service came into effect. The company began providing the service of access for handicapped people according to the conditions of the issued decision on October 28, 2006.

6. Special prices or price plans for people with low income or with special social needs and for handicapped people.

The CTO imposed the obligation ensuing from this partial service on T-Mobile Czech Republic a.s., Telefónica O2 Czech Republic, a.s. and Vodafone Czech Republic a.s. under the conditions specified in the decision.

In 2007 the imposed obligation to provide the following partial services within the framework of the universal service remained:

- a) Connection to a public telephone network in a fixed location pursuant to Section 38 (2) (a) of the Electronic Communications Act;
- b) Connection to a publicly available telephone service in a fixed location pursuant to Section 38 (2) (b) of the Electronic Communications Act;

regarding which the CTO had already, on the basis of a study carried out pursuant to Section 143 (2) of the Electronic Communications Act in 2006, come to the conclusion that the provision of the given partial services is ensured in the telecommunications market pursuant to the Act and the CTO therefore will not impose an obligation to provide these services.

In 2007 the CTO issued an amendment to Measure of a General Nature No. OOP/5/ /11.2007-14, through which it stipulated the scope, form and method of publishing information about the results of the provision of the universal service (hereinafter only the "OOP"). The basis for this was the experience with the application of the OOP in practice.

The reason for the issue of the amendment in question was the need to ensure that the content, form and method of publication of information about the results of the provision of all partial services within the framework of the universal service was amended. This would ensure that end users had access to complete, comparable and comprehensible data regarding all the services provided as part of the universal service pursuant to Section 47 of the Electronic Communications Act.

B. THE FINANCING OF THE UNIVERSAL SERVICE AND THE ACCOUNT FOR THE PAYMENT OF LOSSES FROM THE UNIVERSAL SERVICE

In 2007 the CTO administered the universal service account, which was set up in 2002 as a foreign funds account with the extended prefix "16010" and the title Foreign Funds – Universal

Service at the Czech National Bank, Prague branch. The account was established pursuant to Section 32 of Act No. 151/2000, on telecommunications and on amendments to other Acts, as amended (hereinafter only the "Telecommunications Act") and payments are made from it to cover the demonstrable losses of universal service providers from contributions from other operators. The calculation of the demonstrable losses is carried out after the end of the calendar year in which the demonstrable losses occurred on the basis of audited financial statements and separate records of expenses, receipts and revenue, including invested capital. The universal service provider submits the calculation of the demonstrable losses to the CTO by June 30 of the following year.

On the basis of lawsuits against previous legal acts by the CTO filed by a universal service provider and companies that should have contributed to the universal service account, the Supreme Administrative Court decided to cancel the legal acts by which the demonstrable loss and the amount of payments to the universal service account from 2001 to 2003 were determined. Thus the CTO held repeated proceedings throughout 2006 and 2007 regarding the demonstrable losses from the provision of the universal service for that period.

Losses for 2001

On the basis of the court rulings that cancelled the CTO's document ref. No. 21 701/ /2002-611 of August 30, 2002 and returned the matter for new hearings, the CTO issued a decision on the verification of the losses for 2001 ref. No. 42 478/2006-611/V. vyř. on December 8, 2006. Telefónica O2 submitted an appeal against this decision on December 22, 2006. On February 14, 2007 the Chairman of the CTO Council issued a decision on the appeal under ref. No. 2 616/2007-603 that confirmed the decision of the 1st instance administrative authority. The decision, in which losses of CZK 195,042,676 were verified, came into force on February 20, 2007.

The CTO sent the individual contributors to the universal service account a notification of the continuation of the administrative proceedings relating to the specification of the amount of the payments to the universal service account for 2001. The administrative proceedings were completed pursuant to Act No. 71/1967 Coll., on administrative proceedings (the Administrative Code), as amended. These administrative proceedings were conducted individually with the individual companies. There are 16 administrative proceedings altogether. The companies with which administrative proceedings were begun in 2004 in the matter of supplementary charges for demonstrable losses for 2001 and 2002 were also informed of the removal of the part of these administrative proceedings that concerns 2001 and its joining with the administrative proceedings in the matter of specifying the payment to the universal service account for 2001. In January and February 2008 decisions were made imposing on the individual companies the obligation to make payments to the account. Three companies appealed, and 13 decisions came into force.

Losses for 2002

On the basis of the court rulings that cancelled the CTO's document ref. No. 23007/2003-611 of July 31, 2003, the CTO issued decision ref. No. 35 038/06-611/VI. vyř., of February

14, 2007, in administrative proceedings on the verification of the losses for 2002. The subject of these proceedings was also that part of the demonstrable losses that were subsequently charged in 2004 and concerns the services provided to handicapped people. Telefónica O2 submitted an appeal on March 6, 2007 against this decision. On May 22, 2007 the Chairman of the CTO Council issued under No. 190478/2007-603 a decision on the appeal through which he confirmed the decision of the 1st instance administrative body. The decision came into force on May 25, 2007. The losses came to CZK 257,494,476.

The administrative proceedings in the matter of the amount of the payments to the universal service account for 2002 are considered to be begun on the day the call for the payment of the contribution is delivered. Administrative proceedings with 25 participants are being conducted with the individual companies separately. The administrative proceedings will be completed pursuant to Act No. 71/1967 Coll., on administrative proceedings (the Administrative Code), as amended. As part of the administrative proceedings the individual companies presented evidence to supplement the data used by the CTO to stipulate the amounts of the contributions to the universal service account.

Losses for 2003

On the basis of the court rulings that cancelled the CTO's document ref. No. 20051/2004-611 of August 2, 2004, the CTO issued in administrative proceedings decision ref. No. 26 993/2006-611 in the matter of the verification of the demonstrable losses for 2003 on July 9, 2007. On July 24, 2007 Telefónica O2 submitted an appeal against this decision. On October 9, 2007 the Chairman of the CTO Council issued, under ref. No. 58 643/2007-603, a decision on this appeal through which he confirmed the decision of the 1st instance administrative body. The decision came into force on October 11, 2007. The losses came to CZK 290,510,226.

The CTO sent the individual contributors to the universal service account a notification of the continuation of the administrative proceedings in the matter of specifying the payments to the universal service account for 2003. The administrative proceedings will be completed pursuant to Act No. 71/1967 Coll., on administrative proceedings (the Administrative Code), as amended. These administrative proceedings are conducted individually with the individual companies. There are 24 administrative proceedings altogether. The administrative proceedings were begun on the date the call for the payment of the contribution ref. No. 20379/2004-611 from August 6, 2004 was delivered and were then suspended until such time as the decision on the amount of the losses came into force. After the recommencement of the administrative proceedings, some of the companies submitted new evidence relating to the calculation of the contribution. The CTO verified this and subsequently incorporated the approved data into the new calculation.

Losses for 2004

On August 12, 2005 the CTO issued decision ref. No. 28799/05-611/III.vyř. on verifying losses from 2004, against which Telefónica O2 Czech Republic, a.s. filed an appeal. On January 13, 2006 the Chairman of the CTO issued a decision on the appeal in which he cancelled the 1st instance decision and returned the matter for further hearings. On March 15, 2006,

Division 611 newly issued decision ref. No. 28799/05-611/IV.vyř. on the verification of losses for 2004, against which Telefónica O2 Czech Republic, a.s. filed an appeal. The appeal was rejected by a decision from the Chairman of October 23, 2006, which came into force on October 24, 2006. The losses amounted to CZK 302,622,498.

Administrative proceedings on the amount of the payment to the universal service account for 2004 were initiated with companies that held telecommunications licenses in 2004 and which provide telephone services. In 2007 30 decisions were issued in individual administrative proceedings. 4 companies appealed but all the appeals were rejected by decision of the Chairman of the CTO Council. In total contributions of CZK 127,765,531 were paid and these funds were immediately transferred to the provider of the universal service, which does not pay onto the account itself. Only TeliaSonera International Carrier Czech Republic a.s. and V Voice a.s. did not pay. The contribution of TeliaSonera of CZK 194,424 for 2004 was set off against an overpayment for 2001. The contribution of V Voice of CZK 669 is unrecoverable.

