

## **Advertisement**

### **TELECOM REGULATORY AUTHORITY OF INDIA**

Mahanagar Doorsanchar Bhawan  
Jawaharlal Nehru Marg (Old Minto Road)  
New Delhi -110002

#### **INVITATION FOR EXPRESSION OF INTEREST**

Telecom Regulatory Authority of India (TRAI) invites Expression of Interest for ***“Appointment of a Firm / Agency for Review of the Reporting System on Accounting Separation Regulation, 2004”*** from experienced Firms/Agencies in this field.

The objective of this consultancy is to enable the Authority to review the Reporting System on Accounting Separation Regulation 2004. Since the implementation of the Regulation in February 2004, many developments have taken place in the telecom service sector. In the consultancy project, the existing accounting principles and methods as well as in the contents and formats of the existing Accounting Separation Reports will have to be examined from the point of view of whether they are helping to achieve regulatory objectives and whether there is need for any modification. The impact of technological and business developments and implementation of the IFRS will also have to be covered. Issues connected with auditing and accountability at various levels in the submission of Accounting Separation Reports and any other related issue that may come up in the course of the review would also have to be addressed.

Detailed scope of work along with terms & conditions are available on the TRAI website [www.traigov.in](http://www.traigov.in) . The last date for submitting EOI is **1<sup>st</sup> February, 2011**.

#### **Pr. Advisor (FA&IFA)**

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## **Detailed Scope of Work and Terms and Conditions**

### **TELECOM REGULATORY AUTHORITY OF INDIA**

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### **INVITATION FOR EXPRESSION OF INTEREST**

#### **Sub: Appointment of a Firm / Agency for Review of the Reporting System on Accounting Separation Regulation, 2004**

- 1.1 The Telecom Regulatory Authority of India (TRAI) invites Expression of Interest for “Appointment of Firm / Agency for Review of the Reporting System on Accounting Separation Regulation, 2004” from firms/agencies having experience in this field.

## **2. Background**

- 2.1 The Telecom Regulatory Authority of India (TRAI) has been established under the Telecom Regulatory Authority of India Act 1997 to regulate telecommunications services and matters connected therewith. One of the main objectives of the TRAI is to provide a fair and transparent policy environment to promote a level playing field and facilitate fair competition. Accounting separation is an essential element in any effective regulatory framework.
- 2.2 The Authority has issued the “Reporting System on Accounting Separation Regulation, 2004” on 23<sup>rd</sup> February 2004 to call for audited Accounting Separation Reports ( with financial as well as non-financial information) from service providers having an aggregate turnover of rupees twenty five (25) crore or more during the preceding financial year. These operators are required to submit accounting separation reports for each service/ product/network

service for each of their licensed service areas to the Authority in the prescribed formats.

2.3 The financial and non financial data obtained by TRAI, in compliance of the Accounting Separation Regulation 2004, is used to :

- measure financial performance of products and services;
- analyze costs, returns and capital employed in major areas of a service provider's business;
- monitor licensees' returns on products and services regulated with price ceilings;
- identify cross subsidization which influences the profitability of any segments;
- investigate predatory pricing, discrimination and other anti-competitive conduct;
- understand inter-operator arrangements in terms of their associated pricing and costs.

### **3. Need to Review the Existing Regulation:**

3.1 The existing system of accounting separation has been devised nearly a decade ago, at a time when regulatory reporting requirements were at an nascent stage and the development of the telecom sector had just begun. Since the implementation of the Regulation in 2004, many developments have taken place in the telecom service sector. Market liberalization has resulted in the entry of many new service providers into the market. The new entrants compete with the established operators in a range of services and products. At the same time, vertically integrated telecom service providers are providing not only retail telecom services and products but they are also in wholesale business within the same jurisdiction. Some service providers have hived-off part of their infrastructure business e.g. the tower business to a separate business entity. This

has created new and more complex forms of upstream and downstream market relationships, while differences in the degrees of vertical integration and ownership of key network assets have led to variations in the concentration of market power.

- 3.2 In addition, digital convergence and rapid technological change are altering the competitive landscape of the telecom sector. Customer demand patterns are changing and the range of products and services offered by the services providers is also undergoing change.
- 3.3 With the emergence of new technologies, evolution of next generation networks, convergence of telecommunication and broadcasting services, infrastructure sharing (both active & passive), there are changes in the Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) structures of service providers. More and more service providers are embracing Internet Protocol (IP) networks and thereby reducing their network CAPEX and OPEX and keeping in mind the goal of eventually migrating to NGN. Allocation of 2G spectrum to new players and auction of 3G spectrum would also affect business models and revenue streams of the service providers as there is fierce competition amongst the various players.
- 3.4 To meet the changes in markets, new regulatory frameworks have evolved and some of these also impact the accounting separation system. Some of these developments are the issue of dual technology unified access licences, revenue segregation for assessment of licence fee and spectrum charges etc.
- 3.5 When the process of implementation of Accounting Separation was set in motion in May 2000, there were only 3 telecom service providers in each circle. Now, with 8 to 12 telecom access service providers in each circle, the number of reports that are required to be filed by the service providers to TRAI have substantially increased.

