

**REPORT ON THE 2010 FINANCIAL YEAR CONCERNING ADMINISTRATIVE COSTS AND SUM
RESULTING FROM THE COLLECTION OF FEES REFERRED TO IN PARAGRAPH 1 a) TO d) OF ARTICLE
105 OF LAW 5/2004, OF 10 FEBRUARY, DRAWN UP PURSUANT TO PARAGRAPH 5 OF ARTICLE
105 OF THE MENTIONED LAW**

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1. Legal framework and background

1.1. Law 5/2004, of 10 February, which established the legal regime applying to electronic communications networks and services and to related resources and services (ECL), defines in its article 105 that fees may be imposed for the following acts, the respective proceeds going to ICP - ANACOM:

- a) Declarations supporting rights issued by the National Regulatory Authority (NRA) pursuant to paragraph 5 of article 21;
- b) The exercise of the activity of electronic communications networks and services provider, on an annual basis;
- c) The assignment of frequency usage rights;
- d) The assignment of rights of use for numbers and the reservation thereof;
- e) The use of numbers;
- f) The use of frequencies.

According also to the ECL, the amounts of fees referred to in points a) to d) must be “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, harmonisation and standardisation, market analysis, monitoring of compliance and other market control, as well as regulatory work involving the preparation and enforcement of secondary legislation and administrative decisions, such as decisions on access and interconnection; such fees shall be imposed upon undertakings in an objective, transparent and proportionate manner which minimises additional administrative costs and associated charges”.

1.2. Administrative Rule number 1473-B/2008, of 17 December, established the amounts of the previously mentioned fees, which came into force on 1 January 2009. The publication of the Administrative Rule was preceded by a discussion within ICP-ANACOM’s Advisory Board, which specifically includes representatives from electronic communications networks and services providers. This discussion was based on a document entitled “ICP-ANACOM Fee Model”.

1.3. Under paragraph 5 of article 105 of the ECL, the NRA must publish an annual report of its administrative costs and of the total sum resulting from the collection of fees referred to in points a) to d) of paragraph 1, in order to perform the appropriate adjustments with respect to the difference between the total sum of fees and administrative costs. That report, which we are now presenting, only relates to the fees the amounts of which are determined based on administrative costs, excluding the fees mentioned in points e) and f) of article 105 of the said Law, since these fees should “reflect the need to ensure the optimal use of frequencies and numbers”, and therefore cannot be cost-oriented. It should be noted that the fees referred to in points a), c) and d) of paragraph 1 of article 105 of the ECL were set on the basis of “the unit costs related to the issue of declarations, based on a typical situation, and under the assumption of efficient

performance by ICP-ANACOM¹”, which implies that, for fees of this type, there are no direct adjustments between their amount and the costs actually borne, except where unit costs are subject to revision.

1.4. As for the fees referred to in paragraph 1b) of the mentioned article 105 of the ECL, a costing methodology was established in order to determine the costs related to the different areas of operation, based on the ABC – Activity Based Costing - system. At the same time, this Authority developed an additional process for cost classification which enables it to determine these costs in compliance with paragraph 4 of article 105 of the ECL, also enabling the distribution of costs related to ICP-ANACOM’s other activities, pursuant to its Statutes. This methodology is described in Annex I, a document which was already part of the “ICP-ANACOM Fee Model” discussed by ICP-ANACOM’s Advisory Board.

1.5. By determination of the Management Board of ICP - ANACOM (MB) taken on 30.07.2010 (DE2442010CA), carrying out the provisions laid down in Administrative Rule number 1473-B/2008, and based on the amount of relevant income submitted by electronic communications services and networks providers, the following was approved:

- a) The total sum of regulation costs as regards the activity of electronic communications networks and services provider, amounting to 31.526.163 €;
- b) The publication on ICP-ANACOM’s website of a document explaining how administrative costs were calculated, pursuant to paragraphs 1 and 2 of Annex II to Administrative Rule number 1473-B/2008, attached as Annex I hereto;
- c) The carrying out of an audit to providers that showed, for 2010, relevant income and high figure deviations (relatively to the 2009 civil year), the respective procedures being required, taking specifically into account the fact that one of the operators of a significant size had adopted the view that a large portion of its income should not be deemed as relevant income. This audit aimed to assess whether criteria used by the various providers were uniform and, if necessary, to correct values submitted.

