

**Reliance Communications Limited response to TRAI Consultation on Definition of Revenue Base (AGR) for the Reckoning of Licence Fee and Spectrum usage charges.**

**Executive Summary**

1. Definition of GR and AGR should be reviewed urgently taking into consideration the revenue(s) arising directly out of the telecom / licensed activities only.
2. The income considered for levying of LF and SUC should only be the income attributable to licensed activities.
3. Income components, such as income from dividends, interest, capital gains, property rent, rent / lease of passive infrastructure (towers, dark fibre, etc.), etc or notional incomes should be deemed as 'other income' and hence should not be included in GR for computation of LF and SUC.
4. In order to remove ambiguities from the current definition of GR / AGR, the key guiding principle should be predictability, verifiability, simplicity and ease of administration of levying of LF and SUC.
5. List of documents required for settlement/verification of revenue should be clearly stated by DoT.
6. For assessment of License fee dues, the DoT should rely on the certificate issued by the statutory auditors and documents submitted by licensees and avoid a repeat audit by the CCA offices.
7. Licensor should undertake random audit of one or two circle instead of all the circles and order audit of other circle(s) only if required.
8. The contribution to USOF in LF should be reduced over a glide path wherein it is immediately reduced to 3% from the existing 5% and subsequently, over the next 1 to 2 years it should be brought down to just about 1%.
9. Only the 'net' amount received by TSP, i.e. after deduction of the discount (say for Prepaid Vouchers), should be considered in the revenue base instead of the MRP.
10. Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services should not be part of GR for LF and SUC
11. SUC should be payable as certain percentage of AGR from the revenue earned through wireless services only i.e. where spectrum is used.
12. Any other income such as from wireline operations including leased line /sale of bandwidth, income from Investments, Dividends, Capital Gains or other non-telecom

revenues or where spectrum has not been used and therefore should not be included in AGR for SUC purpose.

13. Inclusion of 'other operating revenue' and 'other incomes' creates a non-level playing field between service providers and non-service providers hence, these should be excluded from the revenue base for calculating LF and SUC.
14. LF and SUC should be levied on net of revenue only, i.e. which is accruable and /received /receivable by the TSP.
15. Revenue / payment received on behalf of the third party should be allowed as pass through / deduction.
16. Other income on account of insurance claims, consultancy fees, foreign exchange gains etc should also not form part of GR.
17. In view of the existing mechanisms available for proper verification from the financial statements of TSPs, even for those engaged in multiple businesses, no new verification mechanisms are required for proper verification of revenue share.
18. New and innovative schemes should not be a reason to persist with the current definition of GR and reject the likely evolution of a simple predictable and transparent LF regime.
19. The minimum presumptive AGR should not be less than 5% of the bid amount and the SUC should be levied on the basis of minimum presumptive or the actual AGR whichever is higher.
20. Minimum presumptive AGR should be made applicable to all new licensees holding spectrum.
21. Intra circle roaming should be treated at par with inter-circle roaming for the purpose of Pass Through Charge (PTC).
22. IP-1 activities should not be bought under license fee regime as it does not fall within the definition of 'Telegraph' provided under the Indian Telegraph Act 1985.
23. Port Charges deductions, Cable Landing Station (CLS) Charges, sharing of Infrastructure Service, Interconnection Set-Up Costs, Receipts from USO Fund should be allowed as PTC.
24. Items like Emergency Charges to be paid to BSNL, Co- location charges, Bad debts, IPLC charges, Payment to VAS / content providers, Income collected on behalf of other company and Earnest money / deposits furnished by third parties, Reversals of provisions to take care of contingencies and vendor credits should also be allowed as PTC/not form part of GR for LF and SUC payment to DoT.
25. The Authority should not recommend introduction of LF deduction at source as PTC.

26. The annual audit of quarterly revenue statement for License Fee and SUC charges showing the computation of Gross revenue, AGR and corresponding licence fee should be continued.
27. The audit of quarterly statements of Revenue and License Fee can be mandated to be conducted by either the statutory auditor or by another auditor, qualified to act as auditor under section 139 & section 148 of Companies Act, 2013.
28. Spectrum fee should also be charged in arrears as License fee as both are levied on revenue of the quarter.

**Our Response to the Queries raised by TRAI is as below:**

**Q.1. Is there a need to review/ revise the definition of GR and AGR in the different licences at this stage? Justify with reasons. What definition should be adopted for GR in the Unified License in the interest of uniformity?**

**Reliance Response:**

**Yes, there is a need to review / revise the definition of GR and AGR in the different licences at this stage. The reasons thereof are elucidated as below:**

1. Before deducing the definition of '**GROSS REVENUE**' (GR) and **AGR** thereon, it would be pertinent to put in perspective telecom services and their charging mechanisms as defined under various Acts and licences:
  - a. Section 4 of the Indian Telegraph Act, 1885 is the charging provision which entitles the central government to levy licence fees for telecom activities from the telecom operators. The right conferred under Section 4 of the Telegraph Act is confined to 'establishing', 'maintaining' and 'working of telecommunication'. As the scope of the Licence does not go beyond these three activities, it would be unfair to impose Licence fee on activities/revenue which do not require licence. **The definition of GR in the License should be such that it should take into consideration only the revenue arising directly out of the telecom/licensed activities.**
  - b. As per the Guidelines for granting Unified Access Service License (UASL) an applicant is required to be a registered Indian Company under the Indian Companies Act 1956. Clause No 1. of the UASL Guidelines dated 14.12.2005 ("Guidelines") is reproduced below for reference:

*"1. The applicant must be an Indian company registered under the Indian Companies Act 1956 "*
  - c. Hence, an already established and registered Indian company is granted a License to operate Telecommunications Services under the Indian Telegraph Act 1885. The license is a subset of a registered and established company implying that it is already envisaged

that any registered company would already have other avenues of generating revenues that may not arise out of a cellular mobile/telecommunications activities under the license granted i.e, the "UASL" in this case. And therefore, it may not be construed that a company will only be formed solely for the conduct of telecommunications activities.

