

**Calculation of fees due for the provision of publicly
available electronic communications networks and services, pursuant to paragraph 1 b)
of article 105 of Law No 5/2004, of 10 February, as amended and republished by Law No
51/2011, of 13 September**

1. In accordance with paragraphs 1 and 2 of Annex II to Administrative Rule No 1473-B/2008 of 17 February, as amended by Administrative Rule No 291-A/2011, of 4 November, public notice is made of the total value of administrative costs incurred by ICP-ANACOM to be considered for the purposes of the settlement of fees due in 2013 (Year n) for the provision of electronic communications networks and services. As such, C (Year n) = 24.478.856 Euro (average of the costs of the last two years and the budget of the current year, with the exception of provisions made in respect of ongoing legal proceedings related to the regulation of electronic communications, for which the average is taken of the last four years and of the budget of the current year.)

2. The following table provides a detailed breakdown of ICP-ANACOM's costs, based on the implemented ABC model, the functioning of which is described in Annex A. This breakdown makes it possible to identify the administrative costs that are relevant for the calculation of the fee referenced in point b) of paragraph 1 of article 105 of the Electronic Communications Law, as amended and republished by Law No 51/2011, of 13 September.

With regard to the relevant income of providers of electronic communications networks and services, and after receiving information from the various companies in the market, ICP-ANACOM decided to conduct an audit before issuing the respective invoicing. This audit process is expected to be concluded shortly.

Breakdown of total costs (expenses) of ICP-ANACOM by type of activity

Unit: Euro

	Costs excluding provisions for ongoing legal proceedings related to regulation				Provisions related to EC (5-year average)	Allocation of costs borne by ICP-ANACOM (with provisions related to EC)
	Budget 2013	Actual		Average (3 years)		
		2012	2011			
1. Regulation and spectrum management costs	44.099.810	41.018.085	45.822.941	43.646.945	1.809.270	45.456.215
1.1 Costs related to Electronic Communications	35.453.607	32.976.084	36.620.521	35.016.737	1.809.270	36.826.007
1.1.1 Administrative costs	23.949.427	22.275.825	23.948.836	23.391.363	1.809.270	25.200.633
a) Declarations supporting rights	67.502	62.785	44.349	58.212		58.212
b) Provision of electronic communications networks and services	23.422.498	21.785.718	22.800.542	22.669.586	1.809.270	24.478.856
c) Allocation of rights of use for frequencies	375.179	348.961	985.674	569.938		569.938
d) Allocation of rights of use for numbers	84.248	78.361	118.271	93.626		93.626
1.1.2 Frequency management costs	11.359.335	10.565.537	12.519.907	11.481.593		11.481.593
1.1.3 Number management costs	144.845	134.723	151.778	143.782		143.782
1.2 Costs of Postal regulation	2.783.347	2.588.845	2.263.579	2.545.257		2.545.257
1.3 Other regulation costs	5.862.857	5.453.156	6.938.841	6.084.951		6.084.951
2. Other costs	1.514.790	1.408.935	5.447.114	2.790.280		2.790.280
3. Total Costs	45.614.600	42.427.020	51.270.055	46.437.225	1.809.270	48.246.495

	2013(a)	2012	2011	2010	2009	Average (5 years)
Provisions for ongoing legal proceedings related to regulation	600.000	3.864.284	2.644.854	0	1.937.213	1.809.270

(a) - Budget

Annex A

Methodology for calculating regulation costs

Introductory note

The allocation of costs borne by ICP-ANACOM to determine its regulation costs is equivalent to the allocation of its annual accounting expenditure according to the Standard Accounting System (SAC) and to the Activity Based Costing (ABC) method.

A. Allocation of costs borne by ICP-ANACOM

1. ICP-ANACOM's costing system was developed based on the ABC method and aims to identify the costs related to the development of the activities inherent to its statutory assignments, as well as to meet the provision in paragraph 4 of article 105 of Law No 5/2004, of 10 February¹.

