



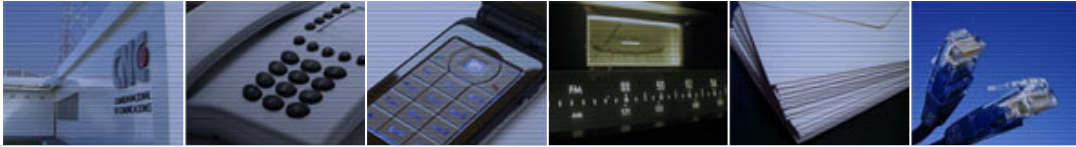
COMISION NACIONAL
DE COMUNICACIONES

REGULATORY ACCOUNTING



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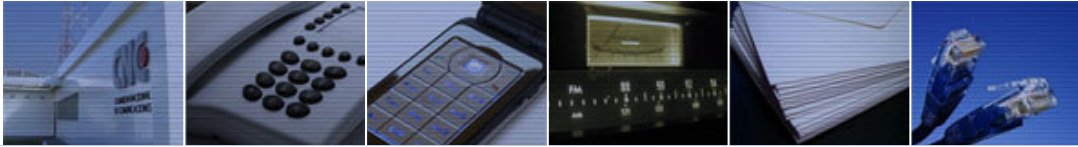
BACKGROUND

➔ **Resolutions SC N° 26874/96 y 26888/96:**
Economics, accounting and cost related data

Basic principles established for:

- Plan and Handbook of Accounts
- Handbook on Allocation of Revenues and Costs
- Quarterly Reports

➔ **1997 – A uniform Plan and Handbook of Accounts**
was adopted for licencees operating with exclusivity



BACKGROUND

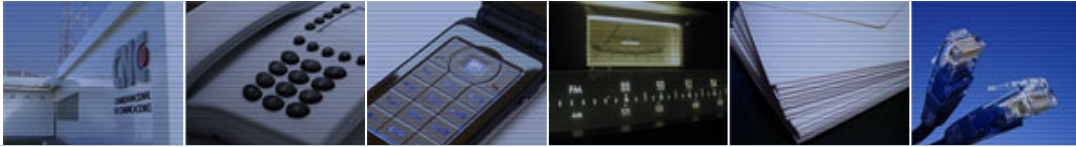


Decree 764/00

Telecommunication market deregulation:

The need to implement new methodologies arose, considering the following requirements:

- Accounting separation for different services
 - Cost based accounting
 - Separate accounts for interconnection related activities
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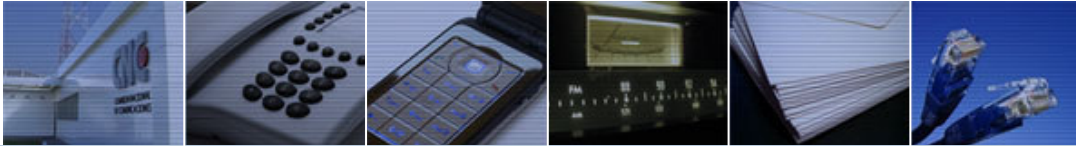
CURRENT SITUATION

The two dominant providers in the market show their results discriminated in three “companies”

- Local
 - Long Distance
 - Public Telephony
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Procedures can be summarized as follows:

- Allocation of charges (“transfers”)
- Allocation of Areas of Responsibility or Cost Centres
- Allocation of processes to products



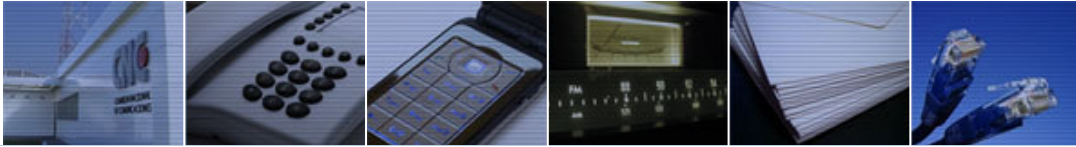
ENHANCING DATA / ADVANTAGES

Regulatory Agency: shall establish guidelines, criteria and conditions for accounting separation and cost-based accounting. In this sense:

REGULATORY ACCOUNTING:

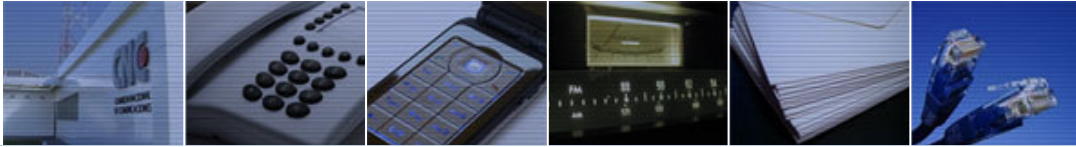
A fundamental integrating tool for homogenizing regulatory instruments thus:

- ➡ Minimizing information asymmetries between companies and the regulator
- ➡ Minimizing regulatory costs in view of uniformity of criteria regarding data
- ➡ Generating various products useful for regulatory agencies, such as accounts plans, accounts handbooks, regulatory reports, benchmarking, etc.
- ➡ Analyzing comparatively the telecommunication market in terms of income and expenditure
- ➡ Providing uniform, consistent and objective data, basically on:



ENHANCING DATA / ADVANTAGES

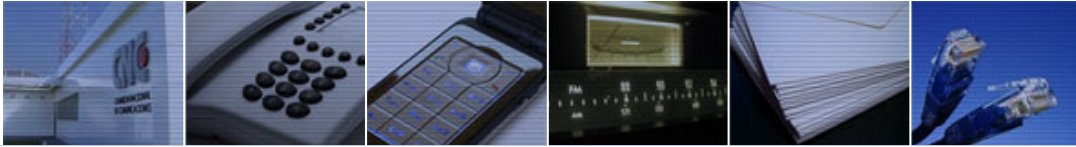
- Separation of different activities
- Separation of telecommunication services accounts
- Interconnection-related costs identified and separated from costs of other services
- Physical values such as traffic, subscribers, etc..
- Cost-based accounting to determine cost-oriented rates.
- Identification of anticompetitive practices
- Cross subsidies.