- d. It is also pertinent to mention that these "Guidelines" also envisage Compliance to License conditions to be acknowledged by the Memorandum of Association of a Company and the Obligation to comply with License Conditions to be incorporated in the Articles of Association of a Company. This also supports the view, as mentioned above, that incorporation of a company was not the requirement for obtaining a UASL instead any registered Indian company could in addition to its other businesses also apply for a UASL. The Clause 5G iii) of the "guidelines" is reproduced below for reference:

*"5 G iii) The Company shall acknowledge compliance with the license agreement as a part of Memorandum of Association of the Company. Any violation of the license agreement shall automatically lead to the company being unable to carry on its business in this regard. The duty to comply with the license agreement shall also be made a part of Articles of Association."*

- e. It can be inferred from above that **any registered Indian Company** may and could **have revenues from their other businesses as well e.g, Real Estate, Banking, Insurance etc.** Therefore, Telecommunication as a business activity can be envisaged under **any registered Indian Company** which meets the requirements of the Department of Telecommunications, Government of India under the said "Guidelines." **The consideration of Gross Revenue of a Company for the purposes of arriving at the Adjusted Gross Revenue as per UASL condition 19.1 would and ought to be only revenues earned under the specific scope of services of the UASL from telecom/licensed related activities.**

2. **The genesis of the definition of Gross Revenue and consequently the Adjusted Gross Revenue ('AGR')** was in the **year 1999** when the Telecom Service Providers were offered a **Migration Package**. Migration Package offered by the DoT as envisaged under the New Telecom Policy of 1999, Licensees were required to pay a License fee as a percentage share of gross revenue under the License. An extract of the "Migration Package" is given below for reference:

*" The licensee will be required to pay one time Entry fee and License Fee as a **percentage share of gross revenue under the license**. The Entry fee chargeable will be the license fee dues payable by existing licensees upto 31.07.1999, calculated upto this date duly adjusted consequent upon notional extension of effective date as in para (ix) below, as per the Conditions of the existing license."*

**All TSPs accepted the migration package in good faith and agreed to pay the LF as a percentage of GR (with deduction on PSTN and service charges) on the licensed activities.**

3. The Telecom Regulatory Authority of India vide its recommendations dated **23<sup>rd</sup> June 2000** also recommended a definition of revenue for the purpose of calculating revenue share wherein, it was specifically recommended that only revenues accruing to a licensee by way of operations of Cellular Mobile Telephone Services should be considered as gross revenue (with deduction allowed for PSTN and services tax). Relevant extract from the TRAI recommendations dated 23<sup>rd</sup> June 2000 is reproduced below:

*"Adjusted Gross Revenue" for the purpose of levying license fee as a percentage of Revenue Share shall mean the **"Gross Revenue" accruing to the Licensee by way of operations of the Cellular Mobile Service mandated under the license** (inclusive of revenue on account of value-added services, supplementary services, and the sale of handsets) plus revenue accruing through resellers, franchisees etc. plus any revenue foregone through subsidies on handsets or any other rebates,...."*

Similarly, TRAI in its recommendations dated 30.8.2000 and DoT in its references of 9.10.2000 and 31.10.2000 also conveyed charging of Revenues License Fee as a **percentage share of gross revenue (with deductions) under the license.**

**It is clear from the above facts that the levy of license fee as a percentage of revenue should and can only be levied on the revenues under the specific scope of services as contained in license agreement.**

4. In this regard, the definition of Gross Revenue (GR) as provided in the License Agreement must have a nexus with the licence activities and cannot be read in isolation. Rather, it has to be read along with the terms of the Migration Package, which was the genesis of license fee **as a revenue share under the Revenue Sharing regime introduced vide NTP 1999, whereby it was clearly agreed between the parties that LF would be paid as a percentage of GR (after excluding PSTN related charge and service tax) for the licensed activity permitted under the license.**
5. Hon'ble TDSAT in its judgments dated 7<sup>th</sup> July 2006 and 30<sup>th</sup> Aug 2007 noted that the levy of LF under the license should be on basis of gross revenue derived from the licensed activities only. The excerpt from the tribunal judgment is as below:

*"This Tribunal held that the privilege conferred under Section 4 of the Telegraph Act is confined to "establishing", "maintaining", and "working" of telecommunication. The scope of licence does not go beyond the activities mentioned therein and it is only for these activities that the Government can grant a licence to another party. On this basis this Tribunal concluded that sharing of revenue can be only out of the gross revenue **derived from the transferred privilege of establishing, maintaining and working of telecommunication which alone are the licensed activities**"*

6. DoT's stand in its statement dated 11 August 2011, submitted to the Hon'ble Supreme Court by way of the various affidavits filed by it, had agreed that it did not intend to charge LF on activities other than on licensed telecom activities. The Counsel for DoT, in a proposal submitted to DoT, had agreed that DoT had never intended to impose LF on non telecom

revenues. The relevant extract of the DoT's statement filed with the Hon'ble Supreme Court in the AGR matter is reproduced below:

*"The department's stand is that revenue from non telecom business which is entirely different from telecom business of the licensee is not included in the definition of GR. (this is also the consequence of maintaining separate accounts)"*

Hence, our request to the Authority is to formulate its recommendations for the definition of **Gross Revenue to be applicable uniformly for all licenses as Revenues from services offered under the scope of services of the respective licenses only.**

7. Coming back to the TRAI's query wrt definition of GR and AGR, we believe that there is **need to urgently review the GR and AGR definition** as the current definition is ambiguous and unpredictable leading to innumerable disputes.

8. We therefore recommend that the definition of GR should be amended as below:

***'Gross Revenue shall mean revenue which is accrued and received / receivable for the telecom services provided, as defined in the License, and that have been availed by the customer.'***

9. Additionally, the GR for computation of LF & SUC should not include following income components:

- a. **Income from dividend.**
- b. **Interest earned on investment of savings made by a licensee after meeting liabilities including liability on account of share of the Government in the gross revenue.**
- c. **Capital Gains made on account of sale of fixed assets etc**
- d. **Gains from Foreign Exchange rates fluctuations**
- e. **Income from property rent**
- f. **Revenue from management consultancy fee and training charges from telecom service.**
- g. **Any income of notional nature, which does not accrue and is not received by the Licensee. Only realizable revenue should be included in Gross Revenue.**
- h. **Payments received on behalf of third party.**
- i. **Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services.**
- j. **Bad debts, waivers, discounts etc**

k. **Reversal of Provisions and vendors credit.**

l. **All other revenues from non telecom activities including miscellaneous revenue.**

10. It is also relevant to mention that the Hon'ble TDSAT in its judgement dated 30<sup>th</sup> Aug 2007 and TRAI recommendation dated Sep 13, 2006 have recognised/fundamentally agreed that most of the above stated revenue should not be the part of AGR while levying the LF and SUC on the service providers.

