

Calculation of fees due for the activity of postal services supplier, under the terms of paragraphs nos. 2, 3 and 4 of Article 44 of the Postal Law¹

1. Under the terms of paragraph no. 3 of Annex IX to Administrative Rule no. 1473-B/2008, of 17 December, in the wording given to it by Administrative Rule no. 296-A/2013, of 2 October, ANACOM hereby provides public knowledge of the total value of the administrative costs to be considered for the settlement of fees owed due to carrying out the activity of postal services provider in the 2018 financial year (Year n). Thus, **C (Year 2018) = 2 058 790 euros** (average of the costs of the last 3 years, except for provisions in respect of ongoing legal proceedings in progress associated with the regulation of postal services, the average of which is for the last 5 years).

2. The following table provides a detailed breakdown of ANACOM's costs, based on the Activity Based Costing (ABC) model implemented, the operational basis of which is described in Annex I. This breakdown allows relevant administrative costs to be identified to calculate the fee referred to in paragraphs nos. 2, 3 and 4 of Article 44 of the Postal Law.

Regarding the relevant revenues of postal services providers, ANACOM, having received information from the various entities in the market, decided to carry out an audit, prior to issuing its invoicing.

¹ Law No. 17/2012, of 26 April, amended by Decree-Law No. 160/2013, of 19 November, and by Law No. 16/2014, of 4 April.

Breakdown of total ANACOM costs (expenditure) per type of activity

	Completed			Average (3 years)	Provisions (5-year average)	Breakdown of ANACOM costs
	2017	2016	2015			
1. Regulation and spectrum management costs	39 641 432	38 159 566	38 122 819	38 641 272	11 647 636	50 288 909
1.1 Costs related to Electronic Communications	32 936 223	31 832 808	31 568 558	32 112 530	11 543 209	43 655 739
1.1.1 Administrative Costs	23 217 438	22 724 908	22 376 615	22 772 987	11 543 209	34 316 196
a) Declarations supporting rights	62 254	40 040	111 599	71 298		71 298
b) Exercise of the activity of networks and services provider	23 009 048	22 469 348	22 088 021	22 522 139	11 543 209	34 065 348
c) Allocation of rights of use of frequencies	112 585	187 013	154 324	151 307		151 307
d) Allocation of rights of use of numbering	33 551	28 507	22 671	28 243		28 243
1.1.2 Frequency management costs	9 575 789	8 969 772	9 055 497	9 200 353		9 200 353
1.1.3 Numbering management costs	142 996	138 128	136 445	139 190		139 190
1.2 Costs of Postal regulation	2 321 077	1 723 198	1 870 955	1 971 744	104 427	2 076 170
1.2.1 Exercise of the activity of provider of postal services	2 308 473	1 706 642	1 847 974	1 954 363	104 427	2 058 790
1.2.2 Authorizations and licenses	12 604	16 556	22 981	17 380		17 380
1.3 Other regulation costs	4 384 132	4 603 559	4 683 307	4 556 999		4 556 999
2. Other expenses	2 537 927	2 553 541	2 538 682	2 543 383		2 543 383
3. Total costs	42 179 359	40 713 107	40 661 502	41 184 656	11 647 636	52 832 292
Provisions for regulatory legal proc. in progress	2017	2016	2015	2014	2013	Average (5 years)
Regarding electronic communications	12 519 529	8 559 888	9 806 240	5 900 288	20 930 103	11 543 209
Regarding the postal services	336 645	130 747	43 996	10746	0	104 427
Total	12 856 173	8 690 635	9 850 236	5 911 034	20 930 103	11 647 636

ANNEX I

A. Allocation of ANACOM costs

Introductory Note

Allocation of ANACOM costs with the aim of determining the regulation costs, equivalent to allocating its annual accounting expenses under the terms of its *SNC - Sistema de Normalização Contabilística* (Accounting Standardization System) and using the Activity Based Costing (ABC) methodology.

