

CZECH REPUBLIC

INTRODUCTION

Infrastructure based competition remains to be the main determinant for the broadband market dynamics. The penetration rate of broadband continues to increase but the pace of broadband growth has gradually slowed down. The highest subscriber gain was related to DSL. Investments into NGA networks have been limited so far. Mobile market is reaching saturation. The shift of the market towards convergence of mobile and fixed services becomes more pronounced. The fixed voice and cable markets experience further consolidation.

The second round of market reviews has been finalised for all markets excluded from the current Recommendation¹²². Review process has progressed also for the origination and termination markets. The regulatory efforts directed at the broadband-related markets have not yet triggered the intended results of stimulating more effective competition in DSL platform. A national project for broadband access development is not present, nevertheless, the Ministry of Industry and Trade is preparing a new government policy in electronic communications the “Digital Czech”. Progress in digital switchover has led to analogue switch-off in two regions.

REGULATORY ENVIRONMENT

Main regulatory developments

A draft amendment to the Electronic Communications Act was submitted to the Parliament by the Government. The proposal included *inter alia* a conversion of the current universal service financing system into a compensation mechanism based solely on public funding; an introduction of new powers for the NRA to withdraw a frequency assignment in cases where operators do not use the assigned spectrum within a specified time period; and a proposal to reinforce the level playing field in access to subscriber data for providers offering directories outside the system of universal service. Several supplementary minor amendments to the Act have been introduced via other legislation.

The Czech regulator *Český telekomunikační úřad* (Czech Telecommunications Office), ČTÚ, has continued to progress with the process of market reviews. The NRA has completed its second market review for all markets excluded from current Recommendation that had previously been found non-competitive. Additionally, three wholesale markets that are listed have been newly reviewed.

ČTÚ modified the national radio spectrum utilization plan in relation to the 900 MHz and 1800 MHz spectrum bands¹²³. Public consultation on the draft amendments related to 2.6 GHz spectrum band is ongoing. The modifications were proposed in order to reflect the changes of spectrum management brought forward with the amended GSM Directive as far as concerns usage of technology. The Ministry approved an amendment to the national numbering plan, effective from September 2009.

¹²² Commission Recommendation of 17 December 2007 on relevant product and service markets within the electronic communications sector susceptible to *ex ante* regulation in accordance with Directive 2002/21/EC, OJ L 344/65, 28.12.2007.

¹²³ The respective modifications related to 900 MHz and 1800 MHz bands were adopted in December 2009.

Organisation of the NRA

The official term of office for the chairman of the Board of the NRA expired at the end of March 2009. After a short interim period, the previous chairman was re-appointed again at the end of April for a period of one year. Furthermore, the term of office for one member of the Board expired at the end of April 2009, followed by an appointment of new member for a five-year period starting from 1 May 2009.

Decision-making

In the course of the reporting period, a continuing progress has been noted in the process of market reviews where ČTÚ notified the results of the second market review with respect to five markets. Based on the results of the three-criteria test, regulation has been lifted from all remaining former retail markets and the former wholesale broadcasting market. New market reviews have been carried out concerning the wholesale markets of fixed termination and origination, and mobile termination, proposing *inter alia* further reductions in price caps. These remedies were yet to be adopted through a final measure. The notification of the second market review for the local loop unbundling (LLU) market was withdrawn in July 2009.

As regards the scope of remedies proposed in relation to the termination markets, the NRA takes the approach of differentiation between the incumbent players and alternative operators. No price regulation and softer remedies have therefore been proposed with respect to the latter. The Commission, however, emphasises the need to respect regulatory symmetry based on the costs of an efficient operator in these cases. The price regulation proposed for the mobile termination, although not yet implementing a long-run incremental cost (LRIC) model, excludes specific types of costs from the calculations in an attempt to steer the present fully allocated historic costs (FAHC) model more closely to the Termination Recommendation¹²⁴.

The wholesale remedies imposed previously by ČTÚ with the aim of resolving the issues of concern presented by alternative operators do not yet seem to have triggered a significant market response. The regulator carried out several investigations and resolved disputes in relation to effective implementation of the imposed remedies. Where considered warranted, the significant market power (SMP) operator was obliged to modify the respective reference offer. Investigations of a margin squeeze performed upon request of the fixed alternative players have not confirmed the existence of such practises.

