

APPLICATION AND USE OF REGULATORY ACCOUNTABILITY

The XIII Meeting of the Permanent Consultative Committee I: Telecommunications,

CONSIDERING:

- a) The new mandate received from the IV CITEL Assembly, adopted by Resolution CITEL RES. 55 (IV-06);
- b) That PCC.I is CITEL's Telecommunications Advisory Committee regarding new policy, regulatory and economic matters derived from the rapid evolution of telecommunications;
- c) The new PCC.I structure, and the mandates and terms of reference for the Working Groups adopted by Resolution PCC.I/RES. 104 (IX-06), particularly those regarding the Working Group on Policy and Regulatory Considerations (WGPRC);
- d) That the mandate of the Rapporteur Group on Telecommunications Economic Aspects of PCC.I of WGPRC is to develop studies on the economic aspects and tariff principles of telecommunication services, and to examine the need for new or adapted charging and accounting mechanisms for the provision of such services in the Region,

RECOGNIZING:

- a) That the regulatory and control authorities consider of the utmost importance to have economic regulatory tools in order to fulfill their objectives.
- b) That among those objectives emphasis should be put on promoting the development of a telecommunications market in a competitive environment, protecting customers, and having a reliable and easy to use database based on common criteria to determine, for example, measures to prevent the existence of anti competition practices or cross-subsidies;
- c) That the Regulatory Accounting, is oriented to separate the income, costs and expenditures of a service provider that are strictly related to regulated activities from those related to associated services or not regulated services;
- d) That in this sense, it is necessary to have relevant, uniform and transparent information so that Administrations might be able to legislate regarding their respective needs and features,

¹ CCP.I-TEL/doc. 1550/08

TAKING INTO ACCOUNT:

- a) The questionnaire on Regulatory Accounting sent to the Administrations of CITEL's Member States in order to obtain information about legal, economic and accounting aspects derived from the provision of telecommunication services in the region PCC.I/DEC.61 (XI-07);
- b) The creation of a Technical Folder on Practical Cases regarding the Application and Use of Regulatory Accounting in order to provide updated consulting information to the countries of the region (PCC.I/RES.122 (XI -07)),

ALSO TAKING INTO ACCOUNT:

That in relation to the above mentioned effects, it is very useful to have general and common guidelines regarding economic regulation within the framework of CITEL, specially regarding the provision of Regulatory Accounting systems,

RECOMMENDS:

That all the Administrations of CITEL's Member States where cost-based regulation is applicable should take into account the general guidelines included in the annex, to create a Regulatory Accounting system within the framework of their respective national legislations.

REQUESTS:

That CITEL Executive Secretary distributes this Recommendation to all Administrations of CITEL's Member States and Associated Members.

ANNEX TO RECOMMENDATION PCC.I/REC. 3 (XIII-08) GENERAL GUIDELINES FOR A REGULATORY ACCOUNTING SYSTEM

For CITEL's Member States where cost-based regulation is applicable, the basic general guidelines proposed for a Regulatory Accounting system are the following:

- It should be based on the definition of simple, transparent and concise principles;
- All regulatory requirements must consider whether a provider has market power or not, covering only those areas where data are necessary to approach the established policy goal, so as not to become an administrative burden, in particular for those providers not having market power;
- Telecommunication Service Providers should provide economic, accounting and financial information, and usage data;
- Within each country, a uniform set of criteria of identification, valuation and allocation of accounts or entries should be achieved;

- It should include a clear accounting separation of inflow and outflow, costs and expenditures, between regulated activities and not regulated activities provided by each service provider;
- Within its different stages of design, implementation and management, a Regulatory Accounting system should take into account cost oriented methodologies, with the highest possible level of accounting separation, in order to promote the establishment of efficient prices/rates for the services;
- Basically, the system should include:
 - A Plan and an Account Handbook, indicating its equivalencies with each provider's accounting system, in which account separation should be established according to regulatory objectives;
 - An Income and Costs Allocation Handbook bearing the criteria determined by the regulator, namely: accounting separation of inflow and outflow, costs and expenditures for each service, activity, process or entry, considering cost causation principles, and all upon an objective basis.
 - Use and Application Handbooks of the information included in and produced by a Regulatory Accounting system.