

Guideline for tariff approval for Telecommunications Services

1. Introduction

1.1 This Guideline for tariff approval regime is established pursuant to Section 52 (b) of the Telecommunications Act, 2053 (1997) to achieve the purpose laid down in the section 42 of the Act.

1.2 This Guideline for tariff approval establishes the policy objectives and the regulatory principles to be applied for the approval of tariff to be charged and any changes thereof for services provided by licensed network operators and service providers in Nepal.

1.3 In particular, this Guideline sets out the operational guidelines and principles to govern the tariff approval process.

1.4 NTA has issued licenses to a number of network operators and service providers of different telecommunications services.

In order to establish and maintain fair competition between licensed network operators and service providers, prevent cross subsidizing, promote entry of network operators and service providers, and promote the introduction of telecommunications services which are available and affordable for people and businesses throughout Nepal, tariff regulation is essential.

1.5 Within the terms of this Guideline, from time to time and as a need arises, Nepal Telecommunications Authority (NTA) will issue detailed determinations covering aspects of the implementation of the principles set out in this document.

2. Background

2.1 His Majesty's Government of Nepal recognizes that efficient and effective telecommunications networks and services are an essential prerequisite for the continued growth of the Nepalese economy. Telecommunications is also an important public utility for the community. For these reasons, the Government must ensure that the commercial activities within the sector are aligned with, and support national development objectives and priorities. As more and more participants become involved in the sector, a broad regulatory framework needs to be established to govern the operations of the industry in the interest of consumers, fair competition, and the achievement of national goals.

3. Service providers/operators

3.1 This Guideline shall govern all telecommunications services provided by network operators and service providers under licenses issued by the NTA pursuant to Section 24 of the Telecommunications Act, 2053 (1997).

The categories of licenses are:

1. Local Telephone Services
2. Domestic Trunk Telephone Services

3. International Telephone Services
4. Domestic Telegraph Services
5. International Telegraph Services
6. Telex Services
7. Leased Circuit Services
8. Facsimile (Tele-fax) Services
9. Packet Switched Data Services
10. Cellular Mobile Telecommunications Services
11. Basic Telephony Services based on WLL
12. Rural Telecommunications Service
13. Internet (Including E-Mail)
14. E-mail
15. Radio Paging Services
16. VSAT Services
17. Fax Mail Services
18. Video Conferencing Services
19. Audio Conferencing Services
20. Pay Phone
21. Pre-Paid Calling Cards
22. Local Data Network
23. Trunked Mobile Radio
24. Audio Text/Voice Mail
25. Video Text
26. Any other new services to be introduced in future.

4. Tariffs

4.1 This Guideline shall govern all tariffs in relation to the licenses in section 3 above.

4.2 Tariffs charged to customers for new feature and facilities within licensed services shall have prior approval from NTA.

5. Requirements

5.1 The requirement, pursuant to Section 42 of the Telecommunications Act, 2053 (1997) are that the service charged shall be proper and reasonable and have to be approved from NTA as well as shall have to be published as directly by NTA. In the same manner Section 5.13 of the Telecommunications Policy, 2056 (1999) requires that tariffs for telecommunications services are to be cost based to the extent possible.

For Rural Telecommunications Services operator, the requirement of cost based tariff is not applicable.

5.2 No licensee is allowed to use the revenue earned from one service to another service as cross subsidy.

5.3 All licensees are required to establish a separate company or profit centre based units to run the services specified in the license.

5.4 All licensees are required to establish and maintain separate accounts for each service specified in the license.

5.5 In the cost based tariff model, the maximum allowed rate of return on investment should be 25%.

6. Principles of tariff regulation

6.1 This Guideline governs tariff regulation.

For different categories of services, different principles of tariff regulation shall be appropriate:

Fixed Tariffs:	The tariffs, which are approved by NTA, shall remain unchanged until a new proposal is present and approved by the NTA.
Maximum Tariffs	The tariffs, which is fixed as maximum by NTA. The operator can decrease tariffs without prior approval from the NTA but prior notification is essential.
Non-regulated tariffs:	The tariffs, which is not regulated by NTA. The operator can decrease or increase tariffs without prior approval from the NTA but prior notification is essential.

