IAMAI

Internet and Mobile Association of India

Annual Report 2008/09

CONTENTS

CHAIRMAN'S MESSAGE

Dear Members,

As IAMAI completes five years and enters its sixth year, the rapid growth of the organization and the impending challenges that it face, drive home the need to take a hard re-look at the charter of the association and decide on a course which would set the association on a path of growth with consolidation. I feel it is time to sit back and collectively decide on some of the fundamental questions: where are we? Where do we want to be in the next five years and how do we get there?

It is now imperative that we look back at the five years that have gone by, assess the successes and failures and chart out a path for the next five years. I have, therefore, suggested to the governing council and the secretariat of the association that the incoming council and the past chairperson's council spend some time separately and together setting out the goals of the association. We would also be using the Annual General Body meeting to have an open house discussion on the future direction and focus of the association.

But before we do that, let me walk you through some of the achievements of the association in the year 2008/09. The past year has been a rollercoaster ride for the industry as well as for the association. It started with a positive note, half way through alarm bells started ringing and now as we end the year, there is again some hope. When I took over office in May 2008, there was no sign of things to come in the horizon. We therefore started with a comprehensive and aggressive agenda for the year. Some of the important issues Sanjay Aggarwal, Ratish Nair and I, as the executive council of IAMAI, decided to take up were:

- Stronger and more effective government relations.
- Review of the governance and structure of IAMAI.
- Creating favourable business environment/ Payment terms for the mobile content and services members, Online Publishers and OTAs.
- A more comprehensive events calendar including more varied opportunities like CEOs lecture series, roundtable with government. Adding to the portfolio of IAMAI's larger conferences.
- The industry is facing a dearth of quality people. To address the talent shortage.
- To evangelise the internet as a medium with relevant target groups.

Since 2004, the association has come a long way in its interaction with various government departments. The most important achievements in the intervening years have been the increasing level of recognition by various government bodies. While in 2004 IAMAI was not even consulted over the proposed amendments to the IT Act, this year, IAMAI was one of the few organizations which were called upon to assist the Department of Information Technology in drafting the rules and regulations governing certain sections of the IT Act crucial to the industry. Important also has been the active involvement of the association with the Reserve Bank of India over important industry issues such as mobile payment guidelines and pre-paid instruments guidelines. The association has been working closely with the RBI since the passage of the Payments and Settlement Act in December 2007, its views have been considered most favourably by the Reserve Bank while preparing the guidelines for mobile payments as well as for pre-paid instruments. However, in my personal view, I think the most important interaction has been with the Telecom Regulatory Authority of India where the association after actively engaging the Authority for more than a year has finally obtained an initial recognition for the mobile value added services industry. The Authority in active consultation with the association has published suo motto a set of recommendations. These recommendations when implemented by the Department of Telecommunications would go a long way in creating a favourable business environment for the mobile value added services industry. Finally, in one of the most important areas of government relations, connecting with law enforcement agencies, while we have made some headway in engaging CBI and preparing a short database of law enforcement officers of various state police departments, we would need to do much more in order to make an impact.

On internal governance of the association, the members strongly felt that mechanisms needed to be put in place in order to ensure continuity of ideology and practice. Towards this, two important steps that were taken were the formation of the past Chairperson's Council headed by the Chairman Emeritus, Ajit Balakrishnan and the extension of the tenure of the governing council and office bearers to two years. The issue of broad-basing the membership of the association is an important one – inclusion or otherwise of individuals, telecom operators, banks and other stakeholders. As mentioned, this requires a larger debate within the current membership before a final decision is taken.

One of the most critical issues that we resolved to address this year was better payment terms for various segments of our industry. The most significant development here was the signing of an agreement between publisher members of IAMAI and Advertising Agencies Association of India [AAAI] on credit terms to agencies along with a well-defined payment recovery process. By a separate agreement between IAMAI publisher members and IAMAI agency members, we were able to extend the benefits given under the agreement to AAAI members to our agency members as well. I would like to take up this opportunity to congratulate the publishers' committee of IAMAI and its Chair, Neville Taraporewalla for successfully concluding this long pending issue. The mobile VAS industry too is adversely affected by unfavourable business terms – part of the problem lay in the industry not being recognized. The first challenge, therefore, was to engage the telecom regulator. This we were able to do effectively and in December the telecom regulator published a set of recommendations favouring the mobile VAS industry. Of course, the more difficult task of influencing the Department of Telecom to implement the recommendations remains, but IAMAI can justifiably take credit in crossing an important milestone. Finally, we started working on the critical issue of commission for online travel industry, but it was the considered view of the leading online travel companies that the issue should be addressed in a different forum.

As a deliberate strategy this year, we interspersed our larger conferences with smaller focused group meetings. Most successful in this regard have been the small group interaction between online publishers, advertisers and interactive agencies organized by our members and supported by IAMAI. We have organized three such interactions and would continue with them in the coming year. The CEOs lecture series aimed at management students too was very well received, though due to difficult circumstances from H2 we were able to organise only two such lectures in this series.

When we started the year, paucity of appropriate talent was proving to be a major challenge. To address the issue, we have this year with the help of our members developed four courses relating to the digital business. These will be offered commercially from May 2009.

Finally, internet penetration has been a cause of concern for all. We continue to attempt to direct the attention of external stakeholders such as the government and the ISPs and telecom operators to the sorry state of broadband penetration in the country. More directly, we have this year made some progress in creating a vision document for the industry with the support of likeminded organizations.

IAMAI has also been active in promoting internet use among school children through the Smart Surfer/ Safe Surfing campaign initially with the support of our member Google India and in the second stage with the support of National Internet Exchange of India [NIXI]. In fact at the time of writing this message, IAMAI is completing a pilot project covering 50,000 students across India. NIXI and IAMAI plan to reach out to half a million student next year based on the success of the pilot project. The importance of this campaign can not be overstated and I request all members of the association to support it. SMEs in India are important as potential internet users. To target them, IAMAI for the first time this year had conducted a survey of the ICT use among MSMEs in India with special focus on B2B listing business. The survey would be released in April. The issue of internet penetration will continue to be important for IAMAI and I am sure in the coming years we shall devise better and more effective strategies to address it.

On the whole, I am happy that in spite of a difficult year we have been able to close some long pending issues and also start some very important initiatives which would come to fruition in the next couple of years. In all my work I have had the benefit of a very knowledgeable and keen governing council, active members especially those in the 10 focus committees that we had this year, and a action oriented secretariat. While I welcome the new council and office bearers, I would continue to play an active role in the association as a member of the past chairperson's council.

Warm regards,
Sanjeev Bikhchandani
Chairman

VICE CHAIRMAN'S MESSAGE

Dear Members,

This year has been a bit like a drive on the new Gurgaon-Delhi expressway [interestingly abbreviated as e-way]. For first half of the year we moved forward at great speed making good time, for the second half we seemed to be stuck at the toll booth; in the deal losing much of the speed and time that we had gained in course of our journey! As an optimist, I believe that the toll booth appears to be slow only in relation to the speed on the highway. Greater your speed on the highway, longer you feel the wait at the toll booth. But believe me, you will soon cross-over, gain speed and reach your destination all in good time.

The biggest and the most significant progress that the industry has made this year has been on the regulatory front and I take up this opportunity to highlight three significant developments that would have a long-term positive impact on the digital industry. First is the passage of the Information Technology Amendment Act 2008. While the original demands of the industry have been a bit diluted in the final Act, I still believe that the amendments are significant improvement on the earlier Act, especially so far as it prima facie absolves the intermediaries of any liability. It is also a very positive sign that the government has taken the industry into confidence and has invited industry bodies such as NASSCOM and IAMAI to actively participate in the tertiary legislation or the formation of rules and regulations governing the Act.

If the IT Act was just the conclusion of a long going process, completely new was the opening up of the mobile payments industry following the release of mobile payments guidelines by the Reserve Bank of India. Once again, the guidelines do not go as far as some of us would have wished, but it is certainly a bold step forward and we can look forward to some serious progress in the months to come. Pre-paid instruments, which is an important component of our industry, has been now recognized by RBI and although the pre-paid instruments guidelines are awaiting release at the time of writing, it is hoped that once the guidelines are released, it will go a long way in developing the pre-paid industry in India.

Another important regulator affecting our industry TRAI – has recognized the importance of the mobile value added services industry and made a set of progressive recommendations to the government with the view to grow the industry. One of its recommendations has been registration of mobile value added services companies as Other Service Providers/VASPs, is a right step in recognizing the industry, another recommendation, real time MIS from the operators, would improve the business outlook for the mobile value added services companies. One of the major tasks of IAMAI would be to have these recommendations implemented by the Department of Telecommunication.

Of course, there are still severe regulatory and policy challenges. The main one still continues to be the pathetic number of internet subscribers – 12.4 million internet connections out of which 5.85 are broadband. The fear here is that the 12.4 million is not going to increase fast since most of the new broadband connections are replacements of the old connections. I personally feel that there

is a case of market failure here and the government needs to look into it carefully and positively – an infrastructure status, private public partnership etc. would possibly help penetration of internet in heretofore unreached areas. One opportunity was there in the form of allowing termination of IP calls on PSTN lines and encouraging low cost VoIP, but that decision seem to have been deferred by the government.
For the industry the slowdown and possibly the slower recovery will be a major speed breaker. But again like a well-placed speed breaker, it would make the driver more alert, help him check speed and also avert accidents. It is therefore important to have a positive view of a negative situation. We should in fact work together to make sure that when the recovery starts, there is better recognition of the industry, there is more spending on online advertisements, more online purchases and more investment in the industry.