MARKET AND REGULATORY DEVELOPMENTS

Total turnover and investment figures for 2008 show a mixed picture in comparison to 2007¹²⁵. The total turnover of the telecommunications sector was €5.7 billion; the specific revenue from the fixed market increased by 2.1%), whereas the revenue from the mobile market increased by 3.2%). The total value of tangible investments was €594 million (decrease of 2.9%); investments made by mobile operators decreased by 4.7%, while the investments made by fixed alternative operators increased by 22.5%, and those coming from the incumbent operator decreased by 13.3%. The total revenue amounted to 3.8% of the national GDP in 2008.

¹²⁴ Commission Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU, OJ L 124/67, 20.5.2009.

¹²⁵ The total turnover and investment figures have been updated since the publication of the last report.

The tendency of the market to provide bundled services and converged fixed-mobile offers, noted in the previous reporting periods, has been reinforced. The incumbent has already been established as a converged fixed and mobile operator since 2007 (Duo Mobile offer). Through acquisitions in the fixed residential market, the biggest mobile operator (by number of subscribers) can now provide converged services on a national level. Although such services have not yet been picked up by customers to a great extent, they already appear to signify a prevailing trend for the future market development. The converged services have previously been provided tailor-made and mainly for business customers, however, an extension of scope towards residential segment of the market is starting to become visible. For example, the incumbent's restructured retail offer available from May 2009 simplifies their product portfolio by establishing 'basic' services (voice, asymmetric digital subscriber lines - ADSL, or internet protocol television - IPTV) which may be combined with any selection of top-up services; a move in this direction is also evident with the aforementioned residential acquisitions of the largest mobile player. The shift towards provision of triple play services is notable also with regard to cable operators. Increasingly, even smaller operators are developing voice services to be offered besides the provision of broadband and traditional TV service.

3G infrastructure development has continued in a slow pace. A nation-wide 3G coverage has not yet been achieved by any of the players. The incumbent's Universal Mobile Telecommunications System (UMTS) network's coverage is 16.5% of population while its Code Division Multiple Access (CDMA) data network reaches the coverage of almost 90% of population. Its intention was to finalise the roll-out of 3G infrastructure in 14 largest cities by the end of 2009. The largest mobile operator offers services via UMTS using Time Division Duplexing (UMTS TDD) with 60% of population coverage, and plans to commence a pilot project for UMTS High Speed Downlink Packet Access network (HSDPA). In March 2009, the smallest GSM operator initiated a commercial provision of its UMTS network with coverage in two main cities – Prague and Brno. The latest market entrant uses CDMA technology for provision of data and voice, reaching population coverage of 84%.¹²⁶

Developments regarding investments into next generation access (NGA) networks have been minimal. The NRA has estimated approximately 300 000 fibre loops covering 8% of households¹²⁷. In general, fibre network infrastructure is limited mainly to metropolitan and 'greenfield' areas. Local broadband network operators including cable operators play a significant role in the deployment of fibre to the x (FTTx).

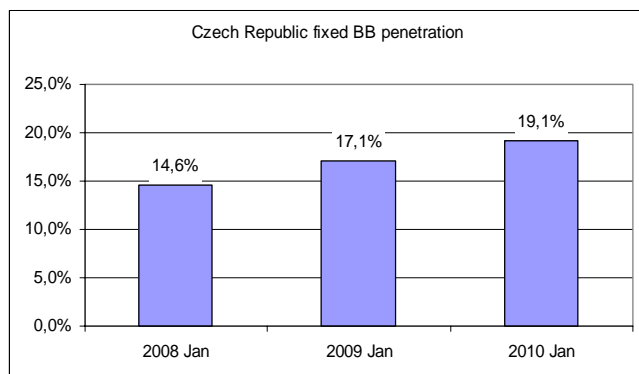
A shift towards optical networks has been noted with some WLL operators, which gradually replace their WLL networks and offer their services using a combination of optical and metallic infrastructure (fibre to the building – FTTB). This trend, however, is limited in scope and geographical scale. The incumbent does not provide any commercial fibre-based services.

¹²⁶ The coverage data presented is based on information received from ČTÚ.

¹²⁷ Data as of September 2009 provided in the notification sent to the Commission with respect to review of the LLU market, case CZ/2009/0933.

