ICTA

Information & Communication Technologies Authority

Document Ref.: ICTA/CP/2023/02/RES

RESPONSE TO:

CONSULTATION PAPER ON FRAMEWORK FOR ACCOUNTING SEPARATION

17 November 2023

BACKGROUND

The ICT Authority released, on 5th April 2023, a consultation paper on framework for accounting separation. Comments on the consultation paper were invited from stakeholders, initially by 5th May 2023, with subsequent extensions granted based on requests received from various licensed operators that expressed their interest in responding to the consultation exercise. The ICT Authority has received comments from the following licensed operators by 14 July 2023:

(i) Avacor Ltd
(ii) Emtel Ltd
(iii) Multi Carrier (Mauritius) Ltd (hereafter 'MCML')
(iv) Mauritius Telecom Ltd (hereafter 'MT')
(v) T@Media.com Ltd

The present paper is a summary of the responses received to the different questions raised in the consultation paper, including general comments from respondents. The views of the ICT Authority with respect to the responses are also provided.

OBJECTIVES OF CONSULTATION PAPER

As part of its main objects, the ICT Authority needs to foster competition and also to monitor and prevent anti-competitive behaviour by any licensee. In addition, the ICT Authority is also responsible for ensuring that the information and communication services supplied by its licensees are reasonably accessible and affordable, while being supplied as efficiently and economically as practicable, among others.

For this purpose, the ICTA would require a significant amount of financial information and it is essential to analyse the financial information specifically for regulatory purposes. To perform these functions effectively, the regulator needs disaggregated financial data from telecom companies that are its immediate licensees.

The purpose of 'Accounting Separation' (AS) is to provide an analysis of information derived from accounting records to reflect as closely as possible the performance of various segments of the business of a licensee (as if they are operated as separate businesses), with a focus on financial performance from a service level perspective.

The following section summarises the responses received to the questions raised in the consultation paper.

Q1: Is the list of licences to which the framework of Accounting Separation should be applicable, as given in section 2.2 above, appropriate?	
Emtel	Yes. Emtel opines that the list of licences, as given in section 2.2 of the consultation paper, to which with the framework of Accounting Separation should be applicable is appropriate.
Mauritius Telecom MT	MT believe that accounting separation should not be implemented. Its value needs to be put into perspective and the costs and benefits need to be weighed taking into consideration market reach of ICT services, the degree of competition and market contestability.
T@Media	T@Media is of the view that the list proposed is a first initial proposal that will be called upon to be revised as the Authority will come up with market dominance determination in the future.
MCML	No. MCML opines that the list of licences, as given in section 2.2 of the consultation paper, to which with the framework of Accounting Separation should be applicable is not appropriate.
The Authority has taken into consideration the views presented by the service providers and is of the view that this is an initial process to implement the Accounting Separation Framework, which will be open to revision if required in the future.	
Q2: If your answer to Q1 is no, please indicate the licences to which the Accounting Separation framework should not be applicable. Please support your answer with detailed justification.	
Emtel	Not Applicable
Mauritius Telecom	MT opines that the scope of accounting separation, as recommended by ICTA, should not be applicable to current licensing framework, to all licences and, in particular, should not be extended to the following licence holders: • Payphone Service Licence: Payphone is a declining business and is being offered only in prisons given non-accessibility of mobile phones. • Value Added Services Licence - Very small market. It is very difficult to isolate the cost-Revenue components. • International Long Distance Licence: Market highly competitive.
T@Media	T@Media has pointed out AS is often linked to market dominance. It is a fact that operators with SMP try to exercise their power in vertically integrated markets to distort markets. Therefore, once the ICTA would have established dominance in specific markets and would have designated operators with SMP then there might be the need to revise the list.
MCML	MCML has indicated that it operates the MCML collocation/Rental service. It does not provide information and communication service on those sites but only provides the space for the installation of antennae.
The Authority has taken into consideration the divergent views regarding the licences to which the framework of Accounting Separation should be applicable and is of the view that while payphone service and value-added services are small in their size of operation, the same may not be the case in case of International Long Distance service. Therefore, the Authority needs to take a balanced view on which licences need to be excluded from the Accounting Separation Framework.	

