



Český telekomunikační úřad

# ANNUAL REPORT OF THE CZECH TELECOMMUNICATION OFFICE FOR 2008



MAY 2009



Český telekomunikační úřad

# Annual report of the Czech Telecommunication Office for 2008

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.
- Complaints against the CTO's activities

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# 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 2008 (hereinafter only the "Report") presents the activities undertaken in that year, which include a wide range of standard tasks corresponding to the competencies and the obligations of the CTO. The 2008 Report thus presents in its individual sections a comprehensive and appropriately detailed overview of the results of the tasks carried out by the CTO pursuant to the requirements of the Electronic Communications Act.*

*During the year the CTO continuously monitored the whole electronic communications and postal services markets. In the area of regulation the CTO focused on the monitoring and evaluation of the impacts of regulatory measures imposed on the basis of the first round of relevant market analyses and the second round of relevant market analyses. In relation to the analysis and proposal of regulatory measures the CTO also made use of the results of the MOSEK Electronic Communications Services Monitoring Project, the aim of which was the acquisition of up-to-date data on the needs and preferences of the customers on these markets.*

*The CTO closely cooperated with the Ministry of Industry and Trade on the preparation of the amendment to the Electronic Communications Act, which is based on the experience acquired from its practical implementation. In this connection the CTO also concurrently proposed specific legislation that should contribute in the future to simplifying the rules for the financing of the Universal Service. During the year the CTO held repeated discussions with public administration bodies regarding the results of the examination of the reasons for regulating the obligation to provide a partial service within the framework of the Universal Service – the public telephone (PT) service.*

*In 2008 the CTO again was once more, as per tradition, heavily involved in the process for the transition to terrestrial digital broadcasting. In close cooperation with all the decisive participating parties the CTO prepared a final draft of the Government Resolution, through which the government issued in May 2008 the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting. The CTO prepared the first report on the course of the transition to*

terrestrial digital broadcasting and published a wealth of information about the achieved coverage by the terrestrial analogue and digital signal. In connection with the commencement of the process for the transition to terrestrial digital broadcasting, the CTO continued with the international coordination of frequencies as well as the coordination of solutions to technical issues arising from this process. From the long-term strategic perspective, in 2008 the CTO initiated public consultation and discussion on the implementation of the digital dividend in the Czech Republic.

In 2008 the CTO actively continued with its involvement in the discussion of the European Commission proposal for a revision of the regulatory framework for electronic communications. As part of this activity the CTO worked in cooperation with the responsible bodies to promote its important comments on the proposed revision of the regulatory framework. The CTO also ensured active participation in the work of working teams, in particular within the ITU, ERG and CEPT and in other international events with the aim of harmonising the regulatory measures in the EU and ensuring international cooperation.

The CTO cooperated with other state bodies during the performance of its activities in 2008. Regarding the monitoring and analysis of the electronic communications market, the CTO continued its close cooperation with the Office for the Protection of Competition. Cooperation with the Ministry of Industry and Trade of the Czech Republic was a matter of fact, in particular in the area of legislation and international activities. Within the framework of the process for the transition to digital television broadcasting, the CTO continued its cooperation with the Council for Radio and Television Broadcasting, the National Coordination Group for Digital Broadcasting and the Association of Regions. Close

cooperation with associations active on the electronic communications markets was also a matter of course in 2008.

In 2008 the CTO continued its focus on the rationalisation of its own activities. This involved, for example, the commencement of process analyses of the individual areas of the CTO's activities. There was further improvement in the use of information and communications technologies and work continued on the integration of the CTO information systems, the completion of the ASFSM project and so on. In 2008, too, the CTO continued 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 that its analyses and the related administrative procedures according to the competencies it is charged with by law are sufficiently transparent and objective.

The comprehensive data contained in this Annual Report can also be supplemented with other detailed findings from its standard activities as well as specific decisions made by the CTO, which are regularly presented in the monthly monitoring reports. Since 2006 these monitoring reports have created a coherent series which is undoubtedly an appreciated source of relevant and valid information as well as evidence of the transparent behaviour of the CTO for the expert and business public.

I believe that 2008 was another successful year for the CTO and one in which it succeeded in fulfilling, responsibly and effectively, the tasks of the central public administration authority for the electronic communications and postal services sector.

# BASIC INFORMATION ABOUT THE CTO

The Czech Telecommunication Office (hereinafter only the "CTO") was established through **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), as 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. The CTO has a separate chapter in the state budget and is an accounting unit.

The CTO has a five-member council (hereinafter only the "Council"). One of the Council members is the chairman of the Council and heads the whole CTO. The term of office of Council members is five years, while one Council member is named every year. In 2008 the chairman of the Council was PhDr. Pavel Dvořák, CSc. and the other Council members were Bc. Michal Frankl, Mgr. Petr Štěpánek, Ing. Zdeněk Švrček and Ing. Jana Fürstová, who was appointed member of the Council for another term of office of five years on the basis of Government Resolution No. 636 of 21 May 2008.

The CTO has its headquarters in Prague and performs its competencies through its units, i.e. sections, departments and divisions. The departments for the South Bohemian, West Bohemian, North Bohemian, East Bohemian, South Moravian and North Moravian regions are detached units of the CTO located outside Prague. The average converted number of employees at the CTO in 2008 was 453.

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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 evaluation of the state and development of the electronic communica-

tions and postal services sector. In this part of the Report an evaluation 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 evaluation 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 on the process of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, which was commenced in 2008 after some delays over the previous years.

For the sake of completeness the part focusing on the evaluation of the electronic communications and postal services market also includes general information on the main findings from the results of the consumer survey carried out by the CTO in 2008.

In the following parts of the Annual Report you can find a detailed examination of other activities and the results achieved in the individual expert areas the 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 comprehensive information on the financial results of the CTO and its compliance with stipulated budget indicators for 2008, information on 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) and 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 on 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.

# Chapter I.

## STATE AND DEVELOPMENT OF THE ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES MARKETS IN 2008

### 1. Legal Framework

In 2008 the legal framework for the market of networks and electronic communications services and the postal services market was composed in particular of the basic legal standards 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 their implementing regulations. Act No. 500/2004 Coll., the Administrative Code, as amended, was of fundamental importance for the procedural perspective of the activities of the CTO in 2008.

The following legal regulations with an impact on electronic communications or postal services and also the activities of the CTO were issued in 2008:

#### 1.1 Amendments to the Electronic Communications Act

**Act No. 124/2008 Coll., which amends Act No. 269/194 Coll., on the criminal register, as amended, and some other Acts**

- effective from July 1, 2008
- this Act, apart from other things, amended the Electronic Communications Act in its parts relating to the obligation to present a certificate from the criminal register as material for decision-making by the administrative body (here the CTO). Until this time a certificate from the criminal register was required by law for the notification of business (Section 8 (6) of the Electronic Communications Act), for the issue of individual authorisations to use radio frequencies (Section 17 (5) of the Electronic Communications Act) and for the issue of authorisation to use numbers (Section 30 (4) of the Electronic Communications Act). On the basis of Act No. 124/2008 Coll., the obligation to submit a certificate from the criminal register for the issuing of individual authorisations to use radio frequencies and authorisation to use numbers was abrogated,

while although the obligation to demonstrate integrity through a certificate from the criminal register was retained for notification of business, this certificate will in the future be requested by the administrative body itself (the CTO) in electronic form via remote access.

**Act No. 177/2008 Coll., which amends Act No. 141/1961 Coll., on criminal proceedings in courts of law (the Criminal Procedure Code), as amended, and Act No. 127/2005 Coll., on electronic communications, and on amendments to some related Acts (the Electronic Communications Act), as amended**

- effective from July 1, 2008
- this Act, in connection with the adopted amendment to Section 88 of the Criminal Procedure Code, amends the Electronic Communications Act, specifically Section 97 (2), which addresses issues relating to tapping and recording messages. Pursuant to the former legislation, for tapping and recording messages pursuant to Section 88 of the Criminal Procedure Code the agreement of the subscriber to the tapped line was required. Pursuant to the new legislation, it is the agreement of the user of the tapped line that is required.

**Act No. 189/2008 Coll., which amends Act No. 18/2004 Coll., on the recognition of professional qualification and other eligibility of citizens of Member States of the European Union and some citizens of other states and on the amendment of some other Acts (the Act on Recognition of Professional Qualifications), as amended, and other related Acts**

- effective from July 1, 2008
- this Act, apart from other things, amends the competence of the CTO as the recognising body in the area of the use of radio frequencies (Section 26 (2) of the Electronic Communications Act). The competency to operate radio-transmitting equipment shall in the future be evaluated as part of the professional qualification relating to the performance of regulated professions. In view of the fact that the recognition of qualification for these professions is part of the competencies of other government departments, in such cases the professional

competency shall be evaluated exclusively by such government departments, while the CTO shall assume the role of advisory body.

**Act No. 247/2008 Coll., which amends Act No. 127/2005 Coll., on electronic communications and on amendments to some related Acts (the Electronic Communications Act), as amended**

- effective from September 1, 2008
- this Act is the implementation of Directive 2006/24/EC of the European Parliament and of the Council of 15 March 2006 on the retention of data generated or processed in connection with the provision of publicly available electronic communications services or of public communications networks and amending Directive 2002/58/EC, which was adopted for the purpose of harmonising the obligations of the providers of publicly available electronic communications services or public communications networks, in relation to the retention of operational and location data, with the aim of ensuring the availability of this data for the purpose of the investigation, detection and prosecution of criminal offences.

In this connection there was an amendment in the Electronic Communications Act relating to the definition of the term "user" of publicly available electronic communications services and the introduction of a new definition of the term "unsuccessful call attempt". In addition, there was further specification of the obligation to retain operational and location data, including the obligation to protect it and to provide this data without delay to bodies authorised to request it, as well as the obligation to destroy this data after the expiration of a stipulated period. There is a new obligation to collect statistical data on the retention of the data in question and to submit it once a year to the CTO, which in turn will submit these statistics to the European Commission. This amendment of the Electronic Communications Act relates in particular to Sections 88, 91 and 97.

To ensure the performance of the obligations in question, the administrative delict part of the Electronic Communications Act with the necessary sanction provisions was also supplemented. At the same time, sanctions for potential breaches of already effective Regulation (EC) No. 717/2007 of the European Parliament and of the Council of 27 June 2007 on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC were supplemented. As regards administrative punishments, this Act also amended the possibilities for the CTO to stipulate the amounts of fines.

**Act No. 384/2008 Coll., which amends Act No. 155/1998 Coll., on sign language and on amendments to some other Acts and certain related Acts**

- effective from October 20, 2008
- in connection with the amendment to the Act on Sign Language, this Act amends Section 135 (3) of the Electronic Communications Act to ensure that the method of communication by deaf and hard-of-hearing citizens before the CTO regulated here is in accordance with the Act on Sign Language.

## 1.2 Amendment to the Postal Services Act

Act No. 29/2000 Coll., on postal services and on amendments to certain related Acts (the Postal Services Act), as amended, was not amended in 2008.

## 1.3 Other Legal Regulations

**Act No. 273/2008 Coll., on the Police of the Czech Republic**

- effective from January 1, 2009
- this Act cancels the earlier Act No. 283/1991 Coll., on the Police of the Czech Republic, as amended, and its implementing legal regulations. The new Czech Police Act in Section 39 expressly enshrines the authorisation of the Czech police, to an essential extent and for an essential period, to interfere with the operation of electronic communications equipment and networks, the provision of electronic communications services or the operation of radio-communications services, for the purpose of removing immediate threats to the lives or health of people and/or immediately threatening significant damage to property. The Czech police will announce the implementation of this interference as long as this does not threaten the performance of other tasks, to the relevant Integrated Rescue System centre and the CTO. It will also inform, to the required minimum extent, the affected network and services operators. The conditions for the implementation of this interference and the connected issues of settling any damages incurred and the method of paying purposefully invested costs are stipulated by an implementing legal regulation issued by the Ministry of Industry and Trade in cooperation with the Ministry of the Interior of the Czech Republic (decree for the performance of Section 39 (3) of Act No. 273/2008 Coll.)

**Government Regulation No. 109/2008 Coll., on the conditions for the provision of special prices of the publicly available telephone service**

- effective from May 1, 2008
- this government regulation was issued for the performance of Section 38 (8) and Section 43 (5) of the Electronic Communications Act, as amended by Act No. 261/2007 Coll., and replaces the existing Government Regulation No. 336/2006 Coll., on the conditions for the provision of special prices of the publicly available telephone service. The new government regulation reacts to the legislative amendment performed through Act No. 261/2007 Coll., which restricted the persons authorised to request within the framework of the Universal Service the partial service of special prices or price plans – persons with special social needs. Such persons are, pursuant to the new legislation, handicapped persons stipulated in Section 43 (4) letters a), b), c) or d) of the Electronic Communications Act.

**Government Regulation No. 161/2008 Coll., on the technical plan for the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting (the Government Regulation on the Technical Plan for the Transition)**

- effective from May 15, 2008
- the Government Regulation on the Technical Plan for the Transition stipulates the rules for the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, in particular the deadlines, conditions and the procedural method for the process of developing the electronic communications network for terrestrial digital television broadcasting, including the deadlines, conditions and method for switching off terrestrial analogue television broadcasting in the Czech Republic for the purpose of establishing an electronic communications network for the public service multiplex, other networks for nationwide terrestrial digital television broadcasting and a single network enabling regional terrestrial digital television broadcasting. It stipulates November 11, 2011 as the deadline for the completion of the transition with the exception of the Jeseník and Zlín territorial areas. In these areas terrestrial analogue television broadcasting will be switched off on June 30, 2012.

**Government Regulation No. 162/2008 Coll., which amends Government Regulation No. 154/2005 Coll., on the determination of the amounts, and method of calculation, of fees for the use of radio frequencies and numbers, as amended by Government Resolution No. 288/2007 Coll.**

- effective from May 15, 2008
- this Government Resolution was issued for the performance of Article II point 3 of 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. The Government Resolution stipulates differing fees for the use of radio frequencies for the purposes of terrestrial analogue television broadcasting and terrestrial digital television broadcasting related to the compliance with the schedule for switching off terrestrial analogue television broadcasting stipulated in the Government Regulation on the Technical Plan for the Transition.

**Decree No. 163/2008 Coll., on the method of stipulating coverage by the terrestrial television broadcasting signal**

- effective from May 30, 2008
- the purpose of this decree is the legal enshrining of the method of stipulating the territory covered by the terrestrial television broadcasting signal, the methods for stipulating the intensity of the electromagnetic field and the method derived from this for stipulating the coverage of citizens by the television broadcasting signal. In this way the legislation in question ensures unified and binding criteria essential for establishing and comparing the

reception of Czech nationals, in particular during the implementation of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, or for comparing the reception of terrestrial analogue television broadcasting with that of terrestrial digital television broadcasting.

**Decree No. 231/2008 Coll., which amends Decree No. 117/2007, on numbering plans of electronic communications networks and services**

- effective from July 1, 2008
- the purpose of this decree is to further specify some legal institutes that are used (e.g. supplementing the definition of easy to remember numbers or the regulation of the definition of the international identifier of mobile telephone network subscribers). In addition Annex No.1 of the Decree was amended in relation to descriptions and notes for some numbers and access codes (points 4.5, 6 and 7 of Annex No.1). This legislation also led to the release from the reserve of access code 989 for Virtual Private Networks (VPN) ranging from 9890 to 9899.

## 2. Evaluation of the Electronic Communications Market

Last year the consolidation of electronic communications market continued with the merger of several important telecommunications services providers. The position of the important operators was strengthened, while competition between them intensified, in particular in mobile services. There was also a further expansion of the offer of services for consumers and reductions in the prices of the services offered.

From the perspective of an evaluation of the electronic communications market in 2008 and its comparison with the preceding years, we can state that there was no fundamental change in development on the decisive segments of the electronic communications market.

In 2008 the fall in the number of fixed line subscribers and subscriber lines continued and was accompanied by a further fall in the volume of calls.

The number of broadband subscribers did not rise significantly, however the position of the dominant operator providing DSL services, Telefónica O2, strengthened. We can assume that this trend will continue in the next period. The CTO reacted to this situation by regulating the obligations imposed on the relevant market for wholesale broadband access, which on the basis of the completed analysis of this market imposed new obligations, the so-called Naked DSL. This should enable the other alternative operators to offer DLS broadband services without the user having to concurrently pay for access to a publicly available telephone service.

The number of subscribers to services provided in mobile networks did not significantly rise either, and therefore we can assume that this section of the market is approaching

saturation. Important events in 2008 on the mobile market nevertheless included the entrance of a new operator, MobilKom, offering mobile voice services (in mid-2008) and at the end of the year the commenced construction of a UMTS standard network by Vodafone.

The total volume of usage in mobile networks continued to rise together with a rise in the average usage per subscriber. Operators also expanded their offers of data and voice services in UMTS networks.

One important event in 2008 was the commencement of the gradual transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting. This issue is the subject of a separate part (part 4) of this chapter of the Annual Report.

Pursuant to the provisions of the Electronic Communications Act and within the framework of the monitoring of the state and development of the electronic communications market, the CTO paid close attention during 2008 to the development of the prices of electronic communications services. CTO regularly publishes overviews of valid prices and their comparison on its website. During the monitoring of the state and development of the electronic communications market and, similarly, during the handling of specific submissions, the CTO continues to closely cooperate with the Office for the Protection of Competition.

Another important event for the electronic communications market in the Czech Republic was the transfer of recommendation of the European Commission (hereinafter the "EC") from 2007 regarding the relevant markets designated for ex-ante regulation into the legislation of the Czech Republic and its implementation into new rules within the framework of the second round of the relevant market analyses (for more details see the commentary in part 2.1).

## 2.1 Market Analyses and Monitoring

At the start of 2008 the CTO issued Measure of a General Nature No. OOP/1/02.2008-2, which newly defined the relevant markets within the Czech Republic for the purpose of their analysis and the implementation of ex-ante regulation. The recommendation meant a reduction in the number of markets suitable for ex-ante regulation (including criteria for evaluating significant market power) from 18 to 7 markets (of which 6 wholesale and 1 retail).

The remaining markets, on which pursuant to the formerly valid measure the CTO did not stipulate any undertaking with significant market power and did not impose any obligations, are no longer considered as relevant for ex-ante regulation. The second round of analyses of the former relevant markets No. 10 – transit services in the fixed public telephone network, market No. 14 – wholesale market for leased line transit segments, market No. 15 – call access and origination in public mobile telephone networks and market No. 17 – wholesale national market for international roaming in public mobile networks will not be performed or will not be carried out.

On the basis of the new definition of the relevant markets described above, in 2008 the CTO also commenced the process for performing the so-called three-criteria test for those markets on which undertakings with significant market power were found and subjected to obligations to take corrective measures during the first round of analyses even though they are not considered as relevant for the implementation of ex-ante regulation according to the new EC Recommendation.

In 2008 the CTO thus completed the analysis of the former relevant market No.3 – publicly available national telephone services provided at a fixed location for residential customers and, in connection with its results subsequently cancelled the designation of Telefónica O2 as an undertaking with significant market power together with the obligations imposed on it.

At the end of 2008 was completed the analysis of market No.5 – wholesale provision of broadband access in electronic communications networks (formerly market No.12), on which Telefónica O2 was designated as undertaking with significant market power, and obligations were imposed on it permitting access and capacity sharing, transparency, non-discrimination and separated documentation of costs and revenues.

In the monitored period were, in accordance with the new measure, also commenced analyses of relevant markets No.3 – call termination in individual public telephone networks provided at a fixed location (the former market No.9), No.4 – wholesale (physical) access to network infrastructure (including shared or full access to subscriber lines) at a fixed location (the former market No.11) and market No.7 – wholesale termination markets for calling from fixed and mobile publicly available telephone networks (the former market No.16). The analyses in question were commenced taking into account the deadlines proposed in the first round of market analyses.

In 2008 the information for the second round of the relevant market analyses was fully acquired through electronic data collection, which had already been introduced the year before.

## 2.2 Development of Selected Services in the Main Market Segments

### 2.2.1 Voice services provided in fixed networks

In 2008 there was further consolidation of the larger undertakings, for example at the end of the year the Dial Telekom group purchased Telekom Austria Czech Republic, a.s. In 2008, 235 undertakings provided a publicly available telephone service, of which the most important were Telefónica O2, GTS Novera, České Radiokomunikace, Tiscali, T-Systems Pragonet, BT Limited, ČD-Telematika, ČEZnet, Etel and UPC. Telefónica O2 retained the strongest position in the provision of publicly available telephone services in 2008.

The trend of expanding offers of services through new technologies continued, in particular services using VoIP and the migration of users to mobile and broadband networks.

Operators began offering their customers a larger number of services in various package formats. The public's greatest interest was focused on the provision of the IP TV service, which is offered together with a telephone service and broadband internet access. In spite of these important influences, the classic publicly available telephone service remained the main source of revenue in the area of voice services provided in fixed networks in 2008. Losses of revenue from the classic publicly available telephone service were partially compensated for by revenues from broadband access services provided over fixed networks.

In 2008 the number of subscribers to voice services expressed through the number of subscriber lines provided over fixed networks fell once again as documented in the following graph.

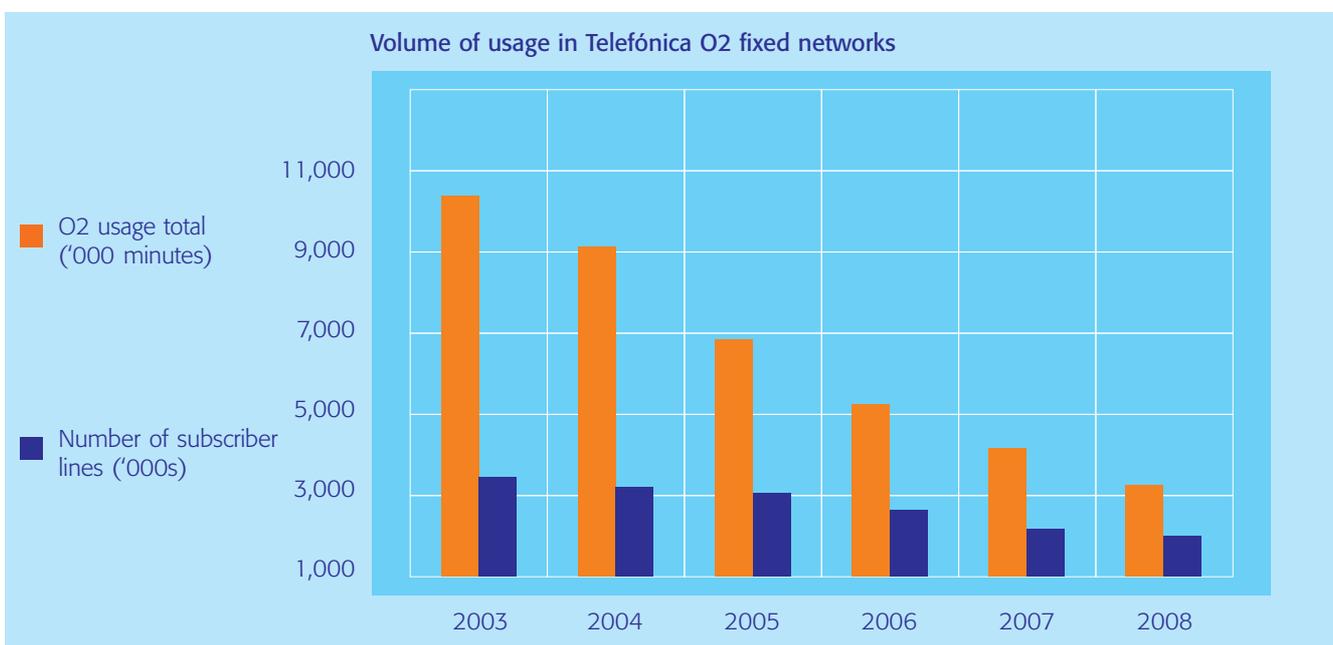
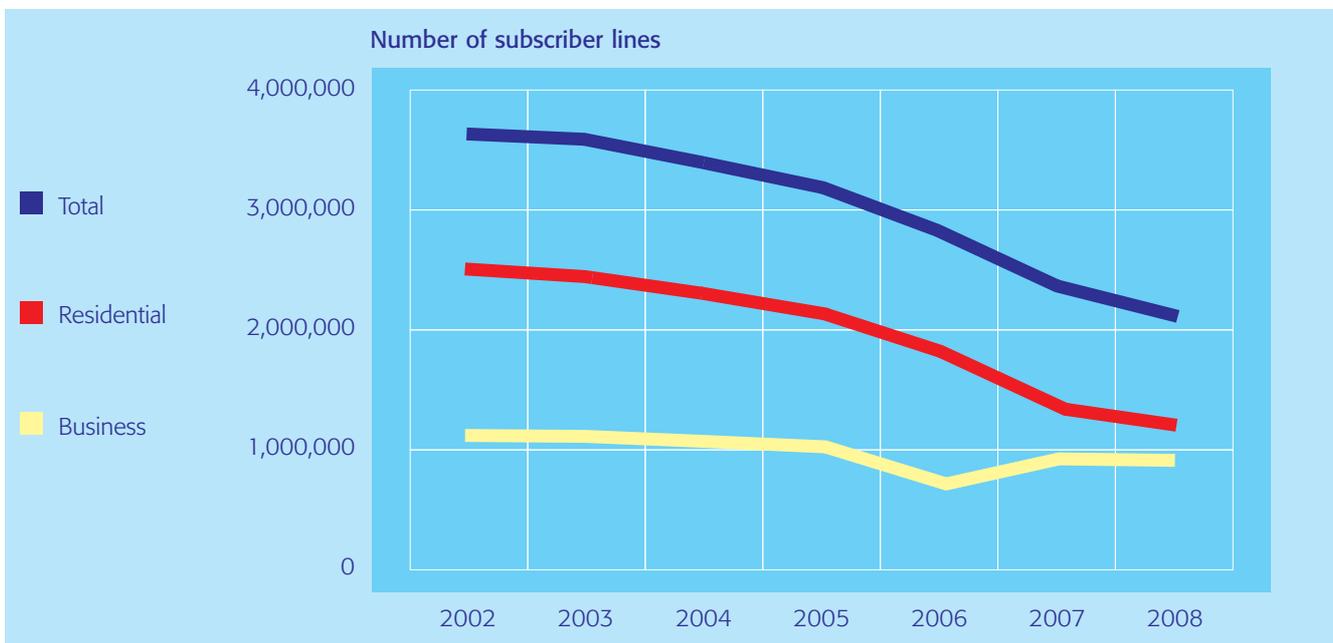
Together with the falling number of subscribers, the volume of use of fixed networks also fell, as is clear from the

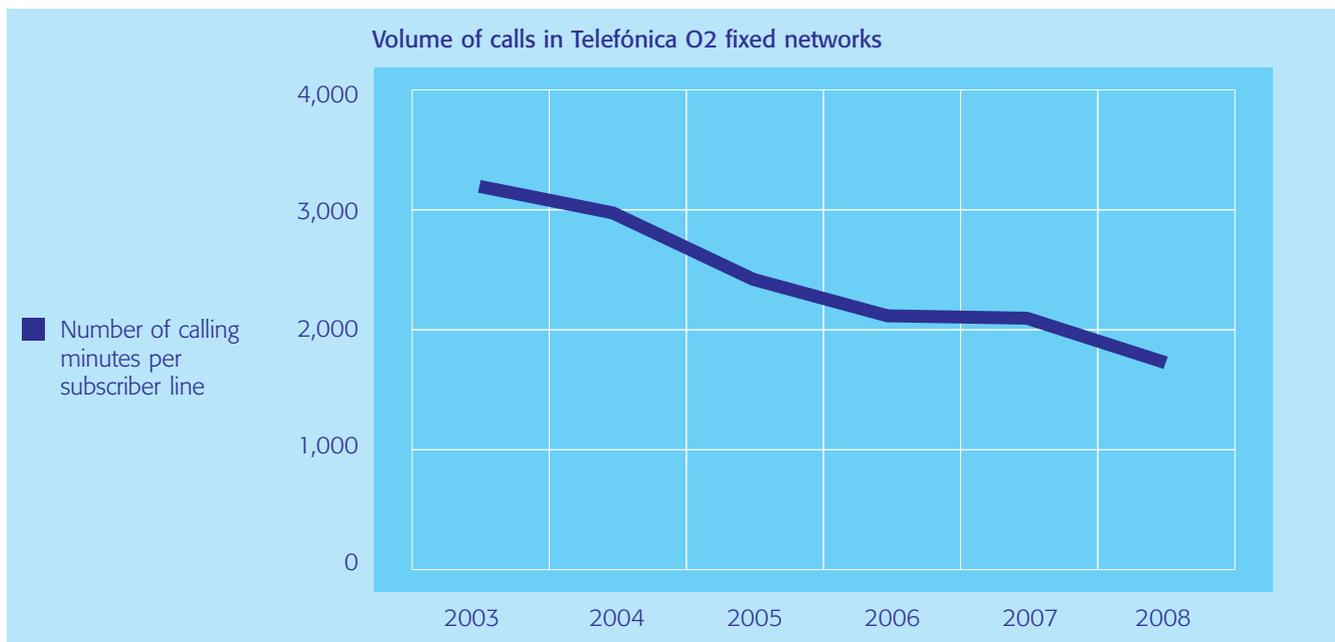
following graph, which contains usage data for Telefónica O2 as the undertaking with the largest market share.

Of the total usage, in 2008 almost 28 % left for the networks of other operators in fixed networks through Carrier Selection and Pre-selection (CS/CPS). In 2008, however, the growth in the share of CS/CPS slowed in comparison to previous years.

The continuing fall in the volume of calls expressed in minutes per subscriber line is documented in the following graph using data from Telefónica O2 as the dominant provider of voice services in fixed networks.

The figure of 2,089 calling minutes per subscriber line in 2007 fell by almost 17 % in 2008 to 1,735 calling minutes. The reasons for this drop are the transfer of such voice calls to mobile networks and the higher use of calling via broadband internet access.



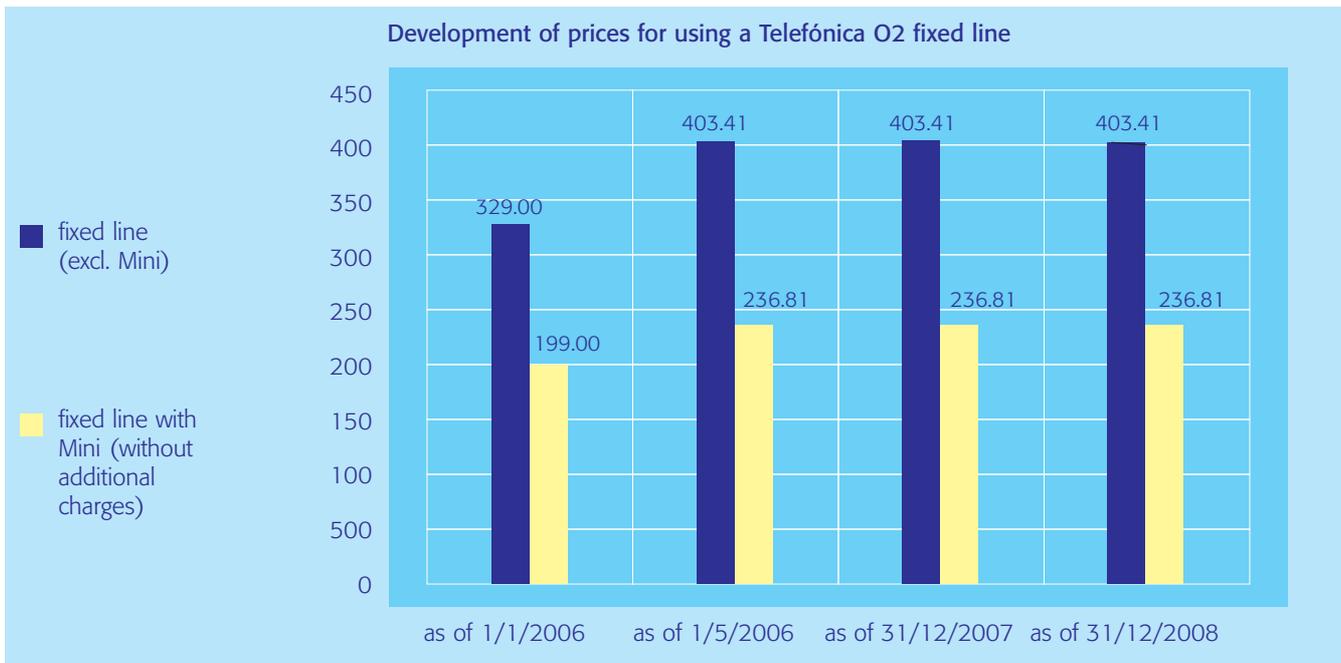


### Development in Prices of Voice Services in Fixed Networks

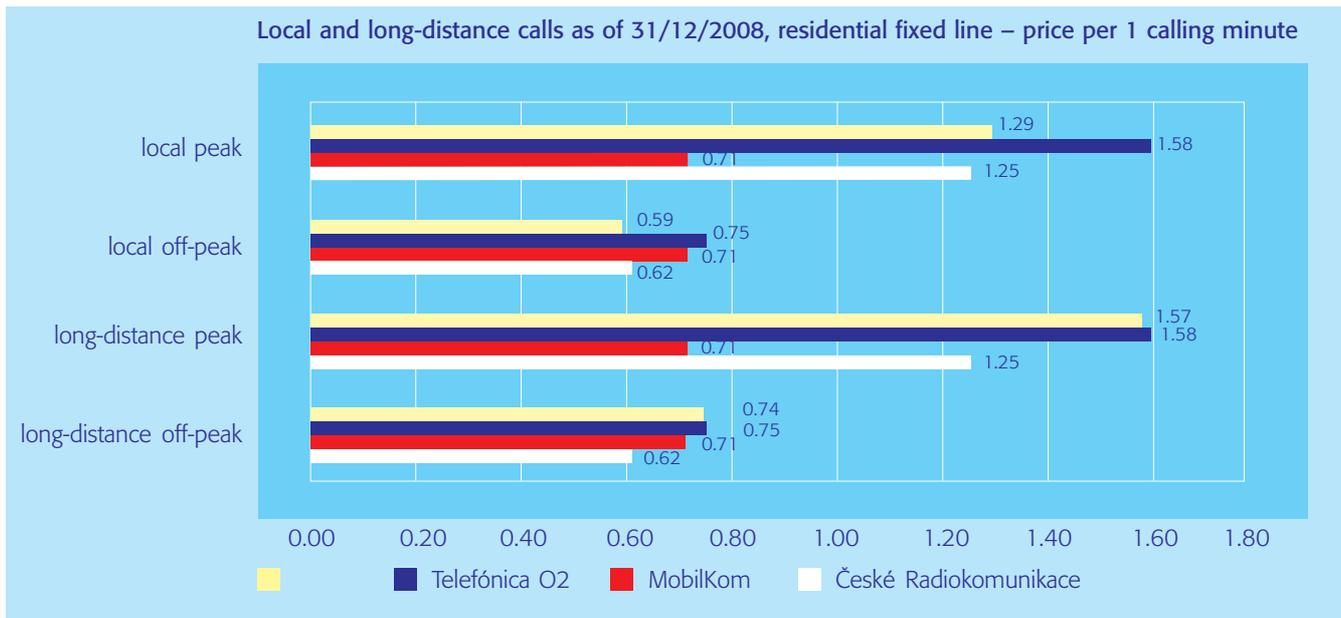
The development of prices of voice services is given in the following graphs. In view of the position of Telefónica

O2, the prices for the services of setting up and using a fixed line for this undertaking are given in the graphs. For voice services the graph shows the prices of the important operators providing telephone services via fixed telephone networks.





The following graph gives a comparison of prices in 2008 for local and long-distance calls for residential lines according to the offers of the individual important operators.



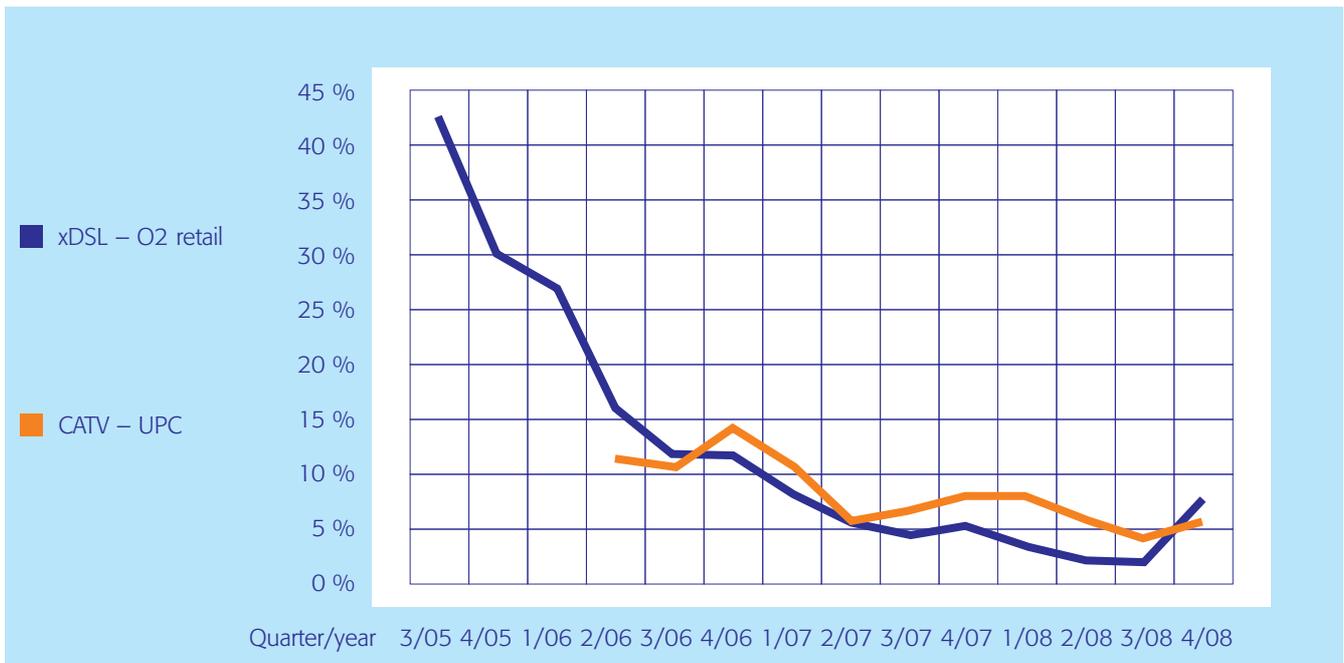
**2.2.2 Broadband services**

Although relevant market No. 5 (the broadband access market), which the CTO analysed in 2008, is a wholesale market, the results of this analysis can also be used to evaluate the situation on the related retail market as the conditions on the retail broadband access market are directly related to the analysed wholesale market.

