

**CONCLUSIONS OF THE IN-DEPTH INVESTIGATION
INTO THE COSTS AND REVENUES OF THE DTT
SERVICE PROVIDED BY MEO**

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1. Framework

Following the decision taken in the scope of the determination of ANACOM's Management Board of 14 March 2014¹, on the price of the Digital Terrestrial Television service (DTT) provided by PT Comunicações, S.A., (now MEO – Serviços de Comunicações e Multimédia, S.A., hereinafter “MEO”), this Regulatory Authority developed an in-depth investigation into costs of this service (having also analysed revenues in detail). On this occasion, ANACOM considered that this evaluation constituted a relevant element in the scope of the assessment of the opportunity for which this Authority is responsible as regards the launch of a possible procedure for the analysis of the market within which the DTT service is included.

By determination of 2 May 2014² on the price charged by MEO for the DTT service, and taking into account³ that it could not be concluded unequivocally that the charged price was excessive and that results of the referred in-depth investigation to DTT costs would allow a quicker and more substantiated decision on whether a market analysis was required, ANACOM decided not to intervene on that occasion as regards the review of the price charged for the DTT service, and to reassess the matter in the scope of the public consultation and of an in- depth investigation of costs of DTT services provided by MEO, which was already underway, and which could be used as an input in the analysis of the market in which the DTT service is integrated, on which this Authority would take a decision in due course.

By decision of 22 July 2015, ANACOM approved a draft decision on the conclusions of the in-depth investigation into the costs and revenues of the digital terrestrial television (DTT) service provided by MEO⁴.

It was decided to submit this DD to the prior hearing of interested parties, pursuant to articles 100 *et seq* of the former Administrative Procedure Code, approved by Decree-Law No 442/91, of 15 November, (applicable *ex vi* article 8 of Decree-Law No 4/2015, of 7 January, which approves the new Administrative Procedure Code), as well as to the general consultation procedure laid down in article 8 of the

¹ Draft decision on the prices charged by PT Comunicações, S.A. (PTC) for the encoding, multiplexing, transport and broadcast over the DTT network of free unrestricted access television channels (MUX A). Available at: <http://www.anacom.pt/render.jsp?contentId=1194064>.

² Decision on the price charged by PTC for the encoding, multiplexing, transport and broadcast over the digital terrestrial television network (DTT) of free unrestricted access television channels (MUX A), following the request for intervention made by Rádio e Televisão de Portugal (RTP) seeking immediate mediation in the determination of pricing charged by PTC for that service and report of the public consultation and prior hearing held on the corresponding draft decision. Available at <http://www.anacom.pt/render.jsp?contentId=1217592>.

³ On the basis, among other, of data in MEO's MUX A tender proposal, and more recent costing data.

⁴ Available at <http://www.anacom.pt/render.jsp?contentId=1362508>.

Electronic Communications Law - ECL⁵, stakeholders having been granted in both cases a period of 30 days to assess the matter.

By order of the Chairman of ANACOM's Management Board, of 31 August 2015, approval was granted to MEO's request for the extension, by 10 working days, of the deadline for commenting the prior hearing and general consultation procedure to the DD on DTT costs⁶.

Comments received, the respective analysis and reasoning of the decision have been included in the "Report of the prior hearing and public consultation on the in-depth investigation into the costs and revenues of the DTT service provided by MEO", which is deemed to be an integral part of this determination.

2. Collection of information with MEO

ANACOM requested MEO, by fax dated 28 March 2014⁷, that within 15 working days it clarified and submitted information on the following issues:

(a) Price of [BCI]⁸ [ECI]⁹

- Detailed and quantitative justification for the reduction of the annual price per channel (from [BCI] [ECI] provided for in the Memorandum of Understanding (MoU) to [BCI] [ECI] defined in contracts concluded in 2012 and 2013), taking into account the total capacity of MUX A, the capacity occupied by each television programme service and the price per Mbit/s provided for in the right of use for frequencies (RUF), by reference to MEO's proposal.
- Detailed explanation of how the occupation of capacity in MUX A by the *Canal Parlamento*, in 2013, as well as the expiry of mandatory reservation of capacity by MEO for the shared HD channel, under the terms provided for in the RUF, affected the price charged to television operators.

⁵ Law No 5/2004, of 10 February, as amended by Law No 51/2011, of 13 September, Law No 10/2013, of 28 January, Law No 42/2013, of 3 July, Decree-Law No 35/2014, of 7 March and Law No 82-B/2014, of 31 December.

⁶ This decision was ratified by ANACOM's Management Board at the meeting of 4 September.

⁷ With reference ANACOM-S020932/2014.

⁸ Beginning of confidential information.

⁹ End of confidential information.

(b) Revenues in 2012

Provision of elements for validation of revenues, amounting to **[BCI]** **[ECI]**, acknowledged in MEO's CAS for 2012, concerning the DTT service, including:

- Reconciliation of total revenues, including the specific identification of all revenues that make up the overall value, by nature and value.
- Detailed supporting evidence (for example, contracts; agreements; bills) of all revenues discriminated in the preceding paragraph, with the respective reasoning and explanation.
- Information on any revenues in 2010 and 2011 concerning the DTT service.

(c) Costs in 2010, 2011 and 2012

Detailed justification of the value of each cost item included in the CAS in 2010, 2011 and 2012, so as to allow calculations underlying their determination to be replicated, on the basis of main assets, services and labour used, being clearly and specifically identified:

Investments, subsidies and co-payments

- For all equipment and elements that integrate the whole of fixed assets (tangible and intangible) allocated to the DTT service, namely active equipment, radiating systems, shelters, ASI-SDH adaptors, air-conditioning systems, electrical switchboards, towers, IVRs, costs related to the digital broadcasting centre, licenses (such as CAS, HE, encryption software adaptation and full EPG), as well as those related to DTH coverage, transmission network, among others, the following elements must be supplied:
 - Gross purchase value.
 - Year of purchase.
 - Accumulated depreciation.
 - Depreciation for the financial year.
 - Useful life period.

- Cost of capital.
- Additions and write-offs for each financial year.
- Pseudo-departments and how allocation is made in the CAS (driver).
- Identification of the amount of costs associated to the referred subsidy and co-payment programmes, as well as revenues associated thereto and the way how revenues are considered in the CAS.

Operating costs

- Breakdown according to operating costs of each activity allocated to the DTT service in the CAS, namely customer- and network-oriented direct and joint activities.
- Duly substantiated details and supporting evidence of all operating costs registered for activities and sub-activities, with the mention of the respective allocation driver, taking into account, namely:
 - Costs of preventive maintenance of transmitters, power supply equipment and air conditioners.
 - Corrective maintenance costs.
 - Costs of contracts for maintenance of the Digital Broadcasting Centre.
 - Costs of transmitter HW repair contract.
 - Costs of existing transmission network occupation and the basis on which such costs were determined.
 - Costs of power consumption of equipment engaged to the DTT service.
 - Costs of the interior space and tower occupation engaged to the DTT service and the basis on which such costs were determined.
 - Costs of DTH coverage.
 - Costs of radio spectrum use.

- Staff costs, being clearly identified the number of collaborators directly assigned to the DTT service, broken down by class and by activity involved in this service (for example, commercial area, technical area, customer support and information systems), labour basic cost for each class and any assumptions related to the determination of staff costs, namely other collaborators that may also be related to other services, above elements being also identified in this case.
- Other relevant operating costs.

Others

- Information on the driver for allocation of common elements to different services, such as, for example, towers or other relevant elements.
- Detail of common costs, per value and nature, allocated to the DTT service.

After having requested the extension of the deadline for replying to the information request, which was granted, MEO supplied by letter of 29 April 2014 (and later by letter of 26 May 2014¹⁰) the requested elements.

Further to a first analysis of data submitted by MEO, it was found that additional clarifications were required, which were requested by fax dated 30 July 2014.

Later, and given that CAS results for 2013 were already available, and the demonstration of the DTT service results failed to be duly broken down, ANACOM requested such data by fax of 21 August 2014, which were submitted by MEO on 1 September 2014.

Having received the requested elements, revenues and costs of the DTT service provided by MEO were analysed, with a special focus on those for 2012, having been examined whether the annual price per channel charged by MEO exceeds costs, that is, whether it is excessive, according to the most recent available costs at the time (2013), in view of the decision on the reassessment of the DTT service price and the need for the analysis of the DTT service market, in the scope of which an obligation for cost-orientation of prices could typically be imposed.

¹⁰ Letter with reference 20426009.

3. Analysis

It was concluded from the investigation into the costs of the DTT service for **2010, 2011 and 2012** - vide **Annex 1** - that the information presented by MEO is in general duly substantiated, having CAS results for those years been already audited. As such, it is on costing data for the 2010 to 2012 period that the in-depth investigation focuses.

Costs for 2013¹¹ are practically similar to those of 2012, an increase by 1.6% having been found compared to 2012, reaching **[BCI]** **[ECI]** Euros¹². It is noted that an in-depth investigation to 2013 data has not been performed. Nevertheless, given that they are in some way compatible with 2012 data and that they are more recent, these costs have been used to assess whether charged prices are excessive.

Another relevant aspect concerns the accurate identification of revenues of the DTT service, taking into account that from 2010 to 2012 the simulcast period took place and that it is important, in a perspective of assessment of prices of the DTT service, bearing in mind its costs, to take only into consideration revenues arising from this service - see detail in **Annex 2**.

The information request sent to MEO by fax dated 28 March 2014 on DTT revenues and prices aimed also, among other aspects, to clarify the relation between the price per channel and the price per Mbps, this latter price having been estimated taking into account that all the MUX A capacity was being used (or reserved) by television operators.

In a perspective of cost-orientation of prices, and analysing only data resulting from the CAS for 2013¹³ (that is, even where negative margins of previous years were not considered), it is concluded that MEO's DTT service presents a negative margin amounting to **[BCI]** **[ECI]** Euros, that is, **[BCI]** **[ECI]** of costs.

However, an accurate analysis of the situation shows that not all MUX A capacity is occupied, and consequently spare capacity exists, the cost allocation of which (to television operators and/or MEO) must be duly weighted. This means that the price

¹¹ Also already audited.

¹² Values incorrectly allocated to the analogue terrestrial television (ATT) service have already been corrected in the value for 2012, and costs for 2013 take into account a higher number of installed DTT transmitters and the absence of synergies with the ATT service.

¹³ And taking into account a correct allocation of revenues to the respective year of service provision, according to **Table 39**.

per channel should not be assessed on the basis only of MEO's CAS cost, without taking also into account the total (occupied and spare) capacity.

On the basis of the cost of the DTT service in 2013 it is possible to estimate an annual value per Mbps, taking into account assumptions for calculating this price made by MEO in its proposal for the public tender for allocation of a RUF of a national scope for the provision of the DTT service. As such, by means of a ratio between that cost and the total average¹⁴ capacity (occupied by 100%) of MUX A transmitters, an annual value of [BCI] [ECI] Euro is obtained per Mbps. **As such, and also in a perspective of an annual analysis of costs, the price of 885,100 Euro per Mbps, determined in MEO's proposal (variant scenario), is not excessive compared to costs.**

Having been obtained the cost per Mbps, it must be examined, in the first place, what spare and occupied capacity exists in MUX A, and in the second place, how should the spare capacity be allocated (that is, to whom and which are the distribution criteria), so as to **evaluate whether the price charged by MEO per channel is excessive.**

3.1. Allocation of capacity

From data submitted by MEO¹⁵ and the information of the variant scenario and on the RUF¹⁶, as regards the capacity of MUX A, it appears that the occupation of DTT transmitters is as follows:

¹⁴ Average capacity per transmitter of 20.129 Mbps, resulting from the 227 transmitters in the Mainland with 19.91 Mbps of maximum capacity and 25 transmitters in the Autonomous Region of the Azores and Madeira with 22.12 Mbps of maximum capacity.

¹⁵ Namely, the letter with reference 20421186, of 29 April 2014, and respective annexes, which include agreements concluded with television operators.

¹⁶ Available at: <http://www.anacom.pt/render.jsp?contentId=764138>.

Table 1. Occupation of MUX A transmitters in the Mainland and in the Autonomous Regions

[BCI]

Headings	Capacity [Mbps]	
	Mainland	Autonomous Regions
TV channels (per channel¹⁷)		
<i>Video</i>		
<i>Audio & Audio Description</i>		
<i>Teletext</i>		
<i>EPG Table (average)</i>		
<i>PSI Table – per canal</i>		
<i>PSI Table - fixed</i>		
Interactive Services¹⁸	2.000	2.000
Canal Parlamento		
Remaining capacity (including guard band)		
Total <small>(n TV channels + Interactive Services + guard band and PSI/PSI Tables + Canal Parlamento + Remaining capacity)</small>	19.910	22.120

[ECI]

It directly follows from the preceding table that to television operators (RTP, SIC and TVI) must be allocated the capacity used by each one, under contracts for the provision of DTT service that were concluded (first line of the **Table** above). MEO must be allocated the capacity used to transmit the signal of the internal video network of the *Assembleia da República* - the Portuguese Parliament (*Canal Parlamento*)¹⁹, given that this capacity, in the scope of the management of the capacity available in MUX A, was commercially used by MEO, without prejudice to the nature of the referred *Canal Parlamento*.