11. **Our Recommendations:**

- **Definition of GR and AGR should be reviewed urgently.**
- **The definition of GR in the License should be such that it should take into consideration only the revenue(s) arising directly out of the telecom / licensed activities i.e. the revenue from non telecom activities have to be excluded from the definition of GR.**
- Proposed Definition of Gross Revenue  
*'Gross Revenue shall mean Revenue which is accrued and received / receivable for the telecom services provided, as defined in the License, and that have been availed by the customer.'*
- **The Definition of GR should exclude the 'other income' components as suggested at paragraph 9 above.**

**Q.2. What should be the guiding principles for designing the framework of the revenue sharing regime? Is the present regime easy to interpret, simple to verify, comprehensive and does it minimize scope for the exercise of discretion by the assessing authority? What other considerations need to be incorporated?**

**Reliance Response:**

**The key guiding principle for GR and AGR should be predictability, verifiability and simplicity.**

1. It is our informed view that consistent application of these principles in LF and SUC calculations would resolve disputes, create mutual understanding and trust between CCAs and service providers, create investment climate, facilitate a more efficient structure of the telecom industry, establish level playing field between different players in the telecom eco system and affordable delivery of services to the customer.
2. The present regime is full of complexity due to ambiguity in the definition of GR and AGR as can be inferred from the issues highlighted below:

- a. The annexure in the license has line items like "Misc. Income", 'etc'. Due to lack of transparency and unpredictability such line items are subject to discretionary interpretations by different CCAs while demanding the filing and payment of LF and SUC.
  - b. In the present system, operator need to submit details of each and every payment of pass through charges to DoT circle office along with various formats and statement suggested by respective CCA offices of DoT. Preparation of these statements is tedious and cumbersome process.
  - c. There is no clear list of documentations required wrt the verification done on the pass through/deductions claimed by TSPs. In fact, CCAs insist on certification from Banks for the payments made through the demand drafts to verify the deductions claimed.
3. In view of the above, it is suggested that the document submitted by licensees to the DoT should be relied upon for assessment of License fee dues as a repeat audit/verification by CCA offices of these documents results in duplicity of effort, is time consuming and cumbersome. Additionally, the Licensor should rely on the **certificate issued by the statutory auditors** else the Licensor can do audit of one or two circle rather than on PAN India basis. The Licensor can always order audit of other circle also if there is sense of some impropriety.

4. **Our Recommendations:**

- **The key guiding principle for GR and AGR should be predictability, verifiability and simplicity.**
- **List of documents required for settlement/verification of revenue should be clearly stated by DoT.**
- **For assessment of License fee dues, the DoT should rely on,**
  - **The documents submitted by licensees and avoid a repeat audit by the CCA offices.**
  - **Certificate issued by the statutory auditors.**
- **It is suggested that the Licensor can do random audit of one or two circle rather than on PAN India basis. Licensor can always order audit of other circle also if there is sense some of impropriety.**



**Q3. In the interest of simplicity, verifiability, and ease of administration, should the rate of LF be reviewed instead of changing the definitions of GR and AGR, especially with regard to the component of USO levy?**

**Reliance Response:**

**Yes, we completely agree that the rate of LF should be reviewed however; mere review of rate of LF shall not lead to achievement of the stated aim of ensuring simplicity, verifiability, and ease of administration.**

**It is our informed view that simplicity, verifiability and ease of administration shall only be achieved by removal of ambiguities in the current definition of GR/AGR i.e. the revenue from non telecom activities have to be excluded from the definition of GR.**

1. Today, Telecom Service Providers are paying revenue share of 8% towards LF. If telecom service sector is to grow in the manner in which it is targeted and since most investments are to be funded through the sector's own accruals, then the sector cannot be seen as a source of revenue for the Government. Steep license fee adds to the cost structure of the service providers and is an anomaly in a scenario of falling tariff / ARPU and higher infrastructure charges.
2. It is therefore important to rationalize the license fee so as to balance the revenue growth with/for the growth of the telecom sector and fix it to a level just to cover the administrative cost.
3. In respect of component of USO levy, already huge unutilised funds i.e. Rs 33682 Cr are lying with USO and with increase in industry revenue, contribution in absolute amount is increasing year on year i.e. approx Rs 7500 cr per annum. Further ISP services also have been bought under regime of License Fee, which is also going to contribute and enhance the USOF fund.
4. It may be noted that the USOF fund was created when there were approx 6.5 lacs villages uncovered from the reach of the telecom services which has now been reduced to approx 50k, as per the DoT own recognition.

**Therefore we suggest that the contribution to USOF should be reduced over a glide path wherein it is immediately reduced to 3% from the existing 5% and subsequently, over the next 1 to 2 years it should be brought down to about 1%.**

5. It is submitted that despite this proposed change in USOF contribution, the enhanced proliferation of telecom services is estimated to ensure a healthy annual contribution of Rs 3000 Cr per annum towards USOF which is envisaged to be enough to take care of any expansion of rural services.

## 6. Our Recommendations:

- For achieving simplicity, verifiability, and ease of administration it is essential to remove ambiguities in the current definition of GR / AGR i.e. the revenue from non telecom activities have to be excluded from the definition of GR.
- Rationalize the license fee so as to balance the revenue growth with the growth of the sector and fix it to a level just to cover the administrative cost
- The contribution to USOF in LF should be reduced over a glide path wherein it is immediately reduced to 3% from the existing 5% and subsequently, over the next 1 to 2 years it should be brought down to just about 1%.

**Q4. If the definitions are to be reviewed/ revised, should the revenue base for levy of licence fee and spectrum usage charges include the entire income of the licensee or only income accruing from licenced activities? What are the accounting rules and conventions supporting the inclusion or exclusion of income from activities that may not require licence?**

### Reliance Response:

It is once again reiterated that,

- The definitions of GR & AGR are required to be reviewed to ensure predictability, simplicity, verifiability, and ease of administration of levying of LF and SUC.
  - The income considered for levying of LF and SUC should only be the income attributable to licensed activities.
1. RCOM suggests that the guiding principles, as given below, should be followed for deciding on inclusion or otherwise of any item of revenue or cost in the GR/ AGR for purposes of payment of LF and SUC:
    - a. Revenue accruing directly from activities under the Licence should only form part of the GR for reckoning of LF/SUC
    - b. Revenues from non-licensed activity or categorised as other income should not be part of GR for reckoning of LF/SUC.
  2. It is also suggested that a simpler revenue share LF and SUC regime can be implemented based on the above mentioned guiding principles in the following manner :
    - a. **No notional income should be included in the GR.** Revenue which is accrued and received / receivable should only be included in GR. It is imperative to mention that AS-9 on revenue recognition also defines the revenue as the gross inflow of cash, receivables

or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services. Hence AS-9 also does not recognise any notional income as revenue.