Warm regards,
Sanjay Aggarwal
Vice Chairman

FOREWORD

Dear Members,

Yes, IAMAI has completed half a decade and seem to have met its first major challenge in the form of a serious global economic slowdown. The pain of slowdown which started half way through the year is still very much with us and from all estimates is going to be with us for sometime to come.

However, this time around we have been fortunate enough on two counts, first, we have in the industry now enough entrepreneurs and managers who have had personal and professional experience of the first crisis in 1999/2000; we can look forward to their guidance. Secondly, this time around, we have the solid and ever increasing support of internet users, especially the youth.

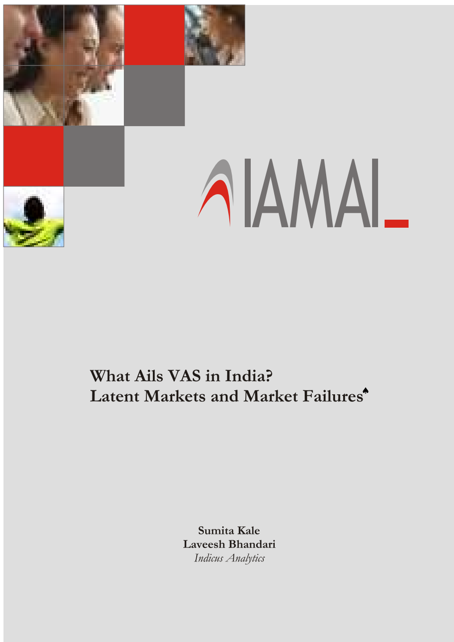
While each one of us would have specific reactions to the economic outlook, the best response of the industry would be to strengthen the collective called IAMAI and present a unified front. Much like what a shoal of small fish does faced with a very large fish!

For us at the IAMAI secretariat, this has been a very educative, active and sometimes stressful year. Paradoxically, in the worst possible year for the industry in recent years, we have also done the most work – perhaps this is a trend rather than a paradox. I have personally found the year very fruitful where we have been able to close many of the loose ends and also prepare ourselves to face newer challenges. Much of the credit for this goes to a very participative membership, a proactive governing council, a result-oriented executive council and the ever pragmatic Chairman in the person of Sanjeev Bikhchandani.

As usual, you will find this annual report a factual and truthful summary of the work we accomplished in the year 2008/09.

Yours truly,
Subho Ray
President

RESEARCH



In the area of research one of the important departures this year was an attempt to look at new areas and new style of research. Three research papers that IAMAI published this year stand out in this regard. The first was the paper of Location Based Services which carried an in-depth analysis of the current situation of LBS in India, compared it with the situation in select international markets and made some suggestions on how to grow and develop this market in India. The second was a rather provocative research paper titled “What Ails the Mobile VAS Market in India?”. The paper argued that in spite of its huge potential and in spite of demand from users, the mobile VAS market was becoming a classic case of market failure; and suggested that the government or the regulator must intervene to rectify the situation and help the industry grow. Both theses papers were prepared by Dr Laveesh Bhandari an eminent researcher.

Perhaps the most important piece of research carried out by IAMAI this year was a survey titled “ICT use among MSMEs in India – with special reference to online B2B Marketplaces”. The study focused on the state of usage of various products and services including hardware, software and online services, among the micro, small and medium enterprises in India. The study was based on a comprehensive survey of 1000 MSMEs across various cities in the country supplemented by a wide range of secondary sources. The main findings of the study were a) internet use was quite prevalent among MSMEs with the result that PCs, laptops and modems were widely used; b) cost and direct utility were major factors in the decision to buy and use softwares – one of the most popular software in use was Tally which is both low cost and high utility; and c) online marketing was very popular because of its direct linkage with business and was widely used as the most popular form of marketing. Among the online marketing tools, the most popular were the b2b listing sites. At the time of writing, the study awaits release by an eminent dignitary.
One of the important target groups for IAMAI for increasing the general internet use in the country are the MSMEs. At the same time, higher use of ICT tools especially internet add to the productivity and efficiency and marketing reach of MSMEs. It was primarily to drive home this fact that this particular research was conducted by IAMAI. It is planned that the study will be conducted annually and eventually be considered a popular guide to the state of ICT adoption among MSMEs in India. The study was done in partnership with eStats India.

There was, of course, no let down on the market research of various segments of the digital industry. IAMAI was able to conduct four of these studies in this financial year in partnership with IMRB. The most important of these as also the most popular both inside and outside the industry was the I-Cube which was published this year in December. Among the chief findings of the I-Cube report were a) the drop in the use of cyber cafes as point of use and the concomitant rise of office access; b) year on year drop in the growth of internet users to 24 per cent as opposed to more than 35 per cent last year and c) inclusion for the first time of rural internet users in this annual survey. The survey found that there were five million people in rural India who had at least at some point in time used the internet.

In addition, till April 2009 the following reports were completed in partnership with IMRB:

a) Vernacular Content Market in India: this report was released in December 2008 and is the first organized attempt to make an estimate of the size of the vernacular content market and analyse the opportunities and impediments to the development of the vernacular content on internet. The report argues that other media such as television and radio have flourished in the wake of local language content and the model should be replicated in the case of internet as well. It suggests that the main impediments in the adoption are limited local language content and poor infrastructure.

b) Mobile Value Added Service in India: this report was released in September 2008 and is the second in two years. The report projects that the mobile value added services market would be worth 9760 crores by the June 2009 and 16520 crores by the end of June 2010. The study, however, advises that in order for the MVAS market to growth at this rate certain regulatory hurdles have to be crossed.

c) Search Engine Marketing: The second in the series on Search Engine Marketing Report was also released in August 2008. The study elaborated on the potential of India becoming the search marketing outsourcing hub of the world and estimated that by the end of 2009 the search engine marketing would be a 225 million USD industry including both domestic and outsourced business.

d) Online Banner Advertising: The annual online banner advertisement report too was updated in August 2008. The report had estimated that the online banner advertisement market would be Rs 350 cr. by the end of 2008/09. However, given the slowdown a revised study would be carried out in Q1 2009/10.

Some of the annual reports such as those on online gaming and use of internet over mobile phones could not be completed during this fiscal. IAMAI will make every effort to complete them by Q1 2009/10.

OUTREACH

Perhaps no other initiative establishes IAMAI as a hands-on organization more than the various outreach campaigns that we undertake each year. Outreach campaigns are those that directly and effectively take the message of internet to the users and potential user. This year was very special in this regard for the fact that IAMAI very successfully took on advocacy campaign among school students [between classes 6 and 12] on the benefits of internet use and how to be a safe and smart internet user. The campaign was focused and covered a wide range of schools across a wide rage of cities across the country and deserves to be mentioned in some detail here.

The first leg of the campaign was conducted with the support and under joint efforts of IAMAI and Google India. In this leg the campaign Google, IAMAI and local police were able to cover 30,000 students across the four cities of Chennai, Mumbai, Kolkata and Delhi.
After the remarkable success of the Google supported programme, IAMAI made efforts to make the campaign more sustainable. Towards this IAMAI received a small grant from the National Internet Exchange of India [NIXI] to run a pilot project covering 50,000 students across the country under the Safe Surfing Programme. This was the second leg of the campaign this year which started in February and by April 2009 IAMAI was able to successfully close the pilot project covering the following cities: Agra, Meerut, Surat, Indore, Kalyan, Ambarnath, Thane, Jaipur and Bangalore.

The safe surfing campaign is important from many aspects: a) it does not discriminate between various types of schools b) it is provided free of cost to schools, c) it is interactive and is based in a format of chatting with students d) it is a provided both in Hindi and English.

The joint project with Google and later with NIXI has had important takeaways. For one, across types of school and region, school children are knowledgeable and curious about internet and such campaigns help convert them into regular users. Secondly, students are also interested in learning about safe and secure use of internet and mobile phones from non-experts using simple


.in REGISTRY
nixi
IAMAI
nixi
presents
"Safe Surfing"
an
IAMAI
initiative

interactive tools and conversation. Thirdly, aware students act as strong messengers to their parents and teachers.

To carry the programme forward, IAMAI is in talks with NIXI on an ambitious programme of covering half a million students under the programme in the coming fiscal. It is an ambitious task subject to physical and financial resources, but given its outcomes, it is important that IAMAI has the full support of its members in making the campaign a success.

Another outreach campaign this year was the CEOs Lecture Series. This is a series of interaction between management students and CxOs of our member companies. The idea behind the series is to draw young management students towards the digital industry by direct experience sharing with a successful practitioner. Although we started this progamme early in the year, we were able to conduct only two such lectures one by Shailesh Rao, Managing Director, Google India and the other by Harish Bahl, Founder and CEO of StudioSmile. Both the programmes were held in Delhi and were attended by 80 and 50 management students from the various business management institutes based in the city. Yet another interlinked outreach programme is creating and offering courses on the digital medium to college graduates. The dearth of talent in the digital medium is well accepted by the industry and this programme is intended to address the issue. This training programme by offering, conducting and certifying various digital media courses, aims to make fresh graduates ready for employment in the digital industry. While we were not able to offer any courses this year under this programme, we have been able to finalise four courses which would be offered in a commercial basis from May 2009.


