

Calculation of regulation costs for providers of publicly available electronic communications networks and services, pursuant to Article 105(1)(b) of the Electronic Communications Lawⁱ

1. Under the terms of paragraphs 1 and 2 of Annex II of Administrative Rule 1473-B/2008 of 17 February, as amended by Administrative Rule 296-A/2013 of 2 October, the total value of ANACOM's administrative costs to be considered for the purpose of the settlement of fees due for the exercise of the activity of supplier of electronic communications networks and services in 2019 (Year n) is hereby published.

Therefore, **C (Year 2020) = 33 819 903 euros** (average costs for the last 3 years, with the exception of those relating to provisions for ongoing legal proceedings related to the regulation of electronic communications, whose average is the last 5 years).

2. The following table gives a detailed breakdown of ANACOM's costs, based on the implemented ABC model, whose operating basis is described in Annex I. This breakdown shows the administrative costs that are relevant to the calculation of the fee mentioned in Article 105(1)(b) of the Electronic Communications Law.

Regarding the relevant revenues of electronic communications networks and services providers, after receiving information from the various entities present in the market ANACOM decided to carry out an audit, prior to the issuance of invoicing.

ⁱ Law 5/2004, of 10 February, amended and republished by Law 51/2011, of 13 September, subsequently amended by Law 10/2013, of 28 January, Law 42/2013, of 3 July, and Decree-Law 35/2014, of 7 March.

Breakdown of total costs (expenses) of ANACOM by type of activity

	Incurred			Average (3 years)	Provisions (5-year average)	Allocation of ANACOM costs (with provisions)
	2019	2018	2017			
1. Regulation and spectrum management costs	37 661 493	38 227 888	39 641 432	38 510 271	11 689 854	50 200 125
1.1 Costs relating to Electronic Communications	30 034 955	31 172 134	32 936 223	31 381 104	11 470 612	42 851 716
1.1.1 Administrative Costs	22 390 737	22 422 537	23 217 438	22 676 904	11 470 612	34 147 516
a) Declarations supporting rights	135 908	51 496	62 254	83 219		83 219
b) Exercise of the activity of network and service provider	21 901 600	22 137 224	23 009 048	22 349 291	11 470 612	33 819 903
c) Allocation of rights of use of frequencies	336 843	183 415	112 585	210 948		210 948
d) Allocation of rights of use of numbers	16 386	50 402	33 551	33 446		33 446
1.1.2 Frequency management costs	7 560 986	8 658 302	9 575 789	8 598 359		8 598 359
1.1.3 Number management costs	83 232	91 295	142 996	105 841		105 841
1.2 Postal regulation costs	2 619 779	2 065 697	2 321 077	2 335 518	219 242	2 554 760
1.2.1 Exercise of the activity of postal service provider	2 584 870	2 042 428	2 308 473	2 311 924	219 242	2 531 166
1.2.2 Authorisations and licenses	34 909	23 269	12 604	23 594		23 594
1.3 Other regulation costs	5 006 759	4 990 057	4 384 132	4 793 649		4 793 649
2. Other costs	2 374 563	2 216 658	2 537 927	2 376 383		2 376 383
3. Total costs	40 036 056	40 444 547	42 179 359	40 886 654	11 689 854	52 576 508

Provisions for ongoing legal proceedings related to regulation	2019	2018	2017	2015	2014	Average (5 years)
Relative to electronic communications	15 071 139	14 055 863	12 519 529	9 806 240	5 900 288	11 470 612
Relative to postal services	368 180	336 645	336 645	43 996	10 746	219 242
Total	15 439 319	14 392 507	12 856 173	9 850 236	5 911 034	11 689 854

ANNEX I

A. Breakdown of ANACOM costs

Introductory note

The breakdown of ANACOM costs with the purpose of determining the regulation costs is equivalent to the breakdown of its annual accounting costs pursuant to the accounting standardisation system (Sistema de Normalização Contabilística - SNC) through the application of the Activity Based Costing (ABC) methodology.

1. ANACOM's costing system

ANACOM's costing system was developed based on the ABC methodology and has the purpose of identifying the costs related to the development of the activities inherent in the statutory assignments it is committed to, as well as responding to the provisions of Article 105(4) of Law 5/2004 (Electronic Communications Law - ECL), and of Article 44(1)(2) of Law 17/2012 (Postal Services Law – PSL).

Overall, there are two major cost groups: **regulation and spectrum management costs and costs not related to the regulation activity**. The latter are essentially costs related to advising the Government and representing the State.

The breakdown of costs is shown in Figure 1.

