

MANAGEMENT PLAN 2002-2004



ICP

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I. Introduction

This document presents the Instituto das Comunicações de Portugal's Management Plan for the three-year period 2002 – 2004.

In comparison with ICP's previous Management Plan, certain alterations have made to the document's structure.

The present Management Plan starts with an overview of the external drivers that influence the preparation and implementation of ICP's strategy.

Chapter III presents the Institute's strategy, with a brief explanation of each strategic axis, and definition of specific action lines and respective principles of implementation.

Chapter IV presents summary tables of the action lines and initiatives planned for the three-year period 2002 – 2004.

Chapter V presents ICP's Personnel, Resources and Financial Plans.

II. External Drivers

ICP's strategy is influenced by a number of external factors, including technological and market evolution and political and regulatory options defined at the national, European Union and international level.

In order to clarify the external framework within which ICP prepares and implements its strategy, this management report begins with an overview of these external drivers. Special attention is paid to policies associated to promotion of the Information Society and regulation of communications markets.

The advent of the Information Society

The rapid development of communications and information technologies over recent years and their application in a wide range of economic activities has been shown to have a significant impact on productivity and economic growth.

We are witnessing a systematic process of technological transformation – a new “Industrial Revolution” - with implications for most economic and social sectors.

Access to information is an ever more important strategic asset in order to safeguard corporate survival, promote personnel training and enable citizens to exercise their rights and duties as consumers, taxpayers and users of public services.

Specific measures and principles have been defined at the national and community levels in order to accompany the development of the Information

Society and draw the maximum benefit from the opportunities arising. ICP's activities should contribute towards the pursuit of these aims.

During the Portuguese presidency of the European Union, the e-Europe¹ Action Plan was approved in June, 2000. This plan adopts a set of core challenges and mid-term objectives including the following:

- Promote widespread and affordable access to broadband communication infrastructures capable of transmitting voice, data, pictures, video and Internet, for companies and citizens in a manner that is transparent to users
- Create the conditions necessary for each citizen to acquire, renew and extend, on a lifelong basis, a set of indispensable skills and qualifications in order to live and work in the new Information Society. The different means of access available should combat info-exclusion and illiteracy and devote special attention to less-favoured persons;
- Promote the use of Information and Communications Technology (ICT).

In order to attain these objectives, the European Council set a series of targets for priority areas, including the following:

- Introduction of greater competition in local access networks by the end of 2000 and accelerate the respective liberalisation process, in order to deliver a substantial reduction in Internet access costs;
- Availability of low-cost, high speed interconnection networks for Internet access in all European countries and stimulate the development of information technologies and other advanced telecommunication networks, and content for these networks;
- Frequency requirements for future mobile communication systems should be met in a timely and efficient manner, given that fully liberalised and

¹ http://www.europa.eu.int/information_society/eeurope/action_plan/pdf/actionplan_pt.pdf.

integrated telecommunication markets should be a reality by the end of 2001.

At the national level, the priority of the Information Society forms part of the mid-term strategy launched in 1995 for the development of the Portuguese economy and society. Development of the Information Society as a strategic priority was first introduced in the National Economic and Social Development Plan of the XIV Constitutional Government's Programme and is confirmed in the Regional Development Plan integrated within the Community Support Framework 2000-2006 (CSF III).

From the outset, the XIV Government² programme defines the Information Society as a horizontal objective, and includes the following targets:

- Promote widespread use of the Internet, stimulating the creation of conditions necessary for mass-market provision of products tailored to household consumers, in order to achieve a fourfold increase in the number of computers with an Internet connection in Portuguese homes;
- Extend the Digital Cities Programme to the whole country;
- Approve and implement a programme that delivers a thousand-fold increase in Portuguese Internet content;
- Caminhar no sentido da concretização do princípio do *guichet* único para cada acto administrativo, criando condições para a generalização de sistemas de informação na Administração Pública;
- Move towards implementation of the principle of a "one-stop-shop" for each administrative act, thus creating conditions for generalisation of information systems in the civil service;

² http://www.parlamento.pt/legis/governo/progr_xiv_gov.html.

- Achieve a drastic reduction in the use of paper as an information support by the civil service, thus generalizing the use of digital formats for communication and archiving purposes;
- Promote availability on the Internet of all information published by government bodies;
- Move as quickly as possible to a situation where 25% of all state transactions are achieved via e-commerce procedures;
- Launch and implement the first National Plan for Information Highways, which will stimulate the provision, interconnection, use and regulation of broadband networks thus guaranteeing full development and use of this system, which is of vital importance for the country's future.

Reference should also be made to the fact that, as part of the objective to develop employment and social well-being, a new contract has been established between the State and the market based on priorities set for consumer protection policies (the "consumer comes first" programme), further development of the State's regulatory role, including the creation of independent regulatory authorities with effective powers to safeguard consumer rights and conditions of fair competition and, finally, the promotion and defence of competition.

Lastly, the Government programme also identifies the key role played by communications structures in order to uphold the qualities of a genuine democracy.

On the other hand, within the Main Options of the Plan for 2001 (MOP)³, the Information Society is one of the key structural modifications, involved in 5 of the 6 main options defined.

The Operational Programme for the Information Society is defined within the Third Community Support Framework, aiming to transform the economy and society towards a new communications, information and entertainment transactional space – cyberspace – that is today organised around the Internet and will be supported in the future by the rapid diffusion of broadband telecommunications.

The priority action lines of the Operational Programme for the Information Society are skills training, promotion of access and content, development of scientific and technological research for the information society, promotion of networking at the regional or national level (Portugal Digital) and modernisation of government (Open Government). The other operational programmes of the CSF III also highlight the importance of cohesion and competitiveness founded upon knowledge and information.