सोशल साइट भी हो सकती हैं खतरनाक

Practice safe surfing

am news

Agra

With the objective to sensitize school going children about safe surfing on internet, CEO of TSP Rakshit Tandon addressed a seminar at St Peters College on Thursday. It was organized as part of initiative launched by the Internet and Mobile Association of India. It was attended by a large number of students from the college.

Tandon imparted tips on basics of internet use and alerted the participants about the rising cases of cyber crime in the city. He said, "Social networking sites are all over the

IT Expert Rakshit Tandon addressing a seminar on internet at St Peters College

मौत का हाइवे

पुलिस अभिरक्षा में हुआ निकाह

सुविधा कहीं परेशानी न बने

दैनिक जागरण

आगरा

ताकि नेट पर हो सेफ सर्फिंग

आईटी एक्सपर्ट ने बताए सुरक्षा के उपाय

POLICY

As in the previous years, involvement in policy matters impacting the industry continued to be the most important pre-occupation of the association. More importantly, this year, IAMAI was able to achieve a definitive progress on certain important areas of policy. The most important of these issues was the agreement between publisher members of IAMAI and the members of Advertising Agencies Association of India [AAAI]. Discussions on the agreement have been going on for almost two years and the agreement was finally signed in November 2009. As members may be aware, this agreement provides for an accreditation process to AAAI members and IAMAI agency members and also lays down a credit recovery process for online publishers. Like other such agreements, this too will be worked out by a joint committee of AAAI and IAMAI and will be operational from the next fiscal. IAMAI publishers have nominated three members to the joint committee and the formal approval of the publishers and sign off by IAMAI agency members is awaited.

The pre-Budget memorandum this year had a different focus. Instead of providing a "wish list" IAMAI had made an attempt to highlight the policy issues, especially related to fiscal incentives awaiting implementation. It was for example argued that although the government had announced to promote broadband penetration with fiscal incentives to enablers in 2004, no action had yet been taken. [Please see annexure 1 for IAMAI pre-budget memo].

The high incidence of service tax on the nascent digital industry has been an issue for some time. This year, in addition to making a case for service tax exemption for online advertising, online downloads, mobile value added services and cyber cafes; the issue was also taken up separately. The IAMAI secretariat wrote to several senior bureaucrats about the contribution of the service sector to the growth of Indian economy, the problems that these sectors face with the slow down and suggested that the service tax be lowered to the revised level of excise duty at 8 per cent. The submission seemed to have some impact since the service tax was lowered to 10 per cent in January 2009 [A copy of the service tax memorandum submitted by the association can be seen at annexure 2].

Since last year IAMAI has been interacting with the Telecom Regulatory Authority of India [TRAI] on various issues affecting the mobile value added services industry. The purpose of this interaction was to lay bare the reasons impeding the growth of this industry in India. Initially it was an uphill task presenting an unified front to TRAI, however, a consensus arose among the members of IAMAI that three most important issues of note were shortcodes, access and real time MIS from operators. Based on this a feedback was submitted to TRAI which proactively and suo motto published a set of recommendations in the form of a consultation paper. The consultation paper inter alia analyses the potential of the mobile value added services and their future contribution to the growth and adoption of mobile phones in India. The paper recognizes that the current structure of the market is an impediment to the growth of this segment of the mobile industry. The report concludes with a set of progressive recommendations covering all the issues raised by IAMAI. While, the next important step would be to influence the government to implement some or all of these recommendation, IAMAI's role in providing a consensus view of the industry and working with TRAI on the consultation was an effective first step to address the problems faced by the industry [IAMAI's final suggestions to TRAI can be seen in annexure 3]

Another issue on which the association worked closely with TRAI was the compliance to the "Do Not Disturb" registry. IAMAI became the default agency for connecting non-member companies with TRAI for compliance. At IAMAI's suggestion, TRAI also relooked at the scrubbing process and improved it.

New media, new leveller

AS ACCESS TO THE INTERNET REACHES EVERY HOME... OVER A BILLION PEOPLE... WILL SUDDENLY FLOWER AND EXPLODE INTO A FERVENT DESIRE TO EXPRESS THEMSELVES, TO EDUCATE THEMSELVES...

YOUR QUESTIONS

QUESTION OF THE DAY

Final norms on m-banking in two weeks

PRESS TRUST OF INDIA
Mumbai, 25 July

The Reserve Bank of India is likely to finalise guidelines on mobile banking within two weeks that would enable banks to roll out mobile-based payment services to their customers, a senior RBI official said today.

"We are presently examining the comments received in response to the draft guidelines issued. Based on this, the final guidelines would be issued within two weeks," RBI ...

Recession blues: Will going online be a perfect marketing solution?

NUMBERS OF NOTE

₹1,70,000

13.4%

18%

₹150

Netting Rural India

Below the line advertising on a roll

Provide level-playing field for VAS players: IAMAI

NEW DELHI: The Internet and Mobile Association of India (IAMAI) has sought a level-playing field between the telecom operators and the value-added-services (VAS) companies for the growth and sustainability of mobile telephony in India. IAMAI has made the submission to Trai in response to the recent consultation paper on mobile VAS industry issued by Trai, the association said in a release. The association said VAS industry has contributed significantly to the growth and adoption of mobile telephony in India as well as to the revenue of the telecom companies in the last five years. Hence, it is imperative to have a level-playing field between large telcos and small VAS companies. Among other suggestions, IAMAI has asked for a faster process of obtaining shortcodes, standardisation of the terms and conditions of access and interconnection and a transparent revenue sharing model between operators and VAS players.

Online video ads taking off

GOING DIGITAL

Digital advertising is the order of the day as it benefits consumers as well as vendors, says experts

Net explodes in India, but local languages in short supply

Can telcos become media companies?

MEDIA SCOPE

Online ad industry's making hay despite gloom

Downturn forces advertisers to switch to pay-per-performance models from display ads

Tapering off

Real time e-payment clearance on cards

Telcos oppose cheap domestic Net calls for ISPs

Want ISPs To Be Subject To Same Entry & Licence Fees, Revenue Share & Other Terms As Applicable For Telecom Licensees

As members are aware, termination of IP calls on PSTN lines are currently not allowed for STD calls in India which impedes users from availing of lower telephone costs and also slows down internet adoption. IAMAI has been actively supporting its legalization so that consumers can avail of lower call rates. Towards this, IAMAI had strongly supported the TRAI recommendation on permitting termination of IP calls on PSTN lines. The issue is still being debated between the regulator and the government. We hope that the government will take a progressive step by legalizing this.

Two of the most important policy related work this year has been over alternative payment systems. IAMAI has been working very closely with the Reserve Bank of India [RBI] since the passing of the Payments and Settlement Act in December 2007. The Act brings all payment forms under the regulation of the RBI. As a part of implementing the Act the RBI has been working on guidelines for mobile payments with a few industry bodies such as the Indian Banks Association, Mobile Payments Forum of India and COAI. IAMAI was the first industry body to provide extensive feedback on the form and substance of the guidelines. It may be noted that most of the suggestions made by IAMAI to protect the interests of mobile payment enablers have been accepted in the final guidelines.

Another important issue relating to payment and financial inclusion has been guidelines for pre-paid instruments. Here too IAMAI showing remarkable pro-activeness, was the first to provide detailed feedback on the shape and substance of the proposed guidelines. We have also been very actively involved in all successive discussions on the issue. The pre-paid instruments guidelines are expected to be issued soon by RBI, a little later than scheduled.

IAMAI has been involved in the IT Act Amendment since almost its inception! It was, therefore, a very positive development when the IT Act Amendment 2008 was finally passed by the parliament in December. The positive side of the act was that most of the specific recommendations of the association were carried through in the amended Act. Following the Act, IAMAI was invited to provide feedback on the rules and regulations under the Act. The Act awaits notification and IAMAI is actively engaged with the Department of Information Technology in the formulation of the rules and regulations.

NETWORKING

As usual IAMAI organized several of its characteristic large conferences during the course of the year. These conferences continued to be an important platform for business networking for members and the digital industry at large. One new feature of this year's conferences and seminars was several small focused seminars conducted in course of the year.
Let us take a more detailed look at some of the large and small conferences that IAMAI hosted in course of the year.

Online Travel Conference

The conference was held on 2 May 2008 in Mumbai to understand the future of online travel industry in India. This was the second in the series. The conference was attended by over 200 delegates. The main session at the conference were: a) The future of online travel and consumer trends, b) New marketing strategies and demand generation for creating great consumer environments online, c) Travel Technology – to achieve business goals and d) Evolving Travel Distribution in India – A Key Force.