1.6. The audit mentioned in point 1.5, carried out by Ernst & Young, showed that changes to relevant income submitted by some operators were justified. Based on the audit report, the following was approved by MB determination of 25.11.2010 (DE3482010CA):

- a) To establish a new t2 contribution rate of 0,5770%, set pursuant to paragraph 2 of Annex II to the above-mentioned Administrative Rule;
- b) To settle the fees due for engaging in the activity of electronic communications networks and services provider, considering the changes to the value of the Relevant Income that resulted from the said audit.

1.7. Following the determination mentioned in the previous point, ICP - ANACOM published on its website data on how the value of the t2 contribution rate, of 0,5770%, had been calculated, as

¹ In accordance with the “ICP-ANACOM Fee Model”, paragraph 25, page 15.

well as on the new total sum of Relevant Revenues determined within the audit performed by Ernst & Young, which amounted to 5.464.947.360 Euros.

2. Determination of costs for the settlement of fees due for engaging in the activity of electronic communications networks and services provider, in November 2010

2.1. According to the above-mentioned conceptual model for the determination of fees, the administrative costs, defined under paragraph 4 of article 105 of the ECL, which constitute the tax base of the annual fee due for engaging in the activity of electronic communications networks and services provider, were determined based on a three-year average - 2008, 2009 and 2010, calculations for the first two years being based on real figures for the respective financial years, and those for the last one being based on the budget figure, since the financial year was still underway. It should be mentioned that the 2010 budget corresponds to the first year of the 2010-2012 Activity Plan, on which ICP-ANACOM's Advisory Board delivered an opinion and which was approved by the member of the Government competent in electronic communications matters.

2.2. The amount of provisions for ongoing legal actions was determined based on the average for the last five years, with the years 2006 to 2009 being based on real figures, and 2010 being based on the figure included in the budget for that year.

2.3. Table 1 contains the calculation of costs considered for the purpose of collecting fees due for engaging in the activity of electronic communications networks and services provider for 2010:

Table 1 - Calculation of costs considered for the purpose of settlement of fees due for engaging in the activity of electronic communications networks and services provider for 2010 (Euros)

Breakdown of costs borne by ICP-ANACOM (without provisions related to EC)					Provisions related to EC (5-year average)	Breakdown of costs borne by ICP-ANACOM (with provisions related to EC)
	2010	2009	2008	Average (3 years)		
1. Regulation and spectrum management costs	51.651.923	44.643.696	47.751.312	48.015.644	7.067.491	55.083.135
1.1 Costs related to Electronic Communications	40.733.339	35.206.565	38.832.208	38.257.371	7.067.491	45.324.862
1.1.1 Administrative costs	27.576.291	23.834.689	24.813.409	25.408.129	7.067.491	32.475.621
a) Declarations supporting rights	44.481	38.446	78.713	53.880		53.880
b) Engagement in the activity of electronic communications networks and services provider	26.846.992	23.204.343	23.324.680	24.458.672	7.067.491	31.526.163
c) Allocation of frequency usage rights	592.567	512.167	1.276.749	793.828		793.828
d) Granting of rights of use of numbers	92.250	79.733	133.266	101.750		101.750
1.1.2 Frequency management costs	12.981.444	11.220.098	13.950.140	12.717.227		12.717.227
1.1.3 Number management costs	175.604	151.778	68.660	132.014		132.014

1.2 Costs of Postal regulation	2.656.796	2.296.317	2.527.149	2.493.421	2.493.421
1.3 Other regulation costs	8.261.789	7.140.814	6.391.954	7.264.852	7.264.852
2. Other costs	4.889.577	18.304.595	3.820.472	9.004.881	9.004.881
3. Total Costs	56.541.500	62.948.291	51.571.784	57.020.525	7.067.491

Unit: Euros. Published on ICP - ANACOM's website.