As regards the capacity reserved for interactive services, it is noted that, although it was not specifically provided for in contracts concluded between MEO and television operators, under RUF No 6/2008²⁰, “*PTC is also required to ensure, where requested by television operators whose television programme services are specified in paragraph 1 [that is, RTP1, RTP2, SIC, TVI and the 5th channel], and as regards the latter, additional capacity for [...] any other interactive services*”. As such, this capacity is currently reserved by MEO and will remain as such - unless RUF No 6/2008 is amended, but this company may not dispose of it to operate any other

¹⁷ Five channels in the Mainland (RTP1, RTP2, SIC, TVI and the 5th channel) and six in the Autonomous Regions (to aforementioned channels are added RTP Açores and RTP Madeira in each of the Autonomous Regions)

¹⁸ Reserved under RUF ICP - ANACOM No 6/2008.

¹⁹ *Canal Parlamento* started to use capacity in MUX A (“*PTC only using part of the available spare capacity*”) and MEO was remunerated for that occupation.

²⁰ Clause 15, paragraph 6 b).

services. In other works, this capacity is intended to be directly allocated to television operators.

Consequently, the occupation of MUX A transmitters in the Mainland and in the Autonomous Regions is as follows:

Table 2. Occupation of MUX A transmitters in the Mainland and in the Autonomous Regions

[BCI]

Headings	Capacity [Mbps]	
	Mainland	Autonomous Regions
Each TV channel (and 5 th canal)		
<i>Canal Parlamento</i>		
Remaining capacity (including guard band)		
Total (n TV channels + <i>Canal Parlamento</i> + Remaining capacity)	19.910	22.120

[ECI]

As regards the capacity reserved for the 5th channel and for the shared HD channel²¹ (excluding the capacity used by the *Canal Parlamento*), the following must be taken into account:

- (a) The operation of MUX A is subject to a business risk factor and competitors (that is, MEO) could only accept the risk resulting from future or uncertain events.
- (b) As far as the 5th channel is concerned, MEO was aware of the risk that it could not be launched, which is evident from the proposal submitted to tender, where the launch of such new channel is identified as a factor of success.

It is recalled that following the launch of the public tender for the licensing of a general and national programme service, with a free and unrestricted access (the so-called “5th channel”) to be carried over MUX A, the *Entidade Reguladora para a Comunicação Social* (ERC) - the Regulatory Authority for the Media - determined the exclusion of the two candidates that stepped forward, ZON II and Telecinco, deeming that both failed to present the required legal and regulatory conditions. ERC’s determination to exclude both

²¹ As regards the expiry of the reservation of capacity for the shared HD channel, reference is made to point 2.2.3 of the final decision on prices charged by PT Comunicações S.A, in respect of encoding, multiplexing, transmission and broadcast of free unrestricted access TV channels over the DTT network (MUX A), available at: <http://www.anacom.pt/render.jsp?contentId=1217592> .

applications was challenged in court by both companies, however both withdrew their cases, decisions which in due time were approved by court.

Notwithstanding the extinction of the procedure concerning the licensing of the 5th channel, MEO remains required to reserve capacity in the DTT network, the solution for this issue being now dependant on a decision by the Government, and, as such, out of MEO's control.

In fact, it falls on the Government, under the Television Law, to launch by means of an administrative rule a public tender for the performance of television activity, where terrestrial spectrum is used, and consequently MEO is not entitled in the mean time to freely dispose of the reserved capacity (according to articles 13, paragraph 1 a) and 15, paragraph 1, 2nd part, of the Television Law - Law No 27/2007 of 30.07, as amended and republished by Law No 40/2014 of 09.07).

- (c) As regards the spare capacity out of the scope of compulsory capacity reservations, the holder of MUX A frequencies is free to use the remaining capacity for the provision of other electronic communications services, under applicable law²². As such, MEO may provide any other service technically compatible with the network concerned, including the commercial provision of services to third parties and the engagement of this capacity to internal needs of its own group²³.

MEO has already done this by using part of the spare capacity so as to make the *Canal Parlamento* available over the DTT network and by obtaining the respective remuneration for the provision of this additional service (on a non-permanent broadcasting basis). That is, MEO started to use part of the spare MUX A capacity and to be paid for this use.

- (d) However, it is acknowledged that making the *Canal Parlamento* available over the DTT network is an atypical situation²⁴ and that the inclusion of new channels in MUX A does not depend exclusively on MEO's control. Channels

²² Cfr. paragraph 4 of Resolution of the Council of Ministers No 12/2008, of 22 January, and clause No 6, paragraph 2, of RUF ICP - ANACOM No 6/2008.

²³ Though constrained by its unidirectionality, MUX A is technically apt for uses other than those for which it is intended under article 1, paragraph 1 of the Tender Regulation, namely "*the broadcast of television programme services with unconditional free access*". Among other purposes, the remaining capacity of MUX A may be used for the provision of radio broadcasting services, television channel complementary data services and data services independent of TV programmes.

²⁴ Which involved the amendment of Law No 6/97, of 1 March (by Law No 36/2012, of 27 August), which authorizes the broadcast of parliamentary work over public and private cable TV networks, to allow its provision over the digital terrestrial television.

may only be broadcasted over the DTT network where they are duly qualified for the purpose. This is, nonetheless, a frequent legal obstacle in commercial relations concerning activities that require licensing/administrative authorization.

On the one hand, ERC's current interpretation²⁵ is to deem as permissible the broadcasting on MUX A of channels of the public television operator which are no longer transmitted on this platform (as ERC believes that public service concession contracts entitle the carrying and broadcasting of such programme services on the DTT network), and, on the other hand, nothing prevents operators of other channels intended to be broadcasted on MUX A to take steps required for the purpose with ANACOM and/or ERC. In fact, this has already been the case, as is already public knowledge, and has led to the launch of a public consultation on the occupation of MUX A and on DTT evolution in the longer run²⁶.

- (e) It is recalled that the number of television operators interested in DTT resulted in a capacity that exceeded the capacity available in MUX A, and as such this consultation intended, among other aspects, to identify the most reasonable and non-discriminatory way to grant access to possible stakeholders.

In this context, and although at technical level available capacity exists, the present reality of differences of interpretations on applicable rules, the public consultation undertaken in this scope and competition concerns associated to MEO's unilateral decision to conclude with any potential operator a contract for the use of that capacity, makes, in practise, the use of this capacity dependent today also of a political option.

- (f) In addition, in the framework of a regulatory intervention in the scope of prices charged for DTT services, ANACOM must take into consideration the economic and financial profitability and sustainability of the DTT platform.
- (g) It must also be taken into account that it is ANACOM's duty and responsibility to encourage an efficient use and to ensure an effective management of frequencies²⁷, falling on this Authority to create incentives for an optimal and

²⁵ *Vide* point 1.1.5. of the public consultation jointly carried out by ANACOM and ERC on DTT evolution, available at <http://www.anacom.pt/render.jsp?contentId=1212616>.

²⁶ *Vide* also in this regard the public consultation mentioned in the previous footnote.

²⁷ Articles 5, paragraph 2 d), and 15, paragraphs 1 and 2 c), of the Electronic Communications Law (ECL) - Law No 5/2004, of 10 February, as amended and republished by Law No 51/2011, of 13 September, and subject to subsequent amendments; article 8, paragraph 1 e) of ANACOM's Statutes, approved by Decree-Law No 39/2015, of 16 March.

efficient use of MUX A frequencies, contributing, within the scope of its remit, *to ensuring the implementation of policies aimed at the promotion of cultural and linguistic diversity, as well as pluralism, in particular in respect of the media*²⁸ (without prejudice to compliance with legal requirements for the broadcasting of television channels using spectrum).

- (h) Moreover, it seems obvious that in case MEO was always paid the maximum amount that ensures the desired level of revenues (specified in its tender proposal in the variant scenario), transferring to television operators that currently use MUX A capacity all MUX A-related costs, regardless of whether such operators use all that capacity, then MEO would have no incentives to maximize the use of MUX A capacity.

In brief, when weighing risks behind the business, it must be taken into due account the fact that, on the one hand, the inclusion of new channels on MUX A does not depend exclusively on MEO and, on the other hand, in the scope of a regulatory intervention on DTT service prices, which must be based on principles of equity and proportionality, ANACOM is bound to ensure, to the extent possible, the profitability and sustainability of the DTT network and, at the same time, to encourage an efficient use of frequencies, which is achieved by maximising the occupation of MUX A capacity.

Having weighted arguments and objectives, it is deemed that costs related to MUX A spare capacity (including capacity for the 5th channel) must be shared between MEO and television operators/channels.

Among the various possibilities for the distribution of costs related to this capacity, it is deemed that the most fair and reasonable solution, taking into account arguments put forward earlier, is to allocate 2/3 of costs to the supply side (MEO) and remaining 1/3 to the demand side (television operators). That is, the business risk is allocated to supply to a greater extent than to demand, given that the operator providing the service should have taken it into account, and in a perspective of efficiency in the use of spectrum, such operator must seek to maximise the use of available spectrum in MUX A, while it is not ignored that such use does not depend exclusively on that operator.

²⁸ Vide article 5, paragraph 9, of ECL.

In practise, this corresponds to the allocation to each television operator/channel currently operating DTT between 6.7% and 8.3% of the spare capacity²⁹, the remaining 2/3 of that capacity being allocated to MEO.

The following allocation of capacity thus follows:

Table 3. Allocation of capacity of MUX A transmitters to MEO and to television operators/channels

[BCI]

Headings	Capacity [Mbps]	
	Mainland	Autonomous Regions
Each TV channel		
MEO		
Total	19.910	22.120

[ECI]

3.2. Estimated costs per television operator/channel

By applying the annual cost per Mbps estimated for 2013 on the basis of CAS results, and taking into account the capacity allocated in accordance with **Table 3**, the following costs allocated to television operators/channels and MEO are estimated:

Table 4. Costs allocated to television operators and MEO taking into account the capacity allocated in accordance with **Table 3** and annual cost per Mbps estimated for 2013 on the basis of CAS results

[BCI]

Operators/Channels	Costs
RTP1	
RTP2	
RTP-A+RTP-M	
SIC	
TVI	
MEO	
Total	

Values in thousand Euros

[ECI]

The cost per television operator/channel thus obtained (that is, taking into account the current state of occupation of MUX A and costs for 2013 without taking into

²⁹ 6.7% of the capacity used in the Autonomous Regions and 8.3% of the capacity used in the Mainland.

account negative margins of previous years) exceeds the price currently charged by MEO to television operators.

As such, in the current situation (that is, taking into account the current state of occupation of MUX A and costs for 2013 without taking into account negative margins of previous years), only in scenarios where more than 80% of such costs were allocated to MEO would the price currently charged exceed cost. Consequently, in a context of uncertainty as to the accurate definition of cost allocation of spare capacity, there is no doubt that a price intervention is not justified at this time.

It is thus concluded that the price currently charged by MEO to television operators is cost-oriented, taking into account the cost estimated for 2013 and the adopted capacity allocation, and as such, there are no grounds for an intervention on the part of ANACOM in the scope of DTT prices.

In other words, excessive prices are not being currently charged, an assumption which could lead ANACOM to conclude that obvious signs of a violation of competition law or of any other legal provision exist, as a result of which contracts concluded would be non-existent or invalid.

In case the starting point was deemed to be, not the annual cost per Mbps estimated for 2013, but the annual price of 885,100€ per Mbps specified in the (variant) proposal presented by MEO in the scope of the public tender for allocation of a right of use for frequencies of a national scope for the provision of the DTT service, prices per channel, taking into account the capacity allocated in accordance with **Table 3**, would be as follows:

Table 5. Costs allocated to television operators and MEO taking into account the capacity allocated in accordance with **Table 3** and annual price of 885,100€ per Mbps

[BCI]

Operators/Channels	Costs
RTP1	
RTP2	
RTP-A+RTP-M	
SIC	
TVI	
MEO	
Total	

Values in thousand Euros

[ECI]

In this case, **the price currently charged to television operators exceeds very slightly (by around 1%) the price resulting from MEO's tender proposal.** Without prejudice, it must be referred that in a perspective of cost-orientation of prices, the conditions concerning MEO's tender proposal, namely the price, cease to be an appropriate reference.

The conclusions of the previous section are valid taking into account the current market situation, in terms of the number of active television operators, of costs, and of the existing spare capacity, and for as long as no changes occur as regards the spare capacity.