Some of the key industry speakers were Deep Kalra, Founder & CEO, Makemytrip.com, Sanjay Aggarwal, General Manager (Operations), IRCTC, Lalit Sheth, Chairman & Managing Director, Raj Travels, Dhruv Shringi, Director & Co Founder, Yatra Online, Neeraj Kapoor, Vice President Marketing, Go Airlines, Ram Badrinathan, PhocusWright Inc., Mahesh Murthy, Managing Director, Pinstorm Technologies, Emmanuel Phillips, Senior Consultant – Business Relationship Management, Cox & Kings, Gulshan Verma, Head of Sales Strategy, Yahoo! India, Bruno Goveas, Head Marketing & Product Management (India), Akamai, Amitabh Pandey, President and Head eBusiness, Thomas Cook, Belson Coutinho, General Manager – eCommerce & Distribution, Jet Airways, Dinesh Agarwal, Founder & CEO, IndiaMart InterMesh, Himanshu Singh, Chief Executive Officer, Travelocity.

Conference on Digital Payments

On 25 July 2008 IAMAI organized the first ever conference on Digital Payment to discuss the issue of financial inclusion through digital payments. The topics covered in this conference were a) Digital Payments a way to accelerate financial inclusion, b) Digital and Payment convergence for financial inclusion, c) Best Practice: Fraud prevention through collaboration and risk management and d) Exploring the mobile financial services ecosystem. Some of the eminent industry leaders at the conference were: Aditya

Menon, Executive Director, Obopay Mobile Technology, Dewang Neralla, Director, Atom Technologies, Sanjay Aggarwal, Vice Chairman, IAMAI & General Manager (Operations), IRCTC, Dr R B Barman, Executive Director, Reserve Bank of India, M R Umarji, Chief Adviser – Legal, Indian Banks' Association, Navin Surya, Managing Director, ItzCash Card, Bikramjit Sen, Chief Executive Officer, TechProcess Solutions, Kelly Kay, Regional Legal Director, PayPal Asia, Nandkumar Saravade, General Manager – Financial Crime Prevention, ICICI Bank, Sankarson Banerjee, Chief Executive Officer, Future Bazaar, Anand Mittal, Chief Operating Officer & Chief Technology Officer, People Group, Vishwas Patel, Chief Executive Officer, Avenues India, Niranjan Upadhye, AVP eCommerce, Axis Bank, Sanjay Swamy, Chief Executive Officer, mChek, Anurag Gupta, Founder Director & Chief Executive Officer, A Little World, Rajesh Dongre, Chief Operating Officer – Mobile Commerce, Vodafone Essar, Sourabh Jain, Chief Executive Officer, JiGrahak and Anil Gajwani, Chief Technology Officer, Bharti Telesoft. The conference was attended by nearly 300 delegates. The event was supported by ITZ Cash card and and TechProcess Solutions Ltd.

Conference on Digital Entertainment, 11 November 2008, Mumbai

Second Digital Entertainment Conference was held on 11 November 2008 in Mumbai. This year the focus was on the platform or access points: movie halls, television, PCs/Laptops and mobile devices. "Adoption, innovation and convergence" was the theme of the conference. Some of the key speakers were Aditya Shastri, Chief Executive Officer, People Pictures, P S Saminathan, Group Chairman, Pyramid Saimira, Rajjat Barjatya, Managing Director, Rajshri Media, Jai Maroo, Director, Shemaroo Entertainment, Rajesh Mishra, Chief Executive Officer – India, UFO Moviez, Navin Shah, Chief Executive Officer, Percept Pictures, Govindraj Ethiraj, Editor in Chief, UTVi, Sujata Dev, CEO & Managing Director, Time Broadband, Vikram Kaushik, Managing Director, Tata Sky, Saurabh Kanwar, Vice President – Content & Communication, Channel V, Preeti Desai, Vice President Marketing & Strategic Alliances, Rediff.com, Jaspreet Bindra, Regional Director - Entertainment & Devices, Microsoft India, Rohit Sharma, Chief Operating Officer, Zapak, Ajay Khanna, General Manager – India, EA Games, Ishwar Jha, Chief Executive Officer, Digital Media Convergence, Ashish Kashyap, Chief Executive Officer, Ibibo, Bruno Goveas, Head - Marketing & Product Management, Akamai Technologies, Parminder Singh, Business Head - Technology & Media, Google India, Pradeep Shrivastava, Chief Marketing Officer, Idea Cellular, Lloyd Mathias, Marketing Director – India & South West Asia, Motorola, Manoj Dawane, Chief Executive Officer, Mauj, Viren Popli, Sr Vice President & Head Mobile Entertainment, Star TV, Probir Roy, Co-founder & Director, Coruscant Tec and Salil Bhargava, Chief Executive Officer, Jump Games. The Conference was attended by more than 350 delegates. The event was supported by Akamai Technologies and Google India.

Digital Marketing Conferences

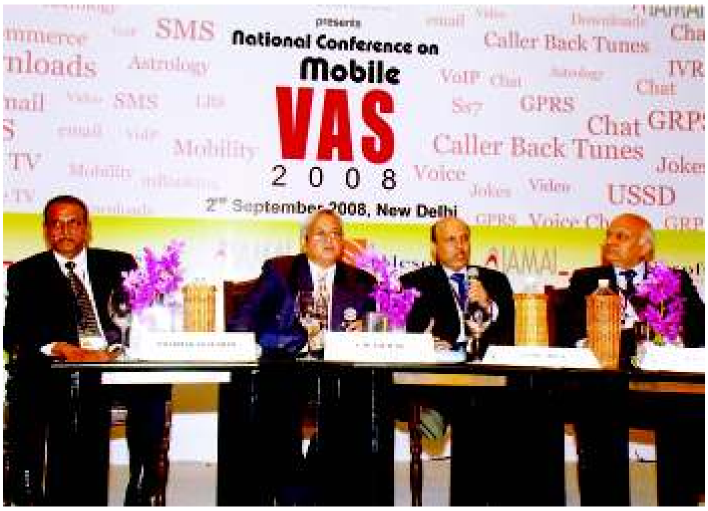
Digital Marketing conference is one of our annual events. This year we decided to test the waters in the southern part of India and did our first digital marketing conference in Bangalore on 9 September 2008. This was the 3rd Digital Marketing Conference. The fourth of the series was held in Mumbai on 30 September 2008. Both the conferences were attended by more than 250 delegates.

The topics covered were a) Analog vs. Digital: Where to Spend Marketing Budgets Now, and Why? b) New Media Tools c) How to fight web weariness and emerge as a winner? d) The Blended Search Revolution e) Traffic to website conversions, f) Are some standards and norms necessary to ensure the next round of growth? g) Brand Building Or Performance? h) Video Advertisements: How seriously should we take video advertisements? i) Adnetworks: What value can they possibly bring? And j) Mobile marketing: when are we going to walk the talk?

Some of the distinguished speakers at both the conferences were Anupam Mittal, Chairman & Managing Director, People Group, Harish Bahl, Managing Director & CEO, Smile Interactive Technologies Group, George Gallate, Global Chairman, Euro RSCG 4D, Farokh Balsara, Head Media & Entertainment, Ernst & Young India, Pratap Bose, Chief Operating Officer, Mudra Group, Neville Taraporewalla, CEO & Online Media Director, Publicitas Digital, Vikram Sakhuja, Chief Operating Officer – South Asia, Group M, Upen Roop Rai, Director, Times Internet, Krishna Prasad, Executive Producer, MSN India, Suman Srivastava, Chief Executive Officer, Euro RSCG, R Rajnish, Director – Advertiser & Publisher Solutions, Microsoft India, Naren Nachiappan, Managing Director, Jivox, Surya Mantha, Chief Executive Officer, Web18, Sunil Nair, Chief Executive Officer & Co-Founder, Nautanki TV, Saurabh Bhatia, Managing Director, Vdopia, Amar Goel, Founder & Chief Executive Officer, Komli, Ratish Nair, Co founder, Admagnet, Anurag Gupta,

Managing Director, DGM India, Kiran Gopinath, Chief Executive Officer, Ozone Media, Viren Popli, Head Mobile Entertainment, Star India, Atanu Mandal, President, ACL Wireless, Saurabh Vartikar, Head Mobile Marketing, Mauj, Vishal Maheshwari, Director – Mobile, Yahoo! India, Naveen Tewari, Chief Executive Officer, mKhoj, Mahesh Murthy, Managing Director, Pinstorm Technologies, Kushal Sanghvi, Managing Director, Media Contacts, Venkata Rao Mallineni, President Portals, Sify Ltd, P G Ponnapa, Vice President & General Manager, AOL Interactive, Pearl Uppal, Director Advertising Sales, Yahoo! India, V Ramani, Vice Chairman, Connecturf Worldwide, Rohini Rewari, Head Online Campaigns, Intel , Gaurav Gupta, Director Marketing, General Motors , Tushar Vyas, Chief Marketing Officer, Sure Waves, Shriram Adukoorie, Founder, Asklaila, Vivek Bhargava, Managing Director, Communicate2 , Vinod Nambiar, Director of Global Delivery, Position2, Milind Mody, Chief Executive Officer, eBrandz Inc and Narasimha Jayakumar, Business Head – Travel & Local, Google India.

