

Calculation of fees due for the exercise of the activity of provider of publicly available electronic communications networks and services, pursuant to point b) of paragraph 1 of article 105 of Law no. 5/2004 of 10 February

1. In accordance with paragraphs 1 and 2 of Annex II to Administrative Rule No. 1473-B/2008 of 17 February, public notice is made of the total value of administrative costs incurred by ICP-ANACOM and to be considered for the purposes of the settlement of fees due in 2011 for the exercise of the activity of electronic communications networks and services provider (Year n). As such, C (Year n) = 29,872,072 euros. (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, whose workings are described in Annex A. This detail makes it possible to identify those administrative costs that are relevant for the calculation of the fee referenced in point b) of paragraph 1 of Article 105 of the Lei das Comunicações Electrónicas (Electronic Communications Law).

It should be noted that the amount of costs now determined has declined compared to previous year by €1,654,091 (€ 31,526,163 - € 29,872,072) (-5.2%).

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

Breakdown of total costs (expenses) of ICP-ANACOM by activity type (incl. re-allocation of provisions)

Unit: Euros

	Costs ex. provisions for ongoing legal proceedings related to regulation			
	Budgeted	Actual		Average (3 years)
	2011	2010	2009	
1. Regulation and spectrum management costs	51.201.085	44.534.854	44.643.696	46.793.211
1.1 Costs related to Electronic Communications	40.409.538	35.148.334	35.206.565	24.736.091
1.1.1 Administrative costs	27.967.987	24.326.637	23.834.689	
a) Declarations supporting rights	52.697	45.836	38.446	
b) Exercise activity of networks and services provider	27.277.704	23.726.227	23.204.343	
c) Allocation of rights to use frequencies	512.782	446.020	512.167	
d) Allocation of rights to use numbers	124.803	108.554	79.733	
1.1.2 Frequency management costs	12.291.845	10.691.483	11.220.098	
1.1.3 Numbering management costs	149.706	130.214	151.778	
1.2 Costs of Postal regulation	2.887.946	2.511.944	2.296.317	
1.3 Other regulation costs	7.903.602	6.874.576	7.140.814	
2. Other costs	3.040.315	2.644.475	18.304.595	
3. Total costs ex. provisions for ongoing legal proceedings related to regulation	54.241.400	47.179.328	62.948.291	
4. Average of costs of provisions for ongoing legal proceedings related to regulation (5 years)				5.135.981
5. Total costs				29.872.072

	2011 (a)	2010	2009	2008	2007	Average (5 years)
Provisions for ongoing legal proceedings related to regulation	500.000	0	1.937.213	23.242.690	0	5.135.981

(a) Budget

ANNEX A

Introductory note

The detail of ICP-ANACOM's costs, in order to determine the costs of regulation, amounts to the distribution of its annual accounting expenses under the SNC - *Sistema de Normalização Contabilística* (Accounting Standardisation System) and in accordance with the Activity Based Costing (ABC) methodology.

A. Distribution of the costs of ICP-ANACOM

1. ICP-ANACOM's costing system was developed based on the Activity Based Costing (ABC) methodology. The system aims to identify the costs related to the development of the activities inherent to ICP-ANACOM's statutory responsibilities, responding to the provisions of paragraph 4 of article 105 of Law no. 5/2004¹.

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

Figure 1: Distribution of costs of 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) Exercise activity of networks and services provider
c) Allocation of rights to use frequencies
d) Allocation of rights to use numbers
1.1.2 Frequency management costs
1.1.3 Numbering management costs
1.2 Costs of Postal regulation
1.3 Other regulation costs
2. Other costs

¹Where the amounts of fees referred to in points a) to e) of paragraph 1 are 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 costs for international cooperation.

2. Regulation and spectrum management costs represent the costs related to the activities of regulation, supervision, sectorial representation and cooperation, and they comprise 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 the exercise of activity, allocation of rights of use of resources, and all associated activities of regulation, supervision, oversight and sectorial representation and cooperation.

ii) Spectrum Management Costs.