In this scope, reference must be made to the public consultation report drawn up by ANACOM and by ERC in 2014, on DTT evolution³⁰.

As such, prices charged to television operators may require a cut, in a perspective of cost-orientation of prices, as spare capacity of MUX A is occupied or costs decrease, in the light of price analysis methodologies deemed to be more appropriate to be taken into consideration in a future decision, bearing in mind that the principle of cost-orientation of prices may only be imposed further to a market analysis.

3.3. Conclusion

It may be concluded from the analysis carried out that:

- (a) At present , according to available information, excessive prices are not being charged - an assumption which could lead ANACOM to conclude that obvious signs of a violation of competition law or of any other legal provision exist, as a result of which contracts concluded would be non-existent or invalid - nor public interest grounds exist which would justify ANACOM's intervention in the scope of the review of contracts concluded between ANACOM and television operators, an intervention via article 43, paragraph 3, of ECL, not being as such deemed to be justified;
- (b) The price currently charged by MEO to television operators is compatible with the principle of cost-orientation of prices, taking into account the estimated costs for 2013 and the allocation of costs of spare capacity in MUX A to MEO and television operators/channels in the proportion of 2/3 to supply and 1/3 to

³⁰ Available at: <http://www.anacom.pt/render.jsp?contentId=1309614>.

demand, and without taking into account negative margins incurred in between 2010 and 2012;

- (c) The price currently charged by MEO to television operators is compatible with the annual price of 885,100€ per Mbps specified in the (variant) proposal presented by MEO in the scope of the public tender for allocation of a right of use for frequencies of a national scope for the provision of the DTT service (there is a difference by around 1%, which is not sufficient for the clear conclusion to be drawn that the price is excessive, taking into account assumptions made and that reference), bearing in mind the allocation of costs of spare capacity in MUX A pursuant to the preceding paragraph;
- (d) Prices charged to television operators may require a cut, in a perspective of cost-orientation of prices, as spare capacity of MUX A is occupied or costs decrease, in the light of margins incurred in between 2010 and 2012, bearing in mind that the principle of cost-orientation of prices may only be imposed further to a market analysis.

4. Decision

Whereas:

- (a) From the in-depth investigation into the costs of the DTT service provided by MEO, and without prejudice to some *ad hoc* doubts that still remain on some specific issues, which however do not affect the direction of this decision, it was concluded that the information presented by MEO on costing data for the DTT service for 2010, 2011 and 2012 is in general duly substantiated, having CAS results for those years been already audited.
- (b) Costs for 2013, which have also been audited, but not analysed in detail in this document, show an increase by 6.5% compared to costs for 2012.
- (c) Costs of the DTT service vary from year to year, mainly as a result of changes in fixed assets, both due to additional investments which obviously lead to an increase of costs and to the reduction of the net value of fixed assets, which entails a reduction of the cost of capital, and taking also into account past investments which are being fully depreciated, there are grounds for assessing on an annual basis the need for reviewing the price that MEO charges television operators for the DTT service.

- (d) In a perspective of evaluation of (cost-oriented) prices, it is necessary to take into account the spare capacity in MUX A, the cost allocation of which (to television operators and/or MEO) must be duly weighted.
- (e) When weighing risks behind the business, it must be taken into due account the fact that, on the one hand, the inclusion of new channels in MUX A does not depend exclusively on MEO and, on the other hand, in the scope of a regulatory intervention on DTT service prices, which must be based on principles of equity and proportionality, ANACOM is bound to ensure, to the extent possible, the profitability and sustainability of the DTT network and, at the same time, to encourage an efficient use of frequencies, which is achieved by maximising the occupation of capacity on MUX A.
- (f) Having weighted arguments and objectives, it is deemed that costs related to spare capacity in MUX A must be shared between MEO and television operators/channels. It is deemed that the most fair and reasonable solution, in the context of this determination, is to allocate 2/3 of capacity to the supply side (MEO) and remaining 1/3 to the demand side (television operators).
- (g) The price currently charged by MEO to television operators is not excessive, and is cost-oriented, taking into account the estimated costs for 2013 and the above-mentioned allocation of spare capacity in MUX A.
- (h) Prices charged to television operators may require a cut, in a perspective of cost-orientation of prices, as spare capacity of MUX A is occupied or costs decrease, in the light of price analysis methodologies deemed to be more appropriate to be taken into consideration in a future decision, bearing in mind that the principle of cost-orientation of prices may only be imposed further to a market analysis.
- (i) According to point 2.3 of ANACOM's determination of 14 March 2014, it is incumbent on ANACOM to decide when it is timely and convenient to launch the definition and analysis of the market within which the DTT service is included, the present analysis, pursuant to determination of 2 May 2014, serving also as an input for such market analysis;
- (j) By decision of 22 July 2015, ANACOM approved a draft decision on the conclusions of an in-depth investigation into the costs and revenues of the DTT service provided by MEO, having been decided to submit this DD to the prior hearing of stakeholders, pursuant to articles 100 *et seq* of the former Administrative Procedure Code, approved by Decree-Law No 442/91, of 15

November (applicable *ex vi* article 8 of Decree-Law No 4/2015, of 7 January, which approves the new Administrative Procedure Code), as well as to the general consultation procedure laid down in article 8 of ECL, stakeholders having been granted in both cases a period of 30 days to assess the matter³¹. Comments received, the respective analysis and reasoning of the decision have been included in the “Report of the prior hearing and public consultation on the in-depth investigation into the costs and revenues of the DTT service provided by MEO”, which is deemed to be an integral part of this determination,

ANACOM’s Management Board, in pursuing the tasks assigned and exercising the powers granted, respectively under points b) and e) of paragraph 1 of article 8 and in points g), i) and n) of paragraph 1 of article 9, both of ANACOM’s Statutes, approved by Decree-Law No 39/2015, of 16 March, and also in pursuing regulatory objectives set out in point a) of paragraph 1, point d) of paragraph 2 and in points a) and b) of paragraph 5, all of article 5 of Law No 5/2004, of 10 February, as amended and republished by Law No 51/2011, of 13 September, and subject to subsequent amendments (Electronic Communications Law - ECL), and taking into account competences provided for in articles 43, paragraph 3, and 56 of the same Law, hereby determines:

1. To close the in-depth analysis into the costs of the DTT service provided by MEO, concluding that costs presented in the CAS for that service do not give rise to reservations.
2. To conclude that the price currently charged by MEO to television operators is not excessive, taking into account costs for 2013.
3. To recommend MEO that, without prejudice to the results of an analysis to the market within which the DTT service is included, it assesses prices charged on its own initiative, in case spare capacity in MUX A is occupied or costs change to an amount that justifies a reduction of prices.

³¹ By order of the Chairman of ANACOM’s Management Board, of 31 August 2015, approval was granted to MEO’s request for the extension, by 10 working days, of the deadline for commenting the prior hearing and general consultation procedure to the DD on DTT costs.

Annex 1. Analysis of costs in 2010, 2011 and 2012

MEO starts by acknowledging³² that, as a result of the detail associated to the request for information made by ANACOM on 28 March 2014, it detected some inconsistencies in the CAS information for the DTT product.

Specifically, MEO refers that it found some investment items made in the scope of the provision of the DTT service which failed to be assigned to this product (for example, investments in transmitters and relays, which were engaged to the ATT - analogue terrestrial television - service, as well as marketing and customer service investments). MEO further refers that costs with the Head-End maintenance contract and with the DTH complementary coverage have not been included as part of DTT costs, a situation which must also be corrected. However, MEO informs that this correction, due to its complex nature, will only be made when costs for 2013 are drawn up.

MEO adds that, as there were relevant synergies arising from the simultaneous provision of the ATT and DTT services up to the ATT switch-off (which occurred on 26.04.2012), it believes that costs for 2013 will surely reflect in a more assertive way the costs allocated to the DTT service.

1. Investment costs

(a) Information on the whole of fixed assets (tangible and intangible)

According to MEO, in the scope of the CAS, costs concerning fixed assets were allocated to the DTT service in two different ways, taking into account the establishment of roughly clear correlations between identified costs and the costing object, fixed assets of the DTT product being classified as:

- Specific goods allocated directly to the DTT product

Values of specific fixed assets identified by MEO and engaged to the DTT service are summarised in **Table 27**, **Table 28** and **Table 29**³³, in **Appendix 1**, having MEO submitted an electronic file with detailed information.

³² Letter dated 29 April 2014 with reference 20421186.

³³ Respectively for 2012, 2011 and 2010.

- Goods allocated to the DTT product via allocation driver

As regards this second category of fixed asset costs (goods allocated to the DTT product via allocation driver), MEO presented **Table 33** (in **Appendix 1**), which identifies the value of depreciations and the cost of capital allocated to the DTT products, as well as the identification of the respective pseudo-department or pool of costs, as well as the allocation driver.

MEO further refers that there is a set of fixed asset costs that are engaged to the DTT product through the allocation of other activities, namely those associated to drivers concerning staff or activities allocated to a set of other activities (recursive), which have not been discriminated. According to MEO, this option does not call into question at all the intended analysis, given the low representativeness of these costs, as well as their high scattering in MEO's CAS at the level of resources and activities.

In addition to fixed assets identified earlier, and which, according to MEO, were duly allocated to the DTT service in the scope of CAS, MEO identifies a set of specific investments which were incorrectly allocated to the ATT product, and which should have been allocated to the DTT product, which were summarized in **Table 30**, **Table 31** and **Table 32**³⁴, in **Appendix 1** (detailed information for identified goods were also sent in an electronic file by MEO).

In brief, the total of depreciations and cost of capital of the DTT service, for 2010, 2011 and 2012, identified by MEO in the electronic file submitted, is as follows:

³⁴ Idem.

Table 6. Total depreciation and cost of capital of the DTT service

[BCI]

Designation	2012		2011		2010	
	Deprec. financial year	Cost of capital	Deprec. financial year	Cost of capital	Deprec. financial year	Cost of capital
Analysed values						
<i>Specific goods (properly allocated)</i>						
<i>Goods allocated via allocation driver</i>						
<i>Others associated to staff drivers or to activities allocated to other activities</i>						
Total analysed DTT service						
Investments incorrectly allocated to ATT, to be accounted for as part of DTT						
Total DTT service						

Values in Euros

[ECI]

(b) Costs and revenues associated to subsidy and co-payment programmes, and the way they are considered in the CAS

According to MEO, amounts allocated under subsidy and DTH co-payment programmes are considered as investment, and registered, at accounting level, as fixed assets. Consequently, MEO informs that CAS results include the annual cost with depreciations and cost of capital for these programmes.

According to MEO, the total value assigned between 2011 and 2013 amounted to 3.5 million Euros, with the following breakdown³⁵:

³⁵ As submitted to ANACOM in the scope of the information submitted to check the implementation of subsidy and DTH co-payment programmes.

Table 7. Values assigned under the Subsidy Programme (ended on 26.04.2013) and DTH Co-Payment Programme (in force up to 09.12.2023)

[BCI]

Programme	2011	2012	2013	TOTAL
Subsidy Programme				718,309
Subsidy programme for the purchase of DTT and DTH decoders by citizens with special needs, disadvantaged population groups and institutions of proven social value				331,569
<i>Citizens with a degree of disability of at least 60%</i>				
<i>Beneficiaries of social assistance ("rendimento social de inserção")</i>				
<i>Retired people and pensioners with a monthly income of under 500€</i>				
<i>Institutions of proven social value</i>				
Additional subsidy for adapting installation for digital signal reception, via DTT or DTH				386,740
<i>Elderly people in a situation of social isolation referred to by ISS</i>				
Co-payment Programme of installation and equipment in DTH areas				2,748,793
<i>Co-payment Complementary DTT a priori (estimate)</i>				
<i>Co-payment Complementary DTT paid a posteriori</i>				
Total				3,467,102

Values in Euros

[ECI]

According to MEO, total values registered in general accounting and that are reflected in the DTT product in the CAS are shown in the table below, having been detected negligible differences (0.2%) between values presented above and those included in MEO's CAS for 2011 and 2012, but which, nonetheless, in its view, do not misrepresent the reality intended to be portrayed.

Table 8. Values presented in MEO's CAS (fixed assets for each year) for the Subsidy Programme and DTH Co-Payment Programme

[BCI]

Programme	2011	2012
Subsidy Programme Subsidy programme for the purchase of DTT and DTH decoders by citizens with special needs, disadvantaged population groups and institutions of proven social value ³⁶ Additional subsidy for adapting installation for digital signal reception, via DTT or DTH ³⁷		
Co-payment Programme of installation and equipment in DTH areas Co-payment Complementary DTT <i>a priori</i> (estimate) ³⁸ Co-payment Complementary DTT paid <i>a posteriori</i> ³⁹		
Total		

Values in Euros

[ECI]

Still according to MEO, both revenues of terminal equipment sold to final users, and respective costs of such equipment (known as cost of sales) whether or not they have been subsidized, are not engaged to the DTT service, but to the equipment sales product.