Overall, two major cost groups were identified: regulation and spectrum management costs, and costs not related to the regulation activity, the latter essentially including the costs related to Advising and Representing the State. The allocation of costs is shown in Figure 1.

¹ Where the amount of fees referred to in points a) to e) of its paragraph 1 is determined with regard to the administrative costs incurred in the management, control and enforcement of the general authorisation scheme and of rights of use and of specific obligations as referred to in article 28, which may include international cooperation costs, among others.

Figure 1: Allocation of costs borne by ICP-ANACOM

1. Regulation and spectrum management costs
1.1 Administrative costs related to Electronic Communications
1.1.1 Administrative costs
a) Declarations supporting rights
b) Provision of electronic communications networks and services
c) Allocation of rights of use for frequencies
d) Allocation of rights of use for numbers
1.1.2 Frequency management costs
1.1.3 Number management costs
1.2 Costs of Postal regulation
1.3 Other regulation costs
2. Other costs

2. Regulation and spectrum management costs represent the costs related to the activities of regulation, supervision, sector representation and cooperation, and they include the following costs:

a) Costs related to the electronic communications sector (scope of Law No 5/2004).

i) Electronic Communications Costs.

Costs related to the issue of declarations for pursue of the activity, allocation of rights of use for resources, and all regulation, supervision, sector representation and cooperation activities.

ii) Spectrum Management Costs.

Costs related to the set of activities carried out by ICP-ANACOM related to radio spectrum planning, assignment, monitoring and supervision.

iii) Numbering Management Costs.

Costs related to the set of activities carried out by ICP-ANACOM regarding the planning, monitoring and supervision of the numbering plan.

b) Costs related to the Postal Sector.

c) Other administrative costs related to the regulator's mission.

Costs with the regulation of services that are not covered by Law No 5/2004, such as audiotext services, ITED (Telecommunication Infrastructure in Buildings), Information Society services, amateur service and personal radio service - citizen band (CB).

3. The other costs incurred by ICP-ANACOM which are not directly related to the regulation activity², include:

a) Contributions and levy costs related to national and international entities, such as³:

i) National entities:

CPEC, Municipal Councils, FDTI, and others.

ii) Non-national entities:

ANRT - Morocco, ESA, CPLP, PALOP and Timor, PECO, other countries covered by cooperation agreements, Satellite Organisations and URSI.

b) Costs related to Advising and Representing the State.

The costs resulting from ICP-ANACOM's participation as a technical representative for the Portuguese State for the sector (paragraph 1 r) of article 6 of the Statutes, approved in annex to Decree-Law No 309/2001, of 7 December), which were not directly relevant to the regulation activity, were excluded. These costs are generically those related to the following events and entities:

i) Preparation of and participation in meetings and conferences, as well as all the exchange of information in this area.

ii) Replies to requests of different nature, such as information requests, licensing requests, expertise requests, and others.

² These costs are not considered to be relevant for ICP-ANACOM's regulation activity, according to the interpretation of paragraph 4 of article 105 of Law No 5/2004.

³ The amounts referring to contributions and levy costs tend to decrease sharply, since part of them resulted from Government decisions that were already carried out, or from ICP-ANACOM decisions that were not renewed.

- iii) Replies to requests for radio easements and protection of radiocommunication services.
- iv) Development of cooperation programmes.
- v) Follow-up of special projects (ESA).

National entities:

Ministries, Regional Governments, Court of Auditors, CPEC, FDTI, among others.

