

## **STATUTORY INSTRUMENTS**

**2005 No. 27.**

THE TELECOMMUNICATIONS (TARIFFS AND ACCOUNTING) REGULATIONS,  
2005.

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## STATUTORY INSTRUMENTS

2005 No. 27.

### **The Telecommunications (Tariffs and Accounting) Regulations, 2005.**

*(Under section 94 of the Uganda Communications Act, Cap 106).*

IN EXERCISE of the powers conferred upon the Uganda Communications Commission by section 94 of the Uganda Communications Act, these Regulations are made this 7th day of January, 2005.

#### **1. Title**

These Regulations may be cited as the Telecommunications (Tariffs and Accounting) Regulations, 2005.

#### **2. Application of Regulations**

These regulations apply to the pricing of telecommunications services and accounting by telecommunications operators.

#### **3. Objectives of Regulations**

The objective of these Regulations is to establish a framework for efficient and reasonable cost-based pricing of telecommunications services through measures aimed at—

- (a) ensuring that the tariffs charged to consumers are reasonable and efficient, cost-oriented and reflect optimum consumer satisfaction;
- (b) ensuring the efficient use of resources without wastage, that impacts on the quality of services and level of prices;
- (c) ensuring that the tariffs charged are cost-oriented, transparent and non-discriminatory, through annual filings, disclosure and publication of related records;
- (d) ensuring the disclosure of accounting information and records as a basis of deriving or determining cost-based pricing of tariffs;
- (e) involving the public in determining and assessing reasonableness of tariffs charged for telecommunications services;
- (f) establishing an accounts separation of specified telecommunication activities in order to prevent anti-competitive acts of among others, cross-subsidisation and under pricing by operators;
- (g) establishing an accounting system in the telecommunications sector that is consistent, reliable, comparable and stable in financial reporting;
- (h) requiring operators to implement transparent cost accounting systems, reflecting the costs of efficient service provision;
- (i) applying the “cost of efficient service provision” criteria in the tariff pricing mechanism for telecommunications services;

- (j) implementing price-cap regulation in the telecommunications industry;  
and
- (k) promoting a competitive environment and a level playing field by ensuring that charges are cost-based, transparent and non-discriminatory.

#### **4. Interpretation**

In these Regulations, unless the context otherwise requires—

- “account” means a specific element of a chart of accounts used to record, classify and accumulate similar financial transactions resulting from the operations of an entity;
- “accounting system” means the total set of inter-related principles, rules, requirements, definitions, accounts, records, procedures and mechanisms necessary to operate and evaluate the entity from a financial perspective;
- “Act” means the Uganda Communications Act, Cap 106;
- “actual price index” means an index of the level of aggregate rate element rates in a basket which is calculated under regulation 10;
- “affiliated company” means a company that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with the accounting company;
- “amortisation” means the systematic recovery, through ratable charges to expense, of the cost of assets;
- “associated equipment” means that equipment which functions with a specific type of plant or with two or more types of plant, like switching equipment, network power equipment, circuit equipment, common channel network signalling equipment or network operations equipment, and is classified to the account appropriate for the type of equipment with which it is predominately used rather than on its own characteristics;
- “band” means a zone of pricing flexibility for a service category;
- “base period” means a twelve month period ending six months before the effective date of annual price-cap tariffs;
- “basic service area” means the minimum specified calling area for which a tariff is prescribed;
- “basket” means any class category of tariffed services—
  - (a) which is established by the Commission under price-cap regulation;
  - (b) whose rates are reflected in an actual price index; and
  - (c) whose related costs are reflected in the price-cap index;

“book cost” means the amount at which property is recorded in the accounts, without deduction of related allowances;

“change in rate structure” means a restructuring or other alternation of the rates components for an existing service;

“charge” means the price for services based on tariffed rates;

“company” when not otherwise indicated in the context, means an accounting entity and includes an unincorporated entity;

“control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether the power is exercised through one or more intermediary companies or alone, or in conjunction with or under an agreement with one or more other companies, and whether the power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means;

“cost” except as applied to telecommunications plants, franchises, and patent rights, means the amount of money actually paid or the current money value of any consideration other than money exchanged for property or services;

“depreciation” means the loss not restored by current maintenance, incurred in connection with the consumption or prospective retirement of a telecommunications plant in the course of service from causes which are known to be in current operation, against which the company is not protected by insurance, and the effect of which can be forecast with a reasonable approach to accuracy;

“generally accepted accounting principles” means generally accepted accounting principles that apply generally to transactions and which determine the assets and liabilities that are recorded on the balance sheet, how assets and liabilities are valued, the income or expenditure that is recorded on the income statement and the amount of the income and expenditure that is recorded;