6.3 NDCL (Nepal Doorsanchar Company Limited) shall rebalance its basic telephony tariffs in a phase-wise manner by the 2004, and the price cap mechanism will be used for further review thereafter. Therefore the following regulatory regime will apply to the following tariffs of NDCL.

Services	Until 2004	After 2004
Local Call Charge	Fixed Tariff	Price Cap*
Rental Charge	Fixed Tariff	Price Cap
STD Call Charge	Fixed Tariff	Price Cap
ISD Call Charge	Fixed Tariff	Price Cap
Connection Fee	Fixed Tariff	** Non-Regulated Tariff
Deposit	Non-Regulated Tariff	Non-Regulated Tariff
Leased Line	Charge Fixed	Tariff Price Cap

* Price cap is a mechanism which controls the annual rate of change in regulated tariffs by reference to some published index such as retail price index or the consumer price index and is often expressed as :

Weighted average percentage change in regulated tariffs in year t = (Percentage rate of inflation, year t-1) - "X".

Where, X is the adjustment factor.

** The connection fee of NDCL will not be regulated after the WLL operator starts its service to customers.

6.4 For the WLL operators, the following regulatory regime will apply:

Services	Until 2004	After 2004
Local Call Charge	Fixed Tariff	Price Cap*
Rental Charge	Fixed Tariff	Price Cap
STD Call Charge	Fixed Tariff	Price Cap
ISD Call Charge	Fixed Tariff	Price Cap
Connection Fee	Non-Regulated Tariff	** Non-Regulated Tariff
Deposit	Non-Regulated Tariff	Non-Regulated Tariff
Leased Line Charge	Fixed Tariff	Price Cap

6.5 For the cellular mobile operators, the following regulatory regime will apply:

Connection Fee and Activation Charge Non-Regulated Tariff

Deposit Non-Regulated Tariff

Air Time Charge Fixed Tariff

Rental Charge Fixed Tariff

Land Line Charge Fixed Tariff

Roaming (International) Non-Regulated Tariff

6.6 For Value Added Services, all types of tariffs will be regulated under the maximum tariff regime.

6.7 Other minor types of tariff (e.g. line transfer charge, ownership transfer charge etc.) will not be regulated.

6.8 There will be service-wise regulation of any operator who is operating more than one service at a time.

6.9 Price cap regulation of tariffs and the Guidelines for the price cap regime will be prepared and introduced in due time.

7. Duties and powers of NTA

7.1 In accordance with section 13 of the Telecommunications Act, 2053 (1997), the NTA exercises regulatory functions in respect of the conduct of telecommunications services in Nepal. In discharging these duties, NTA shall be guided by the relevant conditions in the licenses and to considerations spelt out in this Guideline. In exercising these regulatory functions, the NTA may make determinations, impose penalties and enforce any decisions of determinations.

7.2 NTA may propose changes to any original tariff proposal submitted by a licensed network operator. Such proposed changes would be subject to a hearing with the operator.

7.3 NTA shall ensure that licensed network operators comply with the requirements of this Guideline and any related determinations that may be issued from time to time.

7.4 NTA shall use the necessary powers within the Act to prevent anti-competitive conduct and to promote competition.

7.5 NTA may at any time require licensed network operators to submit a proposal for tariff review.

8. Scope of proposal

8.1 The information in the submitted tariff proposal shall enable NTA to evaluate the proposed tariff changes and to make determinations in this regard.