ENHANCING DATA / ADVANTAGES

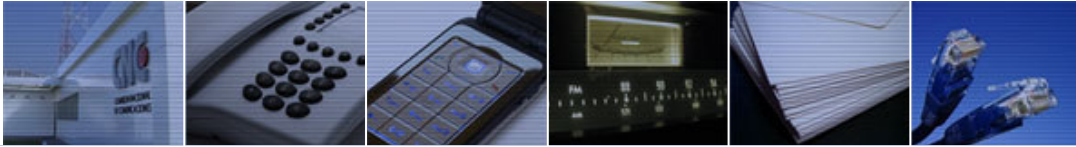
Data must be supplemented with additional data on physical quantities describing companies' performance, such as:

- production levels (traffic carried, classified by type of service: local, national and international long distance)
- degree of input use
- number of lines installed and in service
- number of subscribers
- number of employees



GENERAL PRINCIPLES

- Causation
- Objectivity
- Transparency and ability to unbundle
- Auditability
- Neutrality in internal transfers
- Sufficiency
- Reconciliation
- Flexibility
- Unchangeability of accounting criteria used by providers

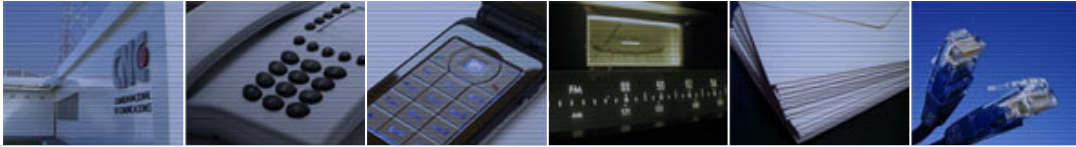


GENERAL PRINCIPLES AND HANDBOOK OF ACCOUNTS

- Fixed assets: identification of those specifically related to communications

- Definition of accounts related to Revenues

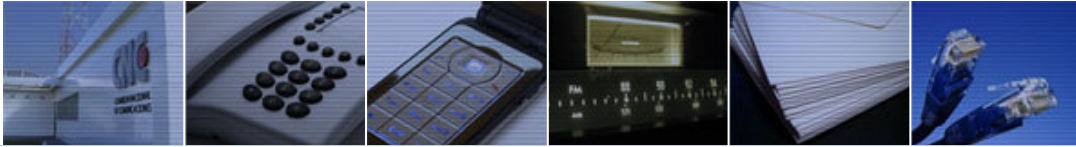
- Definition of accounts related to Expenses



USE

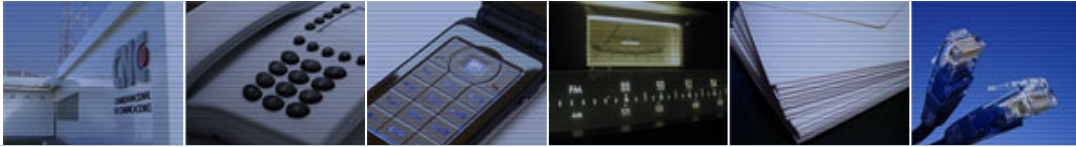
May be a tool for:

- Implementing a system of fully allocated costs, in which:
 - Directly attributable costs : directly and immediately related to service provision
 - Indirectly attributable costs : related to service provision through association with another cost
 - Non attributable costs: neither directly nor indirectly related to service provision
- Accounting rates determined in accordance with ITU-T D 140 Annex A
- International calls priced in accordance with ITU-T D 400 R recommendation



USE

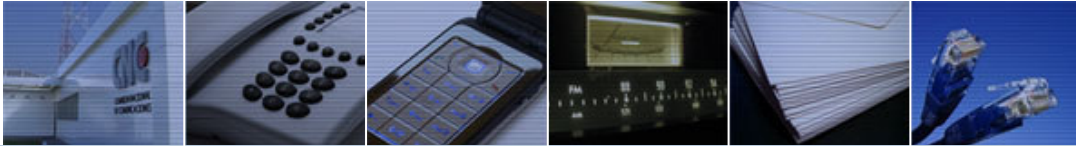
- TAL Group interconnection cost modelling for:
 - Registering switching and transmission equipment, their costs, amortization according to their life cycle and amortization methods
 - Registering operation, maintenance and reparation expenses
 - Attribution of research and development expenses, general administration expenses, management systems as well as the rest of indirect and common costs.
- System of long run incremental costs
- Facilitate regulatory convergence which requires technological convergence



CONCLUSIONS



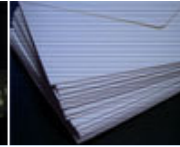
Regulatory Accounting shall provide the accounting processes that each model requires, resulting in more efficient cost estimates, thus reducing price distortion and allowing for development of a competitive market..



CONCLUSIONS



We must think in terms of a new way of regulating to harmonize regulations concerning services and products as well as regarding operators and technology; a way in which Regulatory Accounting, accounting and cost models, should be able to show the new reality and respond to the requirements of this regulation thus becoming an efficient tool for regulators



**THANK YOU FOR
YOUR ATTENTION**