This means that the DTT product only covers amounts assigned under subsidy and DTH co-payment programmes, which are considered by MEO as investments made in the scope of DTT, and registered, at accounting level, as associated fixed assets.

After ANACOM enquired as to why MEO considered such costs to be investment costs and not operating costs, and which depreciation rules, including useful life periods, applied, MEO clarified that:

- (a) Taking into account the provision laid down in the accounting and financial report standard (NCRF 6)⁴⁰, the overall amount of commitments undertaken in the scope of rights of use for DTT frequencies⁴¹ were registered in financial statements as an intangible asset;

³⁶ Fixed asset designation: DTT – Special needs.

³⁷ Fixed asset designation: DTT – Social isolation.

³⁸ Fixed asset designation: DTT – Co-payment STB.

³⁹ Fixed asset designation: DTT – Co-payment DTH.

⁴⁰ Official Gazette, Series II - No. 173 - 7 September 2009.

⁴¹ Commitments which, according to MEO, integrate RUF ICP - ANACOM No 6/2008, pursuant to: (a) article 32, paragraph 1 g), of Law No 5/2004, of 10 February, (b) article 21, paragraph 1, of the Tender Regulation, (c) paragraph 1 h) of article 12 of the qualifying document and (d) article 17 of the qualifying document.

- (b) This intangible asset is being amortised by MEO on the basis of the straight-line method, over a 30-year depreciation period, which was defined taking into account the provision in NCRF 6, namely point 93 thereof.

2. Operating costs

- (a) **Breakdown of each of the activities (direct and joint customer-oriented and network-oriented activities) allocated to the DTT product, per operating cost**

MEO submitted an electronic file with the breakdown of each basic activity for the various operating, depreciation and capital costs.

MEO further refers that, in the light of synergies which arose due to the simultaneous provision of ATT and DTT, it opted for including in the conveyed information the breakdown of costs for the ADD service, per activity, for years under analysis (2010, 2011 and 2012).

Operating costs for the ATT service amounted, in 2012 to [BCI] [ECI] Euros (plus [BCI] [ECI] Euros for depreciations and [BCI] [ECI] Euros for cost of capital).

- (b) **Detail and supporting evidence, duly reasoned, of all operating costs registered in activities and sub-activities, with the mention of the respective allocation driver, taking into account costs with:**

B1. Preventive maintenance of transmitters, power supply equipment and air conditioners and corrective maintenance

According to MEO, these costs were assigned to DTT on the basis of the hour report presented in the staff cost item.

B2. Contracts for maintenance of the Digital Broadcasting Centre and transmitter HW repair contract

MEO refers that, by mistake, costs with the contract for Head-End maintenance were not assigned to the DTT service. This was due to the fact, according to MEO, that the company bore an annual cost of [BCI] [ECI] Euros with the Novabase for the maintenance of all Head-end and not only DTT Head-End. The DTT service should be considered [BCI] [ECI] of that value, that is, it entailed an annual cost of [BCI] [ECI] Euros.

MEO further informs that costs it bears with the repair of broadcasting and power equipment exclusively engaged to the DTT service, amount to **[BCI]** **[ECI]** Euros for 2010, 2011 and 2012, being broken down in the information included in the electronic file.

B3. Occupation of the existing transmission system and basis on which costs were determined

MEO refers that costs with the transmission system of the DTT product are registered in the “L-Interconnection Network” activity, having submitted in an electronic file the detail by cost nature of the full operating costs assigned to this activity. These operating costs amounted, in 2012, to **[BCI]** **[ECI]** Euros.

According to MEO, just like in the case of fixed assets of the interconnection network (fibre-optic, DWDM equipment, pipelines, multiplexing equipment, masts, cables and power equipment), these costs are allocated to the DTT product via an activity driver, which, for most cost components, is based on a circuit pool and/or use of equivalent circuits.

B4. Energy consumption of equipment assigned to DTT and occupation of interior space and tower space assigned to DTT service and assumptions associated to their determination

MEO presented costs with buildings engaged to the DTT product in 2012, according to the table below, having costs identified as corresponding to organisational departments been engaged to DTT on the basis of the hour report presented in the staff cost item:

Table 9. Costs with buildings engaged to the DTT product in 2012

[BCI]

Costs assigned to buildings	Depreciations	Cost of capital	Operating costs	Total	Weight
Buildings – Pseudo 19TDT					81%
Organisational departments					11%
Pseudo 21EA and 19 EA					3%
Others					5%
Total					100%

Detail of pseudo 19TDT	Depreciations	Cost of capital	Operating costs	Total
Electricity				
Water				
Rents				
Maintenance and repairs				
Surveillance and security				
Cleaning up services				
Insurance				
Taxes				
Others				
Total				

Values in Euros

[ECI]

These values are detailed in electronic format, including detail for 2012, 2011 and 2010⁴².

Further to a request for clarification made by ANACOM on the meaning of “organisational departments” and “Pseudo 21 EA and 19 EA”, MEO referred that, as the classification of fixed asset goods made by general accounting fails to meet the totality of needs of MEO’s CAS, “Pseudo-Departments” were created⁴³.

⁴² MEO adds that, in addition to values mentioned above, it bears also a monthly cost of **[BCI]** **[ECI]** Euros for the MEO concerning the occupation of space and consumption of energy by DTT equipment placed in MEO sites.

⁴³ The main purpose of these Pseudo-Departments, according to MEO, is to aggregate fixed asset goods with similar characteristics, so as to allow the allocation of its costs to activities and/or products, via appropriate assignment drivers, being treated within the CAS structure just like a department.

Costs of buildings engaged to the DTT service arise, according to MEO, mainly from four sets of departments:

- (a) Pseudo 19 DTT – which includes all fixed assets associated to buildings, for the specific use of the DTT service;
- (b) Organisational departments - building costs that are allocated to the various products and services according to the contribution of these departments for their provision, including the DTT service, the allocation driver being achieved through staff reports;
- (c) Pseudo 19EA - incorporates fixed asset goods associated to Automatic Stations (EA);
- (d) Pseudo 21EA - incorporates fixed asset goods associated to air conditioners (EA).

According to MEO, the rationale underlying the assignment of costs to activities consuming these resources is based on their investment values obtained on the basis of gross fixed assets and respective cost relation for each of their origin resources/fixed-assets accounts.

B5. DTH complementary coverage

According to MEO, costs with DTH complementary coverage, namely investments in the NAGRA platform and Head-End licenses (of the Head-End, per STB, and Quative, per customer), as well as annual O&M hardware costs and licenses which were not assigned to the DTT service, but to MEO SAT.

B6. Use of radio spectrum

According to MEO, in 2010 and 2011, an annual cost of 180 thousand Euros was borne with DTT radio fees. In 2012, the value amounted, according to MEO, to 285 thousand Euros, having the fee for rights of use for frequencies, amounting to 75 thousand Euros, been incorrectly accounted for as ATT⁴⁴.

B7. Staff, with identification of the number of collaborators directly engaged with DTT, broken down by class and activity involved in this service (for example, commercial

⁴⁴ MEO presented an electronic file with details of values allocated to the DTT and ATT products.

area, technical area, customer support and SI), staff basic cost for each class and other assumptions associated to the determination of staff costs

MEO presented an electronic file with details of costs of staff engaged with the DTT and ATT service, as well as a breakdown of all costs allocated to these products, on the basis of an allocation driver performed based on the CAS time report.

The following summary table was also presented on costs of staff engaged with the DTT service, for 2010, 2011 and 2012, on the basis of the CAS time report.

Table 10. Costs of staff assigned to the DTT service, in 2010, 2011 and 2012

[BCI]

Areas	2012		2011		2010	
	#FTE	Annual cost	#FTE	Annual cost	#FTE	Annual cost
Technical area						
Commercial area and customer support						
Regulation and support						
Total directly assigned to TDT						
Other activities						
Total						

Values in Euros

Detail according to nature of cost of DTT-specific activities	2012 Annual cost	2011 Annual cost	2010 Annual cost
1 – Remunerations			
2 – Social contributions			
3 – Others			
4 – Running P&S			
5 – Investments			
Total [1]+[2]+[3]+[4]+[5]			

Values in Euros a

[ECI]

B8. Other components

MEO submitted an electronic file with the description of other operating costs, indicating also drivers that were used to allocate these costs to DTT and ATT products.

(c) Common costs

C1. Driver for the allocation of common elements (for example, towers or other relevant elements) to the various services

MEO submitted an electronic file with drivers for the allocation to DTT and ATT products of other operating costs that were not referred in the preceding paragraph, most of which are common elements to various costing objects of CAS.

C2. Detail of common costs, per value and nature, allocated to the DTT service

MEO refers that, in the scope of CAS, common costs, by their nature, are distributed among the various products and services according to a single rule, which is the proportionality to direct and joint costs, excluding cost of capital.

MEO stresses that the basis of distribution of common costs excludes costs that do not integrate the productive process of the company, which is constituted by direct and joint activities, borne by definition by common costs. In this sense, according to MEO, costs concerning sub-contracts, goods sold and financial contributions, among others, are excluded.

According to MEO, these common costs have two different natures, namely:

- (a) The so-called “business activities”, due to the absence of an appropriate driver for their allocation to products, and which are basically supporting activities;
- (b) Resources allocated to the “common” activity via accounts that, by their nature (such as the remuneration of governing bodies) or the lack of appropriate allocation drivers, are *a priori* classified as common, and also remaining values from pools which were not allocated to activities or products, due to the non-existence of specific drivers.

All this information, as well as the breakdown of the whole of common costs, has been provided, according to MEO, in the addition information (point 1h) made available to ANACOM in the scope of annual results of its CAS.

MEO illustrated, in the table below, the low weight of common costs in the whole of DTT and ATT services, compared to the whole of common costs considered in its CAS, for each of the years under analysis (2012, 2011 and 2012).

Table 11. Common costs

[BCI]

Year	Total CAS	DTT	Weight %	ATT	Weight %	DTT+ATT	Weight %
2012							
2011							
2010							

Values in Euros

[ECI]

3. Comparison with MEO's CAS data

Elements concerning DTT costs submitted by MEO on 29 April 2014 are comparable, as a whole, with data already available in MEO's CAS, notwithstanding the fact that data now received present a higher degree of detail than data available through the CAS.

Table 12. Costs of the DTT service in 2012

[BCI]

COSTS	2012
TOTAL COSTS	
Total direct and joint costs	
Total direct costs	
Direct costs of products and services	
Direct costs of customer-oriented activities	
Direct costs of network-oriented activities	
Total joint costs	
Joint cost of customer-oriented activities	
Joint cost of network-oriented activities	
Total common costs	

Values in Euros

[ECI]

In the information submitted, and in reply to ANACOM's request, MEO presents CAS profit and loss accounts, breaking down the various direct and joint costs in depreciations, cost of capital and operating costs. This information is in line with MEO's (more aggregated) CAS data.

Table 13. Costs of the DTT service in 2012– details of depreciations, cost of capital, operating costs and common costs

[BCI]

COSTS	2012			
	Depreciations	Cost of capital	Operating costs	Total
TOTAL COSTS				
Total direct and joint costs				
Total direct costs				
of products and services				
of customer-oriented activities				
of network-oriented activities				
Total joint costs				
of customer-oriented activities				
of network-oriented activities				
Total common costs				

Values in Euros

[ECI]

Most costs (in specific, [BCI] [ECI]) concerning fixed asset goods (depreciation for the financial year and cost of capital) are direct costs. As regards operating costs, a significant part ([BCI] [ECI]) is also direct costs. In the total of costs, common costs represent only [BCI] [ECI].

From the analysis of DTT costs concerning fixed assets, using MEO's classification (of specific goods allocated directly to the DTT product and goods allocated via driver) and operating costs, it may be concluded that fixed asset goods contribute with around [BCI] [ECI] of costs, plus operating costs, which represent [BCI] [ECI] of total costs, and common costs (with a weight by [BCI] [ECI] of total costs).

Table 14. Costs of the DTT service in 2012 – costs of fixed assets

[BCI]

COSTS	2012			Percentage of total costs
	Depreciation for the financial year	Cost of capital	Total	
COSTS				
Costs of fixed assets				
Specific goods (properly allocated)				
Goods allocated to the DTT product via driver				
Others associated to staff drivers or to activities allocated to other activities				

Values in Euros

[ECI]

Table 15. Costs of the DTT service in 2012 – operating costs

[IIC]

COSTS	2012	Percentage of total costs
COSTS		
Operating costs		
Direct costs		
Joint costs		

Values in Euros

[ECI]

Although fixed asset costs broken down according to the classification presented by MEO do not allow a direct analogy with the various CAS items, the data submitted by MEO correspond in general to total CAS data.