- 3.6 India is likely to transition from the Indian GAAP to the International Financial Reporting Standards (IFRS) in the year 2010-11. The impact of this transition on financial accounting and hence on regulatory reporting also needs to be considered. The use of IFRS may have an effect on revenue recognition and the accounting for fixed assets which may in turn entail modifications in the system of regulatory reporting.
- 3.7 All of the above factors would have an impact on the information that the Authority requires as well as on the manner in which such information is to be furnished by the service providers. Accounting Separation Reports are intended to provide the Authority with the information it requires to effectively administer the regulatory framework. It is important that the Authority obtains the desired information without putting any extra burden on the service providers. While the basic objective of seeking disaggregated information in the form of accounting separation reports still remains, there is a need to analyze some important issues identified from experience in implementation of accounting separation and from the changes that are taking place in the environment. With this effort, it is felt that the relevance and utility of the reports will greatly improve.

#### **4. Scope of Work**

- 4.1 The objective of this consultancy is to enable the Authority to review the Reporting System on Accounting Separation Regulation, 2004 in the light of experience gained by the TRAI in the past 6 years during which it has been implemented and also in the light of subsequent developments in the sector since the issue of the Regulation in 2004. The idea is to bring in an up-dated Reporting System which covers all the requirements of current times and which would have validity for the foreseeable future also. The Reporting System should provide

useful information on revenue, costs, returns and capital employed in major areas of a service provider's business, enable the Authority to address anti-competitive behaviour, discrimination and predatory pricing concerns, and facilitate fair competition.

4.2 The following aspects will have to be covered by the firm / agency in the consultancy project:

4.2.1 The working of the existing accounting separation reporting system would have to be thoroughly analyzed in the light of past experience and technological and business developments;

4.2.2 The accounting principles and methods on which the existing system is based would have to be reviewed and appropriate changes suggested wherever necessary;

4.2.3 The contents of the Accounting Separation Reports will also have to be examined and recommendations made for additions, deletions and modifications so as to adjust data/information submission requirements in the light of experience gained incorporate requirements that have arisen out of change in technology and/or business models, emergence of new services etc.;

4.2.4 Accommodate the impact of the IFRS on the accounting information;

4.2.5 The contents as well as the formats of the existing Accounting Separation Reports will have to be examined to see whether they are helping to achieve regulatory objectives, and recommendations made thereon;

- 4.2.6 The formats would further have to be so standardized as to fit in with the on-line data collection and Management Information System of the TRAI;
- 4.2.7 The frequency of reporting requirement will have to be examined and recommendations made thereon;
- 4.2.8 Issues connected with auditing and accountability at various levels in the submission of Accounting Separation Reports would have to be addressed and recommendations made thereon;
- 4.2.9 Any other related issue that may come up in the course of the review would also have to be addressed;
- 4.3 In making his analysis and recommendations, the firm / agency should draw upon relevant international experience in various matters in important jurisdictions around the world.

## **5. Terms and Conditions**

- 5.1 The firm / agency should be an established firm / agency in India having a minimum annual turnover of Rs. 50 Lacs in the last three consecutive financial years for which audit has been completed.
- 5.2 The firm / agency should have completed at least five combined Accounting Separation Audits in last five years of Access providers (Basic Telephone Service and /or Cellular Mobile Telephone Service)

and Long Distance Service providers (National Long Distance Service and International Long Distance Service) in India.