A key objective underlies or runs in parallel to the above measures, programmes and initiatives: accelerate the use of Internet in Portugal. This is a strategic priority for which a number of measures, included in the "Internet Initiative"⁴, have been adopted.

This plan defines benchmarks in order to converge with best European practices, and is based upon a comprehensive set of actions committed to the urgent implementation of such benchmarks in all sectors of social and economic life.

The key benchmarks include:

³ <http://www.icp.pt/legispt/lei.asp?item=29>.

⁴ <http://www.icp.pt/legispt/lei.asp?item=260>.

- An average Internet penetration rate amongst the general public of 50% by 2003;
- At least 50% of Portuguese homes with computers connected to the Internet in 2003 via flat-rate broadband access provided via three competitive media: cable-modems (cable television), ADSL or mobile Internet (UMTS) and ultra low cost or free-of-charge narrowband access (citizen's right of access);
- Public Internet Access points in all parishes in 2003;
- All official forms available via the Internet in 2002. Possibility of electronic submissions generalised in 2003. All public services online via the Internet by 2005.

The following specific actions and measures defined within the bounds of the "Internet Initiative" are worthy of special mention:

- In terms of acquisition of computers by families - Stimulate the provision of integrated packages (training, computer, traffic, assistance) by telecommunications operators and ISPs;
- In terms of Internet use by families – Achieve significant reductions in traffic costs and offer of flat-rates packages. Make available a free-of-charge basic Internet access service in 2003 (citizen's Internet) and accelerate the introduction, competition and growth of flat-rate broadband access (cable-modem, UMTS, etc.), stimulate the competitive offer of services destined for the general public;
- In terms of Internet use in public places – Create a support regime for the installation of cyber-cafes and make Internet access available in post offices;
- In relation to Internet use by companies – Create packages for small- and medium sized enterprises that include e-commerce, banking, social security, tax affairs and generalised electronic transfer of data between companies

and social security services, income tax offices and the banking system as a means of raising e-commerce capabilities within companies (training, assistance, software);

- In terms of use of the Internet by Public Administration and by citizens in their relationship with the State, the "Internet Initiative" establishes the following targets: all official forms available via the Internet, incentives to fill in and submit forms solely via electronic means (with a digital signature where necessary), "one-stop-shop" procedure, programme of migration of Public Administration costs to the digital economy, de-bureaucratisation programme using opportunities arising from Information Technologies (IT), development of online public services and forms of attendance that do not require the physical presence of interested parties;
- In terms of the structural conditions of Internet access and diffusion, the "Internet Initiative" imposes the need for an updated public inventory of available networks and their use, acceleration of the roll-out of services - ADSL, UMTS, etc..., unbundling of the local loop by the end of the first half of 2001, encouragement to reduce local call charges for Internet access and the provision of flat-rate packages, encouragement to reduce the prices of dedicated leased lines, incentives for the provision of discounts for data transmission for non-commercial R&D activities and education/training and reinforcement of international connectivity and competition in order to encourage price reductions.

Telecommunications regulation

ICP is subject to a series of principles and action lines as a result of the overall commitment to the Information Society. Telecommunications regulation also imposes certain operating principles.

In 1987, the European Commission published the Green Paper, proposing a dual approach to the telecommunications sector: liberalisation of the market and increased harmonisation in order to maximize opportunities offered by the Single Market.

The principles of liberalisation and harmonisation were materialised in the form of a series of directives, later transposed to the national regulatory framework, which can be translated as the following regulatory principles:

- Gradual liberalisation of the provision of services and operation of telecommunication networks under the terms of Article 86 of the Treaty on European Union. This process was completed in Portugal in 2000. Entry into the market following this date is subject to a license or authorization in accordance with principles of non-discrimination, proportionality and transparency;
- Provision of an open network, consisting of open access to public telecommunication services and networks under harmonised conditions, in order to promote competition and construction of the single market. This principle was initially implemented through directives on leased lines and voice telephony, and subsequently, in order to adapt to a more competitive market, was applied within the framework of Decree-Laws on interconnection and licensing issues. This principle is only limited in cases of the breach of certain essential requirements associated to guaranteeing efficient use of services and infrastructures and certain public interest objectives;
- Asymmetric Regulation.

Given the particular characteristics of the telecommunications liberalisation process and the sector's structure, the community framework has defined the concept of "operator with significant market power". All operator with

significant market power are subject to special obligations in order to ensure that they do not use their scale or market presence in order to slow down the liberalisation process or impede the development of competition. Such obligations include provisions on network access, cost-orientated prices and a minimum number of services to be provided.

Asymmetric regulation also applies between the mobile and fixed telecommunications sectors, but mobile telecommunications operators are subject to fewer obligations.

Finally, certain operators are designated as “universal service providers” and are thereby subject to a series of specific obligations including terms of access, provision of services, affordability of prices and service quality. Examples;

- Universal Service – Universal service obligations have been defined due to the fact that market liberalisation and the consequent increase in competition will lead to an elimination of cross-subsidisation and thus may result in the termination of certain telecommunication services in remote geographical areas or for certain consumers;
- Standardisation – This is a fundamental part of the creation of the Single Market – The European Telecommunications Standards Institute (ETSI) was formed in 1988 for this purpose;
- Subsidiarity – At the European level, the telecommunications regulatory framework establishes a minimum set of obligations that must be implemented by Member States, but whose form of implementation is to be decided by each Member State. Management of the system is currently the responsibility of national regulatory authorities.

Telecommunications network operators and service providers are thus subject to certain obligations and ex-ante rules that are not to be found in other markets.