Losses for 2005

The CTO issued decision ref. No. 38 173/2006-611/III.vyř. on the verification of the losses for 2005 on August 14, 2006. Telefónica O2 filed an appeal against this decision. On December 7, 2006 the Chairman issued a decision on the appeal in which he cancelled the 1st instance decision and returned the matter for further hearings. The CTO again issued a decision on the verification of the losses for 2005 on March 5, 2007 No. 38 173/2006-611/IV.vyř, against which Telefónica O2 again appealed. The appeal was rejected by decision of the Chairman on May 28, 2007. The losses amounted to CZK 286,966,147.

The CTO requested the submission of information necessary for the calculation of the contribution to the universal service account from all companies that carried out activities in 2005 and that are subject to contributions to the universal service account, i.e. companies that provided a publicly available telephone service and operated a public electronic communications network. Administrative proceedings were initiated with 46 companies regarding the amounts of their payments to the universal service account for 2005. These administrative proceedings had not been completed by the end of 2007.

Losses for 2006

On November 21, 2006 Telefónica O2 submitted the calculation of demonstrable losses from the service of providing non-stop free access to emergency call numbers through public telephones without the need for coins or cards for the period from January 1, 2006 to May 10, 2006 pursuant to Section 32 (3) of the Telecommunications Act and pursuant to Decree No. 235/2001 Coll., which stipulates details regarding the calculation and payment of the demonstrable losses from the provision of the universal service by the holder of a telecommunications licence. The CTO verified the losses and on December 21, 2006 issued a decision on the verification of the amount of the losses with the verified amount totalling CZK 815,203. The company did not appeal and the decision is final.

Telefónica O2 submitted to the CTO pursuant to Section 32 (3) of the Telecommunications Act and pursuant to Decree No. 235/2001 Coll. a calculation of the losses for 2006 for other services excluding emergency calls from PTs. The losses were submitted in accordance with the period of provision of the individual services pursuant to the Telecommunications Act. The CTO verified the data, which included an inspection of the bookkeeping and separated documentation of costs and revenues of the company including connected materials from technical documentation. On August 29, 2007 the Chairman issued a decision on the verification of the losses from the provision of the universal service for 2006 through decision No. 45 789/2007-611/VI.vyř. Telefónica O2 appealed against the decision on the verification of the demonstrable losses on September 14, 2007. The CTO Council cancelled the 1st instance decision and returned the matter for further hearings through decision No. 71 834/2007-603 of January 11, 2008.

When verifying the demonstrable losses from the universal service for 2001 to 2006, the CTO proceeded pursuant to Act No. 151/2000 Coll., on telecommunications, which did not impose the obligation on the CTO to take into consideration market advantages that arose for the undertaking when providing the universal service when verifying the level of these losses. This procedure is only specified in Act No. 127/2005 Coll. on electronic communications and on amendments to some Acts. Nevertheless, the CTO always took into account the revenues that the service provider obtained through the rental of public telephones for advertising when determining the verified amount of losses.

The CTO collated materials for stipulating the amount of the contribution from companies that provided a publicly available telephone service or operated a public electronic communications network in 2006. The administrative proceedings in the matter of stipulating the amount of

the contribution to the universal service account will be commenced after the decision on the amount of the losses comes into force.

Net Costs for 2006

Telefónica O2 submitted to the CTO, pursuant to Sections 48 and 49 of the Electronic Communications Act and pursuant to Decree No. 388/2006 Coll. on the net costs of the universal service in electronic communications, on July 31, 2007 a calculation of the net costs for the provision of the universal service. The calculation of the net costs was submitted in accordance with the period of provision of the individual services pursuant to the Electronic Communications Act. The CTO verified the submitted data and requested the supplementation of the original documents including the submission of partial calculations for the individual items. The administrative proceedings in this matter were not completed in 2007. The supplemented version of the materials for the stipulation of the net costs was submitted by Telefónica O2 on January 29, 2007. The CTO will verify these materials and calculate the net costs for the provision of the universal service taking into account the indirect advantages and will assess whether the provision of the universal service represents an insupportable burden for its provider.

Report on the Management of the Universal Service Account for 2007

The universal service account – payments made pursuant to the previous legislation (the Telecommunications Act) in 2007 (see the table)

The universal service account – payments made pursuant to the previous legislation (the Telecommunications Act) in 2007				
	Losses in CZK Submitted by the Provider	Verified Losses from Providing the Universal Service in CZK	Losses in CZK not Paid to the Account, as of Dec. 31, 2007 ¹⁾	Note
Demonstrable Losses for 2001	5 660 331 629	195 042 676	50 736 093	The amount of the losses was specified by a new decision, the decision on contributions amount for 2001 has been issued
Demonstrable Losses for 2002	6 776 438 073	257 494 476	81 115 193	The amount of the losses was specified by a new decision, the obligation contribute has not yet been re-imposed for 2002
Demonstrable Losses for 2003	6 003 254 460	290 510 226	98 624 200	The amount of the losses was specified by a new decision, the obligation contribute has not yet been re-imposed for 2003
Demonstrable Losses for 2004	4 894 734 641	302 622 498	669 ⁴⁾	The contributions have been collected and transferred to the universal service provider
Demonstrable Losses for 2005 Other services ³⁾	3 903 751 689	286 966 147		The obligation to contribute to the universal services account for 2005 has not yet been imposed
Demonstrable Losses for 2006 Partial Service ²⁾	815 203	815 203		The obligation to contribute to the universal services account for 2006 has not yet been imposed
Demonstrable Losses for 2006 Other services ³⁾	3 306 372 888			The amount of the losses has not yet been finally decided on

- 1) The preliminary obligation on the universal service provider and simultaneously the sum of the receivables against the payers
- 2) The service of providing the continuous non-stop free access to emergency call numbers through public telephones, without the need for coins or cards for the period from January 1 to May 10, 2006.
- 3) Services pursuant to points 2 and 3 of Annex No. 1 to Decree No. 235/5001 Coll.: Services to people given in Section 29 (2) (g) and (h) of the Act: the establishment, transfer and use of an end point with discounts for natural persons and the lease of specially equipped end-user telephone devices. Activities pursuant to Section 35 (2) of the Act: the provision of identification data on public telephone service subscribers to the holders of allocated emergency numbers, the connection and operation of an end point designated for the receipt of emergency calls at relevant workplaces of units of the integrated rescue system.
- 4) Unrecoverable contribution of V Voice a.s.

The universal service account – payments made pursuant to the Electronic Communications Act in 2007				
	Losses in CZK Submitted by the Provider	Verified Losses from Providing the Universal Service in CZK	Losses in CZK not Paid to the Account, as of Dec. 31, 2007 ¹⁾	Note
Net cost for 2006	84 169 933			The amount of the net cost has not yet been finally decided on

The universal service account – balances	
Balance on the universal service account as of 31/12/2006	159 141 CZK ⁵⁾
Contributions paid for the losses of 2004 total	127 765 531 CZK
Contributions transferred to the universal service provider	127 765 531 CZK
Balance on the universal service account as of 31/12/2007	159 141 CZK ⁵⁾

⁵⁾ Contributions paid for 2001, 2002 and 2003 were transferred to the universal service provider broken down and to the amounts of the paid contributions. The balance on the account is made up of contributions that were paid in advance for losses charged at a later date for 2001 and 2002, totalling CZK 159,141.

2. REPORT ON THE MANAGEMENT OF THE RADIOCOMMUNICATION ACCOUNT FUNDS (PURSUANT TO SECTION 27 (4) OF THE ELECTRONIC COMMUNICATIONS ACT)

Pursuant to the Electronic Communications Act, the obligation fell to the CTO to establish and administer a radiocommunication account (hereinafter referred to as the "RA"), which is meant for the payment of effectively and purposefully invested costs incurred by the holders of authorisations to use radio frequencies or by the Ministry of Defence when using radio frequencies for military purposes due to changes in the use of the radio spectrum for reasons specified in Section 19 (1) (a) and (b) of the Electronic Communications Act. The RA is not part of the state budget; the balance on the account at the end of the calendar year is transferred to the following year.

