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Subject ISP AI Response on the Supplementary Consultation Paper on Roadmap to Promote Broadband Connectivity and Enhanced Broadband Speed

Dear Sir,

We congratulate the Authority to have come out with this Supplementary consultation paper on the matter captioned above and sincere thanks for providing us the opportunity to submit our response on this important issue.

We have enclosed our comprehensive response for your consideration.

We believe that the Authority would consider our response in positive perspective and incorporate the ISPs concerns on the subject matter.

Looking forward for your favorable consideration.

Thanking you,

With Best Regards,
For Internet Service Providers Association of India



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Encl: As above

ISPAI Response on the Supplementary Consultation Paper on Roadmap to Promote Broadband Connectivity and Enhanced Broadband Speed

Q1: What should be the approach for incentivizing the proliferation of fixed-line broadband networks? Should it be indirect incentives in the form of exemption of license fee on revenues earned from fixed line broadband services, or direct incentives based on an indisputable metric?

ISPAI Response-

We do not support direct incentives-based method and are in favour of indirect incentives in the form of exemption of license fee on revenues earned from all types of fixed line internet access services. In our view, key reasons causing the incompatible offtake of Fixed Line Broadband thereby affecting the proliferation of fixed-line broadband networks are financial in nature.

- 1) We strongly recommend the exemption of license fee for a minimum period of five years or till the fixed internet access penetration increases to 50 crore connections.
- 2) License fee should be exempted on all types of internet access services including sub-broadband, broadband and Enterprise internet access which are fixed in nature and not capable of mobility.
- 3) Several ISPs are slapped with retrospective demands on license fee from non-licensed revenues particularly those being earned from services requiring authorizations from other Ministries, case in point being revenues being earned as Cable TV Operators or as MSOs. Such demands are hindering the new roll outs as ISPs are now forced to focus on license fee related demands and litigations.

Other reasons which are adversely impacting proliferation of fixed broadband and internet access services are as follows:

- 1) Lack of availability of Fiber due to ROW issues. India is fibre starved by almost 60% with Fiber requirement lagging at 2.68Mn Fiber kms against the required 7.5Mn Fiber kms. Like in many developed and developing countries, Structured Overhead Cabling be permitted using the Electricity Poles in all States of India. This will ensure cost effective fibre rollout quickly. ROW cost for overhead cables should be restricted to Rs 50 per electricity pole per annum.
- 2) Restricted access to building & complexes etc.
- 3) High requirement of capital expenditure and high cost of installation and maintenance of fixed-line network infrastructure.

Looking to the dire state of fixed line broadband/internet access penetration, we highly recommend for the indirect incentives approach for ensuring incentivizing all the service provider who have been instrumental in the proliferation of fixed-line broadband/ internet access services irrespective of the technology adopted / infrastructure created to offer the services as all have invested huge investments to build the fixed line networks.

Q2. If indirect incentives in the form of exemption of license fee on revenues earned from fixed-line broadband services are to be considered, then should this license fee exemption be limited to broadband revenue alone or it should be on complete revenue earned from services delivered through fixed-line networks?

ISPAI Response -

We recommend indirect incentives in the form of exemption of license fee to be considered for entire revenue generated from fixed internet access services including all such internet access services which are non-mobile in nature since this approach is simple and verifiable on the face of the financial statement.

Q3. In case of converged wireless and fixed-line products or converged services delivered using the fixed-line networks, how to unambiguously arrive at the revenue on which license fee exemption could be claimed by the licensees?

ISPAI Response -

It is submitted that the DoT' has already provided framework for segregation of revenue and cost vide its notification no GSR 782(E) dated 27.11.2002 to specify books of accounts and other documents via "Telecom Regulatory Authority of India Service Providers (Maintenance of Books of Accounts and other Documents) Rules, 2002" .

TRAI has also issued a regulation on Accounting Separation i.e. (The Reporting System on Accounting Separation Regulation, 2004)¹ for segregation of revenue and cost service-wise, product-wise and service area-wise.

Therefore, reporting of income through Accounting Separation from different services is already in place.

Q4. What should be the time period for license fee exemption? Whether this exemption may be gradually reduced or tapered off with each passing year?

ISPAI Response-

It should be for a minimum period of ten Years with scope for review by the Govt after 5 years and should have the objective of having fixed broadband/internet access penetration of 80% of the homes compared to current 8.9% .

Q 5. Is there a likelihood of misuse by the licensees through misappropriation of revenues due to the proposed exemption of the License Fee on the revenues earned from fixed-line broadband services? If yes, then how to prevent such misuse? From the revenue assurance perspective, what could be the other areas of concern?

And

Q 6. How the system to ascertain revenue from fixed-line broadband services needs to be designed to ensure proper verification of operator's revenue from this stream and secure an effective check on the assessment, collection, and proper allocation and accounting of revenue. Further, what measures are required to be put in place to ensure that revenue earned from the other services is not mixed up with revenues earned from fixed-line broadband services in order to claim higher amount of incentive/exemption.

ISPAI Response-

Please refer to our Response to Question No. 3. Furthermore, it may be noted that all ISPs are governed by various internal and external audits as stipulated under TRAI Act, DoT's License terms & conditions, Income Tax Act and the Companies Act.