This includes obligations on the characteristics of the liberalisation process, the type of technology used (economies of scale, economies of scope, network externalities), the use of scarce resources managed by the state (the radio spectrum, numbering resources, rights-of-way), and the nature of the services provided (“essential services” that relate to fundamental rights such as privacy). National regulatory authorities are obliged to ensure that the behaviour of these companies complies with the said obligations.

Postal services regulation

The regulatory framework also conditions ICP’s regulation of the postal sector.

A regulatory framework has been established at the community level and later transposed to the national regulatory framework. Given the importance of postal services in terms of economic prosperity, social cohesion and well-being, this framework aims to complete the construction of the single market, and ensure the existence of an efficient, secure and high-quality postal service available to all citizens at affordable prices. The key regulatory principles are as follows:

- Guarantee a Universal Service, defined as the right of access to a minimum set of postal services, of a certain quality and at affordable prices, and respective financing mechanisms, irrespective of the user’s geographical location;

The universal service also includes specific service quality and price obligations;

- Set a common maximum limit for the set of reserved services granted to the universal service provider in order to ensure that provision of the universal service is economically and financially viable;
- Establish conditions for fair competition beyond the set of reserved services;
- Ensure a gradual and controlled process of market liberalisation.

The new European regulatory framework

The legal framework at community level is presently undergoing revision and ICP will have to adapt its operating procedures accordingly.

In December 1997 the European Commission launched a public consultation on the implications of the convergence of the telecommunications, broadcasting and information technology sectors, and the regulation of electronic communications. In light of the obligations imposed by sector directives and the recent period of intense technological and market change, illustrated within the public consultation, the European Commission decided to initiate a revision process of the regulatory framework for telecommunications known as the "1999 Communications Review".

In the wake of this process, the Commission drew up a series of proposals for a new regulatory framework for telecommunications infrastructures and associated services. These proposals cover eight core areas of regulatory policy: licensing and authorisation, access and interconnection, spectrum management, universal service and consumer and user rights, numbering and addressing, and specific competition and institutional issues.

The corresponding proposals for directives and regulations were prepared on the basis of the following regulatory principles and specific proposals:

- Applicable to all communications infrastructures and associated services;
- Migration to a system of authorisation based on general authorisations, that safeguards issues related to the right to use the radio spectrum;
- Alteration of the concept of significant market power in accordance with the dominance concept as defined in competition law;

- Obligation for operators with significant market power to provide unbundled access to the local loop ;
- Dynamic definition of markets in cases where the imposition of ex-ante obligations is necessary;
- Guarantee user and consumer rights and maintain the scope of universal service, introducing procedures aiming at redefinition of universal service in the light of technical and market developments, and bearing in mind the objective of social cohesion;
- Obligation for mobile operators to provide number portability;
- Allow introduction of negotiation of spectrum use rights in a secondary market;
- Introduce access to caller location in case of calls to emergency service numbers;
- Update the data protection directive.

The community regulatory framework is also being changed in the postal sector.

The Postal Directive foresees the continuation of gradual and controlled liberalisation of the postal sector.

A number of studies based on this objective have been made which have served as the basis for a draft directive prepared by the Commission, which is at present in a joint decision stage involving the European Parliament and the Council.

The main characteristics of the draft directive are as follows:

- Reduction of the weight and price limits that demarcate the area of reserved services;
- Proposal for a new round of liberalisation in 2007;

- Definition of "Special Services", defined as services that are distinct from conventional services and which cannot be reserved.

The Lisbon European Council also concluded that in order to transform the European Union into the most competitive and dynamic knowledge-based economy in the world, capable of generating economic growth, higher employment levels and better social cohesion, the following measures were required:

- A strategy to remove obstacles impeding the provision of postal services;
- Accelerate liberalisation of postal services in order to establish a single market in this area.

III. ICP's Strategy

Public interest objectives

ICP's strategy must be in line with public interest objectives politically defined at both national and community level. These objectives, presented in the previous section, can be summarised as follows:

- Promotion and development of the Information and Knowledge Society, as an instrument of economic growth, promotion of quality of life, education, training and social cohesion. This objective includes consecration of those mechanisms which make it possible to offer broadband networks and services, catalyse the development of digital platforms and promote affordable Internet access;
- Satisfaction of the communications needs of populations and private/public bodies in all business sectors, given the vital role played by the

communications services in supporting economic, administrative and social activities and as a core infrastructure of the information society;

- The dual policy of stimulating the development of diversified infrastructures and networks, together with the creation of conditions for opening access to networks, namely those of incumbent operators, providing new operators with favourable access and interoperability conditions;
- Promotion of competition;
- A new social contract between the market, State and society, translated in the priority attributed to policies of protecting and safeguarding citizen and consumer rights;
- Efficient management of scarce resources managed by the state, namely the radio spectrum and numbering resources.

These aims must be achieved, above all, through promotion of open and competitive markets. However, when the market does not guarantee that such public interest objectives will be upheld, the regulator will impose specific rules and regulations.

The Mission

Given the aforementioned developments and drivers, ICP has the following mission:

As regulator of the communications market, ICP shall promote the universality, quality, diversity and efficiency in the use of telecommunications and postal networks and services

This is ICP's mission for the three-year period 2002 –2004.

Strategic Aims

Given the public interest objectives and mission defined and presented above, ICP's activities should be orientated by the following three core objectives:

- 1. Development of open and competitive markets;**
- 2. Protection of users and consumers and guarantee of a universal service;**
- 3. Development of the Information Society.**

Objective 1: Development of open and competitive markets

ICP's first core objective will be promotion of open and competitive markets as an instrument, to satisfy the communications needs of citizens and companies and at the same time promote economic growth, competitiveness, job creation and development of the Information Society.

Promotion of competitive markets will guarantee lower prices, higher quality levels, greater choice and innovation and an increasing penetration of services.