“group plan” as applied to depreciation accounting, means the plan under which depreciation charges are accrued upon the basis of the original cost of all property included in each depreciable plant account, using its average service life, properly weighted, and upon the retirement of any depreciable property, charging its cost to the depreciation reserve whether or not the particular item has attained the average service life;

“intangible property” means assets that have no physical existence but have value because of the rights which ownership confers;

“original cost” as applied to telecommunications plant, rights of way and other intangible property, means the actual money cost of, or the current

money value of any consideration other than money exchanged for property at the time when it is first dedicated to use by a regulated telecommunications entity, whether by the accounting company or by its predecessor;

“price-cap index” means an index of costs applying to companies subject to price-cap regulation, which is calculated for each basket under these Regulations;

“price-cap regulation” means a method of regulation of telecommunications operators provided under these Regulations;

“price-cap tariff” means any tariff filing involving a service that is within a price-cap basket, or that requires calculation in accordance with these Regulations;

“productivity factor” means an adjustment factor used to make annual adjustments to the price-cap index to reflect the margin by which a company subject to price-cap regulations, is expected to improve its productivity relative to the economy as a whole;

“public operator” means an operator who is licensed by the Commission to offer services for payment and without discrimination to the public, including other operators;

“rate” means the tariff price per unit of service;

“rate increase” means any change in tariff which results in an increased rate or charge to any of the filing company’s customers;

“rate level change” means a tariff change that affects the actual rate associated with a rate element;

“service band index” means an index of the level of aggregate level element rates in a service category, calculated under these Regulations;

“service category” means any group of rate elements subject to price-cap regulations, which is subject to a band;

“subscriber” means any person provided with a telecommunications service by an operator, and who is responsible for payment of all charges and rentals of that service;

“subsidiary record” means an accumulation of detailed information which is required by the Commission to be maintained in support of entries to accounts;

“subsidiary record categories” means those segregations of certain regulated costs, expenses and revenues which must be maintained and are subject to specific reporting requirements of the Commission;

“subsystems parallel mechanisms” means processes or procedures which increase the use of a chart of accounts in the financial operation of an entity;

“supplement” means a publication, filed as part of a tariff for the purposes of suspending or cancelling that tariff or tariff publication and numbered independently from the tariff page series;

“tangible property” means assets characterised by physical existence, such as land, buildings, equipment, furniture, fixtures and tools;

“tariff” means the charges by a telecommunications service operator to its subscribers that are reflected on a minute basis;

“tariff year” means the period from the day in a calendar year on which a company’s annual tariff filing is scheduled to become effective through the preceding day of the subsequent calendar year;

“unbundled pricing” means the separation of charges for network elements, including but not limited to local, national and international call completion, and broken down by switch hub and transmission cost, data base and signalling systems, operator services and directory assistance.

## **5. Regulation of rates**

(1) Charges offered to or payable by a consumer to an operator for telecommunications services provided under a licence issued under the Act, shall be derived from the cost of providing the services, based on a cost causation and oriented approach, as shall be defined by the Commission.

(2) The rates of telecommunications services shall be subject to a rate mechanism of price-caps and price-capping formulae and where the rates are specified as a ceiling, no tariff shall be fixed in excess of the ceiling.

(3) Where a tariff is specified as a floor, no tariff shall be fixed below the floor.

(4) A licensed operator shall offer a standard package to all subscribers, in a non-discriminatory manner.

(5) The Commission shall determine whether the tariffs to be charged are just, reasonable and non-discriminatory.

(6) The rate structures as cost justification shall comply with the following guidelines—

(a) rates for the same or comparable services shall be integrated;

(b) rate structures for the same or comparable services shall be integrated;

(c) rate structures for the same or comparable services shall be consistent with one another;

(d) rate elements shall be selected to reflect market demand, pricing convenience for the operator and customers, and cost characteristics;

(e) rate elements which appear separately in one rate structure shall appear separately in all other rate structures;

(f) rate elements shall be consistently defined with respect to underlying service functions and shall be consistently employed through all rate structures; and

(g) rate structures shall be simple and easy to understand.

## **6. Price-caps**

(1) Every licensee of telecommunications services specified by the Commission shall file a price-cap tariff for the services provided by that licensee.

(2) The price-cap tariff filed by the licensees under this regulation shall comply with the price regulations under these Regulations.

(3) The price-cap tariff filed under this regulation shall comply with a pricing system of telecommunications services that is cost-based, applying the long run incremental cost principle.

(4) A licensee, subject to price-cap tariff, shall file with the Commission for its approval, price adjustment applications for any tariff rates the licensee may seek to have adjusted.

## **7. Price-cap baskets**

(1) The Commission shall authorise licensees to establish baskets which shall be subject to price-cap regulation, including but not limited to—

(a) local services and domestic long distance basket;

(b) international or long distance services to the East African Community and the Common Market for East and South Africa (COMESA) and any other similar regional basket; and

(c) international long distance services to all other countries baskets.