It is further noted that, following ANACOM's request for information, MEO detected some inconsistencies in the information included in CAS for the DTT service. As such, MEO identified some investment items that were made in the scope of the provision of the DTT service which failed to be assigned to this product (rather to ATT). MEO informs that this correction, due to its complex nature, will only be made when costs for 2013 are drawn up. This aspect must be taken in due account in comparisons and analyses that are made on the basis of CAS income statements for the DTT product, specifically in the context of the cost-orientation of prices relevant for this exercise.

The information now submitted by MEO shows a summary of values concerning specific investments (fixed assets) that were incorrectly allocated to ATT, and which should have been assigned to DTT. In the case of 2012, these “additional” costs amount to around **[BCI]** **[ECI]** Euros.

MEO further refers that costs with the contract for Head-End maintenance were not assigned to the DTT service, which represents an annual increase of operating costs by **[BCI]** **[ECI]** Euros.

Consequently, to total costs of the DTT service for 2012 presented by MEO (in the CAS) around **[BCI]** **[ECI]** Euros must be added, which represents an increase by around 4.8% of total costs already presented.

4. Identification of items with higher costs

Analysing costs for 2012, it can be observed that the heavier costs, in the whole of costs (**[BCI]** **[ECI]**), correspond to “direct costs of network-oriented activities”, and that, among them, the most significant costs are those related to “specific telecommunication equipment/networks”, representing **[BCI]** **[ECI]** of total costs.

Table 16. Costs of the DTT service in 2012

[BCI]

COSTS	2012	Percentage of total costs
TOTAL COSTS		
Total direct and joint costs		
Total direct costs		
Direct costs of products and services		
Direct costs of customer-oriented activities		
Direct costs of network-oriented activities		
<i>Specific telecommunication equipment/networks</i>		
<i>Others</i>		
Total joint costs		
Joint cost of customer-oriented activities		
Joint cost of network-oriented activities		
Total common costs		

Values in Euros

[ECI]

Breaking down costs related to “specific telecommunication equipment/networks”, it is observed that the main component of these costs concerns DTT equipment (vide **Table 17**) which represent around **[BCI]** **[ECI]** of total costs, the second most relevant item being staff costs (with a weight by **[BCI]** **[ECI]** of total costs).

Table 17. Costs of the DTT service in 2012 – direct costs of “specific telecommunication equipment/networks”

[BCI]

COSTS	2012	Percentage of costs
Specific telecommunication equipment/networks		
Broadcasting equipment - DTT		
Staff costs		
Others		

Values in Euros

[ECI]

A broken-down analysis of costs related to the “Broadcasting equipment - DTT” item shows that costs with transmitters are the heaviest (**[BCI]** **[ECI]**), followed by costs with electricity infrastructures (**[BCI]** **[ECI]**).

Table 18. Costs of the DTT service in 2012 – direct costs of “Broadcasting equipment - DTT”

[BCI]

COSTS	2012	Percentage of costs
Broadcasting equipment - DTT		
Transmitters		
Electricity infrastructures		
Others ⁴⁵		

Values in Euros

[ECI]

As regards staff costs associated to specific telecommunication equipment/networks (which have a significant weight in the scope of direct costs related to “specific telecommunication equipment/networks”), it is not possible to replicate the amount of **[BCI]** **[ECI]** Euros entered in the CAS with detailed data submitted by MEO, having been obtained a cost, 14% higher than the preceding one, amounting to **[BCI]** **[ECI]** Euros, on the basis of

⁴⁵ Concerning (i) radiating systems, (ii) containers, (iii) HVAC systems; (iv) SDH-ASI converters, (v) change in frequencies, (vi) head-end, (vii) technical design, (viii) towers, (ix) transmission system, (x) others, (xi) management network and (xii) civil engineering infrastructures, where each represents less than 10% of costs.

detailed information on staff costs, and taking into account staff costs associated to the description “Broadcasting equipment - DTT”.

5. Comparison with the basic tender proposal⁴⁶

ANACOM is of the opinion that costs incurred should be compared to costs indicated in the tender proposal, given that it is in the scope of the basic proposal that the MUX A is operated in isolation, which constitutes the current situation.

It must be referred, when establishing this comparison, that there are several differences between the project in the proposal and the effective implementation of DTT, among which the number of installed transmitters. As such, comparisons in terms of total values must take this situation into due account.

5.1. Investment costs

According to MEO’s basic tender proposal⁴⁷, the planned investment amounted to **[BCI]** **[ECI]** Euros for the 15-year period, most of which would be incurred in up to the switch-off (2012).

For a more accurate comparison, this section includes costs which MEO assigned by mistake to the ATT product and which should have been assigned to DTT.

It results from costing data submitted by MEO that the investment up to 2012 (inclusively) exceeded by 48% the sum planned in the tender proposal, amounting to **[BCI]** **[ECI]** Euros. However, items included in both cases are not always directly comparable, as further outlined below.

⁴⁶ Proposal submitted in the scope of the public tender for the allocation of a right of use for frequencies of a national scope for the provision by MEO of the terrestrial television broadcasting service (hereinafter referred to as MEO’s tender proposal or proposals, where the basic and variant proposals are concerned).

⁴⁷ In this analysis, the basic proposal is taken as reference, given that costs that MEO is incurring in (and which are contained in the CAS) relate to this proposal.

Table 19. Total investment contained in MEO's basic tender proposal and investment made up to 2012 (according to MEO's costing data)

[BCI]

Items	Investment contained in the proposal	Investment made	Difference
Total investment			
Digital broadcasting centre			
Transmission system and management network			
Broadcasting network			
Active equipment			
Radiating system			
ASI-SDH adaptor			
Air-conditioning systems			
Electrical switchboards			
UPS			
Containers			
Tower			
Customer support, Billing and Registration Systems			
Training and Consultancy			
Buildings (constructions and adaptations)			
Technical design			
Change of frequencies			
DTH complementary coverage			
Other rights			
DTT LICENSE ⁴⁸			
DTT – Co-payment DTH			
DTT – Co-payment STB			
DTT – Marketing Investment (communication)			
DTT – Inbound Investment			
DTT – Special needs			
DTT – Social Isolation			
Others			

Values in thousand Euros

[ECI]

In MEO's 2008 tender proposal, costs with subsidies and co-payment programmes, as well as advertising, information and end-user support, were essentially deemed to be operating costs, whereas such costs have been now included as investment costs, according to the table above.

⁴⁸ Coverage, incorrect coverage information and redirection of antenna.

As referred earlier, as regards costs with subsidy and DTH co-payment programmes⁴⁹, as well as advertising, information and end-user support, MEO clarified, fully meeting ANACOM's request, that:

- (a) Taking into account the provision laid down in the accounting and financial report standard (NCRF 6)⁵⁰, the overall amount of commitments undertaken in the scope of rights of use for DTT frequencies⁵¹ were registered in financial statements as an intangible asset;
- (b) This intangible asset is being amortised by MEO on the basis of the straight-line method, over a 30-year depreciation period, which was defined taking into account the provision in NCRF 6, namely point 93 thereof.

As regards the marketing and communication investment⁵², MEO detailed actions and respective values involved, being highlighted costs related to above the line communication material, which a weight of around ¾, and sponsorships and road shows, with a weight of around 15%. Investment in customer support is associated to costs with the call centre created exclusively for DTT purposes, as a DTT-dedicated helpline.

The DTT license item includes, among others, the investment with gap fillers, implemented in alternative to DTH coverage and respective co-payment programmes, in order to minimize the impact on the population and on the public perception of the change to DTT. The cost associated to this item is, as such, in some way comparable to the cost of the item "DTH complementary coverage", amounting to **[BCI]** **[ECI]** Euros, identified in **Table 19**.

As regards the change of frequencies, MEO clarified that this item includes costs borne by MEO with the change of transmission channels associated to MUX A,

⁴⁹ According to MEO data, the total value effectively granted under subsidy and co-payment programmes between 2011 and 2013 amounted to around 3.5 million Euros. However, according to MEO's tender proposal, the amount of subsidies granted up to 2013 would exceed **[BCI]** **[ECI]** Euros, a value which is clearly higher than that which was effectively spent.

⁵⁰ Official Gazette, Series II - No. 173 - 7 September 2009.

⁵¹ Commitments which, according to MEO, integrate RUF ICP - ANACOM No.6/2008, pursuant to: (a) article 32, paragraph 1 g), of Law No 5/2004, of 10 February, (b) article 21, paragraph 1, of the Tender Regulation, (c) paragraph 1 h) of article 12 of the qualifying document and (d) article 17 of the qualifying document.

⁵² Costs related to advertising, information and end-user support, item which in the tender proposal amounted, in 2012, to **[BCI]** **[ECI]** Euros - or **[BCI]** **[ECI]** Euros accumulated between 2008 and 2011 -, and which had been included as part of operating costs (although MEO had also planned in the tender proposal an investment in customer support, billing and registration systems, amounting to **[BCI]** **[ECI]** Euros), are now considered to be investment. This value was calculated considering the 15 years of the license, and according to the tender proposal, these costs would no longer exist as from 2012. Admitting that the items "DTT - communication" and "DTT - inbound" correspond to these costs, then costs now reported by MEO amount to around half the costs presented in the proposal.

concluded in July 2011 (in compliance with this Authority's determination of 04.04.2011).

MEO adds, pursuant to paragraph 4 of article 4 of Decree-Law No 151-A/2000, of 20 July, as amended and republished by Decree-Law No 264/2009, of 28 September, that it is entitled to be compensated for burdens which occurred with the alteration of the assignment of frequencies concerned, declaring that pending this compensation, MEO will continue to acknowledge in its CAS the respective annual depreciation and cost of capital associated to this investment.

ANACOM has already acknowledged that MEO is entitled to be compensated for burdens which arose further to the change in the assignment of frequencies and has already submitted to the Government a preliminary draft administrative rule which general criteria and conditions for the referred compensation⁵³.

It may thus be concluded, for the purpose of the comparison with the proposal presented in 2008, that relevant costs are those related to (i) Digital Broadcasting Centre; (ii) Transmission system and management network and (iii) Broadcasting network, and the most significant differences, compared to values presented in the proposal, are as follows:

- (a) Transmission system and management network, with a cost which is lower by **[BCI]** **[ECI]** Euros;
- (b) Active equipment, with a cost which is lower by **[BCI]** **[ECI]** Euros;
- (c) Radiating system, with a cost which is higher by **[BCI]** **[ECI]** Euros;
- (d) Air-conditioning systems, electrical switchboards and UPS systems (uninterruptible power supply) which, as a whole, represent an increase by **[BCI]** **[ECI]** Euros, UPS systems being responsible for 51% of the increase of costs.

These differences are not fully explained, even taking into account the higher number of transmitters that MEO installed in its network, when a comparison with numbers in the proposal is made (in its comments to the DD of March 2014 on the price charged by MEO for the DTT service, MEO informed that it had installed 227

⁵³ Vide for this purpose the text of pages 12 and 13 of the recent report <http://www.anacom.pt/render.jsp?categoryId=288495&contentId=1282613>.

transmitters in the Mainland and 25 in the Autonomous Regions of Azores and Madeira, that is, 252 transmitters, a value which is significantly higher than the one provided for in the proposal - 186 -, although some of these transmitters were installed in 2013 and, as such, were not included in the information submitted by MEO).

As regards quantities, in the information submitted by MEO the following items were identified:

- 255 radiating systems;
- 214 SDH-ASI converters;
- 231 electrical switchboards;
- 169 UPS systems;
- 276 HVAC systems (heating, ventilation and air-conditioning systems);
- 78 closets/ containers;
- 162 GPS synchronisation systems,

having ANACOM specifically questioned MEO on the number of (i) radiating systems, (ii) HVAC systems, (iii) GPS synchronisation systems and (iv) reinforcements and net tower installations.

In reply, MEO informed that the accounting exercise performed by ANACOM based on information on fixed assets submitted by MEO is not correct, given that this information has no correspondence to the network registration, and, as such, does not allow the calculation of those components.

According to information from MEO, between 2009 and 2011, 171 **radiating systems**⁵⁴ were installed and, as regards **HVAC systems**⁵⁵ installed in the 171 transmitters, the following must be taken into account:

- The installation of air conditioning systems in 162 transmitters;

⁵⁴ According to MEO, in that period, 173 DTT transmitters were activated, no costs being involved in 2 of them, as they were reused from the ATT service.

⁵⁵ Consisting of air conditioning systems, ventilation and cooling systems.

- The installation of ventilation systems of the respective housing in 171 transmitters (however, according to MEO, in some projects, the respective costs were accounted jointly with those for transmitters, that is, they were not accounted for in separate as fixed asset items).
- The installation of two cooling systems in two transmitters.