The RA's revenue is based on fees for the use of frequencies in amounts specified by Government Order No. 153/2005 Coll., on specifying the manner and level of the creation of funds for the radiocommunication account and the method it is drawn upon, of April 6, 2005. 6 % of collected fees for the use of radio frequencies are transferred to the RA. The RA was established at the Czech National Bank, Prague branch, as a foreign funds account with the extended prefix of "26016."

The amount of CZK 55,783,286 was transferred to the RA in 2007, while CZK 8,614,874 was drawn in favour of RADIOKOMUNIKACE a.s., Prague, 3, or České radiokomunikace a.s., Prague 3 for the replacement of the analogue Vraní Vrch-Domažlice television transmitter with a digital transmitter and the retuning of the Železná Ruda repeater in connection with the release of the 12th television channel and the end of its use in the Domažlice area. The balance of the RA as of December 31, 2007 was CZK 97,973,072.82.

The following table gives an overview of the creation and utilisation of the RA (in CZK):

Balance of the RA as of 1/12/2007	50 804 660,82
Creation 2007	55 783 286,00
Utilisation 2007	8 614 874,00
Balance of the RA as of 31/12/2007	97 973 072,82

3. ANNUAL REPORT OF THE CTO ON THE PROVISION OF INFORMATION FOR 2007 (PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION, AS AMENDED)

The Czech Telecommunication Office (hereinafter only the "CTO") hereby publishes this Annual Report on the Provision of Information in 2007, prepared in accordance with Section 18 of Act No. 106/1999 Coll., on free access to information, as amended (hereinafter only the "Act").

According to Section 3 of Act No. 127/2005 Coll. on electronic communications and on amendments to some related Acts (the Electronic Communications Act), as amended (effective as of May 1, 2005), the CTO is the central administrative authority for the performance of public administration in the matters specified by this Act, including the regulation of the market and specification of conditions for conducting business in electronic communications and postal services. Within the framework of the competencies specified by the Act, it therefore performs supervision on compliance with the law in electronic communications and postal services as a body of the public administration.

The basic information about the CTO's organisational structure and its activities is accessible by the general public both on the CTO's web pages (www.ctu.cz), which include an electronic information board, and on the information board located on the information bulletin board in the CTO's entrance hall, and is also published in the promotional material issued by the CTO. Information about the handling of life situations pursuant to Decree No. 442/2006 Coll., which stipulates the structure of information published about the mandatory subject in a way enabling remote access, is also available through the public administration portal (www.portal.gov.cz).

a) The Number of Requests for Information

In 2007, 13 written (or electronically submitted) requests for information were submitted and registered at the CTO. These primarily concerned electronic communications and, to a certain extent, radiocommunications, specifically in connection with the interpretation of the individual provisions of the Electronic Communications Act. As far as postal service regulation is concerned, the CTO did not register or handle any submission asking for information of this kind to be provided.

The subjects of the questions regarding radiocommunications concerned the provision of information regarding:

- The implementation of identification using the access code for access to the AMR radiotelephone network system,
- The date on which the commercial operation of the AMR radiotelephone network was terminated by its operator SPT Telecom (Telefónica O2 since July 1, 2006),
- The use of the frequency band 3510 – 3580/3410 – 3480 MHz
- The entities that were granted individual authorisation to use radio frequencies in the frequency band 3510 – 3580/3410 – 3480 MHz
- The possible delivery to the CTO of an application for the change or granting of exceptions from the relevant general authorisation to use radio frequencies and to operate equipment in the 10 GHz band

There was a group of requests for information in electronic communications relating to:

- The granting of a telecommunications licence for setting up and operating a public communications network in the TETRA standard in the band 410 – 430 MHz by the company MobilKom, a.s.,
- The conclusion of a contract under the CS regime with more than one alternative operator,
- The circumstances for the submission of an instigation for carrying out investigation in the matter of the issue of the relevant decision on the granting of an individual authorisation to use radio frequencies,
- The powers of the CTO to decide on disputes in the sense of Section 129 of the Electronic Communications Act, specifically disputes over the existence and amounts of receivables arising from contracts for the provision of publicly available electronic communications services,
- The state of the administrative proceedings regarding the verification of the amount of the losses from the provision of the universal service for 2001 to 2007, including information about the subject of a lawsuit and any eventual legal disputes,
- The provision of a list of all legal procedures regarding lawsuits against a decision of the CTO (of the Chairman of the Council of the CTO, of the Council of the CTO) issued in the matter of the verification of the demonstrable losses from the provision of the universal service for 2001 to 2005 or issued in the matter of the stipulation of the financial contributions to the universal service account for the time period in question

In addition, the CTO provided statements in regard to a plan to operate services – an internet server providing television news broadcasts from a specific town which, however, in view of its focus and nature, is not an electronic communications service in the sense of the provisions of Section 2 (n) of the Electronic Communications Act and thus does not fall within the competency of the CTO, but belongs to the issues of information society services in the sense of Act No. 480/2004 Coll. on some information society services and on amendments to some Acts (the Act on Some Information Society Services), as amended.

b) The Number of Decisions to Not Provide Information

In 2007, decisions were made in two cases to not provide information (with regard to the provisions of Section 8 (a) of Act No. 106/1999 Coll.)

c) The Number of Appeals Filed Against Decisions

There were no appeals filed against decisions for refusing requests for information in 2007.

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

The courts did not make any decisions in any case relating to the rejection of requests for information in 2007.

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

The CTO did not settle any complaint in connection with the breach of procedures specified by the Act in 2007.

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

The CTO did not provide any exclusive licenses in 2007.

g) Other Information Relating to the Application of the Act

In 2007, the CTO collected and delivered a total amount of CZK 1,176 to the state budget. 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 amended.

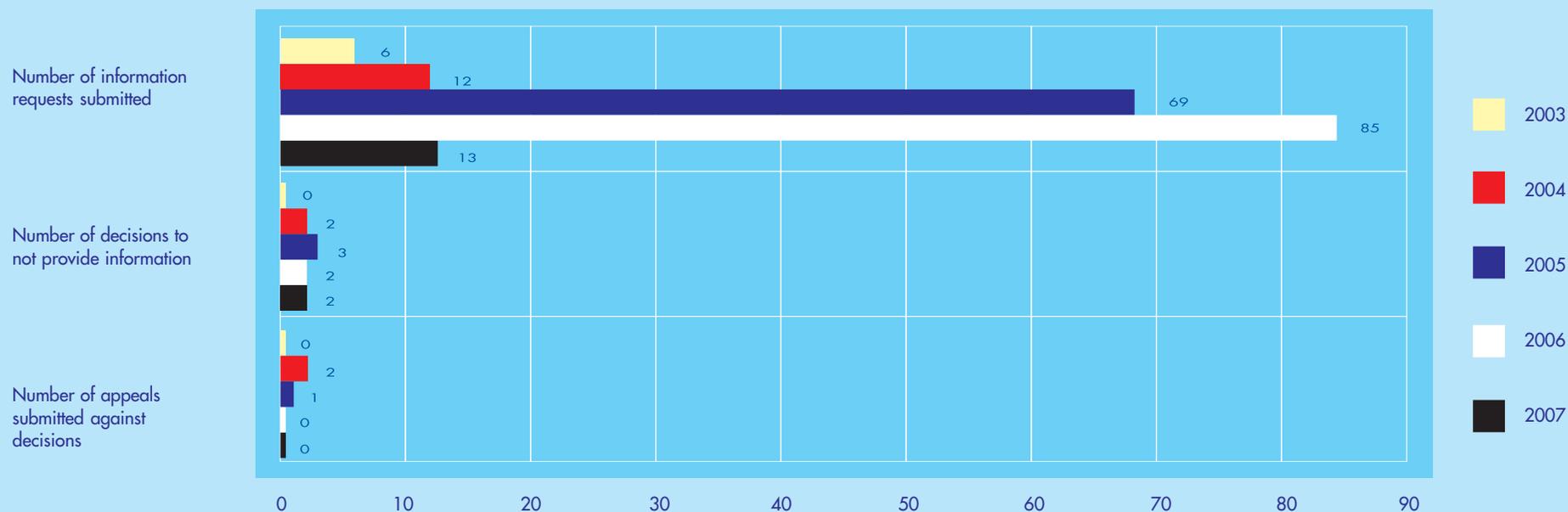
The written applications for information included in the 2007 records were resolved in compliance with the Act and with the CTO's internal regulations. The CTO did not maintain records of telephoned requests for information because of the quantity and nature of such requests and because they were promptly resolved over the telephone. An overview of the resolved written requests for information for 2007 in comparison with the previous periods starting with 2003 is given in the table below and in the following graph.