8.2 The proposal shall cover at least the following:

1. The licensed operator's name
2. License Number
3. Date of the proposal
4. The service or services
5. For each service, the existing tariffs and proposed tariff
6. Date of implementation of the proposed tariffs
7. Justification for the proposed tariff
9. A plan for notification of existing customers and the relevant public
10. The impact of proposed tariff on the subscribers
11. The impact of proposed tariff on competition in the telecommunications sector
12. The impact of proposed tariff on the present and future financial position of the operator
13. The impact of proposed tariff on Government royalties
14. The impact of proposed tariff on taxes payable
15. Various documentation (as explained in section 9)

9. Requirements for documentation

1. The tariff review proposal submitted to the NTA shall include documentation for the proposed tariff changes.

1. Latest audited annual report including financial statements
2. Actual and budgeted financial data
3. Actual and budgeted accounts for all services according to the license
4. Actual traffic data and forecast traffic data for all services according to the license
5. Actual number of subscribers and projected number of subscribers
6. Actual and planned network roll out

9.2 Budget and forecast data shall cover a minimum period of five years and break down on an annual basis shall be included.

9.3 Actual data shall cover a period of two preceding years as far as practicable.

10. Public Hearings

The NTA may decide to hold public hearings on a tariff proposal where the matter is considered to be of major public concern.

11. Publication

11.1 The licensee shall notify their existing customers and other relevant public about the changed and approved tariffs at least 7 days before implementation.

11.2 Publication in the media (newspaper, television, radio etc.) shall be directed to all existing and potential customers.

12. Time schedules

12.1 Time schedule from proposal to approval:

1	Receipt of tariff review proposal by NTA	At least 3 (three) months in
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		advance of the date of such tariff implementation.
2	Oral presentation to NTA by the operator about the requirement of review	Within 5 working days of filing such proposal to NTA.
3	Request for further information, order to present missing data, information, clarification etc. by NTA to the operator	Within 20 working days of filing the proposal to NTA.
4	Submission of such information by the operator to NTA	Within 35 working days of filing the proposal to NTA.
5	Evaluation of the proposal by NTA	Within 65 working days of filing the proposal to NTA.
	(Within this process, NTA may propose changes to the tariff proposal – in such cases, the changes would be subject to a hearing with the operator)	
6	Decision on the proposal by NTA Board and issue of letter to the operator of the same	Within 90 working days of filing the proposal to NTA.
7	Publication of the tariffs by the operator	After the tariff approval by NTA and at least 7 days before implementation.

13. Compliance with determinations by NTA

13.1 NTA may, at any time as and when it deems necessary, ask the operator to provide clarification and supplementary information on any relevant subject during the evaluation period. It is the duty of the operator to comply with such order in due time.

13.2 A licensee shall be obligated to comply with the determinations made by the NTA pursuant to this Guideline.

14. Confidentiality

The NTA and the licensee shall treat information provided by a licensee or acquired by the NTA in the process of a tariff proposal in strict confidence.

15. Review and variation

This Guideline shall be subject to review, from time to time, by NTA, who may add to, vary or revoke any paragraph.

16. Definitions

1. Rental: The minimum amount that a subscriber has to pay to his/her service operator/provider for the service rendered to him/her during a period.
2. Local Call Charge: An amount that a subscriber has to pay to his/her service operator/provider for making/originating a call to another subscriber that terminates within his/her own numbering area, usually within the same district region.
3. STD (subscriber Trunk Dialing) Call Charge: An amount that a subscriber has to pay to his/her service operator/provider for making/originating a call to another subscriber that terminates within Nepal but outside his/her own numbering area, usually outside the same district region. It is also called the National Long Distance

Call Charge and may vary according to the distance between places originating and terminating the call.

4. ISD (International Subscriber Dialing) Call Charge: An amount that a subscriber has to pay to his/her service operator/provider for making/originating a call that terminates outside the country (Nepal). It is also called an International Call Charge and may vary according to the country of call termination.