More details on the quarterly changes in the growth in the number of provided xDSL connections by Telefónica O2 (compared to the second largest provider in the Czech Republic – UPC) are given in the following graph. Both these

companies together have over 50 % of the retail market and so we can say that reflect the state of the retail market.

From the perspective of the technologies used for the retail broadband access service, the situation on the retail market as regards the market share of the individual technologies has remained basically unchanged in comparison to past years. WLL accesses (including all fixed radio access and access using a WiFi network) retained an important market share and the share of broadband services via xDSL in total retail broadband access remained under 40 % in 2008. The Czech Republic is thus the only European Union Member State (perhaps with the exception of the newest Member States) in which the share of xDSL access at retail level is less than 40 %.



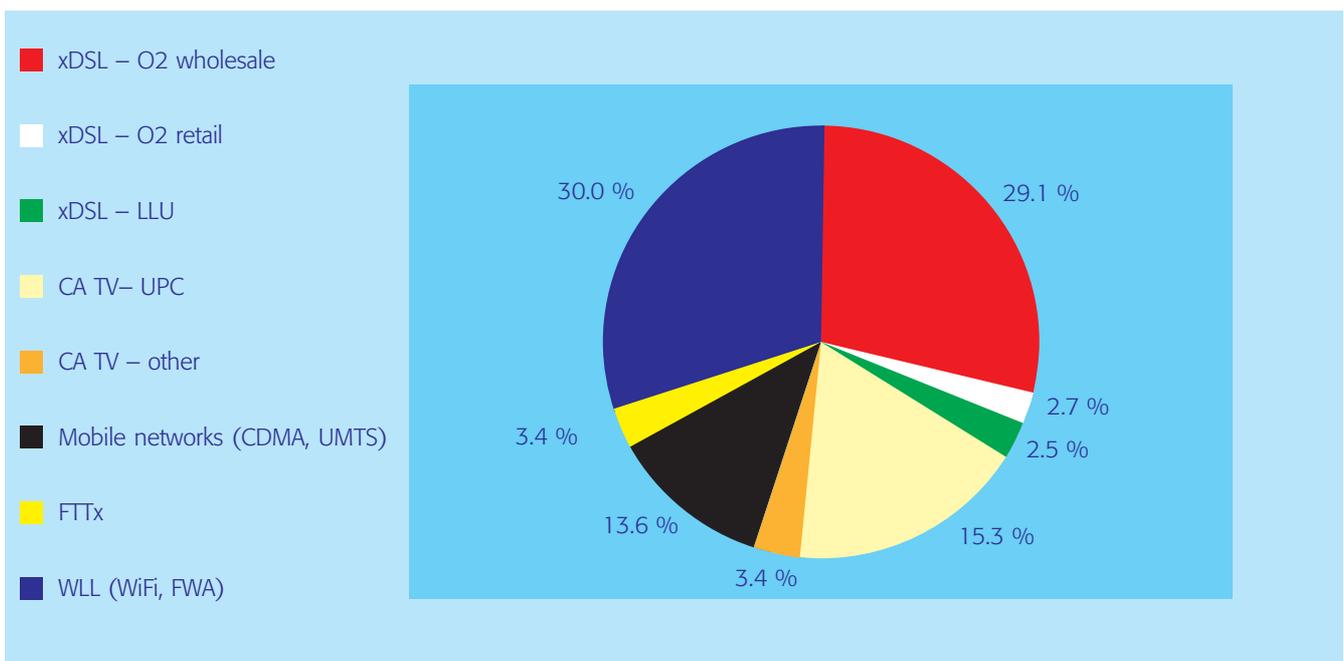
One of the reasons why WiFi networks have retained their position is the fact that the majority of important WiFi providers are gradually shifting to the more advantageous frequency band in the 5 GHz band, and thanks to the falling prices of these technologies they can provide users with higher quality services, including voice services via VoIP as an alternative to the publicly available telephone service.

In the coming years we can expect providers to focus primarily on further improvements in the quality of their services. Some WiFi and CATV providers have already begun investing in their networks (thanks to their lengthy presence

on the local market), in particular in terms of building optical connections so that in the future they will be able to compete with the largest providers with offers of even higher quality services.

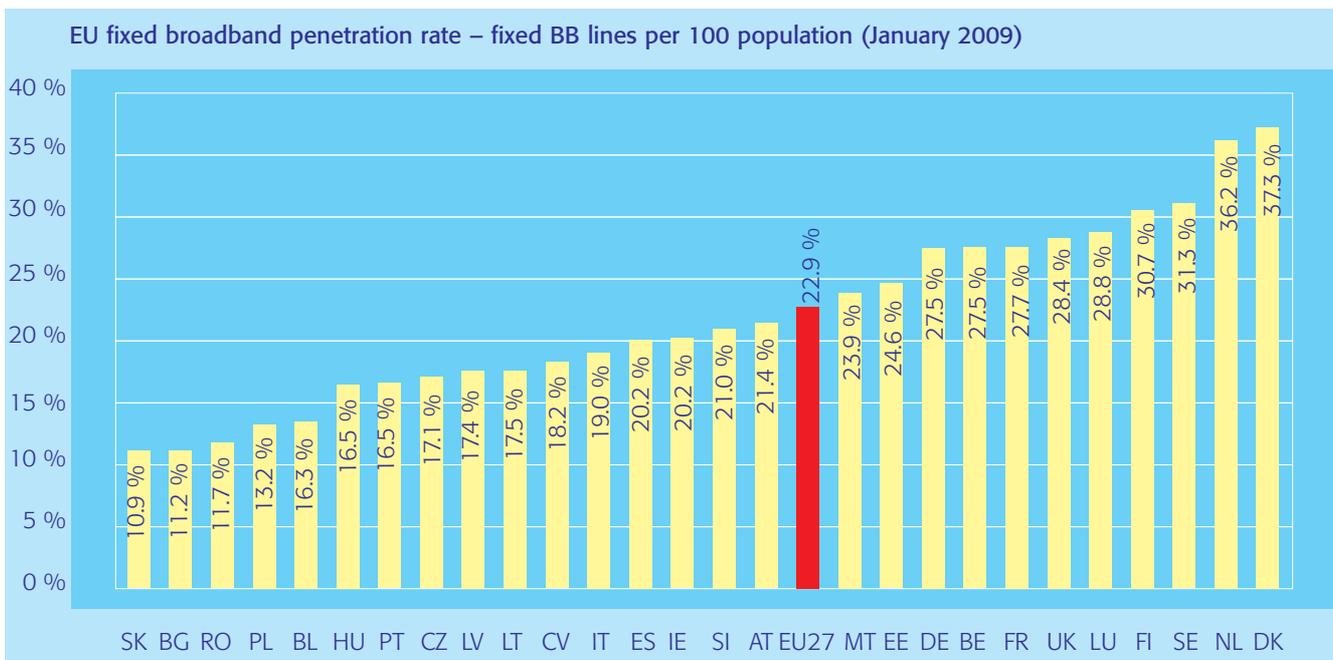
**Market Share of the Individual Technologies for Broadband Access**

This graph shows the share of the individual technologies at the end of 2008, while the absolute number of provided accesses was around 2,030,000, giving a market penetration of almost 20 %.



The position of the Czech Republic from the perspective of the share of broadband connections per citizen in an international comparison with other EU Member States is documented in the following graph. This however does

not include accesses via mobile networks, while the Czech Republic is one of few countries to also use a CDMA network for broadband access and this is often used by users as a fixed connection – if this was included, the Czech Republic would be at the level of Italy.



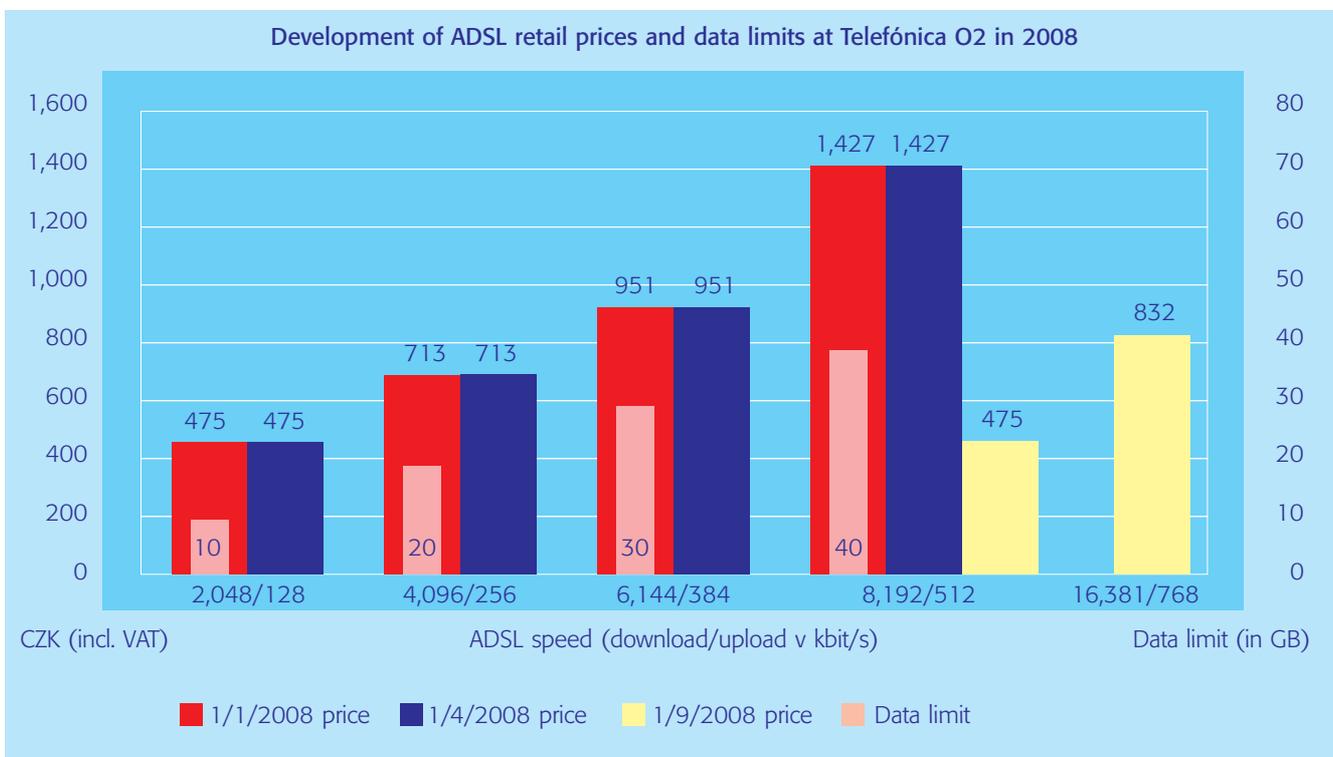
Source: Progress Report on the Single European Electronic Communications Market (14<sup>th</sup> Report)

**Development in Prices for Broadband Access Services**

In 2008, thanks to a change in the Carrier Broadband (RAO) wholesale offer from Telefónica O2 there was also

a change in the offers of retail ADSL services from the separate operators.

The development of prices and data limits for different speeds in the Telefónica O2 Internet ADSL retail offer is shown in the following graph.



The following graph shows a comparison of the offers of the four largest operators on the domestic market. The basis for the graph for the undertakings České Radiokomunikace, GTS NOVERA and Telekom Austria is services with a speed of 8Mbit/s provided on the basis of wholesale access to the Telefónica O2 network. The service

with this speed was the only one provided throughout the year and thus enables a good comparison of the offers from the individual operators. The highest price during the year was offered by Telefónica O2. The offers from GTS NOVERA and České Radiokomunikace were CZK 5 and CZK 12 back at the start of the year. The cheapest throughout the year

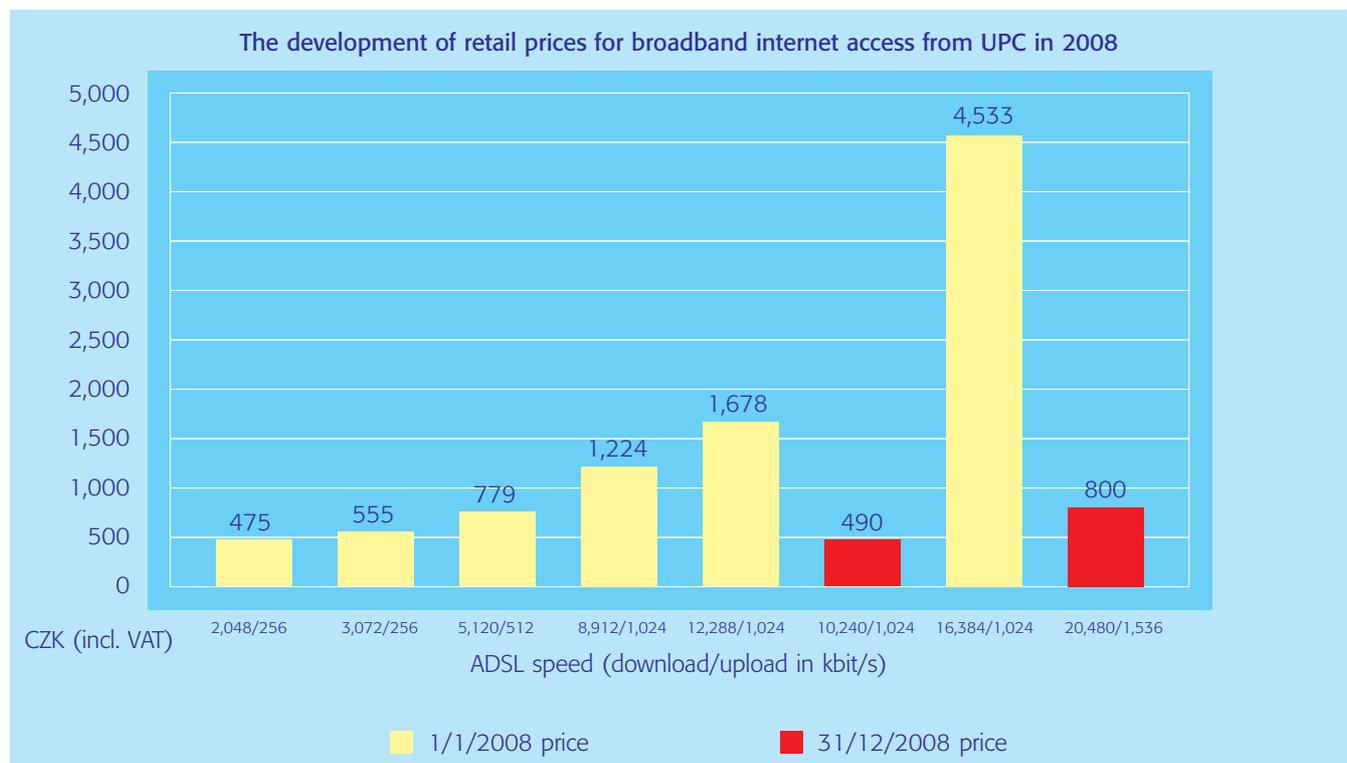
was the offer from Telekom Austria – in January there was a difference of around CZK 48/month between it and the most expensive offer from Telefónica O2. In addition, until

April 1 České Radiokomunikace, GTS NOVERA and Telekom Austria provided their services with a higher data limit (48GB) than Telefónica O2 (40GB).



As the speed increased the differences between the monitored services from the operators fell even more and the difference between the most expensive – Telefónica O2 – and the cheapest – Telekom Austria – was CZK 7.

Another important undertaking on the retail broadband connection market is UPC. The following graph documents the development of the prices of their broadband services between January 1, 2008 and December 31, 2008.



UPC cancelled its data limits for the majority of its services back in July 2007. At the end of March the majority of services also had their download speed increased. The

new maximum was 20,480 kbit/s with the UPC Extreme service. Only the UPC Starter service speed was left unchanged (2,048/256 kbit/s), but its data limit of 20GB

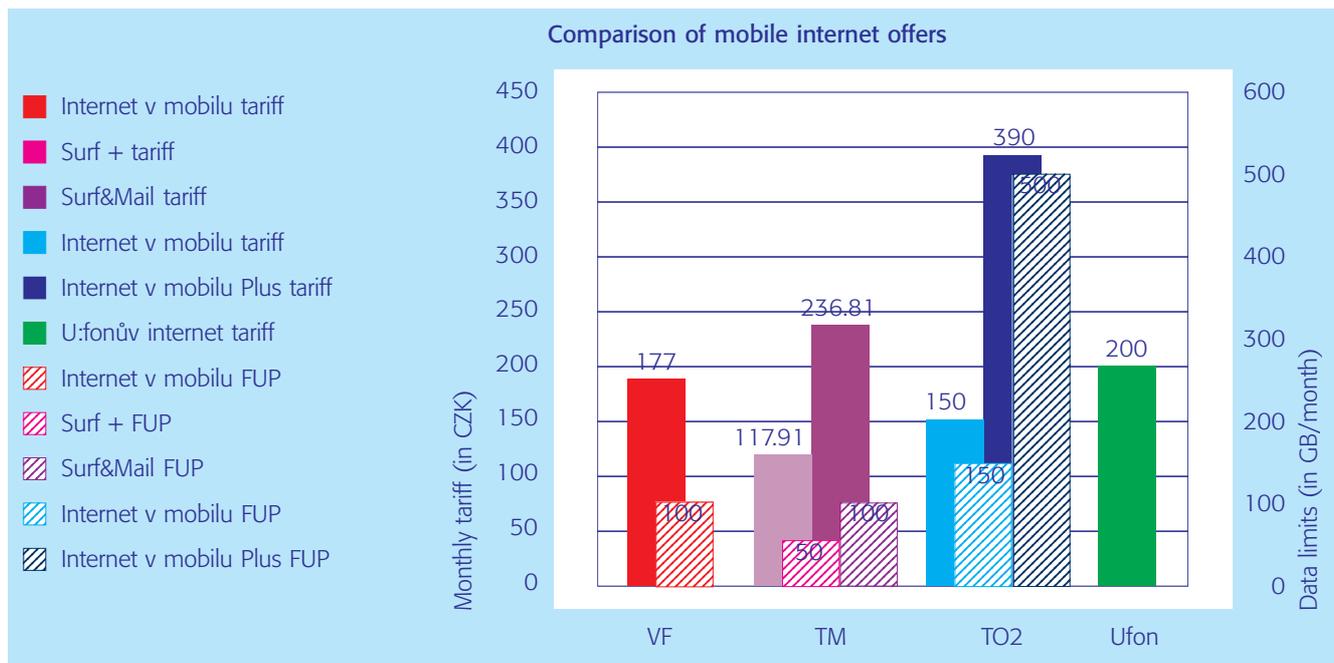
was cancelled at the end of March. On March 1, ADSL prices were raised by CZK 15. There were more fundamental changes on September 15. UPC adapted to the current trend on the high-speed internet market and reduced the number of its services from seven to two (with speeds of 10 and 20 Mbit/s).

### Comparison of Retail Prices for Downloading Data from Mobile Operators

In view of the fact that mobile internet access services are a more and more significant alternative to broadband

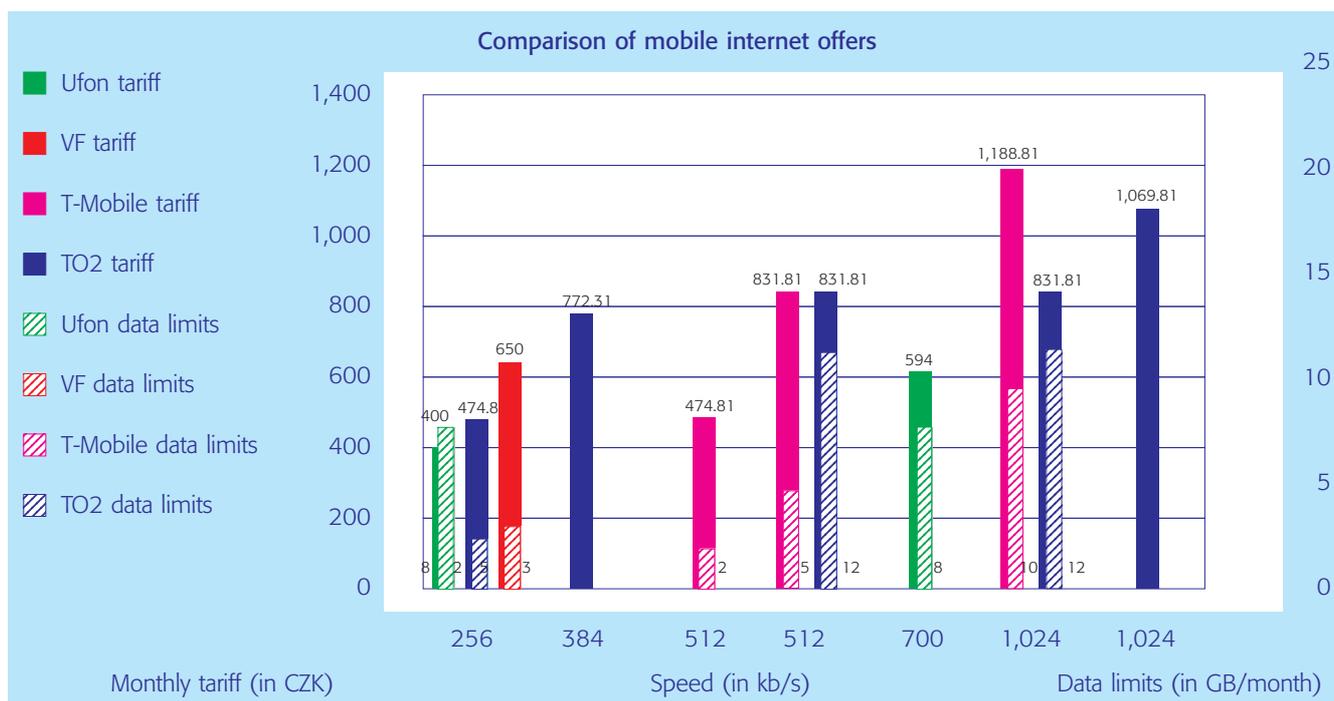
access in fixed networks, in 2008 the CTO paid attention to monitoring price developments (including the connected conditions) for these services as well.

In addition to T-Mobile, which had already offered specially priced packages for mobile internet access the year before, Telefónica O2 began to provide such special prices from July 2008 and Vodafone from November. MobilKom also offered a package including internet access and this did not even have a data limit. The offers differ in terms of both data limits and price, and they are presented in the following graph for comparison purposes.



As regards the mobile internet, Vodafone also began providing this service from October 2008 for a monthly tariff. MobilKom only modified the conditions of its service called 'U:fonův telefon s Internetem'. The graph thus compares the

individual offers (the solid columns) as well as the data limits (the cross-hatched columns). The offers without a data column represent unrestricted internet access.



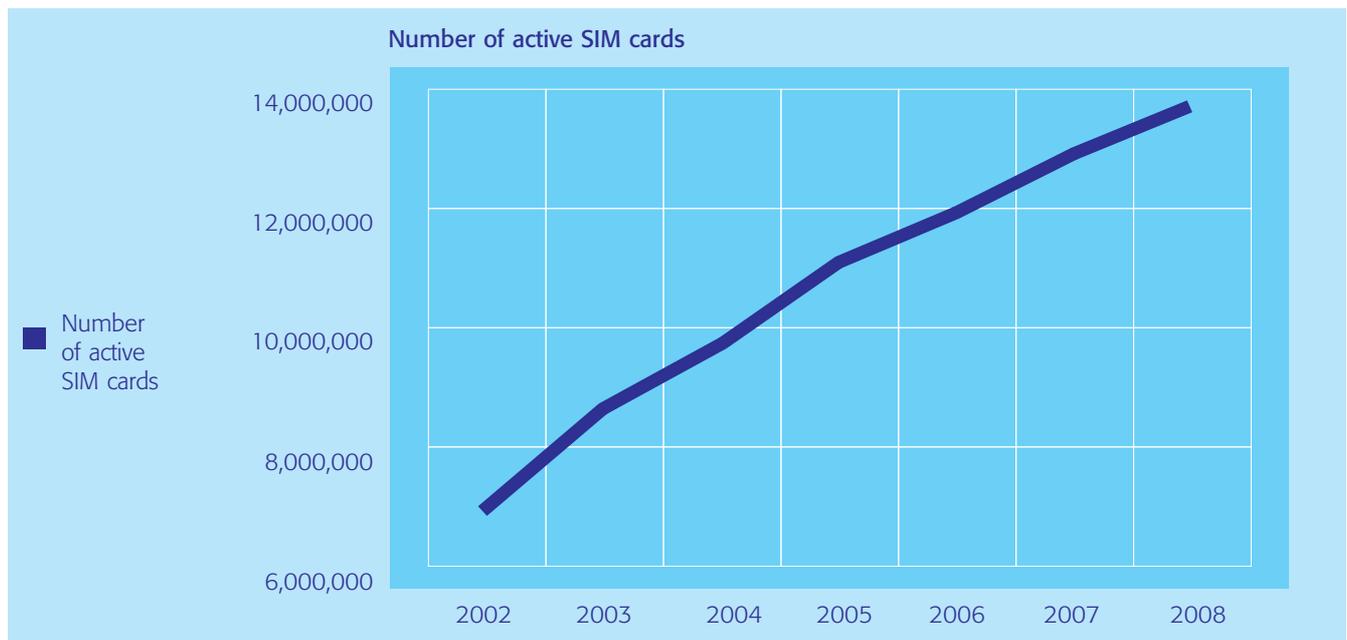
### 2.2.3 Voice services provided in mobile networks

The number of operators providing mobile services increased to four at the end of the first half of 2008, when MobilKom entered the mobile voice services market to join Telefónica O2, T-Mobile and Vodafone. This undertaking had previously provided (since 2007) voice services at a fixed location and internet access via its CDMA network in the 450 MHz band. The market shares of the traditional service providers in terms of the number of SIM cards were relatively stable over the previous three years, while Vodafone has seen a market share increase of over 1 % to over 22.5 % at the end of 2008. The Telefónica O2 and T-Mobile market shares in this period fell to under 40 %. Since it began providing services, i.e. from May 16, 2008 to the end of 2008,

MobilKom acquired a total of 25,000 subscribers. The market of services provided in mobile networks as a whole is generally assessed as very competitive.

From the perspective of the technological solution used in mobile networks, there was an expansion in UMTS network coverage in 2008, in particular at its close. Alongside the development of the already existing Telefónica O2 and T-Mobile UMTS networks, Vodafone also commenced the construction of its own UMTS network at the end of 2008.

The development of the number of active SIM cards in GSM networks pursuant to CTO methodology is given in the following graph.



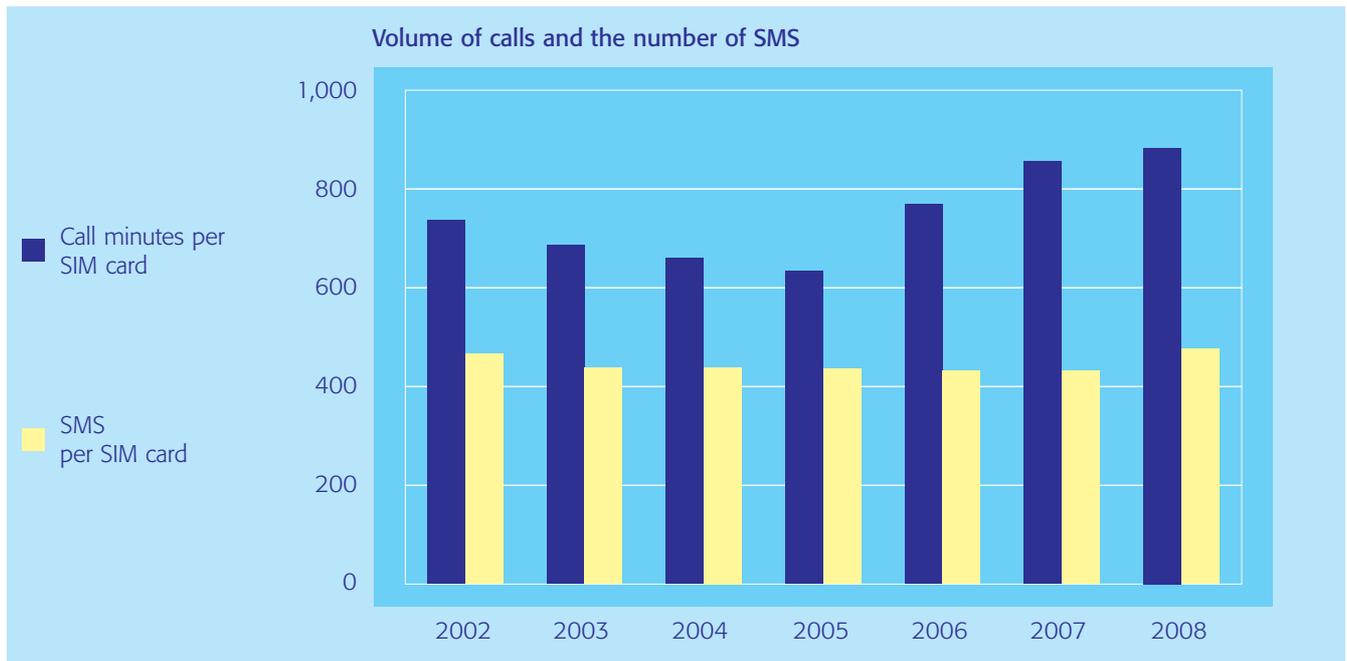
In 2008 there was a year-on-year rise in the number of new SIM cards of 6.3 % (i.e. by 819,701) to give a total of 13,780,165.

2008 saw the continuation of the rise in the volume of voice calls and also in the number of SMS messages sent in mobile networks, as shown in the following graph (excluding roaming).



Volume expressed in calling minutes per active SIM card, meaning per subscriber, also continued to rise in 2008,

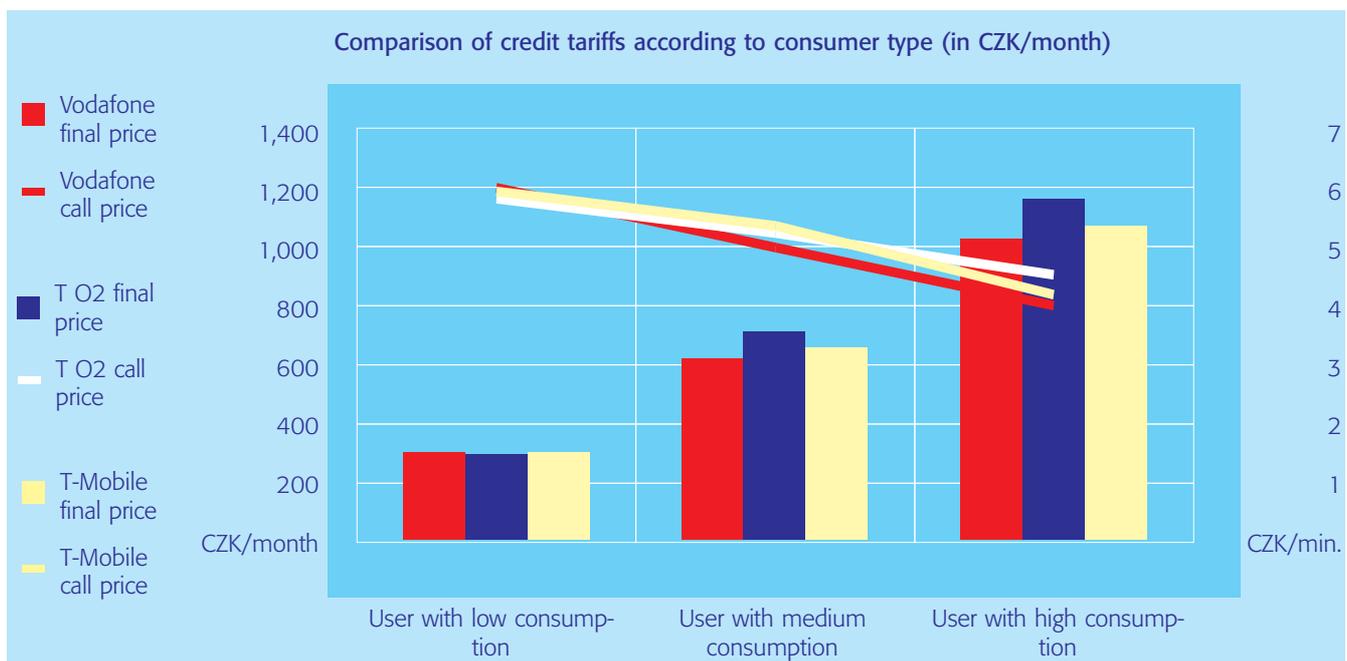
excluding roaming. This reached 915 real minutes per subscriber and 498 SMS messages per SIM card.



**Comparison of Prices for Services Provided in Mobile Networks**

The CTO monitored the development of prices for mobile services provided at retail. In view of the fact that since its entry onto the mobile voice services market in mid-2008, MobilKom has not yet acquired a significant share of the retail market, the price comparison given here will only include the offers from Telefónica O2, T-Mobile and Vodafone.

The graph below compares the credit tariffs of the three mobile operators offered in 2008 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 method for the individual user

types (these are final totals of minutes) 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
<b>OECD method</b>			
<b>Average calls (in minutes)</b>	<b>44</b>	<b>114</b>	<b>246</b>
– calls to all networks in the CR	42	110	238
– voice box	2	4	8
<b>Average number of SMS</b>	<b>33</b>	<b>50</b>	<b>55</b>
<b>Average number of MMS</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Names of the monthly prepaid services used</b>			
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

## 2.3 Development of Prices on Selected Wholesale Markets

During 2008 the CTO focused on evaluating price levels on selected wholesale markets that have a fundamental influence on price creation and the development of prices on related segments of the retail market.

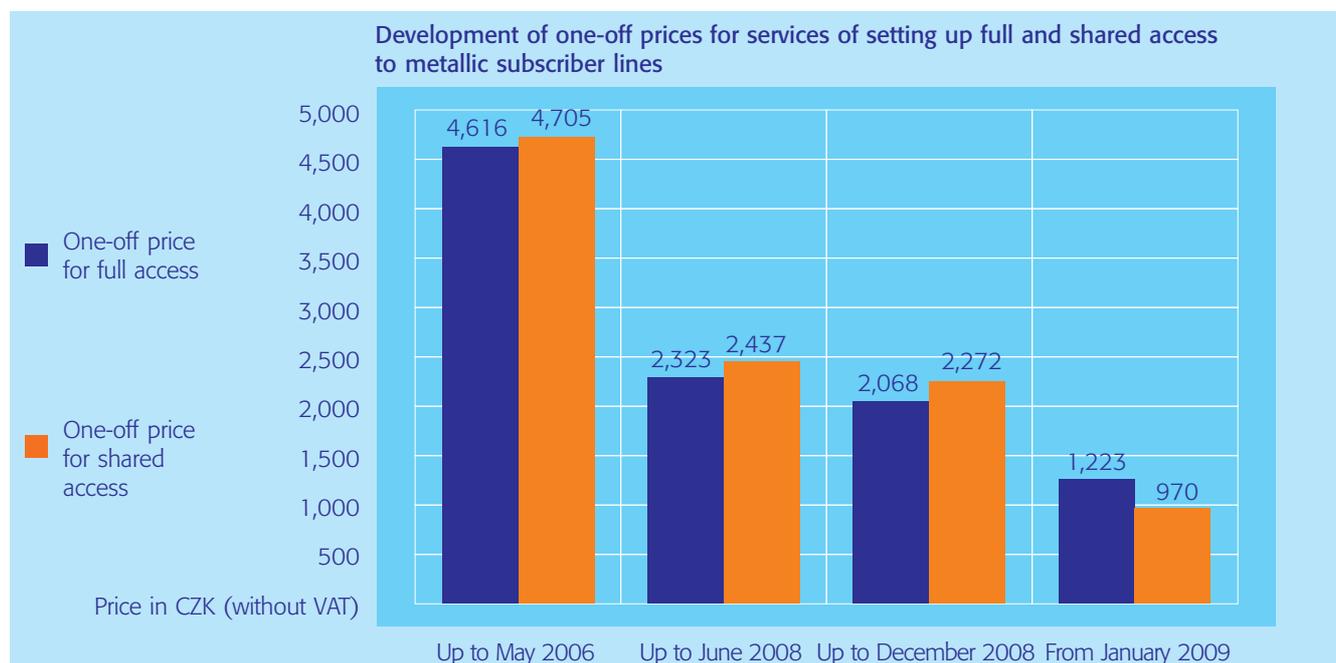
The CTO focused, in connection with the performance of the second round of relevant market analyses, primarily on the following wholesale markets:

- Wholesale markets for access to metallic subscriber lines and related services,
- The wholesale market for broadband internet access,
- The wholesale termination market in the individual public mobile networks.

### 2.3.1 Wholesale Full and Shared Access to Metallic Subscriber Lines

The CTO issued two price decisions in 2008 on the basis of a thorough evaluation of the costs of Telefónica O2 stipulated on this wholesale market through obligations related to price regulation. The first came into force on June 4 2008 while the second, issued at the end of 2008, changes the maximum one-off access prices from January 1, 2009.