Broadband

Market situation



The fixed broadband penetration rate increased by 2 percentage points from 17.1% of population in January 2009 to 19.1% in January 2010. In the European ranking of the fixed broadband penetration, the Czech Republic maintains its place below the EU average of 24.8%, and well behind the European top performers. Despite the continuing growth in the number of retail fixed broadband access lines, the pace is

gradually slowing down: 233 659 new lines were added between January 2009 and January 2010, compared to 272 764 lines between January 2008 and 2009. As regards speed parameters, the market situation reflects that of 2008: approximately 75% of the fixed broadband retail lines deliver speed in range of 2-10 Mbps, while the remaining ones offer speed above 10 Mbps¹²⁸. The highest broadband speeds (100 Mbps) are provided by cable network operators in limited offers. Broadband access based on mobile technologies is slowly gaining in numbers with the penetration rate for dedicated data services reaching 3.5% of population and more than 370 000 active subscribers.

The Czech fixed broadband market continues to be characterised by an extensive infrastructure based competition. In 2009, the market has not experienced much dynamics in terms of shifts amongst the individual infrastructure platforms. The market shares of the prevailing technologies are thus very similar to those of 2008: digital subscriber lines (DSL) (38.8% of total fixed retail lines), wireless local loops (WLL) (33.9%), and cable (22.0%). The extent of market share of fibre technology (FTTx) is still very limited (5.2%). New entrants compete mostly using infrastructures other than DSL.

The highest gain in broadband subscriptions was reported for DSL, followed by WLL and cable. Geographical constraints influence the level of competitiveness for cable operators, as the networks are generally limited to densely populated areas. WLL providers, on the other hand, may face constraints as to speed levels achieved. On the other hand, DSL is affected by retail offers of competitive technologies such as cable and WLL. The platform competition exerts competitive pressures which appear to be leading to gradual declines in retail prices, at least for cheapest offers. Partially as a response to provision of wholesale naked DSL, the incumbent started to provide its own retail 'naked' ADSL service (no longer bundled with mandatory line rental or voice service) in May 2009.

Despite a relatively well established position of the new entrants in the overall fixed broadband market (66.1% of retail lines), the incumbent's standing in the DSL segment remained unchallenged. In fact, its DSL market share in 2009 followed the trend noted already in the previous reporting period and increased slightly to 87.0%. The number of fully unbundled lines has increased slightly, but on the other hand, the usage of other wholesale products such as shared lines and bitstream access went down. The wholesale bitstream

¹²⁸ Data from July 2009. January 2010 data not available.

product from the regulated reference bitstream offer has been taken up. A voluntary wholesale line rental (WLR) offered by the incumbent is used by one alternative player.

Two major fixed alternative players have sold their residential segment of the market to the largest mobile operator (one player including LLU infrastructure), maintaining only their business customers. Such development illustrates the reinforcing drive to offer converged fixed and mobile services, as now at least two major players are able to offer such services either via their own network or in combination with wholesale broadband products. The third mobile player also expresses motivation to strengthen its converged presence, in line with the concept of a 'total telco'. Mobile operators thus increasingly consider fixed broadband to be a core basis of their broadband service provision, complemented by mobile broadband. However, such market trend leaves the fixed alternative players without a viable competitive alternative.

Small local public broadband projects have been reported (municipality driven). A national broadband project/scheme coordinated at the Government level is not present, nevertheless the Ministry is preparing the new government policy on electronic communications the "Digital Czech".

Regulatory issues

The new regulation for the bitstream market adopted in January 2009 now includes a long-standing demand of alternative players (fixed and mobile) for the naked DSL facility. Provision of naked DSL appears to have facilitated some alternative players to offer more price competitive DSL service. Migration of customers into bitstream in bulk was made available as a reaction to one of the concerns presented by alternative providers. However, new entrants note that with regard to provision of satisfactory quality guarantees, other products outside the reference bitstream offer (RBO) have to be negotiated commercially. There is no price regulation applicable for the bitstream market. On the basis of the initiative from alternative players, ČTÚ has carried out several investigations of a possible margin squeeze, however, this was not confirmed. In parallel, a price squeeze investigation has been initiated by the National Competition Authority. A third review for the broadband wholesale market is in preparation.

Conversely, LLU prices have been regulated since 2005. The latest price drops became effective in January 2009, however, the total average cost for a full LLU at €11.64 is still above the EU average of €9.75. Following an investigation of ČTÚ related to an effective implementation of remedies imposed in the LLU market, several changes intending to improve the conditions regarding financial quality guarantees, order processing, minimum settings for collocation, and access to non-active infrastructure have been introduced in the reference unbundling offer (RUO). Despite these efforts, further uptake of LLU has been marginal; there are no signs of plans for further investment into LLU.