(2) A Local services and domestic long distance basket shall contain such services as the Commission shall designate including the following service categories—

(a) the same exchange calls for mobile networks;

(b) the same exchange calls for mobile networks at peak time;

(c) the same exchange calls for mobile networks at off peak periods;

(d) the same exchange calls for mobile networks at discount times;

(e) local calls for fixed networks within the same local area;

(f) local calls for fixed networks within the same local area for peak time;

(g) local calls for fixed networks within the same local area for evening and night time;

(h) local calls for fixed networks within the same local area for weekend times;

(i) services from one mobile operator to another within the geographical boundaries of Uganda;

- (j) services from mobile operators to fixed line operators within the geographical boundaries of Uganda;
- (k) services from fixed line operators to mobile operators within the geographical boundaries of Uganda;
- (l) services originating from one exchange to another within the geographical boundaries of Uganda; and
- (m) any other services that the Commission may find appropriate to categorise under this basket.

(3) International or long distance services to the East African Community and the Common Market for East and South Africa (COMESA) regions and other similar regional baskets shall include the following services—

- (a) all trunk calls originating from mobile operators to the East African region;
- (b) all trunk calls originating from fixed line operator companies to the East African Community region;
- (c) all international long distance services to the Common Market for East and South Africa (COMESA) region; and
- (d) any other services that the Commission may find appropriate to categorise under this basket.

(4) International long distance services to all other destinations other than those specified under subregulation (3), shall include the following services—

- (a) all services from fixed line operators to other countries;
- (b) all services from mobile operators to other countries;
- (c) all international calls offered at discount rates, for example during weekends; and
- (d) any other services that the Commission may find appropriate to categorise under this basket.

(5) A licensed operator shall exclude the following offerings from the price-cap baskets—

- (a) special construction services relating to services in subregulations (2), (3) and (4);
- (b) all other special construction services;
- (c) services subject to below-the-line accounting;
- (d) international private line and record company services;
- (e) contract-based tariffs;
- (f) services removed from price-cap regulation;
- (g) all other promotional offerings;
- (h) custom tariff services;



- (i) commercial services; and
- (j) any other services that the Commission may specify.

(6) A new service shall be included in any basket at the first annual price-cap tariff filing following completion of the base period in which it was introduced and to the extent that the new service is permitted or required to be included in new or existing service categories within the assigned basket.

## **8. Price-cap formula calculation**

(1) Licensed telecommunications operators shall file initial price-cap tariffs, for all the price-cap baskets prescribed in regulation 8, on a date the Commission shall determine.

(2) Each price-cap tariff filed under subregulation (1) shall be assigned an initial value prior to adjustment of one hundred, corresponding to the costs and rates in effect, at a date determined by the Commission.

(3) An operator shall justify the initial price-cap tariffs basing on the concepts of cost based, cost causation and long run incremental costs.

(4) Tariffs that do not satisfy the concepts under this regulation shall not be adopted as base year tariffs and shall not be used in the calculation of the price-cap index, average price index, or service band index.

(5) Every licensed telecommunications operator shall adjust existing tariffs for all the price-cap baskets specified in regulation 8, on a date prescribed by the Commission, to reflect the principles of cost based and cost causation.

(6) Every telecommunications operator shall adjust its books of accounts by a date specified by the Commission, to reflect the accounting regulations under these Regulations to enable the development of a uniform system of accounts.

(7) A telecommunication operator shall file initial price-cap tariffs, for interconnection charges between the different operators, by a date the Commission may specify.

(8) The Commission shall not accept interconnection charges that do not reflect the cost based and cost causation principles.

## **9. Annual price-cap filings**

Every public operator company shall submit annual price-cap tariff filings that—

- (a) propose rates for the following year;
- (b) make appropriate adjustments to its price-cap index, average price index, service band index and service price index values; and
- (c) incorporate the costs and rates of new services into the price-cap index, average price index or service band index calculations.

## **10. Supporting information for tariffs filing**

(1) Each price-cap tariff filing shall be accompanied by supporting materials, sufficient to calculate the required adjustments to each price-cap index, actual cap index, and service band index, in accordance with the methodologies prescribed in these Regulations.

(2) Each price-cap tariff filing that proposes rates that are within applicable bands established and that result in an actual price index value that is equal to or less than the applicable price-cap index value, shall be accompanied by supporting materials, sufficient to establish compliance with the applicable bands and to calculate the necessary adjustment to the affected actual price indexes and service band indexes.

(3) Each price-cap tariff filing that proposes rates above the applicable band limits established or above the limit on composite average rates, shall be accompanied by supporting materials establishing substantial cause for the proposed rates.