Q3: Is the list of services to which with the framework of Accounting separation should be applicable, as given in section 2.3 above, appropriate?	
Emtel	No Emtel opines that the list of services to which with the framework of Accounting Separation should be applicable, as given in section 2.3 of the consultation paper, is not appropriate
Mauritius Telecom	No MT opines that the list of services to which with the framework of Accounting Separation should be applicable, as given in section 2.3 of the consultation paper, is not appropriate
T@Media	T@media is in favour with the expectation that this list will evolve when the ICTA would have identified the activities (services) of vertically integrated operators and the degree of interdependence and influence between them.
MCML	No MCML opines that the list of services to which with the framework of Accounting Separation should be applicable, as given in section 2.3 of the consultation paper, is not appropriate
The Authority takes note of the views regarding the list of services and clarifies that the list of services proposed in the Consultation Paper is tentative at present. The views of the stakeholders along with the regulatory requirements of the Authority will be considered when finalising the list of eligible services for the purpose of Accounting Separation Regulations.	
Q4: If your answer to Q3 is no, then ***a. please give a list of additional services to which the Accounting Separation framework should be applicable, and/or*** ***b. Please give a list of the services to which the Accounting Separation framework should not be applicable.*** ***Please support your answer to Q4a and/or Q4b with detailed justification***	
Emtel	Emtel has proposed that a simplified approach is required to reduce the burden of reporting. It has suggested a grouping of services as follows: • PSTN Licence Retail Fixed Voice - They propose to group Voice calls (On-net Voice Calls/ Off net Voice Calls • PLMN Licence Retail Mobile Services - They propose to group Voice calls (On-net Voice Calls/ Off-net Voice Calls)
Mauritius Telecom	AS should not be applicable to the following services: **Licence** | **List of Services to which the AS should not be applicable** | **Remarks**

	PSTN	Retail Fixed Voice • SMS • PRI Services Wholesale Fixed Voice • Port Charges • Transit Charges Wholesale last mile / local loop access Access to passive infrastructure Value Added Services/Premium Services/Toll free/Short Code Services	AS should be limited to fixed voice and IUC only. Breakdown of Assets Register in terms of last mile, VAS, passive infrastructure, Toll free/Short Code services are not available.
	PLMN	Retail Mobile Services: • Rental/One time/Installation/Recharge MMS Services Wholesale Mobile Services: • Transit charges • Sharing of active and passive infrastructure • Port charges • Transit of calls thru' Mauritius	AS should be limited to voice and IUC only. Rental - It is more a pricing issue. Installation – No installation fee applicable MMS almost disappearing. Breakdown of Assets in terms of the following categories not available
	ILD Network Licence	Wholesale International bandwidth & Retail International bandwidth (IPLC, IP Transit, IP VPN, Any other managed data services) Cable landing station: a) Colocation b) Cross-connection	These services are not regulated by ICTA. Only bilateral half circuit services are within the purview of the local jurisdiction. Breakdown of Assets in terms of the following categories are not available.
	ISP Licence	Internet of Things	No breakdown of Assets is available

T@Media	T@Media has believed that in the absence of a detailed study eliciting the various services offered by operators under a given licence and the degree of interaction that the vertically integrated operator applies, it might be difficult to provide a straight forward answer.
MCML	On Collocation service the Accounting Separation framework should not be applicable. Because MCML only provides the space for the installation of antennae.
The Authority takes note of the stakeholder views regarding the list of services and will consider the appropriate portfolio of services/products offered by service providers. The Authority will ensure the present state of accounts preparation of the industry are taken into consideration while framing the Accounting Separation Regulations.	
Q5: Do you have any comments on the different reporting obligations for different categories of licences, as discussed in paras 2.3.2 and 2.3.3 above? Please support your answer with detailed justification.	
Emtel	No. Emtel has not offered any comments on this question.
Mauritius	MT opines that the AS should not be applicable to the licence holders