	2003	2004	2005	2006	2007
1. Number of information requests submitted	6	12	69	85	13
2. Number of decisions to not provide information	0	2	3	2	2
3. Number of appeals submitted against decisions	0	2	1	0	0

Note:

This Annual Report was published on February 26, 2008 in a manner enabling remote access, i.e. on the CTO website (www.ctu.cz)

Provision of Information for 2007 (pursuant to Act No. 106/1999 coll., on Free Access to Information, as amended)



4. COMPLAINTS AGAINST THE CTO'S ACTIVITIES

In 2007 the CTO settled a total of 8 submissions that were judged, with regard to their character and content, as complaints in accordance with the provisions of Section 175 of Act No. 500/2004 Coll., the Administrative Code, as amended. The overview of submissions (petitions, complaints, notifications and instigations) made to the CTO in 2007 is given in the table in Annex No. 14 to this Annual Report.

The contents of the complaints were criticisms of the CTO's activities or CTO employees' working procedures in the sense of whether they had not thereby breached Act No. 127/2005 Coll., on electronic communications and on amendments to some connected Acts (the Electronic Communications Act), as amended, or indicated a significant breach of that Act.

The investigations found that 6 of the aforementioned complaints were unjustified and 2 were assessed as justified.

In comparison with previous periods, however, in 2007 both the number of asserted complaints and their justification significantly fell, primarily in connection with the longer period of the application of the Electronic Communications Act in practice.

Five of the complaints settled as unjustified allegedly involved incorrect procedures or unsuitable behaviour by CTO employees, which was not demonstrated, however, during the investigations. One complaint was made against the CTO's inactivity and delays in administrative proceedings. No remedies had to be taken for complaints that were judged to be unjustified.

The content of one of the two justified complaints was a criticism of the CTO's inaction in the matter of a request for indication that CTO decisions had become final; the second justified complaint was a criticism of the behaviour of an employee in connection with the rejection of a request to take digital photographs of file material during administrative proceedings.

As in the case in question the defects in the administrative proceedings did not result in a significant breach of either the Administrative Code or the Electronic Communications Act, the employee in question was only given a reprimand concerning his/her professional approach and polite communication with the public. In the other case the relevant employees were reproached for erroneous steps when conducting administrative procedures with a reminder to constantly adhere to the basic principles of the activities of an administrative body when discussing and deciding on matters in administrative proceedings.

Apart from ensuring the procedures used when handling complaints in accordance with the provisions of Section 175 of the Administrative Code, 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 thorough performance of regular analyses of settled complaints connected with the CTO's operations. Emphasis is also placed on the timely and complete processing of submitted complaints. In light of the aforementioned information, it can be stated that the division settling complaints enjoys exceptional and consistent attention in the CTO.

Apart from the handling of the aforementioned complaints, no anonymous submission was delivered to the CTO in 2007. The CTO did not have to address any instigations, nor did it receive any petition suggesting how to resolve any specific situation.

The CTO also maintains documentation regarding all notified or delivered submissions in matters of suspicion of corruption or fraud involving CTO employees, and within its competence investigates them and regularly (always on June 30 and December 31 of every calendar year) assesses them, through an analysis of the complaints sent to the CTO on the basis of Section 175 of the Administrative Code in the part "Report on the Activities of the CTO".

In this regard we can state that in 2007 the CTO was not notified, either orally or in writing, at the electronic information board or at the anti-corruption email address (korupce@ctu.cz) set up on July 10, 2007, of any suspicion of corruption or fraud by CTO employees.



ANNEXES

TO THE ANNUAL REPORT
OF THE CZECH TELECOMMUNICATION OFFICE FOR 2007

ANNEXES

TO THE ANNUAL REPORT
OF THE CZECH TELECOMMUNICATION
OFFICE FOR 2007

ANNEX NO. 1

OVERVIEW OF SUBSCRIBER DISPUTES FOR 2007

	Number of verifications or inspections ¹⁾		Number of calls rectification	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of administrative decisions issued ²⁾	Decisions in favour of			Fines imposed		Number of administrative proceedings left to next period
	Total	Of which					The provider	The subscriber	Other ³⁾	Number	Amount in CZK	
1. Decision-making on subscriber disputes	115			10 328	61 247	63 361	1 885	61 169	2 864			5 350
a) on objections about the settlement of a complaint against a service provided		0		76	276	168	85	65	116			68
b) on objections about the settlement of a complaint about prices charged for a service		115		164	694	513	254	206	236			109
ba) of access to premium-rate services (data and voice)		44		65	143	164	118	35	24			20
baa) of access to premium-rate data service provided on the internet or on other data networks (Dialer)		33		68	96	139	124	14	15			10
c) on the payment of a price for a service (financial performance)		0		10 088	60 277	62 680	1 546	60 898	2 512			5 173

¹⁾ An inspection is completed with its physical performance

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

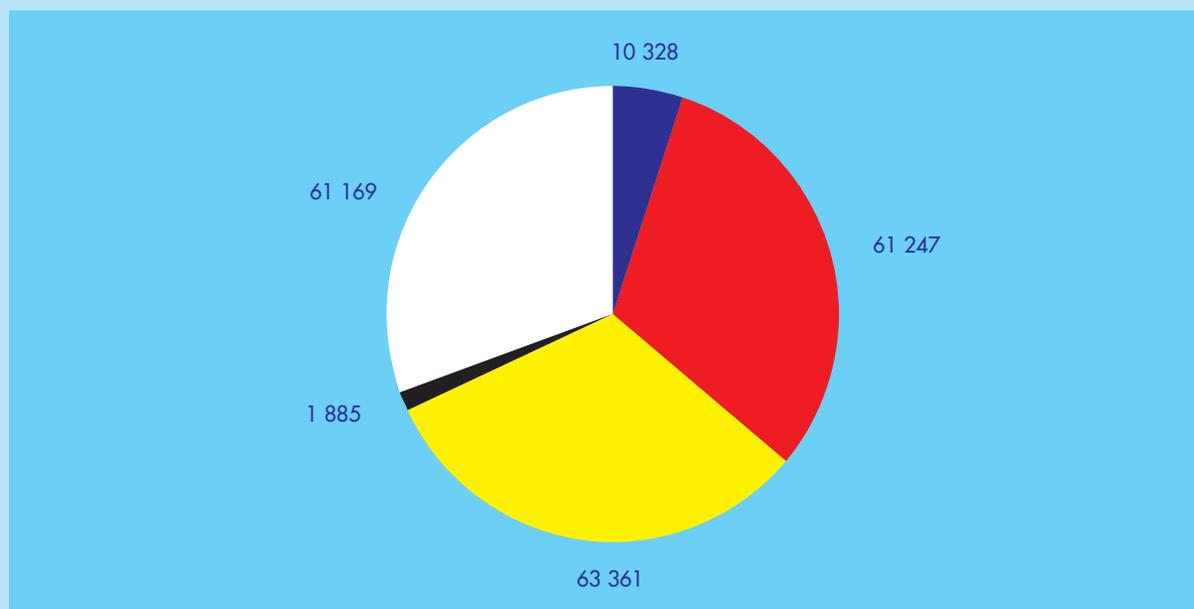
³⁾ Cases of the completion of administrative proceedings with a resolution, i.e. cases of the death of a subscriber, the dissolution of a company, the suspension of proceedings for legal reasons (bankruptcy), lack of competency and so on