Competitive markets will be promoted as follows:

- Non-discriminatory and transparent licensing and authorisation procedures and monitoring thereof
- Imposition of obligations on operators that are designated as having significant market power (SMP);
- Monitoring abuse of dominant position;

- Imposition of open network obligations.

Promotion of open markets may imply the imposition of harmonising and coordination conditions in terms of:

- Technical interfaces, including standardisation procedures;
- Access to frequencies and management of the radio spectrum;
- Numbering, addressing and attribution of names;
- Conditions of offer and use, that involves imposition of conditions of transparency, objectivity, proportionality, non-discrimination and cost orientation (where applicable) in regards to:
 - . access to services and provision of services;
 - . interconnection conditions;
 - . pricing and cost accounting principles;
 - . service quality;
 - . conditions of shared use.

In this area, setting of interconnection prices and local loop access conditions has a decisive impact on the structure and level of competition.

Objective 2: Protection of users and consumers and guarantee of a universal service

In order to achieve complementarity between economic and social aims within communications policy, the Institute must maintain an active regulatory role in situations where competition does not yet exist or where open and competitive markets are insufficient to guarantee the aforementioned public interest objectives, namely in terms of protection of citizen and consumer rights,

guarantee of provision of a universal service and access to the Information Society, especially for citizens that are less-favoured in economic terms or have special needs.

Protection of users and consumers is achieved through:

- Provision of a universal service and promotion of widespread access for citizens to the Information Society, thus making it possible to pursue social objectives, ensure universal access and promote the provision of services accessible to all;
- Protection of confidentiality of communications and guaranteeing protection of personal data.

Defence of users and consumers is achieved through:

- Imposition of universal service obligations, or rather, the availability of certain services of with a minimum service quality, at affordable prices, irrespective of geographic location, social-economic conditions or the special needs of vulnerable user groups such as the elderly, persons with disabilities or others with specific needs;
- Availability of information to users through the development of appropriate mechanisms;
- Regulation and monitoring of the activities of operators with significant market power, introducing price controls whenever effective competition is reduced;
- Monitoring of compliance with data privacy legislation.
- Playing an active role in the dialogue between operators and consumers, promoting the use of extra-judicial systems for conflict resolution, specifically voluntary arbitration

Objective 3: Development of the Information Society

Promotion of the development of the Information Society – which is not only a technological evolution, but affects everyone, everywhere, bringing rural and urban communities closer together, creating wealth and sharing knowledge – is a key objective underpinning communications regulation. In this manner, e-Portugal will be integrated within e-Europe, thus nurturing a new society with new values, principles and efforts, increasing social cohesion and enriching people's lives.

Achievement of this objective, involves the two aforementioned objectives - development of open and competitive markets and protection of user and consumer interests – as well as promotion of e-commerce and e-business.

ICP's activities will be planned in accordance with changes currently taking place in the communications market:

- Rapid development of technologies, including consolidation of networks based on the Internet Protocol (IP);
- Globalisation of the business of telecommunication networks and services operators;
- Integration of fixed and mobile markets;
- Convergence of telecommunications, audiovisual and information technology sectors;
- New methods of price-setting for new services (e.g. evolution from time-based payment systems to information volume-based systems);
- Growth in demand for local loop access from competitors who intend to provide new services;
- Completion of the great majority of the cable network infrastructure;

- New technological and market developments that have an impact on the current model of vertically integrated telecommunication network operators.

As a result, ICP must:

- Contribute to the development of market conditions;
- Monitor and gauge the impact of convergence on development of the Information Society;
- Monitor national and community political, regulatory and competitive developments, related to promotion of Internet use, e-commerce, broadband access and innovation in services;
- Dynamically manage the radio spectrum, providing conditions whereby new networks and advanced services based on wireless technologies may emerge.

IV. Strategy Implementation: Programmes of Action and Initiatives for the three-year period 2002 - 2004

Introduction

In compliance with the defined strategy, ICP has implemented a series of specific initiatives, including those outlined below under the aforementioned three strategic objectives:

- Objective 1: Development of open and competitive markets

The year 2000 marked the beginning of liberalisation of the Portuguese fixed telephone networks and fixed telephone services market. The introduction of competition in the Fixed Telephone Service on January 1, 2000 led to permanent monitoring and supervision of market evolution and active intervention by ICP in order to ensure balanced market development. It was thereby possible to determine applicable principles in close connection with needs expressed by interested parties. Various measures were adopted, always with consumer protection as the primary goal. These measures, consubstantiated via the Institute's decisions, involved clarification of the regime for different types of access to the Fixed Telephone Service (direct and indirect access, call-by-call selection and pre-selection – functions that were introduced successively). This regime included definition of eligible calls – a definition that evolved in function of market evolution and also encompassed mobile networks, in terms of change of ownership of fixed-to-mobile traffic. Conditions for offering access to virtual call cards and resale of telephone services were also defined, together with rules

on prices practised between different service providers. These measures had a visible impact on general users.

- Objective 2: Protection of users and consumers and guarantee of a universal service

In regards to ICP's monitoring activities of the user and consumer rights obligations of the various operators and service providers, attention should be drawn to the integrated group of tests, using special equipment, in order to check the service quality provided by mobile networks (QoS-GSM) throughout the country. These tests are based on 3 analysis criteria (audio quality, coverage and accessibility) and cover the different types of calls (mobile-to-mobile and mobile-to-fixed). The test results were made public.

Other important measures include signature of the Universal Service Price Agreement with CTT (the Post Office) and Directorate General for Commerce and Competition and signature of the Quality of the Universal Postal Service Agreement with CTT.