Telecom	mentioned in para 2.3.2 of the consultation paper viz., A. Public Mobile Radio Trunking System Licence B. Payphone Service Licence C. Alarm Monitoring Service Licence D. Value Added Services Licence E. National Infrastructure Provider Licence
T@Media	T@Media has opined that the obligations look fine as a starting point but this should not be exhaustive and the ICTA should inform operators (especially the ones who will become notified as a SMP) that there might be other obligations resulting from detailed studies that would be conducted in the future to determine the degree of integration that is practiced by such operators.
The Authority takes note of the divergent views regarding different obligations for different categories of licences. Same will be taken into consideration while framing the appropriate Accounting Separation Regulations.	
Q6: Is the classification and list of network elements to which with the framework of Accounting Separation should be applicable, as given in section 2.4 above, appropriate?	
Emtel	No Emtel has mentioned that they do not capture, allocate, prepare and segregate its data as per Network Element. They suggest a more simplified methodology on how to implement the AS based on Network Element. At the present stage they do not find the network elements reporting will add significant value or will promote efficiency, and it might only add additional pressures on the market participants to comply rather that deriving the full benefit of it. They recommend that this is postponed to a later stage when they have already provided licence and services classification.
Mauritius Telecom	No MT opines that the classification and list of network elements to which with the framework of Accounting Separation should be applicable, as given in section 2.4 of the consultation paper, is not appropriate.
T@Media	Yes T@Media opines that the classification and list of network elements to which with the framework of Accounting Separation should be applicable, as given in section 2.4 of the consultation paper, is reasonable.
The Authority takes note of the divergent views regarding the bifurcation of network elements and notes that in the initial phase it might seem difficult for operators to bifurcate accounts at the network element level, but once the accounts are started to be prepared in the given format, it would turn flexible and efficient in the future.	
Q7: If your answer to Q6 is no, please give the classification and list of the relevant network elements to which the Accounting Separation framework should be applicable.	

Please support your answer with detailed justification.	
Emtel	Emtel has opined that while the list is detailed, account separation on basis of network elements would not assist the Authority in achieving its purpose. The account separation on basis of network elements should be removed for the following reasons: i) Network elements are often interconnected and interdependent, forming a cohesive infrastructure. Attempting to separate financial accounts for each will virtually lead to impractical or distorted allocation of costs and revenues. It is virtually impossible to attribute specific costs to individual network elements accurately. For example, allocation of electricity cost would be impractical as each network element would require a power check meter. Another example is rent which would be impractical to allocate to different elements. ii) Network elements benefit from economies of scale and scope, where costs can be reduced by serving multiple users or providing multiple services on a single platform. Separating accounting for network elements could hinder the realization of these economies and potentially result in higher costs for consumers. One such example is a MPLS network which transports multiple services over a single Ethernet pipe. iii) Determining the costs associated with specific network elements will be complex not to say impossible. Network infrastructure often supports multiple services or customers simultaneously, making it unimaginable to attribute costs accurately: individual elements. This complexity makes it difficult to implement precise accounting separation measures. iv) Trying to implement and enforce Accounting Separation for network elements would require substantial resources and oversight from regulatory bodies. This could increase administrative costs, bureaucracy, and the regulatory burden on both service providers and regulators themselves and they know that it will never be accurate and always debatable and questionable. v) Technology constantly evolves; the list of network elements would have to be updated on regular basis. Furthermore, different operators might use different topologies and technologies. This would completely skew the comparison of costs amongst different operators. vi) Requesting account separation by licence, products and network elements can only lead to confusion and inconsistencies. vii) Cost drivers are dynamic be it revenue, volume or throughput. These constantly change with time and changes can be transient.

Mauritius Telecom

Licence	Application of AS - Main Network Elements	Remarks
PSTN	Access, IP Core, Intl Transmission, Application server	Further breakdown is not available given that such information has not been captured at the time of investment.
PLMN	Radio Access Network, Transmission IP Core SMSC	Further breakdown is not available.
ILD	Interconnection equipment and links International Submarine Cable	Further details are not available.
ISP	Customer Premises Equipment Access Network IP Core Intl Connectivity	Further details are not available.

The Authority takes note of the divergent views regarding the classification and list of network elements presented by the service providers and is of the view that costs associated with network elements can be appropriately bifurcated on the basis of cost drivers as explained in the Consultation paper. The Authority will also come up with appropriate guidelines to assist licensed operators in the preparation of appropriate accounts.

Q8: Do you have any comments on the principles governing Accounting Separation as discussed in Chapter-III above? Please support your answer with detailed justification

Emtel	Emtel has mentioned that in addition to PLMN, PSTN, ILD & ISP Licence revenue, Emtel generates revenue from some non-telecom activities. For instance, from the sale of devices, from the data centre business, from tower sharing, managed services and so on. The allocation of direct costs is relatively straight forward exercise to each revenue stream, the allocation of the indirect costs remains a challenge, for example: depreciation, vehicles cost, furniture's and fittings, computers, sales & marketing costs among others are apportioned under a predefined basis, which may contain subjectivity and assumptions from both parties. However, they are open to a more simplified version of costs allocation and they suggest prior for implementation regular working session with ICTA and other stakeholders in the industry to align on the best practice to adopt. Secondly the capital employed components ex: Cash at Bank, Loan might not bring substance and consistency in the allocation. They recommend that for balance sheet "Capital Employed" to be excluded temporary until appropriate guidance is provided by the regulators.
Mauritius Telecom	MT has the view that in traditional cost models for circuit-switched networks, cost allocation to services was commonly performed through a network utilisation routing table. MT opines that Network routing scenarios were defined for each particular service using the principle of cost causality and costs have been allocated via degree of utilisation of network elements to their corresponding services. These service costs reflect directly the amount of network resources used and also the