OVERVIEW OF SUBSCRIBER DISPUTES IN 2007

ANNEX NO. 1 A

	2007
Number of administrative proceedings from the previous period	10 328
Number of administrative proceedings commenced	61 247
Number of decisions issued	63 361
Decided in favour of the subscriber	1 885
Decided in favour of the provider	61 169

Overview of subscriber disputes in 2007

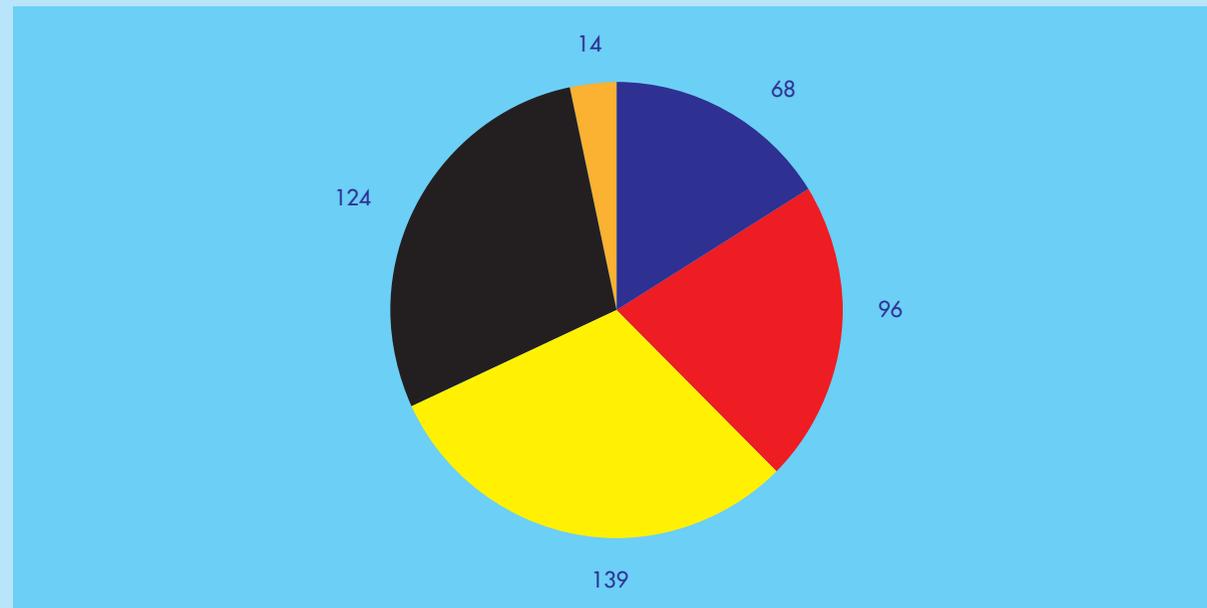


SERVICES WITH A SPECIAL TARIFF (DIALERY) – 2007

	2007
Number of administrative proceedings from the previous period	68
Number of administrative proceedings commenced	96
Number of decisions issued	139
Decided in favour of the subscriber	124
Decided in favour of the provider	14

Services with a special tariff (Dialery) – 2007

- Number of administrative proceedings from the previous period
- Number of administrative proceedings commenced
- Number of decision issued
- Decided in favour of the subscriber
- Decided in favour of the provider



Subject of the complaint		Handling method		No breach of the Electronic Communications Act	Total
		Provision of information			
		Procedure pursuant to the Electronic Communications Act	Not within the competency of the CTO		
1.	Electronic communications services	195	13	17	225
2.	Number portability in a mobile network	16	0	0	16
3.	Number portability in a fixed network	2	0	1	3
4.	Failure to set up or transfer a telephone subscriber line	2	0	1	3
5.	Customer support services of a electronic communications services provider	12	3	3	18
6.	Method of acquiring customers used by providers and dealers	7	10	6	23
7.	Reception of TV signal in connection with the digitisation of broadcasting	2	0	4	6
8.	Misleading advertising	0	7	0	7
9.	Universal service				
	a) Telephone books ²⁾	1	0	0	1
	b) Information service about subscriber telephone numbers ²⁾	1	1	0	2
	c) Access for the handicapped to a publicly available telephone service ³⁾	0	0	0	0
	d) Public telephones ⁴⁾	0	0	0	0
	e) Access to and possibility of using services for people with low incomes ⁵⁾	0	0	1	1
	f) Gradual payment of the price for setting up a connection to a public telephone network ⁶⁾	0	0	0	0
	g) Free selective restriction on outgoing calls for subscribers ⁶⁾	0	0	0	0
	h) Free itemised billing for consumers ⁶⁾	0	0	0	0
10.	Other ⁷⁾				
	Disagreement with billing	17	0	0	17
	Request for compensation in connection with the payment of billing for services with a special tariff	6	0	0	6
	Approach of an operator when concluding a contract	1	0	0	1
	Handling of an order for a mobile telephone at a Novymobil store	0	1	0	1
	Complaint about the electronic information board of the Ministry of Labour and Social Affairs of the Czech Republic	0	1	0	1
	Billing for a modem	0	2	0	2
	Blocking a SIM card and forfeit of credit	2	0	0	2
	Poor quality TV signal reception	1	0	0	1
	Use of radio frequencies	1	0	0	1
	Authorisation to use the property of others	1	0	0	1
	Non-function of a telephone	0	2	0	2
	Unsolicited advertising	0	2	0	2
	Unsolicited email	0	1	0	1
	Content services	0	0	1	1
	Authorisation for an operator to use a birth ID No.	0	0	1	1
	Breach of the integrity of a communications network	0	1	0	1
TOTAL		267	44	35	346

	Procedure pursuant to the ECA	No breach of the ECA	Not within the competency of the CTO	Total	In writing	Email	Fax	In person	By telephone
11. Other ⁸⁾	11	12	30	53					
End-user equipment	0	2	4	6	0	4	0	1	1
Content services	2	0	6	8	2	4	0	1	1
Not enabling radio and TV reception by a property owner	1	0	1	2	2	0	0	0	0
Unsolicited advertising	1	0	2	3	2	0	0	0	1
Unsolicited email	0	1	5	6	1	0	0	0	5
Abuse of email address	0	0	2	2	1	1	0	0	0
Non-provision of discount to disability card holders	1	0	0	1	1	0	0	0	0
Non-provision of special prices to people with low incomes	0	1	0	1	1	0	0	0	0
Business in electronic communications	3	0	0	3	2	1	0	0	0
Price discounts outside the universal service – request for instalments	0	2	0	2	2	0	0	0	0
Validity of credit on a SIM card	0	2	0	2	0	2	0	0	0
Easement	1	0	0	1	1	0	0	0	0
Authorisation to use property of another	0	1	0	1	1	0	0	0	0
Costs of complaint procedure	0	0	1	1	0	1	0	0	0
Non-settlement of complaint	0	1	0	1	1	0	0	0	0
Complaint about the repeated sending of erroneous billing	0	1	0	1	0	1	0	0	0
Request for the provision of information regarding the procedure for an unresolved complaint	1	0	2	3	2	1	0	0	0
Complaint about the collection of a prepayment	0	0	1	1	0	1	0	0	0
Lack of clarity in billing	0	0	1	1	1	0	0	0	0
Dangerous radiation from radio equipment	0	0	2	2	0	1	0	1	0
Restriction on access to a computer at an internet café	0	0	1	1	0	1	0	0	0
Information on numbers with the 900 prefix	0	1	0	1	1	0	0	0	0
Interference of electronic and measuring devices	0	0	1	1	1	0	0	0	0
Broadcasting of advertising on TV	0	0	1	1	0	0	0	0	1
Compensation of damages in connection with the payment of billed premium rate services	1	0	0	1	0	1	0	0	0
TOTAL	496	118	82	696	226	212	3	78	177