National Mobile VAS Conference



IAMAI was proud to organize the National Mobile VAS conference, one of the largest in India, in New Delhi on 2 September 2008. The conference was attended by over 400 delegates. The sessions at the conference were: a) Future Direction for MVAS in India, b) Mobile Marketing, c) Mobile Payment- Get ready for the next big step, d) Value Added services for Enterprise and e) Mobile Entertainment and Information: The Premium Product Trends. The speakers were Sanjiv Mital, Vice Chairman, Bharti Telesoft, Prabhakar Seshan, Country Manager, IBM India Pvt Ltd, Next Generation Network, S.M.Talwar, Executive Director, MTNL, New Delhi, N K Goyal, President, Communications & Manufacturing Association of India (CMAI) Chairman Emeritus, TEMA, Vijay Shukla, Co-Founder and Country Head, India, Valuefirst, Milind Pathak, Co-CEO & Country Manager, Buongiorno (Hong Kong) Ltd, Prasad Narasimhan, Chief Marketing Officer, Virgin Mobile, Gaurav Mishra, COO and Co-Founder, Guruji.com, Debasis Chatterji, Director Operations, Netxcell Ltd, Probir Roy, Co-founder & Director, Paymate, Suresh Anantpurkar, VP-Products, mCheck, Shekher Shrivastava, Vice President- Marketing, ItzCash Card, Ravi Shankar, EVP & Country Head- Cash Management and Direct Banking, Yes Bank, Niranjan Gosavi, Chief Marketing Officer, Atom Technologies Ltd, Rajat Mukarji, Chief Corporate Affairs Officer, Idea Cellular, AD Mehta, Chief Executive Officer, CellNext, Ajay Vaishnavi, Director Telecom, Times Internet, Rajesh Jain, Managing Director, Netcore Solutions Pvt. Ltd, Jagdish Mitra, Chief Executive Officer, CanvasM Technologies, A R Vishwanath, Chairman & CEO, IMI Mobile, Salil Bhargava, Chief Executive Officer, Jump Games, Raj Singh, Managing Director, ActiveMedia, Zubin Dubash, GM – New Products, Tata Teleservices and Chetan Jain, Chief Executive Officer, i2i Telesource Pvt Ltd. The event was supported by Bharti Telesoft, IBM and CanvasM.

Mobile Ad Conference

This specialized conference was held in Mumbai on 16 January 2009 with the support of ACL Wireless. The sessions at this conference covered: a) What opportunities does mobile advertising present in bringing advertising to the consumer? b) Mobile Ad Network and Technology enabler: Perspective on Mobile Advertising, c) Mobile: Making the most of the newest media and d) Strategise for reaching the consumer without losing them as a customer. The speakers at the conference included Abdul Khan, Vice President and Head marketing, Tata Teleservices, Sanjay Tripathy, Executive Vice President and Head Marketing, HDFC Standard Life, Anton Syazi Ahmed Sebi, Deputy CEO, Unified Communications, Ravi Kiran, CEO South East and South Asia and CEO Specialist Solutions, Asia, Starcom Mediavest Group, Takashi Koyanagi, Executive Vice President, Dentsu media India, Suman Srivastava, CEO, Euro RSCG, S S Sirohi, DDG, VAS, BSNL and Tze Leng Wong, CEO, Unified Communications.

In addition to these large conferences IAMAI also organized directly or supported several smaller conferences and seminars on specialized topics. Some of details of these are mentioned below:

- Manthan Awards: IAMAI participated in and supported the Manthan Awards, the largest specialized digital content awards in India. The gala for the awards was held on 16-18 October in New Delhi and IAMAI Chairman Sanjeev Bikhchandani was the Guest of Honour.
- IAMAI Businessworld Round Table on MVAS: This was a focused interactive session on the policy and market framework for the growth of the mobile value added services industry. The session was moderated by J Pocha, the then Editor of BusinessWorld and was supported by IAMAI and Mauj. The session was held 24 October in Mumbai.
- Mobile Asia Congress Organised by GSMA: IAMAI with the participation of its members organized the India Pavilion by IAMAI at the GSMA organized Mobile Asia Congress held in Macau on 18-20 November 2008. This was a part of IAMAI's agenda of exploring for members new overseas markets.
- IAMAI CEOs forum with Anssi Vanjoki Executive Vice President-Markets Nokia Corporation: An interactive session on mobile as an internet access device was organised by IAMAI in New Delhi on 25 November 2008. It was a select group meeting and was attended by CEOs of leading mobile value added services comapnies.

- Digital Marketing Roundtables: IAMAI with the active help and support of its leading digital agency members organized three digital marketing roundtables in Mumbai and New Delhi. The idea behind these roundtables was to address the concerns of advertisers and potential advertisers and draw them towards the digital medium.

- Go Mobile in 30 days: Two of these interactive sessions were held in Mumbai and New Delhi on 28 and 30 January 2009. The sessions were organized with the support of our members Yahoo! India and aimed to explain to leading traditional publishers how to get on to the mobile platform in a quick and effective manner.

GOVERNANCE

At the beginning of the year, in order to have more focus and delegation of the work, the Chairman and the executive committee suggested the formation of ten committees. All the work of the association this year was routed through one or the other of these committees. A list of committees formed and their area of work is given below.

Government Relations Committee: Chair: Sanjay Aggarwal, IRCTC

This Committee was responsible for supervising all the activities regarding the association's work with the various government departments. The most important areas of work carried out under the aegis of this committee were over issues of connecting with the law enforcement agencies, feedback to the IT Act 2008, the pre-budget memorandum, issue of service tax and the issue of permitting termination of IP calls on PSTN lines. It has been agreed that IAMAI would continue with the committee in the next fiscal.

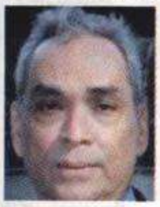
Online Payments Committee Chair: Vishwas Patel:

This committee has been in operation for the last two years and has been at the forefront of IAMAI's activities with the Reserve bank of India over mobile payments and pre-paid instruments. This committee also oversees the annual Payments Conference of IAMAI. The main focus of this committee has been financial inclusion. It has been agreed to continue with this committee in the next fiscal although with a smaller number of committee members.

Committee on Governance: Chair: Anupam Mittal

This committee was especially set up to look into the changes required in the internal governance of the association. The committee's final recommendations were accepted at the last governing council meeting of the association and will be incorporated in the rules and regulations of the association. The following important

Balakrishnan in New Avatar



Ajit Balakrishnan, founder, chairman, and managing director, Rediff.com, is chairman emeritus of the Internet and Mobile Association of India (IAMAI). In his capacity as chairman emeritus, a life-time appointment, Balakrishnan would head the council of past chairpersons and provide strategic direction to the association as well as the Internet and mobile content and services industry. The governing board of IAMAI has also unanimously elected Sanjeev Bikhchandani as chairman for FY 2008-09. Bikhchandani is founder and CEO of Info Edge India, which went public in 2006.

changes were made by the governing council based on the advice of this committee:

a) Tenure of office bearers and governing council to be for 2 years
b) Definition of responsibilities and qualifications for past chairpersons council

For details of these changes please refer to annexure 4 of this Annual Report.

Online Publisher's Committee: Chair: Neville Taraporewalla:

The online publishers' committee was instrumental in finally carrying the agreement with AAAI through this year. At present in addition to the task of operationalising the agreement, the committee is focusing on making internet and approved medium of advertising with the Directorate general of Audio Visual Publicity [DAVP]

Mobile VAS Committee: Chair: Sanjiv Mital:

This committee has been in operation for the last two years and spearheads all the mobile value added services related activities of the association. It was instrumental in working with TRAI this year on the regulator's consultation paper and recommendations for development of the mobile value added services. The committee also supervises various conferences and international business development activities for this segment of the industry. It has been decided to continue with this committee next year.

Committee on Human Capital: Chair: Ratish Nair:

The committee focuses on the human resources development work for the industry. This year the committee focused on creation of four courses related to the digital medium. IAMAI would continue with this committee next year when the committee will supervise the training and education activities of IAMAI.

Committee of Online Agencies: Chair: Harish Bahl

This committee represents the interests of all agency members of IAMAI. This year the committee has been active in popularizing digital medium through focused group meetings conducted by some of the agency members with advertisers and publishers. The committee has also been active in collecting and distributing through the internet successful case studies of internet marketing. IAMAI would continue with this committee next year.

Committee on Internet Penetration: Chair: Rohit Sharma:

This committee has been primarily active in the outreach campaign to school students and in the promotion of internet among MSME. IAMAI would continue with this committee in the next fiscal with a change in focus.

The OTA and events committee that were formed earlier this years were discontinued due to lack of focus or disinterest among members of the committee. Given the change in course of the year, at the suggestion of the membership the following new committees were formed at the end of the year: Committee on Gaming Chaired by Jaspreet Bindra, Committee on Cyber Laws Chaired by Pavan Duggal and Committee on e-Commerce chaired by Sankorshan Banerjee. While all three committees have had an introductory meeting to set the agenda in the last quarter of the year the formal activities of the new committees would start in the next fiscal.

ANNEXURE

Annexure 1 : IAMAI Pre-Budget Memorandum

Introduction
Internet based businesses and Mobile Value Added Services are two of the most important emerging industry segments in India. It is well established that these two industries together are great instruments for making ordinary citizens more productive and efficient. They also provide digital infrastructure to millions of Indians who are otherwise not connected, empowered or included within the larger economic, social and political process that determine their lives. Any benefit given to these segments, immediately translates into benefits to the consumers.