Consult: Establishment of the amount of regulatory costs arising from the activity of electronic communications networks and services provider - 30-07-2010

2.4. It is important to note that the result of the settlement of the fee did not correspond to the full value of the costs incurred in by ICP-ANACOM with the regulation costs as regards the activity of electronic communications networks and services provider indicated in Table 1 (31.526.163 €), since it was necessary to observe the transitional two-year period provided for this fee in article 6 of Administrative Rule number 1473-B/2008. Thus, for the second year of the transitional period (2010), the following formula was applied: $(T_2 \text{ (year 2010)} \times 0,667) - 4990 \text{ €}$, where T_i corresponds to the value of the fee due by bodies of step 2, thus the overall amount settled was 20.910.703,22€.

3. Determination of costs for the settlement of fees due for engaging in the activity of electronic communications networks and services provider, in April 2011

3.1. In April 2011, after the closing of accounts for the 2010 financial year, the actual administrative costs related to the regulation activity, relevant for the calculation of the fee referred in paragraph 1b) of article 105 of the ECL, were determined, which makes it possible to replace the figures of the 2010 budget, in the calculation of the moving average of the last three years, by those year's actual figures. Likewise, as regards the moving average of the last 5 years for the provisions resulting from legal actions filed on regulatory matters, the amount stated in the 2010 budget (4,000,000 €) was replaced by the amount that was actually provisioned during that year (0 €). Accordingly, the calculation of the amount of the annual fee due for engaging in the activity of electronic communications networks and services provider presents the corrections shown in Table 2.

Table 2 - Calculation of final costs considered for the purpose of settlement of fees due for engaging in the activity of electronic communications networks and services provider for 2010 (Euros)

	Breakdown of costs borne by ICP-ANACOM (without provisions related to EC)				Provisions related to EC (5-year average)	Breakdown of costs borne by ICP-ANACOM (with provisions related to EC)
	2010	2009	2008	Average (3 years)		
1. Regulation and spectrum management costs	44.534.854	44.643.696	47.751.312	45.643.287	5.048.192	50.691.479
1.1 Costs related to Electronic Communications	35.148.334	35.206.565	38.832.208	36.395.702	5.048.192	41.443.894
1.1.1 Administrative costs	24.326.637	23.834.689	24.813.409	24.324.912	5.048.192	29.373.103
a) Declarations supporting rights	45.836	38.446	78.713	54.332		54.332

b)	Engagement in the activity of electronic communications networks and services provider	23.726.227	23.204.343	23.324.680	23.418.417	5.048.192	28.466.608
c)	Allocation of frequency usage rights	446.020	512.167	1.276.749	744.979		744.979
d)	Granting of rights of use of numbers	108.554	79.733	133.266	107.184		107.184
1.1.2	Frequency management costs	10.691.483	11.220.098	13.950.140	11.953.907		11.953.907
1.1.3	Number management costs	130.214	151.778	68.660	116.884		116.884
1.2	Costs of Postal regulation	2.511.944	2.296.317	2.527.149	2.445.137		2.445.137
1.3	Other regulation costs	6.874.576	7.140.814	6.391.954	6.802.448		6.802.448
2.	Other costs	2.644.475	18.304.595	3.820.472	8.256.514		8.256.514
3.	Total Costs	47.179.328	62.948.291	51.571.784	53.899.801	5.048.192	58.947.993

Unit: Euros

Table 3 breaks down the calculation of the moving average of the provisions used in Table 2.