The NRA prepared a second review of the LLU market, notified to the Commission in June 2009, and withdrawn a month later. A modified market analysis is currently under preparation; the NRA indicated to include alternative technologies, in particular fibre, into market definition. The regulator formulated its position on future NGA regulation and carried out discussions in this respect at a specialised workshop with market players in November 2009. Building on the workshop, the NRA published its report outlining the regulatory issues concerning next-generation networks in December 2009. The report is to serve as a basis for further discussions with national authorities and stakeholders.

Overall, the impact of remedies imposed on broadband-related markets appears to be still limited. The effects may have been constrained by the ongoing market consolidation and potential competitive advantages of platforms other than DSL, nevertheless, the market share of the fixed alternative players in the DSL segment is experiencing a slow but continuing downward trend. Further uptake of DSL may be triggered using the marketing power of mobile operators. The Commission, while monitoring the market developments, invites ČTÚ to review the potential bottlenecks in these markets and address them through effective enforcement of the remedies already in place and in the market reviews currently under preparation.

Mobile

Market situation

Mobile penetration is high at 134.0% of population. It appears that the mobile market is reaching saturation as the growth trend in the number of subscribers has been decreasing. Similar developments in terms of limited growth can be observed with respect to volume of traffic. On-net calls represent the most important revenue source. As concerns SMS (short message service), the market still experienced an upward usage trend. There are continuing signs of fixed to mobile substitution with approximately 77% of total voice traffic originated in mobile networks.

The average retail mobile price per minute at 13 eurocents corresponds to the EU average for 2008. All mobile GSM (global system for mobile communications) operators have introduced retail offers with reduced prices for less demanding consumers, and in fact, retail prices have mostly decreased or remained stable in 2009¹²⁹.

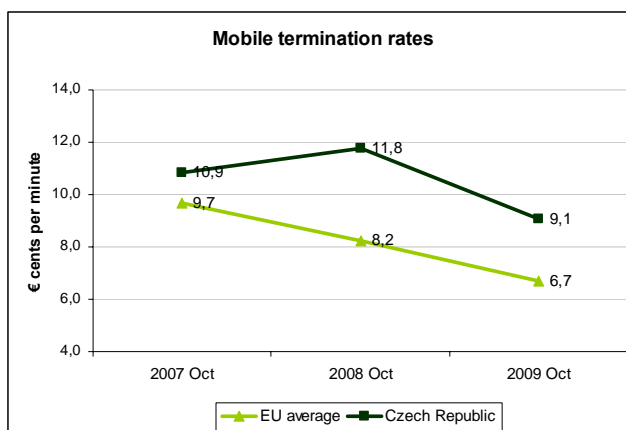
Operators note a gradual shift from pre-paid to post-paid customers – 49.1% of mobile subscribers presently opt for post-paid services (compared to 47% in 2008)¹³⁰. Market shares of the mobile players remained relatively stable. The new mobile entrant continues to provide data and voice service over its CDMA network, albeit with limited coverage of 84% of population and 63% of territory. Its total number of subscribers is growing but the overall impact in the market is still rather insignificant. There are no mobile virtual network operators (MVNO) present; several small (simple) resellers cooperate with the GSM operators. A pent-up demand for MVNO does not appear to be an issue.

¹²⁹ Source: Telligon Report on Telecoms Price Developments from 1998 to 2009, December 2009; post-paid usage baskets (low, medium and high) using 2006 version of the OECD basket.

¹³⁰ 13 months methodology was used for assessing the number of active pre-paid subscribers in order that the 2009 data are comparable with 2008.

Regulatory issues

New glidepath for mobile termination price caps, still based on the first market review but with an updated weighted average cost of capital (WACC), is effective from January 2009. The glidepath is set on FAHC and gradually reduces the caps in 6-month intervals until 31 July 2010. The level of mobile termination rates (MTR) in the Czech Republic was at the rate of 9.09 €-cents (October 2009) nevertheless well above the EU average of 6.70 €-cents. The new price cap stemming from the glidepath applicable as of 1 January 2010 is set at 7.70 €-cents.



