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Telewings (Uninor) Submissions on review of
'The Reporting System on Accounting Separation Regulations, 2012'

Preamble

At the outset, we welcome TRAI's initiatives to review "The Reporting System on Accounting Separation Regulations, 2012" dated 10th April 2012 (as amended).

Under the current regime, there are significant complexities relating to interpretation in absence of uniform basis of distribution of cost in to different elements / products. This is a vital and timely consultation to address the dynamics of telecom environment as any non-operational item in the report will have direct impact on financial analysis in the decision making.

Some existing complexities are as follows in absence of uniform basis of allocation and apportionment regarding:-

- Common Network Elements used by two or more than two services.
- Common non plant & machinery assets (Land & Building, Furniture & Fixtures, Office Equipment etc.) used by two or more than two services. E.g. revenue based expenses allocation over products based on revenue, network based expenses allocation over network elements based CAPEX ratio.
- Current and Non Current Assets used by two or more than two services.

In order to offset these complexities, TRAI needs to form rules for allocation that would be easy to follow and avoid different basis of allocation across the service operators. This will also help in resolving interpretation related conflicts.

We would also like to submit that while reviewing the uniform basis for allocation, TRAI should ensure that the same should be simple, easy to use across the products & services and allocation method should be acceptable within the industry in order to have standardised reporting.

This will represent true and fair comparison cost/ contribution which can be used for any future decision making.

In view of above submissions, key recommendations are as follows:-

A) There should be prescribed uniform basis of distribution of cost of support function and Network Elements.

B) There should be re-alignment of different products in revenue based on their contribution – e.g. if the revenue of product is contributing >10% of total service revenue then it should be deemed a separate product category. This would be subject to easy availability of cost allocation and network CAPEX allocation for that product category.

We believe that the above proposed changes would eliminate various interpretation related issues and will help TRAI to represent better financial health of the industry with the more relevant set of data

Uninor response to the issue under consideration

1) Applicability criteria/ limits

Presently the reporting system on Accounting Separation Regulation, 2012 issued by authority is applicable to all service providers having aggregate turnover of not less than Rs 100 crore during the financial year.

As highlighted by TRAI in the explanatory memorandum of “The Reporting System on Accounting Separation Regulations, 2012” that country is geographically divided into different license service areas, the market structures and dynamics are different in each service area. Therefore, definition of service provider with SMP would be difficult in the Indian context.

In view of above, we recommend that applicable limit should be further simplified by considering the service area wise revenue with minimum Rs 10 Crore. This will ensure that no / minimum undue burden of reporting on the service provider(s) having different market positions in different service areas.

We also suggest that ASR should be applicable only to TSPs having license under section 4 of the Indian Telegraph Act 1885, and should not be extended to infrastructure services/segments (IP1s / tower business, dark fiber etc.) since these activities are not covered u/s 4 of the Indian Telegraph Act 1885.

2) Products/ Network elements under various telecom licensed services specified in the Accounting Separation Regulation 2012

A. Products defined in Schedule-1 of ASR 2012

We suggest the following changes to be done in Schedule I list of ASR 2012

a. In Access Service Products categories, there is need to change in sub products under the head of Calls as per accounting followed:

As per ASR 2012	Suggestion
(b) Calls :	(b) Calls :
(i)Voice 1. Off Net 2. On Net	(i)Voice
(ii)Video 1. Off Net 2. On Net	(ii)Video

b. In Access Service Products categories, there is need to made more sub products under the head of Roaming as follows:

As per ASR 2012	Suggestion
(e) Roaming :	(e) Roaming :
(i) National	(i) National a. Calls b. SMS c. Data d. Any other
(ii) International	(ii) International a. Calls b. SMS c. Data d. Any other

c. In Access Service Products categories, (h) Wholesale (Interconnect) Product group should not be shown as postpaid and prepaid rather it should be shown in consolidation.

d. In Access Service Products categories, there is need to made more sub products under the head of Data as follows :

As per ASR 2012	Suggestion
(f) Data	(f) Data a. 2G b. 3G

B. Network Elements defined in Schedule 1 of ASR 2012

It is suggested to incorporate Network Element namely "Tower" under the Other Network Elements head to be done in Schedule II list of ASR 2012 in Access Service Wireless and WLL categories.