Table 3 – Provisions for ongoing legal actions – average amount for the last five years (Euros)

YEARS	2010	2009	2008	2007	2006	Average
Provisions related to EC	0	337.212	43.883	17.323.727	13.632.634	6.267.491
Corrected provisions	0	1.937.213	23.242.690	0	61.055	5.048.192

Note: the correction to which these provisions were subject results from the facts that proceedings launched by Radiomovel (9.524.920 €) have terminated and that the value of the provision for proceedings launched by Vodafone was re-classified in 3.575.579 €, as it had been incorrectly considered as a regulation cost.

Unit: Euros

3.2. Pursuant to paragraph 5 of article 105 of the ECL, one of purposes of the annual report on administrative costs and on the total sum resulting from the collection of fees referred to in points a) to d) of paragraph 1, is to “perform the appropriate adjustments in respect of the difference between the total sum of fees and administrative costs”.

Having regard to actual administrative costs associated to the regulation activity, relevant for the calculation of the fee referred to in paragraph 1b) of article 105 of the ECL (28.466.608 €) and those previously considered with the budget value (31.526.163 €), for 2010, **there is a difference of 3.059.555 €.**

Therefore, the value of the t2 contribution rate is thus **0,5209%, instead of the previously set 0,5770%**, according to the following calculations.

2010 Financial Year

Formula: $t_2 = (C - t_1 n_1) / P_2$;

C= Total regulation costs as regards the activity of electronic communications networks and services provider, for 2010 = 28.466.608 €

t_1 = Fee due by bodies of step 1 (Relevant Income $\leq 1.500.000\text{€}$) = 2.500€;

n_1 = number of bodies of step 1=21

P_1 = Total of relevant income of bodies of step 1 in 2009= 10.226.955€

P_2 = Total of relevant income of bodies of step 2 in 2009 = 5.454.339.612€

$t_1 n_1 = 2.500\text{€} \times 21 = 52.500\text{€}$;

t_2 = Fee due by bodies of step 2 (Relevant Income $> 1.500.000\text{€}$) = $(28.466.608\text{€} - 52.500\text{€}) / 5.454.339.612\text{€} = 0,5209\%$

The value of fees to be settled results from applying the 0,5209% rate to the relevant income of each operator in step 2. However, as 2010 is the 2nd year of the transitional period, a factor of 0,667 is applied to the calculated value, pursuant to clause 6 of the Administrative Rule mentioned above.

3.3. Considering the application of the transitional period, as mentioned in point 2.4, and taking into account the cancellation of provisions for the action lodged by Radiomovel and the correction of the classification of Vodafone's action, the final figure of 18.868.842 € was determined for the fee concerning paragraph 1b) of article 105 of the ECL. Since the amount settled in 2010, based on the inclusion of the amounts budgeted for that year, was 20.909.287 € – that is 2.040.445 € in excess – the application of paragraph 5 of article 105 of the ECL results in the need to adjust the value of the fees in question, which will generate the return of the amounts collected in excess, in proportion to the relevant income used for the purpose of calculating the fees already settled.

4. Settlement and collection of electronic communications fees in 2010

The collection of fees for engaging in the activity of electronic communications networks and services provider took place between 29 November and 29 December 2010. Almost all fees settled were collected, as shown in Table 4. The amount being collected by instalments complies with article 19 of the Regulation on the settlement and collection of fees due to ICP-ANACOM (Regulation number 300/2009, of 15 July), involving the application of default interest pursuant to paragraph 1 of the mentioned article.

Table 4 - Settlement and collection of electronic communications administrative fees

Business	2010
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	Value	%
Engagement in the activity of electronic communications networks and services provider		
- Billed	20.909.286	100%
- Collected	20.087.571	96,1%
- Collected by instalments	68.900	0,3%
- To be collected	761.137	3,6%

Unit: Euros

It should also be noted that five legal challenges were filed related to the settlement of fees due for engaging in the activity of electronic communications networks and services provider in 2010, three of which were brought by companies from the same economic group.

The challenge against the settlement of the fee settled in 2009, as well as the challenge against Administrative Rule 1473-B/2008, of 17 December, are still undergoing judicial review.