1. ANACOM's costing system

ANACOM's costing system was developed based on the Activity Based Costing (ABC) methodology and aims to identify the costs related to the development of the activities inherent to its statutory responsibilities, as well as to respond to the requirements of paragraph no. 4 of article 105 of the LCE - *Lei das Comunicações Eletrónicas* (Electronic Communications Law - Law no. 5/2004) and the provisions of paragraphs nos. 1 and 2 of article 44 of the LSP - *Lei dos Serviços Postais* (Postal Services Law - Law no. 17/2012).

Overall, two major cost groups are identified: **regulatory and spectrum management costs, and costs which are unrelated to the regulatory activity**, the latter mainly consisting of costs associated with the activity of advising and representing the State.

The breakdown of costs is as shown in Figure 1.

Figure 1: Breakdown of ANACOM costs

1. Regulation and spectrum management costs
1.1 Administrative Costs relating to Electronic Communications
1.1.1 Administrative Costs
a) Declarations supporting rights
b) Exercise of the activity of provider of networks and services
c) Assignment of rights of use of frequencies
d) Allocation of rights of use of numbering
1.1.2 Frequency management costs
1.1.3 Numbering management costs
1.2 Costs of Postal regulation
1.2.1 Exercise of the activity of provider of postal services
1.2.2 Declarations and licenses
1.3 Other regulation costs
2. Other expenses

2. Regulation and spectrum management costs

The costs of regulation and spectrum management comprise the costs associated with the activities of regulation, supervision, sector representation and cooperation; they include the following costs:

a) Costs associated with the electronic communications sector (pursuant to Law no. 5/2004).

To identify the costs associated with electronic communications, a breakdown is provided which enables determination of the costs associated with each of the acts defined in points a) to f) of paragraph no. 1 of Article 105 of the LCE. As such, costs are divided into the following blocks:

- i) Electronic Communications costs.

Costs associated with the issuing of declarations supporting exercise of activity, allocation of rights of use of resources and all of ANACOM's regulatory and supervisory activities, as well as sector representation and cooperation in the context of regulation (points a) to d) of paragraph no. 1 of Article 105).

ii) Spectrum Management Costs.

Costs associated with the set of activities undertaken by ANACOM with respect to the planning, assignment, monitoring and oversight of the radio frequency spectrum. (point f) of paragraph no. 1 of Article 105).

iii) Numbering Management Costs (point e) of paragraph no. 1 of Article 105).

Costs associated with the set of activities performed by ANACOM with respect to the planning, monitoring and oversight of the numbering plan.

b) Costs associated with the Postal Sector

Costs associated with issuing declarations and licenses for the exercise of the activity of postal services provider and with all activities of regulation, supervision, sector representation and cooperation.

For the identification of costs incurred with respect to postal services, a breakdown is given that enables the determination of costs associated with each of the acts defined in paragraph nos. 1 and 2 of Article 44 of the LSP.

c) Other administrative costs associated with the mission of the regulator.

Costs incurred as a result of the regulation of services which are outside the scope of Law no. 5/2004 (LCE) and likewise outside the scope of Law no. 17/2012 (LSP), including audiotext services, ITED - *Infraestruturas de Telecomunicações em Edifícios* (Telecommunications Infrastructure in Buildings), ITUR - *Infraestruturas de Telecomunicações em Loteamentos, Urbanizações e Conjuntos de Edifícios* (Telecommunications Infrastructure in Housing Developments, Urban Settlements and Concentrations of Buildings), Information Society services, amateur service and personal radio service - citizen's band (CB).

3. Costs not directly related to the regulatory activity

This category includes the remaining costs incurred by ANACOM which are not directly related to the regulatory activity², comprising the following costs:

a) Costs incurred Advising and Representing the State

Costs arising from ANACOM's participation in providing technical representation for the Portuguese State in the sector are excluded (point c) of paragraph no. 2 of Article 8 of ANACOM's Statutes, as approved in annex to Decree-Law no. 39/2015 of 16 March), where not directly linked to ANACOM's regulatory activity. These costs are generally those associated with the following events³:

- i) Preparation of and participation in meetings and conferences, as well as all the exchange of information in this context.
- ii) Responses to requests of a different nature, such as technical opinions, requests for studies by the overseeing ministry, requests for information, expertise requests, and others.
- iii) Response to requests for radio easements and protection of radiocommunications services.
- iv) Development of government cooperation programmes.
- v) Monitoring of special projects (e.g. ESA).

b) Contributions and levies associated with certain groups

Includes contributions and fees payable to the following groups: ITU, UPU, UPAEP, ESA, CPLP, Satellite Organizations and URSI.