(4) Each price-cap filing that proposes service category rates below applicable band limits shall be accompanied by supporting materials establishing that the rates cover the service category's average variable cost and that the service category's net additional revenue resulting from the price change exceeds additional costs.

(5) Each price-cap tariff filing that proposes rates that are likely to result in an actual price index value that exceeds the applicable price-cap index value shall be accompanied by—

(a) an explanation of the manner in which all costs have been allocated among baskets; and

(b) within the affected basket, a cost assignment showing down to the lowest possible level of desegregation, including a detailed explanation of the reasons for the prices of all rate elements to which costs are not assigned.

(6) Each price-cap tariff filing that proposes restructuring of existing rates shall be accompanied by supporting materials sufficient to make the adjustments to each affected actual price index and service band index.

(7) Each tariff filing by an operator that introduces a new service that is likely to be included in a basket at a later date, shall be accompanied by cost data, sufficient to establish the new service and each unbundled element shall generate a net revenue increase measured against revenue generated from all services subject to price-cap regulation, and calculated based upon the present value, within the lesser of a twenty four month period after an annual price-cap tariff of the new service takes effect, or thirty six months from the date the new service becomes effective.

(8) Each company making a tariff filing shall, at the time the new service is incorporated into the price-cap index, submit data sufficient to make the actual price index and price-cap index calculations required to make the service band index calculations.

(9) Each telecommunications operator shall file the costs and basis of allocating the various costs to the different price-cap baskets to warrant the different rates to be introduced.

(10) The costs filed under this regulation shall reflect how the following costs are distributed or allocated on a minute basis to the various services offered by an operator—

- (a) direct costs;
- (b) exchange costs to the various services provided by an operator;
- (c) the benefits of economies of network expansion between consumers and the operator;
- (d) proportion and basis of the share of the indirect costs allocated to the various services offered by the operator; and
- (e) the effect of interconnection charges on the final tariff of the services offered by an operator.

## **11. Tariff publication**

(1) A composition of tariffs shall be published as follows—

- (a) tariffs shall contain in consecutive order; a title page, check sheet, table of contents, list of; concurring, connecting, and other participating companies, explanation of symbols and abbreviations, application of tariff general rules, regulations, exceptions, conditions and rates;
- (b) where an issuing company elects to add a section to assist in the use of the tariff, the section shall be placed immediately after the table of contents;
- (c) a title page of every tariff and supplement showing—
  - (i) the name of the company, class of service provided, geographical application, means of transmission, and such other information as may be necessary to identify the company issuing the tariff publication, a brief statement showing each class of services provided, the geographical application and the type of facilities used to provide the service;
  - (ii) where the entire tariff or supplement is to expire at a fixed date, the expiration date shall be shown in the following manner—

“Expires at the end of ..... (date) unless cancelled, changed or extended.”

## **12. Records**

(1) Every licensee under the Act shall keep its financial records in accordance with the generally accepted accounting principles.

(2) A licensee’s financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in the accounts, and the detailed records shall be filed in a manner that is readily accessible for examination by the Commission.

(3) A licensee’s records and accounts shall be adjusted to apply the new accounting standards in a manner consistent with generally accepted accounting principles.

### **13. Accounts separation**

(1) Every licensed operator shall keep separate accounts which identify all elements of cost and revenue, the basis of calculation of the cost and revenue and the detailed attribution methods used, related to the licensee's telecommunications activities including an itemised breakdown of fixed asset and structure costs, or a structural separation for the telecommunications activities.

(2) The Commission shall aggregate or desegregate telecommunications activities into the separate businesses identified or attributed in terms of costs, revenue and assets.

(3) Every telecommunications operator shall prepare and keep separate records for each business aggregated or disaggregated.

### **14. Financial statements**

(1) Every licensed operator shall prepare and publish financial statements in accordance with the International Accounting Standards (IAS), in operation at the time the accounts are prepared.

(2) A licensed operator shall prepare and publish financial statements to reflect the true and fair view of its financial position and performance and the cash flow of its activities.

(3) Every licensed operator shall recognise the elements of financial statements in accordance with the International Accounting Standards criteria.

(4) Every licensed operator shall disclose the following information in the financial statements—

(a) telecommunications plant in-service account;

(b) customer deposits;

(c) revenues from the different categories, including—

(i) service fee revenue;

(ii) local service and domestic long distance revenue;

(iii) international and long distance revenue from the East African Community and the Common Market for East and South Africa (COMESA) and any other similar regional basket;

(iv) international revenue; and

(v) network access service revenue;

(d) expenses including—

(i) plant specific expenses;

(ii) plant non-specific expenses;

- (iii) customer operating expenses; and
- (iv) corporate operations expenses.

ABEL KATAHOIRE,  
*Chairperson, Uganda Communications Commission.*