	quantity of data passed over the network. However, cost-allocation in an all-IP-based network is completely different and presents a new set of challenges. An NGN network, as an integrated packet-switched network, is capable of handling a wide range of traffic types, each with its own service quality requirements. Service quality is a more complex concept in a packet-switched network and involves a number of criteria such as bandwidth, delay, jitter, packet loss, and blocking probabilities. In addition, the inclusion within the model of radically new services, such as IPTV, loT that could never be carried over circuit switch-based networks, and the need to consider the whole spectrum of new services, render simple extensions of existing network models highly complex. There is clearly no right approach to cost allocation in an all-IP environment.
T@Media	T@Media supports the principle especially that a significant portion is based on the 1998 EC Directive. However, we wish to see a gradual evolution towards the EC Directive of 2005 which has updated the 98/322/EC of 8 April 1998. This evolution is necessary to reflect some important changes to the regulatory package of 1998 such as the enlarged scope of application of the framework; a different approach to the imposition of ex ante obligations; a different scope of application of the specific provisions concerning cost accounting and accounting separation; and the application of the principle of technology neutrality
The Authority has taken note of the views presented on the principles governing the Accounting Separation and is of the view that proper guidance to allocate direct and indirect costs will be provided as is shown in the Consultation paper and views given above will be taken into consideration. The Authority will also come up with appropriate guidelines to assist licensed operators in relation to the said principles.	
Q9: Do you have any comments on approaches for allocation of revenue, costs and capital employed as discussed in Chapter-IV above? Please support your answer with detailed justification.	
Emtel	Emtel has given some more details on the appropriate allocation principles: **Allocation of Cost** Allocation of cost is not straight forward and will require a clear methodology and approach. The basis of apportionment and assumptions is key to a proper cost allocation of indirect costs. One way of doing so, is to go back to 5 previous financial reporting years and analyse the cost apportionment. However, taking into consideration year 2020 and 2021 compared and impacted by the Covid-19, the end results of the apportionment might reflect significant ups and downs between years. They have mentioned that their accounting system does not support a cost allocation module to be able to activate the proposed cost allocation at one go and their pool of accounting staff are not versed with the concept of cost allocation. **Allocation of Capital employed** Capital employed allocation under licence, service and network

	elements will imply differentiating each balance sheet account caption ranging from property, plant and equipment, investments, right of use, trade and other receivables, inventories, cash and cash equivalents, trade and other payables, borrowings, employee benefit liabilities, etc. This is practically impossible. They prepare the financial statements under International Financial Reporting Standards ("IFRS") and given the complexity of IFRS, they are not of the opinion that the allocation of capital employed is possible. For instance, would the FRS 9 criterion on expected credit losses be possible, would the IAS 19 reports on employee benefits liabilities prepared by the actuaries be possible, etc? In addition, the capital employed statement prescribed under Proforma VI and Proforma VII is not IFRS compliant. The Mauritian Companies Act Section stipulates that financial statements shall be prepared in accordance with IFRS and this is contradictory. **Additional details** Categorizing fixed assets into network elements, network services and other functions will be a complicated task. To an extent some assets which are identifiable can be categorized but not all class of assets. Their Fixed asset register does not keep track of these records and it will be difficult to capture that information for past data. Current assets and liabilities are to be allocated to network elements and by product/network services and other functions. This is not feasible. Debtors cannot be allocated by network and general debtors. Their current Billing system does not capture that information. Cash at bank and in hand will be difficult to apportion on the basis of network operating costs. This will show unrealistic figure which may be biased and not useful for comparison purpose. Loans and advances - There is no proper rationale on how to allocate a loan for different service or network operating cost. A loan may be utilized for different purpose and in practical this will not make sense on how to make allocation. With reference to section 4.1.2 of the consultation paper, un-attributable costs shall be less than 10%. This percentage seem to be very low compared to overall costs and given that they generate revenues from non-telecom activities. **Weighted Average Cost of Capital ("WACC") calculation.** Proforma VI requires the % WACC per licence. As far as they know, WACC is a measure for investors and is the mix of capital and debt. The WACC is commonly used as the hurdle rate for many businesses of whether to invest and expect returns above the hurdle rate. They cannot determine a WACC for each licence they hold.