The development of the one-off and monthly prices for the decisive access services, including the estimate for 2009 according to the issued decisions, is shown in the following two graphs.





In mid-2008 the issue of pricing decision No. CEN/11/06.2008-2 resulted in a fall in the monthly price of full access by around 27 %, while for shared access the monthly price fell by 42 %. Pricing decision No. CEN/11//12.2008-13 issued at the end of 2008 resulted in a reduction in the one-off price for setting up full access by around 41 % and for shared access by around 57 %.

Collocation services (the provision of space and equipment) are also provided on this wholesale market in addition to the access services. In 2008 there was a significant reduction in the price for such collocation services.

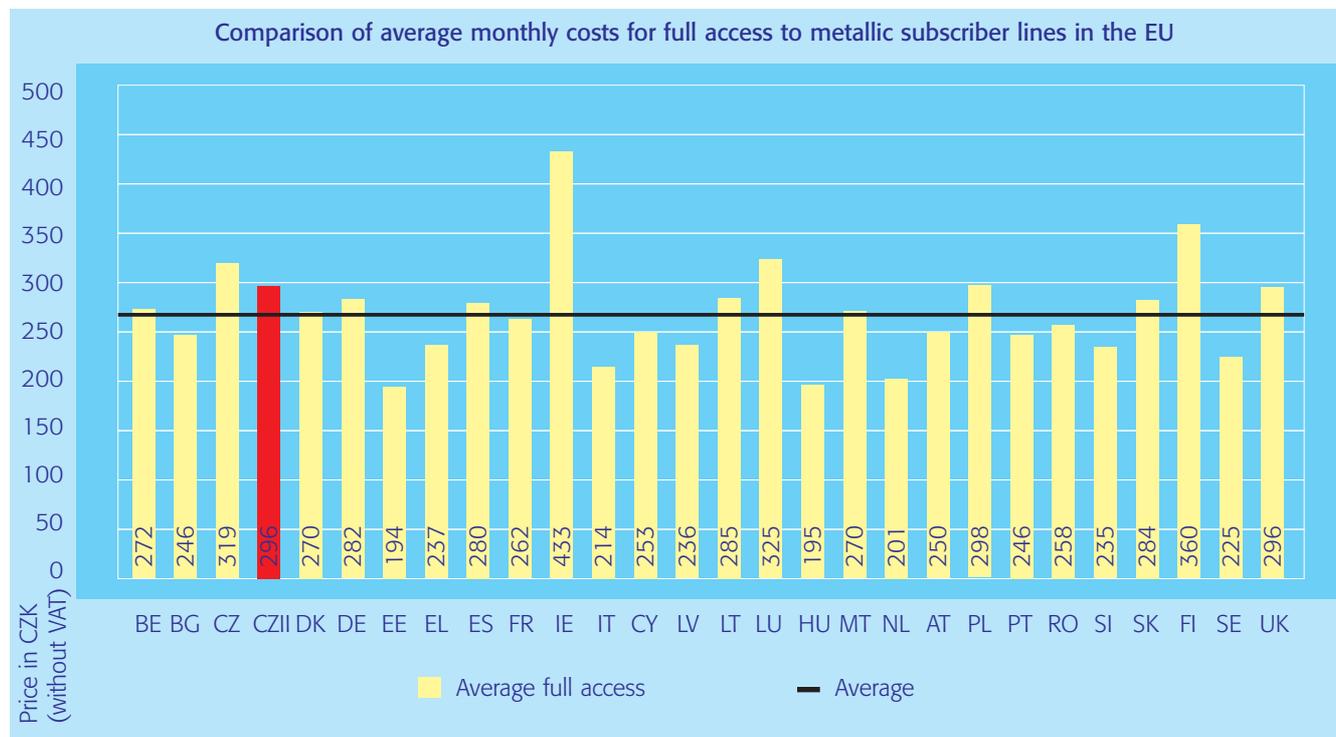
For example the monthly prices for some services that are important for alternative operators fell. One of these is the price for the monthly lease of collocation space, the development of which is recorded in the following graph. This also shows another important detail, namely that some types of services were also merged into a single item, which made the whole pricing structure more transparent. The collocation space lease service was originally split into 6 pricing items depending on the number of residents at the location of the collocation space. The price range between these items was between CZK 7,363 and CZK 10,008 until mid-2008 (when pricing decision No. CEN/11/06.2008-2 was issued). At the current time there is only a single item with a price CZK 6,730 irrespective of the location of the collocation space.



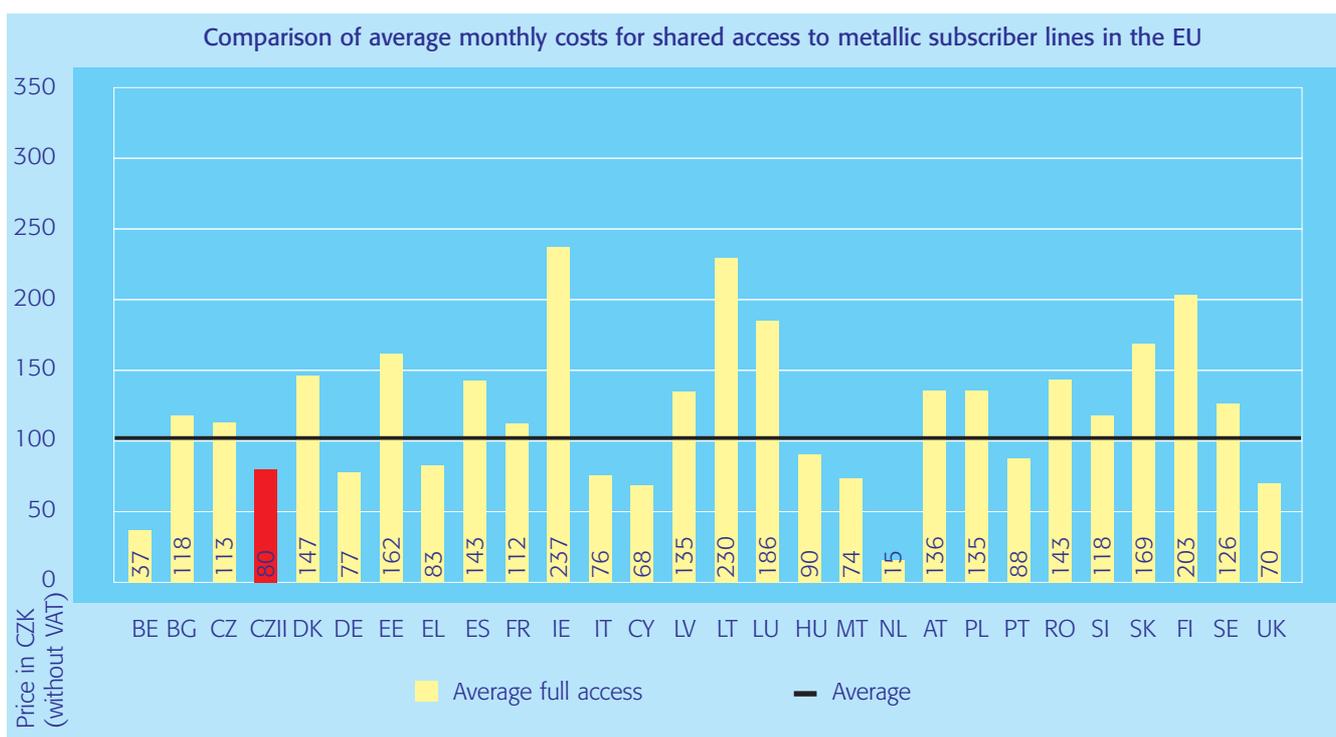
From the perspective of an international comparison, the monitored prices of wholesale access services in the Czech Republic are either under or approaching the European average.

The following graphs document an European comparison of the values of the average monthly costs for shared or full access<sup>1)</sup>. Because this indicator includes both the monthly price and also part of the one-off price (broken down over 3 years) it represents a more comprehensive

overview of the price level for full and shared access in the individual countries. Between 2005 and 2008, as can be seen from the implementation report, the average monthly price for full access fell by 11.6 % (from EUR 12.76 to EUR 11.28) and for shared access by 12.6 % (from EUR 5.16 to EUR 4.51). In the same period in the Czech Republic there was a fall in the average monthly price for full access by 44 % and in the average monthly price for shared access by 72 %. Both these monitored values – i.e. average monthly costs for full and shared access – are under the European average.



Source: 14<sup>th</sup> Implementation Report, prices from pricing decision No. CEN/11/12.2008-13 for item CZII. Exchange rate: 24,51 CZK/EUR on October 1, 2008 according to the ECB exchange rate list



Source: 14<sup>th</sup> Implementation Report, prices from pricing decision No. CEN/11/2008-13 for item CZII. Exchange rate: 24,51 CZK/EUR on October 1, 2008

<sup>1)</sup> One-off price for setting up access is broken down over 36 months (3 years) and added to the monthly price.

## Wholesale Broadband Internet Access

On this wholesale market, the analysis of which CTO completed in the second half of 2008, no pricing regulation was imposed on the undertaking with significant market power – Telefónica O2. In view of the importance of this wholesale access, however, the CTO is continuously monitoring the development of the prices of the wholesale offers from Telefónica O2, which was designated the undertaking with significant market power through the market analysis. The conditions of the wholesale offer from this undertaking thus fundamentally influence the possibilities of the other operators to offer their ADSL retail services.

At the start of April 2008 a new wholesale offer for network access (RAO) Carrier Broadband Limit07 and Super07 from Telefónica O2 became valid. The most significant change compared to the previous version of the wholesale offer is that on the basis of the requirements of the CTO decision on the imposition of corrective measures, Telefónica O2 began to implement summarised data limits on its wholesale partners (i.e. the alternative operators). While pursuant to the previous version of the wholesale offer data

limits were applied for individual end users of the alternative operators, since April 2008 the data limits are now summarised for all end users of an alternative operator. The same method of working with data limits is applied in the wholesale offer of Carrier IP Stream.

The changes in the wholesale network access offer from Telefónica O2 have allowed other operators to cancel their data limits for ADSL services built around inputs from this wholesale offer with effect from April 1, 2008. The data limits were cancelled by Telefónica O2, České Radiomunikace, GTS NOVERA and Telekom Austria, but also by some other smaller companies offering internet access.

There was another significant change to the wholesale network access offer from Telefónica O2 with effect from September 1, 2008. The current portfolio of services was reduced from five (2, 3, 4, 6 and 8 Mbit/s) to two (8 and 16 Mbit/s) and from four speeds (2, 4, 6 and 8 Mbit/s) also to two (8 and 16 Mbit/s), including for services without data limits and with 1:20 aggregation (the so-called Carrier Broadband Super07).

## Undertaking (provider of wholesale services): Telefónica O2

	price	State on 1/1/2006 01/06	State on 1/4/2007 04/07	State on 1/7/2007 07/07	State on 31/12/2007 12/07	State on 30/6/2008 06/08	State on 31/12/2008 12/08
Set up of high-speed access	CZK	990.00	990.00	990.00	990.00	990.00	990.00
Access speed 2,048 kbit/s without data limit	CZK/month	1,417.00	751.00	–	–	–	–
Access speed 4,096 kbit/s without data limit	CZK/month	5,560.00	1,395.00	–	–	–	–
Access speed 8,192 kbit/s without data limit	CZK/month		5,538.00	–	–	–	–
Access speed 2,048 kbit/s with data limit	CZK/month	452.00	282.00	282.00	282.00	282.00	–
Access speed 4,096 kbit/s with data limit	CZK/month	985.00	430.00	430.00	430.00	430.00	–
Access speed 8,192 kbit/s with data limit	CZK/month		963.00	963.00	963.00	963.00	282.00

The most dramatic fall in prices for access speed 8192kbit/s (which remained the minimum offered speed) – of over 80 % – was recorded on this wholesale broadband access market in electronic communications networks in September 2008. The setup prices remained unchanged.

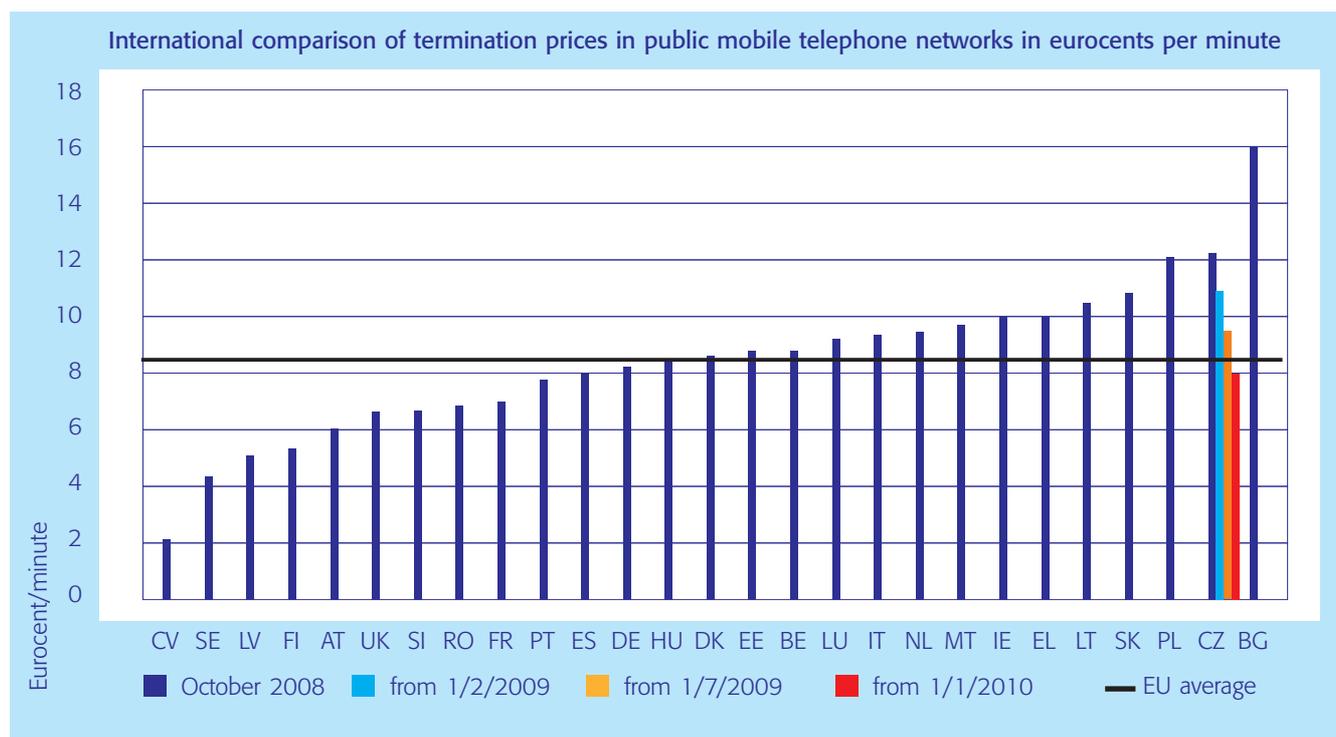
## Wholesale Termination Market in Individual Public Mobile Telephone Networks

During 2008, although there were no changes in termination prices in mobile networks, in the second half of 2008 the CTO, on the basis of an inspection of the results of the separated documentation of revenues and costs, commenced administrative proceedings for a change to the regulated prices on this market.

Through a decision issued at the end of the year the CTO stipulated the procedure for a fundamental reduction

(of 35 %) in mobile termination prices in three steps gradually from February 1, 2009 through to January 1, 2010. This means that the termination price in mobile networks will be (always without VAT): CZK 2.65 (from 1/2/2009), CZK 2.31 (from 1/7/2009) and CZK 1.96 (from 1/1/2010). This pricing decision was issued for 3 undertakings with significant market power: Telefónica O2, T-Mobile and Vodafone.

In an international comparison, the Czech Republic is thus gradually heading under the average for the EU Member States, which was published in the 14<sup>th</sup> Implementation Report. We should of course expect that the termination price will also be changed in other countries, leading to a fall in the EU average. In addition, the development of the CZK/EUR exchange rate is important for comparison purposes.



Source: Working materials for the draft 14<sup>th</sup> EC Implementation Report

## 2.4 Regulation on International Roaming

Regulation (EC) of June 27, 2008 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 (hereinafter only the "Regulation") came into force at the end of June 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.

In 2008 the CTO participated in the joint activities of all the international regulators, in particular in the collection of 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, however it considers it of benefit to continue to monitor the performance of these obligations. The data collected forms part of the summary report issued by the European Regulators Group (ERG) at the end of 2008.

During 2008, on instigation by the EC, discussions were commenced on an amendment to the current Regulation, in the sense of extending its period of validity and expanding its area of effect to include SMS message services and data transfers. From October 9, 2008 this EC proposal became another subject discussed by the Working Group for Telecommunications and the Information Society

of the Council of the EU. It is anticipated that these amendments should be approved in the first half of 2009.

In this regard the CTO prepared its standpoint and submitted it to the EC. It did not support the proposals for extending the period of validity of the Regulation or expanding its area of effect to include roaming SMS message services and data transfers.

### Development of Retail Prices of Roaming Services with Mobile Operators

Pursuant to the current form of the Regulation, mobile operators are obligated to provide regulated calling – the so-called Eurotariff – the price ceiling of which is regularly lowered every year.

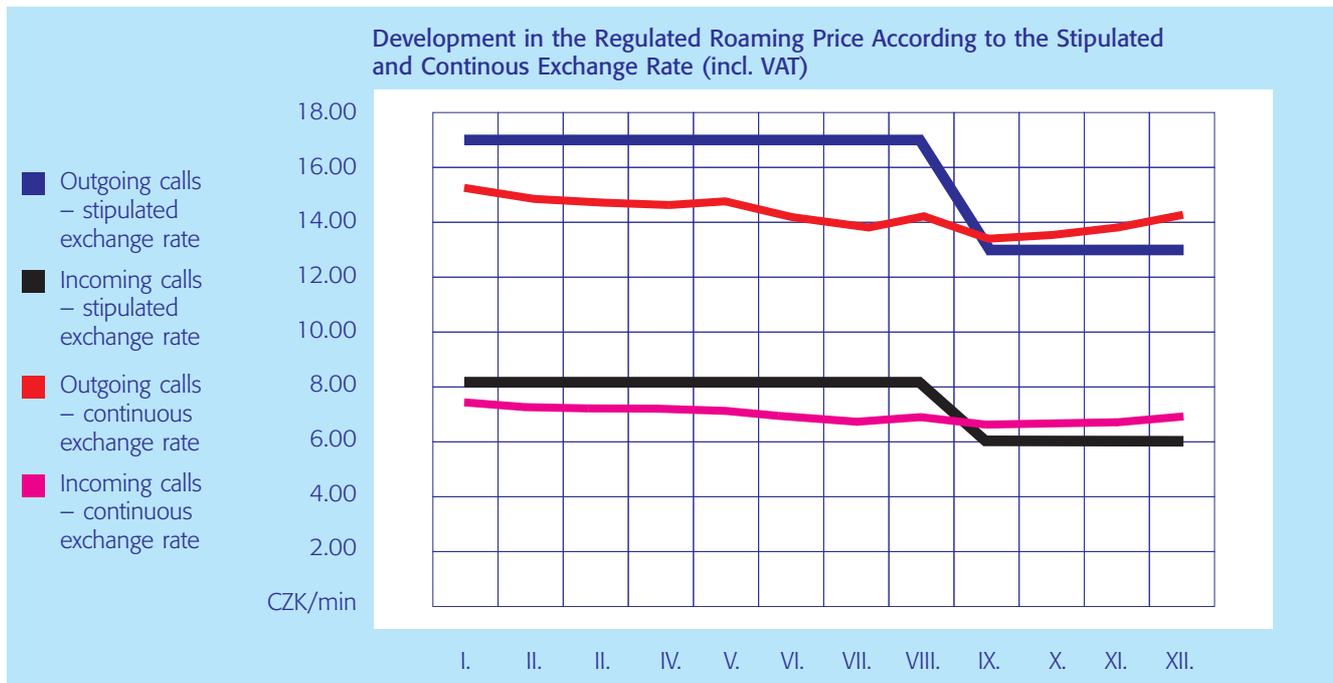
At the end of August 2008 there was a further reduction in the prices for roaming calls through the Eurotariff, within the framework of which the price (without VAT) for an outgoing call may not currently exceed 0.46 EUR/min and for an incoming call may not exceed 0.22 EUR/min. All three mobile operators in the Czech Republic have implemented tariffs within the stipulated deadline that do not exceed the maximum price given in the Regulation.

During the year the CTO compared the prices for regulated roaming calls of the mobile operators on the Czech market with the maximum prices stipulated in the Regulation. The influence of the CZK/EUR exchange rate caused the price of the regulated calling to change for outgoing calls by up to 22 % and for incoming calls by 24 %. Member States using the euro saw reductions of only 6 % and 8 % respectively.

## Comparison of Operator's Prices Roaming Calls

	Up to 30/8/2008		From 1/9/2008	
	outgoing	incoming	outgoing	incoming
<b>Regulated maximum prices</b>	<b>16.75</b>	<b>8.20</b>	<b>12.99</b>	<b>6.21</b>
<b>Vodafone</b>	16.70	8.20	12.90	6.20
<b>T-Mobile</b>	16.54	8.09	13.09	6.19
<b>Telefónica O2</b>	16.60	8.15	13.10	6.25

The change in the regulated outgoing and incoming calling price is documented in the following graph (the black line). For comparison's sake the graph also includes the change in the regulated calling price based on the actual monthly EUR/CZK exchange rate.



## 2.5 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. Mobile telephone numbers have been portable since January 15, 2006. Portability between fixed and mobile networks is not available in the Czech Republic.

During 2008 the CTO worked on amendments to Measure of a General Nature No. OOP/10/07.2005-3, through which it stipulated the technical and organisational conditions and fundamentals for charging between undertakings in connection with number portability, as amended (hereinafter only "OOP 10"). In connection with the effect of Decree No. 231/2008 Coll., which amends Decree No. 117/2007, on numbering plans of electronic communications networks and services, it was necessary to propose amendments to OOP 10 in the area of numbers that are portable between fixed operators and between mobile operators. During the year the CTO acquired information from the implementation of OOP 10 in practice and performed an investigation connected with the optimum setting up of the processes during the transfer of numbers and with the duration of the individual processes during the transfer of numbers to ensure that by shortening the procedural

deadlines it can improve the situation for subscribers to the publicly available telephone service.

In the draft amendments to OOP 10 the CTO permitted, as part of its support for competition, the portability of telephone numbers with access codes 9500 to 9599 for access to non-public telephone networks. The aim of the CTO was to enable number portability for operators of non-public telephone networks, through which is provided a publicly available telephone service to undertakings that hold authorisation to use the numbers.

Within the framework of shortening the processes for transferring numbers between mobile operators, the CTO stipulated in the draft of the amendments to OOP 10 the period when the undertaking the subscriber is leaving verifies the authorisation of the subscriber or a party authorised by it to dispose of the numbers on the checked order form (authorisation), and stipulated the period within which the undertaking the subscriber is leaving must provide notification, after unsuccessful authorisation, to the subscriber and the accepting undertaking about the reasons for the failure of the authorisation. In addition, it reduced the period for providing notification of the result of the verification of the order if there is a written contract from five to three working days from receipt of the application from the subscriber to

terminate or to not continue with the contract pursuant to the conditions arranged in that contract.

The CTO in its draft for the amendments to OOP 10 also further stipulated the decisive moment for the payment of the price for the transfer of a mobile number between non-residential customers and amended the contractual arrangements regulating the number portability service, in such a way as to ensure the provision of sufficient information in cases when the subscriber and the non-residential customer arrange, in a contract for a specific period, the possibility of number portability and in connection with this also the possibility to terminate the contract.

The amending Measure of a General Nature No. OOP/10/01.2009-2 was published in the Telecommunications Bulletin, part 3, of January 19, 2009.

The CTO continuously monitors compliance with the conditions stipulated for the number portability services stipulated in OOP 10. For 2008 it recorded a total of 39 complaints from subscribers relating to problems connected with specific requests for the transfer of mobile telephone numbers and a total of 12 complaints requesting the resolution of problems connected with specific requests for the transfer of fixed telephone numbers. The main reasons for the complaints connected with the transfer of mobile

telephone numbers was a lack of awareness on the part of the subscribers of the duration of the processes during the transfer of the number and the condition of the conclusion of a contract for an unspecified period for the acceptance of withdrawal from a contract on the basis of the transfer of a number. Complaints connected with the transfer of fixed telephone numbers related to the amounts of the fees for the transfer of the numbers required from the subscribers.

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. 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, 1,000 and 10,000 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.

For comparison purposes the following table shows information about the number of transferred numbers and blocks of numbers in fixed networks from 2003 to 2008:

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

	2003	2004	2005	2006	2007	2008
Quantity of numbers in simple portings	844	5,619	6,436	10,833	21,207	29,187
Quantity of ported blocks of 10	52	235	311	399	895	205
Quantity of ported blocks of 100	153	386	333	457	547	1 000
Quantity of ported blocks of 1000	186	328	285	237	234	1 600
Quantity of ported blocks of 10 000	32	31	42	27	25	175
Quantity of ported geographic numbers	522,664	684,569	747,846	567,523	568,857	619,234
Quantity of ported non-geographic numbers	214	243	218	215	215	1,366
Quantity of ported numbers total	522,878	684,812	748,064	567,738	569,072	619,439

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 2008 a total of 3,712,003 numbers were transferred (including numbers transferred in blocks). In 2008 the trend of growth in the number of simple ports continued, although the year-on-year growth had fallen by almost 60 % to 37.6 %.

In the case of mobile networks, there was a 4 % growth in the number of transferred mobile telephone numbers compared to 2007, which during 2008 were transferred a total of 190,819 mobile telephone numbers. Since the introduction of portability for mobile telephone numbers (January 15, 2006) until the end of 2008 a total of 508,824 mobile telephone numbers were transferred.

In the case of mobile operators (operators of public mobile telephone networks), either no price is charged to subscribers to the publicly available telephone service for the transfer of numbers or there is only an activation fee of CZK 1. The prices charged for the transfer of a fixed telephone number are stipulated in the price lists of the individual

undertakings (operators of public fixed telephone networks) and fundamentally their amounts are based on wholesale prices charged between the undertakings. Accepting undertakings, which are operators of public fixed telephone networks, can then pass on to the subscriber either all or only part of these prices, including their own costs.

In 2008 the CTO finally and conclusively completed the administrative proceedings in which it decided on disputes between the individual mobile operators regarding the contractual arrangement of conditions for telephone number portability, including a dispute regarding the price that mobile operators can charge each other for transferring a number.

The CTO is monitoring further developments in the area of telephone number portability in view of the preparation of procedures directed towards the portability of some geographic numbers between public fixed and public mobile telephone networks and the portability of geographic numbers between individual number areas.

### 3. Evaluation of the Postal Services Market

On July 17, 2008 in the Postal Bulletin the CTO published a call to submit applications for postal licences for the period from January 1, 2009 to December 31, 2012. On September 1, 2008 the CTO received a written request from Czech Post, which was the only applicant for a postal licence. The CTO decided to grant a postal licence to Česká pošta, s.p. on December 5, 2008 for the 2009 to 2012 period.

The postal licence is designed to ensure the general availability of the most important postal services (the so-called basic services – regular consignments, registered mail, parcels and postal orders) and also the granting of the right to a partial monopoly in the delivery of correspondence.

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 permitted 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, while the Czech Republic has the option to extend this deadline to January 1, 2013.

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.

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 the area of postal services discussions continued at international level on the new wording of Directive 97/67/EC of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service. There have been two regular meetings of the so-called Postal Directive Committee under the European Commission. This committee deals with questions connected with the application of Directive 97/67/EC in current practice. The deadline for the full market opening on 1/1/2011 will mean a fundamental change in the function of the postal market, including fundamental changes in its regulation, which will already be reflected in the preparation of the future form of the Postal Services Act.

#### Basic Services Provided by Czech Post (in thousands of units) (2004 – 2008)

Indicator	2004	2005	2006	2007	2008
Number of delivered ordinary consignments	598,400	561,600	534,200	575,200	526,900
Number of delivered registered consignments	110,900	107,900	108,000	117,500	114,200
Number of delivered packages	7,100	7,900	10,600	28,700	30,900
Number of accepted postal orders	103,700	100,000	102,000	92,200	101,600

Source: Česká pošta, s.p.

#### 4. Transition to Terrestrial Digital Broadcasting

As regards the development of this issue in 2007, from the start of 2008 the CTO continued with the preparation of the documents that it had to prepare on the basis of its authorisation from Act No. 304/2007 Coll.

On April 28, 2008 the government of the Czech Republic adopted Government Regulation No. 161/2008 Coll., on the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting (hereinafter only the "TPT"), the draft of which was prepared by the CTO. At the same time the government adopted Regulation No. 162/2008 Coll., which amended the stipulation of the amount and method of calculating the fees for the use of radio frequencies and numbers.

At the start of 2008 the CTO also completed, and on April 29, 2008 the CTO Council approved, Decree No. 163/2008 Coll., on the method for stipulating terrestrial television broadcasting signal coverage (hereinafter only the "Coverage Decree").

All these documents were published together in Collection of Laws May 15, 2008 in part 51, whereby they also became effective.

Pursuant to the conditions stipulated in Act No. 304/2007 Coll., the deadline by which both operators of nationwide commercial broadcasting could register to the TPT expired on August 15, 2008. Through such registration, which both operators of nationwide commercial broadcasting did within the deadline, they bound themselves to releasing the analogue frequencies given in their licences, whereby they concurrently gained the right to a so-called compensation licence. The TPT stipulates not only the rules for the transition, the deadlines, the conditions and the method for proceeding during the process of developing the individual electronic communications networks for terrestrial digital television broadcasting, but also the deadlines, conditions and method for switching off terrestrial analogue television broadcasting, which will be switched off on November 11, 2011 with the exception of the Jeseník and Zlín territorial areas. In these areas terrestrial analogue television broadcasting will be switched off on June 30, 2012.

The Coverage Decree is primarily based on model calculations of the distribution of the analogue and digital signals in accordance with the methods used in international frequency planning and coordination (recommendation ITU-R 1546.2). The regulation further stipulates the conditions and the relevant procedures and technical requirements for equipment for taking measurements in the field, which will be used in some cases for further specifying or verifying the results of the coverage calculations.

The CTO, within the framework of its competencies, also issued the network plan for the identification labels of networks, data flows and services for the terrestrial digital television broadcasting network No. SP/4/04.2008

(hereinafter only the "Network Plan"). This is a regulation that stipulates the system designating identifiers necessary for standardised labelling of data networks, data flows and the related services in terrestrial digital television broadcasting. It is a technical regulation whose implementation and compliance should ensure the correct function of equipment used by the public for receiving digital television broadcasting. In connection with the obligations arising from the given Network Plan, the CTO newly issued Measure of a General Nature No. OOP/13/04.2008-3, which stipulates the scope of the required data in an application for the granting of individual authorisation to use radio frequencies.

The CTO, on the basis of a request from Czech Television, allotted pursuant to Act No. 483/1991 Coll., on Czech Television, as amended, radio frequencies essential for terrestrial digital television broadcasting in a public service multiplex and subsequently also granted Czech television some related individual authorisations to use these radio frequencies. On August 8, 2008 a contract was signed between České Radiokomunikace and Česká televize, on the basis of which České Radiokomunikace will construct a high-output transmitter for broadcasting network 1 reserved for the broadcasting of a public service multiplex, the scope of which envisages a coverage of at least 95 % of the inhabitants of the Czech Republic. This led to the creation of conditions for the implementation of a public service multiplex pursuant to the TPT and the development began of broadcasting network 1, which required switching off several basic transmitters for the CT2 channel. Subsequently, on October 31, 2008 the broadcasting of Czech Television and České Radiokomunikace programs on broadcasting network A was definitively terminated. All the transition networks A, B and C were successfully transformed to networks 1, 2, 3 and 4 defined in the TPT and the further development continued of the individual broadcasting networks with the exception of broadcasting network 4, which did not acquire any new customers, but in a restricted purely experimental manner broadcasts some programs at a higher image quality. From the perspective of compliance with the deadlines stipulated in the TPT we can state that at the end of the year the schedule given in the TPT for broadcasting networks 1 to 3 was complied with. In some cases other supplementary transmitters were also switched on, which significantly improved the territorial and population coverage of the digital broadcasting signal.

The CTO performs calculations of the scope of coverage of the population through the current nationwide analogue broadcasting channels in the individual territorial areas stipulated in the TPT. These calculations serve as basic information for the implementation of the process of the transition to digital broadcasting and are included in the reports on the course of the transition process. In connection with the ongoing process the CTO also performs calculations of the scope of coverage by digital broadcasting, which are also included in these reports. The reports evaluate the course of the process and the state of the transition always on March 15 and September 15 of the calendar year in question. To inform the population of the state of territorial coverage with digital broadcasting, at the turn of the year the CTO launched a new informational website at <http://dtv.ctu.cz>, on which it is possible to find information about the current calculated

scope and coverage of individual municipalities in the Czech Republic with terrestrial television broadcasting. The website also provides links to other important websites focusing on the issue of the transition to digital broadcasting. From the calculations performed on December 22, 2008 it can be seen that digital television broadcasting network 1 was available for 58.3 % of the population on that date, network 2 for 52.1 % of the population, network 3 for 45.7 % of the population and network 4 for 27.6 % of the population of the Czech Republic.

On an instigation from the CTO, in May there was a nationwide survey of the adult population of the Czech Republic over 15 years of age on the subject of the awareness of the population about the transition to digital broadcasting and the readiness of households to receive digital broadcasting. 1859 people took part in this survey. Data on the coverage of the relevant municipalities by the analogue and digital terrestrial television signals was subsequently added to the resulting data from this survey. The results are available on the CTO website: (<http://www.ctu.cz/pusobnost-ctu/digitalni-vysilani/celostatni-vyzkum-k-dvb-t.html>).

The issue of the transition to terrestrial digital broadcasting is closely connected with the issue of the so-called digital dividend, which relate to the future use of part of the frequencies reserved for terrestrial television broadcasting released after the transfer of the current analogue broadcasting to digital broadcasting. In this connection the CTO in August 2008 published for public discussion an information and communication document on this issue. Through this public discussion the CTO initiated a long-term systematic process that includes workshops, conferences and other forms of public discussion on the issue, which is the focus of attention in all EU Member States. On September 25 and 26, 2008 an international working seminar was held on the subject. The CTO long-term and systematically monitors all international developments relating to the use of the part of the radio spectrum in question in connection with the ongoing transition to terrestrial digital television broadcasting. The CTO considers it already necessary to prepare all, in particular legislative conditions, which will allow the creation and use of the digital dividend. For this reason the CTO envisages that a national strategy respecting the situation in other EU Member States as well as the EC plans on this issue will be prepared and subsequently also adopted, prioritising the harmonised use of released frequencies for the introduction of new broadband mobile services. The most important milestone, however, will be June 17, 2015, when the transitional period pursuant to the Geneva 2006 Agreement ends, namely the priority and protection of the current terrestrial analogue television broadcasting.

During 2008 the CTO also granted short-term individual authorisation to use radio frequencies for terrestrial radio broadcasting in the T-DAB (DAB+) system with the use of free radio frequencies in band L with the aim of verifying the conditions for territorial coverage by broadcasting in this band and also verifying the possibility of the use of synchronous networks.

In connection with the implemented transition process and the knowledge acquired during it, the CTO has held several meetings with the representatives of broadcasting operators, the operators of broadcasting networks, CTO employees and the representatives of other affected subjects, the result of which was not only a positive evaluation of the transition to digital broadcasting and a confirmation of the good level of awareness of the public regarding the issue of the digitisation of television broadcasting. One result of these conclusions was also the recommendation that the informational campaign focuses more on solutions, or guides on how to resolve some technical problems that viewers could encounter during this process. For this purpose a recommendation containing the minimum requirements for receiving equipment for the provision of services in DVB-T networks, the so-called D-book, was prepared within the framework of these meetings. On the basis of additional knowledge from the course of the transition a recommendation relating to the possibility of modifying common television antennas to receive digital broadcasting was also prepared. Both the materials were subsequently presented to the National Coordination Group for Digital Television in the Czech Republic.

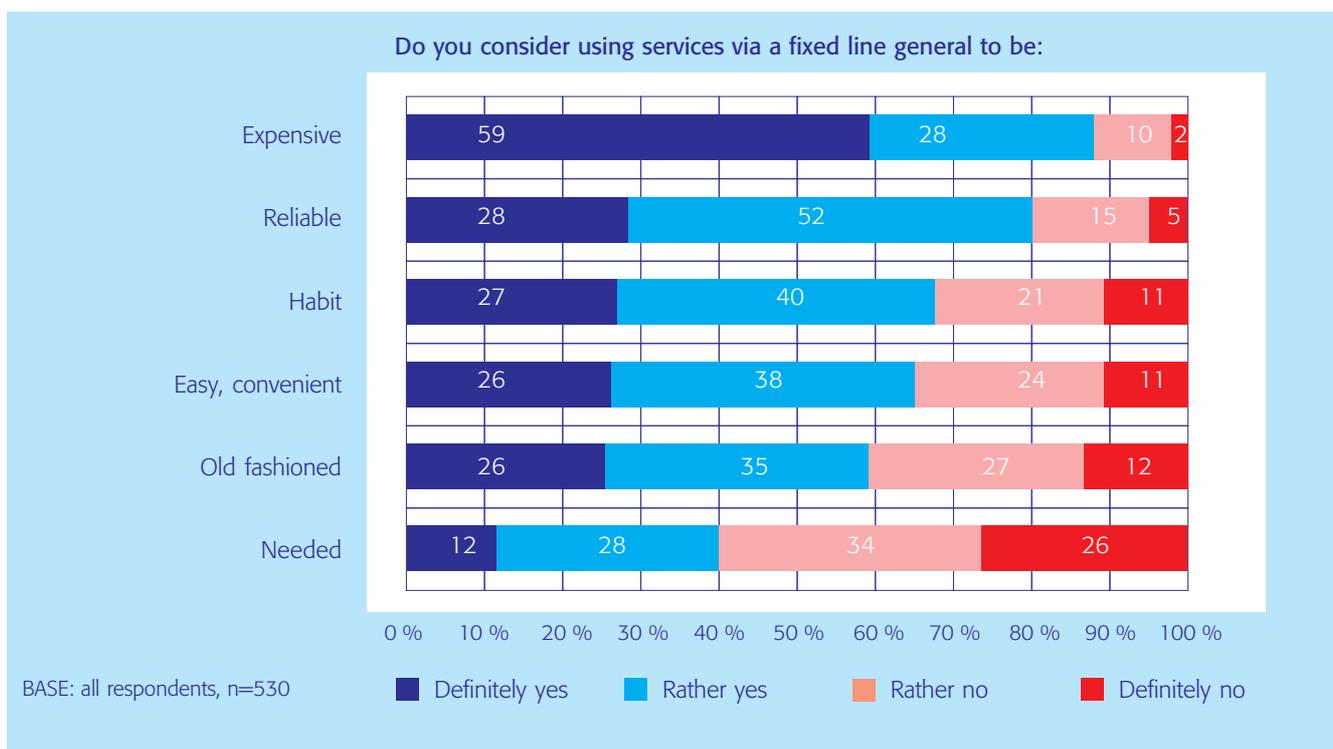
Throughout the year bilateral coordination meetings continued with representatives of the administration of neighbouring countries, the aim of which was to agree on conditions for the implementation of the conclusions of the Regional Radiocommunication Conference and to stipulate the conditions essential for the use of the frequencies required for the further development of broadcasting networks for terrestrial digital television broadcasting.