Non-national entities:

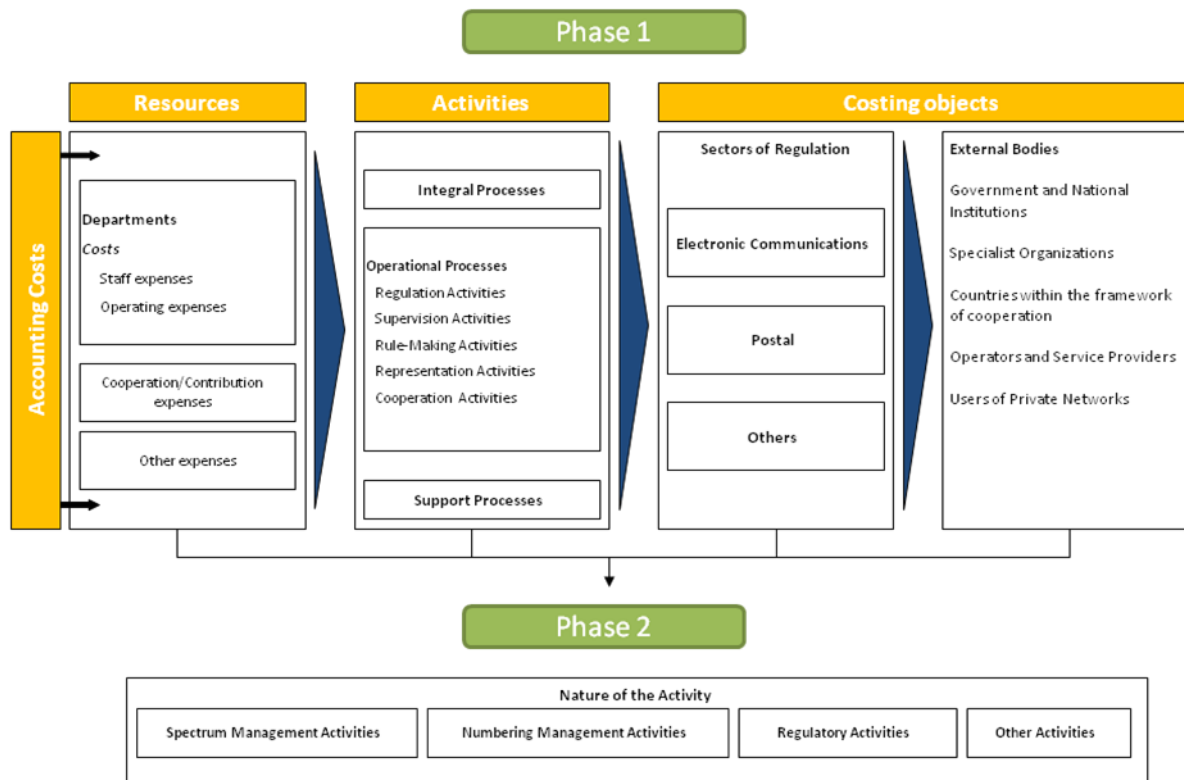
NATO, ITU (Council, Development Sector, Plenipotentiary Conference, World and Regional Radiocommunication Conferences), Agência Nacional de Regulação de Telecomunicações (ANRT-Morocco), Satellite organizations, URSI, CPLP, PALOP and Timor, PECO and other countries covered by cooperation agreements.

- 4. In the scope of the identification of electronic communications costs, costs will now be broken down so as to enable the determination of costs related to each action defined in points a) to f) of paragraph 1 of article 105 of the Electronic Communications Law. Thus, costs are broken down according to the following items:
 - a) Spectrum management (paragraph 1f) of article 105);
 - b) Numbering management (paragraph 1e) of article 105); and
 - c) Regulation activities - corresponding to the remaining administrative costs related to paragraph 1 a) to d) of article 105 and to the regulation of communications services that are not covered by Law No 5/2004.

B. Method for allocating costs to the different areas

- 5. The allocation of costs takes place in 2 stages:
 - a) Stage 1: Analysis and allocation of accounting expenditure related to processes/activities/regulation areas/entities outside ICP-ANACOM.
 - b) Stage 2: Allocation of expenditure to the different types of activity according to the acts underlying article 105 of Law No 5/2004, and related to sectors outside the scope of the Electronic Communications Law.