The mobile termination market has been reviewed in the second round and the results were notified to the Commission in August 2009. ČTÚ proposed to designate all mobile network operators as SMP (significant market power) players on their individual networks but intends to use a differentiated approach with respect to remedies. A full scope of remedies, including price regulation, is intended to be imposed on all three GSM players, while only the obligation of transparency (without the obligation to publish a reference offer) and non-discrimination was planned with respect to the new CDMA entrant. As concerns the proposed absence of an access obligation and cost orientation, it is doubtful whether imposing softer remedies on this player is appropriate.

The price regulation proposed in the draft measure was based on an FAHC model incorporating some principles of the Termination Recommendation. The cost of non-traffic-related costs, such as SIM cards, handsets, retailing, overhead, and spectrum costs are thus not included in the model. While the Commission appreciates the model's modification, it recalls the need to implement prices with a forward looking approach based on costs of an effective player. Moreover, taking into account the high level of MTR and the intention to maintain the glidepath set for the first half of 2010, a need for an earlier decrease of these rates has been noted.

Roaming Regulation

All three GSM operators present in the Czech mobile market appear to have complied with the price caps on voice, short message service (SMS) and data service as required by the Roaming Regulation. The eurotariff offered by operators reflects the maximum cap set in the Regulation. Other special roaming packages are offered to consumers with more price-competitive options. Standard retail data roaming prices are in some cases charged well above the maximum wholesale price.

Fixed

Market situation

According to ČTÚ, the fixed line penetration rate is low at 21% of population. It continues to decrease gradually, although the drop in number of fixed lines for the last year appears to be less prominent compared to the period of 2005-2008. The volume of fixed originated and

terminated minutes is continuously decreasing, and with approximately 77% of voice traffic originated in mobile networks there are signs of an advancing trend towards fixed-to-mobile substitution.¹³¹

The market share of fixed alternative players has decreased slightly to 37.1% by retail revenue. They continue to be most successful in providing international calls where they have maintained a relatively stable market share of 47.6% by retail revenue and 55.2% by traffic volume. A marginal 6.9% of subscribers use a provider other than the incumbent for direct access to fixed telephony. This figure is well below the EU average of 24.1%.

In 2009, the Czech fixed market experienced further consolidation. Most notably, the biggest mobile operator significantly reinforced its position in the fixed market by acquiring all residential customers of two major fixed alternative players. Its original focus on the business segment of the market has thus been widened to a residential part. Following a restructuring of retail prices, access to the incumbent's network (line rental) is no longer charged for as a separate service, instead, it is included in the retail price of one of its basic products. While the traditional public switched telephone network (PSTN) in general sustained a subscriber churn, other platforms such as VoIP experienced a subscriber gain. Voice over cable is offered by a growing number of smaller operators. However, due to the market share at 3.9% of traffic, VoIP services are yet to have a more significant impact on the market dynamics. As for the cable platform, voice services are usually taken up as a part of a bundle.

Regulatory issues

The process of the second round of market review for all remaining retail markets excluded from the new Recommendation has been finalised. These markets failed to fulfil the three-criteria tests – as a result, regulation was withdrawn by June 2009. A new analysis of the retail access market was under preparation.

As regards the wholesale fixed markets, reviews of the second round have been notified to the Commission with respect to fixed origination and termination in August 2009. A full scope of remedies, including price caps based on LRIC for geographic numbers, has been proposed for the SMP player in the wholesale fixed origination market (incumbent operator).

With respect to wholesale fixed termination, where 24 operators were proposed to be designated with SMP, the regulator proposes a differentiated scope of remedies for the incumbent and other players. While a full scope of remedies, including the obligation to provide reference interconnection offer (RIO) and the price regulation based on a bottom-up LRIC as designed for an efficient operator (along the lines set out in the Termination Rates Recommendation), was proposed with regard to the incumbent operator, the remedies intended for the other SMP players were more limited in scope and include only the obligations for non-discrimination and transparency. In this context, the NRA argued that the position of other players in the market was not sufficiently strong to allow behaviour independent of other market players and consumers. The Commission has expressed reservations to such an approach, and noted a need to impose effective access obligations as well as an obligation to charge tariffs corresponding to cost-orientation in an efficient manner, by way of a procedure which would not impose an undue procedural burden on smaller operators.

¹³¹ The fixed and mobile outgoing traffic for 2008 was 23% and 77%, respectively.