- Objective 3: Development of the Information Society

Alongside the aforementioned measures related to liberalisation and promotion of competition in the communications markets that contribute towards development of the Information Society, ICP has also been involved in Tele-medicine projects within the framework of the protocol between the SEHC and SES; Tele-education projects in hospitals for young patients (Portuguese Oncology Institute and the Alcoitão Medicine and Recovery Centre), in partnership with the Lisbon Regional Education Board of the Ministry of

Education. ICP has also been involved in the project to create a network of CyberCentres in order to promote communications, multimedia and information technologies in medium-sized cities, within the framework of protocols established with the Portuguese Youth Institute (IPJ) and local partners in the respective cities.

Management Plan for the three-year period 2002 - 2004

Following the actions implemented to date and in accordance with the defined strategy, ICP has defined a series of Programmes of Action and Initiatives summarised in the tables below. Special emphasis should be drawn to the following new programmes:

- Market Assessment Programme – within which ICP will make periodical and proactive assessments of the markets it regulates in order to identify any obstacles that may arise that impede development of competition and satisfaction of consumer and user needs;
- A programme to reduce ICP's asymmetry of information, that aims to build knowledge on market developments and develop skills that will enable ICP, during the course of its regulatory activities, to keep abreast of the constant changes in the communications markets;
- Adaptation of ICP to its new responsibilities, obligations and powers attributed within the framework of its revised statutory framework;
- Revision of the regulatory framework in light of national and community developments.

V. Resources and Financial Plan

Personnel Plan

The following aims are to be achieved during the plan's timeframe:

- Stabilisation of the number of permanent staff, with reductions in the first two years;
- Use of short-term contracts only for the contracting of new staff or to cater for substitution of staff members that are temporarily absent;
- Only employ supplementary staff in well-defined areas where the use of other sources of staff members is not advisable;
- Maintain service contracts for peripheral tasks (security, cleaning, bars, etc.);
- Develop personnel skills by upgrading the personal and professional employee index;
- Ensure the provision of quality tools for work and the availability of initial and continuous training, in order to raise employees' qualifications;
- Guarantee employees' job evolution prospects by establishing a career structure that provides workers with access to higher qualification levels.

PERSONNEL PLAN 2002/2004

EVOLUTION OF PERMANENT STAFF			
DESIGNATION	2002	2003	2004
MANAGERIAL STAFF	193	193	193
NON-MANAGERIAL STAFF	212	207	207
TOTAL....	405	400	400

Unit: Number of Workers

EVOLUTION OF COMPLEMENTARY FORMS OF WORK			
DESIGNATION	2002	2003	2004
SUPPLEMENTARY STAFF	19,000	18,000	18,000
SHORT-TERM STAFF	14,400	13,200	13,200
TOTAL.....	33,400	31,200	31,200

Unit: Hours

Investment Plan

Over recent years, ICP has made investments in key areas in order to keep abreast of the evolution of spectrum management and communications techniques, modernising technical components in terms of basic radio communications, and support components in terms of information systems. In this manner ICP aims to establish the necessary and suitable conditions for pursuit of the Institute's activity as regulator of the communications sector.

Investments planned over the management plan's timeframe are intended to continue the process of technological modernisation and re-equipping of the South Inspection Centre, located in Barcarena, and ICP branches located in the North and the Autonomous Regions of the Azores and Madeira. ICP will thus achieve the necessary conditions for the provision of an increasingly high-quality and effective public service.

The investment programmes encompass highly complex projects, specifically the reformulation of computer programmes that support the spectrum management system and support services, with special focus on the financial system.

The investment programmes within the plan are divided into three areas, as follows:

INVESTMENT PLAN 2002/2004

PROGRAMMES	AIMS	2002	2003	2004
INFRASTRUCTURES	Improvement and conservation of buildings and installations owned by ICP	152,500	135,000	135,000
UPDATING AND MODERNISATION OF SPECIFIC RADIO ELECTRIC EQUIPMENT	Technological updating of radio-electrical equipment used to monitor the radio electric spectrum	1,401,200	1,102,500	1,302,500
COMPUTERS	Modernisation and updating of ICP information technology and new work flow processes.	2,991,600	2,850,000	2,725,000
VEHICLES	Maintenance of a fleet of vehicles tailored to ICP's needs, in particular radio spectrum monitoring missions.	530,000	434,000	284,300
ADMINISTRATIVE EQUIPMENT, FURNITURE AND FITTINGS	Ensure maintenance of administrative equipment, furniture and fittings, etc.	270,000	265,000	270,000
ADAPTATION WORKS	Carry out work on rented buildings in order to conserve and maintain areas and ensure their proper functioning.	200,000	200,000	252,000
TOTAL		5,545,300	4,986,500	4,968,800

UNIT: Euros

Financial Plan

The Financial Plan for 2002/2004 is based on the financial amounts considered necessary to pursue the Institute's aims and develop its activities with increased rigour.

The Income and Profits Forecast reflects growing use of the radio spectrum by different operators, includes consideration of the variation in activity levels foreseen over the management plan's timeframe and is based on a pricing policy that is adjusted to the need to cover ICP's operating costs and investments.

Subsidies principally reflect travel costs incurred in order to attend EU meetings and conferences, within the scope of ICP's attributions, where such costs are subsidised by the EU.

The Costs and Losses Forecast is based on continuity for activities in progress and the development of new activities in strict compliance with ICP's functions, specifically radio spectrum supervision, monitoring of obligations of concessionaires licensed and authorised to provide communication services, provision of advisory services to the government, representation of the Portuguese State through participation in international meetings and payment of membership dues to international postal and telecommunications organisations.