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<tr><td>Mauritius Telecom</td><td>MT has raised the following issues:
• MT commercialises a whole range of services which include ICT and non-lCT services; and
• its operations are integrated whereby common costs are shared across different services;
It is very difficult and complex to allocate costs such as intangible/tangible assets based on floor area, relative periods of use, etc.
Regarding ICTA's requirement of consistency in the treatment of various items of capital employed as meaning consistency over time, they would note that there may be necessary or appropriate changes or improvements that may be made from time to time. Such changes should not be regarded as being in breach with the consistency principle.
Determining the appropriate allocation of costs between different segments can be subjective and prone to manipulation. This subjectivity can lead to inconsistencies and challenges in comparing this financial performance of different companies or assessing their competitiveness accurately.</td></tr>
<tr><td>T@media</td><td>T@media finds the proposal to be fine and expects that the cost standards and the type of cost accounting models too be specified for better clarity to the operators</td></tr>
<tr><td>MCML</td><td>Allocation of un-attributable costs
The allocation of these costs in proportion to the sum of direct and indirect costs allocated to a product and service may not reflect the reality.</td></tr>
<tr><td colspan="2">The Authority has taken note of the views presented on the approaches for allocation of revenue, costs and capital employed and is of the view that proper guidance as to allocate revenue, costs and capital employed will be provided and views given above will be taken into consideration. The Authority will come up with suitable guidelines to enable the allocation of costs and capital employed to the various services and network elements.</td></tr>
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<tr><td colspan="2">Q10- Are the reporting requirements, as proposed in Chapter-VI above, appropriate?</td></tr>
<tr><td>Emtel</td><td>No.

According to Emtel, the reporting requirements, as proposed in Chapter V of the consultation paper, are not appropriate</td></tr>
<tr><td>Mauritius Telecom</td><td>No.
According to MT, the reporting requirements, as proposed in Chapter V of the consultation paper, are not appropriate.</td></tr>
<tr><td>T@media</td><td>T@media finds the proposal to be fine.</td></tr>
<tr><td colspan="2">The Authority has taken into consideration the divergent views of the respondents and is of the view that the reporting requirements, as given in the consultation paper, seem quite appropriate and will be revised if need be in the future.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">Q11- If the answer to Q10 is no, what modifications/alterations are suggested to the reporting requirements proposed in Chapter-V? Please support your answer with</td></tr>
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detailed justification.	
Emtel	Emtel has suggested the following reporting: a) A statement, showing profit and loss account including revenue, cost without network costs elements and return on capital employed for a licence. b) A statement, showing product/service wise profit/loss account including revenue, cost without network costs elements and return on capital employed within a licence. They propose that the obligations for auditing be postponed for a later stage in as much as all stakeholders do not have enough maturity to implement the framework. They are already complying with ICTA quarterly reporting and submitting our annual financial statements. If they have to report annually in the prescribed statements, they propose to stop the current quarterly reporting.
Mauritius Telecom	MT has the view that given the complexity of the telecommunications networks involving multiple technologies, interconnections, and service offerings, it will be very challenging to identify and categorise costs, revenues, and capital employed accurately for each service and based on different network elements and report same in different statements.
The Authority has taken into consideration the views of the respondents and will make appropriate adjustments and simplification where necessary.	
Q12 - Are the Implementation proposals and timelines, as proposed in Chapter-VI above, appropriate?	
Emtel	No. The Implementation proposals and timelines, as proposed in Chapter-VI of the consultation paper, are not appropriate.
Mauritius Telecom	No. The Implementation proposals and timelines, as proposed in Chapter-VI of the consultation paper, are not appropriate
T@Media	The proposed timelines are reasonable. A suggestion might be for the first year to have an extended timeframe to cater for some teething problem that could be there at the introduction of the new framework. There could also be a grace period for failure to keep up with the prescribed deadline for a period of 2 years.
MCML	Yes, the Implementation proposals and timelines, as proposed in Chapter-VI of the consultation paper, is appropriate. However, necessary trainings / guidelines should be provided for the documents required to be submitted to concerned entities.
The Authority has taken into consideration the views of the respondents and is of the opinion that, in the initial phase, a grace period may be provided to the eligible licensees to meet their Accounting Separation requirements towards the authority.	
Q13 - If the answer to Q12 is no, what alternate implementation proposals and timelines do you suggest for the implementation of Accounting Separation? Please support your answer with detailed justification.	
Emtel	Emtel is of the opinion that the submission shall be as per the current

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<tr><td></td><td>practice for the submission of financial statement.