Figure 1: Allocation 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 supplier of networks and services
c) Allocation of the rights of use of frequencies
d) Allocation of rights of use of numbers
1.1.2 Frequency management costs
1.2.3 Number management costs
1.2 Costs of postal regulation
1.2.2 Exercise of the activity of provider of postal services provider
1.2.2 Declarations and licenses
1.3 Other regulation costs
2. Other costs

2. Regulation and spectrum management costs

These costs related to regulation and spectrum management represent the costs associated to the regulation, supervision, regulatory, sector representation and cooperation activities, and comprise the following costs:

a) Costs related to the electronic communications sector (scope of Law No. Law 5/2004).

In the context of identifying electronic communications costs, these are broken down to enable the determination of costs related to each of the actions specified in Article 105 (1)(a) to (f) of the ECL. In this way, costs are separated into the following blocs:

i) Electronic Communications costs.

Costs related to providing declarations for the exercise of the activity, assigning rights of use of resources, and all its regulation, supervision, regulatory, sector representation, and cooperation activities in the area of regulation (Article 105(1)(a) to (d)).

ii) Spectrum Management costs.

Costs related to the activities developed by ANACOM relating to the planning, assignment, monitoring and inspection of the radio-frequency spectrum (Article 105(1)(f)).

iii) Numbering Management costs (Article 105(1)(e));

Costs related to the activities developed by ANACOM relating to the planning, monitoring and inspection of the numbering plan.

b) Costs related to the Postal Sector

Costs related to the issuance of declarations and licences for the exercise of the activity of provision of postal services, and with all regulation, supervision, regulatory, sectoral representation and cooperation activities.

In the context of identifying postal services' costs, these are broken down to enable the determination of costs related to each of the actions specified in Article 44(1)(2) of the PSL.

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

Costs derived from the regulation of services that are not included in the scope of Law 5/2004 (ECL) or in the scope of Law 17/2012 (PSL), notably the audiotext services, ITED (Telecommunications Infrastructure in buildings) and ITUR (Telecommunications Infrastructure in housing developments, urban development and building complexes) services, Information Society services, the amateur radio service and the personal radio service - citizen band (CB).

3. Costs not directly related to the regulation activity

This category includes other costs incurred by ANACOM which are not directly related to the regulation activity², and include the following:

a) Costs related to Advising the Government and Representing the State

Costs stemming from ANACOM's participation in technical representation of the Portuguese State in the sector (Article 8(2)(c) of the articles of association, approved in the annex to Decree-Law 39/2015 of 16 March), which do not directly concern regulatory activity. These costs are generally those related to the following events³:

- i) Preparation of and participation in meetings and conferences, as well as all the information exchanged in this context.
- ii) Responding to requests varying in nature, such as technical opinions, studies requested by the relevant ministry, information requests, expert reports, etc.
- iii) Replying to requests for radio easements and protection of radiocommunications services
- iv) Development of cooperation programmes within the Government.
- v) Monitoring special projects (e.g. ESA).

b) Contributions and levies related to certain entities

This group includes the contributions and levies payable to the following entities: ITU, UPU, UPAEP, ESA, CPLP, Satellite Organisations, and URSI.

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

³ This includes all international activity developed within certain groups/committees from the EU, ITU (Council, Development Sector, Plenipotentiary Conference, Radiocommunications World and Regional Conferences), UPU, UPAEP, satellite organisations, ESA and URSI, and all the national activity developed for the Government.

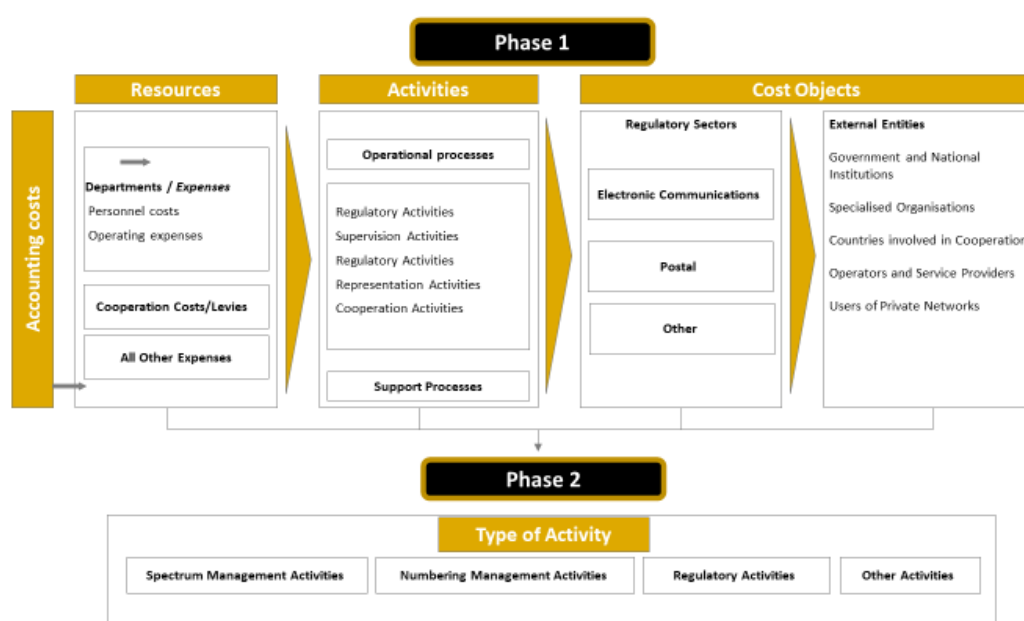
B. Methodology for allocating costs to the different areas