Both these industry segments in India are in the nascent stages of growth and development and at this stage it is essential that they are not treated at par with other mature industry segments. It is well-known, but generally not accepted that policy encouragements are necessary for a new industry to grow and take roots and deliver the benefits in terms of employment, efficiencies and productivity growths and make an overall contribution to the economy. In recent times this has been proved in the cases of Software and services, BPO and the infrastructure sectors.

The internet based and mobile value added services segments in India have just started on their growth path. At this stage is not only desirable but also necessary that some short terms fiscal benefits are extended to these segments with a view to allow low cost adoption by consumers of these services.

We have here three broad recommendations: A) Recommendations which have been made by the Telecom Regulator (TRAI) and in principle supported by the government in the form of the Department of Telecommunications. B) Recommendations related to the development of the gaming industry which has been the key to promote adoption of internet and also developing a technological base to service overseas companies. C) Recommendations related to service tax where we feel a focused moratorium for five years for some sub-segments of the digital industry would go a long way towards lowering the cost to consumers and encouraging adoption.

We have deliberately not followed the traditional division of this memo into Direct and Indirect Taxes. This format we believe will give a more focused view of what needs to be done in a holistic manner.

1. Fiscal Recommendations by TRAI and DoT to promote Broadband use in India :
   The Telecom Regulatory Authority of India in its recommendations on increasing the penetration of broadband had strongly recommended some fiscal measures that would help the internet users and by implications encourage the adoption of internet and broadband by more and more people.

   DoT's Announcement :
   The Department of Telecommunications in it Broadband Policy announced on 14 October 2004, had made the following commitment

   "The Department of Telecommunications assigns a very high priority to indigenous manufacture of Broadband related equipments. It shall endeavour to work closely with the concerned Ministries and Manufacturers' Associations so that the equipments are available at an affordable price. The department is conscious of the fact that Broadband services can reach the urban and rural consumers only if services are offered at affordable and easy terms. Department of Telecommunications will work out a package in consultation with Ministry of Finance and related Departments as well as concerned service providers to achieve this." [Fiscal issues 4.4]

   Some of the recommendations of TRAI that directly affect the internet user and would have an impetus on the promotion of internet and broadband in the country are given below. It is hoped that some of these four year old recommendations would be implemented in the Union Budget.

   TRAI Recommendations :
   TRAI recommendations on Broadband dated 29th April 2004 had 3-pronged approach to the fiscal policies, viz.

   - Encouraging the availability of low cost access devices through depreciation, donation and recycling of used PC's
   - Decreasing to the level of duties on mobile phones the current overall levels of duties for imported items used in broadband networks, and equalizing duties on inputs and domestically manufactured goods with those that are imported

- Providing the appropriate tax structure to enable faster growth, without the Government having to forego significant revenue

The specific fiscal recommendations in Chapter 5 of the TRAI Recommendations inter alia were:

5.3.6 Consideration should be given to allowing 100% depreciation in first year for PC's and broadband Customer Premise Equipment (CPE) including modems and routers.

5.3.7 Consideration should also be given for tax benefits to organizations on the value of PCs, as defined by the Government through a value schedule, that they donate to schools run by the government / local bodies, and charitable organizations.

5.5.2 Profits that accrue to web hosting enterprises based in India should be partially exempted from the income tax by at least 50% for the next 5 years.

5.5.5 ISPs should be exempt from the payment of service tax. This exemption will reduce immediately the cost of purchasing such services by more than 12% to the customer.

5.5.6 The service tax levied on the services that are used by ISPs in the delivery of their service to internet and broadband customers should also be exempted.

5.5.7 The Government of India should also recommend to all State Governments to waive sales tax on goods and services that are transacted through electronic mode (e-commerce) for the next 5 years up to limits to be prescribed by the Government. This recommendation should be then followed with legislation to ensure execution by the State Governments.

5.5.8 A similar recommendation or legislation should also go from the Government of India to the State Governments to waive Entertainment Tax, currently approximately 30% in certain states, levied on broadband subscriptions and entertainment services, if they are provided through a broadband or internet platform. This recommendation should be then followed with legislation to ensure execution by the State Governments.

5.5.9 All corporations, whether public or private, should be allowed to give a Rs. 6,000 per annum allowance to employees for broadband services access at home. This allowance should be removed from taxable income for the corporation. The same facility should be extended to self-employed professionals so that they may also reap the benefits of broadband services.

Recommendation :
Internet users as well the industry will benefit if some of these recommendations enumerated by TRAI and supported by the Department of Telecommunications in 2004 are implemented as a part of the Union Budget 2009/10.

2. Creating a Vibrant Domestic Market for Local Game Content

Background

a. Worldwide Gaming market $30Bn growing at 30% p.a. – fastest growing category of global entertainment

b. Game development is an Interactive Entertainment Software Business, which uniquely brings together 3 skill sets -
   - Story telling / creative skills
   - Fine arts and animation skills
   - Advanced technology, programming and engineering skills

   A full game development takes $20-$40MM to produce, with a cross functional team (producers, artists and animators, and engineers/advanced mathematicians and physicists) of approximately 100-150, in 18-24 months.

c. Game development is predominantly in North America (Los Angeles, San Francisco, San Diego, Vancouver, and Montreal), UK and Western Europe, Korea and Japan. Of late developers have been looking to outsource part or all of the game development to lower costs countries such as China, Vietnam, India and Eastern Europe.

d. Many games today – whether PC or console based - have more and more online components (multiplayer, downloadable maps and other content).

Potential for Indian Game Developers

a. India is uniquely placed among all potential outsource countries. It not only has a huge and vibrant domestic Media and Entertainment industry, but it also has a very strong engineering development base.

b. India can get a significant share of the global market due to competitive advantage, both in outsourced services AND full game development.

c. Longer term the larger potential is for full game development in India – both for the local market and global market. Potential exists for India centric IP based games.

Need for Vibrant Domestic Game Industry

a. Having a local and vibrant games industry is essential to provide a market for Indian IP. Currently the domestic market in India is too small to allow game developers to invest in creating local IP.

b. The biggest barrier today among large global developers coming to India is ‘Lack of Gaming Experience’. We have great engineers, artist and producers, but the experience of applying those skills to gaming does not exist.

c. Therefore to compete globally, we need to develop a ‘gaming culture’. Many of the skills used in gaming are learnt by hands on experience.

e. These skills will be obtained by 2 ways:
- Expatriate talent (both Indian and foreign national) from overseas who have experience in game development, coming to India to invest, train and start up operations
- Local talent becoming interest in gaming and then applying their skills to game development (route followed by US – most game developers started their interest in college)

Barriers to Building a Domestic Gaming Market

a. High price’s of console hardware and software due to high import duty and local taxes

- Console hardware taxed at 32% CD/CVD/Cess plus 12.5% VAT + 12% CST/Octroi/Local Levies
- Console software – taxed at 32% CD/CVD/Cess plus 4% VAT + 12% CST/Octroi/Local Levies
- PC Games - taxed at 32% CD/CVD/Cess plus 4% VAT + 4% CST/Octroi/Local Levies
- Considering that a console is basically a high end computer, the fact is that Game hardware and software attract significantly higher duties that either comparable IT products (PC’s hardware and software) or consumer entertainment devices (mobile phones, PDA/Smart phones, DVD players)

b. As a result of this, a significant amount of hardware sales in India are grey market, and a significant amount of software sales are pirated, resulting in revenue loss to GOI.

c. In overall terms, the estimated current total revenue to GOI from duties is insignificant at Rs 6-7 crores.

d. More importantly it is preventing the development of both the local game industry from $40MM to $400MM (Nasscom estimates) as well as the global outsourcing industry (potential 20% of $30Bn = $6Bn). If both these markets could be addressed, the potential revenue to GoI is at least Rs 40 Crs ($10M)

Recommendations :

a. Bring down Excise Duty on local manufacture from 12.5% to 0% (similar to film and music industry). This will enable CVD to be brought to zero also. The effective reduction in taxes would be around 15%.

b. The government would gain overall revenue due to the growth in the legitimate market as a result of shrinkage in grey market imports and piracy.

c. Details below:

Particulars	Personal Computer		MP3 Player		Cell phone		PDA (Smartphone)		Video Games (HW)	
Chapter heading	84713010		85198940		851712		85171290		95041000	
	%	Amount								
Value INR		100.00		100.00		100.00		100.00		100.00
For Value Add	1%	1.00	1%	1.00	1%	1.00	1%	1.00	1%	1.00
Assessed Value		101.00		101.00		101.00		101.00		101.00
Customs Duty **on Assessed value**	0%	-	10%	10.10	0%	-	0%	-	10%	10.10
CVD (on AV+Duty)	12%	12.12	8%	8.89	0%	-	0%	-	14%	15.55
Edu Cess **(on CVD)**	3%	0.36	3%	0.27	3%	-	3%	-	3%	0.47
Cust Edu Cess**(Customs Duty +CVD+Edu Cess)**	3%	0.37	3%	0.58	3%	-	3%	-	3%	0.78
Additional Duty on all above	4%	4.55	4%	4.83	4%	4.04	4%	4.04	4%	5.12
Total Duty payable		**17.41**		**24.67**		**4.04**		**4.04**		**32.02**
Total Duty per Unit		**17.41**		**24.67**		**4.04**		**4.04**		**32.02**
% Total Duty to Assessed value		**17.24%**		**24.42%**		**4.00%**		**4.00%**		**31.70%**
% Total Duty to Basic Amount		**17.41%**		**24.67%**		**4.04%**		**4.04%**		**32.02%**