Referring to section 6. 7 of the consultation paper, the submission of a costs accounting manual within a period of 3 months is not possible. They do not have the expertise in house to draft a cost allocation manual within 3 months. This exercise shall be done by an international consultant who understands telecom business which they do not have locally. They propose that the ICTA comes up with a mutually agreed cost allocation manual to align the cost reporting.

Timeline - The enforcement of the general reporting on the Accounting separation framework is very tight for the near future. They will need at least one year to draft their accounting manual and then to restructure their accounting system to adapt with all the changes and to capture as far as most of the information. This will require a learning phase and familiarity with the new framework. Overall they request ICTA at least a 3-year timeframe before AS is implemented, starting from the financial year 2026 onwards.</td></tr>
<tr><td>Mauritius Telecom</td><td>MT has the view that implementing the necessary systems and processes to support accounting separation is resource-intensive and time-intensive.

They will need to invest in new accounting software, data management tools and reporting systems. This will require significant financial resources, as well as organisational change management to ensure a smooth transition and they expect at least 2 years from the date of implementation of the AS framework; the more so that same has to be audited by an independent auditor.

They suggest that the requirement for the statements be audited by an independent auditor should not be imposed on operators for at least 2 years</td></tr>
<tr><td>T@Media</td><td>The proposed timelines are reasonable. A suggestion might be for the first year to have an extended timeframe to cater for some teething problem that could be there at the introduction of the new framework. There could also be a grace period for failure to keep up with the prescribed deadline for a period of 2 years.</td></tr>
<tr><td colspan="2">The Authority has taken into consideration the views of the respondents and is of the opinion that, in the initial phase, a grace period may be provided to the eligible licensees to meet their Accounting Separation requirements towards the authority.</td></tr>
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<tr><td colspan="2">Q14 - Based on the discussion in para 6.2 above, what can be the criteria for granting exemptions from compliance with the framework of Accounting Separation? Please support your response with detailed justification.</td></tr>
<tr><td>Emtel</td><td>Emtel has described the following criteria for granting exemptions:
a. Materiality Level.
b. Market size
c. Infrastructure of operator
The criteria should not create discrimination with respect to other operators and consent of other stakeholders involved prior and after implementation the framework</td></tr>
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<tr><td>Mauritius Telecom</td><td>MT has view that If the AS framework is implemented, all operators should adhere to it indiscriminately.</td></tr>
<tr><td>T@Media</td><td>T@Media has the opinion that where the operator holds a SME certificate from the ROC then this could be a valid reason for exemption as the cost of compliance might be too cumbersome for that operator</td></tr>
<tr><td>MCML</td><td>MCML has described the following criteria for granting exemptions:
1. Turnover of the company over a period of 3 years; and
2. Main objective of the company.</td></tr>
<tr><td colspan="2">The Authority has taken into consideration the views presented by the respondents and is of the opinion that an appropriate metric will be chosen so that these regulations are not burdensome for those eligible licensees, having commercial operations on a small scale.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">Q15 - What methods/mechanisms can be considered for the online submission of the accounting separation reports? Please support your answer with detailed justification</td></tr>
<tr><td>Emtel</td><td>Emtel has proposed the same mode of submission as they are currently doing for the Audited Financial statements</td></tr>
<tr><td>Mauritius Telecom</td><td>MT is agreeable for online submission.</td></tr>
<tr><td>T@Media</td><td>T@media has mentioned an E-filing system.</td></tr>
<tr><td>MCML</td><td>Following methods/mechanisms can be considered for the online submission of the accounting separation reports:
1. Proper logins and passwords should be allocated to authorised persons;
2. Submission should be allowed only once to avoid duplication;
3. User-friendly platform; and
4. Training should be provided.</td></tr>
<tr><td colspan="2">The Authority has noted the views presented by the different respondents and will appropriately consider them while planning for the process of electronic submissions of accounting separation reports.</td></tr>
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<tr><td colspan="2">Q16 - What enforcement mechanism do you suggest for the implementation of the Accounting Separation framework? Please support you answer with detailed justification.</td></tr>
<tr><td>Emtel</td><td>Emtel has the opinion that existing legislations cater for same.</td></tr>
<tr><td>Mauritius Telecom</td><td>MT has suggested that given the complexity of the different reports requested, they believe that all operators should be given at least 3 years to comply with the AS framework. No penalty should be imposed during that period.</td></tr>
<tr><td>MCML</td><td>MCML has described the following enforcement mechanism for the implementation of the Accounting Separation framework:
1. Penalties for late submission;
2. Revocation of licences for persistent non-compliance over a given period of time; and
3. Constant onsite inspection of records and accounting by the Authority.</td></tr>
<tr><td colspan="2">The Authority has taken into account the views presented by different respondents and is of the opinion that an appropriate enforcement mechanism will be planned to ensure regulatory compliance.</td></tr>
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<tr><td colspan="2">Q17-Do you have any comments on the formats of statements for reporting as given in Annexure B? Please support your response with detailed justification.</td></tr>
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Emtel Ltd.	Emtel has mentioned that their chart of accounts will have to be significantly modified to cater for accounting separation consultation paper.
Mauritius Telecom (MT)	MT is of opinion that significant time will be required to comply with the new reporting formats as given in Annexure B of the consultation paper. They will need to implement a new chart of accounts, upgrade existing financial accounting systems and outsource and train personnel required to comply with accounting separation. MT wishes to point out that the preparation and audit of Accounting Records are subject to global Standards such as the International Financial Reporting Standards (IFRS) and would like clarity on how the proposed framework will interplay with those standards. The format of the statements is based on the assumption that each item (staff, Admin, Marketing, Maintenance, Operating cost, capital) is being allocated to the different services being commercialised and to different departments. The current problem is that Activity based costing (ABC)/reporting is not common given that network personnel are involved in multiple tasks and they are unable to differentiate the task or allocate costs/revenue by services. Cost/Revenue allocation to produce the required statements in the format specified will require extensive backend system re-engineering and the creation of new processes and systems to capture the relevant data. Given the complexity of the attribution task, the data required to support it and the effort needed to create and sustain the necessary processes. They believe that the following statements should not be mandatory: a) Proforma IV b) Proforma V c) Proforma VI d) Proforma VII e) Proforma VIII
T@Media	Format is acceptable.
MCML	No mention has been made for the revenue to be recognised as "non-telecom investment and return" as mentioned in Section 4.1.1.
The Authority has considered the divergent views provided by the respondents. *The Authority needs the Accounting Separation statements to be maintained for its own regulatory purposes. The formats will take into consideration the views of the stakeholders and suitable guidance will be provided to the industry to implement the accounting separation framework.*	
Q18 - Any other issues you would like to raise regarding the framework for Accounting Separation. Please support your response with detailed reasoning.	
Emtel	Emtel has raised the following issues:

lssues regarding AS Framework
Their current accounting system captures only a minimum data based on Licensees and do not have an allocation mechanism to segregate revenue, cost and capital employed in the required format prescribed by ICTA. Their current management account is designed to help them process, measure, interpret and communicate information to executives/Board of Directors and assist them in fulfilling organization objectives.

The appropriateness of reporting under each License will add complexity and additional cost to comply which involve a complete reviewing the actual chart of accounts, apportionment of cost/profit center, creation of additional ledgers, acquisition of additional module in our accounting system (Licenses), revisit the full process of booking of entries and incorporate those changes through the finance department working activities. They need to assess the need to hire additional qualified finance professional having the required expertise to implement the accounting separation principles and methodologies.

Grouping of services under each license
Data capture in their accounting system is not done under services accounting. The appropriateness of reporting under each service will provide even more challenging environment for Emtel, this might not be a straightforward exercise and will require a clear methodology while reporting under services for each license. They further mention that reporting under services accounting separation will add another level of complexity, and there is the risk that losses of introducing the AS Framework is outweighing the benefits.

In a view of promoting and maintaining competitive, fair and efficient market conduct between entities, such information needs to be accurate, free from misstatement and errors, which is vital in creating best practices amount market participant for ICTA. Emtel recommends that the reporting of services under each license is grouped as listed in Q3 above.

Network Element
Going for a network elements accounting separation in terms of the capital expenditure and operating expenditure and making the link to the services they provide is even more complex. They do not capture data in their accounting system in terms of licenses, services and networks.

Implementing such reporting through network elements accounting separation, will entail a radical change to their accounting operating system and require a new holistic approach to their accounting operation. All accounting processes and controls will have to be reviewed, redesigned, redistributed. This will involve additional costs, extra resources, data processing, storage and capacity which will include substantive compliance costs, administrative burdens and enforcement cost at a time when economic conditions are not favourable in the country for further additional costs.