## 5. The Electronic Communications Services Monitoring Project

During 2008 the CTO implemented a project entitled "Electronic Communications Services Monitoring Project (MOSEK)", which was focused on acquiring information on user experience with the use of electronic communications services. Its main aim was to discover and evaluate opinions on the individual services provided, on their quality and the overall satisfaction of individual customers and companies in the Czech Republic with electronic communications services.

The results of this survey enabled the following conclusions:

**For fixed-line services** the strongest association is with the term "expensive" (87 % of respondents). The use of fixed lines remains connected to reliability, habit and convenience. 61 % consider this service to be old fashioned and 60 % as not needed. The price is clearly also one of the main reasons for the reduction in the use of fixed lines over recent years. Opinions on the use of fixed line services are represented in the following graph:

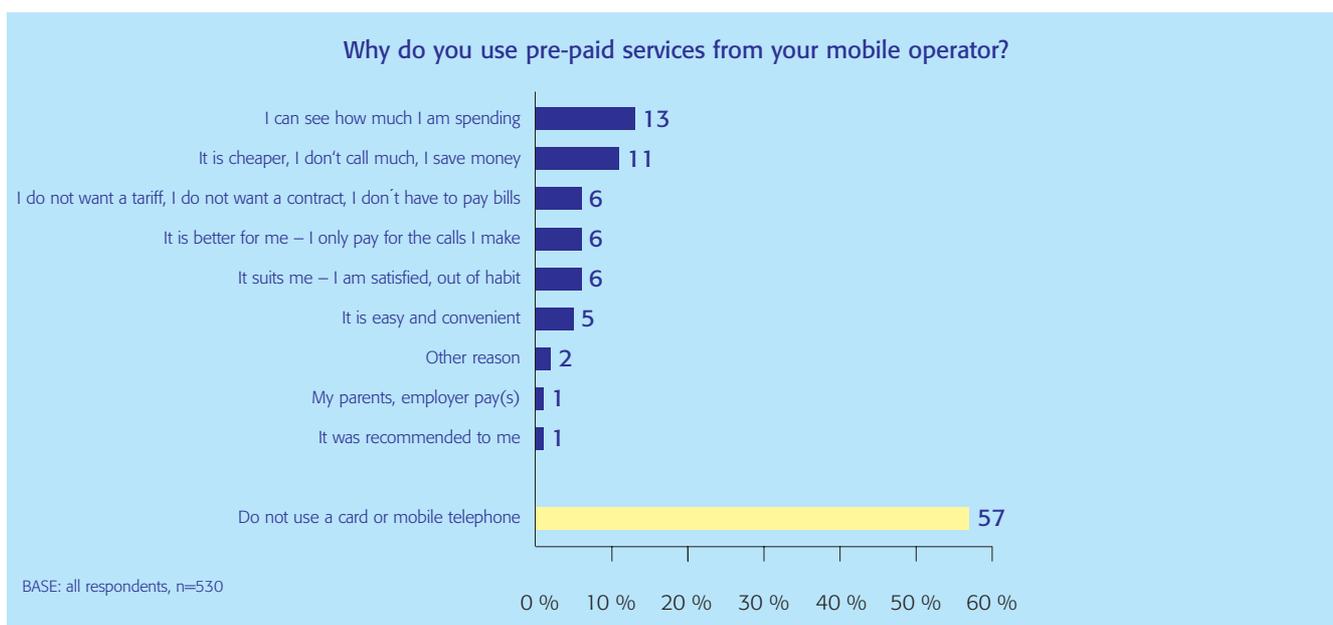


SOURCE: STEM/MARK, MOSEK – SATISFACTION, PRICES 09/2008

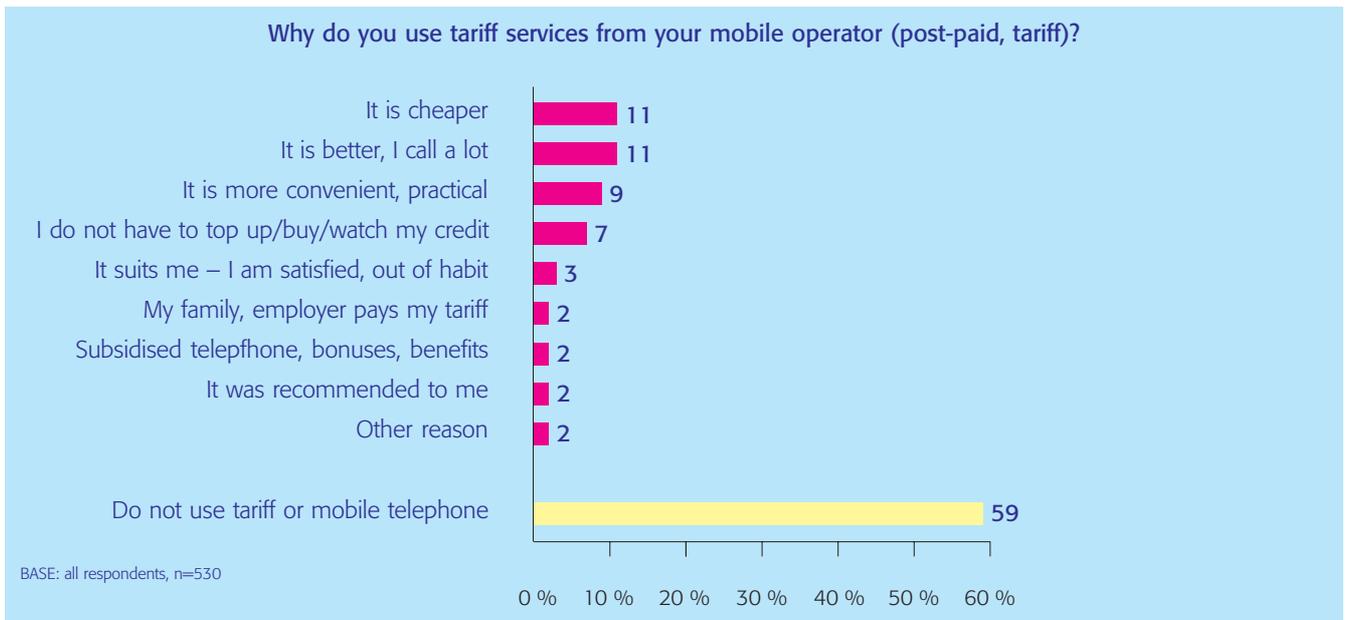
**Services using a mobile telephone** are very widespread (96 % of the respondents had a mobile telephone). Mobile telephone users are split into two almost identically sized groups: 43 % use pre-paid cards and 41 % tariff services. The reasons for using pre-paid cards include keeping track of the cost of calls and the opportunity to save money, in particular for those who do not call often. Three-

fifths of respondents monitor the length of their calls for similar reasons (more than for fixed lines), one-quarter use supplementary packages (special calling rates for one or more numbers, special rates on SMS messages, extra free minutes).

Opinions on the choice of pre-paid or tariff services via mobile telephones are given in more detail in the following graphs:



Source: STEM/MARK, MOSEK – SATISFACTION, PRICES 09/2008



SOURCE: STEM/MARK, MOSEK – SATISFACTION, PRICES 09/2008

From the questions relating to internet connection, we can state for example that 52 % of the respondents have an internet connection at home, most often a wireless Wi-Fi connection. One-third of respondents use the internet daily, one-fifth 1 to 4 times a week and one-tenth on an occasional basis, less than once a week. The average time spent on the internet is around 2 to 2.5 hours.

The quality of electronic communications services was seen by the respondents in general as good (average satisfaction 1.8 to 1.9 on a scale of 1 to 4, where 1 is best), the quality of the services from mobile operators was considered the best. Consumers were less satisfied with the prices of the services (in particular the price for the use of a fixed line – average 2.9). The quality of the service plays an important role in internet access (most important for 28 % of respondents) and television broadcasting (most important for 32 % of respondents), followed by the scope of the services (14 % and 19 %). The respondents agreed the following ranking of criteria when selecting a new tariff: price, quality then scope of services.

Approximately 10 % of respondents had experience with making complaints about services of mobile operators and internet connection providers. Complaints are usually made by telephone to the provider. Around half of the respondents knew of the time period within which it is possible to make warranty claims, while not all of them were satisfied with the course of the complaint – either with the approach of the party resolving the complaint or with the duration and result of the complaint.

When selecting a tariff the price is the important criterion mainly for fixed-line services (three-quarters of respondents ranked price first), while for other services the importance is comparable: mobile for 65 %, internet access for 57 % and television broadcasting for 48 % of respondents.

## 6. International Events and CTO Activities

### 6.1 Revision of the Regulatory Framework for Networks and Electronic Communications Services

In January 2008 the discussion of the EC drafts for the so-called telecommunications package began in European institutes. This contained two amending Directives that should amend all the Directives of the current regulatory framework dating from 2002. The first of these, the so-called "Better Regulation Directive", amends the Framework Directive 2002/21/EC, the Access Directive (2002/19/EC) and the Authorisation Directive (2002/20/EC), while the second, the so-called "Citizens' Rights Directive" brings changes to the Directive on the Universal Service (2002/22/EC) and to the Directive on the processing of personal data and the protection of privacy (2002/58/EC). Another part is the draft regulation on the establishment of the European Electronic Communications Market Authority (EECMA).

One of the main aims declared by the EC for this part of the revision of the telecommunications package was to improve the consistency of the regulation in electronic communications. According to the EC this aim can be achieved through the increased involvement of the EC (i.e. increased powers) in the process of imposing corrective measures at domestic level, i.e. an expansion of the veto of the EC in relation to corrective measures, with the assistance of the European Electronic Communications Market Authority (EECMA) as a new consultative body. Another aim of the EC was to simplify access to the radio spectrum, while a binding EC proposal also led to the supplementation of the catalogue of corrective measures relating to so-called functional separation.

In the first half of 2008 Slovenia led the negotiations as part of its presidency of the Council of the EU (hereinafter only "SIP"). The discussions were initially at a general level and later in the form of six thematic units, or clusters: spectrum, numbering, consumer protection and user rights, security, privacy and data protection, Article 7 and corrective measures, improving effective implementation. This method allowed the SIP to concentrate the discussion on the individual themes and identify the interconnections between the individual articles across the Directives.

The French presidency began in the second half of 2008. Its aim was to achieve political consensus on the whole revision of the regulatory framework. The discussion of the individual proposals under the French leadership gained speed to such an extent that it was possible to submit the final texts to ministers for approval at the session of the Council of the EU on November 27, 2008, where the so-called "official version of the political consensus on the revision of the regulatory framework" was adopted.

From the themes that attracted the most discussion, it became clear that the EC is no longer seeking the authority to instruct the regulator on which it should impose as corrective measures, but it is seeking a veto. The Member States refused to give the EC the authority to issue binding implementing regulations for the purpose of harmonisation.

Regarding NGN all the Member States agreed that it is necessary to ensure motivation for investment and legal certainty but could not come to an agreement on how to secure this. EECMA/GERT/BERT should be a consultation body that will not issue binding instructions, will be composed of NRAs, completely independent (in particular of the EC) and will need a secretariat. As regards the spectrum question, the EP wants decisive authority in spectrum administration. Neither the Member States nor the EC want to grant this.

It is anticipated that the new Regulatory Framework will be approved in its second reading in the European Parliament in April 2009 and it will become legally binding in all 27 EU Member States with a transposition deadline of 2010.

## 6.2 Implementation Report of the European Commission

Just as it does every year, the EC has published its implementation report, in which it evaluates the state of the single electronic communications market in the EU as a whole and the situation in individual countries. The CTO participated both in the preparation of the materials for this report and its regulatory activities also directly influence the evaluation of the regulatory environment in the Czech Republic. The 13<sup>th</sup> implementation report, which addresses the previous year, was issued on March 19, 2008 and was entitled "Progress Report on the Single European Electronic Communications Market 2007" and its mainly positive evaluation is particularly due to the successful implementation of the second round of the relevant market analyses and the preparations for the revision of the Regulatory Framework. The CTO provided a large volume of data for the preparation of the 14<sup>th</sup>

implementation report, in particular on markets, sound and television broadcasting, tariffs and broadband access indicators.

## Chapter II.

# CTO EXPERT AND ADMINISTRATIVE ACTIVITIES

## 1. Domestic Activities

### 1.1 Market Monitoring and Data Collection

In connection with the commencement of data collection from operators through the electronic data collection (EDC) portal in 2007, the CTO continued with the implementation of the conception of data collection in 2008. During the year all the forms for regularly repeating data collection (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) were gradually added to the EDC portal. Now this type of data can only be provided electronically using the forms that are allocated to every undertaking individually depending on the activity that it has reported in the CTO records. At the same time the provision of data using the statistical reports ended, and these reports were completely cancelled from 2008. All the data that the CTO submits to the Czech Statistical Office (hereinafter only the "CSO") it obtains from the forms for collecting data for relevant market analysis and market monitoring. 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 – it also offers 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.

In 2008 statistical data from the statistical statements for 2007 was prepared and submitted to the CSO. 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. As part of the expansion of cooperation with the CSO, both the authorities exchanged monitored indicators and experience with their evaluation.

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.

In 2008 the CTO also paid increased attention to monitoring the development of demand for electronic communications services from end users and their behaviour when using these services. In January 2008 the "Monitoring Electronic Communications Services 2008" project was commenced as the first comprehensive survey carried out by the CTO focusing on consumers from the perspective of the needs of the regulator. This survey combined various tools for obtaining information and its implementation was split into three parts (information circles). The individual parts addressed the comprehensive monitoring of the satisfaction of the public and companies with electronic communications services (nationwide opinion surveys of the public and companies), obtaining the opinions of selected age groups of young people on electronic communications services and their future development (youth panel) and the confrontation between these results and the opinions of experts (expert panel). To obtain information from young people aged from 12 to 22, an interactive internet panel was used, the nature of which corresponded to the acceptable method of surveying consumer opinions in this age group. The results of the individual parts of the survey were gradually published on the CTO website and in the form of presentations at expert conferences focusing on electronic communications. The information acquired relating to the issue of the Universal Service was used by the CTO for its investigation of the Universal Service and for evaluating the necessity of imposing any obligations.

### 1.2 Price Regulation

As regards price regulation, during the course of 2008 the following activities were performed.

In 2008, the CTO amended its price decision, which stipulated the obligation of price regulation on undertakings with significant market power on the relevant markets No. 8 – call origination in the public telephone network in a fixed location, No. 9 – call termination in individual public telephone networks provided at a fixed location, No. 11 - wholesale provision of unbundled access (including shared access) to metallic loops and subscriber-loops for the purpose of providing electronic communications services and No. 16, call termination in individual mobile telephone networks. 14 price decisions were amended.

In connection with the imposition of corrective measures on undertakings with significant market power in 2008 a new calculation of prices for termination and origination in public fixed telecommunications networks using

the LRAIC method (Long Run Average Incremental Cost) was performed and output data for this method was verified. In addition, a calculation of prices for termination in public mobile telecommunications networks was performed. The CTO, when stipulating prices, used the FAC (Fully Allocated Costs) method. A price decision was issued for origination and termination with effect from January 1, 2009. The CTO also verified the input data for the new pricing calculation for access to LLU metallic subscriber lines and collocation. For access and collocation the CTO issued two price decisions in 2008, one with effect from July 1, 2008 and the second with effect from January 1, 2009.

In connection with the issued Measure of a General Nature No. OOP/14/12.2005-43 the CTO published, as in previous years, information on the current prices and conditions of provided publicly available electronic communications services, for selected services on the basis of the requirements of the individual operators.

During 2008 state inspections were performed in the area of prices, focusing both on checking compliance with imposed obligations connected with price regulation for undertakings with significant market power and also on checking input data for calculating regulated prices. This involved a check of compliance with the obligation of prices based on costs on relevant market No.13 - wholesale market for leased line terminal segments in electronic communications networks at Telefónica O2. In addition, there were state inspections at mobile operators for the purpose of verifying the costs for call termination in their networks. The CTO also carried out an investigation on the basis of submissions received at Telefónica O2, in particular in relation with acquisition bids from this undertaking or offers of tariff-based charging for retail telephone services.

Pursuant to the provisions of Section 45 (1) and Section 56 (3) of the Act, the regulation of the development of prices for services that are or could be subject to price regulation in the area of electronic communications was monitored. The results were processed quarterly and published on the CTO website.

The CTO collected and evaluated information for the EC from mobile operators for checking compliance with Regulation (EC) No. 717/2007 of the European Parliament and of the Council of 27 June 2007 on roaming on public mobile telephone networks within the Community and on amendment to Directive 2002/21/EC.

In 2008 the CTO issued an amendment to Measure of a General Nature No. OOP/4/03.2006-3, which stipulated the methodology for the purpose-based breakdown of costs and revenues and their allocation, and stipulated the structure of the reported information. The changes, which involved a stipulation of reasonable risk using the WACC method and the method of reporting data from the separated documentation, became valid from July 1, 2008.

### 1.3 Subscriber Disputes

Deciding on subscriber disputes is one of the principle activities of the CTO as part of its protection for users of electronic communications services.

### 1<sup>st</sup> Instance Administrative Proceedings

In 2008 the CTO addressed 87,435 subscriber disputes with a total of 74,142 administrative proceedings being commenced. In the monitored period a total of 78,032 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 77,567 decisions. The CTO issued 465 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 565 subscriber disputes relating to objections against the handling of a complaint against the charging of prices for services, and 413 new administrative proceedings were commenced. 308 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 (diallers), the CTO addressed 11 subscriber disputes and issued 8 decisions, of which in 7 cases the decisions were in favour of the subscriber and in 1 case in favour of the electronic communications service provider.

In 2008 the CTO addressed 22.2% more subscriber disputes than in 2007. 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 23.0%. 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 (diallers) the CTO recorded a significant fall of 93.3% in the number of such cases. This downward trend is mainly influenced by the transfer of subscribers to more modern technologies for internet access.

Detailed overviews of subscriber disputes in 2008 are given in Annex No.1 and 1A of this Report.

### 2<sup>nd</sup> Instance Administrative Proceedings

In 2008, 1507 1<sup>st</sup> instance decisions issued pursuant to Section 129 (1) of the Electronic Communications Act on disputes between providers of publicly available electronic communications services and subscribers or users of those services (or their legal successors) on the payment of outstanding amounts for a provided service were challenged and transferred to the Review of Decisions Department for submission to the appeals commission of the chairman of the CTO Council and for the preparation of a draft decision of the chairman of the CTO Council. Such appeals proceedings addressed disputes in which the petitioner was T-Mobile Czech Republic, a.s. (619 cases), Telefónica O2 (371 cases), Vodafone Czech Republic a.s. (206 cases) and other providers of electronic communications services (311 cases).

50 challenges relating to decisions on other rights and obligations pursuant to the Electronic Communications Act were submitted in the same period. Decisions on objections to the handling of a complaint pursuant to Section 129 (2) of the Electronic Communications Act were challenged in 132 cases.

In cases when in such proceedings the chairman of the Council decided as the 1<sup>st</sup> instance administrative body, the CTO Council decided in the 2<sup>nd</sup> instance administrative proceedings on the appeals against such decisions after evaluation of the matter by the appeals commission of the CTO Council. These were mainly cases of recommencement of proceedings, the stipulation of a guardian, measures against inactivity by the administrative body, petitions for investigations and so on.

In all the categories listed above, challenges were submitted by both subscribers (users) of publicly available electronic communications services as well as the providers of these services with approximately the same ratios.

The subject of the majority of the decisions that were challenged of was the existence or content of a contract between the electronic communications service provider and the subscriber (user) of those services. The reason for such disputes is in particular non-transparent and often indemonstrable or unclear regulation of contractual conditions on the one hand and insufficient legal awareness about the need to consider one's rights when a contract is being concluded.

### 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., (complaints against inappropriate behaviour of officials or against the approach of the administrative body).

In the case of complaints regarding the method of settling a complaint and the quality of electronic communications services the CTO commenced administrative proceedings after an investigation into the matter. The handling of the complaints is documented in the table section. The recorded complaints did not indicate a need for amendments to legal regulations or decisions issued by the CTO.

In 2008 the CTO documented 1,400 complaints, of which 433 were unjustified and did not involve a breach of the Electronic Communications Act; in 171 cases the CTO was not competent to address them; and 796 cases were addressed by the CTO through a procedure pursuant to the Electronic Communications Act. The CTO addressed 34.4% more complaints in 2008 than in 2007. The causes of the significant increase in the number of complaints can be found in the increase in new subscribers to electronic communications services, easier access to information and people's increased legal awareness.

According to the subjects of the complaints it is clear that the majority of the complaints in 2008 related to billing for services. These cases are decided on in administrative proceedings (subscriber disputes).

The number of complaints in the area of the Universal Service was minimal and these complaints arose

mainly either due to the subscriber's / user's lack of information about the service or involved areas outside the competency of the CTO.

An overview of complaints is given in the table and the graph in Annexes No. 2, 3 and 4 of this Report.

## 1.4 Administration of the Frequency Spectrum

One of the most important activities within the framework of administration of the radio spectrum during 2008 was securing the frequency requirements of the newly defined networks for terrestrial digital television broadcasting in connection with developments in this area, as detailed in Chapter I item 4 of this Report. Concurrently, however, the CTO also performed other activities as part of its administration of the radio spectrum.

### Deciding on the Authorisation to Use Radio Frequencies

Radio frequencies intended for civil (non-military) use can be used only on the basis of general or individual authorisation. As part of the performance of its activities in the administration of the radio spectrum, the CTO issues, changes, extends the validity and withdraws individual authorisations to use radio frequencies, or in specific cases issues General Authorisations. The total number of decisions in connected administrative proceedings, broken down according to the individual radiocommunications services, is given in the overview in table No. 5 of this Report. Just as in previous periods, the greatest interest is in fixed service radio frequencies enabling wireless access in particular for the provision of sufficiently fast data services (e.g. internet access) or serving for radio connections between mobile operators' base stations. The relatively high number of these decisions is due to the requirement to replace valid authorisations for reasons of technical changes to existing radio networks intended to increase transfer capacities as well as speeds. The amendment to Act No. 269/1994 Coll., on the Criminal Register resulted in a reduction in the administrative burden on applicants in relation to the submission of individual authorisations because they no longer need to submit a certificate from the criminal register as the CTO itself verifies the status of the criminal records.

As regards the method of using the radio frequencies, on the basis of General Authorisations, the General Authorisations listed below were amended through the issue of changes in 2008:

- a) General Authorisation No. VO-R/23/04.2008-4 for the use of radio frequencies and on the operation of fixed service equipment in the bands 74 to 76 GHz and 84 to 86 GHz with effect from May 6, 2008.
- b) General Authorisation No. VO-R/10/10.2008-14 for the use of radio frequencies and on the operation of short-range equipment with effect from December 1, 2008.
- c) General Authorisation No. VO-R/24/11.2008-16 on the operation of infrastructure equipment for broadcasting radio signals inside tunnels and the

internal spaces of buildings with effect from January 1, 2009.

- d) General Authorisation No. VO-R/1/12.2008-17 on the operation of user terminals of GSM and IMT / UMTS networks with effect from January 1, 2009.

### Frequency Coordinations

In connection with the granting of individual authorisations for the use of radio frequencies, domestic and, in stipulated cases, international coordination was carried out for all the requested frequencies. International coordination was performed for 646 coordination requests from users in the Czech Republic in the land mobile service, in the broadcasting service 141 for digital television and 154 for FM radio and 1,737 in the fixed service (for RR links and PMP systems). As international coordination also involves requests from abroad that can influence the use of the frequency spectrum in the Czech Republic, within the framework of the performance of international commitments 1,736 frequency requests sent by the administrators of neighbouring states were assessed in the land mobile services, 454 in the broadcasting service and 7,342 in the fixed service.

### Other Activities in Frequency Spectrum Administration

During 2008 the CTO issued, in connection with the transition from analogue to digital television broadcasting and on the basis of the relevant authorisation Decree No. 163/2008 Coll., on the method of stipulating coverage by the terrestrial television broadcasting signal.

In connection with the acceptance of some expert activities formerly provided by TESTCOM Praha, which was dissolved, on July 1, 2008 it was necessary for reasons of accessibility of the necessary data to amend Measure of a General Nature No. OOP/13/06.2008-6, which stipulates the scope of the required data in an application for the granting of an individual authorisation to use radio frequencies.

In 2008 the CTO also completed an extensive revision of the use of radio frequencies reserved for radio broadcasting in the VHF-FM band. The reason for this revision was the requirement to secure radio frequencies for Czech Radio, which was not able to comply in all its program networks with the legally stipulated extent of coverage. On the basis of the results of this revision the use of the frequencies allocated to Czech Radio was optimised, additional frequencies were established in some localities and there was a proposal for a modification of the criteria for evaluating coverage, which resulted in the creation of space for compliance with the conditions stipulated by the Czech Radio Act, without it being necessary to interfere in any way in the radio frequencies allocated to commercial broadcasting operators.

### Verification of Operators Qualification

Section 26 (1) of the Electronic Communications Act stipulates in which cases expert competency is required to operate radio transmission equipment. Examination commissions set up under the CTO verify the expert competency of applicants for general and restricted certificates

to operate radio stations of the aeronautical mobile service, the maritime mobile service and the HAREC and NOVICE certification for operators of amateur stations. During 2008 the Test Questions for the written tests were supplemented, the Oral Question Syllabus was modified and the Examination Rules of the commission were published. Information on these, including the correct answers to the questions in the written tests, is publicly available on the CTO website. Detailed information on the numbers of the individual types of licences issued and also about licences whose validity was extended, is given in the table in Annex No. 6 of this Report.

In 2008, pursuant to Government Regulation No. 154/2005 Coll., on the amount and the method of calculation of fees for the use of radio frequencies and numbers, as amended, fees totalling CZK 970 million were charged and collected. In comparison to 2007 this represents a rise in collected fees of CZK 18 million.

### Breakdown According to Radiocommunication Services

Service	Fees collected
Fixed service	590,000,000 CZK
Land mobile service	345,000,000 CZK
Broadcasting service	30,000,000 CZK
Aeronautical service	3,000,000 CZK
Maritime service	1,000,000 CZK
Satellite service	1,000,000 CZK
<b>Total</b>	<b>970,000,000 CZK</b>

### Administration of the Frequency Spectrum

- continuous monitoring if 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//05.2007-6, which amends General Authorisation No. VO-R/12//08.2005-34;
- continuous monitoring of the use of the radio frequency in the bands 420 MHz, 170 MHz and 150 MHz after the expiration of the relevant individual authorisation for its use;
- continuous monitoring of the 300 MHz frequency band, which has been released exclusively for military use since January 1, 2006;
- continuous monitoring of the frequency bands used by wireless telephone handsets (CT1, CT1+ and CT2), which are not stipulated for operation in the Czech Republic;
- continuous monitoring of compliance with conditions pursuant to VO-R/2/03.2007-5 for the use of radio frequencies and on the operation of Wireless Local Information Systems (BMIS) in the 70 MHz band;
- television interference through the operation of CDMA equipment in the 420 MHz band by MobilKom, a.s. The CTO is addressing cases of interference in connection with MobilKom, a.s. in accordance with the conditions of the authorisation to use the frequencies;
- monitoring of the CDMA transmitter operated by Telefónica O2 in Jihlava. On the basis of complaints

- about television interference, the undertaking modified the radiating characteristics of the antenna system;
- measurement of coverage by the digital television signal in selected municipalities in the Pilsen area after the commencement of operation of the DVB-T Plzeň 34, Domažlice 34, Cheb 36, Jáchymov 36, Sušice 49 and Chomutov 33 transmitters. 86 municipalities were monitored using mobile equipment and 8 municipalities at fixed measurement points. The measurement was carried out for the purpose of verifying the percentage of the population covered by the DVB-T signal;
- verification of the availability of GSM signals in selected municipalities. This measurement was carried out according to the requirements of the regional governors of the Pilsen region, the Karlovy Vary region, the South Moravia region, the Moravia Silesia region, the Vysočina region, the Zlín region and the South Bohemia region;
- interference from base stations of the T-Mobile UMTS 872 MHz system. This interference is mainly caused by spurious radiation from individual active television antennas. The CTO is proceeding pursuant to Section 100 (6) of the Electronic Communications Act.

### Automated System for Frequency Spectrum Monitoring (ASFSM)

The implementation of the ASFSM project begun on October 19, 2004 with the signing of the "General Contract on the Implementation of the ASFSM Project in the Form of System Integration" continued in 2008 through the performances specified in 7 newly concluded Contracts for Work (hereinafter referred to as "CFWs"), one contract of sale and in 11 CFWs concluded in previous years. All the CFWs were completed in 2008.

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, and the delivery and assembly of technology through to the development of application SW. At the end of 2008 the following monitoring stations, workstations and HW and SW units were in operation as part of the implementation of the ASFSM project:

- Tehov Stationary Attended Monitoring Station;
- Karlovice Stationary Attended Monitoring Station;
- České Budějovice – Větrník Stationary Unattended Monitoring Station;
- Plzeň – Doubravka Stationary Unattended Monitoring Station;
- Karlovy Vary – Krudum Stationary Unattended Monitoring Station;
- Ustí nad Labem – Vlčí hora Stationary Unattended Monitoring Station;

- Liberec – Žulová hora Stationary Unattended Monitoring Station;
- Hradec Králové – Poběžovice Stationary Unattended Monitoring Station;
- Jihlava – V horách Stationary Unattended Monitoring Station;
- Brno – Přední kout Stationary Unattended Monitoring Station;
- Ostrava – Prašivá Stationary Unattended Monitoring Station;
- Praha – Sedlec Stationary Unattended Measuring Station;
- 6 Mobile Unattended Monitoring Stations – external;
- ASFSM Tehov Control Centre;
- ASFSM Karlovice Control Centre;
- Data Centre
- 1 Mobile Attended Monitoring Station type A (40 GHz)
- 2 Mobile Attended Monitoring Stations type B (26 GHz)
- 4 Mobile Attended Monitoring Stations type C (8 GHz)
- 10 Mobile Attended Monitoring Stations type D (6 GHz)
- 1 Mobile Attended Monitoring Station type P (measuring coverage)
- 1 Mobile Attended Monitoring Station type P
- Application Software (ASW), including Identity Management.

All the technical facilities implemented pursuant to the aforementioned CFWs fully meet the requirements of the CTO administering the radio spectrum pursuant to Section 15 of the Electronic Communications Act. The total planned volume of deliveries was complied with, the implementation phase of the ASFSM project was completed and the "Final record of the handover and acceptance of the ASFSM" was signed. After the completion of the acceptance proceedings, all technical facilities are now being used in accordance with the needs of the radio spectrum administration, its monitoring and for the investigation of non-standard conditions.

The graph given in Annex No.7 of this Report provides an overview of sources of interference.

## 1.5 Numbering Management

An activity that the CTO continuously provided throughout 2008 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 184 decisions on authorisation to use numbers, 299 decisions on changes to authorisations, 10 decisions on extending the validity of authorisations and 59 decisions on revoking authorisations were issued in 2008. The CTO issued a total

of 552 decisions in the area of number management. In all the specified cases the appropriate fees (totalling CZK 114,523,000) were set and collected (in addition to administration fees) on the basis of Government Decree No. 154/2005 Coll., on specifying the level and method of calculating fees for the use of radio frequencies and numbers. Apart from this, in four cases the CTO granted agreement with the transfer of rights arising from authorisations for the use of numbers to another undertaking.

April 28, 2008 saw the publication, in the Collection of Laws part 51, of Government Decree No. 162/2008 Coll., which amended Government Decree No. 154/2005 Coll., on specifying the level and the manner of the fee for the utilisation of radio frequencies and numbers, as amended by Government Decree No. 288/2007 Coll., effective from May 15, 2008. This Government Decree introduced fees for an

access code to virtual private telephone networks and virtual private telecommunications networks.

April 15, 2008 saw the publication, in the Collection of Laws part 39, of Act No. 124/2008 Coll., which amends Act No. 269/1994 Coll., on the Criminal Register, as amended, and some other Acts, effective from July 1, 2008. In part 39 of this Act the amendment relates to the Electronic Communications Act, namely Section 8 (6), including the notes under 5a relating to the demonstration of no criminal record and Section 30 (4) in the matter of demonstrating the application for authorisation to use numbers. The CTO requires, pursuant to a special legal regulation, a certificate from the Criminal Register for the purpose of demonstration of no criminal record. The application for the issue of this certificate and the certificate itself are transferred in electronic form in a manner permitting remote access.

<b>Authorisations to Use Numbers (Number Series and Codes, Addresses and Names)</b>		
<b>Access Codes to Services or Networks</b>	<b>Types of Services or Networks</b>	<b>Authorisations Issued</b>
1000 to 1059	Carrier Selection and Pre-selection codes (CS/CPS)	1
11 to 19	Shortened telephone numbers for access to services	8
21 to 59	Public fixed telephone network	26
600	Selective signalling (paging) services	0
601 – 608, 72, 73, 77, 7900 to 7999	Public mobile telephone network	0
700, 701	UPT personal service numbers, universal personal service access number (UPTAN)	0
800 AB (AB a 00)	Collect calls (Freephone)	60
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	16
820 to 829	Access to virtual calling cards services	2
840 to 842, 847 to 849	Access to universal access numbers services	11
900	Premium rate services – voice services – commercial and professional	11
906	Premium rate services – contests and games, dating, advertisements, horoscopes and similar services	9
908	Premium rate services – voice services - one-off connection price	2
909	Premium rate services – voice services – adult entertainment services	9
910	Public communications networks designed for voice calls (VoIP)	3
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	0
972 to 974	Access to non-public telephone networks	1
976	Special-tariff access to services provided on the Internet through service access providers	7
980, 983	Access to virtual private network (VPN) voice services	0
989	Access to virtual private telecommunications network (VPN) voice services	1
MNC	Public mobile telephone network code	0
DNIC	Public data network identification code	0
ExID	Exchange identification number	1
OpID	Operator identification number	2
ISPC	International signalling point code	1
SPC	Signalling point code	9
IIN	Issuer identification number	1
ADMD	Administrative management domain	0
<b>Total for 2008:</b>		<b>184</b>

## 1.6 Regulation of Communication Activities

During 2008 the CTO also performed activities in connection with the regulation of communication activities, when in particular it issued or amended regulations applying to the conditions for providing communication activities from the technical and operational perspectives.

### **Network Plan for Identification Labels of Networks, Data Flows and Services in the Terrestrial Digital Broadcasting Network No. SP/4/04.2008.**

In connection with the preparation for the transition to terrestrial digital broadcasting, the CTO prepared in cooperation with affected subjects, the network plan for identification labels of networks, data flows and services in the terrestrial digital broadcasting network in the Czech Republic, which was issued on April 15, 2008, effective from May 1, 2008. The aim of the network plan is to ensure that receiving users get information that allows them to select available services from broadcasted data flows in an automatic and proper manner. The unequivocal identification of DVB-T networks, data flows and services is essential for ensuring the automatic tuning of the desired program on the user's receiving equipment. Compliance with the rules from the network plan by the electronic communications network operators using the DVB-T standard to provide their services is the foundation for the correct functioning of the end-user equipment and the satisfaction of those users.

### **Change No.2 to the Network Plan of Public Communications Network Signalling No. SP/3/09.2005**

Upon instigation from MobilKom a.s. the CTO prepared, pursuant to Section 62 of the Electronic Communications Act, change No.2 to the signalling network plan. The purpose of this was the proper provision of network calls with the Integrated Rescue System of the Czech Republic and Telefónica O2.

### **General Authorisation No. VO-S/2/07.2005-10**

The CTO, in cooperation with the Council for Radio and Television Broadcasting, issued on September 30, 2008 for the performance of Section 9 and Section 83 (8) and (9) of the Electronic Communications Act, General Authorisation No. VO-S/2/09.2008-11, which amends General Authorisation No. VO-S/2/07.2005-10, which stipulates the conditions for providing public communications networks and allocated resources, as amended. The reason for the issue of General Authorisation No. VO-S/2/09.2008-11 is the stipulation of concrete conditions relating to the obligations of undertakings providing an electronic programme guide (hereinafter only the "EPG") pursuant to the provisions of Section 83 (8) of the Electronic Communications Act. The conditions stipulated through this measure apply in particular to the method of provision and presentation of the EPG to ensure that it is provided on a continuous basis and concurrently with the operation of the relevant broadcasting network and to ensure the interoperability of the EPG service.

