

नृपेन्द्र मिश्र

Nripendra Misra

अध्यक्ष/Chairman

भारतीय दूरसंचार विनियामक प्राधिकरण
Telecom Regulatory Authority of India



D.O.No. 17-01/2008-FA
April 15, 2008

Dear

Madam

This is with reference to your D.O. No.8/12/2006-BP&L.Vol.II dated 17th March, 2008 requesting TRAI to furnish its comments on Government's proposal for reducing the annual licence fee in respect of DTH service providers from 10% of GR to 6% of GR.

2. The Authority has considered the decisions/observations of the Government and its comments are enclosed as annexure with this letter. As you are aware section 11(1) requires the Authority to make recommendations on specified matters. **The decision of the Government should follow TRAI's recommendations.**

3. Your D.O. No. 8/12/2006-BPL&L.Vol.II dated 17th March, 2008 and the comments of TRAI on the issues raised in your letter under reply alongwith the text of this letter are being placed on the TRAI's website (www.traigov.in) for public information as per usual practice.

With regards

Yours sincerely,

(Nripendra Misra)

Smt. Asha Swarup,
Secretary,
Ministry of Information & Broadcasting,
Shastri Bhawan,
New Delhi.

Comments of TRAI on reference made by the Ministry of Information & Broadcasting on the issue of reducing the Licence fee for DTH service Providers.

Issue 1: With reference to TRAI recommendation no 7.9 relating to rationalization of license fee and taxation the Ministry of Information and Broadcasting has conveyed its decision to continue with the concept of Gross revenue for the purpose of charging license fee.

TRAI's Recommendation 7.9

The Authority's Recommendation on the "Issues relating to broadcasting and Distribution of TV Channels" dated 1st October 2004 (Recommendation 7.9 - Rationalization of License fee and taxation) is reproduced below;

"a) A reduction of 2% in the license fee for DTH as already proposed by the Authority in its recommendations on "Accelerated growth of internet and broadband penetrations", in line with the reduction in the license fee given for other telecom operators.

b) The principle of application of license fee on the Adjusted Gross Revenue (AGR) as in the case of telecom may also be followed. The AGR in case of DTH service should mean total revenue as reflected in the audited accounts from the operation of DTH, as reduced by

- (i) Subscription fee charges passed on to the pay channel broadcasters;
- (ii) Sale of hardware including Integrated Receiver Decoder required for connectivity at the consumer premise;
- (iii) Service/Entertainment tax actually paid to the Central/State Government, if gross revenue had included them."

I&B Ministry's Decision:

After due consideration , it has been decided not to adopt the concept of AGR after allowing tax and other deductions as recommended by TRAI as allowing such deductions is likely to enable the companies to conceal their actual shareable revenue rather than making the system transparent. It has also been noted that TRAI has itself been proposing a percentage of gross revenue in its recommendations for other broadcasting services such as Mobile TV.

TRAI's Comments:

The Authority recalls its recommendations on the various issues of broadcasting sector where the Authority has recommended that the license fee shall be levied on the gross revenue .The Authority has further noted that since the beginning, the DTH service providers are required to pay license fee as a percentage of their Gross revenue. The I&B ministry has stated that the deductions proposed by the TRAI are likely to enable the companies to conceal their actual shareable revenue rather than making the system transparent .TRAI while analyzing this aspect agrees that the I&B ministry will have to scrutinize all the details of the revenues and deductions submitted by the DTH operators which not only will be time consuming but may also require skilled staff to ensure proper and legitimate revenue to the Government.

The gross revenue concept will make the calculation and verification of License fee straight forward through effectively discouraging scope for manipulating revenue figures. It is also noted by the Authority that the ministry has adopted gross revenue concept for other broadcasting services. Moreover, the pass-through of some components arising from interconnection mode as prevalent in telecom is not the key feature in DTH .**In view of above TRAI has no objection if the I&B Ministry continues with the concept of Gross Revenue for license fee.**

Issue 2: I&B Ministry has further sought comments on its proposal to reduce the License fee from 10% of Gross Revenue to 6% of Gross Revenue from DTH service providers.

I&B Ministry's Decision:

*The I&B Ministry **has decided** to reduce the license fee calculated as percentage of GR for DTH service providers to bring them at par with most of the other sectors. Since it **has been decided** to impose fee on GR instead of AGR it is therefore proposed to prescribe annual license fee as 6% of gross revenue instead of 10% of gross revenue as charged presently.*

TRAI's Comments:

The Authority would like to mention its earlier recommendations that the broadcasting services should not be treated as a major revenue stream for the Government. Imposing lower license fee on the service providers is likely to encourage higher growth. With increased growth, it would be a win- win situation for the industry and the Government. The earlier recommendation of 2% reduction was in the context of AGR as the principle for fee estimation. Perhaps the gross revenue concept would make a case for higher relief. **Therefore, the Authority is in agreement with the proposed reduction in license fee of DTH service providers.**