Figure 2: Stages of ICP-ANACOM's cost allocation method



Phase 1: Analysis and allocation of accounting expenditure to ICP-ANACOM's processes/activities

6. First, expenditure is listed by groups and by department according to the following classification:
 - a) Direct resources - expenditure directly related to regulation services, through a cause-effect relation.
 - b) Indirect/common expenditure - expenditure not directly related to the regulation services.
 - c) Expenditure related to cooperation and levy - ICP-ANACOM's specific cooperation and representation expenditure.
7. Second, expenditure is allocated to processes/activities in a direct way or through criteria that represent a cause-effect relation between the nature of the expense and the process (processes) it supports.

8. By way of example, we briefly present the sequence of movements for expenditure classification:

- a) Listing of total accounting expenditure by nature and by department.
- b) Classification of expenditure according to the structure of the work processes in force, regulated and non-regulated areas (services), and external entities (clients). Analysis and allocation of expenditure to the processes⁴/ services and costing objects/clients of ICP-ANACOM⁵.
- c) Staff costs⁶ are directly allocated to the processes /services and costing objects/clients of ICP-ANACOM, according to the report made by all employees on a computer application "*Reporte de Horas de Trabalho (RHT)*" - Working Hours Report.
- d) Expenditure on travelling abroad, travelling within Portugal, advertising, specialized works, honoraria, training, documentation, meetings and sponsorships are directly related to the processes/services/clients, based on case-by-case relations, without prejudice to an irrelevant part being distributed according to the Man-Hours (MH) criterion.
- e) Expenditure on electricity, water, air conditioning, rents of the head office facilities, installation insurance, elevators, cleaning, surveillance and security services costs are considered structure costs and are distributed according to the m² used by each department. The remaining functioning expenditure, namely those related to economat, reprographics and communications, is distributed among all departments, according to their consumption⁷.
- f) Expenditure on cooperation and contributions/levies⁸ are distributed according to the nature of the activity⁹.
- g) Depreciation and amortisation expenditure of a relevant amount is associated with the work processes related to equipment, computer applications and hardware¹⁰, the remaining part being distributed by MH.

⁴ According to the Processes/Activities Dictionary that supports the report of working hours of all ANACOM employees in the "*Reporte de Horas de Trabalho (RHT)*" - Working Hours Report, and the cost classification. The RHT application provides ANACOM's overall Man-Hours (MH).

⁵ Combination process and/or service or costing object and/or client.

⁶ Except for costs related to the Christmas Party, Anniversary and similar events concerning employees which are treated like common costs (Common Costs type - All activities - To distribute other costing objects).

⁷ Being distributed to processes/services/clients according to each department's hours report (MH - Man Hours for each department).

⁸ Always linked to the "Cooperation" process and to a specific external body.

⁹ Part of these costs is not related to the regulation activity. Vide also List of Types of Activity (Figure 3).

- h) Provisions are treated similarly to common costs, being allocated to the several types of activity, according to the kind of provision¹¹.
 - i) Other expenditure, for which a cause-effect relation may not be established, is distributed according to their relative cost or to MH.
9. It is important to stress that certain work processes, such as "Planning and Control", "Financial System", "General Services" and "Human Resources" do not have a direct relation to a specific regulation area, cutting across all areas¹². For this reason, expenditure related to these work processes is redistributed to all operational processes, based on the criteria of relative costs or MH.

Phase 2 - Allocation of expenditure to the regulation sectors within the Electronic Communications Law

10. In order to ensure a correct allocation of accounting expenditure, by each regulation sector and within the scope of electronic communications, and by act broken down in paragraph 1 of article 105 of Law No 5/2004, a process was developed which enables this distribution, and which is identified as "type of activity".
11. The type of activity is identified according to a combination of work process/regulated area (service)/external entity (client)¹³. Each type of activity corresponds to a given set of combinations¹⁴.
12. The allocation of expenditure related to each type of activity follows the following process:
- a) Identification of the amount of expenditure by item of type of activity (spectrum management activities, numbering management activities, regulation activities, and others).