### **Technical Standardisation**

In the area of technical standardisation, changes were made in 2008 in the methodology for resolving tasks in the

technical standardisation plan, and as a consequence of the transformation, also in its organisation. These changes were implemented both in the area of regulation of the process for the creation of standards and also in the organisation of standardisation activities, including a completely new conception intended to facilitate public access to standard-setting documents. The aim of the new method for planning and assessing the tasks in the Technical Standardisation Plan is to make it as effective as possible. The tasks of the Technical Standardisation Plan are implemented and financed on the basis of a statement (pursuant to Act No. 22/1997 Coll.) from the relevant central administrative authority (CAA). The CTO is thus actively involved in work in the area of technical standardisation and the creation of new standards. This involves in particular ETSI harmonised standards, but also documents from other international organisations such as ITU, IEC, CEN and CENELEC. These documents are used to ensure the integrity, compatibility and security of public telecommunications networks and services and the operation of only devices that comply with the stipulated technical requirements.

The CTO is a fully fledged member of ETSI in the Administration category and within the framework of its rights and obligations cooperates in the creation and approval of standards and other documents and ensures additional mutual cooperation. The CTO participates in sessions of the General Assembly, which is the highest decision-making authority in ETSI.

## 1.7 Regulation of Postal Services

The competencies of the CTO in the regulation of postal services are regulated by the Postal Services Act, which is fully compatible with EC law.

In the area of postal services only the highly dominant operator, namely Czech Post, is regulated. At the end of 2008 Czech Post, on the basis of a written application submitted upon a call from the CTO and published in the Postal Bulletin, was granted a postal licence for the next period, namely 2009 to 2012.

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) and foreign postal services, 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.

This function is known as the "postal ombudsman" in EU Member States.

The CTO's regulatory tools include approving the postal conditions under which Czech Post will offer the basic services (their importance lies in 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 the year the CTO issued 7 decisions approving changes to postal conditions. As part of the decision to grant the postal licence, the CTO agreed the new wording of the postal conditions and stipulated basic qualitative requirements.

The CTO supervises the manner in which Czech Post complies with its obligations in several different forms. The CTO publishes the Summary Report on its findings, which is required by both the Postal Services Act and Directive 97/67/EC.

On May 9, 2008 the CTO published in Postal Bulletin No. 5/2008 its Report on the Results of Supervision of the Provision of Postal Services by Czech Post for 2007.

The CTO performed 23 inspections in 2008 that covered 93 Czech Post branches. The Summary Report on the Results of Supervision for 2008 will be published in the second half of 2009.

The CTO also assists customers when resolving disputes with Czech Post. This primarily concerns cases in which the customers' dealings 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 491 customer submissions relating to basic services, including intervening at Czech Post if necessary.

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 2008, the CTO finally and conclusively imposed 37 fines totalling CZK 2,186,000 on Czech Post for breaches of its obligations. During 2008 a further 56 administrative proceedings on the imposition of fines were commenced, but these had not been finally and conclusively completed by the end of 2008.

Among the most serious insufficiencies found was a significant worsening in delivery times compared to 2005, non-compliance with binding deadlines for delivery 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 than

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), where there are representatives from practically all postal European regulators; representatives of the EU Commission also regularly participate. The main purposes of the meetings are mutual consultation between the individual postal regulators, various methodological questions on regulatory activities and the exchange of experience

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

## 1.8 The Performance of State Inspections

### Keeping Records and Inspections of Undertakings in Electronic Communications

The CTO issued 243 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, 355 certificates on the notification of changes in the information given in the notification of business were issued pursuant to Section 13 (6) of the Act. The CTO performs regular inspections of undertakings in electronic communications and notifications of changes to data, or the termination of activities pursuant to Section 13 of the Act.

### Inspections on Compliance with CTO Decisions

In 2008 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. 1,013 of the total number of 9,124 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 functionality, constant and free access to the publicly available telephone service, information on prices, information on the calling number, on the existence and conditions of use of emergency numbers, the possibility of using an information service 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 addition, the inspection focused on the rectification of defects identified through the inspection in 2007.

### Other Inspection Activities

- An inspection at Telefónica O2 focusing on the database of subscribers for whom this undertaking is requesting the refund of costs for the provision of discounts on the price of electronic communication services from the Universal Service fund. Documents

were inspected for 10,751 subscriber lines, while the inspection found that the stipulated documents demonstrating the discount entitlement were available for all the inspected lines.

- Inspection of public telephones (PT) and public telephone lines (PTL) operated in municipalities of up to 50,000 inhabitants, irrespective of whether the PT and PTL are operated as part of the Universal Service. A total of 16,000 PT/PTL were inspected. The aim of the inspection was to find, through a survey of the Universal Service, evidence as to whether the reasons for which the obligation was imposed still exist. At the same time the level of the GSM signal at the PT/PTL location was inspected.
- Inspection at Telefónica O2 focusing on compliance with the obligation of non-discrimination imposed in part I. (3) of decision No. REM/12/10.2006-69 of October 31, 2006 pursuant to Section 113 of the Electronic Communications Act and pursuant to Act No. 552/1991 Coll., on State Control, as amended, during the process of migrating a customer from a retail service provided by Telefónica O2 to a service provided by an alternative operator on the basis of the wholesale offer from Telefónica O2, and the interruption of the provision of the broadband access service to the end user connected with this.

### **Workplace for inspection of electronic communication services (test workplace) and the results of the inspections in 2008**

In January 2008 the CTO carried out a final evaluation of the comprehensive inspection on the use of numbers with service access code (SAC) 90X, which was carried out during 2007. Regarding the inspected numbers, the thorough inspection focused on their:

- use in compliance with Decree No. 117/2007 Coll., on numbering plans of electronic communications networks and services, and the relevant CTO Decision on the Granting of Authorisation to Use Numbers;
- use during the validity of the CTO Decision on the Granting of Authorisation to Use Numbers, i.e. after the legal force of the Decision on the Change in the Authorisation to Use Numbers (withdrawal of a number);
- proper billing and the detection of cases of unauthorised billing of an inspected service.

On the basis of this evaluation the CTO sent a call pursuant to Section 114 (1) of the Electronic Communications Act to ten 90X number holders and commenced 4 administrative proceedings in this matter. Within the framework of this evaluation an informative inspection of the use of 90X numbers in accordance with the "General Recommendations for Provisioning of Audiotext Services (ATX Codex)" was also performed, which were adopted by the Association of Operators of Mobile Networks (APMS) and the Association of Public Telecommunications Networks Operators (APVTS). The CTO informed APVTS and APMS of the use of 89 90X telephone numbers in contradiction to the ATX Codex.

The CTO also inspected:

- the charging of calls that are not accepted in mobile networks with a one-off fee by mobile operator T-Mobile through testing in the Czech Republic and Poland,
- the use of geographic numbers and numbers with Service Access Code (SAC) 800 for the provision of the virtual calling card service.

On the basis of the discovered defects the CTO sent a call to rectify discovered defects pursuant to Section 114 (1) of the Electronic Communications Act to the 3 holders of the relevant telephone numbers.

There is also the continuous inspection of the use of numbers and compliance with the conditions of the decision on the authorisation to use numbers at testing workplaces. 1,272 inspection calls were carried out.

The summary table providing an overview of the inspection activities during the performance of state inspection of electronic communications for 2008 is given in Annex No.9 of this Report.

### **Cooperation with Czech Commercial Inspection**

In 2008 cooperation between the CTO and Czech Commercial Inspection (CCI) continued pursuant to the Agreement on Cooperation from 2007. This cooperation comprises in particular participation by CTO employees in inspections at sellers of telecommunications terminal and radio equipment and toys using radio frequencies. The operation of such equipment can lead to interference of civil radio stations operated on the basis of the relevant General Authorisation and potentially to interference with the reception of television broadcasting or the use of radio frequencies without authorisation pursuant to Section 17 of the Electronic Communications Act. The CCO addressed the defects found within its competency.

#### **1.9 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, in which the chairman of the CTO Council makes 1<sup>st</sup> instance decisions, for 2008 we can state that in this period there was a rise in the numbers of new administrative proceedings. In 2008 the CTO accepted a total of 13 motions for initiating proceedings in matters of disputes between entities performing communication activities, with a significant rise in the second half of 2008, when in the period from August to November 11 motions to initiate proceedings were submitted in matters of disputes between entities performing communication activities.

Of the total number of motions for initiating proceedings in matters of disputes between entities performing communication activities addressed in 2008, 1 dispute was decided within the legally stipulated deadline and 1 was deferred because the petitioner was seeking

a decision in a matter in which the administrative body is not authorised to decide. In 5 cases the proceedings were interrupted upon request from the participants before the expiration of the legal deadline for the issue of a decision on the administrative proceedings. For the remaining commenced administrative proceedings, the legal deadline for the issue of a decision on the administrative proceedings has not yet expired and the administrative body will decide on these disputes at the start of 2009.

Of the total number of disputed administrative proceedings already commenced (i.e. proceedings commenced in 2008 or in previous years) the 1<sup>st</sup> instance administrative body issued a total of 10 decisions, when 5 cases were finally terminated; of these, in 2 cases through final decision of the 1<sup>st</sup> instance administrative body, while in 3 cases the 1<sup>st</sup> instance decision was confirmed in the appeals proceedings. Within the framework of these disputes fundamental disputes relating to number portability, or rather the prices for the transfer of a telephone number, were also finally completed.

The CTO also held newly commenced administrative proceedings and continued in administrative proceedings on the basis of 2<sup>nd</sup> instance decisions. During these proceedings the CTO evaluated the evidence submitted by the participants to the proceedings in such a way that the proceedings could be finally completed as early as possible.

In 2008 the CTO Council, as the 2<sup>nd</sup> instance body, decided (after a recommendation from the appeals committee of the CTO Council) on 11 appeals against decisions by the chairman of the CTO Council in disputes between entities performing communication activities.

Final decisions issued in administrative proceedings in the matter of disputes between entities performing communication activities are available at [www.ctu.cz](http://www.ctu.cz)

## 1.10 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 2008. The CTO cooperated closely with the Czech Ministry of Industry and Trade, other state authorities and the affected public in this activity.

The legal regulations applying to the process of the digitisation of terrestrial television broadcasting are a specific area in electronic communications. On the basis of the legal situation based around Act No. 304/2007 Coll., which amended some other Acts in connection with the completion of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, three implementing legal regulations were issued in 2008, the aim of which was the stipulation of the basic rules for the implementation of the transition from terrestrial analogue television broadcasting to terrestrial digital television

broadcasting in such a way as to ensure that this process can be successfully completed by the end of 2012 at the latest.

Specifically these are Government Regulation No. 161/2008 Coll., on the Technical Plan for the Transition from Terrestrial Analogue Television Broadcasting to Terrestrial Digital Television Broadcasting (the Government Regulation on the Technical Plan for the Transition), which with effect from May 15, 2008 stipulated the rules for the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, in particular the deadlines, conditions and the method for proceeding during the process of the development of the electronic communications network for terrestrial digital television broadcasting, in particular the deadlines, conditions and the method for switching off terrestrial analogue television broadcasting in the Czech Republic.

In addition, this involved Government Regulation No. 162/2008 Coll., which amends Government Regulation No. 154/2005 Coll., on the determination of the amounts, and method of calculation, of fees for the use of radio frequencies and numbers, as amended by Government Resolution No. 288/2007 Coll., which with effect from May 15, 2008 stipulated the rules for stipulating the differing fees for the use of radio frequencies for the purposes of terrestrial analogue television broadcasting and terrestrial digital television broadcasting related to compliance with the schedule for switching off terrestrial analogue television broadcasting, stipulated by the Government Regulation on the Technical Plan for the Transition.

Last but not least Decree No. 163/2008 Coll., on the method of stipulating coverage by the terrestrial television broadcasting signal. This Decree was issued within the competency of the CTO and with effect from May 30, 2008 stipulated the method for stipulating the territory covered by the terrestrial television broadcasting signal, the methods for stipulating the intensity of the electromagnetic field and the method derived from this to discover the coverage of the population by the television broadcasting signal. In this way the legislation in question ensures unified and binding criteria essential for securing and comparing the reception of the Czech population, in particular during the implementation of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, or for comparing the reception situation of terrestrial analogue television broadcasting with terrestrial digital television broadcasting.

Apart from the area of the digitisation of terrestrial television broadcasting, the need to also implement changes in the legal regulation of electronic communications in other directions remained in 2008. This involves in particular the need for the comprehensive revision and amendment of the Electronic Communications Act. These efforts to amend the Electronic Communications Act resulted at the start of 2008 in the commencement of the legislative process for drafting the Act, which will amend Act No. 127/2005 on electronic communications and on amendments to some related Acts (the Electronic Communications Act), as amended, and some other Acts. The legislative process for the drafting of this Act, however, could not be completed by the end of 2008. In November 2008 the draft Act was discussed and approved by the Czech government (Government Resolution No. 1331) and subsequently was presented for discussion by the

Chamber of Deputies of the Parliament of the Czech Republic (Chamber Press No. 658). The discussion and adoption of this draft Act is anticipated for the first half of 2009.

Within the framework of the need to ensure compliance of the domestic legislation with the rules adopted at international level, the CTO prepared for the Ministry of Industry and Trade of the Czech Republic a new draft Annex to the Decree, which pursuant to section 150 (2) of the Electronic Communications Act and for the performance of Section 16 (1) of the same Act stipulates the plan for allocating frequency bands (the national frequency table) in such a way that this is in accordance with the wording of the Radio Regulations of the International Telecommunications Union of 2008 (Radio Regulations, ITU, Geneva, 2008).

The Radio Regulations were amended on the basis of the results of the World Radio Conference in 2007 (WRC-2007), with effect from 2009. These amendments were reflected in particular in Article 5 of the Radio Regulation through a change to the allocation of bands to radiocommunication services and through changes to the conditions for the use of the radio spectrum in the bands subject to amendment.

The Decree that stipulates the allocation plan has not yet, however, been issued by the Ministry of Industry and Trade of the Czech Republic, and therefore on the basis of Section 136 (12) of the Electronic Communications Act the Plan for the Allocation of Frequency Bands issued by the CTO pursuant to Section 56 and Section 95 point 5 letter b) of Act No. 151, 2000 Coll., on telecommunications and on amendments to some other Acts, as amended remains valid. Pursuant to the valid legislation, however, the CTO is not authorised to amend this valid Plan for the Allocation of Frequency Bands.

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, activities in 2008 were mainly focused on the area of changes to basic legal regulations relating to private law. Within the framework of the decodifying of this area of law, drafts for a new Civil Code, Commercial Code and an Act on International Private Law were prepared by the Ministry of Justice of the Czech Republic. In view of the fundamental impacts of these legal regulations the CTO actively participated in the extensive inter-departmental comments procedures on the drafts of their new wording.

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 CTO also actively participated in the legislative process within the framework of the activities of the Minister's Panel for Regulatory Reform and Effective Public Administration, in particular its working body – the Committee for Inspecting the Quality of Regulatory Evaluation (RIA). These bodies were created on the basis of Government Resolution No. 927 of August 22, 2007 with the purpose of ensuring the process of discussing and evaluating the legislative materials prepared by the central administrative authorities from the perspective of evaluating the quality of the impacts of the regulation. The activity of the Committee for Inspecting the Quality of Regulatory Evaluation (RIA) was commenced in March 2008. Within the framework of the activities of these bodies the CTO made significant comments on the submitted materials of a legislative nature.

Last but not least we cannot forget the participation by the CTO in other inter-departmental working groups, where through its representative it worked on the preparation of a series of materials of a conceptual as well as a legislative nature, e.g. within the framework of the group focusing on the issue of anti-corruption measures and their operation in practice or the group focusing on questions of reducing the administrative burden.

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 2008 the most important event in this area was the process for the revision of the regulatory framework for electronic communications, where the CTO actively participated not only directly through a series of working groups of the European bodies and organisations affected, but also very closely cooperated with the Ministry of Industry and Trade of the Czech Republic in the preparation of the standpoints for the Czech Republic.

### **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 2008 the CTO issued a total of 19 measures of a general nature. The relevant chapters in this Report provide more details on the individual measures of a general nature. Annex No. 10 of this Report contains an overview of the measures of a general nature that were issued.

In addition, during 2008 the CTO issued, on the basis of the Electronic Communications Act, two administrative acts of a normative character, namely the network plan for the identification labels of networks, data flows and services for the terrestrial digital television broadcasting network No.

SP/4/04.2008 and change No. 2/2008 to the network plan for the signalisation of public communications networks (network plan No. SP/3/09.2005). There is more information on the regulation of these normative acts in the relevant chapters.

### Other

During 2008 the CTO Council adopted two amendments to the Statute of the CTO.

Addendum No.5/2008 to the Statute of the CTO, with effect from April 1, 2008, performed pursuant to Section 107 (10) of the Electronic Communications Act a change in the functional competency within the framework of decision-making activities at the CTO, through the transfer of decision-making activities in 1<sup>st</sup> instance administrative procedures from the CTO as administrative body to the chairman of the CTO Council, specifically in cases of decision-making pursuant to Section 79 (2) of the Electronic Communications Act relating to authorisation of the administrative body to impose obligations:

- a) on an undertaking that controls access to end users to ensure connection from an end point to an end point, in justified cases, including network connection within a stipulated deadline;
- b) on an operator to provide under just, reasonable and non-discriminatory conditions, access to Application Program Interfaces (API) or to Electronic Program Guides (EPG). Transfer of decision making to the chairman of the CTO Council in regard to the decision-making activity in the area of postal services, in particular on fundamental regulatory measures within the framework of 1<sup>st</sup> instance administrative procedures.

The adopted change was a result of the need for the unification of the decision-making processes operated within the framework of the 1<sup>st</sup> and 2<sup>nd</sup> instance administrative procedures.

Addendum No.6/2008 to the Statute of the CTO, with effect from September 1, 2008, adopted additional regulation of the decision-making processes operated at the CTO within the framework of 1<sup>st</sup> and 2<sup>nd</sup> instance administrative procedures. In this case the regulation related to changes to the functional competency during decision making by the CTO in the area of postal services.

In view of the fact that there were doubts regarding the legitimacy of the change to the functional competency of the administrative body in matters relating to decision making in the area of postal services (Act No. 29/2000 Coll.) through the procedure pursuant to Section 107 (10) of the Electronic Communications Act performed through Addendum No.3 to the Statute of the CTO, SAddendum 6/2008 was adopted for reasons of legal certainty for the affected subjects, cancelling the change to the functional competency introduced through Addendum No.3 to the Statute of the CTO. In matters falling within the competency of the CTO, the director of the postal services regulatory department of the CTO thus has the functional competency of the 1<sup>st</sup> instance administrative body, while the chairman of the CTO Council

has the functional competency of the 2<sup>nd</sup> instance administrative body.

All the above changes to the Statute of the CTO have a significant impact on the public as they, pursuant to the relevant legal regulations, stipulate the hierarchy of decision making at the CTO as administrative body.

As regards the CTO's internal legislation, in 2008 a total of 8 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 3 changes to the Organisational Rules of the CTO and the Examination Rules of the CTO were issued, which stipulate the procedure for carrying out examinations to demonstrate expert competency to operate radio transmitters, for extending the validity of expert competency certificates and for issuing duplicates of these certificates, and also 3 binding instructions through which the internal legislation reacted not only to amendments to legal regulations, but in particular to the need to optimise the internal processes at the CTO. In addition, the Collective Agreement for 2009 and 2010 and the related Fundamentals for the Use of the Fund for Cultural and Social Needs were concluded.

### 1.11 Crisis Management and Security

The CTO focused its activities in the area of crisis management on the performance of tasks relating to defence planning and civil/emergency planning. Its main attention was directed towards drafts for the amendment of Sections 98 and 99 of the Electronic Communications Act, which focus on security and the integrity of public communications networks and electronic communications services under normal and crisis situations. In the area of security and protection of information, attention was focused on the application of Act No. 412/2005 Coll., on the protection of classified information and on the security competency in the CTO.

In connection with the approved "Defence Plan for the Czech Republic" and the related tasks imposed by the Czech government the "CTO Partial Defence Plan" was prepared and approved as part of the CTO Crisis Plan. Appointed representatives of the CTO regularly participated in sessions of the "Defence Planning Committee" and prepared materials and proposals for these sessions. This activity was in particular focused on the comments and approval process relating to the updated document "List of Measures for the National Crisis Reaction System". The CTO representatives designated for the inter-departmental expert working groups set up under the "Defence Planning Committee" participated on updating the "Operational Preparation of State Territory" plan for electronic communications infrastructure. Through its appointed representatives the CTO ensured active participation and the preparation of documents for sessions of the Committee for Planning Civilian Communications at NATO and in its working groups for telecommunications and post.

From January to April 2008 representatives of the CTO participated in the preparation, implementation and evaluation of the international exercise NATO CMX – 2008 and, similarly, in September and October, for the international EU Crisis Management Exercise (CME – 2008).

Since 2008 the chairman of the CTO Council has been a member of the Committee for Civilian Emergency Planning (CCEP). There was regular participation and preparation of materials for electronic communications for the representatives of the CTO at CCEP sessions during the year. Within the framework of these sessions, issues relating to critical infrastructure, advance crisis centres and the planning processes in the area of civil emergency planning were addressed in particular.

Within the framework of economic measures for crisis situations (EMCS), designated CTO representatives participated in coordination sessions of the crisis management bodies of central administrative authorities and performed tasks arising from the "scope of activities of the Central Administration Office in relation to EMCS". Attention was paid in particular to the continuation in the reduction of the unnecessary emergency inventory for telecommunications technology and its possible partial replacement with new technology, in particular introduced within the framework of the process of digitisation of sound and television broadcasting.

State inspections of electronic communications were focused on compliance with Sections 88 to 91 (protection of personal, traffic and location data and confidentiality of communications) and Section 99 (security, integrity and service provision in crisis situations) of the Electronic Communications Act (see Annex No. 9) by undertakings. During the year three state inspections at the dominant undertakings in the area of electronic communications were carried out. During these inspections it was found that the adopted measures and internal regulations of the undertakings did not always comply with the requisites stipulated in Measure of a General Nature No. OOP/ /9/07.2005-13. For these reasons two undertakings were instructed to modify their internal technical/organisational rules, in particular with a focus on the performance of the subject of business under crisis situations of a military nature that pose a threat to the state.

The comprehensive performance of the process of collecting data from undertakings relating to operational and location data and their provision via the CTO to the European Commission pursuant to Section 97 (10) and (11) of the Electronic Communications Act was one of the main activities at the end of 2008. The form PLU-08 "Operational and Location Data for the Period 1/1/2008 to 31/12/2008" was prepared and sent to the relevant undertakings with a request for completion by January 31, 2009. The CTO will subsequently summarise all the data and provide them to the EC.

To ensure the transfer of protected data within the European Union using the EU Extranet Czech Republic information system, the accreditation of the CTO generic node was successfully completed at the CTO – in the off-line accreditation commission composed of representatives of

the Ministry of Foreign Affairs of the Czech Republic, the National Security Authority of the Czech Republic and the undertaking S.ICZ a.s. On October 29, 2008 at the CTO the EU Extranet Czech Republic subscriber-system was thus accredited for operation of the "dedicated" part. In the 1<sup>st</sup> quarter of 2008 the preparations for and the construction of the optical link for putting the "Government Confidential Connection" into operation were completed. In connection with the instructions of the Ministry of the Interior of the Czech Republic, the CTO is prepared to implement the Government Confidential Connection.

Protection of confidential information was ensured by the CTO on a continuous basis. The "Overview of Names and Functions of CTO Employees Who Must Have Access to Confidential Information" was updated, the CTO personnel project was sent to the National Security Authority and there was a revision of the electrical security signalisation for the secured area. During the year training was provided to CTO employees designated with access to confidential information and records of the handling of confidential documents were continuously maintained, including their inventory and shredding processes.

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. Additional activities of this group were focused on the preparation of a new Statute for the Central Crisis Management Group, which includes the participation of CTO representatives at sessions of the Central Crisis Management Group.

During the year, planned sessions of the Central Crisis Management Group were held focusing in particular on the updating of the "CTO Crisis Plan" and an introduction to the newly prepared documents and imposed tasks arising in particular from the activity of the "State Security Council", the "Defence Planning Committee" and the "Civilian Emergency Planning Committee". The members of the crisis group were also introduced to the activities and conclusions of the NATO "Civil Communications Planning Committee".

In the second half of 2008 an exercise involving the emergency evacuation of employees from the CTO building was organised and carried out.

## 2. The CTO's International Activities in 2008

The main activities of the CTO in the monitored period were those that led to compliance with obligations arising from the regulatory framework of the European Union for electronics communications networks and services and postal regulation. They included involvement in a series of bodies, in particular in the Independent Regulators Group (IRG), European Regulators Group (ERG), Communication Committee (COCOM), Radio Spectrum Policy Group (RSPG), Radio Spectrum Committee (RSC) and Telecommunication Conformity Evaluation and Market Surveillance Committee (TCAM). Among the important activities in 2008 were cooperation on the regulatory framework review and the

preparations for the Czech presidency of the Council of the EU (PRES), its reporting obligations pursuant to Article 7 of the Framework Directive, coordination activities in IRG/ERG working groups, the preparation of standpoints for the plenary session of the IRG/ERG and the implementation of the EC harmonising decisions arising from the RSC. Within the framework of its defined competencies and the performance of its working activities, the CTO participated in other international activities and in the activities of international bodies and institutions.

## 2.1 International Cooperation on the Level of Regulatory Authorities

The Independent Regulators Group (IRG) is not part of the EU structure and its members are European national regulatory authorities 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. The new statute of the IRG required the renewal of the membership of the regulatory bodies, including the CTO.

The European Regulators Group (ERG) is a consultative body of the EC, and its members are national regulatory authorities of EU member states and representatives of the EC. Its activities were conducted pursuant to the ERG "Work Programme 2008". Throughout 2008, 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 review of the Regulatory Framework for Electronic Communications Networks and Services. 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 of both groups for 2009.

## 2.2 Cooperation within the European Commission

The Communication Committee (COCOM) is a consultation body of the EC, 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. In addition to international roaming and the implementation of its regulation, the revision of the regulatory framework and the simplification of the process for analyses of relevant markets, other subjects were addressed, including the harmonised reservation of the 116 number range for numbers of services with social value and the implementation of these toll-free harmonised numbers. Discussions relating to the implementation of the 112 emergency number continued. The draft Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU was discussed and the draft Recommendation on Regulated Access to Next Generation Access Networks (NGA) consulted. Notification procedures

were discussed pursuant to Article 7 of the Framework Directive No. 2002/21/EC. Great emphasis was also placed during COCOM sessions on discussions of broadband access in the EU and the status of the transition to digital television broadcasting in the individual Member States, including issues related to the introduction of high-definition television (HDTV) and ensuring HDTV interoperability. Questions of selection and authorisation of systems providing Mobile Satellite Services (MSS) were also discussed. Representatives of the CTO participate in the activities of sub-groups of COCOM, set up to resolve specific questions such as the Working Group on Authorizations and Rights of Use (AUTH-WG).

ENISA, the European Network and Information Security Agency, is a consultation body of the EC in whose activities representatives of the CTO together with a representative, the so-called National Liaison Officer (NLO), of the materially competent ministry, which in this case is the Ministry of the Interior of the Czech Republic, has participated since 2008.

In 2008 the CTO prepared studies for the needs of ENISA that focus on the role of the national regulator in the regulatory process and ensuring the robustness, security and integrity of the electronic communications networks. The CTO regularly participates in analyses of experience in this area and proposals for relevant measures to improve the robustness of the electronic communications networks, including possible prognoses in the development and construction of next generation networks.

The Radio Spectrum Policy Group (RSPG) is a consultative body of the EC in strategic issues on the use of the radio spectrum. It issues standpoints on fundamental subjects such as the digitisation of television broadcasting, the method of use of the spectrum released through digitisation (the digital dividend), improving the methods of spectrum administration, the flexible use of the spectrum, usage priorities for the development of the common market and the creation of the information society. It formulates its conclusions mainly through RSPG Opinions. Adopted RSPG Opinions serve as guides for the preparation of specific measures in other bodies, in particular in the RSC. The CTO is represented in both the RSPG and also through the participation of its representatives in the activities of the individual working groups set up ad hoc for the preparation of RSPG documents on individual subjects.

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. In 2008 the RSC adopted a series of EC Decisions – on the operation of mobile communications services on board aircraft, on the harmonisation of the 2.6 GHz band and the harmonisation of the 3.5 GHz band, which are directed towards support for broadband access, on the harmonisation of the 5 GHz band for intelligent transport systems and an update of the EC Decision on short-range equipment and on the 169 MHz band. EC Decisions are binding measures and Member States must implement them within the stipulated deadlines. All the issued EC Decisions have been implemented through measures of a general nature issued by the CTO.

For the purpose of Directive 1999/5/EC, in 2008 the Telecommunication Conformity Evaluation and Market Surveillance Committee (TCAM) and the group for administrative cooperation (RTTE-ADCO) operating as part of it, focused primarily on questions of harmonisation of radio equipment in the area of the harmonised use of radio frequencies and common approach to the issue of telecommunications equipment market surveillance.

## 2.3 International Activities of the CTO in Relation to Other International Bodies and Organisations

### The International Telecommunication Union (ITU)

In 2008 one of the most important events was the World Telecommunication Standardisation Assembly (WTSA-08). The CTO was involved in the ITU's activities at various levels: from representation in the activities of the highest ITU bodies within the framework of representing the Czech telecommunications administration through to the involvement of experts in the activities of the ITU Radio-communication Sector (ITU-R) study groups.

### World Telecommunication Standardisation Assembly

The World Telecommunication Standardisation Assembly (WTSA-08) of the International Telecommunication Union (ITU) focused on the results and implementation of decisions adopted by the Plenipotentiary Conference of the International Telecommunication Union in 2006 in the Telecommunications Standardisation Sector (ITU-T) and the actual activities of this sector in both the past and coming period. With the aim of adapting the activity of the ITU-T to the development of the global telecommunications market and maintaining the dominant position of the ITU as the global standardisation organisation in the area of telecommunications, a series of decisions were adopted led by an attempt in particular to improve and speed up the processing and approval of ITU-T recommendations, which led to changes in the structure as well as the content of the activities of the Study Groups and to changes in the structure, methods and forms of the work of this sector.

### ITU Council

Sessions of the ITU Council in 2008 focused on, apart from discussions within the framework of the so-called "High Level Segment", which focused on the subjects "Climate Change" and "Cyberspace Safety" and to which the leading representatives of some ITU members brought their own contributions, an inspection of the state of implementation of the decision of the Plenipotentiary Conference of the International Telecommunication Union (Antalya 2006) and many other questions from various areas of activities of the ITU, such as ensuring the implementation of the results of previous and future conferences, the World Radiocommunication Conference 2007, the World Telecommunications Conference 2010, the World Radiocommunication Conference 2011 and the stipulation of the subject of the World Telecommunication and Information Society Day 2008. The Council also evaluated the operational plans of the three sectors and the general secretariat of the ITU, participation by the ITU in the implementation of the results of the World Summit on the Information Society, changes to financial documents, including compensation of costs for the

notification of satellite networks in advance, increasing the number of Council members, the frequency of TELECOM exhibitions, free access to basic ITU documents and ITU-R Recommendations.

### ITU Telecommunication Standardisation Advisory Group (TSAG)

The session of the ITU Telecommunication Standardisation Advisory Group (TSAG) was the last session before the World Telecommunication Standardisation Assembly (WTSA-08) and therefore the main points of the agenda were preparation of the sector (ITU-T) for the WTSA-08 session. Apart from this, questions were discussed relating to the tasks arising for the ITU-T from the conclusions of the Plenipotentiary Conference of the International Telecommunication Union (Antalya, 2006), the session of the ITU Council (Geneva, 2007) and the report and information on the activities of the ITU-T and the ITU-T study groups since the last TSAG session.

### Telecommunication Development Advisory Group (TDAG)

The agenda of the session of the Telecommunication Development Advisory Group (TDAG) included discussion of the state of implementation of the programs and projects from the Action Plan of the Sector for Telecommunication Development (ITU-D), the activities of the sector for the implementation of the Action Plan of the World Summit on the Information Society (WSIS), preparation for the Global Symposium for Regulators (GSR), organisational questions relating to the activities of study groups, activities in the area of emergency telecommunications and the report on activities within the framework of the task directed towards increasing the involvement of developing countries in the creation of standards. TDAG also discussed other questions connected with the regular activities of the ITU-D sector, for example the report on the activities of the Telecommunication Development Bureau (BDT), the use of information technologies in the activities of the ITU-D and member matters of this sector.

## 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.

### CEPT Assembly

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, namely the ECC (Electronic Communications Committee), CERP (European Committee for Postal Regulations), the Commission for ITU and ERO/ETO (European Radiocommunication Office/European Telecommunication Office) over the previous period, and the regular organisational and membership matters of CEPT. The main point of the agenda was the results of the activities and proposals of the working group (High Level Task Force) relating

to the issue of CEPT reform, focusing on maintaining its position and ensuring adequate reactions of this organisation to new challenges connected with developments in the EU and with the changing conditions on the electronic communications market. The final approval of the reform measures will be the subject of an extraordinary session in 2009.

### Electronic Communications Committee (ECC)

The Electronic Communications Committee (ECC) fulfilled its mission through its own activities as well as its own permanent working groups: CPG (Conference Preparatory Group), WG FM (Frequency Management), WG SE (Spectrum Engineering), WG RA Regulatory Affairs and WG NNA (Naming, Numbering and Addressing). CTO representatives participated in the work of these bodies and their project teams and sub-groups, in the preparation of their CEPT harmonisation documents (Decisions, Recommendations, Reports) prepared by them and the introduction of 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 its own instigation or mandates from the EC. The individual working groups, in which representatives of the CTO participated, addressed in particular issues according to their competencies, namely:

CPG 11 – ensured the course of the preparations of member administrations at the World Radiocommunication Conference WRC-11 by preparing draft positional and analytical documents for the individual points of the conference agenda and coordinating the approach of the representatives of European countries in ITU working groups.

WG SE – studies of sharing were performed in particular for the purpose of stipulating technical limits for the use of frequency bands by various services and their applications.

WG FM – the conditions for the use of frequency bands by radiocommunication services and their applications were addressed in particular. These included, for example, the updating of the European Common Allocations Table (ECA), the preparation of harmonisation documents for the use of the radio spectrum and other activities addressed from the group's own instigation, initiated by users or other bodies and institutions.

WG RA – the main work was questions of a regulatory nature, proposals for new authorisation regimes – Light Licensing and License Exempt/Commons, the introduction of flexible bands, the correlation of ECC and EC documents and other matters.

WG NNA – the most important results of the processing of thematic documents (ECC Reports and Recommendations) connected with the introduction of the number space "116" in European countries, with the impacts of the emergence of new generation networks, protection from abuse of allocated numbers and so on.

EFIS is the European frequency information system located on the server [www.ero.dk](http://www.ero.dk), into which EU Member States, pursuant to Decision of the European Commission on harmonized availability of information regarding spectrum use within the Community (2007/344/EC), are obligated from January 1, 2008 to publish and update specific information on the radio spectrum. The required updating of this data for the Czech Republic was carried out at the end of 2007.

### CEPT Commission for the ITU

The main points of the agenda of the CEPT Commission for the International Telecommunication Union were the preparation of CEPT for the World Telecommunication Standardisation Assembly (WTSA-08), the World Telecommunication Policy Forum (WTPF-08), the Plenipotentiary Conference of the International Telecommunication Union and the World Telecom Development Conference (WTDC-10). The reports of the chairmen of the established working teams charged with the preparation of CEPT for the given conferences were evaluated, while the approach of the delegations of the CEPT members for the sessions of the consultation commissions of the ITU sectors for development and standardisation of telecommunication, the approach of CEPT for the sessions on the revision of the International Telecommunication Regulations and other organisational questions and were discussed and approved.

### Organisation for Economic Cooperation and Development (OECD)

The CTO is represented in the OECD Working Party on Communication Infrastructures and Services Policy (WP CISP), which is one of the subordinate groups of the OECD Council for policy in the area of information, computers and communication. In its current working period the WP CISP focused on thematic areas connected with technological innovations, new generation networks, the future of the internet, developments in optical fibre technologies and in progressive wireless technologies, aspects of access to high-speed internet including mobile, IPTV issues, investments and regulation in telecommunications. In 2008 its main activities included the preparation of documents for a ministerial meeting on the future of the internet. During the year the CTO was represented at sessions of the WP CISP, provided materials for preparation of the publication OECD Communications Outlook 2009 which is issued every two years. It proceeded in cooperation with the departmental ministry, which is responsible in this working group for the Czech Republic interests.

### 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 standards and connected projects. Alongside technical standards, during the work in the technical committees regulatory elements that will appear in projects financed by the EC are pre-standardised. At the current time it has around 700 members in various membership categories from 62 countries. The continuing globalisation has led it to expand its cooperation outside Europe, with China, India and Latin America, to strengthen cooperation with other standardisation institutes and to focus

on and become involved in the preparation of global standards (GSP), in the provision of services such as Forapolis, Interpolis, Plugtests, Testing and Interoperability. The number of new ETSI standards that facilitate the introduction of new services is growing, while the aim is to achieve the highest level of interoperability for complex products for both industry and end users. ETSI is working to gain a place among the leading standardisation organisations in the world of ICT. The CTO represents the Czech telecommunications administration in ETSI, is a member of ETSI in the "administration" category and participates in sessions of the General Assembly, which is the highest decision-making authority in ETSI.

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

Regarding NATO, in 2008 the CTO was 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 of military and non-military natures.

Emphasis is placed in particular on addressing tasks relating to the security of the functionality of the electronic communications networks in the event of the use of CBRN/WMD (Chemical, Bacteriological, Radiological and Nuclear/Weapons of Mass Destruction) and the issue of cyber attacks/defence. This issue also involves addressing the effects of high energy electromagnetic fields on electronic communications networks. The CTO is directly involved in addressing this issue.