Notification No. 006/2006 Sr no 22

Particulars	IT Software		Recorded DVD		PC CD Software		Console Software	
Chapter heading	85238020		85234080		85234090		85238090	
							%	Amount
Value INR		100.00		100.00		100.00		100.00
For Value Add	1%	1.00	1%	1.00	1%	1.00	1%	1.00
Assessed Value		101.00		101.00		101.00		101.00
Customs Duty **on Assessed value**	0%	-	10%	10.10	10%	10.10	10%	10.10
CVD (on AV+Duty)	12%	12.12	0%	-	14%	15.55	14%	15.55
Edu Cess **(on CVD)**	3%	0.36	3%	-	3%	0.47	3%	0.47
Cust Edu Cess**(Customs Duty +CVD+Edu Cess)**	3%	0.37	3%	0.30	3%	0.78	3%	0.78
Additional Duty on all above	0%	-	4%	4.46	4%	5.12	4%	5.12
Total Duty payable		**12.86**		**14.86**		**32.02**		**32.02**
Total Duty per Unit		**12.86**		**14.86**		**32.02**		**32.02**
% Total Duty to Assessed value		**12.73%**		**14.71%**		**31.70%**		**31.70%**
% Total Duty to Basic Amount		**12.86%**		**14.86%**		**32.02%**		**32.02%**

Notification No. 006/2006 Sr no 22

3. Ensuring Growth of Internet Services:
   5 year Moratorium on Service Tax :

   a) On Online Advertising

   Issue:
   - Online advertisement is done by small and medium sized companies who want to take advantage of the internet and reach out to not only the Indian market but the global market
   - Most of these advertisers do not have the financial strength to advertise on other expensive media like the broadcasting or print to access the local market and but for internet they will not be able to access the international market [advertising on foreign newspapers, TV and radio would be financially unthinkable for them].
   - SMEs are the backbone of our domestic as well as international commerce, and Internet is the only medium available to them to access domestic as well as international markets. The additional impact of service tax will have an adverse impact on them.
   - The online industry too is very nascent and it accounts for only 400 odd crores annually. The service tax at this stage of development will hamper the growth of the industry.

   Recommendations :
   - Moratorium for a 5 year period on Service Tax will allow this nascent industry to grow in size and stabilize and be in a position to accept additional tax responsibilities.
   - It will also help our SMEs grow and aspire to access new segments of consumers in the domestic as well as international markets.

   b) On online services :

   Recommendation :
   - Currently internet based online services are subject to service tax, on at par basis, along with other services. Internet based services industry is still very young in India and is in developing stages. As a step to boost the online services sector, the finance ministry should consider exempting such services from service tax net, thereby help pushing the growth in the sector.

   c) On Internet Café

   Issue:
   - Internet Café / Cyber café mainly serve those who do not have their own computers and/or cannot afford a regular service at their home, office, shop or institution. Service tax increases the cost of access for such people who are otherwise, economically challenged anyway.
   - According to the recent research, about 30% Internet users in India access from cyber café alone. Going forward, the upcoming 100,000 Common Service Centres being set up by the Government would also be impacted by way of service tax.

   Recommendation :
   - Cyber café be exempted from Service Tax for at least 5 years. However, the cyber café itself would continue to pay service tax payable to the respective Internet Service Provider for the Internet Connectivity.

   d) On Units in SEZ:

   Issue:
   - The SEZ Act states that the exemption from service tax would be provided on taxable services provided to a developer or unit to carry on the authorized operations within an SEZ. As a result the exemption from service tax is currently available only on the services that are provided within the SEZ and therefore the units in SEZ cannot claim exemption from services tax as charged on them by agencies offering services e.g. courier services, transport services, port handling services or banking services etc. carrying out their operations from outside the SEZ.

   Recommendation :
   - We request the finance ministry to look into this gap and allow the exemption from service tax to be extended for all services which are being utilized by the units in SEZ for carrying out the operations from SEZ.

Annexure 2 : Position Paper on Service Tax

What about a Package for the Services Sector? IAMAI Supporting the Government's recent economic package for revival of the sagging manufacturing and export sectors, manifested in the across the board cut in excise duty and other measures, the Internet and Mobile Association of India, on behalf of the services sector has suggested that that there should be an across the board similar cut in the service tax.

In fact the association has been arguing for a moratorium on service tax for nascent industry segments such as internet and mobile value added services business for some years, feels that a reduction in Service Tax to 5 per cent the board on all 104 categories of services covered under this tax for at least two years would be an appropriate measure to match the revival package recently announced for the manufacturing sector and the export sector.

A moratorium on service tax will not only come as a major relief to the mainly micro, small and medium sized service sector companies, but will immediately boost domestic consumption up to the value of the rate cut or leave more money at the hands of the consumer. The association also believes that unlike the longer cycle time in manufacturing, a cut in the service tax will make an immediate impact.

Time series data collected by the Central Statistical Organisation shows that since 2003/4, the contribution of the service sector to the GDP at factor cost has steadily risen from 58.9 per cent on 2003/4 to an estimated 62.9 per cent in 2007/8. In the same period while agriculture has declined from 21.7 per cent to 17.8 per cent, industry has stagnated at 19.4 per cent [please see table 1 below].

Table 1 percentage contribution of various sectors to GDP

		Sector	2003-04	2004-05	2005-06 Provisional Estimates	2006-07 Quick Estimates	2007-08 Revised Estimates
		1	8	9	10	11	12
1	**Agriculture and Allied Activities**		**21.7**	**20.2**	**19.6**	**18.5**	**17.8**
2	**Industry**		**19.4**	**19.6**	**19.4**	**19.5**	**19.4**
3	**Services**		**58.9**	**60.2**	**61.1**	**61.9**	**62.9**
	of which :						
	a)	Construction	6.1	6.6	7.1	7.2	7.3
	b)	Trade, hotels and restaurants	15.5	15.5	15.5	15.4 (26.8)	27.5 ^
	c)	Transport, storage and					
		communications	9.5	10.2	10.7	11.4	n.a.
	d)	Financing, insurance, real estate	13.4	13.5	13.8	14.3	14.7
		and business services					
	e)	Community, social and personal					
		services	14.3	14.2	14.0	13.6	13.4
4	**Gross Domestic Product at**						
	factor cost		**100**	**100**	**100**	**100**	**100**

Source: Central Statistical Organisation, quoted in Reserve Bank of India Annual Report2007-08

In terms of sectoral growth too, the services sector has been the leading sector since 2003/4 as table 2 below shows. IAMAI believes that if the growth rate is to be maintained even at the estimated lower rate of 6.5 to 7 per cent, a revival package for the services sector is a must.

Table 2: Sector wiser growth 2003/4 to 2007/8

	Sector	Growth Rate					
		Average 2000-01 to 2007-08	2003-04	2004-05	2005-06 Provisional Estimates	2006-07 Quick Estimates	2007-08 Revised Estimates
	1	2	3	4	5	6	7
1	**Agriculture and Allied Activities**	2.9	10.0	0	5.9	3.8	4.5
2	**Industry**	7.1	6.0	8.5	8.0	10.6	8.1
3	Services	9.0	8.8	9.9	11.0	11.2	10.7
4	**Gross Domestic Product at**						
	factor cost	**7.3**	**8.5**	**7.5**	**9.4**	**9.6**	**9.0**

Source Central Statistical Organisation, quoted in Reserve Bank of India, Annual Report2007-08

Based on government statistics, IAMAI has also found that services in the organised sector also constitute a significant part of the monthly per capita expenditure both in the rural and urban areas in India (see table 3 below). According to the National Sample Survey, out a total Rs 795 spent per head in a household per month in non food products, Rs 239 is spent on clearly identifiable services sectors such as education, rent and miscellaneous services. The corresponding figure for rural areas is Rs 80 out of a total of Rs 332 spent on non-food items. IAMAI, therefore feels that a moratorium or reduction in service tax is going to increase consumption directly in proportion to the cut, especially in urban areas.

Table 3: Monthly household per capita expense 2006/7

Break-up of MPCE by item group: all-India, rural and urban, 2006-07

item group	monthly per capita exp. (Rs.) rural	urban
(1)	(2)	(3)
cereals & cereal substitutes	115	119
pulses & their products	24	32
milk & milk products	56	97
edible oil	27	38
egg, fish & meat	24	34
vegetables	43	57
fruits	12	28
sugar, salt and spices	30	38
beverages, refreshments and processed food	31	74
food total	363	517
pan, tabocco & intoxicants	18	19
fuel and light	66	117
clothing & footwear	49	83
education	22	92
medical	52	83
misc. consumer goods	39	85
misc. consumer services	55	180
rent	3	67
taxes and cesses	2	11
durable goods	26	59
non-food total	332	795
all items	695	1312

Source: NSS

In addition, third party independent research on the basket if urban household consumption shows the importance of the service sector [Table 4]. In urban India which constitutes more than a quarter of India's population and is the main demand driver of goods and services, the services comprise on an average 60 per cent of household expenditure. In case of SEC A which comprise 10 per cent of the urban population, the percentage is as high as 71. If urban India is to take a lead in driving the sagging demand, it is imperative that attention is focused on the service sector.