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

iii) Numbering Management Costs.

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

b) Costs related to the Postal Sector.

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

Costs incurred in the regulation of services not covered by Law no. 5/2004, such as audiotext services, ITED - *Infra-estruturas de Telecomunicações em Edifícios* (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 related to national and international bodies, such as³:

² These costs are not considered to be relevant for ICP-ANACOM's regulation activity, according to the interpretation of Article 105(4) of Law 5/2004.

i) National bodies:

CPEC, ERC, Municipal Councils, FDTI, etc.

ii) Non-national bodies:

ANRT - Morocco, ESA, CPLP, PALOP and Timor, PECO, other countries in the framework of cooperation, Satellite Organizations and URSI.

b) Costs related to Advising and Representing the State.

The costs resulting from ICP-ANACOM's participation in the sector as a technical representative of the Portuguese State (point r) of paragraph 1 of article 6 of its statutes, as 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 generally those associated with the following events and organizations:

- i) Preparation of and participation in meetings and conferences, as well as all exchange of information in this area.
- ii) Responding to requests of a different nature, such as requests for information, licensing requests, requests for expertise, and others.
- iii) Responding to requests for radio easements and protection of radiocommunication services.
- iv) Development of cooperation programmes.
- v) Monitoring of special projects (ESA)

National bodies:

Ministries, Regional Governments, Tribunal de Contas (Court of Auditors), CPEC, FDTI, and others.

Non-national bodies:

NATO, ITU (Council, Development Sector, Plenipotentiary Conference, World and Regional Radiocommunication Conferences, WTPF), Agence Nationale de Réglementation des Télécommunications (ANRT-Morocco), Satellite

³ The amounts referring to contributions tend to decrease sharply, since a part of such costs resulted from Government decisions that have already been executed, or from ICP-ANACOM decisions which have not been renewed

organizations, URSI, CPLP, PALOP and Timor, PECO and other countries in the context of cooperation agreements.

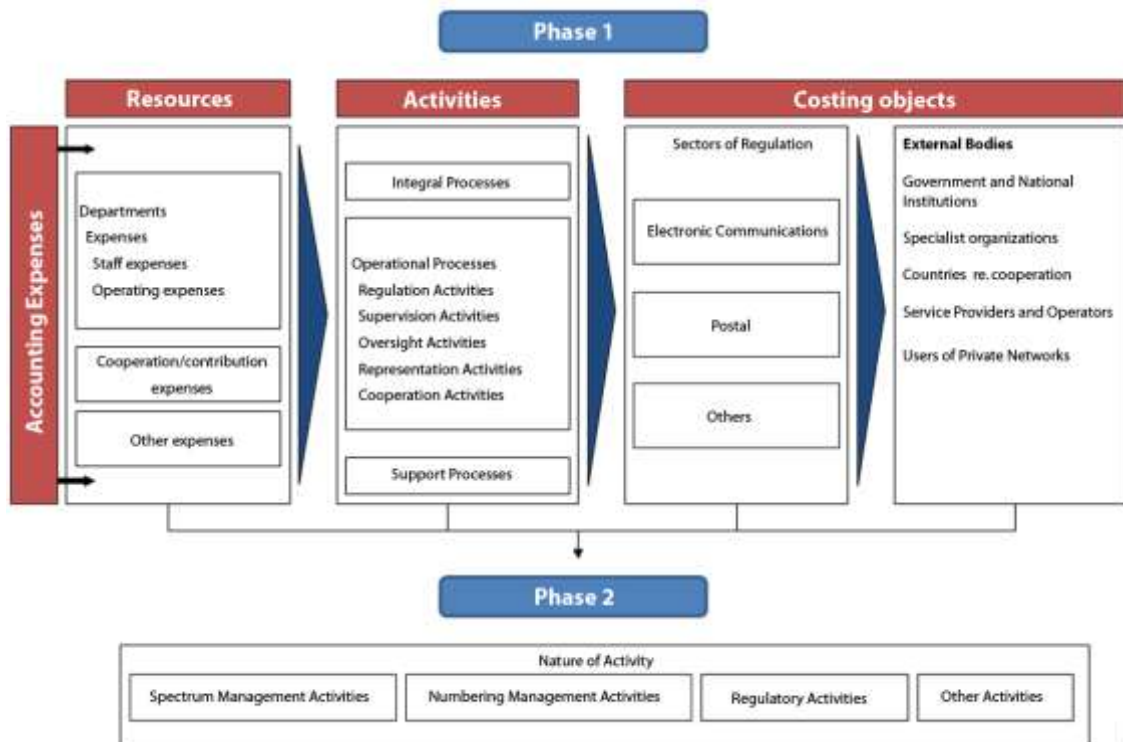
4. To identify the costs associated with electronic communications, they were divided so as to enable the determination of the costs related to each act defined in points a) to f) of paragraph 1 of article 105 of *Lei das Comunicações Electrónicas* (Electronic Communications Law). As such, the costs are divided using the following blocks:

- a) Spectrum management (point f) of paragraph 1 of article 105);
- b) Management of numbering (point e) of paragraph 1 of article 105); and
- c) Regulatory activities - corresponding to the other administrative costs associated with points a) to d) of paragraph 1 of article 105 and the regulation of communications services that are not covered by Law no. 5/2004.

B. Methodology for allocating costs to different areas

5. Costs are allocated according to 2 phases:
 - a) Phase 1: Analysis and allocation of the administrative costs to the processes/activities/regulation areas/entities outside ICP-ANACOM.
 - b) Phase 2: Allocation of the administrative costs to the different types of activity according to the acts underlying article 105 of Law no. 5/2004 and to activities associated with sectors outside the scope of *Lei das Comunicações Electrónicas* (Electronic Communications Law).

Figure 2: Phases of the Methodology for allocating costs of ICP-ANACOM



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

6. Firstly, costs are grouped by nature and by department, according to the following classification:
 - a) Direct costs - costs directly related to regulation services, through a cause-effect relation.
 - b) Indirect/common costs - costs not directly related to regulation services.
 - c) Expenses associated with cooperation and contributions - specific expenses incurred as a result of cooperation and representation by ICP-ANACOM.
7. Secondly, costs are allocated to the processes/activities directly or through criteria which represent a cause-effect relation between the nature of the cost and the supported process(es).
8. As an example, we present briefly the sequence of movements of expenditure classification:
 - a) Grouping of total accounting costs 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 costs to the processes⁴/services and costing objects/clients of ICP-ANACOM⁵.
- c) Staff costs⁶ are allocated directly 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) Costs incurred as a result of foreign travel, travel within Portugal, advertising, specialist works, professional fees, training, documentation, meetings and sponsorships are directly associated with the processes/services/clients, based on rational relations, without prejudice to an irrelevant part thereof being distributed according to Man-Hours (MH).
- e) Electricity, water, air conditioning, rents of the head office premises, property insurance, elevators, cleaning, surveillance and security services costs are considered as structural costs and are distributed according to the area in m² used by each department. Remaining operating costs, notably those related to stationery, reprography and communications are distributed between all departments, according to their consumption⁷.
- f) Costs related to cooperation and contributions/contributions⁸ are distributed according to the nature of the activity⁹.
- g) Amortization and depreciation costs, where of a relevant amount, are associated with the work processes related to equipment, IT applications and hardware¹⁰, and the remaining part is distributed according to 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 enables to obtain 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 employee events which are treated as common costs (Common Costs nature - All activities - Distribute other costing objects)

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

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

⁹ Part of these costs is not related to a regulation activity. See, too, the Type of Activity List (Figure).