The Institute also guarantees the resources required for logistical support to the CPCE – Emergency Communications Planning, the IOT – Operational Intervention in Telecommunications and the FPC – the Portuguese Communications Foundation, and also contributes to special projects with social objectives within the framework of the Information Society. The latter projects fall within the Key Options of the National Plan, in accordance with orientations provided by the member of government responsible for the communications sector.

The Institute's Financial Plan for the three-year period 2002 – 2004 is composed of the following:

Income and Profits Forecast

Costs and Losses Forecast

Statement of Net Income

Treasury Budget

Statement of Source and Application of Funds

Balance Sheets

Cash Flow and Cash-Flow Coverage of Investment

Statement of Cash Flow

INCOME AND GAINS FORECAST 2002/2004

DESIGNATION	2002	2003	2004
LICENSES, SPECTRUM AND OTHER DUTIES	76,248,300	83,151,900	86,512,200
Licenses	300,300	485,900	206,700
Spectrum use - GSM	57,267,240	62,869,000	65,319,000
Spectrum use - UMTS	5,834,040	6,769,000	7,805,000
Spectrum use - FWA	3,960,480	3,960,000	3,960,000
Spectrum use – others	8,716,440	8,897,600	9,050,500
Other Duties	169,800	170,400	171,000
TESTS	30,000	30,000	30,000
TELECOMMUNICATION SERVICES	2,162,400	2,496,500	2,780,800
INSPECTIONS	7,500	7,500	7,500
OPERATING CONCESSIONS	26,200	26,400	26,800
SUPPLEMENTARY INCOME	15,000	15,500	16,000
E.U. SUBSIDIES	160,800	165,600	170,500
FINANCIAL INCOME AND GAINS	900,000	1,600,000	2,300,000
EXTRAORDINARY INCOME AND GAINS	199,200	205,200	211,300
TOTAL	79,749,400	87,698,600	92,055,100

Unit: Euros

COSTS AND LOSSES FORECAST 2002/2004

DESIGNATION	2002	2003	2004
SUPPLIES AND EXTERNAL SERVICES	13,777,300	14,110,100	14,586,900
Sub-contracts	0	0	0
Fuel supplies	158,400	165,800	173,700
Books and technical documentation	296,800	303,350	310,500
Office materials	146,000	153,150	159,900
Rents and leasing	1,495,300	1,569,800	1,647,900
Representation expenses	112,200	117,500	123,100
Communications	960,800	1,003,250	1,047,400
Insurance	122,200	130,000	137,000
Travel and accommodation expenses	1,844,900	1,931,200	2,026,200
Conservation and repairs	2,103,900	2,172,400	2,168,900
Advertising and publicity	307,700	320,100	332,900
Joint costs for buildings	925,200	966,250	1,018,700
Specialised works	4,687,800	4,632,000	4,765,000
Other supplies and services	616,100	645,300	675,700
TAXES	22,500	23,600	24,800
PERSONNEL COSTS	18,610,300	19,632,200	20,888,200
OTHER OPERATING COSTS	10,930,100	10,168,600	9,563,600
Membership Dues	1,277,400	1,328,900	1,382,700
Meetings and conferences	681,400	708,600	737,700
Co-operation	407,100	241,800	251,400
CPCE	325,100	342,100	360,000
I.O.T.	122,400	0	0
Contribution to FPC - P. Com. Foundation	1,162,200	1,220,300	1,281,300
Protocols	6,434,400	5,786,100	4,988,000
Sponsorships/Premiums in tenders	515,300	535,800	557,300
Other operating costs	4,800	5,000	5,200
AMORTIZATIONS FOR FINANCIAL YEAR	5,435,100	5,376,000	4,901,700
PROVISIONS FOR FINANCIAL YEAR	384,000	400,000	420,000
FINANCIAL COSTS AND LOSSES	24,000	25,200	26,500
EXTRAORDINARY COSTS AND LOSSES	135,000	137,000	139,000
TOTAL	49,318,300	49,872,700	50,550,700

Unit: Euros

STATEMENT OF NET INCOME 2002/2004

DESIGNATION	2002	2003	2004
INCOME AND GAINS			
Licenses	300,300	485,900	206,700
Spectrum use - GSM	57,267,240	62,869,000	65,319,000
Spectrum use - UMTS	5,834,040	6,769,000	7,805,000
Spectrum use - FWA	3,960,480	3,960,000	3,960,000
Spectrum use – Others	8,716,440	8,897,600	9,050,500
Other duties	169,800	170,400	171,000
Tests	30,000	30,000	30,000
Telecommunication services	2,162,400	2,496,500	2,780,800
Inspections	7,500	7,500	7,500
Operating concessions	26,200	26,400	26,800
Supplementary income	15,000	15,500	16,000
EU subsidies	160,800	165,600	170,500
Financial income and gains	900,000	1,600,000	2,300,000
Extraordinary income and gains	199,200	205,200	211,300
TOTAL INCOME	79,749,400	87,698,600	92,055,100
COSTS AND LOSSES			
Supplies and external services	13,777,300	14,110,100	14,586,900
Taxes	22,500	23,600	24,800
Personnel	18,610,300	19,632,200	20,888,200
Other operating costs	10,930,100	10,168,600	9,563,600
Amortizations for Year	5,435,100	5,376,000	4,901,700
Provisions for Year	384,000	400,000	420,000
Financial costs and losses	24,000	25,200	26,500
Extraordinary costs and losses	135,000	137,000	139,000
TOTAL COSTS	49,318,300	49,872,700	50,550,700
NET INCOME FOR YEAR	30,431,100	37,825,900	41,504,400