² It is considered that these costs are not relevant to ANACOM's regulatory activity, according to the interpretation of paragraph no. 4 of Article 105 of Law no. 5/2004.

³ Comprises all international activity carried out within certain EU/ITU groups/committees (Council, Development Sector, Plenipotentiary Conference, World and Regional Radiocommunications Conferences), UPU, UPAEP, satellite organizations, ESA and URSI and also all the national activity carried out on behalf of the Government.

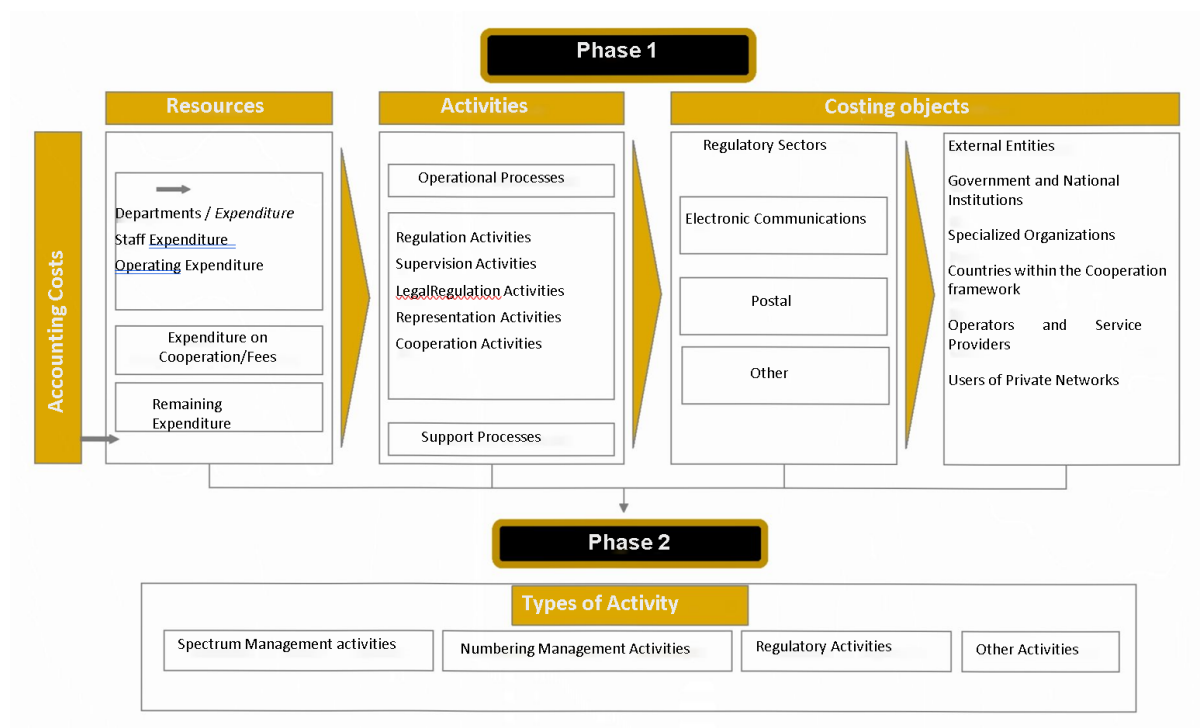
B. Methodology for allocating costs to different areas

4. Phases of ANACOM's Cost Allocation Methodology

The process of allocating costs is essentially carried out in 2 phases:

- a) Phase 1: Analysis and allocation of accounting expenditure associated with the processes/activities, areas of regulation and external entities of ANACOM⁴.
- b) Phase 2: Allocation of expenditure to the different types of activity according to the acts underlying article 105 of Law no. 5/2004 (LCE), and to the acts defined in paragraph nos. 1 and 2 of Article 44 of Law no. 17/2012 (LSP), as well as categories associated with the other sectors regulated by ANACOM, i.e. infrastructure (ITED and ITUR), the equipment sector and the information society.