One very important working area is addressing the issue of electronic communications under crisis situations within the framework of international cooperation in terms of both NATO and the Euro Atlantic Partnership Council (EAPC) as well as in terms of cooperation between NATO and other international organisations.

From the perspective of spectrum administration the NATO Frequency Management Sub-Committee (NATO FMSC) is important. The main activity of the NATO FMSC and its working groups is to ensure access to the radio spectrum within a scope necessary to ensure the activities of the armed forces of the NATO member states. It also plays an irreplaceable role in the evaluation of mutual compatibility of military systems with civilian applications required for the new electronic communications services. Representatives of the CTO participated in the sessions of the NATO FMSC and its political working groups on the preparation of documents and materials for the harmonisation of the conditions for the use of the part of the radio spectrum reserved for military purposes, addressing the issues of undisturbed coexistence between civilian and military applications in radio frequency bands.

#### **Bilateral and Multilateral International Contacts**

On September 25 and 26, 2008 the CTO held an international workshop in Prague focusing on the issue of the process of the transition to digital broadcasting and the digital dividend. On the occasion of this event the CTO also published the first report on the course of the transition to digital broadcasting prepared pursuant to Section 10 of Government Resolution No. 161/2008 Coll., on the Technical Plan for the Transition.

CTO employees also 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 Slovakia, Germany, Austria and Poland.

#### **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 and availability of a database of identification codes for ATIS (Automatic Transmitter Identification System) vessels, access to the necessary information and an extension of the Agreement was addressed at the same time. Due to interest from other countries in acceding to the Agreement, the issue of the frequencies for the purposes of AIS (Automatic Identification 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 GHz for the fixed service and the terrestrial mobile service (Vilnius 2005). CTO representatives regularly participate in meetings of working subgroups established for the terrestrial mobile service and for the fixed service. Within the framework of these meetings the issue of the unnecessarily long periods needed for the implementation of repairs to coordination software, the revision of the rules stipulating the format and method of electronic exchange of coordination requests data during international coordination were addressed in particular.

In the spring of 2008 a working meeting was held in Vienna on the issue of frequency coordination in the terrestrial mobile service. At this meeting questions were discussed and clarified relating to international coordination, including problematic points that had been identified during the implementation of coordination between the Czech Republic and Austria. Throughout the year coordination meetings continued with the administration employees of neighbouring countries, the aim of which was to arrange the conditions for the implementation of the conclusions of the Regional Radiocommunication Conference and then to stipulate the essential conditions for the use of the frequencies required for the further development of the transmission networks for terrestrial digital television broadcasting.

## 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

The need to adopt a comprehensive amendment to the Electronic Communications Act remains, and a bill was created on the basis of cooperation between the Ministry of Industry and Trade of the Czech Republic and the CTO in the previous period (draft of the Act that will amend Act No. 127/2005 Coll., on Electronic communications and on amendments to some related Acts (the Electronic Communications Act), as amended, and some other Acts).

On June 24, 2008 an inter-departmental comments procedure was commenced on this draft pursuant to the Government Plan of Legislative Tasks for 2008. On November 3, 2008 the bill was discussed and approved by the Government of the Czech Republic (Government Resolution No. 1331) and subsequently presented to the Chamber of Deputies of the Parliament of the Czech Republic (Chamber Press No. 658). However, the legislative process could not be completed by the end of 2008. The discussion and adoption of this bill are thus anticipated for the first half of 2009.

The draft of the comprehensive amendment to the Electronic Communications Act is based on an analysis of the application of individual provisions of the Electronic Communications Act in relation to the identified practical requirements. The amendment to the Electronic Communications Act in question should remove some of the problematic issues and, in practice, persistent obstacles relating to the application of the Electronic Communications Act, and should take into account the experience acquired not only by the administrative authorities but also by the undertakings in the area of electronic communications and by the affected public over the period of almost four years since this Act came into force.

The basis of the amendments to the Electronic Communications Act proposed by the CTO include in particular:

a) the introduction of the possibility to change and withdraw an allocation of radio frequencies, as pursuant to current legislation is not possible. In cases

of the right to use radio frequencies granted through the allocation of radio frequencies, the state thus has no effective tool to ensure the effective use of the radio spectrum, especially in the case of the misuse of such radio frequencies and this results in the blockage of part of the radio spectrum for possible use.

At the same time, the proposed amendment to the Electronic Communications Act should ensure full compatibility between the legislation for the allocation of radio frequencies and the legislation for the individual authorisations to use radio frequencies, as both these institutes are individual administrative acts regulating the access of subjects to radio frequencies with the possibility of using them. The amendment will also strengthen the legal certainty of the subjects using a radio frequency through the enshrining of some facts that are in practice disputable or not unequivocal such as the issue of the transfer of an allocation of radio frequencies to the legal successor of the original holder of this allocation, the extension of the validity of expert competency certification and so on.

b) a change to the financing of the Universal Service. The Universal Service in the area of electronic communications includes a series of partial services, the provision of which is imposed by the state on the relevant undertakings, and in the majority of cases represent a real risk for them of incurring financial losses: so-called net costs. According to the method used so far, this incurred loss is financed in the majority of cases by undertakings in electronic communications – through the Universal Service account to which they contribute – or, to a limited extent, by the state in the case of the partial service of the Universal Service providing the option to select prices or price plans for a legally stipulated set of people (special prices for handicapped people). Due to the fact that all the partial services of the Universal Service represent a requirement by the state for compliance with some obligations in the interest of citizens, the state should also cover the relevant costs that the specified undertakings incur (net costs) in connection with the provision of a partial service of the Universal Service. In view of the above

a unification of the financing of the Universal Service in all cases has been proposed, namely by the state from the state budget.

The presented bill also amends some other Acts, in particular the Act on Sound and Television Broadcasting, the Crisis Act, the Act on Administrative Fees and the Copyright Act.

In the case of the Act on Sound and Television Broadcasting this mainly involves the cancellation of the ban on cross ownership, where the current Section 17 (4) of this Act prevents undertakings in electronic communications from acquiring a licence to operate digital radio and television broadcasting, which restricts competition on the media market, and further the cancellation of restrictions on the ownership of electronic communications networks and the resources allocated to them enabling sound broadcasting and terrestrial digital television broadcasting (Section 55b of the Act on Sound and Television Broadcasting). This restriction, which prevents undertakings owning or operating more than two of the given networks, also restricts economic competition on the electronic communications market.

Another important change that this Act will bring is an amendment to the Copyright Act composed of the cancellation of fees for the communal receiving of digital television broadcasting. This amendment should remove the imbalance in access to analogue and digital forms of television broadcasting and at the same time should contribute to the success of the ongoing process of digitisation of terrestrial television broadcasting.

Another amendment to the Electronic Communications Act is envisaged in relation to the conclusions of the revision of the Regulatory Framework of electronic communications. In 2008 there were intensive negotiations within the framework of working groups of European bodies and organisations. The responsible EU Authorities should address the amendment in 2009.

## 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 the Ministry of Industry and Trade of the Czech Republic:

- Government Regulation 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,

- 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 implementation periods, the extent and format of the data and the method for managing the database of listed users,
- Decree pursuant to Section 39 (3) of Act No. 273/2008 Coll., on the Police of the Czech Republic, which stipulates the conditions for the implementation of interference and the connected issues of settling resulting damages and the method of covering the actually incurred costs (Decree in cooperation with the Ministry of the Interior of the Czech Republic).

## 2. Postal Services

At the start of 2008, in connection with the work 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, Directive of the European Parliament and of the Council 2008/6/EC of February 20, 2008 was adopted, amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services. The changes resulting from Directive 2008/6/EC must be implemented into the body of laws of the Czech Republic. For this purpose 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.

## Chapter IV.

# ORGANISING AND SECURING THE CTO'S ACTIVITIES

### 1. The CTO's Economic Results

Act No. 360/2007 Coll., of December 5, 2007 on the State Budget stipulated binding indicators for the CTO for 2008, and an overview of these is presented in Annex No. 11 of this Report. For informational purposes a breakdown of the approved state budget for 2009 is presented in Annex No. 12 of this Report (obligation stipulated through the Electronic Communications Act).

#### 1.1 Evaluation of the Fulfilment of the Indicators of Head 328 – the CTO

##### Total Income

In 2008 the income budget was exceeded by CZK 168,880,420 during the monitored period, i.e. fulfilment was at 115.35 % with a total of CZK 1,268,880,420. This high level of performance was mainly the result of the collection of fees for the administration of the radio spectrum, which were around CZK 147,000,000 higher than our expectations. The actually collected income includes CZK 250,000,000 from the mobile operator Vodafone as payment for the granted UMTS licence. Compared to the actual income for 2007, income for 2008 was reduced by CZK 255,706,550 due to lower UMTS payments (CZK 250,000,000 in 2008 compared to CZK 500,000,000 in 2007 in accordance with the payment calendar).

According to the types of activities carried out by the CTO, the majority of the income, namely 70.67 %, is derived from income from the administration of the radio spectrum, while 28.72 % was income from allocated numbers and 0.61 % from other activities.

The Radiocommunication Account is created from the income from the administration of the radio spectrum pursuant to Government Resolution No. 153/2005 Coll., on specifying the manner and amount of the creation of funds for the Radiocommunication Account and on the method of its spending, namely at the level of 6 %. Funds are transferred to the Radiocommunication Account quarterly within 10 working days of the end of the quarter in question. In 2008 the amount of CZK 56,101,351 was transferred to the Radiocommunication Account from budget income. An overview of the creation and use of the Radiocommunication Account is given in Chapter V point 2 of this Report.

According to the budget structure, 99.40 % of the income received is posted on item 2111 – Income Generated from Own Services, while the remaining portion of 0.60 % is of a random nature and is posted on the following items:

- CZK 64,510 on item 2132 – Income from the lease of other property and their parts (income from the lease of rooms in the CTO building in Sokolovská Street by the building administrator, lease of the space for locating drinks vending machines in the same building),
- CZK 577,370 on item 2141 – Income from interest (interest from CTO bank accounts),
- CZK 14,780 on item 2310 – Income from the sale of current and minor fixed assets (unneeded disposed-of CTO assets)
- CZK 446,040 on item 2324 – Accepted non-capital contributions and compensation (credit notes on expenditure of previous years, compensation from natural persons for damage they caused),
- CZK 2,870 on item 3119 – Other income from the sale of fixed assets,
- CZK 240,470 on item 4132 – Transfers from other own funds (balance on the deposit account in January 2008 after the transfer of salary settlement for December 2007),
- CZK 6,200 on item 4135 – Transfers from reserve funds of state branches (transfer of an amount from the CTO reserve fund to income for permitted exceeding of expenditure with the agreement of the Ministry of Finance of the Czech Republic, ref. No. 19/18 966/2008-193 of February 25, 2008).

##### Total Expenses

In 2008 total expenses were 77.73 % of the adjusted budget, namely CZK 767,940,330. This relatively high volume of savings arose mainly from expenditure on the coverage of losses from the provision of the Universal Service, which were incurred by its provider pursuant to the Electronic Communications Act and pursuant to a Government Resolution and Decree No. 388/2006 Coll., on the net costs of the Universal Service in electronic communications. Only CZK 145,742,820 of the funds for covering the loss from the provision of the Universal Service, which the CTO had earmarked in its budget of CZK 300,000,000, were used, meaning that CZK 154,257,180 remained unused.

After the subtraction of this expenditure, total expenses rose to 90.44 % (CZK 678,901,000 approved or adjusted budget, actual CZK 622,197,510, unused CZK 65,703,490).

In 2008 the CTO did not carry out any Budget Measures (hereinafter only the "BM"), which would have an impact on a change to the total expenses of the CTO. The CTO carried out a total of 9 BMs, of which 1 was subject to the prior agreement of the Ministry of Finance and 8 BMs were within the competency of the CTO. The BM subject to the prior agreement of the Ministry of Finance was related to salaries – an increase of CZK 3,000,000 and connected expenditure totalling CZK 1,110,000 (of which CZK 1,050,000 represented by an increase in compulsory insurance and CZK 60,000 an increase in the transfer to the Cultural and Social Needs Fund (hereinafter only the "CSNF"), which were covered through savings on other regular expenses.

The actual total expenditure was CZK 178,263,740 lower than the same figure for the previous year, of which CZK 154,098,960 was on current expenses and CZK 24,164,780 on capital expenses.

#### a) Current Expenses

Current expenses were utilised at 74.32 % in 2008, giving a figure of CZK 518,141,750, meaning that CZK 178,962,250 remained unused. After the exclusion of expenditure on the coverage of losses from the provision of the Universal Service, its use rose to 93.77 % (CZK 24,705,070 remained unused).

Compared to 2007 the actual expenditure was CZK 154,098,960 lower.

Current expenses are budgeted to 4 accounts, and the table below provides an overview of them including their actual and % use (in CZK thous.):

	Approved budget 2008	Adjusted budget 2008	Actual as of 31/12/2008	% use
a	1	2	3	4
<b>Total current expenses</b>	<b>697,104</b>	<b>697,104</b>	<b>518,141.75</b>	<b>74.32</b>
of which:				
Account 2412 – US	300,000	300,000	145,742.82	48.58
<b>Current expenses without the US</b>	<b>397,104</b>	<b>397,104</b>	<b>372,398.93</b>	<b>93.77</b>
of which:				
Account 2461	379,722	379,422	357,103.51	94.11
Account 2491	17,282	17,582	15,214.23	86.53
Account 5273	100	100	81.19	81.19

Additional information on the individual accounts and expenditure items, or the grouping of expenditure items:

#### Account 2412 – Telecommunication matters – expenditure item 5192 – Provided non-investment contributions and compensation (in CZK)

On this account and expenditure item the CTO budgets expenditure for the coverage of the losses due to the Universal Service incurred by its provider and which the state agreed to cover through the CTO pursuant to Act No. 127/2005 Coll., on Electronic Communications, and pursuant to Government Resolution and Decree No. 388/2006 Coll., on the net costs of the Universal Service in electronic communications. In 2008 losses were covered for the provision of special prices in 2007 totalling CZK 145,742,820, of which

- CZK 140,202,310 was designated for Telefónica O2,
- CZK 1,348,150 for Vodafone,
- CZK 4,192,360 for T-Mobile

The amount saved of CZK 154,257,180 has been transferred for anticipated use to the 2009 budget.

#### Account 2461 – Activities of the central bodies of state administration in telecommunications (in CZK)

The majority of the expenditure of the CTO is paid from this account, and in the following breakdown:

- salaries and other payments for work done, compulsory insurance paid by the employer, CSNF transfer, accounting for 63.64 % of current expenses,
- purchases of services, the second largest group of expenses of 27.66 %, from which are paid in particular expenses for postal charges and the purchase of telecommunications and radiocommunications services, services to financial institutes and insurance for vehicles, rent for non-residential spaces, services connected with the rent and cleaning, consultation, advisory and legal services, training services and education for CTO employees, updates and technical support for software, contributions for employee catering, electronic protection for CTO buildings services, translation of documents, calibration of measuring devices, expert opinions that the CTO is legally obliged to obtain, revision of equipment and technical inspections of vehicles, medical examinations of employees and other services, fees for radio and television receivers,

- which serve mainly for inspections of the technical aspects of broadcasting,
- purchases of material, which account for 4.04 % of current expenses, and also include the printing of company letter paper and forms and the manufacture of stamps,
- the remaining part of current expenses on this account represents purchases of water, fuels and energy, other purchases (repairs and maintenance, purchase of non-investment software, domestic travel, accommodation, fees for participating in conferences), expenses connected with non-investment purchases, contributions, compensation and material gifts (compensation of the costs of legal proceedings and for injuries at work), other non-investment transfers to other public budgets (purchases of domestic motorway stamps).

### **Account 2491 – International cooperation in telecommunications (in CZK)**

On this account the CTO budgets expenses connected with international activities, in particular expenses related to business trips abroad, which make up the majority of these expenses. Foreign business trips result in particular from Government Resolution No. 676 of June 1, 2005, which charges the CTO with the competency for or cooperation with the relevant departmental ministry in the bodies of international organisations such as in EU bodies, the ITU (International Telecommunication Union), CEPT (the European Conference of Postal and Telecommunications Administrations), ETSI (the European Telecommunications Standards Institute), NATO (the North Atlantic Treaty Organisation) and ETO (the European Telecommunications Office).

In addition, contributions are paid from this account to international organisations in which the CTO represents Czech state administration, namely ETSI, ETO and newly the IRG (the Independent Regulators Group) and expenses connected with international events held in the Czech Republic.

### **Account 5273 – Other administration in the area of crisis management (in CZK)**

On this account the CTO budgets expenses for the activities of the crisis management centre. Current expenses were used for the purchase of consumables and minor fixed tangible assets – duplex unit for multifunctional equipment and the purchase and installation of the program "Employee Records for the Needs of the Defence Act".

#### **b) Capital Expenses**

Capital expenses for 2008 were used at the level of CZK 249,798,580, i.e. 85.90 % of budget, with CZK 40,998,420 remaining unused. Compared with the same period of the year before, their use fell by CZK 24,164,780.

The CTO incurred capital expenses for the program registered in the ISPROFIN registry at the Ministry of Finance with reference number 228010 – The Development and

Renewal of the CTO's Material/Technical Base – with total expenses of CZK 290,797,000.

By letter ref. No. 19/18 966/2008-193 of February 25, 2008 the Ministry of Finance gave its agreement with the request from the CTO for the use of CZK 6,200,000 from the reserve fund to strengthen capital expenses. The funds were designated for the completion of the government secure line IS – Vega D totalling CZK 200,000 (actual CZK 177,750) and CZK 6,000,000 for the completion of the reconstruction of the Tehov Radio Spectrum Monitoring Department (hereinafter only "OMRS").

In the area of informatics, capital expenses were used in particular for the completion and further development of a software product – the modular administration system MOSS (stage VI and modifications of 9 modules), the MS Office Sharepoint implementation portal, supplementation of the Multilink software licence, the acquisition of additional Argus software licences, supplementation of the Radiolab software licence, implementation of the Conflict of Interest Notification Register, acquisition of software licences for Identify Management, the creation of an application interface between the MOSS and ESD information systems, the acquisition of software for the new economic agenda (administrative fees and fines in administrative proceedings), the acquisition of APV for automated processing of bulk operator submissions.

In the area of computers, the most important items were an increase in the CTO LAN network capacity through the replacement of active network elements, the addition of servers on the CTO network and the purchase of multi-functional printers.

Within the framework of the SDMKS project the TIF III control centre and supervision system was completed, sets of manual devices and Mobile Unattended Monitoring Stations (MUMS) were completed, an Argus software upgrade was acquired, software was delivered and implemented (map data), 2 motor vehicles with improved off-road ability were acquired, designated for ensuring the accessibility of some difficult to reach stations in the ASFSM system, Mobile Attended Monitoring Stations were manufactured – one MAMS A, one MAMS B, four MAMS C and nine MAMS D, Stationary Unattended Monitoring Stations (SUMS Karlovy Vary, SUMS Liberec and SUMS Ostrava) were completed, the antenna was completed for Stationary Attended Monitoring Station SAMS Tehov and invoices for the provision of system integration services were paid.

Within the framework of other activities, there was completed reconstruction of the CTO OMRS Tehov building as well as at the CTO headquarters in Sokolovská Street in Prague the modifications and furnishing of the hygiene facilities on the 7<sup>th</sup> floor of the building were performed, within the framework of the planned renewal a total of 4 multi-functional copiers were purchased and a new data projector was purchased for the CTO meeting room in Sokolovská Street in Prague, and a new company car (a Skoda Superb) was purchased for the needs of the CTO.

### Expenses Connected with the Czech Presidency of the Council of the EU (PRES)

In 2008 these expenses were used at a level of CZK 1,038,980, i.e. at 71.80 %, with CZK 408,020 remaining unused. In comparison with the actual figure for the year before, the absolute value fell by CZK 229,210.

The expenses were incurred through the payment of bonuses as motivation for employees participating in the preparations for the Czech presidency of the Council of the EU or who are involved and work in EU Council working groups, through the payment of mandatory insurance, the CSWF transfer, the hire of a hall, technicians and interpreters for the international workshop focusing on the issue of the transition to terrestrial digital television broadcasting and the development of individual broadcasting networks under preparation, training, trips abroad, accommodation during international meetings, the participation fee for a seminar on this subject and the purchase of material gifts.

### Expenses Designated for Financing the Asset Replacement Programmes in ISPROFIN

These expenses are purposely designated for the financing of program 228010 – The Development and Renewal of the CTO's Material/Technical Base. CZK 349,351,000 was budgeted for 2008, of which CZK 290,797,000 as capital expenses and CZK 58,554,000 as current expenses.

CZK 296,043,970 of the total approved budget was utilised, namely 84.74 %, of which capital expenses of CZK 249,798,580 (85.90 %) and current expenses of CZK 46,245,390 (78.98 %).

Compared to the actual amounts for 2007, this represented a reduction of CZK 18,831,450, of which capital expenses of CZK 24,164,780, while current expenses were higher by CZK 5,333,300.

Programme 228010 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 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, technical improvements to buildings 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.

In 2008 sub-programme 228013 was ended, and activities from sub-programmes 228011 and 228012 (in view of their characteristics) will transfer in 2009 to the new

programme 128010 Development and Renewal of Material and Technical Facilities of the CTO.

A detailed commentary on the capital expenses has been provided in the previous part of this evaluation.

Current expenses in ISPROFIN are mainly designated to cover expenses related to information and communications technologies and expenses connected with the operation of equipment constructed within the framework of the ASFSM project. These expenses were incurred for:

- updating and technical support for software products used by the CTO,
- purchase of telecommunications and radiocommunications services,
- purchase of energy primarily for buildings constructed within the framework of the ASFSM project,
- purchase of consumables for information and communications technologies and their repair, etc.

### Employee Salaries and Other Payments for Work Done

For this expenses item, the approved budget was increased by CZK 3,000,000 with effect from April 4, 2008 after prior agreement of the Ministry of Finance of the Czech Republic, through savings made on other current expenses (see 3. RO). This adjusted budget was utilised in 2008 at 99.69 %, i.e. CZK 165,941,400. This lower use was influenced by other payments for work done, namely expenses item 5022 – Salaries of Representatives of the State Authorities, from which the members of the CTO Council are remunerated. The saving of CZK 518,600 was originally intended for the payment of 6 salaries to a member of the CTO Council pursuant to the Electronic Communications Act whose term of office had expired in 2008 and who had not been paid due to her repeated nomination.

The actual figure is CZK 4,245,000 higher than the actual figure for 2008.

**Funds for employee salaries** – the adjusted budget was 100 % utilised, when funds to the amount of the adjusted budget were transferred onto the deposit account for the payment of the December salaries. After the settlement of the salaries for December 2008 the unused balance on the deposit account was CZK 81.

**Expenses for other payments for work done** were utilised in 2008 at 93.04 %, i.e. totalling CZK 6,936,400. These actually incurred expenses per item are as follows:

- Item 5021 – Other Personnel Expenses, utilised at 100 % of the adjusted budget, namely CZK 1,154,000.
- Item 5022 – Salaries of Representatives of the State Authorities, utilised at 91.46 % of the adjusted budget, namely CZK 5,558,400.
- Item 5024 – Severance Pay, utilised at 100 % of the adjusted budget, namely CZK 224,000.

After the settlement of salaries for December 2008, the unused balance on the deposit account was CZK 118,223,

of which CZK 113,615 was the balance of other personnel expenses and CZK 4,608 the severance pay balance, which was transferred to a special CTO income account as an accounting case in 2009.

The approved 2008 budget included the budgeted amount of CZK 346,000 for severance pay, which a member of the CTO Council whose term of office expired is entitled to. In view of the repeated nomination of this person, the severance pay was not paid out and the funds were used within the framework of a Budget Measure within the competency of the CTO (without any impact on the binding indicator) for the payment of severance pay and to strengthen the other personnel expenses indicator.

### **Mandatory Insurance Payable by the Employer**

For this item, too, the approved budget was increased (by a total of CZK 1,050,000) after the prior agreement of the Ministry of Finance of the Czech Republic and in connection with the increase in the budget of funds for employee salaries, of which social insurance represents CZK 780,000 and public health insurance CZK 270,000.

This budget for this binding indicator was utilised at 100 % in 2008 (CZK 58,140,000) when an amount totalling the adjusted budget was transferred onto the deposit account for the settlement of salaries for December 2008. The amount of CZK 134,367 remained on the deposit account and was transferred to the CTO income account as an accounting case for 2009.

Mandatory social security insurance was CZK 43,190,000 and public health insurance CZK 14,950,000.

Compared to the actual figure for the previous year, the figure for 2008 was CZK 1,419,000 higher.

### **Transfer to the Cultural and Social Welfare Fund**

The approved budget for this indicator was, in connection with the increase in for salaries, raised by CZK 60,000. CZK 3,180,100 was transferred to the Cultural and Social Welfare Fund for 2008, which represents budget utilisation of 99.97 %, but corresponds precisely to 2 % of paid salaries in the sense of Decree No. 114/2002 Coll., on the Cultural and Social Welfare Fund, as amended.

Compared to the actual figure for the previous year, the figure for 2008 was CZK 106,100 higher.

### **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 – as has already been indicated in the previous parts of this evaluation. The approved budget for 2008 of CZK 100,000 of current expenses shows utilisation of CZK 258,940, i.e. 258.94 %. This higher utilisation was influenced by the use of funds from the reserve fund of CZK 177,750 with the prior agreement of the Ministry of Finance of the Czech Republic (personal letter from the Finance Minister ref. No. 19/18 966/2008-193 of February

25, 2008) for the completion of the government secure line (VEGA-D), internal communications infrastructure. Current expenses were utilised as follows: CZK 23,170 for the purchase of a duplex unit for the multifunction equipment OKI C5550, CZK 2,210 for the purchase of consumables to ensure the activity of the crisis staff and CZK 55,810 for the purchase and installation of the program "Employee Records for the Needs of the Defence Act".

## **1.2 Management of Non-Budget Funds**

### **Administrative Fees and Fines in Administrative Proceedings**

In 2008 the CTO collected on special income accounts of the state budget (budget head 398 – VPS) CZK 65,685,391.15 in administrative fees and CZK 4,817,867.26 in fines in administrative proceedings.

Pursuant to a Methodological Instruction from the Ministry of Finance of the Czech Republic, these fees were only posted in March 2008 (in arrears from January 2008) and then every month separately from other income on budget head 328 – the CTO. An overview was sent in electronic form to the Ministry of Finance of the Czech Republic, while its paper form is part of the accounting and financial statements submitted to the Ministry of Finance of the Czech Republic.

For 2008 administrative fees paid through special stamps came to CZK 1,050,530.

### **Account for the Payment of Losses from the Universal Service**

In 2008 the CTO administered the Universal Service account, 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 set up pursuant to Section 32 of Act No. 151/2000 Coll., on telecommunications and on amendments to some other Acts. The demonstrable losses of the provider of the Universal Service are paid through this account from contributions from other operators.

The balance on this account was CZK 56,848.09 as of December 31, 2008.

In 2008 another foreign funds account was set up for the payment of net costs of the provider of the Universal Service pursuant to Section 49 (3) of Act No. 127/2005 Coll., on electronic communications. The account was also set up at the CNB, Prague branch with the prefix "46017". So far no contributions have been sent to this account.

Detailed information on the Universal Service accounts is given in the Annual Report on the Universal Service that forms part of Chapter V of this Report.

### **Radiocommunication Account**

The balance of the Radiocommunication Account, which the CTO administers and was obliged to establish pursuant to the Electronic Communications Act, was CZK

113,623,220.82 as of December 31, 2008. The Radiocommunication Account is made up, pursuant to Government Resolution 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 6 % of the collected fees for the use of radio frequencies. During the monitored period, income totalling CZK 56,101,351 was transferred to the Radiocommunication Account.

An overview of the utilisation of the Radiocommunication Account is given in the Report on the Management of the Radiocommunication Account Funds that forms part of Chapter V of this Report.

### **Account for the Development of Terrestrial Digital Television Broadcasting**

On January 1, 2008 Act No. 304/2007 Coll., which amends some Acts in connection with the completion of the transition from terrestrial analogue television broadcasting to terrestrial digital television broadcasting, came into effect. This Act stipulates that the CTO is obligated to set up an account for the development of terrestrial digital television broadcasting, which it administers. Czech Television transfers funds to this account from advertising income totalling CZK 1,250,000 always at the latest by the end of the subsequent calendar month for the previous calendar month. The CTO uses the funds deposited on this account exclusively to support and develop terrestrial digital television broadcasting in the Czech Republic, in particular to develop electronic communications networks for terrestrial digital television broadcasting.

The account was set up at the Czech National Bank, Prague branch as a foreign funds account with the extended prefix "36011".

During 2008, Czech Television made 11 payments of CZK 1,250,000, namely CZK 13,750,000. CZK 12,059,861.65 was utilised and the balance on the account as of December 31, 2008 was CZK 1,690,138.35.

These funds were used to cover the costs connected with the preparation of informational materials about terrestrial digital television broadcasting and, with the participation of the CTO, in the conference entitled "Information Systems in State Administration", at which the CTO presented this information, in addition to covering the costs connected with the organisation of and participation in international coordination meetings (with Austria and Germany), which are essential for the further development of digital broadcasting networks; also for the preparation of studies relating to the digital dividend, namely the possibility of using part of the radio frequencies released from analogue television broadcasting for new electronic communications services and a study for the technical support of digitisation of television and radio broadcasting (in particular the preparation of extensive technical calculations and studies related to changes in the use of individual radio channels both in the Czech Republic as well as in neighbouring countries). At the same time the collection of data for the purpose of a nationwide survey of the awareness and readiness of households for the transition to terrestrial digital television broadcasting was financed.

### **Current Bank Account for Payment 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, 2008 this account showed a balance of CZK 626.85. In January 2008 the amount of CZK 400,000 was transferred to this account from the CTO budget, 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 during the monitored period totalled CZK 646,773.06, while fees for the payment cards were CZK 5,500 and bank fees totalled CZK 5,036.

In 2008 interest was accrued to this account totalling CZK 353.97, and this is regularly transferred to the Ministry of Finance of the Czech Republic. The transfer to the Ministry of Finance of the Czech Republic for 2008 totalled CZK 321.49. In December the balance of CZK 348,060.13 (after the retention of the mandatory minimum balance) was returned to the CTO budget onto an expense account. The balance on December 31, 2008 was CZK 655.33.

## **1.3 Results of External Inspections**

### **Ministry of Finance of the Czech Republic**

From February 25, 2008 to June 30, 2008 employees of the inspection department of the Ministry of Finance of the Czech Republic carried out an inspection at the CTO within the framework of their inspection activities pursuant to Section 7 (2) of Act No. 320/2001 Coll., on financial control in public administration and on amendments to some Acts (the Public Inspection Act), as amended, and pursuant to part three of Act No. 552/1991 Coll., on state control, as amended.

The aim of this inspection was to verify the CTO management of state budget funds, its management of state property and of property that the CTO is authorised to manage.

The inspection period was 2006, while materials from related years were also inspected for clarification.

During the inspection of the management of budget funds at the CTO no breach of budget discipline was discovered, and no corrective measures were imposed.

### **Health Insurer of the Ministry of the Interior of the Czech Republic**

This health insurer notified the CTO by letter dated February 21, 2008 of the obligation to pay a penalty of CZK 1,268 for the late payment of a premium in 2000 and 2007. A check of the reason for this penalty found that the late payments of the premium were due to a neglect of duty by 2 CTO employees during the change of health insurer, while they had notified their employer – the CTO – of this fact too late. The CTO paid the penalty on February 28, 2008 and at the same time requested that the Health Insurer of the Ministry of the Interior of the Czech Republic forgive it. The health

insurer recognised the CTO request and issued a decision on April 22, 2008 ref. No. ZP-47-94/AA-04-2008 to forgive the penalty and return the amount of CZK 1,268.

## 2. Human Resources

During 2008, 60 employees began work at the CTO, 10 employees went on maternal leave, and 69 employees

terminated their employment, of which 4 employees terminated their employment pursuant to Section 52 letter c) of Act No. 262/2006 Coll., the Labour Code, 9 employees retired, 3 employees left for full disability pension and 2 employees died.

As of December 31, 2008 the CTO had 460 employees, the average for the year being 453.

Number of Employees (comparison with 2006 and 2007)			
Indicator / period	2006	2007	2008
Systemised number of employees	473	473	460
Average recalculated number of employees	461	463	453
Number of newly hired employees	66	64	60
Number of employment terminations	54	68	69
Number of employees in post-productive age as of December 31	31	67	62
– of this, women:	18	45	43

On December 5, 2007 the Chamber of Deputies of the Parliament of the Czech Republic approved, through Resolution No. 553, the Act on the State Budget of the Czech Republic for 2008.

Through letter from the Ministry of Finance of the Czech Republic No. 19/100 842/2007-193 of December 17, 2007 "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 2008" of budget head 328 – the CTO were sent to the CTO.

The limit of funds for salaries and other payments for work done CZK 163,460,000  
of which – funds for salaries CZK 156,005,000  
– other payments for work done CZK 7,455,000  
– (of which the Council: CZK 6,423,000  
OON CZK 1,032,000)

Limit on the number of employees:  
461

### Preparation for the Czech Presidency of the Council of the EU

In budget head 328 – the CTO – funds totalling CZK 250,000 were earmarked for the preparations for the Czech presidency of the Council of the EU for 2008, of which CZK 182,000 in the Employee Salaries item. These funds were designated for the motivation of employees who were actively involved in working groups of the Council of the EU in connection with the preparations for the Czech presidency of the Council of the EU.

### Funds for the Salaries of CTO Employees

The budget for employee salaries for 2008 was CZK 156,005,000.

Pursuant to Government Resolution No. 323 of April 2, 2007 (on reform steps taken between 2007 and 2010 to achieve stipulated public budget deficits) there was a rise in the volume of funds for salaries and other payments for work done of 1.5 % compared to 2007. In the sense of the Government Resolution the CTO reduced the number of jobs by 12 for 2008, which represented funds for raising CTO employee salaries by 2.5 %. The salary table for 2008 remained the same as in 2007.

In connection with the performance of the demanding tasks of an independent regulator in the area of electronic communications and postal services, with extensive domestic and international connections and the performance of demanding tasks stipulated by the Government of the Czech Republic such as the transition from analogue to digital television broadcasting, the implementation of the ASFSM project and other complicated activities in the area of electronic communications, the CTO requested that the Ministry of Finance of the Czech Republic approve a Budget Measure – an increase in the limit of funds for employee salaries for 2008 of CZK 3,000,000 through the transfer of savings from other current expenses (ref. No. 21 112/2008-601 of March 24, 2008).

The Ministry of Finance of the Czech Republic complied with this request through letter ref. No. 19/32 372/2008-193 of April 4, 2008 and increased the limit of funds for salaries and other payments by CZK 3,000,000 to the amount of CZK 159,005,000.

A comparison of the limit on funds for salaries in 2008 (actual CZK 159,005,000) with the same item in 2007 (CZK 153,702,000) shows that in 2008 there was a rise of CZK 5,303,000. The majority of this sum was utilised to place employees in higher salary grades, to increase personal bonuses and to reward service at anniversaries and for extraordinary tasks that were completed in 2008.

The employee salary budget for 2008 ensured a rise in the average salary (CZK 29,250) of CZK 1,586 compared to 2007 (CZK 27,664).

### 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).

Pursuant to Government Resolution No. 436 of April 25, 2007 the chairman of the CTO Council issued Measure No. 23/2008 of the chairman of the CTO Council on organisational changes and on the issue of new systemisation (of July 28, 2008) ref. No. 67 571/2008-601 and Measure No. 24/2008 of the chairman of the CTO Council on organisational changes and on the issue of new systemisation (of August 13, 2008) ref. No. 70 680/2008-601. As a result of these measures, on January 1, 2009 there was a reduction in the number of jobs at the CTO by 13, i.e. from 461 to 448.

The employment relationships of 3 employees were terminated 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 Act No. 262/2006 Coll., the Labour Code).

### Other Payments for Work Done

The budget for other payments for work done (without funds for the salaries of representatives of state authority – salaries of members of the CTO Council) for 2008 was CZK 1,032,000.

The budget for other payments for work done was only used to cover activities that could not be performed through the CTO's own resources. This mainly involves work connected with the evaluation of cases of remedies against CTO decisions pursuant to Section 123 of the Electronic Communications Act, i.e. the activity of the appeals commission of the chairman of the CTO Council and the appeals commission of the CTO Council, and the work of examiners for examinations for radio operators and radio amateurs, the payment of severance pay and for work connected with the activities of expert lecturers at courses and seminars held for CTO employees.

Severance pay totalling CZK 224,000 was paid to 3 CTO employees.

### CTO Council

The budget for other payments for work done – salaries of representatives of state authority – for 2008 was CZK 6,423,000.

Through Notice No. 582/2006 Coll., on the notification of the salary base for stipulating salary and some

compensation of expenses pursuant to Act No. 236/1995 Coll., in 2007 the Ministry of Labour and Social Affairs of the Czech Republic announced, pursuant to Section 3 (3) of Act No. 236/1995 Coll., on the salary and other indemnities associated with the execution of the office of representatives of state power and some state bodies and judges, as amended, a salary base for 2007 of CZK 56,847 monthly. Pursuant to Act No. 261/2007 Coll., on public finance stabilisation (part thirty) the salary base for 2008 remained the same as in 2007.

On April 30, 2008 the term of office of member of the CTO Council Ing. Jana Fůrstová came to an end (Government Resolution No. 450 of April 13, 2005). As, pursuant to Section 109 (2) of Act No. 127/2005 Coll., on electronic communications, members of the Council are entitled to a monthly salary at the level of their average monthly salary during their term of office for a period of 6 months after the end of their term of office in the Council, funds in the budget were reserved for this purpose.

On the basis of Government Resolution No. 636 of May 21, 2008, however, on May 21, 2008 Ing. Jana Fůrstová was appointed as member of the CTO Council for another term of office of five years.