- b. **Discount component on Prepaid vouchers should not be included in Gross Revenue** for LF/SUC, as the same are in nature of notional income. The GR for the purpose of computation of LF and SUC should exclude discount/commissions retained by the franchisees/distributors/retailers.
- c. **Other incomes like dividend, interest, FOREX gains or Losses, rents, sale of handsets etc should not be included in the revenue for payment of LF and SUC.** It may be noted that income or loss from the fluctuation of foreign exchange is not a part of the licensed activity, hence it should not be the part of GR.
- d. **Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services should not be part of GR for LF and SUC.**
- e. **SUC should be payable on AGR earned through wireless services only.** Any other income such as from wireline operations including leased line /sale of bandwidth, income from Investments, Dividends, Capital Gains or other non-telecom revenues or where spectrum has not been used and therefore should not be included in AGR for SUC purpose.

### 3. Our recommendations

- **The definitions of GR & AGR are required to be reviewed to ensure predictability, simplicity, verifiability, and ease of administration of levying of LF and SUC.**
- **The income considered for levying of LF and SUC should only be the income attributable to licensed activities.**
- **Revenue accruing directly from activities under the Licence should only form part of the GR.**
- **Revenues from non-licensed activity or categorized as 'other income' and should not be part of GR for LF and SUC payment**
- **No notional income should be included in the GR.**
- **Discount component on Prepaid vouchers should not be included in Gross Revenue for LF/SUC.**
- **Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services should not part form part of GR for LF/SUC.**
- **SUC should be payable as certain percentage of AGR from the revenue earned through wireless services only.**

**Q5. Should LF be levied as a percentage of GR in place of AGR in the interest of simplicity and ease of application? What should be the percentage of LF in such a case?**

**Reliance Response:**

1. We believe that LF should continue to be levied on percentage of AGR and all deduction as suggested in our responses above should be allowed for the purpose of reckoning of GR and AGR thereon for levying of LF and SUC.

**2. Our recommendations**

- **LF should continue to be levied on percentage of AGR.**
- **The contribution to USOF in LF should be reduced over a glide path wherein it is immediately reduced to 3% from the existing 5% and subsequently, over the next 1 to 2 years it should be brought down to just about 1%.**

**Q6. Should the revenue base for calculating LF and SUC include 'other operating revenue' and 'other income'? Give reasons.**

**Reliance Response:**

**No, the revenue base for calculating LF and SUC should not include 'other operating revenue' and 'other income'.**

1. As submitted in our response to earlier questions, other income from interest, dividend, sale of handsets etc **should not be included in the GR for the computation of LF and SUC.** Inclusion of other incomes creates a non-level playing field between service providers and non-service providers. A Non-service provider doesn't have to pay license fee on income from rental, interest, dividend, sale of handsets etc but service provider either has to pay the LF from these income or are not able to carry out such activities in their respective license for e.g. companies like IBM are providing data centre facilities similar to what TSP has to provide and are not liable to pay any LF but the similar services hosted under UASL is liable to LF charges. As a result, number of activities has been hived off to the third party. In fact, Hon'ble SC in its 2011 judgment has raised a query regarding inclusion of other income in reckoning of Levy, as there is a possibility of recognizing/showing this revenue through a separate company. The said order dated 11.10.2011 passed by Hon'ble Supreme Court of India in the matter of UOI & Anr. Vs. Association of Unified Telecom Service Providers of India & Ors.(2011) 10 SCC 543 is reproduced below for your reference please.

*"If the wide definition of Adjusted Gross Revenue so as to include revenue beyond the license was in any way going to affect the licensee, it was open for the licensees not to undertake activities for which*

*they do not require license under Section (4) of the Telegraph Act and transfer these activities to any other person or firm or company”.*

2. In view of the above, it is requested that income from the following sources which do not require license should not be included in the revenue for reckoning of LF and SUC.
  - a. **Income from dividend.**
  - b. **Interest earned on investment of savings made by a licensee after meeting liabilities including liability on account of share of the Government in the gross revenue.**
  - c. **Capital Gains made on account of sale of fixed assets etc**
  - d. **Gains from Foreign Exchange rates fluctuations**
  - e. **Income from property rent provided it is clearly established that the property is nowhere connected to “establishing, maintaining and working of Telecommunications”.**
  - f. **Any income of notional nature, which does not accrue and is not received by the Licensee.**
  - g. **Revenue from management consultancy fee and training charges from telecom service.**
  - h. **Revenue from discernible or stand-alone sale of telecom equipment which is not bundled with telecom services.**
  - i. **Reversal of Provisions and vendors credit.**
  - j. **Other Miscellaneous Revenue**
3. The authority has rightfully identified the new business practices and models being adopted by the telecom industry. Our comments on the authority’s concern on recognition and segregation of revenue and accounting issues for these business practices are as follows:
  - a. **Sale of Handsets or telecom equipment bundled with telecom services:** Revenue from discernible and stand-alone sale of handsets or telecom equipment, which is not bundled with telecom service, should not be the part of GR for computation of LF/SUC.
  - b. **Discounts offers:** LF and SUC should be levied on net of revenue only. The same has been explained in detail in response to question no 8 ahead.
  - c. **Sale of services / products through retailers (principal agency relationship):** Only revenue which is accruable and /received /receivable to the TSP should be included in GR for computation of LF and SUC. Any notional income or discount, which is not accruable and receivable to the TSP should not be included in the GR. For Instance,

when a TSP sell a prepaid voucher to the distributor at discounted price below MRP. The revenue for TSP in such case should be net of discount. As TSP is going to receive only discounted amount from the distributor, **No license fee should be charged on discount component as the same is notional and never be received by the TSP.**

- d. **Mobile content: At the outset it is submitted that the revenue / payment received on behalf of the third party should not be part of GR for reckoning of LF/SUC** i.e. the net of revenue after the deduction of content fee/subscription charges (paid to the third party) should only form part of GR.

**To exemplify-** In case of Mobile VAS content, TSPs have to collect revenue on behalf of third parties i.e. content /VAS providers which is to be passed on to these parties as the content charges, however under the existing definition of GR, the entire revenue is to be reckoned without allowing any set of for expenses. **It is therefore, requested that this anomaly, wherein the revenue /payment received on behalf of the third party should be rectified and only net of revenue after deduction of actual content fee/subscription charges, should be included in GR.** For the sake of reckoning of revenue of the TSP, the actual amount paid to the third party and being certified by the statutory auditor should be allowed as exemption.