The complaint presented to the European Commission, invoking the incompatibility of paragraphs 4 and 5 of Annex II to Administrative Rule number 1473-B/2008, with the ban on State aid laid down in paragraph 1 of article 107 of the Treaty on the Functioning of the European Union, is also still undergoing judicial review.

5. Correction in the value of fees settled in 2009 due to the termination of proceedings lodged by Radiomovel and to the reclassification of a provision created for proceedings launched by Vodafone

5.1. As set out in table 3 and in point 3.3, the provisions created in the scope of proceedings launched by Radiomovel were cancelled, and the value of the provision for proceedings launched by Vodafone, was re-classified in 3.575.579 €, as it had been incorrectly considered as a regulation cost. These adjustments led to a reduction in the value of provisions considered as final costs for the purpose of settlement of fees due by providers of electronic communications networks and services for 2009, from 31.427.645 € (Table 5) to 28.808.344 € (Table 6), as shown in the tables below.

Table 5 - Calculation of final costs considered (in April 2010) for the purpose of settlement of fees due by providers of electronic communications networks and services provider (Euros)

Breakdown of costs borne by ICP-ANACOM (without provisions related to EC)					Provisions related to EC (5-year average)	Breakdown of costs borne by ICP-ANACOM (with provisions related to EC)
	2009	2008	2007	Average (3 years)		
1. Regulation and spectrum management costs	44.643.696	47.751.311	41.705.880	44.700.296	8.407.117	53.107.413
1.1 Costs related to Electronic Communications	35.206.565	38.832.208	34.190.267	36.076.347	8.407.117	44.483.464
1.1.1 Administrative costs	23.834.689	24.813.408	23.347.970	23.998.689	8.407.117	32.405.806
a) Declarations supporting rights	38.446	78.713	77.488	64.882		64.882

b)	Engagement in the activity of electronic communications networks and services provider	23.204.343	23.324.680	22.532.560	23.020.528	8.407.117	31.427.645
c)	Allocation of frequency usage rights	512.167	1.276.749	589.393	792.770		792.770
d)	Granting of rights of use of numbers	79.733	133.266	148.529	120.509		120.509
1.1.2	Frequency management costs	11.220.098	13.950.140	10.716.456	11.962.231		11.962.231
1.1.3	Number management costs	151.778	68.660	125.841	115.426		115.426
1.2	Costs of Postal regulation	2.296.317	2.527.149	1.681.734	2.168.400		2.168.400
1.3	Other regulation costs	7.140.814	6.391.954	5.833.879	6.455.549		6.455.549
2.	Other costs	18.304.595	3.820.472	3.868.452	8.664.506		8.664.506
3.	Total Costs	62.948.291	51.571.783	45.574.332	53.364.802	8.407.117	61.771.919

Unit: Euros. Published on ICP - ANACOM's website.

Consult: Charges due to ANACOM (electronic communications) - Report for 2009

Table 6 - Calculation of costs with corrected provisions considered for the purpose of settlement of fees due by providers of electronic communications networks and services provider (Euros)

Breakdown of costs borne by ICP-ANACOM (without provisions related to EC)					Provisions related to EC (5-year average)	Breakdown of costs borne by ICP-ANACOM (with provisions related to EC)
	2009	2008	2007	Average (3 years)		
1. Regulation and spectrum management costs	44.643.696	47.751.311	41.705.880	44.700.296	5.787.817	50.488.112
1.1 Costs related to Electronic Communications	35.206.565	38.832.208	34.190.267	36.076.347	5.787.817	41.864.163
1.1.1 Administrative costs	23.834.689	24.813.408	23.347.970	23.998.689	5.787.817	29.786.506
a) Declarations supporting rights	38.446	78.713	77.488	64.882		64.882
b) Engagement in the activity of electronic communications networks and services provider	23.204.343	23.324.680	22.532.560	23.020.528	5.787.817	28.808.344
c) Allocation of frequency usage rights	512.167	1.276.749	589.393	792.770		792.770
d) Granting of rights of use of numbers	79.733	133.266	148.529	120.509		120.509
1.1.2 Frequency management costs	11.220.098	13.950.140	10.716.456	11.962.231		11.962.231
1.1.3 Number management costs	151.778	68.660	125.841	115.426		115.426
1.2 Costs of Postal regulation	2.296.317	2.527.149	1.681.734	2.168.400		2.168.400
1.3 Other regulation costs	7.140.814	6.391.954	5.833.879	6.455.549		6.455.549
2. Other costs	18.304.595	3.820.472	3.868.452	8.664.506		8.664.506
3. Total Costs	62.948.291	51.571.783	45.574.332	53.364.802	5.787.817	59.152.619