5. Leased Circuit Charge: An amount that a subscriber/customer has to pay to his service operator/provider for leased line/circuit. Leased line means point-to-point dedicated line with defined bandwidth between service operator/provider and the subscriber/customer.

6. Connection Fee: A once-off amount that an intended subscriber has to pay to the service operator/provider only once at the time of service connection. It is also called an Installation Charge.

7. Deposit: An amount that an intended subscriber may have to deposit as a security to the service operator/provider. This amount is refundable when the subscriber terminates the service and has paid all the dues.

8. Air Time Charge: Charges implemented for the time taken by the RF signal to travel from a mobile to another mobile handset using air interface (medium).

9. Land Line Charge: Charges implemented for the time taken by the RF signal to travel from a mobile hand-set to PSTN hand-set or mobile hand-set using terrestrial or land line interface (medium).

10. Roaming (International): A subscriber who has enrolled with a mobile operator can travel to another country and if he is connected through the telecom service operator operating a gateway in the other country to the home country mobile operator, then he is called a roamer. The charges, accrued for such a distant call is called roaming charges.

17. Appendices: Templates

- Tariff Proposal Sheet
- Account Data (Financial Statement) Sheet

Appendix-1

Templates: Tariff proposal sheet

- Tariff proposal,
- Usage data, actual
- Usage data, forecast
- Actual and planned roll out of telephone lines

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

TARIFF PROPOSAL:

Tariff element	Existing Tariff	Proposed Tariff	To be implemented per date	Note

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

USAGE DATA, ACTUAL:

Tariff element*	Unit	Number of units	Note

* Tariff element should correspond to tariff elements in the tariff proposal:

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

USAGE DATA, FORECAST:

YEARS:		
TARIFFS ELEMENT	UNIT	NUMBER OF UNITS

* Tariff elements should correspond to tariff elements in the tariff proposal

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

ACTUAL AND PLANNED ROLL:

	ACTUAL	PLANNED
YEAR		
AREA OF REGION	NUMBER OF LINES	
TOTAL		

Appendix-2

Templates: Account data (Financial statement) sheet.

- Financial statement, Income statement.
- Financial statement, Balance sheet, Assets.
- Financial statement, Balance sheet, Liabilities and shareholders' equity.
- Statement of Cash Flow.
- Income statement, forecast.
- Balance sheet, forecast, Assets.
- Balance sheet, forecast, Liabilities and shareholders' equity.
- Statement of Cash Flow, forecast.

FINANCIAL STATEMENT, INCOME STATEMENT:
(NPR million)

END OF YEAR				NOTE
A	Net operating revenues*			
B	Other operating revenues*			
C = A + B	Total revenue			
D	Operating expenses*			
E	Staff expenses*			
F	Overhead*			
G = D + E + F	Total operating expenses			
H = C - G	Earnings before depreciation (EBITDA)			
I	Depreciation and amortization*			
J = H - I	Total operating earnings (EBIT)			
K	Net financial cost			
L = J - K	Earnings before taxes (EBT)			
M	Taxes			
N = L - M	Net earnings			

* Details should be presented in a separate sheet for each item.

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

FINANCIAL STATEMENT, BALANCE SHEET, ASSETS:
(NPR million)

END OF YEAR				NOTE
A	Intangible assets*			
B	Property, plant and equipment*			
C	Investments and other assets*			
D = A + B + C	Total fixed assets			
E	Total inventories*			
F	Trade accounts receivable			

G	Other accounts receivable			
H	Prepaid expenses			
I = F + G + H	Total accounts receivable			
J = E + I	Total current assets			
K = D + J	Total assets			

* Details for each item should be presented in a separate sheet.