TRAI has already advocated on-deck and Off deck model for the provision of VAS services and the above stated request is in line with the Off deck model wherein the services/applications of the third party are being used by customers of respective TSP, however the revenue earned TSPs is not its revenue and has to be passed on the third party.

#### 4. Our Recommendations

- **Inclusion of other incomes brings in non-level playing field between service providers and non-service providers. No, the revenue base for calculating LF and SUC should not include 'other operating revenue' and 'other income'.**
- **Revenue from discernible and stand-alone sale of handsets or telecom equipment, which is not bundled with telecom service, should be excluded from revenue reckoned for LF and SUC.**
- **Only revenue which is accruable and /received /receivable to the TSP should be included in GR. Therefore, LF and SUC should be levied on net of revenue only.**
- **Revenue / payment received on behalf of the third party should not be part of GR for reckoning of LF/SUC** i.e. the net of revenue after the deduction of content fee/subscription charges (paid to the third party) should only form part of GR..

Q7. Specifically, how should the income earned by TSPs from the following heads be treated? Please give reasons in support of your views.

(a) Income from dividend; (b) Income from interest; (c) Gains on account of profit on assets and securities; (d) Income from property rent; (e) Income from rent/ lease of passive infrastructure (towers, dark fibre, etc.); (f) Income from sale of equipment including handsets; (g) Other income on account of insurance claims, consultancy fees, foreign exchange gains etc.;

**Reliance Response:**

1. The income earned by TSPs from following heads should be treated as mentioned below:

- a. **Income from dividend:** Income from dividend even though part of the revenue, **cannot be attributed to revenue** from the licensed activity and therefore **should not be included in the GR for payment of LF/SUC.**
- b. **Income from Interest:** Interest earned on investment of savings made by a licensee after meeting liabilities including liability on account of share of the Government in the gross revenue should not be included in AGR. Only Interest earned on investment of funds received by way of deposits received by licensees on account of security against charges, **should not be included in the GR for payment of LF/SUC.**
- c. **Gains on account of profit on assets and securities:** Should not be included unless there is verifiable data that the receipts have come from establishing, maintaining and working of telecommunication. Capital gains arise on account of sale by licensee companies of securities and immovable properties owned by them. Neither making of investments in securities and immovable properties nor their sale/transfer/lease require telecom license. . The treatment for capital gains derived from fixed assets where it is in relation to the fixed assets acquired for setting up the telecommunication infrastructure or delivery of the services under the license is no way different from the treatment given to the capital gains derived from a sale of any other assets. Any capital gain is in the nature of the capital receipts and not revenue from any of the operators. These income therefore has absolutely no connection with the business of provision of telecom services and **hence should not be clubbed with 'revenue'.**
- d. **Income from property rent:** Licensee companies permit third parties (who may or may not be telecom licensee companies) to use immovable properties (land / building) owned or leased by the licensee companies when they do not require such properties for their own operations. Such use by third parties does not require any authorization under a telecom license and can be done by the licensee companies even in the absence of a telecom license. Such leasing has absolutely no connection with the business of provision of a telecom service hence should not be accrued to the revenue.

- e. **Income from rent / lease of passive infrastructure (towers, dark fibre, etc.):** Should not be included in GR for reckoning of LF/SUC, as it is already exempted under IP-1. Setting up of passive infrastructure like towers is not an activity which requires license. The tower structure is being erected by the independent parties and is being offered to service providers on rent. Similar activity when carried out by a service provider should not be treated as part of licensed activity. **Therefore revenue earned from rent/ leasing out of passive infrastructure should not form part of** GR for reckoning of LF/SUC. Renting/leasing of dark fibre, towers etc is carried out by IP-1 operators.
- f. **Income from sale of equipment including handsets:** Revenue from discernible and stand-alone sale of handsets or telecom equipment, which is not bundled with telecom service, **should be excluded from GR** for reckoning of LF/SUC.
- g. **Other income on account of insurance claims, consultancy fees, foreign exchange gains etc:** Revenue from management consultancy fee and training charges from telecom service should not form part of AGR. Foreign exchange fluctuation is a contingency which has impact on every business which may have something to do with foreign exchange. Fluctuations in foreign exchange rates have nothing to do with licensed activity of telecom service providers hence should not be included in GR. Payments received on behalf of third party, **should also not form part of GR** for reckoning of LF/SUC.
2. The above mentioned comments have already been approved by TDSAT order dated 30.08.2007 based on TRAI's recommendations dated 13.09.2006.
3. **Our Recommendations on items to be excluded from GR for reckoning of LF/SUC**

- **Income from dividend.**
- **Income from Interest earned on investment of funds received by way of deposits received by licensees on account of security against charges.**
- **Gains on account of profit on assets and securities should not be clubbed with 'revenue'.**
- **Income from property rent has absolutely no connection with the business of provision of a telecom service hence should not be accrued to the revenue.**
- **Income from rent / lease of passive infrastructure (towers, dark fibre, etc.)**
- **Revenue from discernible and stand-alone sale of handsets or telecom equipment, which is not bundled with telecom service.**
- **Other income on account of insurance claims, consultancy fees, foreign exchange gains etc .**



**Q8. What categories of revenue/income transactions qualify for inclusion in the revenue base of TSPs on 'net' basis? Please support your view with accounting/ legal rules or conventions.**

**Reliance Response:**

1. Only revenue which is accruable and /received /receivable to the TSP should be included in GR on 'net' basis. Any notional income or discount, which is not accruable and receivable to the TSP should not be included in the GR for reckoning of LF/SUC. For Instance, when a TSP sell a prepaid voucher to the distributor at discounted price below MRP. The revenue for TSP in such case should be net of discount. As TSP is going to receive only discounted amount from the distributor, No license fee should be charged on discount component as the same is notional revenue and shall never be received by the TSP.
2. It is to be noted that Accounting Standard 9 (AS 9) define revenue as the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services. In the above case cash flow / receivables and consideration accrued to the TSPs will only be discounted amount. Therefore, the discount offered to distributors cannot be and should not be considered as revenue.
3. Ind AS -18 on "Revenue" defines revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. As amount received or receivable by TSP from sale of discounted prepaid vouchers is less than its MRP, hence MRP cannot be and should not be considered as revenue.
4. Our Recommendation

- **Only the net amount received by TSP, i.e. after deduction of the discount, should be considered in the revenue base instead of the MRP.**

**Q9. What are the mechanisms available for proper verification from the financial statements of TSPs of items/ income proposed to be excluded from the revenue base, especially for TSPs engaged in multiple businesses? Would new verification mechanisms be required?**