¹⁰ For instance: the amortisation of SINCRER equipment (Integrated Remote Control System for Radio Stations) is associated with the "Spectrum monitoring" sub-process and all radiocommunications services.

¹¹ It may be broken down on the basis of direct costs or MH. Provisions for ongoing legal proceedings accounted for in recent years have been regarded as Common Costs - Regulation Activities - Services Law No 5/2004 and Common Costs - Spectrum Management Activities - Services Law No 5/2004.

¹² They are regarded as common processes.

¹³ In some circumstances it is a function of the department that generated the cost.

¹⁴ According to the Processes/Activities Dictionary in use in ANACOM, that supports the costing system.

b) Distribution of the amount of common costs (common accounting expenditure) and cooperation/levy costs by regulation item, considering one of the following options as a distribution criterion, bearing in mind the type of common/cooperation expenditure:

i) Direct allocation to the corresponding item of type of activity through cause-effect relation.

ii) Proportion of expenditure directly associated to each item of type of activity.

iii) Proportion of MH allocated to each item of type of activity.

c) Afterwards, after determining the expenditure by each item of type of activity, the expenditure allocated to "all activities" of regulation is distributed among the following regulation sectors:

i) Electronic Communications Sector;

ii) Postal Sector;

iii) Other sectors outside the scope of the Electronic Communications Law.

13. Subsequently, the costs determined at the level of the Electronic Communications Sector are distributed among acts defined in paragraphs a) to d) of article 105 of the Electronic Communications Law.

Figure 3: List of Types of Activity

Types of Activity according to acts underlying article 105 of Law No 5/2004	
Declarations supporting Rights	Regulation
Pursue of the activity - Regulation	Regulation
Allocation of Rights of Use for Frequencies	Regulation
Allocation of Rights of Use for Numbers and their Reservation	Regulation - Numbering
Spectrum Management Activities	Spectrum Management
Numbering Management Activities	Numbering Management
Costs allocated to sectors outside the scope of Law No 5/2004	
Declarations supporting Rights ¹⁵	Regulation
Pursue of the activity - Regulation ¹⁶	Regulation
Amateur and CB records and certificates ¹⁷	Spectrum Management
Allocation of Rights of Use for Numbers and their Reservation ¹⁸	Regulation - Numbering
Spectrum Management Activities ¹⁹	Spectrum Management
Numbering Management Activities ²⁰	Numbering Management
Costs not directly related to the regulation activity	
Common Costs	
Common Costs - Spectrum Management Activities	Spectrum Management
Common Costs - Spectrum Management Activities - Services Law No 5/2004	Spectrum Management
Common Costs - Spectrum Management Activities - Services not covered by Law No 5/2004	Spectrum Management
Common Costs - Regulation Activities	Regulation
Common Costs - Regulation Activities - Services Law No 5/2004	Regulation
Common Costs - Regulation Activities - Services not covered by Law No 5/2004	Regulation
Common Costs - Numbering Management Activities	Numbering Management
Common Costs - Allocation of Rights of Use for Frequencies	Regulation
Common Costs - Allocation of Rights of Use of Numbers and their Reservation	Regulation - Numbering
Common Costs - Declarations supporting Rights	Regulation
Common Costs - All activities - To distribute based on direct cost	
Common Costs - All activities - To distribute based on MH	
Common Costs - All activities - To distribute other costing objects	

¹⁵ For the postal activity.

¹⁶ Postal Services and ITED.

¹⁷ Records and certificates related to CB (citizen band) and amateur service.

¹⁸ Audiotext and premium services.

¹⁹ CB and amateur service.

²⁰ Audiotext services, added-value services and premium services.