NOTES on tables – Annexes No. 3 and No. 4

- ¹⁾ These are not complaints pursuant to Section 175 of Act No. 500/2004 Coll., the Administrative Code, as amended by Act No. 413/2005 Coll. These are not objections against the handling of a complaint against a provided publicly available electronic communications service or other subscriber complaints handled through administrative proceedings. The complaints are documented in their phase of handling.
- ²⁾ Decision No. 41 709/2005-610/II. v.ř. of December 21, 2005 on the imposition of the obligation to provide, within the framework of the universal service, the following partial services:
A) to regularly issue lists of the telephone numbers of subscribers to publicly available telephone services and access for end users to such lists pursuant to Section 38 (2) (c) of the Electronic Communications Act,
B) the information service on telephone numbers of subscribers to publicly available telephone services pursuant to Section 38 (2) (d) of the Electronic Communications Act.
- ³⁾ Decision No. 19 592/2006-610/IV.v.ř. of July 12, 2006 on the imposition of the obligation to provide, within the framework of the universal service, the following partial services: providing handicapped people with access to a publicly available telephone service that is equal to the access that other end-users have, especially through specially-equipped telecommunications end equipment pursuant to Section 38 (2) (f) of the Electronic Communications Act
- ⁴⁾ Decision No. 466/2006-610/II.v.ř. of March 13, 2006, on the imposition of the obligation to provide a partial service within the framework of the universal service – the public telephone (PT) service pursuant to Section 38 (2) (e) of the Electronic Communications Act.
- ⁵⁾ Decision No. 43 121/2006-610/II.v.ř. of September 1, 2006, on the imposition of the obligation to provide a partial service within the framework of the universal service: to enable people with low income, with special social needs and handicapped people pursuant to Section 43 (4) in accordance with Sections 44 and 45 of the Electronic Communications Act with a selection of prices or pricing plans that differ from the pricing plans provided under normal commercial conditions in such a way that such persons have access to and are able to use partial services and the publicly available telephone service.
- ⁶⁾ Decision No. 19 594/2006-610/VIII.v.ř. of July 28, 2006, on the imposition of the obligation to provide a partial service within the framework of the universal service: supplementary service pursuant to Section 38 (2) (g) of the Electronic Communications Act on the services of connection and access in a fixed location to a publicly available telephone service, given in Section 38 (2) (a) and (b), which are:
1. the gradual payment of the price for the establishment of the connection to the public telephone network for consumers,
2. free selective restriction of outgoing calls for subscribers and
3. free itemised billing for consumers.

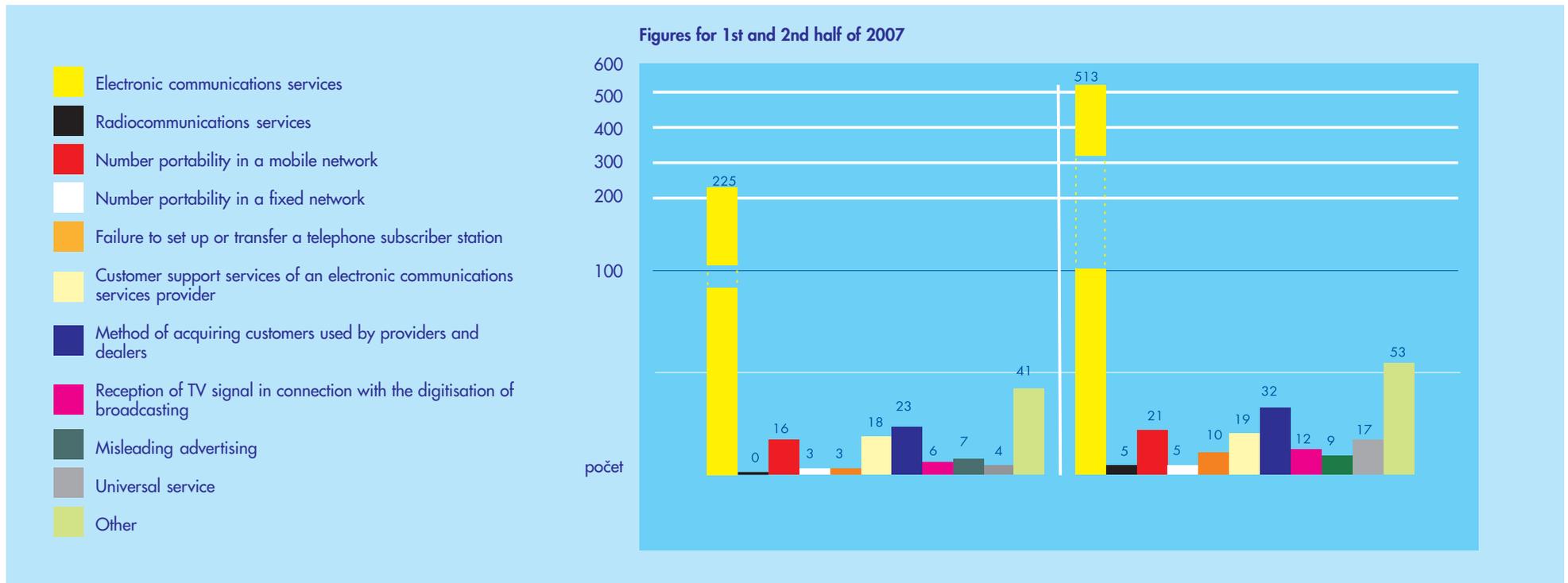
⁷⁾ Any different type of complaint that cannot be placed under points 1 to 9.

⁸⁾ Any different type of complaint that cannot be placed under points 1 to 10.

ECA – the Electronic Communications Act

OVERVIEW OF SUBSCRIBER COMPLAINS FOR 1ST AN 2ND HALF OF 2007

1. Electronic communications services	225	513
2. Radiocommunications services	0	5
3. Number portability in a mobile network	16	21
4. Number portability in a fixed network	3	5
5. Failure to set up or transfer a telephone subscriber line	3	10
6. Customer support services of a electronic communications services provider	18	19
7. Method of acquiring customers used by providers and dealers	23	32
8. Reception of TV signal in connection with the digitisation of broadcasting	6	12
9. Misleading advertising	7	9
10. Universal service	4	17
11. Other	41	53
Σ	346	696



**OVERVIEW OF NUMBER OF DECISIONS
ON INDIVIDUAL LICENCES TO USE RADIO EQUIPMENT IN 2007**

ANNEX NO. 6

Explanation of Abbreviations:
VSAT - Very Small Aperture Terminal
SNG - Satellite News Gathering

Type of Licence			Number of Decisions ¹⁾	
			To Grant	To Withdraw
			Licence	
1.	Fixed service	Total	4 224	612
	Of this	point – point	3 952	595
		point – multipoint	272	17
2.	Amateur service	Total	916	1
	Of this	Individuals	842	1
		Club Stations	33	0
		Foreigners ²⁾	15	0
		Repeaters and Packet Nodes	26	0
3.	Satellite Service	Total	46	4
	Of this	VSAT	5	4
		SNG	41	0
4.	Aeronautical Service	Total	507	124
	Of this	Aircraft stations ³⁾	453	109
		Aeronautical Stations ⁴⁾	54	15
5.	Maritime Service	Total	117	52
	Of this	Ship Stations	108	50
		Coast Stations	9	2
6.	Broadcasting Service	Total	257	73
	Of this	Television Equipment	62	38
		Radio Equipment	195	35
7.	Land Mobile Service	Total	705	529
	Of this	Radiotelephone Networks	331	264
		Data and Telemetric Services	374	265
8.	Short-term Licences	Total	273	0
	Of this	Fixed Service	149	0
		Land Mobile Service	101	0
		Broadcasting Service	23	0

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

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

³⁾ Mobile stations aboard aircraft other than rescue stations

⁴⁾ Stations located on the ground

**VERIFICATION OF THE SPECIAL QUALIFICATIONS TO OPERATE
RADIO TRANSMITTING EQUIPMENT IN 2007**

ANNEX NO. 7

Type of Special 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	202	255
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	847	647
3.	General operator's certificate of maritime mobile service (GOC)	0	7
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)	16	0
7.	Radiotelephone operator's general certificate (of maritime mobile service)	111	212
8.	Radiotelephone operator's restricted certificate (of maritime mobile service)	268	485
9.	Terrestrial radiotelegraphy operator's certificate	0	0
10.	Amateur radio operator's certificate (HAREC certificate)	96	1 734
11.	Amateur radio operator's certificate (NOVICE certificate)	27	0
	Total	1 567	3 340