Allocation of Costs/ Capital Employed

	Causation of cost is not explicitly stated, different licensees may use different cost driver for allocation of costs, accounting packages used from different entity to segregate those cost will make comparability and inconsistency which they believe at such and early stage will not improve the clarity of information for both stakeholders. In addition to this, the allocation of capital employed to various network elements, products and services employed will require them to separate the balance sheet. This is a tedious and lengthy exercise to get the data capture given the complexity of their business segments. They are not in position to generate such detailed information and they will require extensive working with the authorities and other key players in the industry before implementing the recommendations. They believe the cost of compliance with the accounting separation framework is extremely high. They shall have to redesign their revenue processes, their cost allocation processes, their network elements accounting processes, their accounting processes, their management reporting processes, their board of directors reporting processes, etc. Analysing the costs and benefits involved in complying with the ICTA framework on accounting separation, they conclude that: a) Additional resources shall be required which will entail in additional costs with no value creation for them. b) The statutory audits will require more audit field work, substantive audit procedures and will be time consuming. The timeline of reporting the audited financial statements to the ICTA within 3 months of the financial year end should be reviewed to 9 months. c) Application of Accounting Separation will be different for different licence holders and the complexity of multiple services and multiple uses on single platforms complicates matters more. Emtel has proposed to implement only a profit and loss statement by licence which they believe they can accommodate in the first place. They can also try report on a profit and loss statement by service but with a limited one which is practical in second phase. However, reporting through network shall be a very complex one.
Mauritius Telecom	MT believes that enforcing accounting separation requirements on operators will be highly complex and resource intensive. Identifying and categorizing costs and revenues accurately for each segment can also be challenging due to the intricate nature of the telecommunications infrastructure. Accounting separation requires robust data collection and management systems. Telecommunications companies must capture and process large volumes of data related to costs, revenues, and assets across different segments. Ensuring data accuracy, consistency, and integrity can be

	demanding, especially when dealing with diverse systems, multiple stakeholders, and evolving regulatory requirements. MT will need to invest in new accounting software, data management tools, and reporting systems. This will require significant financial resources, as they'll as organizational change management to ensure a smooth transition. They believe that given the small size of the Mauritian market, there is a real and present danger that remedies injudiciously applied may end up imposing net costs, instead of benefits on consumers. It is imperative that the ICT A adopts a more flexible approach to the specification of accounting separation which explicitly considers expected costs and benefits. They reiterate that the implementation of Accounting Separation is a complex and time-consuming undertaking with significant costs. The complexity and cost arise because accounting separation requires the presentation of financial and operational information by licence, by disaggregated services and hypothetical markets (wholesale market which is not provided under the ICT Act) do not align with the regulated firm's organisation structure or traditional financial accounting and control systems. In addition, the requirement to have individual service profit and loss account and balance sheets audited each year becomes an enormous undertaking. It is worth noting that segregating the balance sheet in terms of services and licences is practically impossible given that balance sheets present balances carried forward from previous years when there was no accounting separation; it is not possible to go back to several previous years to segregate the figures. More so, Mauritius Telecom and its subsidiaries have migrated to Oracle Fusion as from O1 January 2023. For balance sheet, only opening balances without details have been migrated which again makes it impossible to look back to prior years.
T@Media	T@Media has opinion that ICTA should come up with dominance determination in the different markets as soon as the AS is introduced because AS should in principle be more targeted towards operators with SMP while for other non-SMP the compliance with AS is more straightforward than that for SM P operators.
Avacor	***General Comments offered by Avacor Ltd on Accounting Separation:*** While mentioning their small size and limited operations, Avacor views the request towards developing a "Framework on Accounting Separation" with interest, but considers it is a huge hurdle that Avacor will be compelled to leap over in way of additional cost, viz; accounting manpower; consultation fees and procedural adaptations that they would have to bear and that could only be achieved in time and not overnight. Avacor would therefore be in need of ICTA guidance, in way of consultancy and procedural applications necessary towards its

	implementation, should ICTA insist towards its execution.
The Authority has considered the divergent views provided by the respondents. It is reiterated that for achieving the aforesaid objectives, as detailed in the consultation paper, the Authority needs the Accounting Separation statements from the service providers for regulatory purposes. However, the Authority is conscious of the constraints expressed by the industry and will come up with appropriate accounting separation framework and guidelines that take the views of the industry into consideration.	