As a result of this, in 2008 there arose a balance of CZK 518,600 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 2008 pursuant to Act No. 262/2006 Coll., the Labour Code, as amended, 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, European affairs and managerial skills.

Newly hired CTO employees went through an entry education programme during which they were provided with basic information on public administration and were introduced to the activities performed by the CTO, the ethical codex and measures for the prevention of corruption.

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

Group and individual English and French lessons took place throughout the year. 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 and sat the relevant standardised examinations in them.

In addition, various educational courses were provided for employees depending on their actual educational requirements.

<b>The Number of Graduates of Various Educational Events (in comparison to 2006 and 2007)</b>			
<b>Orientation</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Language Courses	128	154	146
Education in European Union Affairs	55	32	57
Courses Oriented on Information Technology	285	230	84
Professional Training for Employees of Divisions for Regions	165	170	156
Other Educational Events	859	983	775
<b>Costs for Education in CZK thousands</b>	<b>4,329</b>	<b>5,153</b>	<b>3,877</b>

As of December 31, 2008 the expenses on the Education and Training Services account amounted to CZK 3,366,000 and CZK 511,000 on the Attendance Fees for Conferences account.

Overviews of the employment regulation limit, the basic human resources information and itemised binding indicators for 2008 are presented in Annex Nos. 13, 14 and 15 of this Annual Report.

### 3. Informatics

In 2008 work was completed on the contractual development of some important CTO information systems, while work continued on the development of other systems that will greatly contribute to improving the performance of routine work within the competency of the individual CTO divisions.

As for the completed information systems it is important to mention in particular the Automated System for Frequency Spectrum Monitoring (ASFMS), which is a complicated complex of technical resources for measuring and monitoring the frequency spectrum, ICT infrastructure and software. In addition to the completion of this system, it was integrated into the wider ICT environment at the CTO.

In 2008 further MOSS stages were also accepted. This information system has considerable impacts on key routine work of the CTO and is defined through its very extensive links to other operated systems such as the System for the Administration and Flow of Documents (GINIS), Electronic Data Collection (EDC) system, the ASFMS system and others.

For the work of the CTO Council and cooperation between working groups, project teams and CTO divisions, an internal portal based on Microsoft Office Share point 2007 has been implemented. Apart from sharing documents, the portal is also used for reserving meeting rooms, for maintaining selected records and so on.

On June 1, 2008 a new CTO website was put into operation for the public. During its creation emphasis was placed in particular on clarity, comprehensibility, rapid orientation in the information and accessibility.

In the System for the Administration and Flow of Documents (GINIS) there was significant progress in the implementation of a module for the receipt of mass electronic submissions, thanks to which a significant portion of submissions are accepted and confirmed exclusively in electronic form.

From the perspective of the internal IT infrastructure of the CTO there was a transfer to a unified network operating system and the first stage of the implementation of Identity Management system was completed. To increase LAN capacity and reliability the original active elements of the network were completely replaced, which also resulted in increased security. The regular replacement of end user workstations continued with a focus on the oldest workstations using an unsuitable operating system so that it will be possible to further expand the means for remote administration of end user workstations.

### 4. Internal Audit

In 2008 a total of 6 audits were carried out. In addition to the internal audit plan, 3 follow-on audits 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 public tenders in 2007;
- c) Audit of the activities of appeals commissions;
- d) Audit of the processes connected with the issue of the restricted radiotelephone operator's certificate of aeronautical mobile service;
- e) Audit of movable assets (HW);
- f) Audit of the ensuring of the operational activities of the CTO.

The follow-up audits checked the fulfilment of the measures from the audits carried out in the previous year; the extraordinary MOSS audit checked the process of the preparation and implementation of the public tender for the implementation of MOSS, the course of the implementation of MOSS and the activities connected with its subsequent servicing. Pursuant to the Act on Financial Control, the annual report on the results of the financial inspections for the previous year was prepared and submitted to the Ministry of Finance of the Czech Republic in the stipulated form and by the stipulated date. The annual report was also prepared on the activities of the independent internal audit department for 2007, the report on the results of inspections by management for 2007 and in December 2008 the plan for the independent internal audit department for 2009 was approved. A report from the internal evaluation of the quality of the internal audit at CTO was prepared and presented for informational purposes to the chairman of the CTO Council for the first time in 2008.

An internal regulation that addresses the performance of internal and external quality evaluations at the CTO was reformulated (satisfaction questionnaires for the audited divisions are now used together with supplementary tables for monitoring the partial quality criteria), the samples of written materials regulating the audit performance were modified and the actual performance of internal audit at the CTO was specified in extra detail (in particular in the area of the discussion of reports). In addition, internal rules for the maintenance of auditor records and for the presentation of the conclusions of the internal audit were created.

## Chapter V.

# MANDATORY SECTIONS OF THE ANNUAL REPORT

### 1. The Annual Report on the Universal Service (pursuant to Section 50 (2) of the Electronic Communications Act)

The Annual Report on the Universal Service is prepared pursuant to Section 50 of the Electronic Communications Act. In addition to the information on the scope of the services provided within the framework of the Universal Service for 2008, the Annual Report also contains legally stipulated information on the method of financing the Universal Service in 2008.

It is important to note that 2008 was the second year in which the Universal Service was completely provided under the regime of the Electronic Communications Act. The provision of the Universal Service in 2008 was affected in particular by the following fundamental events:

- a) there was an amendment to the legislation for the provision of the partial service "Special Prices and Pricing Plans",
- b) the CTO commenced studies pursuant to Section 39 (3) of the Electronic Communications Act regarding whether there still exist reasons for the imposition of the obligation to provide individual partial services of the Universal Service,
- c) the Electronic Communications Act was used for the first time for the purposes of financing the Universal Service.

The impacts of these events as well as other decisive information relating to the issue of the Universal Service for 2008 are given below in this Report.

#### A. Services Provided in 2008 within the Framework of the Universal Service

1. **Regular issuance of telephone directories** containing the numbers of the subscribers to the publicly available telephone service, and end-users' access to those directories (Section 38 (2) (c) of the Electronic Communications Act);

2. **Telephone directory enquiry service**, available to end-users, to provide information on the telephone numbers of the subscribers to the publicly available telephone service (Section 38 (2) (d) of the Electronic Communications Act).

The decision by which the CTO imposed the obligation on Telefónica O2 to provide the aforementioned two partial services came into effect on December 21, 2005 and its validity was stipulated as 3 years, meaning until December 21, 2008.

In 2008 the CTO completed the study pursuant to Section 39 (3) of the Electronic Communications Act (commenced in 2007) to identify whether or not the reasons for the imposition of the obligation to provide the above partial services persisted. For this purpose the CTO performed additional evaluations, including the collection of related data from the affected undertakings as of June 30, 2008. Within the framework of this additional investigation of the availability of alternative services to the services of a unified telephone directory and information service, the CTO focused on the question of whether such alternatives would satisfy the reasonable needs of end users.

On the basis of its evaluation of this second phase, the CTO found that these services are and will continue to be (even in the case of no imposition of an obligation to provide them within the framework of the Universal Service) available for users on a commercial basis at the necessary quality level and at an affordable price. On the basis of this finding and after public consultation, the CTO issued a notice stating that these obligations would no longer be imposed after the expiration of the period in which Telefónica O2 was obliged to provide them.

This means that from December 22, 2008 these partial services are provided exclusively on a commercial basis in the Czech Republic without the imposition of any obligation. The CTO will continue to monitor the availability of these services.

### 3. Public Pay Telephone Services (Section 38 (2) (e) of the Electronic Communications 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, Telefónica O2, i.e. on May 11, 2006.

In 2008 the CTO completed its study of this partial service pursuant to Section 39 (3) of the Electronic Communications Act (commenced in 2007). The study found

that the reasons for the imposition of the obligation to provide the PT partial service in fact persisted. The CTO did, however, find that interest in the use of PT services is significantly falling together with the suitability of the regulation of the conditions for the PT service.

In view of the above finding, the CTO prepared a draft amendment to the conditions of the existing decision, which in particular will result in a gradual reduction in the number of mandatorily operated PTs over the next three years from the approximately 9,000 in 2008 to a final number of around 6,500. This change in the conditions will not however have any effect on the authorisation of undertakings to operate PTs on a commercial basis.

Administrative proceedings were therefore commenced with Telefónica O2 in the second half of 2008. The CTO issued its decision on March 25, 2009.

The reduction in the number of mandatorily operated PTs within the framework of the Universal Service will have a positive effect on the financing required to cover the net costs for the provision of the Universal Service.

**4. Access for disabled persons to the publicly available telephone service** at the same level of quality as the access enjoyed by all other end-users, based on, in particular, specially provided terminal equipment (Section 38 (2) (f) of the Electronic Communications Act)

In 2008 this partial service was provided on the basis of a decision which came into effect on July 12, 2006, when the CTO imposed the obligation on Telefónica O2 to begin providing this partial service within 3 months from the day the decision came into effect. The undertaking began providing the service of access for handicapped people according to the conditions of the issued decision on October 11, 2006.

In connection with the issuing of Act No. 261/2007 Coll., on public finance stabilisation, which also amended the Electronic Communications Act, the CTO decided to amend the above decision, which came into force on March 21, 2008. This amendment further specified the types of specially equipped telecommunications devices which should be provided to a defined group of handicapped people pursuant to this decision.

During 2008 the CTO commenced a study pursuant to Section 39 (3) of the Electronic Communications Act to identify whether or not the reasons for the imposition of the obligation to provide the above partial service persisted.

In the first phase of the study it was found that this partial service is not offered or provided by any other undertaking than Telefónica O2 on the basis of the obligation imposed on it.

In its notice on the results of the study published in the autumn of 2008, the CTO informed that it will continue to monitor and evaluate the availability of alternative services and in this regard will update the necessary data at the start of 2009.

**5. Additional Services** to connection services at a fixed location to a publicly available telephone network and access at a fixed location to a publicly available telephone service (Section 38 (2) (g) of the Electronic Communications Act), which are:

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

The CTO, by issuing its decision that came into effect on July 28, 2006, imposed on Telefónica O2 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 undertaking began providing the service of access for handicapped people according to the conditions of the issued decision on October 28, 2006.

In this case, too, during 2008 the CTO commenced a study pursuant to Section 39 (3) of the Electronic Communications Act to identify whether or not the reasons for the imposition of the obligation to provide the above partial service persisted. This study will continue into the start of 2009, when the CTO will evaluate it and decide on the next steps to take.

**6. Special prices or price plans** for people with special social needs.

In connection with the amendment to the Electronic Communications Act through Act No. 261/2007 Coll., on public finance stabilisation, through Government Resolution No. 109/2008 Coll., on the conditions for the provision of special prices of the publicly available telephone service, with effect from May 1, 2008 the set of people entitled to request this partial service within the framework of the Universal Service was restricted.

At the same time this new legislation stipulated that with the issuing of new CTO decisions, the validity of the decisions on the basis of which special prices were so far provided by T-Mobile, Telefónica O2 and Vodafone ended.

In connection with this situation and according to the requirements of the new legislation, the CTO announced on January 2, 2008 a public tender to find new providers of this partial service within the framework of the Universal Service. On the basis of the results of the public tender, Telefónica O2 and Vodafone were selected as providers with the obligation to provide special prices. T-Mobile did not participate in this public tender.

The CTO decision imposing the obligation on these undertakings to provide the partial service in question came into force on July 1, 2008 and its validity was stipulated as three years from the date the decision came into force.

## 7. Other Partial Services

In 2008 the obligation to provide the following partial services within the framework of the Universal Service remained not imposed:

- a) connection at a fixed point to the public telephone network pursuant to Section 38 (2) (a) of the Electronic Communications Act;
- b) access at a fixed point to the publicly available telephone service pursuant to Section 38 (2) (b) of the Electronic Communications Act;

In the case of these services the CTO, on the basis of a study carried out pursuant to Section 143 (2) of the Electronic Communications Act in 2006, came to the conclusion that the provision of the given partial services is ensured through commercially offered services in the telecommunications market, including the availability of an alternative in the form of mobile telephone services. The CTO therefore did not impose an obligation to provide these services.

## B. The Financing of the Universal Service

In 2008, the financing of the Universal Service account was performed through two legal regimes, when:

- a) for financing the Universal Service for 2001, 2002, 2003, 2004, 2005 and part of 2006 the procedure adopted was pursuant to the previous Telecommunications Act (Act No. 151/2000 Coll.),
- b) for financing the Universal Service for that part of 2006 when the obligation was imposed pursuant to the Electronic Communications Act and for 2007, the procedure adopted was pursuant to the Electronic Communications Act.

### B.1 Pursuant to Act No. 151/2000 Coll., on Telecommunications

In 2008 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 Coll., 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 the Universal Service provider from contributions from other service providers. 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 the Universal Service provider and undertakings 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 2008 regarding the demonstrable losses from the provision of the Universal Service for that period.

The situation in terms of ensuring the financing of the Universal Service within the framework of the Telecommunications Act was as of December 31, 2008 as follows:

### Losses for 2001

The decision on the verification of the losses for 2001 ref. No. 42 478/2006-611/V. came into force on February 19, 2007. The loss for 2001 was verified as CZK 195,042,676.

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2001. These administrative proceedings were held with the individual undertakings individually; in total there were 16 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 141,878,321, while the remaining amount of the demonstrable loss of CZK 53,164,355 should be paid to Telefónica O2 from the Universal Service account.

On December 31, 2008 the CTO transferred to Telefónica O2 to cover the loss from the provision of the Universal Service for 2001 a total of CZK 52,986,978. At the present time only bad claims totalling CZK 177,377 remain for payment.

### Losses for 2002

The decision on the verification of the losses for 2002 ref. No. 35 038/06-611/VI. came into force on May 25, 2007. The loss for 2002 was verified as CZK 257,494,476.

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2002. These administrative proceedings were held with the individual undertakings individually; in total there were 25 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 172,788,762, while the remaining amount of the demonstrable loss of CZK 84,705,714 should be paid to Telefónica O2 from the Universal Service account.

On December 31, 2008 the CTO transferred to Telefónica O2 to cover the loss from the provision of the Universal Service for 2002 a total of CZK 84,575,912. At the present time only bad claims totalling CZK 129,802 remain for payment.

### Losses for 2003

The decision on the verification of the losses for 2003 ref. No. 26 993/2006-611/X. came into force on

October 11, 2007. The loss for 2003 was verified as CZK 290,510,226.

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2003. These administrative proceedings were held with the individual undertakings individually; in total there were 23 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 183,190,034, while the remaining amount of the demonstrable loss of CZK 107,320,192 should be paid to Telefónica O2 from the Universal Service account.

On December 31, 2008 the CTO transferred to Telefónica O2 to cover the loss from the provision of the Universal Service for 2003 a total of CZK 107,313,202. At the present time only bad claims totalling CZK 6,990 remain for payment.

### Losses for 2004

The decision on the verification of the losses for 2004 ref. No. 28 799/05-611/IV. came into force on October 24, 2006. The loss for 2004 was verified as CZK 302,622,498.

The CTO had already completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2004 in 2007. These administrative proceedings were held with the individual undertakings individually; in total there were 30 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 174,661,874, while the remaining amount of the demonstrable loss of CZK 127,960,624 should be paid to Telefónica O2 from the Universal Service account.

On December 31, 2008 the CTO transferred to Telefónica O2 to cover the loss from the provision of the Universal Service for 2004 a total of CZK 127,959,955. At the present time only bad claims totalling CZK 669 remain for payment.

### Losses for 2005

The decision on the verification of the losses for 2005 ref. No. 38173/2006-611/IV. came into force on May 29, 2007. The loss for 2005 was verified as CZK 286,966,147.

In 2008 the CTO completed the administrative proceedings in the matter of the stipulation of the amount of the payment to the Universal Service account for 2005. These administrative proceedings were held with the individual undertakings individually; in total there were 45 administrative proceedings. The Telefónica O2 contribution was stipulated as CZK 158,505,761, while the remaining amount of the demonstrable loss of CZK 128,460,386 should be paid to Telefónica O2 from the Universal Service account.

On December 31, 2008 the CTO transferred to Telefónica O2 to cover the loss from the provision of the Universal Service for 2005 a total of CZK 128,454,903. At the present time only bad claims totalling CZK 5,483 remain for payment.

### Losses for 2006

The decision on the verification of the 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 came into force on January 13, 2007. The verified loss was CZK 815,203.

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 (i.e. discounts to people listed in Section 29 (2) letters g) and h) of the Telecommunications Act): the setting up, transfer and use of an end point with discounts for natural persons and the lease of specially equipped end user telephone devices, also activities pursuant to Section 35 (2) of the Act: the provision of identification data about public telephone service subscribers to the holders of allocated emergency calling numbers, the connection and operation of an end point intended for the receipt of emergency calls at the relevant locations of basic integrated rescue system units. The CTO, in order to verify the submitted data, carried out an inspection of the bookkeeping and separated documentation of costs and revenues of the undertaking, including connected materials from technical documentation. On August 29, 2008 the chairman of the CTO Council issued a decision on the verification of the losses from the provision of the Universal Service for 2006 through decision No. 45 789/2008-611/VI. Telefónica O2 appealed against the decision on the verification of the demonstrable losses on September 14, 2007. The CTO Council cancelled the 1<sup>st</sup> instance decision and returned the matter for further hearings through decision No. 71 834/2008-603 of January 11, 2008. The new decision No. 45789/2007-611/XII. on the stipulation of the amount of the demonstrable loss came into force on September 3, 2008. The demonstrable loss was stipulated as CZK 279,459,304.

In connection with the decision on the stipulation of the demonstrable loss, the CTO commenced in 2008 administrative proceedings with 60 undertakings in the matter of the stipulation of the amount of the contribution towards the demonstrable loss. The administrative proceedings were not completed in 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 the Electronic Communications Act. 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.

## Statement on the Management of the Universal Service Account in 2008 Pursuant to the Telecommunications Act

The Universal Service account pursuant to the Telecommunications Act (payments to the account in 2008)				
	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, 2008 <sup>1)</sup>	Note
Demonstrable Losses for 2001	5,660,331,629	195,042,676	177,377	Contributions transferred to the Universal Service provider
Demonstrable Losses for 2002	6,776,438,073	257,494,476	129,802	Contributions transferred to the Universal Service provider
Demonstrable Losses for 2003	6,003,254,460	290,510,226	6,990	Contributions transferred to the Universal Service provider
Demonstrable Losses for 2004	4,894,734,641	302,622,498	669	Contributions transferred to the Universal Service provider
Demonstrable Losses for 2005	3,903,751,689	286,966,147	5,483	Contributions transferred to the Universal Service provider
Demonstrable Losses for 2006	3,307,188,091	280,274,507	–	Administrative proceedings on the imposition of the contributions were not completed in 2008

The Universal Service account pursuant to the Telecommunications Act (balance on the account)	
Balance on the Universal Service account as of 1/1/2008	159,141.09 CZK
Account income – total contributions paid	357,992,076 CZK
Account expenses – contributions transferred to the Universal Service provider	358,094,369 CZK
Balance on the Universal Service account as of 31/12/2008	56,848.09 CZK <sup>1)</sup>

<sup>1)</sup> The balance on the account is due to an excess payment by Zephyr Communications, spol. s r. o. totalling CZK 43,459.09 and contributions by T-Systems a.s. totalling CZK 4,894 and TeliaSonera International Carrier Czech Republic a.s. totalling CZK 8,495. The contributions of T-Systems and TeliaSonera were transferred to the Universal Service provider in January 2009.

### B.2 Pursuant to the Electronic Communications Act

The financing of the Universal Service pursuant to the Electronic Communications Act is ensured in two ways.

For partial services given in Section 38 (2) of the Electronic Communications Act, the net costs are calculated by their designated provider, and after these are verified by the CTO, those identified as an unreasonable burden are covered from the Universal Service account, the funds for which are provided through contributions of the other undertakings.

For the partial service pursuant to Section 38 (3) of the Electronic Communications Act (special prices and pricing plans) the loss incurred by the designated provider is covered by the state via the CTO.

The issue of the evaluation and payment of these net costs covered from the Universal Service account and, separately, the issue of evaluating and paying the losses

covered by the state are therefore separately documented in another part of this report.

### Net Costs for 2006

On July 31, 2007 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, 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 calculation of the net costs included the indirect market advantages and an evaluation of whether the provision of

the Universal Service represents an insupportable burden for Telefónica O2.

On February 29, 2008 the CTO published the draft decision, which included the conclusions of the verification of the materials for the calculation of the net costs and the procedure for the calculation of the net costs including the procedure used for stipulating the market advantages, on the electronic notice board for public consultation.

On the basis of the results of the public consultation of the draft decision and after an inspection of the last documents submitted by Telefónica O2 on May 14, 2008. On May 26, 2008 the chairman of the CTO Council issued a decision on the matter of the stipulation of the net costs for the provision of the Universal Service. This decision stipulated the net costs as CZK 73,798,715.

On June 12, 2008 Telefónica O2 submitted an appeal. The challenged decision was cancelled by the appeals body on November 6, 2008 and the matter was returned to the 1<sup>st</sup> instance administrative body.

A new decision on the stipulation of the net costs for the provision of the Universal Service in 2006 was issued by the chairman of the CTO Council on January 27, 2009. The calculation of the costs, revenues and costs of invested capital for the provision of the Universal Service for 2006, taking into account the revenues connected with the provision of the partial service, submitted by the provider of the Universal Service, was verified as correct as CZK 76,421,962.96. The intangible advantages calculated by the CTO were stipulated at CZK 2,546,009.56. The net costs for the provision of the Universal Service for 2006 were stipulated as CZK 73,875,953.00. The CTO stipulated that the provision of the Universal Service represents an insupportable burden for its provider. This decision came into force on February 7, 2009.

From the perspective of the requirements on the content of the annual report on the Universal Service pursuant to Section 50 (1) of the Electronic Communications Act it is necessary to provide the following in relation to the decision in the matter of the stipulation of the net costs for the provision of the Universal Service:

**1) Net costs for individual partial services were calculated as the following amounts:**

- a) Public telephones, including public telephone lines replacing public telephones in municipalities of up to 999 inhabitants: CZK 72,589,572.68.
- b) Leasing specially equipped end user devices for the handicapped: CZK 566,516.27.
- c) Sales of specially equipped end user devices for the handicapped: CZK 2,930.67;
- d) Supplementary services CZK 716,933.79.

The total net costs were calculated as CZK 73,875,953.40 and rounded to CZK 73,875,953.

**2) Market advantages from the provision of the Universal Service**

The CTO evaluated the market advantages pursuant to Section 2 (6) of Decree No. 388/2006 Coll., on the net costs of the Universal Service in electronic communications as the sum of the income from the provision of the partial service, income connected with the provision of the partial service and the monetary value of indirect advantages for the undertaking from the obligation to provide the partial service. An indirect advantage is a cost saving achieved in connection with the provision of a partial service.

Income from the provision of the partial service of public telephones, including telephone lines replacing public telephones is CZK 33,919,320.49. Income from the provision of the partial service of leasing specially equipped end user devices is CZK 274,416.00 and income from sales of this type of equipment is CZK 1,342.00.

Income connected with the provision of a partial service was calculated for the public telephone service, namely income from the leasing of advertising space on the telephone boxes to advertising agencies. This income was CZK 1,814,768.25.

The CTO identified two types of indirect advantages from the public telephone service. The Universal Service provider uses advertising space for its own needs and thus saves costs that it otherwise would incur to lease advertising space, and also the Universal Service provider, by placing its logo on the telephone boxes, is promoting its brand and saving costs that it would otherwise incur in such promotion. The CTO calculated the indirect advantage connected with the use of advertising space for its own advertising as the amount of CZK 725,129.63. The CTO calculated the intangible advantage of promoting the brand and name of the undertaking through the undertaking's own logo as CZK 1,820,879.93.

Within the framework of the decision on the stipulation of the net costs for the provision of the Universal Service for 2006 the CTO stipulated the market advantages as CZK 38,555,856.30.

**3) Payments to the Universal Service account to cover the net costs for 2006**

On the basis of Section 115 of the Electronic Communications Act, materials were required from undertakings that provide services subject to a contribution to the Universal Service for stipulating their market share. On July 17, 2008 the CTO Council issued Measure of a General Nature No. OOP/16/07/2008-7 through which it stipulated the percentage shares in the income from the provision of the services listed in Section 49 (5) of the Electronic Communications Act. The measure was published on July 25, 2008 in the Telecommunications Bulletin. 61 undertakings will contribute to the Universal Service account. The proceedings on the stipulation of the amount of the payments will be carried out in 2009 in view of the legal force of the decision on the stipulation of the amounts of the net costs (February 2009).

## Net Costs for 2007

On July 31, 2008 Telefónica O2 submitted a request for the payment of net costs pursuant to Section 48 and Section 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. The undertaking calculated its net costs as CZK 118,666,047, of which CZK 101,091,878.84 for public telephones, CZK 748,311.77 for leasing specially equipped end user devices, CZK 41,834.87 for sales of such devices and CZK 11,905,386.25 for supplementary services. The CTO

commenced, within the framework of administrative proceedings, a verification of the submitted data and requested the supplementation of the original documents, including demonstrations of the partial calculations for the individual items. The submitted calculation of net costs also included a calculation of indirect market advantages and an evaluation as to whether the provision of the Universal Service represents an insupportable burden for Telefónica O2.

The administrative proceedings in the matter of the stipulation of the net costs for the provision of the Universal Service for 2007 were not completed before the end of 2008.

The Universal Service account pursuant to the Electronic Communications Act (payments made in 2008)				
	Request for Payment in CZK Submitted by the Provider	Verified Net Costs from Providing the Universal Service in CZK	Payments Made to the Account, as of Dec. 31, 2008	Note
<b>Net costs for 2006</b>	84,169,933	73,875,953	0	The amount of the payers' contributions has not yet been finally decided on

## Settling the Loss from the Provision of the Supplementary Service "Special Prices" in 2007

On July 31, 2008 Telefónica O2 submitted a request for the payment of the loss for the provision of special prices in 2007 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 140,262,051, of which CZK 1,158,281 for the mobile network.

On July 31, 2008 T-Mobile submitted a request for the payment of the loss for the provision of special prices in 2007 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 4,242,682.02.

On July 31, 2008 Vodafone submitted a request for the payment of the loss for the provision of special prices in 2007 pursuant to Section 38 of the Electronic Communications Act. The loss was calculated as CZK 1,356,908.

After the completion of the verification process and on the basis of newly submitted data, the CTO issued to all three Universal Service providers a decision on the stipulation of the loss from the provision of special prices within the framework of the Universal Service. The loss of Telefónica O2 was CZK 140,202,310, the loss of Vodafone was CZK 1,348,150 and the loss of T-Mobile was CZK 4,192,360.

The verified loss was paid to the listed undertakings.

US provider	Requested loss	Verified loss	Number of subscribers		
	total in CZK	total in CZK	total	handicapped	socially weak
TO2 <sup>1)</sup>	140,262,051	140,202,310	71,502	71,206	296
T-Mobile	4,242,682	4,192,360	2,797	2,375	422
Vodafone	1,356,908	1,348,150	935	848	87
<b>TOTAL</b>	<b>145,861,641</b>	<b>145,742,820</b>	<b>75,234</b>	<b>74,429</b>	<b>805</b>

<sup>1)</sup> The verified loss for Telefónica O2 includes the amount of CZK 139,046,872 for fixed line services and the amount of CZK 1,155,438 for mobile network services.

## The Issue of Judicial Investigations in Matters Linked to the Universal Service

The current regulation of the financing of the Universal Service, when other undertakings contribute to the coverage of net costs, leads in many cases to legal action against CTO decisions. In view of the fact that the procedural method employed by the CTO when making decisions in matters relating to the financing of the Universal Service involves administrative proceedings, suits are filed both against the individual procedural acts taken by the CTO (e.g. decisions on participation) and also against the final decisions in the matter.

Decisions issued in administrative proceedings, both on the verification of the amount of the demonstrable loss for individual periods as well as on contributions to the Universal Service account from the individual contributors, have so far been challenged through a total of 44 actions at the Municipal Court in Prague. The state of these judicial investigations is documented in the overview table that the CTO publishes on its website in the section "information provided upon request".

The filing of actions in cases when the actual administrative proceedings on the verification of the amount of the loss or the stipulation of the amount of net costs, and

the connected administrative proceedings on the stipulation of the contributions for the coverage of losses, or net costs of the individual payers are already finally decided, creates uncertainty in the system for financing the Universal Service. Decisions (final) on whose basis or as a result of which contributions have already been paid to the Universal Service account and these contributions have already been transferred to the provider of the Universal Service, are frequently challenged through legal action.

The CTO therefore, within the framework of cooperation with the Ministry of Industry and Trade of the Czech Republic in the preparation of an amendment to the Electronic Communications Act, has proposed a comprehensive modification of the system for financing the Universal Service. Pursuant to the proposed modification, the financing of the Universal Service would be secured from state budget funds. The CTO would retain the competency to verify the amount of the net costs.

## 2. Report on the Management of the Radiocommunication Account Funds (pursuant to Section 27 (4) of the Electronic Communications Act)

Pursuant to Section 27 (4) of the Electronic Communications Act, the Annual Report on the activities of the CTO includes the Report on the Management of the Radiocommunication Account Funds, including supplementary information.

The CTO established and administers the Radiocommunication Account on the basis of competency pursuant to Section 27 of the Electronic Communications Act. This account 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 of the

Czech Republic 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 Radiocommunication Account 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 Radiocommunication Account's revenue is based on fees for the use of frequencies in amounts specified by Government Regulation 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 Radiocommunication Account. The Radiocommunication Account was established at the Czech National Bank, Prague branch, as a foreign funds account with the extended prefix of "26016."

The amount of CZK 56,101,351 was transferred to the Radiocommunication Account in 2008, while CZK 39,731,393 was drawn in favour of České radiokomunikace a.s. in connection with the release of the 12<sup>th</sup> television channel in connection with the process of digitisation of television broadcasting for the implementation of the investment order Buková hora – Ustí nad Labem – and CZK 719,810 for the removal of the interference through ATV broadcasting (the rectification of technical incompatibility that arose through the commencement of DVB-T operation in Germany). The CTO confirmed the effectiveness and purposefulness of the invested funds claimed in the individual requests from the undertaking in question through an evaluation of the submitted materials by a commission of experts established for this purpose.

The balance on the Radiocommunication Account as of December 31, 2008 was CZK 113,623,220.82.

The following table gives an overview of the balance of the Radiocommunication Account (in CZK):

<b>Balance as of 1/1/2008</b>	<b>97,973,072.82</b>
Deposits in 2008 total	56,101,351.00
of which:	
for the 4 <sup>th</sup> quarter of 2007 – supplementary payment (17/1/2008)	5,312.00
For the 1 <sup>st</sup> quarter of 2008 (10/4/2008)	55,496,140.00
For the 2 <sup>nd</sup> quarter of 2008	0.00
For the 3 <sup>rd</sup> quarter of 2008 (9/10/2008)	460,581.00
For the 4 <sup>th</sup> quarter of 2008 – 1 <sup>st</sup> part (17/12/2008)	139,318.00
Drawings as of 31/12/2008	40,451,203.00
<b>Balance as of 31/12/2008</b>	<b>113,623,220.82</b>

### 3. Annual Report of the CTO on the Provision of Information for 2008 (pursuant to Act No. 106/1999 Coll., on free access to information, as amended)

*Note: This annual report was published on the CTO website*

The Czech Telecommunication Office (hereinafter only the "CTO") hereby publishes this Annual Report on the Provision of Information in 2008, prepared in accordance with Section 18 of Act No. 106/1999 Coll., on free access to information, as amended (hereinafter only the "Act").

Pursuant 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 the Act, including the regulation of the market and specification of conditions for conducting business in electronic communications and postal services. Within the framework of the competencies specified by the Act, it therefore performs supervision on compliance with legal regulations in electronic communications and postal services as a public administration body.

The basic information on the CTO's organisational structure and its activities is accessible by the general public both on the CTO's website ([www.ctu.cz](http://www.ctu.cz)), which includes an electronic information board, and on the information board located on the bulletin board in the CTO's entrance hall, and is also published in the promotional material issued by the CTO. Information on 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](http://www.portal.gov.cz)).

#### a) The Number of Requests for Information

In 2008, 7 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. 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 radio-communications concerned the provision of information regarding:

- granted and valid individual authorisations in the 410 to 430 MHz band with an indication of the decision number, data about the allocated frequency, the name of the subject granted the authorisation and the name of the facility where the frequency in question can be operated.

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

- detailed calculation of NPZ member (i.e. the amount of the payments for connecting the network of one

telecommunications licence holder paid to other telecommunications licence holders together with the amount of the costs of one telecommunications licence holder paid to foreign operators) sample for calculating the financial contribution of GTS NOVERA a.s. and Contactel, s.r.o. to the Universal Service account for 2005,

- the percentage of the number of administrative proceedings run by the CTO that result in the stipulation of a guardian for the debtor (natural person) in the matter of outstanding payments for a provided electronic communications service, in relation to the total number of administrative proceedings run by the CTO pursuant to Section 129 of the Electronic Communications Act,
- information on the forgiving of reasons (trade secret, ongoing administrative proceedings) for which it was not possible in the past to comply with a request for the sending of the "Report on the Evaluation of the Performance of Development Targets in 1996 of SPT TELECOM, a.s.", and the sending of a copy of the document in question,
- the number of subscriber lines for residential natural persons as of December 1, 2007, in the Czech Republic,
- the management of the CTO, the establishment of any potential organisations, financial statements and performance statistics in the area of state administration,
- some aspects of ensuring number portability.

#### b) The Number of Decisions to Not Provide Information

In 2008, a decision was made in one case to not provide some information required (with regard to the provisions of Section 8 (a) of Act No. 106/1999 Coll.)

#### c) The Number of Appeals Filed Against Decisions

One appeal was filed against a decision to not provide some information required in 2008.

#### 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 2008.

#### 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.

In 2008 the CTO addressed one complaint in connection with an alleged breach of legally stipulated procedures during compliance with a request for information. The subject of the decision on the petitioner's complaint of February 27, 2008 was an evaluation of the justification of the petitioner's complaint made against the procedure taken by the CTO during the settlement of his request for the provision of information about granted and valid individual authorisations in the 410 to 430 MHz band, submitted on January 21, 2008. By decision of the chairman of the CTO Council (ref. No. 15 727/2008-603 of March 18, 2008) issued on the basis of the complaint in question, the approach

taken by the CTO in the settlement of the request in question was confirmed.

**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 2008.

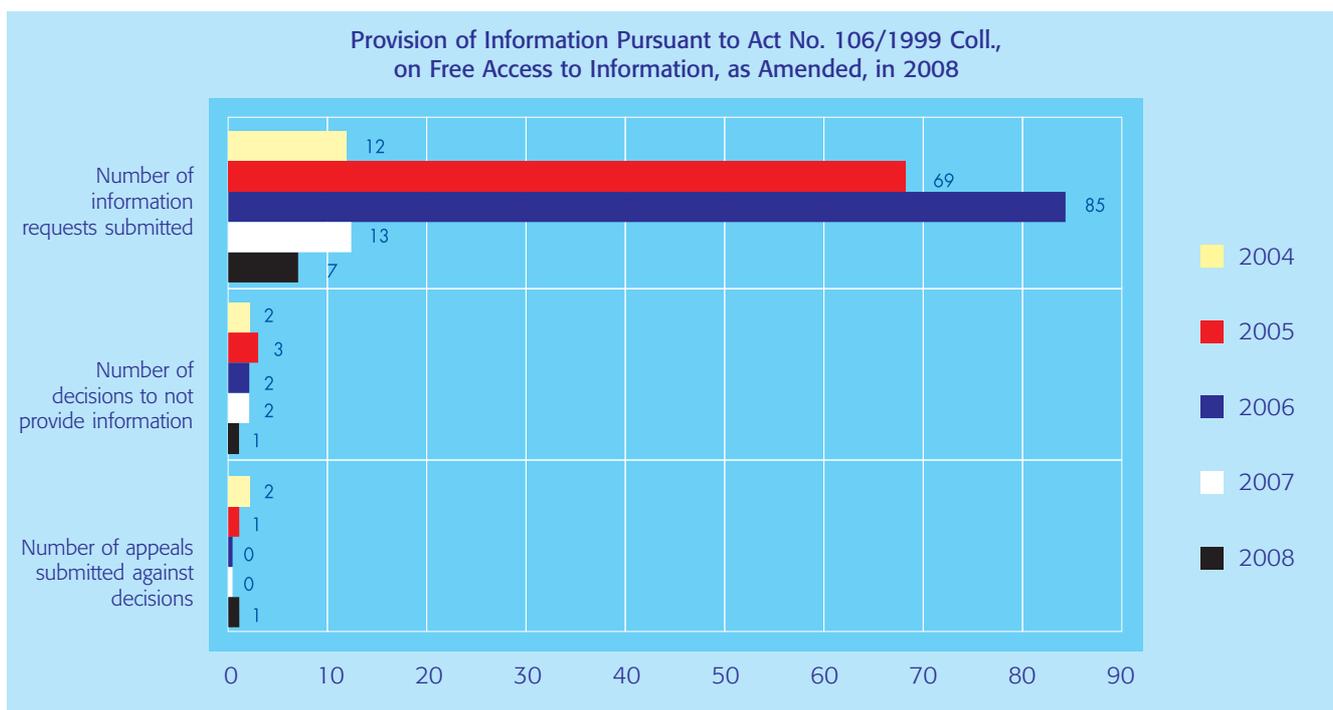
**g) Other Information Relating to the Application of the Act**

In 2008, the CTO collected and delivered a total amount of CZK 39 to the state budget. This amount represents 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 2008 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, and in view of their quantity and nature it operationally resolved them in the same manner.

An overview of the resolved written requests for information for 2008 in comparison with the previous periods starting with 2004 is given in the annex and in the following graph:



**Provision of Information Pursuant to Act No. 106/1999 Coll.,  
on Free Access to Information, as Amended, in 2008**

	2004	2005	2006	2007	2008
1. Number of information requests submitted	12	69	85	13	7
2. Number of decisions to not provide information	2	3	2	2	1
3. Number of appeals submitted against decisions	2	1	0	0	1

#### 4. Complaints against the CTO's activities

In 2008 the CTO settled a total of 6 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 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. An overview (list) of the submissions made to the CTO in 2008 is given in Annex No. 16 to this Annual Report.