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

OVERVIEW OF THE MAIN ACTIVITIES IN THE AREA OF POSTAL SERVICES REGULATION¹⁾ FOR 2007

	Focus of Activity	Number	Amount in CZK
1.	Regulatory Measures		
	Decisions on expressing approval with postal conditions	9	
	Decisions on specifying basic qualitative requirements	2	
2.	Supervision on Czech Post Compliance with its Obligations in the Area of Basic Services		
	a) Inspection Activities on the CTO's Suggestion		
	Inspection actions	24	
	Inspected buildings	609	
	b) Customer Help		
	Opinion on a dispute between a customer and Czech Post issued pursuant to Section 37 of the Act	4	
	Other settled customer submissions concerning the basic services	273	
	c) Fines Imposed on Czech Post	10	387 000

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

Type of activity		Number of verifications or inspections ¹⁾		Number of calls for rectification	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued ²⁾	Decisions in favour of			Fines imposed		Number of administrative proceedings left to next period
		Total	Of which					The subscriber	The provider	Other ³⁾	Number	Amount in CZK	
1.	Performance of communication activities without authorisation	74			24	278	298				259	2 070 000	4
2.	Compliance with the conditions of the general authorisation	271		38	0	23	18				15	51 500	5
	a) To provide the public communications network and the associated facilities		30	0	0	0	0				0	0	0
	b) To provide electronic communications services		33	0	0	20	15				12	45 000	5
	c) To operate radio transmission equipment		208	38	0	3	3				3	6 500	0
3.	Radio frequencies inspection	644		32	10	65	63				55	481 100	12
	a) The utilisation of radio frequencies without authorisation		192		9	58	56				48	425 100	11
	b) Compliance with the specified conditions for using radio frequencies		452	32	1	7	7				7	56 000	1
4.	Discovering sources of interference in electronic communications equipment and networks, provision of electronic communications services or the operation of radiocommunications services	2 232		160	0	1	1				0	0	0
	a) in radio and television reception (radio service)		1 859	91	0	0	0				0	0	0
	b) in radio equipment and networks		254	60	0	1	1				0	0	0
	c) in public communications networks for radio and television signal transmission (TKR)		90	8	0	0	0				0	0	0
	d) other		29	1	0	0	0				0	0	0
5.	Inspections of numbers for the purpose of number administration (number of inspection calls ⁴⁾)	34 809		5	0	2	2				2	610 000	0
	a) the use of numbers without authorisation		55		0	2	2				2	610 000	0
	b) the use of numbers in contradiction to the authorisation for their use		121	5	0	0	0				0	0	0
6.	Monitoring the radio spectrum for the purpose of administering the radio spectrum		3 717										
	a) measuring the use of frequencies and frequency bands over time		2 665										
	b) measuring radio signal coverage		408										
	c) measuring electromagnetic field intensity		264										
	d) other		380										
7.	Other ⁵⁾	811		205	2	116	115				107	3 880 985	3
	TOTAL	42 660		440	36	485	497	0	0	0	438	7 093 585	24

¹⁾ An inspection is completed with its physical performance.

²⁾ The number of issued decisions in 1st instance administrative proceedings is posted (regardless of the legal force)

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

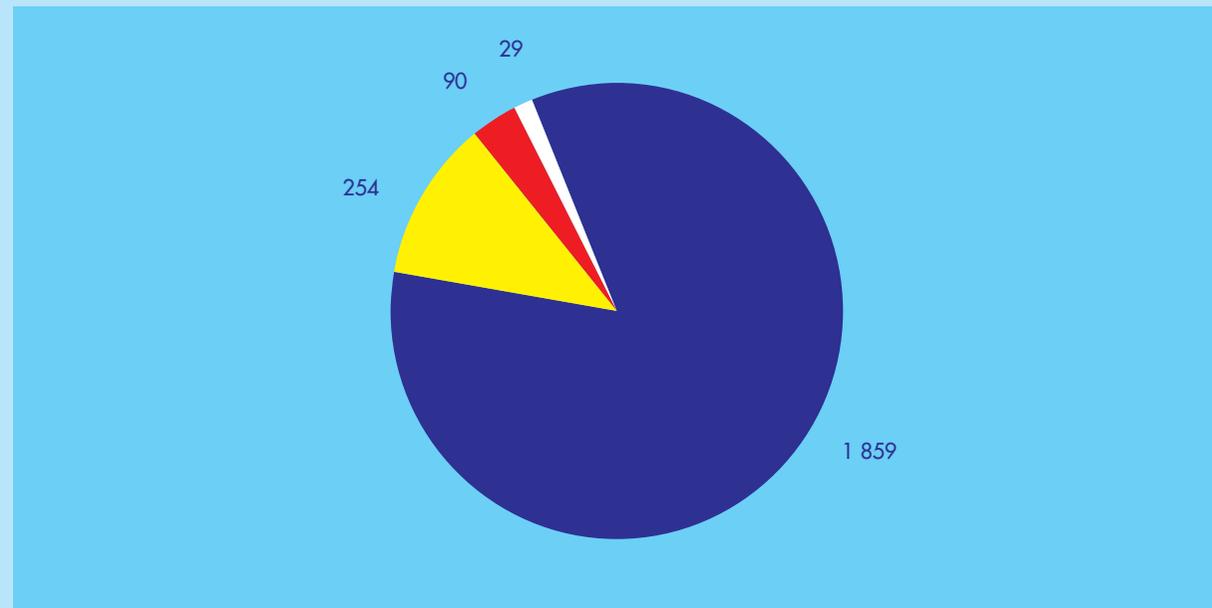
⁴⁾ The total number of calls to a telephone number in a given month

⁵⁾ Subsequent rows give specific problems. If necessary, more rows can be added

**DETECTION OF SOURCES OF INTERFERENCE OF TELECOMMUNICATIONS EQUIPMENT AND NETWORKS,
THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICES OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2007**

	2007
Radio and television reception (radio service)	1 859
Radio equipment and networks	254
Public communications networks for the transmission of radio and television signals (TKR)	90
Other	29

The Detection of Sources of Interference of Electronic Communications Equipment and Networks, the Provision of Electronic Communications Services or with the Operation of Radiocommunication Services – 2007



OOP – other					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
1.	OOP/10/01.2007-1	The MGN amending OOP/10/07.2005-3	29/1/2007	4/2007 dated 31/1/ 2007	15/2/2007
2.	OOP/11/06.2007-9	The MGN amending OOP/11/10.2005-42	27/6/2007	13/2007 dated 28/6/2007	1/7/2007
3.	OOP/10/06.2007-10	The MGN amending OOP/10/07.2005-3, as amended by OOP/10/01.2007-1	27/6/2007	13/2007 dated 28/6/2007	1/7/2007
4.	OOP/5/11.2007-14	The MGN that stipulates the content, form and method of publishing information on the results of the provision of the universal service pursuant to Section 47 (3)	21/11/2007	18/2007 dated 30/11/2007	1/1/2008
MGN – General Authorisation					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
5.	VO-R/22/02.2007-2	The MGN (General Authorisation) to operate terminals for communication using satellites in the 150 MHz frequency band pursuant to Section 9 (2)	8/2/2007	5/2007 dated 20/2/2007	1/3/2007
6.	VO-R/10/03.2007-4	The MGN (General Authorisation) for the use of radio frequencies and for the operation of short-range devices pursuant to Section 9 (2)	5/3/2007	7/2007 dated 15/3/2007	1/4/2007
7.	VO-R/2/03.2007-5	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 pursuant to Section 9 (2)	5/3/2007	7/2007 dated 15/3/2007	1/4/2007
8.	VO-R/12/05.2007-6	MGN (General Authorisation) that amends VO-R/12/08.2005-34	14/5/2007	10/2007 dated 12/6/2007	15 th day from publishing in TV
9.	VO-S/1/07.2007-11	MGN (General Authorisation) that amends VO-S/1/07.2005-9	23/7/2007	14/2007 dated 8/8/2007	15 th day from publishing in TV
10.	VO-S/2/07.2007-12	MGN (General Authorisation) that amends VO-S/2/07.2005-10	23/7/2007	14/2007 dated 8/8/2007	15 th day from publishing in TV
11.	VO-R/3/07.2007-13	The MGN (General Authorisation) for the use of radio frequencies and for the operation of PMR 446 equipment pursuant to Section 9 (2)	23/7/2007	14/2007 dated 8/8/2007	1/9/2007
MGN – Plan for the Use of the Radio Spectrum					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
12.	PV-P/22/02.2007-3	Part of the plan for the use of radio spectrum for the frequency band 87,5 to 146 MHz pursuant to Section 16 (2)	19/2/2007	6/2007 dated 1/3/2007	15 th day from publishing in TV
13.	PV-P/6/06.2007-7	Part of the plan for the use of radio spectrum for the frequency band 1900 to 2200 MHz pursuant to Section 16 (2)	11/6/2007	11/2007 dated 15/6/2007	1/7/2007
14.	PV-P/14/06.2007-8	Part of the plan for the use of radio spectrum for the frequency band 2200 to 2700 MHz pursuant to Section 16 (2)	11/6/2007	11/2007 dated 15/6/2007	1/7/2007
15.	PV-P/13/12.2007-15	Part of the plan for the use of radio spectrum for the frequency band 10 to 12,5 GHz pursuant to Section 16 (2)	4/12/2007	19/2007 dated 28/12/2007	1/1/2008