As regards **GPS synchronisation systems**, MEO did not object to the value presented by ANACOM, having referred that the structure of DTT networks in the Mainland and Madeira is SFN-based (Single Frequency Network), which requires all transmitters to be duly synchronized. This synchronism is based on the use of the GPS signal, and, as such, all network broadcasting centres are equipped with a GPS receiver⁵⁶. In each of the transmission centres of the Mainland and Madeira where transmitters referred earlier were installed, during the period of analysis (totalling 162 locations), a redundant GPS receiver system of the Meinberg brand, GPS170 model, was installed, costs involved relating to the supply and installation of such systems, as well as of associated antennas for GPS signal reception.

Lastly, as regards the number of **reinforcements and new tower installations**, MEO referred that a significant number of DTT transmitters (25, to be exact) were installed in locations where there was no infrastructure of the tower type to support the respective antennas, which required the installation of new towers.

Still according to MEO, in remaining DTT broadcasting centre locations, transmitters were installed in locations where infrastructures of the tower type had already been installed and, in general, antennas of DTT network transmitters corresponded to the installation of new DTT-specific radiating systems, even in location where ATT transmitters or relays already existed.

For each of these cases, MEO referred that requirements were identified, in terms of additional load to be considered for the tower, following a structural analysis as regards the capacity of the tower to accommodate the additional load, having occurred, as a result of these analyses, one of the three following situations:

- (a) The tower had capacity to accommodate the additional load - the DTT radiating system was installed without requiring any reinforcement or replacement of the tower in the location;

⁵⁶ According to MEO, transmitters of the manufacturers *Electrosys* and *Rohde & Schwarz* installed in the DTT network during the period under analysis are not provided with the internal GPS module, but have an interface for reception of the respective signal from an external receiver.

- (b) The accommodation of the additional load in the tower was feasible, but required a reinforcement intervention in the tower - in these cases, a tower reinforcement was performed, further to which the DTT radiating system was installed;
- (c) The accommodation of the additional load in the tower was not feasible, nor could MEO identify any type of reinforcement intervention to enable it - in these cases, the tower was replaced by a new tower, with capacity to accommodate the required load.

ANACOM thus considers that, as far as quantities are concerned, MEO's clarifications are satisfactory, except for those regarding the number of radiating systems, as it is not clear how information conveyed by MEO was obtained. These concerns are aggravated by the fact that the average unit cost of radiating system, according to quantities clarified by MEO, is **[BCI]** **[ECI]** Euros, an amount which exceeds by around 4 times the amount planned in MEO's proposal.

In this respect, it must be stressed that, having been requested by ANACOM to justify the increase in the average unit cost of radiating systems, by around three times, MEO referred that when the proposal was drawn up, it developed a consultation process of manufacturers for technological solutions for the implementation of the DTT network. According to MEO, this consultation process involved detailed specifications in the scope of network equipment, namely Head-End, SDH-ASI converters, transmitters, antennas/radiating panels, among others, having also obtained cost estimates for those components. MEO refers that the cost foreseen in the proposal concerning the radiating system component was based on the cost of radiating panels involved and that the fact that the effective average cost of that component is higher than the one in the proposal results from the fact that, at the time, other items required for the implementation of radiating systems failed to be taken into account, including distributors, cabling, installation costs⁵⁷ and other costs related to tower connection interfaces. These costs were associated, in many projects, to the radiating system item, and in others they were individualised.

Given that the cost of radiating systems represents around 6% of the investment and 3% of total costs (hence the possible doubts as to a part of this already low percentage), ANACOM takes the view that concerns referred above do not have a significant impact in terms of the final result of this investigation.

⁵⁷ By using cranes systematically.

Still in the scope of items that present significantly higher costs than those planned in the proposal, namely items concerning air-conditioning systems, electrical switchboards, UPS systems and closets/containers, MEO was also requested to justify this increase of costs.

In reply, MEO referred that as regards the components of electrical infrastructures, HVAC systems and containerisation solutions, MEO was not able to develop a consultation procedure similar to that referred above for other technological solutions, as it was not possible to undertake it at the time within the time limits of the DTT tender.

As such, according to MEO, costs planned in the proposal for these components were based on general estimates, and were not consolidated through specific budgets, based on detailed specifications and dimensioning. Only after the DTT tender, according to MEO, was it possible to develop a consultation of manufacturers with those characteristics, having been found that cost forecasts considered in the proposal for those components had been underestimated.

MEO clarified also that items of the type “QGBT for DTT” include, in addition to electrical switchboards, other electrical infrastructure items, such as, for example, cabling, cable trunks and lighting.

As such, the issue which raised most doubts, both for the high total cost (which, nonetheless, amounts to 8% of investment costs) and for the significant difference compared to numbers in the proposal, was the issue of UPS systems, having ANACOM requested MEO, by determination of 22 July 2015, to submit within 30 working days, a copy of bills that proved the investment cost of **[BCI]** **[ECI]** Euros in UPS systems. In compliance with the determination, MEO conveyed copy of the referred bills by letter of 7 September 2015, having the referred investment been confirmed.

5.2. Operating costs

According to MEO’s basic tender proposal, annual average operating costs would be **[BCI]** **[ECI]** Euros, resulting in **[BCI]** **[ECI]** Euros during the 15-year operating period, distributed among:

- (a) Costs with the supply of external services and use of radio spectrum, which represent **[BCI]** **[ECI]** Euros (or **[BCI]** **[ECI]** of operating costs);

- (b) Costs with depreciations, which represent **[BCI]** **[ECI]** Euros (or **[BCI]** **[ECI]** of operating costs);
- (c) Staff costs, which represent **[BCI]** **[ECI]** Euros (or **[BCI]** **[ECI]** of operating costs).

In the specific case of 2012, according to MEO's basic tender proposal, operating costs (depreciations excluded) for that year should amount to **[BCI]** **[ECI]** Euros, distributed as follows:

Table 20. Forecast of costs of the DTT service in 2012 - operating costs (basic proposal) - depreciations excluded

[BCI]

COSTS	2012
OPERATING COSTS	
Staff costs	
Commercial area	
Networks	
Customer care	
Information systems	
Supply of external services and radio fees	
Network	
Radio fees	
Advertising, information and user support	
CMVMC	

Values in thousand Euros

[ECI]

Note, however, that a significant part of those costs is related to the cost of goods sold and consumed (CMVMC), which included the value of subsidy and co-payment programmes (which were significantly lower than those planned in the proposal, as described above) and which were expected to be residual as from 2013.

Notwithstanding, as referred earlier, amounts granted under the subsidy and DTH co-payment programmes are considered by MEO as investments made in the scope of DTT and registered, at accounting level, as fixed assets, the profit and loss account of the DTT product not including costs and revenues of terminal equipment provided to final users.

Even so, in case the CMVMC item was removed from the proposal, an operating cost of **[BCI]** **[ECI]** Euros would be obtained.

According to data now submitted by MEO, operating costs for 2012 amounted to **[BCI]** **[ECI]** Euros. However, values are not comparable, given that

in the CAS, as referred in the previous section, MEO, contrary to the option adopted in the proposal, included costs concerning advertising, information and end-user support as investment costs and not as operating costs (that is, to the **[BCI]** **[ECI]** Euros should be added **[BCI]** **[ECI]** Euros, which comes closer to the value specified in the proposal, costs concerning advertising, information and end-user support being higher in the proposal - i.e. **[BCI]** **[ECI]** Euros).

Operating costs entered in the CAS are as follows:

Table 21. Costs of the DTT service in 2012- operating costs (CAS)

[BCI]

COSTS	2012
OPERATING COSTS	
Direct costs	
Direct costs of products and services	
Direct costs of customer-oriented activities	
Direct costs of network-oriented activities	
Q - <i>Specific telecommunication equipment/networks</i>	
Joint costs	
Joint cost of customer-oriented activities	
Joint cost of network-oriented activities	

Values in Euros

[ECI]

The following operating costs are obtained from information in electronic format submitted by MEO:

Table 22. Costs of the DTT service in 2012 - operating costs (CAS)

[BCI]

COSTS	2012	Weight
OPERATING COSTS		
Buildings		
Power		
Rentals and leases of property, buildings, land and others		
Organisational departments, pseudo 21EA and 19EA and others		
Surveillance and security		
Maintenance and repairs		
Taxes		
Cleaning up services		
Insurance		
Others		
Fees⁽¹⁾		
Staff costs		
HW/SW costs		
Others		
Management fee		
Provisions for bad debts		
Provisions for stock depreciation		
Rentals and leases		
Fees charged for specialist work		
Cost of items consumed in technology O&M		
Research, advice and counsel		
Maintenance and management of physical resources		
Others non specified		

Values in Euros

⁽¹⁾ As referred by MEO, the 75 thousand Euro value related to the fee of rights of use for frequencies, which was incorrectly accounted for as ATT product, is not included in the CAS.

[ECI]

Items with the largest weight, which as a whole explain more than 90% of operating costs, are as follows:

(a) **Staff**

According to MEO data, staff costs in 2012 amounted to **[BCI]** **[ECI]** Euros, a value which exceeds the value planned in the basic proposal by around 26%.

According to MEO's basic proposal, the staff plan presented provided for a value of [BCI] [ECI] FTE⁵⁸ for almost the whole period of service operation⁵⁹. According to data now submitted by MEO, for the purpose of the calculation of staff costs an FTE of [BCI] [ECI] was used, that is, almost twice the value presented in the basic proposal.

It is also observed that almost 80% of FTE, that is, [BCI] [ECI], are associated to the operation and maintenance of networks, although the proposal provided for [BCI] [ECI] for these operations.

In reply to ANACOM's request for clarifications on the difference in the number of FTE compared to the number planned in the proposal, MEO refers that 2012 was a year characterized by a very significant increase in the number of users of this service (due to the switch-off), which forced MEO to strengthen its operation/maintenance teams so as to be able to meet all demands, doubts and clarifications requested by users.

MEO further refers that, in 2013, the amount of FTE allocated to activities related to the operation and maintenance of the DTT service was [BCI] [ECI] (which compares to [BCI] [ECI] in the proposal), these values being expected to be maintained in the future.

Unit values of charges associated to the various categories of technical staff do not deviate from what was planned according to the proposal. In average terms, while values foreseen for 2012 in the basic proposal correspond to an average monthly remuneration (including social burdens) by around [BCI] [ECI] Euros, the average monthly remuneration (including social burdens) effectively verified in the CAS for 2012 is [BCI] [ECI] Euros, that is, lower by 22%.

(b) **Electricity**

As regards electricity costs, given that, according to MEO, between 2009 and 2011 173 DTT transmitters were activated (the power of which range between 100w and 1500w), a rough estimate of the power cost per transmitter may be made, being obtained a monthly value of [BCI] [ECI] Euros per month per transmitter, a value which could well be justified especially taking

⁵⁸ Full Time Equivalent.

⁵⁹ Only 2008 and 2009 presented an FTE of [BCI] [ECI] and [BCI] [ECI] respectively.

into account that a significant number of HVAC systems, typically 10Kw, need to be fed.

(c) **Rentals and leases**

Costs with rentals and leases amount, as a whole, to **[BCI]** **[ECI]** Euros, concerning buildings and land where DTT transmitters and respective supporting equipment have been installed, including MEO sites where DTT transmitters have also been installed.

(d) **Fees**

Correspond to fees provided for in Administrative Rule No 1473-A/2008, of 17 December (45 thousand Euros every year per year and per 1 MHz, MUX A having 8 MHz).

(e) **Management fee**

This cost, which was allocated to the various products via a percentage of net revenues, amounted for the DTT service to **[BCI]** **[ECI]** Euros.

This is a proportion of the annual amount billed by PT Centro Corporativo to MEO, where the allocation in the scope of the CAS abides by the same principle followed by PT Centro Corporativo for the allocation of costs to the various companies of Grupo PT: the turnover.

These amounts have been validated in the scope of the audit to CAS results for 2012.

(f) **HW/SW costs**

[BCI] **[ECI]** Euros of HW/SW operating costs were identified, which corresponds in principle to computer equipment allocated to FTE identified by MEO as engaged to the DTT service.

(g) **Provisions for bad debts**

As in the previous case, costs associated to provisions for bad debts were allocated to the various products via a percentage of net revenues, amounting for the DTT service to **[BCI]** **[ECI]** Euros.

In this respect, in the scope of determinations and recommendations on MEO's CAS resulting from the audit to the 2010 and 2011 financial years, made by determination of 22 May 2014, ANACOM referred as follows:

“Given that (i) the driver adopted by PTC for the allocation of costs with provisions for bad debt customers is based on a revenue structure of relevant products, not complying the causality principle, and that (ii) due to limitations demonstrated by PTC, it is not possible to undertake the direct charge of products and services that caused the need for the setup of these provisions, these costs must be allocated, in a first stage, in a segmented way between retail and wholesale customers, on the basis of the age of debts of these customers, and in a second stage, on the basis of revenues originated by each of the products of each segment.”

