

All India Digital Cable Federation urges the Government to remove 8% AGR on Cable TV Broadband Service

New Delhi, 10 July, 2015, All India Digital Cable Federation (AIDCF) has requested the Ministry of Information & Broadcasting (MIB) and the Department of Telecom (DoT) to remove the 8 per cent adjusted gross revenue (AGR) applicable for MSOs offering broadband services.

The federation made this representation to the government after some MSOs received notice from the DoT to pay internet service provider (ISP) licence fee on not just the broadband revenue, but also the MSO business revenue.

“DoT is levying licence fee on the company business. Some people have received notices, some are in the process of receiving. The AIDCF has given a representation to the government but so far nothing has happened,” said Saharsh Damani, the Secretary General of the Federation.

It is pertinent to note that the Telecom Regulatory Authority of India (TRAI), in its recommendations dated 6 January, said that the applicable gross revenue (ApGR) would be equal to the total gross revenue of the licence as reduced by revenue from operations other than telecom activities/operations as well as revenue from activities under a licence/permission issued by the MIB.

While urging the government to accept TRAI’s recommendations, the federation said that the licence fee of 8 per cent of the AGR is a large levy on the MSOs, especially when they are investing in acquiring right of way (RoW) costs as well.

It added that the removal of 8% tax on the AGR improves the payback period to 6–7 years, thereby making the sector attractive for investors and bringing in the huge investments needed for high-speed internet to take off.

The federation said that unlike telcos, the MSOs generate revenues from cable TV services. If the same MSOs are to provide broadband services, they will be in a negative territory as they will have to pay 8 per cent tax on the combined cable and broadband revenues.

Levying 8 per cent on AGR will put MSOs at a disadvantage vis-à-vis telcos as they also have to pay service tax and entertainment tax, the federation said. Telcos pay service tax,

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however, they do not have to pay entertainment tax. It also said that MSOs have to share subscription revenue with broadcasters and local cable operators (LCOs), which is not the case with telcos.

Explaining the broadband economics for MSOs, the federation said that an MSO takes more than 8–10 years to get payback from broadband as a business due to (i) operational delays in acquiring RoW, (ii) significant fixed costs irrespective of sales conversion, (iii) limited bargaining influence with equipment manufacturers, (iv) significant revenue sharing with LCOs/distributors, and (iv) non-contiguous areas for network rollout resulting in lower subscriber penetration and higher network maintenance costs.

The federation said that this, along with significant under recovery of fixed costs during the initial years, makes the overall broadband business economics unattractive for a cable TV MSO. The federation has also requested the government to support RoW for the MSOs and protection of infrastructure laid on the ground.

The federation has sought a five-year moratorium on RoW for aerial network through centrally issued guidelines applicable across the country. It has also requested that the cable broadband infrastructure be declared as national property on the lines of telecom infrastructure and making sabotage of cable infrastructure a non-bailable offence.

Another key demand of the federation is rationalising of import duties on network equipment as import duty on network equipment (including fibre-optic network equipment) is a substantial cost for the cable broadband industry in India.

While supporting the 'Make in India' initiative, the federation has said that import duty on certain equipment, specifically CMTS, transceiver and OLT for GPON network, should be minimal till there are viable alternatives of locally manufactured equipment.

It has also requested the government to provide infrastructure status for cable broadband network. This would allow the MSOs to finance cable broadband infrastructure development through priority lending from banks, external commercial borrowings, as well as financing from lenders such as IL&FS and IIFCL.

Lastly, it has requested the government to allow the use of USO funds for wired broadband network rollout for Phase III cities/towns, which are scarcely populated and have negligible PC penetration making it unviable for deploying broadband network even at subsidised cost.

Including Phase III towns (primarily towns less than 5 lakh population) in USO fund will accelerate the rollout of broadband in these towns, which are otherwise unviable, it said.

ABOUT

All India Digital Cable Federation (henceforth called as AIDCF), is India's apex body for Digital Multi System Operators (MSOs).

AIDCF is the official voice for the Indian digital cable TV industry and interacts with ministries, policy makers, regulators, financial institutions and technical bodies. It also provides a platform for discussion and exchange of ideas between these bodies and the service providers, who share a common interest in the development of digital cable TV in the country.

The federation works towards the overall growth of the sector and creates an environment for not only complete digitisation of cable TV under regulatory guidelines but also delivers the benefits of digital services including broadband and other value added services to the people of India thus fulfilling the dream of 'True Digital India.'

It also collaborates with other industry associations such as IBF, CII, FICCI, ASSOCHAM association etc., with the objective of presenting an industry consensus view to the government on crucial issues relating to the growth and development of the industry.

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