The investigations found that all of the aforementioned complaints were unjustified.

In comparison with previous periods, however, in 2008 both the number of asserted complaints and their justification significantly fell, primarily in connection with the longer period of application of the Electronic Communications Act in practice.

The complaints settled as unjustified referred to allegedly 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, but this complaint was also found to be unjustified. No remedies had to be taken for complaints that were judged to be unjustified.

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

Apart from the handling of the aforementioned complaints, no anonymous submission was delivered to the CTO in 2008. The CTO did not have to address any instigation, nor did it receive any petition suggesting how to resolve any specific situation.

The CTO also maintains records 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 assesses them, through an analysis of the complaints on the basis of the provisions of Section 175 of the Administrative Code (part of the Annual Report on the Activities of the CTO for the calendar year in question).

In this regard we can state that in 2008 the CTO was not notified, either orally or in writing, at the electronic information board or at the anti-corruption email address, of any relevant submission relating to the suspicion of corruption or fraud by CTO employees.

The receipt of mail at the e-mail address ([korupce@ctu.cz](mailto:korupce@ctu.cz)) set up on July 10, 2007 is very thoroughly monitored and regularly evaluated. The anti-corruption e-mail address serves as a potential source of information on the possible corrupt behaviour of CTO employees. The CTO is prepared to actively react to any submission of this nature in the sense of its internal binding instructions as well as generally valid legal regulations. In 2008 a total of 12 e-mails were delivered to this e-mail address, which were however reclassified as complaints after being evaluated (the vast majority of them related to allegedly incorrect procedures

from the providers of electronic communications services against users of those services) and in this sense were subsequently addressed by the CTO.

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

The benefit of the anti-corruption e-mail address can, however, be seen in the possibility for the CTO to react immediately to a submission and to take without delay any required preventive and corrective measures. In view of the fact that the toll-free anti-corruption line 199 ([www.linka199.cz](http://www.linka199.cz)) which was officially launched on September 19, 2007 and whose operator is a non-government non-profit organisation, does not provide the authority in question with feedback, the continued existence of the CTO anti-corruption e-mail address remains justified.



# Annexes

for the Annual Report  
of the Czech Telecommunication Office  
for 2008

## OVERVIEW OF SUBSCRIBER DISPUTES FOR 2008

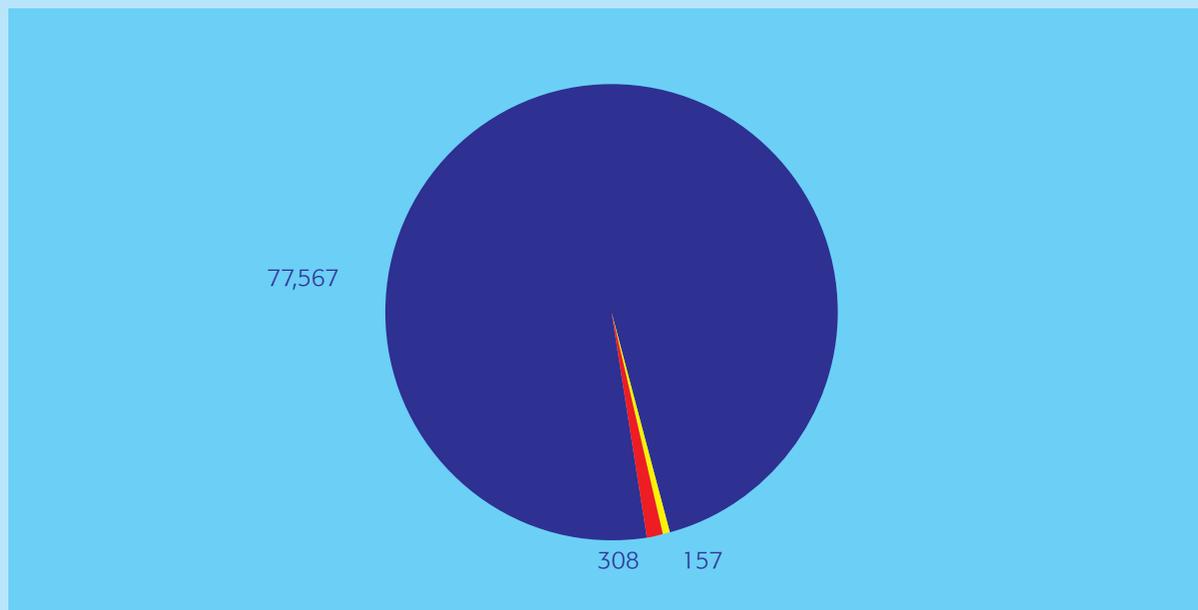
Type of activity	Number of administrative proceedings from previous period	Number of administrative proceedings commenced	Number of decisions issued <sup>1)</sup>	Decisions in favour of		Other <sup>2)</sup>	Fines imposed		Number of administrative proceedings left to next period
				The subscriber	The provider		Number	Amount CZK	
1. Decision-making on subscriber disputes	13,293	74,142	78,032	3,300	72 713	4,021			5,382
a) on objections about the settlement of a complaint against a service provided	79	191	157	88	63	62			51
b) on objections about the settlement of a complaint about prices charged for a service	152	413	308	102	184	212			45
ba) of access to premium-rate services (data and voice)	12	31	28	14	11	10			5
baa) of access to premium rate data services provided on the internet or on other data networks (Dialer)	7	4	8	7	1	3			0
c) on the payment of a price for a service (financial performance)	13,062	73,538	77,567	3,110	72,466	3,747			5,286

<sup>1)</sup> The number of decisions issued in 1<sup>st</sup> instance administrative proceedings (irrespective of whether they are final).

<sup>2)</sup> Cases of the completion of administrative proceedings with a resolution, i.e. cases of the death of a subscriber, the dissolution of a undertaking, the suspension of proceedings for legal reasons (bankruptcy), lack of competency and so on.

SUBSCRIBERS DISPUTES – NUMBER OF DECISIONS ISSUED IN 2008

		2008
Number of decisions issued		78,032
of which	a) objection about the settlement of a complaint against provided	157
	b) objection about the settlement of a complaint about prices charged for a service	308
	c) payment of a price for a service (financial performance)	77,567



- objection about the settlement of a complaint against a service provided
- objection about the settlement of a complaint about prices charged for a service
- payment of a price for a service (financial performance)

COMPLAINTS FROM SUBSCRIBERS / USERS<sup>1)</sup> FOR 2008

ANNEX No. 2

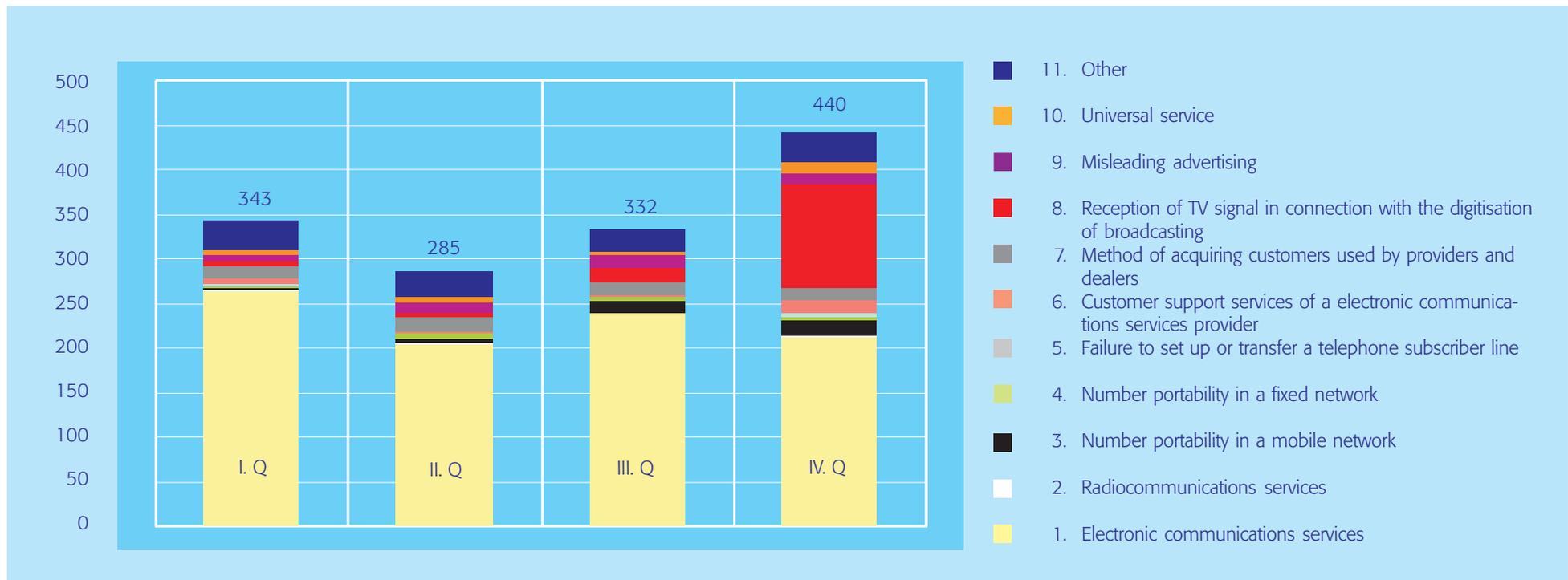
Subject of the complaint		Handling method			Total	Submission method				
		Provision of information				In writing	E-mail	By fax	In person	By telephone
		Procedure pursuant to the ECA	No breach of the ECA	Not within the competency of the CTO						
1.	Electronic communications services	706	174	40	920					
	Failure to set up electronic communications service	14	7	8	29	8	10	1	0	10
	Quality of electronic communications service	130	58	11	199	40	110	0	15	34
	Subscriber contracts	98	49	3	150	58	75	0	14	4
	Non-provision of an electronics communications service pursuant to the contract	48	34	10	92	17	38	0	17	18
	Activation of an unsolicited electronic communications service	31	5	0	36	16	9	0	6	5
	Disagreement with billing	385	21	8	414	135	136	0	56	88
2.	Radiocommunication services	3	0	2	5	1	3	0	0	1
3.	Telephone number portability in a mobile network	23	16	0	39	10	23	0	1	5
4.	Telephone number portability in a fixed network	5	6	1	12	4	1	0	2	5
5.	Failure to set up or transfer a subscriber line	5	3	0	8	4	2	0	1	1
6.	Customer support service of an electronic communications services provider	3	20	2	25	4	4	0	6	11
7.	Method of acquiring customers used by providers and dealers	8	25	24	57	8	13	0	8	28
8.	TV signal reception in connection with digitisation of broadcasting	12	126	5	143	2	78	0	1	62
9.	Misleading advertising	3	12	32	47	3	12	0	11	21
10.	Universal Service	3	26	0	29					
	a) Telephone directories <sup>2)</sup>	2	19	0	21	4	5	0	4	10
	b) Information service about subscriber numbers <sup>2)</sup>	1	1	0	2	0	2	0	0	0
	c) Access for the handicapped to publicly available telephone service <sup>3)</sup>	0	2	0	2	0	0	0	1	1
	d) Public telephones <sup>4)</sup>	0	0	0	0	0	0	0	0	0
	e) Access and possibility to use services for people with low incomes <sup>5)</sup>	0	3	0	3	0	0	0	0	3
	f) Instalment payment of price for setting up a connection to a public telephone network <sup>6)</sup>	0	0	0	0	0	0	0	0	0
	g) Free selective restriction on outgoing calls for a subscriber <sup>6)</sup>	0	0	0	0	0	0	0	0	0
	h) Free itemised billing for consumers <sup>6)</sup>	0	1	0	1	0	1	0	0	0
11.	Other <sup>7)</sup>	25	25	65	115					
	End-user equipment	5	5	19	29	10	10	0	2	5
	Content services	5	2	14	21	4	13	0	0	4
	Failure to enable R and TV reception by a building owner	3	2	1	6	0	3	0	1	2
	Unsolicited advertising	0	0	4	4	1	3	0	0	0
	Unsolicited e-mails	0	4	2	6	0	4	0	0	2
	Authorisation to use the property of others	5	0	0	5	5	0	0	0	0
	Harmful radiation from radio equipment	0	2	4	6	3	3	0	0	0
	Statement from operator about network	0	3	0	3	0	3	0	0	0
	E-mail address abuse	3	0	0	3	0	3	0	0	0
	Request for operator recommendation	0	0	1	1	1	0	0	0	0
	Television and radio fees	0	0	1	1	0	0	0	0	1
	Cancellation of publication in a telephone directory	0	0	1	1	0	1	0	0	0
	Statement on the construction of an antenna for Internet distribution	0	0	1	1	0	1	0	0	0
	Easement	2	0	1	3	1	2	0	0	0
	Malicious or harassing calls	1	0	3	4	1	3	0	0	0
	Billing futile callout within the framework of a service quality complaint	0	0	1	1	1	0	0	0	0
	Telephone number abuse	0	0	1	1	1	0	0	0	0
	Failure to provide information	0	0	1	1	0	1	0	0	0
	ADSL service – other IP address with tracing	0	0	1	1	0	1	0	0	0
	Unfair competition	0	0	1	1	0	0	0	0	1
	Failure to deliver invoices to reported address	1	0	0	1	0	1	0	0	0
	Request for copies of SMS messages	0	0	1	1	0	1	0	0	0
	General conditions	0	3	0	3	0	3	0	0	0
	Illegal tapping	0	0	1	1	1	0	0	0	0
	Removal of remnants of cable broadcasting service	0	0	1	1	0	1	0	0	0
	Placement on non-payer register	0	0	1	1	1	0	0	0	0
	Request for delivery of an amount of CZK 1,500	0	0	1	1	1	0	0	0	0
	Failure to connect to number 800123456	0	0	1	1	0	1	0	0	0
	Launching radio equipment onto the market without compliance certification	0	0	1	1	0	1	0	0	0
	Inclusion of incorrect information in the telephone directory	0	1	0	1	0	1	0	0	0
	Erroneous charging of different SIM card	0	0	1	1	0	1	0	0	0
	Marketing advertising	0	2	0	2	0	2	0	0	0
	Unsolicited telephone contact	0	1	0	1	0	1	0	0	0
	<b>TOTAL</b>	<b>796</b>	<b>433</b>	<b>171</b>	<b>1,400</b>	<b>346</b>	<b>585</b>	<b>1</b>	<b>146</b>	<b>322</b>

**EXPLANATORY NOTES to table – Annex No. 2**

- 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. vyř. 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 ensure 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.vyř. 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 devices pursuant to Section 38 (2) (f) of the Electronic Communications Act*
- 4) *Decision 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 pursuant to Section 38 (2) (e) of the Electronic Communications Act.*
- 5) *Decision No. 43 121/2006-610/II.vyř. 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.vyř. of July 28, 2006, on the imposition of the obligation to provide a partial service within the framework of the Universal Service: supplementary services 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 10.*

**ECA** – Act No. 127/2005 Coll., Electronic Communications Act

Subject of complaint	I. Q	II. Q	III. Q	IV. Q	Σ
1. Electronic communications services	263	205	239	213	920
2. Radiocommunications services	2	2	0	1	5
3. Number portability in a mobile network	3	4	15	17	39
4. Number portability in a fixed network	1	5	3	3	12
5. Failure to set up or transfer a telephone subscriber line	3	0	1	4	8
6. Customer support services of a electronic communications services provider	6	3	1	15	25
7. Method of acquiring customers used by providers and dealers	14	15	14	14	57
8. Reception of TV signal in connection with the digitisation of broadcasting	6	5	16	116	143
9. Misleading advertising	7	13	15	12	47
10. Universal service	6	5	4	14	29
11. Other	32	28	24	31	115
<b>Σ</b>	<b>343</b>	<b>285</b>	<b>332</b>	<b>440</b>	<b>1,400</b>



## OVERVIEW OF NUMBER OF DECISIONS ON INDIVIDUAL LICENCES TO USE RADIO EQUIPMENT IN 2008

	Type of Licence		Number of Decisions <sup>1)</sup>		
			to grant	to withdraw	
			a licence		
1.	Fixed service				
	Total		4,274	463	
	of this	point - point	4,118	382	
		point - multipoint	156	81	
2.	Amateur service				
	Total		744	0	
	of this	Individuals		672	0
		Club Stations		36	0
		Foreigners <sup>2)</sup>		14	0
Repeaters and Packet Nodes		22	0		
3.	Satellite Service				
	Total		56	5	
	of this	VSAT	5	5	
		SNG	51	0	
4.	Aeronautical Service				
	Total		509	165	
	of this	Aircraft stations <sup>3)</sup>		442	149
Aeronautical Stations <sup>4)</sup>		67	16		
5.	Maritime Service				
	Total		102	60	
	of this	Ship stations		100	59
Shore stations		2	1		
6.	Broadcasting Service				
	Total		287	50	
	of this	Television Equipment		114	34
Radio Equipment		173	16		
7.	Land Mobile Service				
	Total		1,105	537	
	of this	Radiotelephone Networks		484	272
Data and Telemetric Services		621	265		
8.	Short-term Licences				
	Total		315	0	
	of this	Fixed Service		175	0
		Land Mobile Service		91	0
		Aeronautical Mobile Service		15	0
Broadcasting Service		34	0		

<sup>1)</sup> Only the decisions that have come into effect are posted

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

<sup>3)</sup> Mobile stations aboard aircraft other than rescue stations

<sup>4)</sup> Stations located on the ground

*Explanation of Abbreviations:*

VSAT - Very Small Aperture Terminal

SNG - Satellite News Gathering

## VERIFICATION OF THE SPECIAL QUALIFICATIONS TO OPERATE RADIO TRANSMITTING EQUIPMENT IN 2008

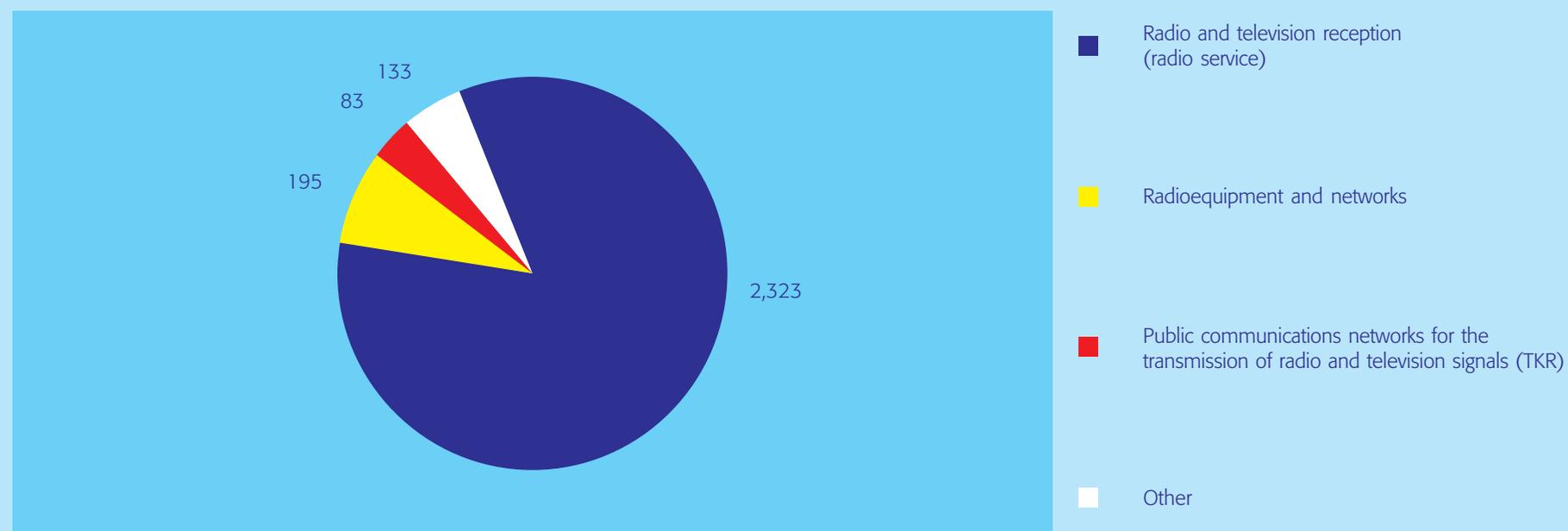
Type of Special Qualification Certificate <sup>1)</sup>		Number of Certificates Issued on the Basis of:	
		An Exam	An Application for an Extension or Duplicate
1.	General radiotelephone operator's certificate of aeronautical mobile service	294	345
2.	Restricted radiotelephone operator's certificate of aeronautical mobile service	775	663
3.	General operator's certificate of maritime mobile service (GOC)	2	8
4.	General operator's certificate of maritime mobile service (LRC)	5	0
5.	Restricted operator's certificate of maritime mobile service (ROC)	0	0
6.	Restricted operator's certificate of maritime mobile service (SRC)	17	0
7.	Radiotelephone operator's general certificate (of maritime mobile service )	117	180
8.	Radiotelephone operator's restricted certificate (of maritime mobile service )	319	352
9.	Terrestrial radiotelegraphy operator's certificate	0	0
10.	Amateur radio operator's certificate (HAREC certificate)	107	147
11.	Amateur radio operator's certificate (NOVICE certificate)	22	0
<b>Total</b>		<b>1,658</b>	<b>1,695</b>

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

**DETECTION OF SOURCES OF INTERFERENCE OF TELECOMMUNICATIONS EQUIPMENT AND NETWORKS,  
THE PROVISION OF ELECTRONIC COMMUNICATIONS SERVICES OR THE OPERATION OF RADIOCOMMUNICATIONS SERVICES – 2008**

	<b>2008</b>
Radio and television reception (broadcasting service)	2,323
Radio equipment and networks	195
Public communications networks for the transmission of radio and television signals (TKR)	83
Other	133

The Detection of Sources of Interference of Electronic Communications Equipment and Networks,  
the Provision of Electronic Communications Services or the Operation of Radiocommunication Services – 2008



OVERVIEW OF THE MAIN ACTIVITIES IN THE AREA OF POSTAL SERVICES REGULATION <sup>1)</sup> FOR 2008

Focus of Activity		Number	Amount in CZK
1.	<b>Regulatory Measures</b>		
	Decisions on expressing approval with postal conditions	8	
	Decisions on specifying basic qualitative requirements	1	
2.	<b>Supervision on Czech Post Compliance with its Obligations in the Area of Basic Services</b>		
	<b>a) Inspection Activities on the CTO's Suggestion</b>		
	Inspection actions	23	
	Inspected buildings	93	
	<b>b) Settled customer submissions relating to basic services</b>	491	
	<b>c) Fines Imposed on Czech Post</b>	37	2,186,000

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

OVERVIEW OF INSPECTION ACTIVITIES DURING THE PERFORMANCE OF STATE ELECTRONIC COMMUNICATIONS  
INSPECTION IN 2008

ANNEX No. 9

Type of activity	Number of verifications or inspections <sup>1)</sup>		Number of calls for rectification	Number of administrative proceedings left to next period	Number of administrative proceedings commenced	Number of decisions issued <sup>2)</sup>	Decisions in favour of			Fines imposed		Number of administrative proceedings from previous period
	Total	of which					The subscriber	The provider	Other <sup>3)</sup>	Number	Amount in CZK	
1. Performance of communication activities without authorisation	13			6	34	39				32	190,750	1
2. Compliance with the conditions of the General Authorisation	321		72	5	12	15				14	65,000	2
a) To provide the public communications networks and the associated facilities		9	3	0	0	0				0	0	0
b) To provide electronic communications services		28	0	5	7	10				10	21,000	2
c) To use radio frequencies and operate devices (radio devices)		284	69	0	5	5				4	44,000	0
3. Radio frequencies inspection	519		23	10	55	65				59	547,500	0
a) The utilisation of radio frequencies without authorisation		99		9	51	60				54	236,500	0
b) Compliance with the conditions of individual authorisations for using radio frequencies	420	23	1	4	5					5	311,000	0
4. Discovering sources of interference in electronic communications equipment and networks, provision of electronic communications services or the operation of radiocommunications services	2,734		118	0	0	0				0	0	0
a) in radio and television reception (broadcasting service)		2,323	54	0	0	0				0	0	0
b) in radio equipment and networks		195	57	0	0	0				0	0	0
c) in public communications networks for radio and television signal transmission (TKR)		83	7	0	0	0				0	0	0
d) other		133	0	0	0	0				0	0	0
5. Inspections of numbers for the purpose of number administration (number of inspection calls) <sup>4)</sup>	1,272		8	0	2	2				2	150,000	0
a) the use of numbers without authorisation		1		0	2	2				2	150,000	0
b) the use of numbers in contradiction to the authorisation for their use		108	8	0	0	0				0	0	0
6. Monitoring the radio spectrum for the purpose of administering the radio spectrum	3,615											
a) measuring the use of frequencies and frequency bands over time	2,819											
b) measuring radio signal coverage	341											
c) measuring electromagnetic field intensity	61											
d) other	394											
7. Failure to provide information pursuant to Section 115 of the ECA				0	8	5				4	40,000	3
8. Other <sup>5)</sup>	694		98	6	212	203				177	1,291,000	15
<b>TOTAL</b>	<b>9,264</b>		<b>319</b>	<b>27</b>	<b>323</b>	<b>329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>288</b>	<b>2,284,250</b>	<b>21</b>

1) The inspection is completed with its physical performance.

2) The number of decisions issued in 1<sup>st</sup> 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 undertaking, the suspension of proceedings for legal reasons (bankruptcy), lack of competency and so on.

4) The total number of calls to telephone numbers in the month in question.

5) Specific problems are listed in the following rows. Extra rows can be added if necessary.

MEASURES OF A GENERAL NATURE (OOP) ISSUED IN 2008 PURSUANT TO THE ELECTRONIC COMMUNICATIONS ACT

ANNEX No. 10

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/1/02.2008-2	The MGN that stipulates the relevant markets in electronic communications, including the criteria for evaluating significant market power	20/2/2008	4/2008 dated 25/2/2008	15 <sup>th</sup> day after publication in the TB
2.	OOP/4/02.2008-1	The MGN amending OOP/4/03.2006-3, which specifies the methodology for the classification of costs and revenues by product and specified the structure of the reported information	7/2/2008	4/2008 dated 25/2/2008	1/7/2008
3.	OOP/11/12.2008-19	The MGN amending OOP/11/10.2005-42, which specifies the technical and organisational conditions for realising the selection and pre-selection of operators and principles for charging prices among undertakings in connection with the selection and pre-selection of operators, as amended by OOP/11/06.2007-9	17/12/2008	1/2009 dated 6/1/2009	15 <sup>th</sup> day after publication in the TB
4.	OOP/13/04.2008-3	The MGN that amends OOP/13/07.2005-1, which stipulates the scope of required data in an application for authorisation to use radio frequencies	2/4/2008	9/2008 dated 21/4/2008	1/5/2008
5.	OOP/13/06.2008-6	The MGN that amends OOP/13/07.2005-1, which stipulates the scope of required data in an application for authorisation to use radio frequencies, as amended by OOP/13/04.2008-3	18/6/2008	12/2008 dated 4/7/2008	15 <sup>th</sup> day after publication in the TB
6.	OOP/16/07.2008-7	The MGN that stipulates the percentage shares of the revenues from the provision of services	17/7/2008	13/2008 dated 25/7/2008	15 <sup>th</sup> day after publication in the TB
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
7.	VO-S/2/09.2008-11	The MGN (General Authorisation) that amends VO-S/2/07.2005-10, which stipulates the conditions for the provision of public communications networks and allocated means, as amended by VO-S/2/07.2007-12	30/9/2008	15/2008 dated 3/10/2008	15 <sup>th</sup> day after publication in the TB
8.	VO-R/1/12.2008-17	The MGN (General Authorisation) for the operation of user terminals on GSM and UMTS networks	2/12/2008	20/2008 dated 31/12/2008	1/1/2009
9.	VO-R/10/10.2008-14	The MGN (General Authorisation) for the use of radio frequencies and for operation of short-range equipment	22/10/2008	17/2008 dated 6/11/2008	1/12/2008
10.	VO-R/23/04.2008-4	The MGN (General Authorisation) for the use of radio frequencies and for operation of fixed service equipment in bands 74 to 76 GHz and 84 to 86 GHz	2/4/2008	9/2008 dated 21/4/2008	15 <sup>th</sup> day after publication in the TB
11.	VO-R/24/11.2008-16	The MGN (General Authorisation) for the operation of equipment of the infrastructure for broadcasting radio signals inside tunnels and the interior spaces of buildings	18/11/2008	19/2008 dated 17/12/2008	15 <sup>th</sup> day after publication in the TB

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/7/11.2008-15	Part of the plan for the use of the radio spectrum for the frequency band 2700 to 4200 MHz	4/11/2008	17/2008 dated 6/11/2008	20/11/2008
13.	PV-P/10/05.2008-5	Part of the plan for the use of the radio spectrum for the frequency band 470 to 960 MHz	7/5/2008	10/2008 dated 19/5/2008	1/6/2008
14.	PV-P/12/09.2008-10	Part of the plan for the use of the radio spectrum for the frequency band 1700 to 1900 MHz	30/9/2008	15/2008 dated 3/10/2008	3/10/2008
15.	PV-P/14/12.2008-18	Part of the plan for the use of the radio spectrum for the frequency band 2200 to 2700 MHz	10/12/2008	18/2008 dated 15/12/2008	1/1/2009
16.	PV-P/20/09.2008-8	Part of the plan for the use of the radio spectrum for the frequency band 960 to 1700 MHz	2/9/2008	14/2008 dated 10/9/2008	15/9/2008
17.	PV-P/21/09.2008-9	Part of the plan for the use of the radio spectrum for the frequency band 174 to 380 GHz	2/9/2008	14/2008 dated 10/9/2008	15/9/2008
MGN – Relevant Market Analyses					
Order No.	Measure of a General Nature No.	Name of Measure of a General Nature	MGN dated	Telecommunications Bulletin No. dated	MGN effective from
18.	A/5/10.2008-13	Wholesale broadband access in electronic communications networks	16/10/2008	16/2008 dated 20/10/2008	15 <sup>th</sup> day after publication in the TB
19.	A/3/10.2008-12	Publicly available national telephone services provided at a fixed location for residential natural persons	15/10/2008	16/2008 dated 20/10/2008	15 <sup>th</sup> day after publication in the TB

**COMPLIANCE WITH BINDING INDICATORS OF THE STATE BUDGET FOR 2008  
(IN CZK THOUSANDS)**

ANNEX No. 11

Indicators	Approved budget 2008	Adjusted budget 2008	Actual 2008	Compliance %
	1	2	3	4
<b>I. Summarising indicators</b>				
1. Total income	1,100,000.00	1,100,000.00	1,268,880.42	115.35
2. Total expenses	987,901.00	987,901.00	767,940.33 <sup>a)</sup>	77.73
<b>II. Specific indicators</b>				
1. Specific indicators – income				
Non-tax income, capital income and transfers received total	1,100,000.00	1,100,000.00	1,268,880.42	115.35
2. Specific indicators – expenses				
Expenses for ensuring the fulfilment of CTO tasks	987,901.00	987,901.00	767,940.33 <sup>a)</sup>	77.73
in which:				
a) Expenses connected with the Czech presidency of the Council of the EU	1,447.00	1,447.00	1,038.98	71.80
b) Expenses for financing the asset reproduction programs in ISPROFIN	349,351.00	349,351.00	296,043.97 <sup>a)</sup>	84.74
c) Other expenses for ensuring the fulfilment of CTO tasks	637,103.00	637,103.00	470,857.38	73.91
<b>III. Cross-section indicators</b>				
1. Employee salaries and other payments for work done	163,460.00	166,460.00	165,941.40	99.69
2. Mandatory insurance paid by employer <sup>1)</sup>	57,090.00	58,140.00	58,140.00	100.00
3. Allocation to Cultural and Social Welfare Fund	3,121.00	3,181.00	3,180.10	99.97
4. Employee salaries in employment relationship	156,005.00	159,005.00	159,005.00	100.00
5. Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	100.00	100.00	258.94 <sup>b)</sup>	258.94

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

a) including 6 177.75 from the RF, approved by the Ministry of Finance ref. No. 19/18 966/2008-193 dated 25/2/2008.

b) including 177.75 from the RF, approved by the Ministry of Finance ref. No. 19/18 966/2008-193 dated 25/2/2008.

**BUDGET HEAD INDICATORS - BREAKDOWN OF BUDGET FOR 2009  
(IN CZK THOUSANDS)**

ANNEX No. 12

Indicators	Breakdown of 2009 budget
<b>I. Summarising indicators</b>	
1. Total income	1,155,000
2. Total expenses	599,442
<b>II. Specific indicators</b>	
1. Specific indicators – income	
Tax income <sup>5)</sup>	50,000
Non-tax income, capital income and transfers received, total	1,105,000
2. Specific indicators – expenses	
Expenses for ensuring the fulfilment of CTO tasks	599,442
of which:	
a) Expenses connected with the Czech presidency of the Council of the EU	2,389
b) Other expenses for ensuring the fulfilment of CTO tasks	597,053
<b>III. Cross-section indicators</b>	
1. Employee salaries and other payments for work done	172,821
2. Mandatory insurance paid by employer <sup>1)</sup>	58,760
3. Allocation to Cultural and Social Welfare Fund	3,305
4. Salaries for employees with employment contracts	165,262
5. Ensuring preparation for crisis situations pursuant to Act No. 240/2000 Coll.	100
6. Expenses for programs under ISPROFIN total	137,606

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

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

OVERVIEW OF EMPLOYMENT REGULATION LIMITS AS OF 31/12/2008 (IN CZK THOUSANDS)

ANNEX No. 13

Indicator	Actual 2007	Approved budget 2008	Adjusted budget 2008	Actual 2008	% Compliance	Difference between columns 5–2
	2	3	4	5	6	7
Limit of funds for salaries and other payment for work done:	161,696.40	163,460.00	166,460.00	165,941.40	99.69	4,245
of which:						
Limit of funds for salaries	153,702.00	156,005.00	159,005.00	159,005.00	100.00	5,303
Limit of other payments for work done	7,994.40	7,455.00	7,455.00	6,936.40	93.04	-1,058
Limit on the number of employees (average full-time equivalent)	463	461	461	453	98.26	-10
Number of employees as of December 31, 2008	467	461	461	460	99.78	-7

## BASIC PERSONNEL DATA – 2008

ANNEX No. 14

1. CLASSIFICATION OF EMPLOYEES ACCORDING TO AGE AND SEX  
– STATE AS OF 31/12/2008

Age	Men	Women	Total	%
Up to 20	0	0	0	0
21 – 30	30	24	54	11.74
31 – 40	32	34	66	14.35
41 – 50	36	62	98	21.30
51 – 60	94	103	197	42.83
61 and over	28	17	45	9.78
<b>Total</b>	<b>220</b>	<b>240</b>	<b>460</b>	<b>100.00</b>
<b>%</b>	<b>47.83</b>	<b>52.17</b>	<b>100.00</b>	<b>x</b>

2. CLASSIFICATION OF EMPLOYEES ACCORDING TO EDUCATION  
AND SEX – STATE AS OF 31/12/2008

Education achieved	Men	Women	Total	%
Primary	1	2	3	0.65
Trained	3	5	8	1.74
Secondary vocational	0	7	7	1.52
Secondary complete	5	40	45	9.78
Secondary vocational complete	74	99	173	37.61
Higher vocational	1	2	3	0.65
University	136	85	221	48.04
<b>celkem</b>	<b>220</b>	<b>240</b>	<b>460</b>	<b>100.00</b>

3. OVERALL DATA ON AVERAGE SALARIES  
AS OF 31/12/2008

	Total
Average gross monthly salary	29,250

4. OVERALL DATA ON THE ORIGIN AND TERMINATION  
OF EMPLOYMENT RELATIONSHIPS IN 2008

	Number
Hired	60
Terminated	69

5. DURATION OF EMPLOYMENT  
– STATE AS OF 31/12/2008

Duration	Number	%
Up to 5 years	165	35.87
Up to 10 years	88	19.13
Up to 15 years	67	14.57
Up to 20 yearst	75	16.30
Over 20 years	65	14.13
<b>Total</b>	<b>460</b>	<b>100.00</b>

## 6. EMPLOYEES LANGUAGE SKILLS

Type of language	Number of selected positions for which a qualification requirement of standardised language examinations was specified, classed according to level of knowledge			Total number of specified requirements for jobs positions
	1st Level	2nd Level	3rd Level	
English	–	8	–	8
German	–	–	–	–
French	–	–	–	–
<b>Total</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>8</b>

## OVERVIEW OF ITEMISED BINDING INDICATORS – 2008

ANNEX No. 15

in CZK thousands

Indicator	Budegt		Actual
	approved	after changes	
a	1	2	3
Limit of funds for salaries and other payments for work done	163,460.00	166,460.00	165,941.40
from which:			
Limit of funds for salaries	156,005.00	159,005.00	159,005.00
Limit for other payments for work done	7,455.00	7,455.00	6,936.40
Limit of number of employees (average full-time)	461	461	453

## COMPLAINTS AS OF 31/12/2008

ANNEX No. 16

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

Type of submission	Number of submissions					
	Recieved	From previous period	Resolved	Justified	Unjustified	Continuing to next period
1. Petitions <sup>*)</sup>	0	0	0	0	0	0
2. Complaints <sup>**)</sup>	6	0	6	0	6	0
3. Notifications <sup>**)</sup>	0	0	0	0	0	0
4. Suggestions <sup>**)</sup>	0	0	0	0	0	0

<sup>\*)</sup> Act No. 85/1990 Coll., on the right to petition.<sup>\*\*)</sup> Act No. 500/2004 Coll., the Administrative Code, as amended, Section 175.

Cover photographs:

Front cover: MAM B measuring vehicle