Figure 2: Phases of ANACOM's Cost Allocation Methodology



⁴ The external entities considered are separated into several groups and their identification allows assessment of costs according to the classification presented in this document.

4.1. Phase 1- Analysis and allocation of accounting costs to ANACOM processes/activities

Initially, expenditure is listed by groups and by department according to the following classification:

- a) Direct resources - expenditure directly related to regulation services, through a cause-effect relation.
- b) Indirect/common expenditure – expenditure not directly related to regulation services.
- c) Expenses associated with cooperation and fees - specific expenses incurred as a result of ANACOM's cooperation and representation work.

Secondly, administrative costs are allocated to processes/activities directly or using criteria that represent a cause-effect relationship between the respective nature of the cost and the process(es) which they support.

As an example, the sequence of movements to classify expenditure is summarized below:

- d) Grouping of total accounting costs by nature and by department
- e) Classification of expenditure according to the structure of prevailing work processes, regulated and non-regulated areas (services), and external entities. Analysis and allocation of costs to processes⁵/services and costing objects/entities external to ANACOM⁶.
- f) Personnel expenditure⁷ is allocated directly to the processes/services and costing objects/customers of ANACOM, in accordance with the data reported by all staff using a computer application "Report of Hours Worked (RHT)".
- g) Expenses related to international travel, travel within Portugal, advertising, specialized work, fees, training, documentation, meetings, sponsorships are directly linked to the

⁵ According to the Dictionary of Processes/Activities which supports the reporting of hours of all ANACOM staff in the application "Reporting of Hours Worked (RHT)" and the classification of expenditure. The RHT application is used to obtain the total number of ANACOM staff hours.

⁶ Combination of process and/or service or object of costing and/or external entity.

⁷ Excluding costs associated with the Christmas Party, Anniversary and other staff events, which are treated as equivalent to common expenditure (Common Costs – All activities – For distribution to other costing objects).

processes/services/customers, on a case-by-case basis, notwithstanding the distribution of an insignificant value according to the Staff-Hours criterion.

- h) Expenditure on electricity, water, air conditioning, rent of the Head Office, buildings insurance, lifts, cleaning services, surveillance and security are considered as structural costs and are distributed on the basis of area, the m² used by each department. The remaining functioning expenditure, specifically as related to economat, reprographics and communications, is distributed among all departments, according to their spending⁸.
- i) Expenses related to cooperation and contributions/membership fees⁹ are distributed according to the nature of the activity¹⁰.
- j) Amortization and depreciation costs, where of a relevant amount, are associated with the work processes related to equipment, IT applications and hardware¹¹; the remaining part is allocated according to Staff-hours.
- k) Provisions are allocated to the various types of activity, according to the type of provision¹².
- l) Other expenses, particularly those for which a cause-effect relationship cannot be ascertained, are distributed according to relative cost or Staff-hours.

It should be emphasized that certain work processes, such as "Planning and Control", "Financial System", "General Services" and "Human Resources" do not have a direct relation to a specific area of regulation, and encompass all areas¹³. Therefore, costs related to these work processes are re-allocated among all operational processes, based on the criteria of relative costs or Staff-hours.

⁸ Being distributed to the processes/services/external entities, depending on the reported hours worked by each department (Staff Hours of each department).

⁹ Always associated with the "Cooperation" process and a particular external entity.

¹⁰ A portion of these expenditures is unrelated to the regulatory activity. See also List of Types of Activity (Figure 3).

¹¹ For example, amortization of equipment used by SINCRER (Integrated Remote-Control System for Radio Stations) is associated with the "Spectrum monitoring" sub-process and all radiocommunications services.

¹² Provisions may be distributed based on direct cost or Staff-hours. Provisions for ongoing litigation accounted for in recent years have been regarded as costs incurred from regulation activities (scope of Law no. 5/2004), spectrum management activities (scope of Law no. 5/2004) and regulatory costs (scope of Law No. 17/2012).

¹³ They are considered common processes.