Unit: Euros.

Table 7 breaks down the calculation of the moving average of corrected provisions used in Table 6.

Table 7 – Corrected provisions for ongoing legal proceedings – average amount for the last five years (Euros) for 2009

YEAR	2009	2008	2007	2006	2005	Average
Provisions related to EC	1.937.213	23.242.690	0	61.055	3.698.126	5.787.817

5.2. Given the alterations resulting from the cancellation of provisions for proceedings launched by Radiomovel (9.524.920 €) and from the correction of the classification of proceedings launched by Vodafone (3.575.579 €), and taking into account the transitional period, the final value of fees settled for 2009 was set at 9.560.760 € the fee referred to in paragraph 1b) of article 105 of the ECL. As the value settled in 2009, considering the final values and the adjustment made for 2010, was 10.430.866 € – that is, 870.106 € in excess - it follows from paragraph 5 of article 105 of the ECL that it is necessary to adjust the value of fees at stake, which will generate the return of the amounts collected in excess, in proportion to the relevant income used for the purpose of calculating the fees already settled.

Therefore, the value of the t2 contribution rate for 2009 must be adjusted, amounting in fact to 0,5079% (instead of the previously set 0,5541%) according to the following calculations.

2009 Financial Year

Formula: $t_2 = (C - t_1 n_1) / P_2$;

C= Total regulation costs as regards the activity of electronic communications networks and services provider, for 2009 = 28.808.344€

t_1 = Fee due by bodies of step 1 (Relevant Income <= 1.500.000€) = 2.500€;

n_1 = number of bodies of step 1=22

P_1 = Total of relevant income of bodies of step 1 in 2008= 10.473.219€

P_2 = Total of relevant income of bodies of step 2 in 2009 = 5.454.339.612€

$t_1 n_1$ = 2.500€ x 22 = 55.000€;

t_2 = Fee due by bodies of step 2 (Relevant Income >1.500.000€) = (28.808.344€ - 55.000€) / 5.661.437.249€ = 0,5079%

The value of fees to be settled results from applying the 0,5079% rate to the relevant income of each operator in step 2. However, as 2009 was the 1st year of the transitional period, a factor of 0,333 is applied to the calculated value, pursuant to clause 6 of the Administrative Rule mentioned above.

Annex I

Method to calculate regulation costs

Introductory note

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

A. Breakdown 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 5/2004, of 10 February².

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 the advisory and State representation activity. The breakdown of costs is shown in Figure 1.

Figure 1: Breakdown 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) Engagement in the activity of electronic communications networks and services provider
c) Allocation of frequency usage rights
d) Granting of rights of use of 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:

² 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.

- a) Costs related to the electronic communications sector (scope of Law number 5/2004)
 - i) Electronic Communications Costs.
Costs related to the issue of declarations for engaging in the activity, allocations of resources usage rights, and all its 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 the planning, assignment, monitoring and supervision of the radio frequency spectrum.
 - 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 number 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 and which are not directly related to the regulation activity³, include:

- a) Contributions and levy costs related to national and international entities, such as⁴:
 - i) National entities:
CPEC, ERC, 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 Advice and State Representation.
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 number 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 interchange of information in this area.