OVERVIEW OF EMPLOYMENT REGULATION LIMITS AS OF 31/12/2007
(IN CZK THOUSANDS)

Indicator	Actual	Approved budget	Adjusted budget	Actual	%	Difference between columns
	2006	2007	2007	2007	Compliance	sl. 5 – 2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done:	149 020	155 977	161 870	161 696,40	99,89	12 676
from which:						
Limit of funds for salaries	142 921	150 067	153 702	153 702	100,00	10 781
Limit of other payment for work done	6 099	5 910	8 168	7 994,40	97,87	1 895
Limit on the number of employees (average full-time equivalent)	461	473	473	463	97,89	2
Number of employees as of December 31	464	473	473	467	98,73	3

ANNEX NO. 2 TO DECREE NO. 323/2005 COLL.
OVERVIEW OF ITEMISED BINDING INDICATORS – 2007

ANNEX NO. 13

ANNEX NO. 1 TO DECREE NO. 323/2005 COLL.
BASIC PERSONNEL DATA – 2007

ANNEX NO. 14

in CZK thousands

Indicator	Budget		Actual
	Approved	After changes	
a	1	2	3
Limit of funds for salaries and other payments for work done	155 977	161 870	161 696,4
from which:			
Limit of funds for salaries	150 067	153 702	153 702
Limit of other payments for work done	5 910	8 168	7 994,4
Limit of number of employees (average full-time)	473	473	463

1. CLASSIFICATION OF EMPLOYEES ACCORDING TO AGE AN SEX
– STATE AS OF 31/12/2007

Age	Men	Women	Total	%
Up to 20	0	0	0	0
21 – 30	30	29	59	12,63
31 – 40	29	36	65	13,92
41 – 50	41	66	107	22,91
51 – 60	95	107	202	43,25
61 and over	22	12	34	7,28
Total	217	250	467	100,00
%	46,47	53,53	100,00	x

2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION AND SEX – STATE AS OF 31/12/2007

Education achieved	Men	Women	Total	%
Primary	1	2	3	0,64
Trained	2	4	6	1,28
Secondary vocational	0	7	7	1,50
Secondary complete	6	42	48	10,28
Secondary vocational complete	80	107	187	40,04
Higher vocational	1	3	4	0,86
University	127	85	212	45,40
Total	217	250	467	100,00

3. OVERALL DATA ON AVERAGE SALARIES AS OF 31/12/2007

	Total
Average gross monthly salary	27 664

4. OVERALL DATA ON THE ORIGIN AND TERMINATION OF EMPLOYMENT RELATIONSHIPS IN 2007

	Number
Hired	64
Terminated	68

5. DURATION OF EMPLOYMENT – STATE AS OF 31/12/2007

Duration	Number	%
Up to 5 years	162	34,69
Up to 10 years	88	18,84
Up to 15 years	87	18,63
Up to 20 years	60	12,85
Over 20 years	70	14,99
Total	467	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	–	8	–	8
German Language	–	–	–	–
French Language	–	–	–	–
Total	–	8	–	8

PETITIONS, COMPLAINTS, NOTIFICATIONS AND SUGGESTIONS IN 2007

ANNEX NO. 15

Type of submission	Number of submissions					
	Received	From previous period	Resolved	Justified	Unjustified	Continuing to next period
1. Petitions ^{*)}	0	0	0	0	0	0
2. Complaints ^{**)}	8	0	8	2	6	0
3. Notifications ^{**)}	0	0	0	0	0	0
4. Suggestions ^{**)}	0	0	0	0	0	0

^{*)} Act No. 85/1990 Coll., on the right to petition

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

COMPLIANCE WITH BINDING INDICATORS OF THE STATE BUDGET FOR 2007
(IN CZK THOUSANDS)

ANNEX NO.16

Indicators		Approved budget	Adjusted budget 2007	Actual 2007	Compliance %
		1	2	3	4
I. Summarising indicators					
1.	Total income	1 324 400,00	1 324 400,00	1 524 586,98	115,12
2.	Total expenses	924 465,00	920 581,00	946 204,07	102,78
II. Specific indicators					
1. Specific indicators – income					
	Non-tax income, capital income and transfers received total	1 324 400,00	1 324 400,00	1 524 586,98	115,12
2. Specific indicators – expenses					
	Expenses for ensuring the fulfilment of CTO tasks	924 465,00	920 581,00	946 204,07	102,78
	In which:				
	a) Expenses connected with the Czech presidency of the Council of the EU		1 320,00	1 268,19	96,08
	b) Other expenses for ensuring the fulfilment of CTO tasks	924 465,00	919 261,00	944 935,88	102,79
III. Cross-section indicators					
1.	Employee salaries and other payments for work done	155 977,00	161 870,00	161 696,40	99,89
	In which:				
	a) employee salaries	150 067,00	153 702,00	153 702,00	100,00
	b) other payments for work done	5 910,00	8 168,00	7 994,40	97,87
2.	Mandatory insurance paid by employer ¹⁾	54 592,00	56 721,00	56 721,00	100,00
3.	Allocation to Cultural and Social Welfare Fund	3 001,00	3 074,00	3 074,00	100,00
4.	Employee salaries in public administration	150 067,00	153 702,00	153 702,00	100,00
5.	Salaries of state employees in administrative authorities				
6.	Salaries of representatives of state authority and some bodies	4 893,00	6 078,00	5 904,40	97,14
7.	Ensuring preparation in crisis situation pursuant to Act No. 240/2000 Coll.	500,00	500,00	429,98	86,00

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

BUDGET HEAD INDICATORS – BREAKDOWN OF BUDGET FOR 2008
(IN CZK THOUSANDS)

ANNEX NO. 17

Indicators		Breakdown of 2008 budget
I.	Summarising indicators	
1.	Total income	1 100 000
2.	Total expenses	987 901
II.	Specific indicators	
1.	Specific indicators – income	
	Non-tax income, capital income and transfers received, total	1 100 000
2.	Specific indicators – expenses	
	Expenses for ensuring the fulfilment of CTO tasks	987 901
	Of which:	
	a) Expenses connected with the Czech presidency of the Council of the EU	1 447
	b) Expenses to finance the asset replacement programmes maintained in ISPROFIN	349 351
	c) Other expenses for ensuring the fulfilment of CTO tasks	637 103
III.	Cross-section indicators	
1.	Employee salaries and other payments for work done	163 460
2.	Mandatory insurance paid by employer ¹⁾	57 090
3.	Allocation to Cultural and Social Welfare Fund	3 121
4.	Salaries for employees with employment contracts	156 005
5.	Ensuring preparation in crisis situation pursuant to Act No. 240/2000 Coll.	100

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