No.: **CNPL/TRAI-L/59** Date: **March 28, 2016**

To,
The Advisor (F&EA),
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg, New Delhi – 110002

<u>Kind Attention: Ms. Vinod Kotwal</u>

Subject: **Citycom's comment on Draft Reporting System on Accounting Separation Regulations, 2016**

Dear Madam,

This is with reference to the Press Release No. 16/2016 dated 22nd February 2016 regarding submission of comments/views on Draft Reporting System on Accounting Separation Regulations, 2016, we are herewith submitting our comments:

1. The purpose of imposing an obligation regarding the Accounting Separation is to ensure that fair, pro-competitive and transparent criteria are followed by telecom service providers in allocating their costs to the services/ products and to prevent predatory conduct. The major resulting benefit has a transparent illustration of the relation between costs and prices (at both wholesale and retail levels), as the Accounting separation system should be able to break costs down in order to ensure that costs allocated to services/products do not result in cross subsidies, excessive prices and, in general, that costs are efficiently incurred.

2. We request that the authority forebears vertically non-integrated/standalone operators from imposing ASR, by revising the threshold limit to INR 1000 crores and above.

3. As per regulation, the authority requires that in additional to the reports prepared based on Historical Cost Accounting, reports prepared based on Replacement Cost Accounting are also required for every second year. It is our experience that such requirements for Replacement Cost Accounting reports can be extremely costly involving consultant costs and significant resources and increases regulatory cost. The replacement cost based reporting every alternate year should be dispensed due to their inherent characteristics.

4. We also request to keep the operators who are not providing the mobile/basic telephone services out of the purview of preparing Accounting Separation based on Replacement Cost Accounting.

5. Preparation of ASR on replacement cost basis (every alternate year) is a huge task involving lot of time and efforts. It is extremely difficult to get replacement costs for the equipment deployed in the network for the following reasons :

   - Equipment/technology deployed becomes obsolete/outdated quickly and mapping the same to the new version/variant is quite a task.
   - Vendors do not support requests for replacement costs as they know that they are not getting any business but are a futile exercise from their perspective. Further Vendors will provide only listed price (not the negotiated price) which if considered will not give the reliable report reflecting true picture.
   - Another option of hiring a professional firm and getting the replacement costs for the entire network could be an expensive proposition.

   In our view reporting based on replacement cost should be limited to once in 5 years if not abolished.

We hope that Authority will take our input into consideration.

Thanking you.

Yours sincerely,

For Citycom Networks Private Limited,

(Kishore Gogar)
C.F.O.