³ 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 5/2004.

⁴ 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.

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

- a) Spectrum management (paragraph 1f) of article 105);
- b) Numbering management (paragraph 1e) of article 105);
- 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 number 5/2004.

B. Method for allocating costs to the different areas

5. The allocation of costs takes place in 2 phases:

- a) Phase 1: Analysis and allocation of accounting expenditure related to processes/activities/regulation areas/entities outside ICP-ANACOM.
- b) Phase 2: Allocation of expenditure to the different types of activity according to the acts underlying article 105 of Law 5/2004, and related to sectors outside the scope of the Electronic Communications Law.

Figure 2: Phases of the Method for allocation of costs of ICP-ANACOM



[\(Click to enlarge image\)](#)

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. Secondly, 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. As an 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 processes⁵/ services and costing objects/clients of ICP-ANACOM⁶.
- c) Staff costs⁷ 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 consumption⁸.

⁵ 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).

⁶ Combination process and/or service or costing object and/or client.

⁷ 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).

⁸ Being distributed to processes/services/clients according to each department's hours report (MH - Man Hours for each department).

f) Expenditure on cooperation and contributions/levies⁹ are distributed according to the nature of the activity¹⁰.

g) Depreciation and amortisation expenditure of a relevant amount is associated with the work processes related to equipment, computer applications and hardware¹¹, the remaining part being distributed by MH.

h) Provisions are treated similarly to common costs, being allocated to the several types of activity, according to the kind of provision¹².

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 areas¹³. 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 number 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)¹⁴. Each type of activity corresponds to a given set of combinations¹⁵.

12. The allocation of expenditure related to each type of activity follows the following process:

a) Identification of the amount of expenditure by bloc of type of activity (spectrum management activities, numbering management activities, regulation activities, and others).

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

⁹ Always linked to the "Cooperation" process and to a specific external body.

¹⁰ Part of these costs is not related to the regulation activity. Vide also List of Types of Activity (Figure 3).

¹¹ 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.

¹² 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 number 5/2004 and Common Costs - Spectrum Management Activities - Services Law number 5/2004.

¹³ They are regarded as common processes.

¹⁴ In some circumstances it is a function of the department that generated the cost.

¹⁵ According to the Processes/Activities Dictionary in use in ANACOM, that supports the costing system.

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

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

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

c) Afterwards, after determining the expenditure by each bloc 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 number 5/2004	
Declarations supporting Rights	Regulation
Engagement in the activity - Regulation	Regulation
Allocation of Frequency Usage Rights	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 number 5/2004	
Declarations supporting Rights ¹⁶	Regulation
Engagement in the activity - Regulation ¹⁷	Regulation
Amateur and CB records and certificates ¹⁸	Spectrum Management
Allocation of Rights of Use of Numbers and their Reservation ¹⁹	Regulation - Numbering
Spectrum Management Activities ²⁰	Spectrum Management
Numbering Management Activities ²¹	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 number 5/2004	Spectrum Management
Common Costs - Spectrum Management Activities - Services not covered by Law number 5/2004	Spectrum Management
Common Costs - Regulation Activities	Regulation
Common Costs - Regulation Activities - Services Law number 5/2004	Regulation
Common Costs - Regulation Activities - Services not covered by Law number 5/2004	Regulation
Common Costs - Numbering Management Activities	Numbering Management
Common Costs - Numbering Management Activities	Regulation

¹⁶ For the postal activity.

¹⁷ Postal Services and ITED.

¹⁸ Records and certificates related to CB (citizen band) and amateur service.

¹⁹ Audiotext and premium services.

²⁰ CB and amateur service.

²¹ Audiotext and premium services.

Types of Activity according to acts underlying article 105 of Law number 5/2004	
Common Costs - Allocation of Frequency Usage Rights	Regulation - Numbering
Common Costs - Allocation of Rights of Use of Numbers and their Reservation	Regulation
Common Costs - Declarations supporting Rights	
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	