The proposed definition of the fixed termination market covered *inter alia* the termination of mobile networks using a technical solution restricting the mobility of the terminal point, such as for example provision of a fixed connection via public branch exchange (PBX). In this way (together with a change of numbering plan), national authorities reacted to a long standing grievance of the fixed alternative operators claiming that the practise of mobile operators to use mobile numbers for this type of service unduly harms competition.

The wholesale interconnection charges have been decreased by the regulator by 5% at the first transit for the fixed origination and at the last transit for the fixed termination. Nevertheless, the fixed interconnection charges applied in the Czech Republic remain some of the highest in the EU.

Overall, as regards the impact of remedies imposed in the fixed markets, it appears that the regulation currently in place is not successful in stimulating further development towards more effective competition. Within this context, regulatory challenges are also linked to decreasing trends in fixed voice traffic.

Broadcasting

Market situation

In the TV broadcasting market, terrestrial transmission provides services as a basic means of transmission to 1.8 million households (41.2% of total households) as of July 2009. An estimated share of digital technology within the terrestrial transmission is 1.1 million of households. Satellite TV with 1.1 million (25.4%) and cable TV with 0.8 million (18.9%) of households follow¹³². Ongoing progress in transition to digital technology appears to go hand in hand with an increasing consumer interest in platforms other than the 'traditional' terrestrial transmission which has been prevailing in the broadcasting market so far.

This trend is most notable with satellite broadcasting which sustained the most significant gain in subscriber use. There are four major satellite providers established in the market. Cable market has also experienced some subscriber growth, although the cable penetration growth is less pronounced than the one for satellite. Cable part of the broadcasting market still experiences a large degree of consolidation; there have been limited investments into upgrade of technology and extension of customer offers. IPTV has expanded in subscriber numbers, nevertheless its impact in the market is still somewhat restricted (0.3 million of households, representing 6% of total households).

Regulatory issues

The process of digital switchover continues with further stages. The analogue switch-off has already been completed in two regions – Praha and Plzeň. Parallel analogue and digital broadcasting with at least one digital network has been initiated in all other regions except Zlin and Jeseník. Analogue switch-off for all main transmitters is scheduled for 11 November 2011. The remaining transmitters will switch-off analogue the first half of 2012. There are four digital terrestrial networks operating in the Czech Republic; the first network transmits public channels of the public multiplex while the other three carry commercial broadcasting.

¹³² Data concerning single technological platform refers to the number of households receiving national TV programmes primarily via this platform.

As of September 2009, 83% of population is covered by at least one digital network, 60% by the first two networks and 26% by all four networks.

As regards transparency of the process, new dedicated digital switchover websites offer detailed information to citizens on developments in their regions, including practical tips and advice. Such an online service is provided by the national coordination group responsible for the information campaign, by the regulator, and by various commercial entities. Additional information is available to citizens via a national free-phone service. A progress report on digitalisation is published by ČTÚ every 6 months. The regulator also carries out the task of technical coordinating the process with national institutions and stakeholders.

Following the results of the three- criteria test performed by the regulator, remedies imposed in the wholesale broadcasting market since the end of 2006 were withdrawn by ČTÚ in August 2009.

Horizontal regulation

Spectrum management

Following making available of additional frequencies in the 900 MHz spectrum band, previously used by the Ministry of Defence, ČTÚ allocated the newly available frequencies to the three existing GSM players in June 2009. The frequencies were assigned through a tender. The purpose of the asymmetric assignments of additional frequencies was to facilitate balancing of the competitive conditions in the market, as each existing operator had been previously allocated a different amount of frequencies in this part of spectrum. According to ČTÚ, the allocations are also expected to enhance further user benefit by giving all GSM operators sufficient spectrum to enable at least a basic future provision of mobile broadband services over the 900 MHz band. The Commission is following this matter.

Public consultations were carried out on the draft amendments of the national radio spectrum utilisation plan related to frequency spectrum bands of the 900 MHz, 1800 MHz and 2.6 GHz. The modifications regarding 900 MHz and 1800 MHz spectrum bands are effective from January 2010. Public consultation was still ongoing with respect to new proposals related to 2.6 GHz band where the NRA indicated an aim of stimulating market interest in this band (currently not used). Market interest has not been noted for the latter despite previous changes to the utilisation plan for this band effective from January 2009. In 1800 MHz spectrum band, the number of rights of use was increased to four. Since there is a sufficient spectrum block available, the latter amendment creates the possibility for an entry of a new player. The tender for 1800 MHz spectrum is expected to be initiated in 2010. The Commission services are actively monitoring these processes as to compliance with the requirements of the EU regulatory framework. Spectrum trading is provided for in the legislation but has not yet been applied in practise.