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

FINANCIAL STATEMENT, BALANCE SHEET,
LIABILITIES AND SHAREHOLDERS' EQUITY:
(NPR million)

END OF YEAR				NOTE
L	Total shareowners' equity*			
M	Deferred tax			
N	Other provisions			
O = M + N	Total provisions			
P	Prepayments from customers and deposits			
Q	Trade accounts payable			
R	Other accounts payable			
S	Proposed dividends for the fiscal year			
T = P + Q + R + S	Total short-term debt			
U	Total long-term debt*			
V = T + U	Total debt			
W = L + O + V	Total liabilities and shareholders' equity			

* Details for each item should be presented in a separate sheet.

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

STATEMENT OF CASH FLOW:
(NPR million)

END OF YEAR				NOTE
A	Net earnings			
B	Depreciation, amortization and write downs			
C	Other adjustments			
D	Change in working capital			
E = A + B + C + D	Cash flow from operating activities before net financials			
F	Net interest			
G = E + F	Cash flow from operating activities before tax			
H	Corporate income tax paid			
I = G + H	Cash flow from operating activities			
J	Cash flow from investing activities			
K	Cash flow from financing activities			
L = I + J + K	Increase/(decrease) in cash and equivalents			
M	Cash and equivalents on first of Shrawan			
N = M + L	Cash and equivalents on last of Ashad			

Note : It is furthermore required that details of the items shown above are to be presented in a separate sheet (e.g. cash flow from investing activities, cash flow from financing activities etc.)

APPENDIX TO TARIFF PROPOSAL	
DATE OF PROPOSAL:	
LICENSE:	
DATE OF ISSUE:	
LICENSEE NAME:	
LICENSEE ADDRESS:	

SERVICE:		
PAGE:	OF:	PAGES:

INCOME STATEMENT, FORECAST:
(NPR million)

End of Year:					
Net operating revenues*					
Other operating revenues*					
Total revenue					
Operating expenses*					
Staff expenses*					
Overhead*					
Total operating expenses					
Earnings before depreciation (EBITDA)					
Depreciation and amortization*					
Total operating earnings (EBIT)					
Net financial costs					
Earnings before taxes (EBT)					
Taxes					
Net earnings					

* Details for each item should be presented in a separate sheet.

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

BALANCE SHEET, FORECAST,
ASSETS:
(NPR million)

End of Year:					
Intangible assets					
Property, plant and equipment*					
Investments and other assets					
Total fixed assets					
Total inventories					
Trade accounts receivable					
Other accounts receivable					
Prepaid expenses					
Total accounts receivable					
Cash					
Total current assets					
Total assets					

* Details for each item should be presented in a separate sheet.

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

BALANCE SHEET, FORECAST,
LIABILITIES AND SHAREHOLDERS' EQUITY:
(NPR million)

End of Year:					
Total shareowners\' equity*					
Deferred tax					
Other provisions*					
Total provisions					
Prepayments from customers and deposits					
Trade accounts payable					
Other accounts payable					
Proposed dividends for the fiscal year					
Total short-term debt					

Total long-term debt					
Total debt					
Total liabilities and shareholders' equity					

* Details for each item should be presented in a separate sheet.

APPENDIX TO TARIFF PROPOSAL		
DATE OF PROPOSAL:		
LICENSE:		
DATE OF ISSUE:		
LICENSEE NAME:		
LICENSEE ADDRESS:		
SERVICE:		
PAGE:	OF:	PAGES:

STATEMENT OF CASH FLOW, FORECAST:
(NPR million)

Year:				
Net earnings				
Depreciation, amortization and write downs				
Other adjustments				
Change in working capital				
Cash flow from operating activities before net financials				
Net interest				
Cash flow from operating activities before tax				
Corporate income tax paid				
Cash flow from operating activities				
Cash flow from investing activities				
Cash flow from financing activities				
Increase/(decrease) in cash and equivalents				
Cash and equivalents on first of Shrawan				
Cash and equivalents on last of Ashad				

Note : It is furthermore required that details of the items shown above are to be presented in a separate sheet (e.g. cash flow from investing activities, cash flow from financing activities etc.)