**Reliance Response:**

**Already, there are enough mechanisms available for proper verification from the financial statements of TSPs of items / income proposed to be excluded from the revenue base, even for TSPs engaged in multiple businesses.**

**Hence, it is submitted that no new verification mechanisms are required for proper verification of revenue share.**

1. Documents such as the Reconciliation statements, Annual accounts and various other financial documents are submitted by TSPs to Department of Telecommunication which are duly certified by the statutory Auditors.
2. Department can rely upon these reports submitted by the TSPs which are certified by the statutory Auditors. **Addition of new mechanisms for verification will create further hurdles for licensor as well as licensee as it will make process time consuming, complex and full of duplication of efforts**
3. It is submitted that the below existing provision for maintenance of records, reconciliation statements, etc are sufficient for verification of revenue share:
  - a. Bank Payment vouchers
  - b. Operator Invoice
  - c. Operator's own Invoice (in case of net settlement)
  - d. Invoice verification /Invoice booking document
  - e. Bank Statement showing relevant entry of payment (receipt- in case of net settlement)
  - f. Statutory Auditors certificate at the end of year certifying summary of operator-wise pass through payments.
  - g. Provide the certificate issued from Group Entities or within entity (Inter circle) showing invoice wise receivable and payable settlement details Copies of Invoices/Debit Note (on-net)
  - h. Statutory Auditors certificate at the end of year certifying summary of on-net pass through charges.
3. Our Recommendations

- **No new verification mechanisms are required for proper verification of revenue share as already, there are enough mechanisms available for proper verification from the financial statements of TSPs of items / income proposed to be excluded from the revenue base, even for TSPs engaged in multiple businesses.**

**Q10. What is the impact of new and innovative business practices adopted by telecom service providers and licensees on the definition of GR? What impact will exempting other income from the revenue base have on the verification mechanism to be adopted by the licensor?**

**Reliance Response:**

**It is once again reiterated that the revenue from the licensed activities should be used for the reckoning of GR for levying of LF and SUC and no other income/ non telecom revenue should be included.**

**Therefore, as long as the new and innovative business practice(s) falls into the realm of licensed activity(ies), its (their) revenue can be accrued to the TSPs revenue else not.**

1. As mentioned in our response to Q6 inclusion of other incomes especially from the envisaged new/ innovative business practices brings in non-level playing field between service providers and non-service providers. As a result, a number of activities are hived off to the third party. Even the Hon'ble SC in its 2011 judgment had raised a query regarding inclusion of other income in reckoning of Levying of GR, as it had visualized a possibility of recognizing /showing this revenue through a separate company. The said order dated 11.10.2011 passed by Hon'ble Supreme Court of India in the matter of UOI & Anr. Vs. Association of Unified Telecom Service Providers of India &Ors.(2011) 10 SCC 543 is reproduced below for your reference please.

*"If the wide definition of Adjusted Gross Revenue so as to include revenue beyond the license was in any way going to affect the licensee, it was open for the licensees not to undertake activities for which they do not require license under Section (4) of the Telegraph Act and transfer these activities to any other person or firm or company".*

2. **In view of the above, it is once again requested that income from the activities which do not require license should not be included in the revenue for reckoning of GR for levying of LF and SUC.**
3. We also do not feel that exempting other income has any impact on verification process as there are enough robust measures (like statutory audit, reconciliation statement etc), available (mentioned in our response to Q9) with licensor for verification /monitoring of the revenue for the reckoning of the GR for levying of LF and SUC.
4. It is our view that the Authorities apprehensions about verification and accounting as mentioned in the consultation paper especially for items such as discounts offers or unorthodox discounting schemes are unfounded. Hence they should not be a reason to persist with the current GR definition which is prone to differing interpretation and results in innumerable disputes.
5. Our Recommendations

- **The innovative schemes should not be a reason to persist with the current definition of GR and reject the likely evolution of a simple predictable and transparent LF regime.**

**Q11. Do the potential benefits accruing to TSPs by moving from a simpler to a more complex definition of the revenue base (providing for additional exclusions) justify the additional costs of strengthening the assessment, accounting and monitoring system? Should the definition of AGR remain unchanged once the revenue base is reduced by providing for additional exclusions from the top line?**

**Reliance Response:**

**We do not agree with the Authority's contention that exclusion of non-telecom revenues from the GR would result in a more complex system or lead to an additional cost for assessment, accounting and monitoring system.**

1. Today licensor has enough robust mechanism to verify / monitor the TSPs revenue(s) by way of stipulating submission of annual audited accounts (license-wise), reconciliation-statement duly audited by the Statutory-Auditors of the Licensee Company, etc. These have been discussed in detail in our response to Q9. **Thus, it is reiterated that, firstly, exclusion of non-telecom revenues from the GR would not result in a more complex system and secondly, there will not be an additional cost for verification or monitoring mechanism.**
2. We therefore submit that there is a need to review/ revise the definition of AGR because the revenue base for levying of LF and SUC should include only income accruing from licensed activities.
3. Our Recommendations

- **There is a teething need to revise / review the definition of AGR once the revenue base is reduced by providing for additional exclusions from the top line.**

**Q12. Should minimum presumptive AGR be applicable to licensees? How should minimum presumptive AGR be arrived at?**

**&**

**Q13. Should minimum presumptive AGR be made applicable to access licensees only or to all licensees?**

**Reliance Response:**

1. Yes, minimum presumptive AGR should be applicable to new licensees as it will ensure that service providers make sincere efforts in establishing network and start services at the earliest and do not resort to hoarding of spectrum.

## 2. Our Recommendations

- **The minimum presumptive AGR should not be less than 5% of the bid amount.**
- **The calculation of SUC should be on the basis of minimum presumptive AGR or the actual AGR whichever is higher.**
- **Minimum presumptive AGR should be made applicable to new licensees holding spectrum.**

**Q14. Should intra circle roaming charges paid to another TSP be treated as a component of PTC? If so, why?**

**Reliance Response:**

**Intra circle roaming should be treated at par with inter-circle roaming for the purpose of Pass Through Charge (PTC).**

1. All roaming agreements amongst the TSPs, irrespective of the fact that it is inter or intra circle, have commercial implications for both the TSPs.
2. As per the present order of the Government dated 31st May, 2011, intra circle roaming revenue actually passed on to another TSP(s) is eligible / entitled to be excluded from the GR of the paying TSP to arrive at his AGR. Intra circle roaming charges paid to the other TSP(s) should be treated at par with the inter circle roaming i.e. as a component of PTC and should be allowed as deduction from GR of the paying TSP.