Unit Euros

TREASURY BUDGET 2002/2004

DESIGNATION	2002	2003	2004
BALANCE FROM PREVIOUS YEAR	22,666,000	53,117,700	91,464,900
RECEIVABLES			
Operating income	78,306,200	85,533,400	89,163,800
Financial income and gains	900,000	1,600,000	2,300,000
TOTAL RECEIVABLES	79,206,200	87,133,400	91,463,800
PAYABLES			
Investment Payables	5,545,300	4,986,500	4,968,800
Operating Payables	43,209,200	43,799,700	44,923,000
TOTAL PAYABLES	48,754,500	48,786,200	49,891,800
CASH AND SHORT-TERM INVESTMENTS	53,117,700	91,464,900	133,036,900

Unit: Euros

STATEMENT OF SOURCE AND APPLICATION OF FUNDS 2002/2004

DESIGNATION	2002	2003	2004
SOURCE			
Amortizations	5,435,100	5,376,000	4,901,700
Provisions for year	384,000	400,000	420,000
Net income for year	30,431,100	37,825,900	41,504,400
TOTAL SOURCE OF FUNDS	36,250,200	43,601,900	46,826,100
APPLICATIONS			
Investment	5,345,300	4,786,500	4,716,800
Increase to Working Capital	30,904,900	38,815,400	42,109,300
TOTAL APPLICATIONS	36,250,200	43,601,900	46,826,100
NET INCREASE TO WORKING CAPITAL			
Increase/(reduction) of net assets			
. Cash and current a/c deposits	30,451,700	38,347,200	41,572,000
. Debts to third parties and deferrals	-950,200	550,000	570,000
(Increase)/reduction of current liabilities			
. Debts to third parties and deferrals	1,403,400	-81,800	-32,700
NET VARIATION	30,904,900	38,815,400	42,109,300

Unit: Euros

BALANCE SHEETS 2002/2004

DESIGNATION	2002	2003	2004
ASSETS			
Fixed assets	24,225,900	23,636,400	23,451,500
Debts to third parties (net)	150,000	200,000	250,000
Bank deposits and cash	53,117,700	91,464,900	133,036,900
Accruals and deferrals	5,900,000	6,000,000	6,100,000
TOTAL ASSETS	83,393,600	121,301,300	162,838,400
LIABILITIES			
Debts to third parties	3,040,700	3,022,500	2,955,200
Accruals and deferrals	2,100,000	2,200,000	2,300,000
TOTAL LIABILITIES	5,140,700	5,222,500	5,255,200
EQUITY CAPITAL	78,252,900	116,078,800	157,583,200
TOTAL LIABILITIES + EQUITY CAPITAL	83,393,600	121,301,300	162,838,400

Unit: Euros

CASH FLOW 2002/2004

DESIGNATION	2002	2003	2004
NET INCOME	30,431,100	37,825,900	41,504,400
AMORTIZATIONS	5,435,100	5,376,000	4,901,700
PROVISIONS	384,000	400,000	420,000
TOTAL FREED FUNDS	36,250,200	43,601,900	46,826,100
VARIATION IN PROVISIONS	384,000	400,000	420,000
CASH FLOW	35,866,200	43,201,900	46,406,100

INVESTMENT COVERAGE

DESIGNATION	2002	2003	2004
NET CASH FLOW	35,866,200	43,201,900	46,406,100
INVESTMENT	5,345,300	4,786,500	4,716,800
SELF-FINANCING	671%	903%	984%

Unit: Euros

CASH FLOW STATEMENT 2002/2004

DESIGNATION	2002	2003	2004
OPERATING ACTIVITIES			
Receivables from clients	78,090,400	85,312,300	88,937,300
Payables to suppliers	-13,782,300	-14,110,100	-14,631,900
Payables to staff	-18,610,300	-19,632,200	-20,888,200
Cash flow generated by operating activities	45,697,800	51,570,000	53,417,200
Other receivables/payables related to operating activities	-10,961,600	-10,201,900	-9,598,900
Cash flow generated before extraordinary items	-10,961,600	-10,201,900	-9,598,900
Receivables related to Extraordinary items			
Payables related to Extraordinary items	-40,000	-40,000	-40,000
Cash flow generated by extraordinary item	-40,000	-40,000	-40,000
CASH FLOW FROM OPERATING ACTIVITIES	34,696,200	41,328,100	43,778,300
INVESTMENT ACTIVITIES			
Receivables from:			
Disposal of tangible fixed assets	40,000	40,000	40,000
Interest and similar income	900,000	1,600,000	2,300,000
	940,000	1,640,000	2,340,000
Payables regarding:			
Tangible fixed assets	-5,345,300	-4,786,500	-4,716,800
CASH FLOW FROM INVESTMENT ACTIVITIES	-4,405,300	-3,146,500	-2,376,800
FINANCING ACTIVITIES			
Receivables from:			
Operating subsidies	160,800	165,600	170,500
CASH FLOW FROM FINANCIAL ACTIVITIES	160,800	165,600	170,500
Variation in cash and equivalents	30,451,700	38,347,200	41,572,000
Cash and equivalents at beginning of period	22,666,000	53,117,700	91,464,900
Cash and equivalents at end of period	53,117,700	91,464,900	133,036,900