4.2. Phase 2 - Allocation of expenditure to the regulation sectors

In order to ensure proper allocation of accounting expenditure to each regulation sector, within the scope of electronic communications, according to the acts detailed in paragraph no. 1 of article 105 of Law no. 5/2004, and also within the scope of postal services, according to the acts detailed in paragraphs nos. 1 and 2 of article 44 of the LSP, a process was developed which enables this allocation and which is identified as the "type of activity" process.

The type of activity is identified according to a combination - work process/regulated area (service)/external entity¹⁴. Each type of activity corresponds to a particular set of combinations¹⁵.

Expenses associated with each type of activity are allocated according to the following process:

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

In summary, the costs established in respect of the Electronic Communications Sector are distributed according to the acts defined in points a) to d) of paragraph no. 1 of article 105 of the *Lei das Comunicações Eletrónicas* (Electronic Communications Law), while the costs identified in respect of the Postal Sector are distributed according to the acts defined in paragraphs nos. 1 and 2 of Article 44 of the *Lei dos Serviços Postais* (Postal Services Law).

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

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

¹⁴ The costs associated with certain external entities are not considered as regulatory costs.

¹⁵ According to the Dictionary of Processes/Activities in application at ANACOM which supports the costing system.

- ii) Proportion of expenditure directly associated with each grouping of type of activity.
 - iii) Proportion of Staff-hours associated with each grouping of type of activity.
- c) Subsequently, after determining the expenditure by each type of activity grouping, the expenditure allocated to "all activities" involving regulation is distributed among the following regulation sectors:
- i) Electronic Communications Sector;
 - ii) Postal Sector;
 - iii) Other sectors outside the scope of the *Lei das Comunicações Eletrônicas* (Electronic Communications Law) and the *Lei dos Serviços Postais* (Postal Services Law).

Figure 3: List of Types of Activity

Types of Activity: Costs allocated to sectors within the scope of Law no. 5/2004	
Declarations supporting Rights	Regulation
Exercise of Activity - Regulation	Regulation
Assignment of Rights of Use of Frequencies	Regulation
Assignment of Rights of Use of Numbering and Reservation thereof	Regulation - Numbering
Spectrum Management Activities	Spectrum Management
Numbering Management Activities	Numbering Management
Types of Activity: Costs allocated to sectors outside the scope of Law no. 5/2004	
Declarations supporting Rights ¹⁶	Regulation
Exercise of Activity – Regulation ¹⁷	Regulation
Amateur and CB records and certificates ¹⁸	Spectrum Management
Assignment of Rights of Use of Numbering and Reservation thereof ¹⁹	Regulation – Numbering
Spectrum Management Activities ²⁰	Spectrum Management
Numbering Management Activities ²¹	Numbering Management
Costs not directly related to regulatory activity	
Common Costs	
Common Costs - Spectrum Management Activities	Spectrum Management
Common Costs - Spectrum Management Activities - Services Law no. 5/2004	Spectrum Management
Common Costs - Spectrum Management Activities - Services outside Law no. 5/2004	Spectrum Management
Common Costs - Regulatory Activities	Regulation
Common Costs - Regulatory Activities - Services Law no. 5/2004	Regulation
Common Costs - Regulatory Activities - Services outside the scope of Law no. 5/2004	Regulation
Common Costs - Numbering Management Activities	Numbering Management
Common Costs - Allocation of Rights of Use of Frequencies	Regulation
Common Costs - Allocation of Rights of Use of Numbering and Reservation thereof	Regulation–Numbering
Common Costs - Declarations Supporting Rights	Regulation
Common Costs - All activities - Allocation based on direct cost	
Common Costs - All activities - Allocation based on Staff-Hours	
Common Costs - All activities - Allocate to other costing objects	

¹⁶ Declarations and Licenses for postal activity and registration of audiotext and VAS providers.

¹⁷ Postal Services, ITED/ITUR, audiotext and VAS

¹⁸ Registrations and certificates associated with CB (citizen band) and amateur service.

¹⁹ Audiotext and premium services.

²⁰ CB and amateur service.

²¹ Audiotext services, VAS, premium services.