In 2009, Czech Republic has been active in discussing the future use of the digital dividend. In March 2009, ČTÚ concluded the second round of the national public debate on the digital dividend by organising a second public workshop that also involved participants from the neighbouring Member States. Broad support has been given to future use of the digital dividend by new broadband networks and services. The relevant frequency channels will be released during transition to digital broadcasting. The timeframe for allocation of digital dividend spectrum is based on the Technical Transition Plan - efforts are made to create conditions for releasing the digital dividend band in 2012. A third round of the national

consultation process organised on this issue by ČTÚ is planned for 2010. In the context of the digital dividend, the Czech Republic has not yet specified any plans towards spectrum re-farming. *Implementation of spectrum decisions*

The Czech Republic has declared the implementation of the following Commission's decisions on radio spectrum harmonisation: Decisions 2005/513/EC, 2005/928/EC, 2006/771/EC, 2006/804/EC, 2007/131/EC, 2004/545/EC, 2005/50/EC, 2007/90/EC, 2007/98/EC, 2008/294/EC, 2008/411/EC, 2008/432/EC, 2008/477/EC, 2008/671/EC and 2008/673/EC. The implementation of Decision 2007/344/EC on the harmonised availability of information regarding spectrum use, which ensures accessibility of the separated radio interface specifications in the ERO Frequency Information System (EFIS) database, is under way.

Numbering

A change of the national numbering plan, indicated by ČTÚ in 2008, came into effect by a modification of the numbering plan effective from September 2009. A new number range of 61X has been reserved for converged services. At the same time, a temporary provision allows mobile numbers to be used for fixed-mobile lines where mobile networks provide a connection at a fixed location, at least until expiration of relevant customer contracts.

THE CONSUMER INTEREST

Tariff transparency and quality of service

The national rules specifying requirements for provision of transparent price information by operators and service providers are set in the legislation. The requirements set by ČTÚ with respect to quality of service include the obligation to provide *inter alia* information on supply time for a connection, fault rate per line, fault repair time, bill correctness complaints, call interruption ration for mobile networks, and other. The regulator provides a comparison of prices for different offers on its website. In addition, it gathers and publishes information on service quality with respect to individual operators. However, an interactive web-based price/quality comparison tool is not yet available in the market.

Universal service

The national regulator carries out a regular monitoring for the universal service elements which have not been designated. The conclusion on both the provision of access at a fixed location and the provision of comprehensive directories and directory enquiry services was that reinstating an official designation was not necessary. Following an official review, ČTÚ made a decision to remove the provision of complementary services for access at the fixed location, such as the phased payment for a new connection, free selective call barring and free itemised billing, from the scope of designated universal services. The elements taken out of the scope of the current designations appear to be provided by the market at a satisfactory level even without a formal designation. However, further monitoring in this regard is necessary.

The incumbent's designation for the provision of public payphones is effective until 2012. Taking into account a decreasing interest of the public in using this service, the density criteria were reduced as of July 2009. Additional criteria aiming for a further gradual reduction in 2010 were adopted in September 2009. ČTÚ carried out a new designation for the provision of special terminal equipment in June 2009. The element of special tariffs for

disabled users continues to be provided by both designated undertakings – incumbent and the smallest GSM mobile operator. Outside the universal service obligations, another mobile market player is offering special tariffs to disabled and low income recipients on a voluntary basis.

For the part of universal service where financing is covered by a fund, the net cost of the universal service provision has been set for the years until 2006. Individual contributions up to 2006 have already been determined and paid to the universal service fund. However, following the Supreme Court's decision of August 2009, granting all contributing operators a legal status of the party to the administrative proceeding on the net cost calculation, ČTÚ is to revisit the net costs calculations already finalised for the years 2001-2006 when only the designated operator was allowed to take part in the process. The new administrative proceedings are planned to be initiated at the beginning of 2010. The final determination of the net cost for 2007 is pending due to an appeal. The net cost of special tariffs, covered by the public financing has been determined and paid for the years until 2008. The Czech Republic is presently not considering an inclusion of broadband into the scope of universal service.