Unit: Euros

ANNEX

THE INSTITUTE'S INVESTMENT PROJECTS				
DESIGNATION	AIM	2002	2003	2004
1. Technological updating of radio laboratory	Modernisation of radio laboratory so as to permit expansion of range of tests that can be carried out in accordance with evolution of the regulatory framework. Laboratory accreditation.	87,000	80,000	100,000
2. Technological updating of electromagnetic compatibility laboratory	Modernisation of laboratory to ensure the viability and expand the range of tests that can be carried out in accordance with evolution of the regulatory framework and expand the laboratory's accreditation.	87,000	80,000	100,000
3. Technological updating of radio metrology laboratory	Modernisation of laboratory. Expansion of range of tests that can be carried out.	65,000	40,000	100,000
4. Generic updating of laboratories	Widen the capacities available in accordance with the laboratories' strategic and modernisation programmes. Expansion of the range of tests that can be carried out. External measures: cabling, interfaces, security of electrical and terminal equipment. Implement information systems.	214,700	200,000	200,000
5. Acquisition of UMTS test equipment	Make it possible to expand and develop this technology from a spectrum management perspective.	150,000	100,000	100,000
6. Integrated spectrum monitoring and control	Improve the quality and speed of response in cases of interferences and complaints filed by users and consumers. Increased efficiency in management of human resources and materials.	600,000	300,000	400,000
7. Acquisition of an integrated spectrum management system	Acquisition of an integrated system of radio communications engineering software tools in order to respond efficiently to the needs of radio spectrum use and management. Acquisition of a land digital database for the national territory that will make it possible to use various radio communications engineering software tools. Guarantee interconnection between the Integrated Spectrum Management System and ICP monitoring systems, including the licensing and registration tool for radio communications stations (PLAGE).	498,200	600,000	600,000

ANNEX

THE INSTITUTE'S INVESTMENT PROJECTS				
DESIGNATION	AIM	2002	2003	2004
8. Acquisition of radiation measuring equipment	Guarantee compliance with reference levels in force.	70,000	50,000	50,000
9. Management by processes (workflow) and WEB architecture	Development and maintenance of Information Systems based on implementation technology and workflow management, defining adoption of new work provision methodologies in conjunction with users.	633,400	710,000	500,000
10. Information systems security policy	Continuous alignment of information security needs with the inclusion of new high availability security systems and high performance monitoring and control mechanisms.	150,000		
11. Improved efficiency in internal ICP services	Fine-tuning of the integrated management system for requests, helpdesk and service agreements. Studies and implementation of measurement models, quality control and tailored provision of services.	57,500	32,500	15,000
12. ICP Digital - I*NET and E-Business	Implementation of e-business tools and work methodologies supporting B2B (Business to Business), B2C (Business to Consumer), C2B (Consumer to Business), B2A (Business to Administration) and A2B (Administration to Business) vectors through Inter-Extranet channels and EDI channels (electronic information exchange).	400,000	500,000	250,000
13. ICP Digital - Internet ICP	Fine-tuning of technologies supporting ICP's Internet site. Introduction of continuous and dynamic restructuring mechanisms for ICP's site and continuous fine-tuning of conditions of publication.	50,000	50,000	50,000
14. ICP Digital - Intranet ICP	Fine-tuning of technologies supporting ICP's Internet site. Introduction of continuous and dynamic restructuring mechanisms for ICP's site and continuous fine-tuning of conditions of publication.	100,000	50,000	25,000
15. Decision support system – management indicators	Implementation of a management indicators system to support decision making tailored to ICP's situation and needs.	150,000	200,000	100,000

ANNEX

THE INSTITUTE'S INVESTMENT PROJECTS				
DESIGNATION	AIM	2002	2003	2004
16. Document management	Fine-tuning of the document management system with the inclusion of practises of total information operation, namely through the use of OCR (Optical Character Recognizing) and ICR (Intelligence Character Recognizing) tools. Integration with the rest of the application platform.	45,000	30,000	30,000
17. Technology and operation of communications network systems	Implementation of the Unified Messaging concept with the consolidation of network fax technologies, integration of email, voice and fax messages in a single interface resource (Outlook).	135,000	115,000	100,000
18. Suitability of the DMS platform	Migration to the DMS system (Database Management System) – suitable for contemplation of the I*NET (Inter, Intra and Extra - Net) paradigm - for all ICP's application systems.	100,000	50,000	25,000
19. Integrated systems administration	Implementation of integrated system management tools, permitting a wider ranging and more uniform administrative policy, with improved planning of communications networks, storing and processing.	100,000	50,000	20,000
20. Fine-tuning of the support equipment platform for Internet Servers	Fine-tuning of server, client, remote and micro-equipment facilities.			725,000
21. Enrichment of quality of data information	Introduction of information management mechanisms from a perspective of Knowledge Management (KB - Knowledge Base, integration of OLAP - Online Analytic Processing tools) and Data Warehouse (storage of information for analysis).	100,000	150,000	150,000
22. Support system for Microsoft solutions	Operational fine-tuning (including applications) to provide efficient support for solutions based on Microsoft technology, namely with the development of, and support for, small operating tools in Visual Basic, Excel, MS Access, Outlook or even Word.	50,000	50,000	

ANNEX

THE INSTITUTE'S INVESTMENT PROJECTS				
DESIGNATION	AIM	2002	2003	2004
23. Technological culture and information	Implementation of an operating optimisation model for the overall range of applications (MSOffice and related software), using methods that tend to diminish resistance to change.	12,500	12,500	
24. Renovation of fleet of vehicles	Maintenance of a fleet of vehicles suited to ICP's operating requirements, in particular radio spectrum monitoring missions.	530,000	434,000	284,300
25. Acquisition of various equipment items for the laboratories		95,000	100,000	100,000
26. Acquisition of various types of radio electric equipment		32,500	152,500	152,500
27. Acquisition of various computer equipment items	Continuous fine-tuning of the Operating System platform in order to guarantee the compatibility of all technological agents present in the specific application structure and ICP's overall production activities.	325,000	250,000	135,000
28. Various current acquisitions	Ensure the maintenance of administrative equipment, furniture and fittings, etc. Carry out work on rented buildings with the aim of conserving, maintaining and ensuring the operationality of such spaces. Improve and conserve the buildings and installations owned by ICP.	622,500	600,000	657,000
TOTAL		5,545,300	4,986,500	4,968,800

UNIT: Euros