In September 2014, MEO presented recast CAS results for 2012, in compliance with ANACOM's recommendations and determinations. CAS results for 2013 already incorporate these recommendations and determinations.

In any case, these costs represent, in 2012, around 1.2% of total costs.

(h) Maintenance and management of physical resources

Costs amounting to **[BCI]** **[ECI]** Euros, based on the billing of services engaged to PT PRO - Serviços Administrativos e de Gestão Partilhados, S.A. (PT PRO), were taken into account.

After ANACOM raised some doubts related to these costs through fax of 30 July 2014, MEO informed⁶⁰ that the maintenance and management of physical spaces occupied by MEO, in the exercise of its activity, is ensured by services provided by PT PRO. This provision of services integrates, according to MEO, a comprehensive set of services for the whole of MEO's buildings, billed on a monthly basis, these costs being grouped in a single activity in the scope of CAS: U1 - Maintaining and managing physical resources.

(i) Provisions for stock depreciation

This cost is essentially related to terminal equipment (assuming a negative value and thus constituting revenue) and contributes to the reduction of MEO's costs. However, it has a totally volatile nature. In fact, while in 2011, provisions

⁶⁰ By letter dated 22 August 2014, with reference 20440109.

for stock depreciation amounted to [BCI] [ECI] Euros (that is, a reversal), in 2012, the value amounted to [BCI] [ECI] Euros.

Annex 2. Revenues

First of all, it must be clarified that this investigation does not aim to evaluate prices of the ATT and DTT services during the simulcast period or whether the allocation of revenues between the ATT and DTT services was properly performed. This analysis was undertaken in the scope of the audit to MEO's CAS results for the period between 2010 and 2012⁶¹.

The request for information submitted to MEO by fax dated 28 March 2014 concerning revenues and prices was intended, among other aspects, to clarify the relation between the price per channel and the price per Mbps, the latter having been estimated taking into account that all capacity of MUX A would be in use (or was reserved) by television operators.

As spare capacity exists, there is the question of how costs associated to that capacity should be allocated.

MEO informed by letter dated 29 April 2014 that in its (variant⁶²) tender proposal, it defined and presented the tariff applicable to the DTT service, which involved the application of monthly prices per transmitter, which differed according to the power and geographic location of transmitters (Mainland *versus* Autonomous Regions), which involved the following annual revenues for MEO:

⁶¹ Vide <http://www.anacom.pt/render.jsp?contentId=1354229>.

⁶² Which would apply, in case the holder of MUX A was allocated rights of use for frequencies to which MUX B to F were associated, that is, MUX A with synergies of MUX B to F.

Table 23. Annual DTT revenues, per operator, included in the variant proposal for a full operation year

[BCI]

Television operator	Revenues
RTP	
RTP1	
RTP2	
RTP-Açores	
RTP-Madeira	
SIC	
TVI	
5th channel	
Totals	

Values in thousand Euros

[ECI]

According to MEO, these annual revenues would guarantee an economical and financial balance and generate an appropriate profitability for the DTT project, compared to investments to be made and associated operating costs.

MEO adds that, taking into account that under the economical and financial plan of tender specifications, bidders were supposed to present an average annual price for the provision of the service per Mbps for the first 10 years (which also corresponded to one of the sub-criteria for evaluation of the public tender), it presented, in its (variant) proposal the respective average annual price per Mbps for the 10 years of the project (including 2009 as the 1st year), calculated as it saw fit, that is, through the ratio between total revenues due for the service provision and total average⁶³ capacity (occupied by 100%) of MUX A transmitters:

Table 24. Annual DTT revenues – variant proposal (MUX A with synergies of MUX B to F)

[BCI]

	2009	2010	2011 et seq. (full operation)	Average annual price for the 1 st 10 years
Totals				
Per Mbps	0.0	382.9	885.1	746.4

Values in thousand Euros

[ECI]

⁶³ Average capacity per transmitter of 20.10 Mbps, resulting from 170 transmitters in the Mainland with 19.91 Mbps of maximum capacity and 16 transmitters in the Autonomous Regions of the Azores and Madeira with 22.12 Mbps of maximum capacity.

Notwithstanding, MEO restates that it never intended for the average annual price per Mbps (of [BCI] [ECI] Euros, for the first 10 years) to become the final tariff to be applied, according to the capacity in Mbps occupied by each specific channel. MEO supports that, otherwise, the value which RTP Açores and RTP Madeira would be required to pay would be the same as other channels (RTP1, RTP2, SIC, TVI and the 5th channel). In its view, this would be wholly disproportionate, because, although they occupy the same space in MUX A, these channels have regional coverage, and the number of transmitters installed in the Autonomous Regions is significantly lower and have lower wattages compared to transmitters installed in the Mainland.

MEO adds also in this respect that, in case in the scope of the presentation of tender proposals, it had taken the price to be applied/charged to television operators as the price per Mbps, it would have defined a price per Mbps other than the one presented, although this would have been deemed to be inappropriate in the case of RTP Açores and RTP Madeira⁶⁴. For illustrative purposes, MEO mentions that it could have possibly presented the individual values below, per Mbps, per channel and per television operator, the result of which would be an increase of the price applicable to RTP Açores and RTP Madeira, to the detriment of the reduction of the price borne by other channels, total annual revenues presented in the scope of proposals remaining the same (which allowed profitability deemed to be appropriate for the DTT project to be generated):

⁶⁴ In its letter of 26 May 2014, MEO (re)states that “annual revenues (...) were required to ensure the viability of the DTT project, and not the result of a product between Mbps occupied by the channel and the annual price per Mbps. As such, there is no point in making ratios between annual prices per channel and Mbps occupied by the channel, with or without shared HD, and still less in comparing annual prices per Mbps resulting from these scenarios”.

Table 25. Annual DTT revenues, per operator, in case MEO applied the same price to national general channels as well as to RTP Açores and RTP Madeira

[BCI]

	2009	2010	2011 et seq. (full operation)	Average annual price for the 1 st 10 years
Totals				
Per channel				
Per Mbps				
RTP				
RTP1				
RTP2				
RTP Açores				
RTP Madeira				
SIC				
TVI				
5th channel				
No. of channels				

Values in thousand Euros (except as regards the number of channels)

[ECI]

MEO refers that, meanwhile, in the scope of negotiations with television operators, final prices applicable to DTT were agreed in 2012 (and 2013, in the case of RTP), specifically (**Appendix 2** sets out in detail the accounting method for revenues of the DTT service in the CAS for the period between 2010 and 2013, and how these revenues are allocated to the years of provision of the service):

(a) Prices in the simulcast period (2010 and 2011):

- In the case of RTP [BCI] [ECI] Euros;
- In the case of SIC [BCI] [ECI] Euros;
- In the case of TVI [BCI] [ECI] Euros.

(b) Annual prices to be applied as from 01.01.2012:

- In the case of RTP1, RTP2, SIC and TVI [BCI] [ECI] Euros;
- In the case of RTP Açores [BCI] [ECI] Euros;
- In the case of RTP Madeira [BCI] [ECI] Euros.

MEO refers that the annual price of [BCI] [ECI] Euros corresponds to the value agreed with television operators exclusively for SD broadcasts, not

taking into account any share of the reserved capacity for the HD channel. The former annual price of [BCI] [ECI] Euros, specified in the variant proposal and in MoUs, included the share of the reserved capacity for the HD channel, which was planned to be used in a non-simultaneous way by RTP1, RTP2, SIC, TVI and the 5th channel.

According to MEO, as television operators dispensed with the use of the HD channel in a non-simultaneous way, an agreement on the reduction by [BCI] [ECI] Euros of the annual DTT price was concluded, falling from [BCI] [ECI] Euros to [BCI] [ECI] Euros.

MEO refers that it has borne by itself the charges and burdens related to the spare spectrum which was licensed to it, and has not received any remuneration for the band reserved for the 5th channel, nor for the currently free band (which includes capacity previously assigned to the HD channel).

As such, MEO informs that the occupation of MUX A capacity by the *Canal Parlamento* did not have any effect on prices agreed with television operators, MEO just having used part of the spare capacity to provide the signal of the Parliament's internal video network in the DTT network and to receive the respective remuneration for the provision of this additional service (of a non-permanent broadcasting nature).

Lastly, MEO presented the current state of occupation of MUX A transmitters, in the Mainland and Autonomous Regions of the Azores and Madeira:

Table 26. Occupation of MUX A transmitters, in the Mainland and Autonomous Regions

[BCI]

Channels	Capacity						Total
	Video (average value)	Audio	Audio description	Teletext	EPG Schedule & Script	Others, including guard band	
RTP1							
RTP2							
RTP-A/RTP-M							
SIC							
TVI							
5 th canal							
C. Parlam.							
Mainland							
Autonomous Regions.							

Values in Mbps

[ECI]

As MEO failed to explain at quantitative level how it arrived at the discount mentioned earlier, ANACOM requested, by fax of 14 May 2014⁶⁵, that the company clarified the matter within 10 working days, submitting quantified and detailed reasoning on the change of prices.

In this scope, it was conveyed to MEO that, if the former price included the capacity reserved for the (shared) HD channel, charges and burdens borne by MEO with this channel should be explained, taking into account, namely, that the reserved capacity for the HD channel corresponds to more than 25% of MUX A total capacity (in Mbps) and that the discount made to television operators corresponds to around [BCI] [ECI].

MEO replied by letter dated 26 May, referring that “the final price of [BCI] [ECI] Euros was freely agreed upon between PTC and TV operators, in the scope of the respective commercial and contractual freedom, and in full compliance with the principles of good faith, having been considered by TV operators that the value was appropriate for exclusively SD broadcasts”, which evidences, according to MEO, “its concern and efforts (...) in reaching an agreement with the referred operators”. MEO adds also that “it has been badly affected, over the years, by several constrains for which it is not responsible, which deeply changed the assumptions on which the proposal was based and the profitability of the DTT

⁶⁵ With reference ANACOM-S032374/2014.

project”, namely the non-existence of the 5th channel (and the corresponding annual income) and the above-mentioned reduction of price per channel⁶⁶.

MEO also declares that all the investment made was intended for the implementation of DTT in stand alone MUX A (being the price associated to the basic proposal of [BCI] [ECI] Euros per year and per channel), thus having accepted prices specified in the variant proposal ([BCI] [ECI] Euros per year and per channel), on the basis of the assumption that a large part of investment and operational costs would be recovered via revenues generated with pay-TV services (MUX B to F).

⁶⁶ Allegedly, according to MEO, as a result of the fact that television operators were not willing to make further use of the HD channel, dispensing with its use, for reasons for which MEO or its actions are in no way responsible.

APPENDIX 1

Details of fixed assets

Table 27. Fixed assets specifically assigned to the DTT service in 2012

[BCI]

Designation	2012					
	Gross value	Accum. Deprec.	Net value	Write-offs / Reductions	Deprec. Financial year	Cost of capital
Sub. and DTH Co-payment prog. (1)						
DTT - Co-payment STBOX (2)						
DTT - Co-payment DTH						
DTT - Specific needs						
DTT - Social Isolation						
Sub - Total						
DTT - Marketing investment						
DTT - Customer service investment						
DTT LICENCE						
DTT LICENCE - DTT - coverage antennas						
DTT LICENCE - DTT - Incorrect coverage inf						
DTT LICENCE - DTT - Antenna redirection						
Sub - Total						
DTT - Broadcasting						
Towers						
Transmission system						
Transmitters						
Radiating systems						
Management network						
Electrical power infrastructures						
Containers						
HVAC systems						
Civil engineering infrastructures						
Head-End						
Technical design						
SDH-ASI converters						
Change of frequencies						
Others						
Sub - Total						
DTT buildings						
Total						

[ECI]

Table 28. Fixed assets specifically assigned to the DTT service in 2011

[BCI]

Designation	2011					
	Gross value	Accum. Deprec.	Net value	Write-offs / Reductions	Deprec. Financial year	Cost of capital
Sub. and DTH Co-payment prog. (1)						
DTT - Co-payment STBOX (2)						
DTT - Co-payment DTH						
DTT - Specific needs						
DTT - Social Isolation						
Sub - Total						
DTT - Marketing investment						
DTT - Customer service investment						
DTT LICENCE						
DTT LICENCE - DTT - coverage antennas						
DTT LICENCE - DTT - Incorrect coverage inf						
DTT LICENCE - DTT - Antenna redirection						
Sub - Total						
DTT - Broadcasting						
Towers						
Transmission system						
Transmitters						
Radiating systems						
Management network						
Electrical power infrastructures						
Containers						
HVAC systems						
Civil engineering infrastructures						
Head-End						
Technical design						
SDH-ASI converters						
Change of frequencies						
Others						
Sub - Total						
DTT buildings						
Total						

[ECI]

Table 29. Fixed assets specifically assigned to the DTT service in 2010

[BCI]