- 5.3 The firm / agency should have experience of consultancy / assisting any regulatory body in the infrastructure sector in India or abroad in preparation of a framework of Regulatory Accounts/ review of Regulation on Regulatory Accounts.
- 5.4 The firm/agency can provide additional information to show that it is qualified to execute the consultancy, in the form of details of other consultancy(ies) indicating nature of the consultancy(ies), completion certificates of such assignments, recommendation letters etc.
- 5.5 The firm/agency should have in-house expertise in this field and should provide detailed resume of the experts(s) likely to be responsible for this work as one of the inclusions in response to this EOI.
- 5.6 The firm/agency is requested to additionally submit a detailed note outlining how it would carry out the assignment if selected including the timelines of activities.
- 5.7 The firm/agency would also have to arrange a presentation on methodology to be adopted to handle this assignment as well as on the past experience of the project handled before a committee nominated by TRAI at a date and time notified by TRAI.
- 5.8 Based on eligibility and suitability, firms/agencies shall be short-listed. The decision of TRAI in this regard shall be final. The short-listed firms/agencies would be eligible to participate in the second and final stage. Short listed firms/agencies shall be given detailed tender document. Such firms/agencies shall be asked to submit



their detailed technical and financial offers. The detailed technical bid shall be evaluated and financial bid of only qualified bidders shall be opened. No financial bid shall be submitted as part of response to this EOI.

- 5.9 TRAI reserves the right to accept or reject any proposal or to annul the EOI process and reject all proposals at its discretion, at any time prior to finalization of the firm/agency without assigning any reason whatsoever and without thereby assigning any liability to the affected EOI participant on the ground of TRAI's action(s).

## **6. Deliverables**

### **(i) Report on Consultancy:**

- 6.1 The firm / agency shall provide a written report covering all the matters specified in the scope of work with adequate details, requisite formats, annexures, appendices etc. The report should clearly bring out the firm / agency's recommendations on all aspects relating to above issues. The report should be so structured as to form the basis for a set of regulations on Accounting Separation that would amend/replace the existing Regulation.
- 6.2 The firm / agency shall first prepare a draft report which shall be submitted the Authority within 3 months of entering into the Agreement. This should be followed by a final report which shall be submitted within 4 months of entering into the Agreement. Before submitting the final report, the firm / Agency will conduct an internal workshop for the officials of TRAI to get acquainted with the subject and findings in the consultancy.
- 6.3 The report thus submitted shall be the property of Telecom Regulatory Authority of India. A presentation on the findings,

conclusions and recommendations of the consultancy project will also be made by the firm / agency before the Authority.

**(ii) Documentation**

All documentation including hard / soft copies as finalized by the firm / agency including word files, excel spreadsheets, power point files and other relevant files as finalized during the consultancy shall be provided to TRAI.

**7. Reporting Requirements & Submission of Report**

7.1 The firm / agency shall be reporting to an officer authorized in this behalf by the TRAI.

7.2 The firm / agency shall station two expert persons on the consultancy in the office of TRAI after award of the work.

7.3 The firm / agency shall identify all the resources necessary in completion of the consultancy.

7.4 The Assignment is expected to be completed within 3 months from the date of award of work.

**8. Submission by willing Firm / Agency**

8.1 The firm / agency who fulfill the eligibility conditions may submit a write-up in support of their meeting the required eligibility criteria along with sufficient documents and write up on scope of the work and deliverables in sealed cover superscripted with "Appointment of a Firm / Agency for Review of the Reporting System on Accounting Separation Regulation, 2004" at the following address latest by 1st February, 2011. A list of minimum documents required with EOI is attached at "Annexure -1".

8.2 Mrs. Anuradha Mitra, Pr. Advisor (FA&IFA), Mahanagar Doorsanchar Bhawan, Jawaharlal Nehru Marg (Old Minto Road), New Delhi - 110002 may be contacted on [anu\\_mitra83@yahoo.co.in](mailto:anu_mitra83@yahoo.co.in) or [adhingra.traai@gmail.com](mailto:adhingra.traai@gmail.com) for any clarification.

**Check List of Documents for EOI**

1.	Certificate showing firm/agency registered in India.
2.	Certificate showing firm/agency is having a minimum annual turnover of Rs. 50 Lacs in the last three consecutive financial years for which audit has been completed
3.	Proof of experience in the relevant field by attaching document showing that the Firm / Agency has experience of consultancy / assisting any regulatory body in the infrastructure sector in India or abroad in preparation of a framework of Regulatory Accounts/ review of Regulation on Regulatory Accounts.
4.	Document showing that the Firm / Agency has completed at least five combined Accounting Separation Audits in last five years of Access providers (Basic Telephone Service and /or Cellular Mobile Telephone Service) and Long Distance Service providers ( National Long Distance Service and International Long Distance Service) in India
5.	Documents indicating that the Firm / Agency is qualified to execute the assignment by giving the details of other assignments indicating nature of the assignment, work award letters, completion certificates of such assignments etc.
6.	Documents indicating that the firm/agency has in-house expertise in the field relevant for this assignment.
7.	Detailed resume of the expert(s) likely to be responsible for this work.
8.	A detailed note outlining how they would carry out the assignment if selected including the timelines of activities.

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