Table 4: Break up of Household Expenditure in Urban India

	All India (Rs 7612)	SEC A (Rs 13018)	SEC B (Rs 9302)	SEC C (Rs 7731)	SEC D/E (Rs 5640)
Expenditure head	%	%	%	%	%
GROCERIES	32	22	28	32	39
UTILITIES	13	12	13	13	14
INVESTMENTS	10	14	11	10	7
PERSONAL GROOMING	9	7	9	9	8
ENTERTAINMENT	8	12	9	8	7
CHILDREN/EDUCATION	7	8	8	7	6
TRAVEL/COMMUTING	6	7	7	6	4
LOANS, TAXES, RENT	6	6	6	7	6
OTHER EXPENSES	5	6	5	5	5
COMMUNICATION	4	6	5	4	2

Source: IMRB Wallet Monitor, January 2008, Urban India

IAMAI also feels that while the government's attempts to increase the liquidity in the economy through banks is necessary and commendable, most of the small and medium sized services companies which provide the bulk of employment do not or can not approach banks for credit either by choice or by the fact that they do not have collaterals. Typically, these companies either approach venture funds or private equity funds to raise capital for expansion. Many such funds are now in serious crisis in the face of global meltdown. IAMAI, therefore, strongly suggests that encouraging and incentivising the banks does not address the credit crisis faced by several lakhs of MSMEs in the services sector. Instead, instead large tax exemptions should be given to Venture Funds operating in India in order that they continue to fund smaller companies.

On the sectoral issues impacting the internet and mobile value added services business, IAMAI has suggested that in line with a revival package of the services sector, the following segments/lines of businesses should be given a moratorium from Service Tax for two years. These are emerging segments and cannot cope with the triple play of credit crisis, shrinking markets and high incidence of indirect taxes [Details of these recommendations can be found in the attached pre-budget memorandum prepared by the association and attached here].

a) On Online Advertising
b) On online services:
c) On Mobile value added services
d) On Internet Café
e) On Units in SEZ

Annexure 3 : IAMAI Final Suggestions to TRAI on Mobile Value Added Services

To,

Shri Nripendra Misra
Chairman
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawaharlal Nehru Marg, (old Minto Road)
New Delhi – 110002

Dear Sir,
We are grateful for your time, patience and indulgence once again with the representatives of the mobile value added services industry. Sir, we are much inspired and encouraged by your personal guidance on critical issues and also the Authority's continued support to the industry over the last two years.

I am taking up this opportunity to reiterate the three points that we made and we believe will go a long way in creating and sustaining a transparent and efficient ecosystem for the mobile services industry to grow:

1) Real time MIS: At present, the Operators' MIS are received between 90-180 days which is a major impediment to business planning for the smaller VAS companies. It would be apt for the Authority to lay down norms and direct the operators to provide online MIS while reconciliation and payments are still left to negotiations between operators and VAS players. Calibration exercise should also be mandated so that the MIS systems between the operators and the VAS providers can be tested accordingly.

2) Net Neutrality: The Authority should lay down the basic principles of Net Neutrality as enunciated in our response to the consultation paper.

3) Allocation of Short Codes: We do appreciate that the National Numbering Plan is in the remit of the government [DoT]. However, we would like to reiterate that obtaining a short code separately and uniformly for all telcos is a major impediment and getting more complicated with the plethora of new licensees. The Authority may like to consider a singular body having representatives from DoT, TRAI, Telcos & VAS companies.

We thank you once again for your patience and kind hearing.

Yours sincerely,
Subho Ray

Annexure 4 : Final Changes in Internal Governance

A Note on Internal Governance:

Executive Summary of Decision Points:

1. Chairman's, Vice Chairman's and Treasurer's tenure from 2009/10 to be for 2 years

2. Chairman, Vice Chairman and Treasurer to be elected by the Governing Council from among the elected members of the Governing Council

a. Election for three posts, highest votes Chairman, second highest votes vice chairman and third highest votes Treasurer .Alternatively, the governing Council to decide the process of election/selection.

3. If an office bearer changes company or wants to quit his post, the next higher level functionary takes up his post if it is after the first 6 months of assuming office. In case an office bearer changes company or quits his post before 6 months of assuming office, the council through consensus elects that office bearer for the rest of the tenure.

4. Tenure of Chairman Emeritus to be for five years.

5. President/Secretary of the association to report solely to the governing council.

1. Role of Past Chairperson's Council

   a. Composition:
      i. Council would be composed exclusively of past chairpersons of the association.

      ii. The Chairman Emeritus, Mr Ajit Balakrishnan, would be head the council for the next 5 years. The term of the chairman emeritus may be fixed for 3 years at the expiration of which a new chairman emeritus can be elected/nominated from Past Chairpersons who have demited office not less than 3 years earlier.

      iii. The current Chairman of the association would be an ex-officio member of the Council and the link between this Council and the Governing Council. The Secretary of the association will be the secretary of the council. The members of this council would be permanent invitees to the governing council but will have voting rights at the governing council.

      iv. The title Chairman Emeritus and Chairman are OK for separate roles that are there in the association at present.

      v. To ensure that the past chairmen's council does not get to unwieldy over the years:
         - do not have more than 5 immediate past chairmen in the council
         - subsequently look for an election process for the council

   b. Role of the Council:
      i. The role of this council will be distinct from that of the governing council

      ii. Inter alia, the PCC would have the following role

         - Setting the overall direction of the association, making sure that the association is true to its mandate and charter and advice the association on the future direction while leaving the year to year work and agenda to the governing council
           a. Make sure that the association is working as per the constitution
           b. Have the last word as regards,
              ? Annual fee of the association, composition of membership
              ? Constitutional changes
              ? Principles on which the association is to be run/Governance
              ? Election processes

      - To help the governing council and the secretariat plan ahead especially emerging areas of work/focus

      - To mediate in the unlikely case of conflict between the secretariat and the governing council regarding any issue

      - To plan and implement the long term finances of the association and oversee long term income and expenditure and general financial health of the association

      - Act as the representative/spokesperson of the association when requested to do so by the current Chairman or the Secretary on specific issue and OR lead

delegations whenever necessary.
- Act as the apex platform for complaints of members including ordinary members, governing council members and the IAMAI secretariat against each other and take appropriate disciplinary action.
- Oversee Governing Council Elections which is conducted by the secretariat.

2. Election Process [Governing Council and Office Bearers]

a. Governing Council:
   i. Governing council to be elected by the general body of the association.
   ii. The tenure of each member to be for 2 years
   iii. Half the members of the council will retire each year. Under the current constitution 7 members will retire each year.
      - Office bearers will continue their full term of two years

   iv. From the year 2009/10 the election process will be as follows
      - 7 members from the current governing council will retire and 7 new members would be elected by the general body of the association.
      - 3 among them would be past chairmen [Messers Anupam Mittal, J Murugavel and Sanjeev Bikhchandani] All category A members [only for 2009/10]
      - 2 members from category B to volunteer to retire
      - 2 member from category A to volunteer to retire
      - Those who retire may suggest alternative colleagues from their companies to participate in the elections.

b. Executive Council:
   i. From 2009/10 the executive council comprising Chairman, Vice Chairman and Treasurer will be elected/nominated for a period of two years.
   ii. The selection/election of the office bearers will be done by the Governing Council from among the elected members of the governing council.
   iii. The office bearers have to be selected/elected from those members of the governing council who have a full two-year tenure remaining; i.e.; those members who have been elected in the year of election and not the previous year.
   iv. The election process for the office bearers [executive council] shall be as followed:
      - All elected members of the governing council will be eligible to stand for executive council elections
      - All governing council members are eligible to vote
      - The election will be decided by a simple majority, i.e., highest votes Chairman; second highest votes Vice Chairman and third highest vote Treasurer.
      - In case the Chairman demits office within one year of being elected, the Vice Chairman will perform the dual role
      - In case the Vice Chairman demits office within one year of being elected, the Treasurer performs a dual role. In case the Treasurer demits office after one year of being elected the Vice Chairman performs the dual role
      - An office bearer demits office either voluntarily or if he changes the company whose nominee he is.

3. Powers of the Governing Council:
   a. The governing council is the statutory body responsible for carrying out the annual strategic functions of the associations
   b. In consultation with the executive council which comprises members of the governing council, the governing council's decision on day-to-day running of the association and setting annual targets is final.

4. Secretary:
The governing council has decided the following in relation to the responsibilities of the Secretary/President of the association:
   i. Secretary will report to the governing council.
   ii. In all important matters affecting the general body of members, the secretary shall work under the express guidance of the executive committee and the governing council.
   iii. the secretary shall also be the secretary and ex-officio member of the past chairpersons council and carry out such instructions as given by the said council in consultation with the governing council.
   iv. The assessment of the secretary shall be done by the executive committee in consultation with whomsoever the said committee deems appropriate.

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