4. Phases in ANACOM's cost allocation methodology

The allocation of costs follows mainly two phases:

- a) Phase 1: Analysis and allocation of accounting costs related to ANACOM's processes/activities, regulation areas, and external entities⁴.
- b) Phase 2: Allocation of costs to the different types of activity according to the actions underlying Article 105 of Law 5/2004 (ECL) and the actions specified in Article 44(1)(2) of Law 17/2012 (PSL), as well as to the types related to the other sectors regulated by ANACOM, namely the infrastructure sector (ITED and ITUR), the equipment sector, and the information society.

Figure 2: Phases in ANACOM's cost allocation methodology



⁴ The external entities considered appear in several groups and their identification enables measuring costs according to the classification presented in this document.

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

To start with, costs are grouped by type (pool) and by department according to the following classification:

- a) Direct resources – expenses directly related to regulation services, through a cause-effect relationship.
- b) Indirect/common costs – costs devoid of any direct relationship with regulation services.
- c) Cooperation and levy costs – specific ANACOM cooperation and representation expenses.

Next, costs are allocated to processes/activities directly or by means of criteria that represent a cause-effect relationship between the respective nature of the cost and the process(es) it supports.

As an example, the sequence of movements to classify costs is summarised below:

- d) Grouping of total accounting costs by type and by department.
- e) Classification of costs according to the structure of work processes in force, regulated and non-regulated areas (services), and external entities. Analysis and allocation of costs to processes⁵/services and cost objects/external entities of ANACOM⁶.
- f) Personnel costs⁷ are directly allocated to ANACOM's processes/services and cost objects/external entities, according to the report made by all employees via a computer application "Working Hours Report - Reporte de Horas de Trabalho (RHT)"

⁵ According to the Dictionary of Processes/Activities that supports the report of working hours of all ANACOM employees in the application "Report of Working Hours (RHT)" and the cost classification. The RHT application enables obtaining ANACOM's overall Man-Hours.

⁶ Combination process and/or service or cost object and/or external entity.

⁷ Except the costs related to the Christmas Party, Anniversary, and other personnel-related events, which are treated as common costs (nature Common Costs – All activities – Distribute other cost objects).

- g) Expenditure on travelling abroad, trips within the country, advertising, specialised works, fees, training, documentation, meetings, sponsorships are directly related to processes/services/customers, based on rational relationships, without prejudice to a portion with a non-relevant part being distributed according to the Man-Hours (MH) criterion.
- h) Expenditure on electricity, water, air-conditioning, rental of the head office building, property insurance, lifts, cleaning services, surveillance and security are regarded as structural costs and are distributed according to the m2 used by each department. All other operating expenses, notably those related to procurement, reprography, and communications are distributed among all departments according to their consumption⁸.
- i) Costs related to cooperation and contributions/levies⁹ are distributed according to the nature of the activity¹⁰.
- j) Depreciation and amortisation costs, with a significant value, are associated with the work processes related to computer equipment, software and hardware¹¹, while the rest is distributed by MH.
- k) Provisions are allocated to the several types of activity, according to the kind of provision¹².
- l) Other expenses, where there is no cause-effect relationship, are distributed according to the relative cost or MH.

It is important to stress that a portion of the work processes, such as “Planning and Control”, “Financial System”, “General Services” and “Human Resources” do not have a direct relationship with a specific regulation area since they cut across all areas¹³. For this reason,

⁸ Being distributed to processes/services/external entities according to the hours reported in each department (MH – Man-Hours in each department).

