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VTL/Reg/TRAI/1512/4905
December 17, 2015

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New Delhi — 110 002

Subject: VTL Response on Consultation Paper on "Implementation Model for BharatNet"


Ref: TRAI Consultation Paper No. 5/2015 dated 17th November, 2015

Respected Sir:

Videocon Telecommunications Limited welcomes the opportunity to give our comments to TRAI's consultation Paper on "Implementation Model for BharatNet" Please find attached herewith our response on the same.

This is for your information and kind consideration please.

Kind Regards


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VTL Response to Consultation Paper

on

'Implementation Model for BharatNet

At the outset, Videocon Telecommunications Limited welcomes the Authority's paper on proposing an alternate and appropriate model for BharatNet and providing an opportunity to comment on the same.

Bharatnet essentially comprises of various initiatives aimed at digital empowerment, improving digital infrastructure and offering on-demand governance and services. From building broadband highways, easing mobile connectivity and mainly promoting e-governance, the Digital India mission's main aim is to bridge the connectivity gap between the rural and urban areas. Hence, It is important for the Government to leverage and make optimum use of all available resources, technologies to achieve the objective in the most effective manner by implementing the most suitable option to get the best results.

Our response to the issues raised in the Consultation Paper is as follows:

- 1. The "Report of the Committee on NOFN" has recommended three models and risks/advantages associated with these models. What are the other challenges with these models?**

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- 2. Do you think that these three models along with implementation strategy as indicated in the report would be able to deliver the project within the costs and time-line as envisaged in the report? If not, please elucidate.**

Response: It is evident that Govt. led project models are generally not implemented very effectively and in time bound manner due to inherent procedural delays and lack of accountability and multipoint responsibility. Moreover long and tedious tendering process and its evaluation, award allocation restrictions to LI bidder etc. are main factors for delays in Project execution. Hence we are of the opinion that there should be controlling authority empowered to take appropriate decision to execute the project in a much more effective manner and with full accountability.

The three models and the implementation strategy as indicated in the report will not be able to meet the project objectives in a timely and cost effective manner. This is because of lack of accountability at all levels in executing the project in a time bound manner. There is lack of visibility between the agencies going to build the project and those agencies going to utilize the services. There is no alignment of interest between the project management organization executing the project and that which is responsible for delivering and marketing the same for optimum utilization for the services. Moreover the quality of work to be monitored by multiple



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agencies and at multiple levels and locations is also a huge challenge for implementation of the project in timely and effective manner.

3. **Do you think that these three models along with implementation strategy as indicated in the report would be able to deliver the project within the costs and time-line as envisaged in the report? If not, please elucidate.**

&

4. **What are the advantages and challenges associated with the BOOT model?**

Response: Yes, the Boot Model as discussed in the paper will be more suitable for the implementation and speed up the project in a time bound manner. This model has definite advantages, as this model gives liberty to the implementing agency having autonomy and also gives incentive by giving it an opportunity to earn revenues from the project.

As multiple agencies are not involved, agency selected for implementation of the project has full freedom to implement the project in a time bound manner. This can be further improved by making additional provisions for providing incentives and dis-incentives linked to target completion.

Focus on core business, outsourcing the complete end-to-end management of the project to experts, incentives for immediate and large scale use of infrastructure built, end user service offerings would make the model attractive and successful.

Delay in RoW permissions and control of periodical payment of VGF could be main challenges of this model.

5. **What should be the eligibility criteria for the executing agency so that conflict of interest can be avoided?**

&

6. **Should there be a cap on number of States/ licensed service area to be bid by the executing agency?**

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7. **What measures are required to be taken to avoid monopolistic behaviour of executing agency?**

Response: The calculation on floor price is very important in order to take care of varied nature of difficulties in different LSAs. Accordingly the value of floor price will vary. Further, even in one LSA there could be more than one package depending on the level of difficulties in execution, operation, maintenance and revenue earning capacities.

Yes, there should be CAP on number of state/LSAs to be awarded to a single agency.

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To avoid the monopolistic behaviour of the executing agency, a properly defined regulatory framework having overall transparency and non-discriminatory access and pricing should be in place.

8. What terms and conditions should be imposed on the executing agency so that it provides bandwidth/fibre in fair, transparent and non-discriminatory manner?

Response: There should be a proper evaluation mechanism having weightage for different component of operations after the commissioning of the network. The payment of VGF during this period should be linked to the performance determined through this evaluation mechanism and should not be released automatically.

9. What flexibility should be given to the agency in terms of selection of route of laying optical fibre, construction, topology and deployment of technology?

Response: The flexibility should be given to the implementing agency for selecting of route and use of technology. However, agency should comply to the technical requirement as provided in the guidelines/tender documents.

10. What should be the methodology of funding the project? In case of VGF, what should be the maximum value of VGF for each State/ service area and what should be the terms and conditions for making payments?

Response: Detailed estimates based on the transparent assessment of various cost components during execution as well as the business potential after the completion of the project have to be worked out to arrive at different values of VGF for different areas/LSAs.

Payment of the VGF should be milestone based.

11. What kind of fiscal incentive and disincentive be imposed on the agency for completing the project in time/early and delaying the project?

Response: Fiscal incentive/dis-incentive should be inbuilt in the tender documents linked to the achievement of various milestones in a timebound manner. But, the delays not attributable to the implementing agency e.g. RoW/Govt. approvals where agency has no control should not attract any dis-incentives.

12. What should be the tenure/period after which the ownership of the project should be transferred to the Government?

Response: The tenure/period after which the ownership of the project should be transferred to the Government should be 30-40 years.

13. What measures should be put in place in case the executing agency earns windfall profits?

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Response: We are of the opinion that there are already enough checks and balances that exists in the system through regulations, tax laws, anti-competitive laws, monitoring agencies e.g. CCI etc. to take care of such eventualities.

14. Whether there is a need to mandate the number of fibres to be offered as a dark fibre to other operators to ensure more than one operator is available for providing bandwidth at GP level?

Response: Yes, atleast 60% of the dark fibre should mandatorily be allocated to the TSPs/ISPs/Cable service providers providing broadband services at the GP level in rural areas.

15. What measures are required so that broadband services remain affordable to the public at large?

Response: TRAI has the authority to regulate the tariffs and ensure that broadband services remain affordable to the public at large.

16. What safeguards are to be incorporated in the agreement entered between Government and executing agencies if RoW is not being granted to the executing agency in time?

Response: Govt. should the responsibility in facilitating the RoW with suitable by-laws, coordination and escalation mechanism to ensure that RoW is permission is not delayed by unreasonable period of time. But, in this process, executing agency has to ensure that the permissions are not adversely effected because of the conduct of the agency.

17. The success of BOOT Model depends on participation of private entities, which will encourage competition. What measures should be adopted to ensure large scale participation by them?

Response: To ensure large scale participation by the private sector in the process, the Govt. needs to provide an ambience of ease of doing business and providing potential long term business opportunities with adequate safeguards and protection to their investments and assured returns in a predictable and harmonious taxation regime, Revenue from broadband should be excluded from AGR for the purpose of license fee, SUC , etc. Further incentives in the form of Tax holidays for predetermined period can also be considered until reasonable mass of customers start using the services.

The terms and conditions of the participation should not be restrictive.

Q.18 Please give your comments on any other related matter not covered above

Our Response

Response: There may be a contingency plan by the Government to ensure that the areas left out of the boot model are entrusted to the PSUs.