**Q15 How should the permissible deductions be designed keeping in view future requirements? Specifically, what treatment should be given to charges paid to IP-I providers in the context of the possibility of bringing them under the licensing regime in future?**

**Reliance Response:**

**It is submitted that the permissible deductions i.e. PTC should be allowed to the TSP when he is making collections on behalf of the other party on any account or where any kind of fee is paid to any Govt entity.**

1. The components of pass through have already been defined in the licence agreement. However, it is other revenue like the one earned from Mobile VAS services wherein the TSP collects the revenue on behalf of their content partners as part of a single billing process and a major part of this revenue is passed on to these parties as content charges. But the existing definition of GR, considers the entire revenue as part of the TSP's revenue, without allowing any set off for expenses. **It is therefore, requested that this anomaly, wherein the revenue /payment received on behalf of the third party should be rectified and only net of**

**revenue after deduction of actual content fee/subscription charges should be included in GR.** For the sake of reckoning of revenue of the TSP, the actual amount paid to the third party and being certified by the statutory auditor should be allowed as exemption.

2. Services like IPTV are allowed under UL licence wherein the operator has to pass on a major share of its revenue to the broadcasters as content charges. It is requested that no levy should be applicable on the part of the revenue that is passed on the broadcasters as subscription/content fee. Hon'ble TDSAT in its judgment dated 28.05.2010 and 30.8.2008 has taken a similar view that the charges paid to the broadcaster/third party as content fee should be allowed as pass through while determining AGR. The excerpt from the said TDSAT judgments are reproduced below:

TDSAT Judgment dated: 28.5.2010

*"...So far as subscription fee which is paid by the DTH operators to the Broadcasters is concerned, the same does not add to the revenue it generates. It, in view of the decision of this Tribunal, does not come within the purview of licensed activities."*

TDSAT Judgment dated :30.8.2008

*"...payments received on behalf of third party should not form part of AGR. Such payments are meant to be passed on to the concerned party. It is a service being rendered to the customer whether on a small commission or otherwise. Such receipts do not form part of the revenue of the collecting service provider and, therefore, should not be included in AGR."*

#### **Licencing of Infrastructure Provider – I (IP-I):**

3. IP-I registered companies are engaged primarily in the Towers and building space for housing the BTS equipments and laying ducts and dark fiber cables. The provision of 'Towers' by the IP-1 registered companies cannot be termed as 'Telegraphs' as it does not fall within the definition of 'Telegraph' provided under the Indian Telegraph Act, 1885. IP-1 registered companies are allowed only to provide the infrastructure, or in other words, to house the telegraph equipment namely the transmitter and receiver, on behalf of the telecom licensee.
4. Bringing IP-1 registrants under Licencing Regime and imposing any Licence fee on IP-1 companies would lead to an increase in their cost structure, which would then be passed on to the licenced Telecom Service Providers, thereby increasing their costs. The present revenue sharing regime only envisages the sharing of revenue earned by a licensee on account of provision of services to the customers and does not envisage sharing of costs of the telecom service providers. The payout to infrastructure providers being cost of licenced

service providers should not be brought under the revenue sharing regime as would lead to increase in cost to TSPs.

5. DoT in its reply to the Authority dated 29th Oct, 2008 has already opined that as per the statutory provisions the activity pertaining to installation of towers does not qualify for grant of licence and had rejected the Authority suggestion to bring the IP-1 under the licencing regime stating the following:

*“ The revenues and profits from such activities attract necessary statutory charges as applicable e.g. income tax, corporate tax etc. Higher valuation cannot be a reason to bring IP-1 under licencing regime.”*

6. **The infrastructure providers should therefore not be brought under licencing regime.**

7. Further, urban tele-density has reached almost 100% and the major operators are in the process of making investments in rolling out the networks in rural areas. The rollout of broadband network is another big challenge in front of operators. The sector needs a policy to boost investments in telecom infrastructure and incentives on infrastructure sharing. Therefore the continuation of registration policy for IP-1 companies should be viewed in that direction; as any licencing of IP-1 would be a retrograde step to the Government’s vision to increase infrastructure sharing and to make the mobile services ubiquitous especially in the rural and the remote areas of the Country.
8. Therefore, infrastructure related activities such as Dark Fiber, Duct space, Tower, building etc. should continue to be out of the purview of the telecom licencing framework.
9. Our Recommendations

- **The infrastructure providers (IP1) should not be brought under licencing regime.**

**Q16. Should the items discussed in paragraph 3.35 be considered as components of PTC and allowed as deduction from GR to arrive at AGR for the purpose of computation of license fee? Please provide an explanation for each item separately.**

**Reliance Response:**

Our views on items listed under para 3.35, to be considered as components of PTC and allowed as deductions from GR to arrive at AGR for purpose of LF are as follows:-

1. **Port Charges:** Also referred to as “Interconnection Charges”, are neither allowed as deduction from revenue of the operator paying them nor are they exempted from inclusion as part of the revenues of the receiving TSP who is made to pay revenue share on these receipts on accrual basis. This leads to double payment of revenue share, that too on accrual

basis, on a single service. Therefore, **we suggest that these deductions should be allowed as PTC.**

2. **Cable Landing Station (CLS) Charges:** Telcos interconnect with the ILDs/ISP at the Cable landing stations for which they need to house their equipment at the CLS. Since, the Telco is forced to pay the rent and co-location charges to the owner of the CLS, it is submitted that this expenditure too **should be allowed to be exempted as PTC.**
3. **Sharing of Infrastructure Service:** Reimbursement of costs / expenses received from other companies on account of active / passive infrastructure sharing **should be deducted from GR / AGR.**
4. **Interconnection Set-Up Costs:** BSNL/ MTNL are charging huge interconnection set up cost to the tune of Rs 10000 per E1. These charges should be allowed as PTC to TSP as these are part of the interconnect charges.
5. **Receipts from USO Fund:** The USO subsidy is granted by the DoT to cover the operating losses of the telecom licensees from telecom connections provided in rural areas. Therefore, it should be excluded from AGR. It is pertinent to mention that DoT is not including the same in AGR.

**Q17. If answer to Q16 above is in the affirmative, please suggest the mechanism/audit trail for verification.**

**Reliance Response:**

1. Presently DoT is allowing deduction of IUC and Roaming charges in AGR. In case of IUC, payments are made to operators month-wise and the same are verified by the DoT based on various document submitted by TSP with DoT namely Invoice, bank payment vouchers, Fact sheet, TDS certificate, bank statement etc.
2. In respect of aforesaid deductions, DoT can ask operators for submitting proofs of payments as being submitted for IUC. The new proposed deductions are not recurring payment and paid once or twice to another operators in a year. Hence it is not difficult to submit the details by TSP and verification by the DoT. DoT can also insist for certificate from auditors for all such payments and deductions.