⁹ Always linked to the “Cooperation” process and to a particular external entity.

¹⁰ A portion of these costs is not related to the regulation activity. See, too, the Type of Activity list (Figure 3).

¹¹ For instance: the amortisation of the SINCRER equipment (Integrated Remote Control System for Radio Stations) is associated with the “Spectrum Monitoring” sub-process and all radiocommunications services.

¹² It may be shared based on the direct cost or MH system. Provisions for legal actions in progress accounted for in recent years have been regarded as regulation activity costs – Law 5/201, spectrum management activities – Law 5/2004 and regulation costs – Law 17/2012.

¹³ They are regarded as common processes.

costs related to these work processes are redistributed to all operational processes, based on relative cost or MH criteria.

4.2. Phase 2 - Allocation of costs to regulation sectors

In order to guarantee the correct allocation of accounting costs by each regulation sector, both in the area of electronic communications, through the action set out in Article 105(1) of Law 5/2004, and in the area of the postal sector through the actions set out in Article 44(1)(2) of the PSL, a process was developed to enable that distribution and which is identified as “type of activity”.

The type of activity is identified according to a work process/regulated area (service)/external entity combination¹⁴. Each type of activity corresponds to a given set of combinations¹⁵.

The allocation of costs related to each type of activity respects the following process:

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

To sum up, the costs determined for the Electronic Communications Sector are distributed by the actions defined in Article 105(1)(a) to (d) of the Electronic Communications Law, and the costs determined for the Postal sector are distributed by the actions defined in Article 44(1)(2) of the Postal Services Law.

- b) Distribution of the amount of common costs (accounting costs of a common nature) and cooperation/levy costs by regulation blocs, considering one of the following options as a distribution criterion, taking into account the type of common or cooperation cost:

¹⁴ Costs associated with certain external entities are not considered regulation costs.

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

- i) Direct allocation to the corresponding type of activity bloc through the cause-effect relationship.
 - ii) Proportion of costs directly related to each type of activity bloc.
 - iii) Proportion of MH directly allocated to each type of activity bloc.
- c) Subsequently, and after determining the costs by each type of activity bloc, the costs allocated to “all activities” of regulation are distributed among the following regulation sectors:
- i) Electronic Communications Sector;
 - ii) Postal Sector;
 - iii) Other sectors outside the scope of the Electronic Communications Law and the Postal Services Law.

Figure 3: Type of Activity List

Type of Activity: Costs allocated to sectors in the scope of Law 5/2004	
Declarations supporting Rights	Regulation
Exercise of Activity - Regulation	Regulation
Allocation of Rights of Use of Frequencies	Regulation
Allocation of Rights of Use of Numbers and their Reservation	Regulation - Numbering
Spectrum Management Activities	Spectrum Management
Numbering Management Activities	Numbering Management
Type of Activity: Costs allocated to sectors outside the scope of Law 5/2004	
Declarations supporting Rights ¹⁶	Regulation
Exercise of Activity - Regulation ¹⁷	Regulation
Amateur and CB records and certificates ¹⁸	Spectrum Management
Allocation of Rights of Use of Numbers and their Reservation ¹⁹	Regulation - Numbering
Spectrum Management Activities ²⁰	Spectrum Management
Numbering Management Activities ²¹	Numbering Management
Costs not directly related to the regulation activity	
Common Costs	
Common Costs - Spectrum Management Activities	Spectrum Management
Common Costs - Spectrum Management Activities - Services Law 5/2004	Spectrum Management
Common Costs - Spectrum Management Activities - Services not covered by Law 5/2004	Spectrum Management
Common Costs - Regulation Activities	Regulation
Common Costs - Regulation Activities - Services Law 5/2004	Regulation
Common Costs - Regulation Activities - Services not covered by Law 5/2004	Regulation
Common Costs - Numbering Management Activities	Numbering Management
Common Costs - Allocation of Rights of Use of Frequencies	Regulation
Common Costs - Allocation of Rights of Use of Numbers and their Reservation	Regulation-Numbering
Common Costs - Declarations supporting Rights	Regulation
Common Costs - All activities - To distribute based on direct cost	
Common Costs - All activities - To distribute based on MH	
Common Costs - All activities - To distribute other cost objects	

¹⁶ Declarations and Licences for the postal activity and records of audiotext and SVA (value added services) providers.

¹⁷ Postal Services, ITED/ITUR, audiotext and SVA

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

¹⁹ Audiotext and added invoicing services.

²⁰ CB and amateur service.

²¹ Audiotext, SVA and added invoicing services.