Number portability

The regulator adopted an amendment of the number portability rules, detailing the reduction of the time limits applied for number portability, effective from January 2009. The inter-operator procedural limits have been shortened. The mobile number should be released by the donor operator within 3 working days¹³³ and a maximum of 15 calendar days is set to port a fixed number from the date of sending an order to the donor operator¹³⁴. A new amendment of the rules, effective from January 2010, further reduces the maximum time applicable to port a fixed number to 10 working days.

The asymmetric cost-oriented wholesale prices set by ČTÚ through disputes on mobile number portability remain effective. The smallest mobile operator which does not apply binding consumer contracts has expressed concerns as to the asymmetry applied. Although the wholesale prices for mobile porting are higher than the EU average, the retail cost charged to consumers is zero or a symbolic 1 CZK. The retail cost of the fixed number portability depends on the gaining operator and varies from zero (incumbent) up to the level of the wholesale price. The fixed wholesale price has been reduced to €34.0 per simple order, however, such price rate still remains one of the highest in the EU.

The take-up of number portability for mobile numbers is still somewhat limited. Number portability is available for VoIP operators, provided that their service is offered as PATS (publicly available telephony service) using geographic subscriber numbers. A draft amendment of the law proposes to extend the possibility of porting between fixed and mobile networks with respect to specific non-geographic numbers used for value-added services.

Information on tariffs when calling a ported number is provided by a voice message indication when placing a call. Such information is also available on operators' websites and via SMS. The Commission is following up the developments related to number portability.

¹³³ Time limit for making a mobile number available for porting is 5 hours (pre-paid) or 3 days (post-paid).

¹³⁴ Time limit for making a fixed number available is 10 days.

Consumer complaints

In 2009, most of the consumer disputes involved traditionally issues related to unpaid invoices, increasing in numbers. Such private-law disputes, required to be addressed first with the regulator before the matter may proceed to court for a potential debt collection, represent a significant task for the NRA understaffed for such purposes, leading to delays in proceedings. In 2009, more than 100 000 new proposals to settle consumer disputes have been submitted to the NRA. ČTÚ reports an average workload of 3.5 administrative proceeding per day per staff member - a workload that illustrates the source of delays. Other most common complaints concern quality of service and TV signal related to digitalisation of the terrestrial transmission.

In the area of consumer complaints, ČTÚ cooperates with the Czech commercial inspection office, Antimonopoly Office and the Office for Protection of Private Data.

European emergency number 112

The single most prominent concern of the national authorities identified with respect to functioning of the single emergency number 112 in the Czech Republic remains the issue of very high percentage of hoax calls (approximately 70% of all calls). A draft amendment to the Electronic Communications Act, intended to address the problem of the high number of hoax calls received by all emergency service numbers, prepared in 2008, was submitted for adoption to the Parliament. The draft amendment introduced a mechanism for identification of hoax callers and their possible rejection by the emergency services. To balance out potential negative effects of such a blocking procedure for users, the proposal included a mechanism allowing for unblocking of user devices.

The emergency services have continued working towards improving the service for an easier and more accessible use by disabled users. Faxes to receive emergencies from these users are now available in all regional emergency centres. Incoming calls from callers using special terminal equipment is routed to one emergency centre specialized to handle these types of calls, while help can be dispatched in the same pattern as for any other call.

Citizen awareness for 112 as an EU-wide emergency number has been increasing. Respondents in the Czech Republic were the most likely to know that they can reach emergency services from anywhere in the EU by calling the single European emergency number 112 (61%), compared to 25% at EU average¹³⁵.

Harmonised numbers for harmonised services of social value (116)

The EU harmonized number 116 111, reserved for child helplines, continues to be operational. Other two EU harmonized numbers are at disposal, namely the 116 000 and 116 123 numbers.

ePrivacy

It appears that national legal framework regulating spam is in place, and the Czech Data protection Office has the authority to impose fines on spammers. Cooperation with other public authorities is based on the principle of administrative assistance. General information

¹³⁵ Eurobarometer Flash survey on the European emergency number 112 (February 2010)

about spam and phishing is available, however, more can be done in terms of information on spyware and malware. International cooperation on these issues remains rather theoretical¹³⁶. Subscriber identification is not obligatory for pre-paid cards.

¹³⁶ Study on activities regarding spam, spyware and malware, time.lex, October 2009.