**Q18. Is there any other item which can be considered for incorporation as PTC?**

**Reliance Response:**

Yes, few other items can be considered for incorporation as PTC such as:

1. Emergency Charges to be paid to BSNL
2. Co- location charges



3. Bad debts
4. And all other items as stated in response to Question no. 16 above.

IPLC charges are collected by an operator who is enabling the bandwidth to the customer and acting as a One Stop Shop arrangement for the end to end circuit. To exemplify: Indian operator is acting as an agent to collect the charges for the half circuit being provided by the other foreign entity. We therefore request that revenue collected on behalf of the foreign partner should not be the part of the revenue for the reckoning of LF and SUC.

**Q19. Please suggest the amendments, if any, required in the existing formats of statement of revenue and licence fee to be submitted by service providers.**

**&**

**Q20. Is there a need to develop one format under unified license for combined reporting of revenue and license fee of all the telecom services or separate reporting for each telecom service as in present license system (as per respective license) should continue? If yes, please provide a template.**

**Reliance Response (Q19, Q20):**

There should be separate formats for share for LF and revenue share of SUC. The amended formats of statement of revenue for LF and SUC are enclosed herewith as **Annexure 1 & 2**. We are also enclosing the **norms for preparation of annual financial statements as annexure 3**.

It is further suggested that present system of separate reporting for each telecom service should be continued.

**Q21. In case any new items, over and above the existing deductions, are allowed as deduction for the purpose of computation of AGR, please state what should be the verification trail for that and what supporting documents can be accepted as a valid evidence to allow the item as deduction.**

**Q22. Is there is need for audit of quarterly statement of Revenue and License Fee showing the computation of revenue and licence fee?**

**&**

**Q23. If response to Q22 is in the affirmative, should the audit of quarterly statement of Revenue and License Fee be conducted by the statutory auditor appointed under section 139 of Companies Act, 2013 or by an auditor, other than statutory auditor, qualified to act as auditor under section 139 & section 148 of Companies Act, 2013 or by any one of them?**

**Reliance Response:**

1. No. The present practice of accepting quarterly payments based on self-certification of AGR statements may be continued with the requirement of annual audit of quarterly statements by the statutory auditors and reconciliation to the audited financial statements.
2. With the current government taking initiatives to simplify the processes and procedures for verifications at various levels, introduction of additional checks and balances **would seem to be regressive.**
3. Also, there should be a formal and time bound annual assessment process (in line with other Financial Acts). This should be followed by DoT as well as TSPs on the basis of which Show causes etc may be issued.
4. The audit of quarterly statements of Revenue and License Fee can be mandated to be conducted by either the statutory auditor or by another auditor, qualified to act as auditor under section 139 & section 148 of Companies Act, 2013
5. Our Recommendations

- **The annual audit of quarterly revenue statement for License Fee and SUC charges showing the computation of Gross revenue, AGR and corresponding licence fee should be continued.**
- **The audit of quarterly statements of Revenue and License Fee can be mandated to be conducted by either the statutory auditor or by another auditor, qualified to act as auditor under section 139 & section 148 of Companies Act, 2013**

**Q24. Is it desirable to introduce deduction of LF at source as far as PTC payable by one TSP/ licensee to another are concerned, in the interest of easy verification of deductions?**

**Reliance Response:**

**No, the Authority should not recommend introduction of LF deduction at source** as PTC payable by one TSP/ licensee to another as it will complicate the procedure by making reconciliations more cumbersome.

**Q25. Is there any other issue that has a bearing on the reckoning of GR/ AGR? Give details.**

**Yes there are additional issues as highlighted below which have a bearing on the reckoning of GR and the authority is requested to consider the same while defining and formulating its guidelines for the GR / AGR.**

1. **Payment to VAS / content providers/ Income collected on behalf of other company: : Revenue / payment received on behalf of the third party should not be part of GR for**

**reckoning of LF/SUC** i.e. the net of revenue after the deduction of content fee/subscription charges (paid to the third party) should only form part of GR

2. ***Earnest money / deposits furnished by third parties:*** While entering contracts with licensee companies for supply of goods and services, vendors, franchisees, distributors, etc, as a business practice, are required to deposit earnest money / security deposit with the licensee company for ensuring performance / obligation. Due to non-performance / failure of contractual obligation, such deposits may be forfeited by the licensee companies as compensation for deficiency of services. Therefore, these **should not be included in GR for reckoning of LF and SUC.**
3. ***Reversals of provisions and vendor credits:*** TSPs make provisions to take care of contingencies e.g. provision for bad and doubtful debts, taxes etc by passing entries in their books of accounts and reversals of the same are made at a later time frame. Such provisions **should not be included in GR for reckoning of LF and SUC.**
4. **Spectrum fee payment on arrear basis:** Presently License fee is paid quarterly in arrears within 15 days from the completion of the quarter based on actual revenue. However, Spectrum fee and MW charges are payable quarterly in advance on estimation basis within 15 days from the commencement of the quarter. After completion of the quarter differential amount, if any, based on actual revenue of previous quarter is paid within 15 days from the completion of the quarter along with the next quarter estimated Spectrum fee payment. It is submitted that the charging of interest from the beginning of the quarter is completely unjustified as actual revenue is known only after completion of the quarter and TSPs are paying Spectrum charges at the beginning of the quarter on the estimated revenue (subject to minimum of previous quarter actual).

**It is requested that, TRAI should recommend correction of this anomaly. We suggest that Spectrum fee should also be charged in arrears as License fee as both are levied on revenue of the quarter so all above anomalies and disputes can be avoided.**

5. **Revenue from Pure internet services should be allowed as PTC:** NTP 2012 has an objective to increase internet penetration as below:

***“Provide affordable and reliable broadband-on-demand by the year 2015 and to achieve 175 million broadband connections by the year 2017 and 600 million by the year 2020 at minimum 2 Mbps download speed and making available higher speeds of at least 100 Mbps on demand”***

**It is therefore important that the revenue earned from the pure internet should be allowed as pass through charges as earlier. This will support the penetration of broadband and establishment of infrastructure by TSPs.**

6. **Set up an Appellate Authority:** This is requested that an appellate authority should be set up for handling all issues wrt the settlement of PTC/claims and inter operator revenue settlement for the reckoning of LF and SUC.