3) Financial and non-financial Proformae

a. In Proforma B, S.No. 2.6 – Network operating cost should be deleted as Proforma B relates to product cost and not network cost.

b. In Proforma C, S.No. 1.3 – Sales and Marketing Cost and S.No. 1.5 - Government Charges should be deleted as Proforma C related to Network cost not Product Cost.

c. In Proforma D, S.No. 1.5 – Government Charges and S.No. 1.6 - Network Operating Cost should be deleted as Proforma D related to Support Department cost and not Product and Network Costs.

d. Proforma A, and B, presently "Sale – Within Group/Company" shown under Whole Revenue only :

1	**REVENUES (NET OF SERVICE TAX) :**
1.1	**Wholesale Revenue**
1.1.1	Sale - Outside Group*
1.1.2	Sale - Within Group/ Company
1.2	**Retail Revenue**

Same should be shown under retail column also like this:-

1	**REVENUES (NET OF SERVICE TAX) :**
1.1	**Wholesale Revenue**
1.1.1	Sale - Outside Group*
t1.1.2	Sale - Within Group/ Company
1.2	**Retail Revenue**
1.2.1	Sale - Outside Group*
1.2.2	Sale - Within Group/ Company

i. In proforma B, presently **Rental** income is required to be allocated in the **"Rental / Activation / One Time Fees / Recharge Fees"** but "Pass thru charges" could not be allocated to the cost of this product. Due to this reason this product becomes a profitable products and other products like **"Voice" , "Data", "VAS"** etc. shows either loss or very less profit which is incorrect. It is suggested that IUC cost should be allocated in the proportion of decrement revenue and rental revenue.

j. In Proforma B, **"Leased Circuit"** should be part of **"Whole Sale"** products and not **"Retail Sale".**

k. **For all services :** We would like to request for removing the network operation & maintenance cost column from the Support function which is appearing in Proforma D, as all network related cost is covered under Proforma C.

l. **For Wireless and WLL Services**: We would like to suggest changes in Proforma C & E. In these Proforma MSC/GMSC and MSC-Server/ Virtual MSC are shown separate and we have to track the separate opex and capex record but in reality it's very difficult to find out the opex and capex cost for these two. So we request for merging these two in single line. And same is the case for SGSN and GGSN.

m. **For Wireline Service**: We would like to request for removing the Roaming (National and International) and Non voice (SMS and MMS) products column from the Proforma B, as these product not generate any revenue for wireline service.

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n. A **uniform basis of distribution** of Cost of Support function (Proforma D) to Network Elements (Proforma C) and to Products (Proforma B) should be prescribed by TRAI. Likewise a uniform basis of distribution of cost of Network Elements (Proforma C) to Products (Proforma B) should be prescribed by TRAI.

o. Similarly, a uniform basis of distribution of Capital Employed (Proforma F) to Products (Proforma G) should be prescribed by TRAI.

p. In Proforma F, Capital Work in Progress should not be included in the calculation of total Capital Employed. Since, this element of Capital Employed has not **"put to use".** Therefore, it should not be included in the Capital employed should be shown as reconciliation Item.

4) Periodicity and time period of submission of accounting separation reports

a) ASR reports should be submitted to TRAI in Online form like XBRL with the linked excel files in CD-ROM. The submission requirement of physical copy should be relaxed. This will save good quantity of the paper and help in maintaining green environment.

b) ASR reports should be submitted on yearly basis and it should be submitted to TRAI within 90 days after the audited financial statement of the company, which will give adequate time for preparation and analysis of accounting separation reports.

5) Requirements relating to adoption of accounting separation reports by the Board of Directors of the company and audit thereof

In this regard, we would like to submit that the Accounting Separation reports are being prepared based on the audited financial statement adopted by the Board of Directors. Further Accounting Separation report including schedules is duly certified by the authorised signatory appointed by the Board of Directors and thereafter signed by the auditor. Hence there should not be any further requirement for adoption of accounting separation report by the Board of Directors and same should be done away.

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