Designation	2010					
	Gross value	Accum. Deprec.	Net value	Write-offs / Reductions	Deprec. Financial year	Cost of capital
Sub. and DTH Co-payment prog. (1)						
DTT - Co-payment STBOX (2)						
DTT - Co-payment DTH						
DTT - Specific needs						
DTT - Social Isolation						
Sub - Total						
DTT - Marketing investment						
DTT - Customer service investment						
DTT LICENCE						
DTT LICENCE - DTT - coverage antennas						
DTT LICENCE - DTT - Incorrect coverage inf						
DTT LICENCE - DTT - Antenna redirection						
Sub - Total						
DTT - Broadcasting						
Towers						
Transmission system						
Transmitters						
Radiating systems						
Management network						
Electrical power infrastructures						
Containers						
HVAC systems						
Civil engineering infrastructures						
Head-End						
Technical design						
SDH-ASI converters						
Change of frequencies						
Others						
Sub - Total						
DTT buildings						
Total						

[ECI]

Table 30. Fixed assets incorrectly allocated in the CAS to the ATT product and which should have been allocated to the DTT service, in 2012

[BCI]

Designation	2012					
	Gross value	Accum. Deprec.	Net value	Write-offs / Reductions	Deprec. Financial year	Cost of capital
DTT - Broadcasting						
Towers						
Transmission system						
Transmitters						
Radiating systems						
Management network						
Electrical power infrastructures						
Containers						
HVAC systems						
Civil engineering infrastructures						
Head-End						
Technical design						
SDH-ASI converters						
Change of frequencies						
Others						
Total						

[ECI]

Table 31. Fixed assets incorrectly allocated in the CAS to the ATT product and which should have been allocated to the DTT service, in 2011

[BCI]

Designation	2011					
	Gross value	Accum. Deprec.	Net value	Write-offs / Reductions	Deprec. Financial year	Cost of capital
DTT - Broadcasting						
Towers						
Transmission system						
Transmitters						
Radiating systems						
Management network						
Electrical power infrastructures						
Containers						
HVAC systems						
Civil engineering infrastructures						
Head-End						
Technical design						
SDH-ASI converters						
Change of frequencies						
Others						
Total						

[ECI]

Table 32 Fixed assets incorrectly allocated in the CAS to the ATT product and which should have been allocated to the DTT service, in 2010

[BCI]

Designation	2010					
	Gross value	Accum. Deprec.	Net value	Write-offs / Reductions	Deprec. Financial year	Cost of capital
DTT - Broadcasting						
Towers						
Transmission system						
Transmitters						
Radiating systems						
Management network						
Electrical power infrastructures						
Containers						
HVAC systems						
Civil engineering infrastructures						
Head-End						
Technical design						
SDH-ASI converters						
Change of frequencies						
Others						
Total						

[ECI]

Table 33. Fixed assets assigned to the DTT service via allocation driver, in 2010, 2011 and 2012

[BCI]

Pseudo-Departament	2012		2011		2010	
	Deprec. Financial year	Cost of capital	Deprec. Financial year	Cost of capital	Deprec. Financial year	Cost of capital
127 - Res.&devel./Ind. Prop. and Oth. rights. ⁽¹⁾						
12 - Fibre optic ⁽²⁾						
16WDM - DWDM specific equipment ⁽²⁾						
13 - Ducts ⁽²⁾						
16 - Multiplexing equipment ⁽²⁾						
14 - Masts ⁽²⁾						
22CAP - Stowed undersea cables ⁽³⁾						
11 - Copper pair cable and accessories ⁽²⁾						
34 - Power equipment ⁽²⁾						
36 - Supervision ⁽²⁾						
37 - Satellites ⁽³⁾						
22RTI - International terrestrial networks ⁽³⁾						
15 - Radio ⁽⁴⁾						
62 - MPLS ALU MPLS Juniper ⁽⁴⁾						
64 - MPLS CISCO ⁽⁴⁾						
60 - BBIP MPLS Juniper ⁽⁴⁾						
16EN - Network Terminal Equipment ⁽⁴⁾						
61 - BBRAS MPLS Juniper ⁽⁴⁾						
28 - Videoconference Equipment ⁽⁴⁾						
10ATM - ATM Switching ⁽⁴⁾						
63 - Centralized Firewall ⁽⁴⁾						
16ADSL - ADSL-specific Equipment ⁽⁴⁾						
65 - Frame Relay ⁽⁴⁾						
10POP - Point of Presence ⁽³⁾						
10RP - Main Distribution Frame ⁽⁴⁾						
36TMN - Supervision International Systems ⁽³⁾						
23 - Terminal Equipment ⁽⁴⁾						
Sub - Total						
Buildings						
Edif-P1						
Edif-P1-Prod						
Edif-P7						
Edif-P7-Prod						
Edif-P8						
Edif-P8-Prod						
Edif						
Edif-Prod						
Sub - Total						
Total						
Drivers:						
(1) Driver MidrangeProd + SIEBELProd; (2) Pool of interconnection circuits; (3) Use of equivalent circuits						
(4) Activities performed by the company's functional areas						

[ECI]

APPENDIX 2

Revenues accounted for in the CAS, between 2010 and 2013, for the DTT service

MEO presents the following revenues accounted, in each of the years, for the ATT⁶⁷ and DTT services in the CAS:

Table 34. Total revenues accounted for in the CAS for the ATT and DTT services in 2010, 2011, 2012 and 2013

[BCI]

Service	2010	2011	2012	2013	Total 2010-2013
ATT <i>Simulcast</i> ⁽¹⁾					
DTT					
TOTAL					

Values in Euros

⁽¹⁾ Additional to ATT.

[ECI]

MEO presented also values of the table above broken down according to operator.

MEO refers that, in order to i) respect prices presented in the variant tender proposal and ii) meet the agreement concluded in the scope of MoU with television operators and the contract concluded with Grupo Media Capital, the company billed TVI an amount of [BCI] [ECI] Euros for DTT services in 2010 (specifically, this amount was specialized in December 2010, and the corresponding bill was issued to TVI in January 2011).

Still according to MEO, in June 2011, the following bills were issued to various operators:

- RTP: two bills of an individual value of [BCI] [ECI] Euros, for the extra amount due (compared to the ATT billing) for the simulcast period (2010 and 2011), according to the MoU concluded in 2008;
- SIC: two bills of an individual value of [BCI] [ECI] Euros, for the extra amount due (compared to the ATT billing) for the simulcast period (2010 and 2011), according to the MoU concluded in 2008;

⁶⁷ Analogue Terrestrial Television.

- TVI: bills amounting to [BCI] [ECI] Euros, for the provision of the DTT service in 2011 (simulcast period).

MEO refers that, as negotiations with television operators were already underway, focusing on the reduction of amounts applicable during the simulcast period, these bills were carried under deferred income, and as such, the respective values were not acknowledged in 2011, but only in 2012, and in the case of TVI, a part of the amount still in 2013.

In 2012, according to MEO, negotiations with television operators were concluded, final prices were agreed and, in the case of SIC and TVI, the respective contract for the provision of signal encoding, multiplexing, transmission and broadcasting services over the digital terrestrial network, for the broadcast of free unrestricted access TV programmes (MUX A), were concluded. The contract with RTP, according to MEO, was concluded later, in March 2013.

In this scope, MEO refers that several accounting movements were made, as detailed in **Appendix 3**.

Allocation of DTT revenues to the years of provision of services

In the light of the above, MEO presented the correct allocation of revenues to the respective year of provision of services (where, for example, simulcast revenues are assigned to 2010 and 2011 and ATT revenues, between the date of pilot transmitter switch-off and 31.12.2011, are assigned to 2011):

Table 35. Revenues per operator, assigned to the respective year of provision of the service, for ATT and DTT services, in 2010, 2011, 2012 and 2013

[BCI]

Service	2010	2011	2012	2013	Total 2010-2013
ATT					
RTP					
SIC					
TVI					
Simulcast⁽¹⁾					
RTP					
SIC					
TVI					
DTT					
RTP					
SIC					
TVI					
ARTV					
TOTAL					
RTP					
SIC					
TVI					
ARTV					
ATT					
DTT (including simulcast)					
TOTAL					

Values in Euros

⁽¹⁾ Additional to ATT.

[ECI]

MEO further submitted copy of the following information:

- MoU concluded with RTP (on 21.04.2008), SIC (on 21.04.2008) and TVI (on 18.04.2008), which integrated MEO's tender proposals;
- Contract concluded with Grupo Media Capital;
- Contracts for the provision of signal encoding, multiplexing, transmission and broadcasting services over the digital terrestrial network, for the broadcast of free unrestricted access TV programmes (MUX A), concluded with RTP (on 15.03.2013), SIC (on 16.07.2012) and TVI (on 25.07.2012);
- Contract for the provision of signal encoding, multiplexing, transmission and broadcasting services over the digital terrestrial network, for the broadcast of

the Portuguese Parliament's video signal - ARTV - Canal Parlamento, concluded with ARTV on 09.11.2012, and respective addition on 27.11.2012.

- Bills for the period between January and April 2012 for values concerning ATT and respective subsequent credit notes;
- Bills and respective credit notes for values initially agreed for the simulcast period;
- Bills with final values agreed for the simulcast period and as from 01.01.2012;

APPENDIX 3

Accounting movements performed by MEO

With **RTP**:

- Bills for the period between January and April 2012 were issued for values concerning ATT (amounting to [BCI] [ECI] Euros) having the bill for April included credits for the switch-off occurred in 2011 of pilot transmitters (Alenquer, Cacém and Nazaré), amounting to [BCI] [ECI] Euros, where [BCI] [ECI] Euros correspond to 2011 and the remaining amount of [BCI] [ECI] Euros concern the months between January and March 2012.
- A credit of [BCI] [ECI] Euros was specialized in favour of RTP, for values billed between January and April 2012 concerning ATT, exceeding by [BCI] [ECI] Euros the values effectively billed, given that this specialization did not consider credits for pilot transmitters which had already been specified in the bill of April 2012;
- The two bills which had been issued in 2011 amounting to [BCI] [ECI] Euros each were acknowledged and two credit notes of an equivalent amount were issued;
- A bill amounting to [BCI] [ECI] Euros was issued for access to the network and services provided in the scope of the process of technological change during the simulcast period (2010 and 2011);
- 8 bills of a monthly value of [BCI] [ECI] Euros were issued for the provision of the DTT service between May and December 2012, the months of January to April having been specialized for exactly the same monthly value, which in total amounted to [BCI] [ECI] Euros.

With **SIC**:

- Bills for the period between January and April 2012 were issued for values concerning ATT, the respective total value having been credited subsequently (in July 2012). The sole value acknowledged in ATT in 2012 was related to credits for the switch-off occurred in 2011 of pilot transmitters (Alenquer, Cacém and Nazaré), the respective adjustments between the date of the

respective switch-off and 31.12.2011 having only been made in April 2012, involving a credit for SIC amounting to [BCI] [ECI] Euros.

- The two bills which had been issued in 2011 amounting to [BCI] [ECI] Euros each were acknowledged and two credit notes of an equivalent amount were issued;
- A bill amounting to [BCI] [ECI] Euros was issued for access to the network and services provided in the scope of the process of technological change during the simulcast period (2010 and 2011);
- Bills of a monthly value of [BCI] [ECI] Euros were issued for the provision of the DTT service in 2012, which in total amounted to [BCI] [ECI] Euros.

With TVI:

- Bills for the period between January and April 2012 were issued for values concerning ATT, the respective total value having been credited subsequently (in August 2012). The sole value acknowledged in ATT in 2012 was related to credits for the switch-off occurred in 2011 of the Cacém pilot transmitter, the respective adjustments between the date of the respective switch-off and 31.12.2011 having only been made in April 2012, involving a credit for TVI amounting to [BCI] [ECI] Euros.
- A sum of [BCI] [ECI] Euros of the bill issued in 2011 amounting to [BCI] [ECI] Euros was acknowledged, the remaining portion of [BCI] [ECI] not having by mistake been acknowledged in 2012, situation which was only detected and corrected in 2013;
- Two credit notes amounting to [BCI] [ECI] Euros and [BCI] [ECI] Euros, respectively, were issued;
- A bill amounting to [BCI] [ECI] Euros was issued for access to the network and services provided in the scope of the process of technological change during the simulcast period (2010 and 2011);
- Bills of a monthly value of [BCI] [ECI] Euros were issued for the provision of the DTT service in 2012, which in total amounted to [BCI] [ECI] Euros.

As regards **RTP**, MEO informs that, as the respective DTT contract was only concluded in March 2013, credit notes for the billing of ATT between January and April 2012 were issued only in this month, of a final value of **[BCI]** **[ECI]** Euros, thus the sum of values accounted for ATT in 2012 and 2013, with RTP, amounts to **[BCI]** **[ECI]** Euros, which corresponds to the credit for pilot transmitters (Alenquer, Cacém and Nazaré) between the respective switch-off date and 31.12.2011.