¹⁰ For instance: amortisation of SINCRER - Sistema Integrado de Controlo Remoto de Estações Radioelétricas (Integrated Remote Control System for Radio Stations) equipment is associated with the "Spectrum monitoring" sub-process and all radiocommunications services

- h) Provisions are treated similarly to common costs, insofar as they are allocated to the different types of activity, according to the type of provision¹¹.
 - i) Other costs, particularly financial costs, are distributed according to the relative cost of MH.
9. It is important to note 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 area of regulation; these are transverse to all areas¹². Therefore, costs related to these work processes are distributed among all operational processes based on the criteria of relative costs or MH.

Phase 2 - Allocation of expenditures to the sectors of regulation pursuant to Lei das Comunicações Eletrônicas (Electronic Communications Law)

10. In order to ensure proper allocation of costs, among each sector of regulation and within the scope of electronic communications, by act detailed in paragraph 1 of article 105 of Law no. 5/2004, a process was developed which enables the distribution of costs, and which is identified as "type of activity".
11. The type of activity is identified according to a combination - work process/regulated area (services)/external entity (client)¹³. Each type of activity corresponds to a determined set of combinations¹⁴.
12. The allocation of costs related to each type of activity follows the process below:
- a) Identification of the amount of direct costs by type of activity block (spectrum management activities, numbering management activities, regulation activities, and others).
 - b) Distribution of the amount of common costs (common accounting costs) of the amount of cooperation/contribution costs by regulation block, considering one of the following options as a distribution criterion, in light of the type of common/cooperation cost:

¹¹ It may be shared on the basis of direct costs or MH. Provisions for legal actions in progress accounted for in recent years have been regarded as Common Costs - Regulation Activities - Services Law 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/office that generated the cost.

¹⁴ According to the Dicionário de Processos/Actividades in use in ANACOM that supports the costing system.

- i) Direct allocation to the corresponding block of type of activities using the cause-effect relationship.
 - ii) Proportion of direct costs associated with each type of activity block.
 - iii) Proportion of MH allocated to each type of activity block.
- c) Subsequently, after determining the administrative costs by each type of activity block, the costs allocated to "all activities" of regulation are distributed among the following regulation sectors:
 - i) Electronic Communications Sector;
 - ii) Postal Sector;
 - iii) Other sectors outside the scope of the Lei das Comunicações Electrónicas (Law of Electronic Communications).

13. Subsequently, the costs determined at the level of the Electronic Communications Sector are distributed according to the acts defined in points a) to d) of paragraph 1 of article 105 of the Lei das Comunicações Electrónicas (Electronic Communications Law).

Figure 3: Type of Activity List

Type of Activity according to the acts underlying Article 105 of Law 5/2004	
Declarations supporting Rights	Regulation
Exercise of activity - Regulation	Regulation
Allocation of rights of use of frequencies	Regulation
Allocation of Rights of Use of 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
Exercise of activity - Regulation ¹⁶	Regulation
Amateur and CB records and certificates ¹⁷	Spectrum management
Allocation of Rights of Use of 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 regulatory activity	
Common Costs	
Common Costs - Spectrum Management Activities	Spectrum management
Common Costs - Spectrum Management Activities - Services Law 5/2004	Spectrum management
Common Costs - Spectrum Management Activities - Services not covered by Law 5/2004	Spectrum management
Common Costs - Regulation Activities	Spectrum management
Common Costs - Regulation Activities - Services Law 5/2004	Regulation
Common Costs - Regulation Activities - Services not covered by Law 5/2004	Regulation
Common Costs - Numbering Management Activities	Regulation
Common Costs - Allocation of rights of use of frequencies	Numbering Management
Common Costs - Allocation of Rights of Use of Numbers and their Reservation	Numbering Management
Common Costs - Declarations supporting Rights	Regulation
Common Costs - All activities - To distribute based on direct cost	Regulation-Numbering
Common Costs - All activities - To distribute based on MH	Numbering
Common Costs - All activities - To distribute other costing object	Regulation

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 and premium services.