We suggest following measures to ensure proper verification of service provider's revenue from the fixed broadband/internet access stream and accounting of revenue for the purpose of license fee:

- a. Those licensees having only ISP licenses/ authorizations i.e., standalone ISPs, are providing broadband/internet access services alone, therefore there would not be any issues in terms of verification of revenue pertaining to fixed-line broadband/internet access services.
- b. A lot of service providers have to compete against vertically integrated large players and have to buy telephony services under VNO licenses to compete effectively. Thus, for obtaining telephony resources these smaller players have to absorb these costs. To further expect the ISP to pay the AGR on the whole amount will kill ISPs players.

- c. Furthermore, voice to be bundled as a service, bought by an UL VNO already included AGR paid by the upstream NSO Access Provider. UL-VNO just needs to pay the difference on differential sales price if any.
- d. At the end of the day fixed broadband /internet access services are there only so that people can play IPTV, OTT and other applications. We cannot even imagine what future innovations will bring on the table. To include fixed broadband and internet access services in the AGR would be not appropriate. Also no AGR LF should be applicable on Value Added Services revenues provided using fixed broadband /internet access services by an ISP.
- e. In case of access of broadband services by subscribers through converged product , initially there should not be any imposition of license fee and decision can be reviewed once such converged services attain critical mass in the market. Any adverse action at the this stage will stifle the proliferation of such converged services.
- f. Further as suggested above, any wireless broadband/internet access service which is not capable of mobility should be treated as equivalent to fixed broadband / internet access service and should be exempted from the imposition of license fee.

Q 7. Is there any indisputable metric possible to provide direct incentive for proliferation of fixed-line broadband networks? What would be that indisputable metric? How to ensure that such direct incentives will not be misused by the licensees?

ISPAI Response-

To focus on addressing the supply side constraints and incentivize the creation of new infrastructure, by providing direct incentives to the fixed broadband/internet access service providers for creation of new infrastructure. This may also address the risks relating to disturbance of the level playing field and misappropriation of revenues. An indisputable metric could be the number of fixed broadband/internet access connections and/or the Fiber laid month-on-month.

Q8. What are key issues and challenges in getting access to public places and street furniture for installation of small cells? Kindly provide the State/ City wise details.

ISPAI Response-

Some of the Issues and Challenges associated with deployment of small cells and use of street furniture are given below:

- The most important issue hampering proliferation of small cells is the Right of Way (RoW) as the RoW permissions are granted by individual central, state, local government bodies.
- A single window clearance for RoW both for underground as well as overhead cabling with clear terms should be implemented. As proposed earlier NFO/SFO/DFO must be setup to speed up the RoW permission.
- Having one would help in simplification and expediting RoW approvals. Most metro cities have sky-rocketing RoW and reinstatement charges that prohibit laying and developing a fibre network. These charges are not standard and can vary even within city limits for certain cities.
- To make street furniture suitable for small-cell networks, it must be able to accommodate power, antenna, and associated cabling equipment. Small cell deployment requires approval for site acquisition, negotiation of fees with municipal corporations or other government bodies and availability of suitable backhaul and power at site. In this regard, there are no specific provisions for seeking permissions and applicable charges for deployment of small cells using street furniture at public places in majority of the Tower Infrastructure policies of various States and Union Territories
- Getting access to street furniture is also not be available with any one central agency. These vary from State to State or City to City. Putting in place a uniform, simple, and efficient process for granting access to street furniture for installing small cells is need of the hour.
- Granting access to public places like government buildings/railway stations/metro rail stations/ airports/ stadiums etc. and street furniture, such as bus stop shelters, utility poles, lamp posts or traffic lights, owned by municipalities, at reasonable cost could remove a significant hurdle in 5G site deployment.

Q9. How to permit use of public places and street furniture for the effective rollout of 5G networks? Kindly suggest a uniform, simple, and efficient process which can be used by States/ Local-Bodies for granting access to public places and street furniture for installing small cells. Kindly justify your comments.

ISPAI Response-

In first place, there should be common policy for all central government bodies, state government bodies and local authorities. And one central co-coordinator at each district level with direct supervision of DoT need to be created with precise timeline to grant permission for RoW.

Simplified rules are required in place of present practice of multiple approvals to allow access to the existing street furniture and other sites for speedy roll out of small cell sites and related equipment at public places. There should be nil/ minimal charges uniformly applicable across all public places within the State/ Union Territories. Further, there should be a specific statutes or laws that provide protection of small cell assets deployed on street furniture.

Q10. Which all type of channels of communication should be standardized to establish uniform, transparent, and customer friendly mechanisms for publicizing provisioning of service and registration of demand by Licensees?

ISPAI Response-

To establish uniform, transparent, and customer friendly mechanisms for publicizing provisioning of service and registration of demand by Licensees a common portal can be created to register the demand , and same can be shared with all service providers operating in that particular service area, by providing login to each service provider. This portal can widely be published in all media for consumer awareness.

Such transparency can lead to better demand assessment and future network planning in non-feasible areas.

Q11. Whether proliferation of fixed-line broadband services can be better promoted by providing Direct Benefit Transfer (DBT) to subscribers of fixed-line broadband services? If no, elucidate the reasons.

And

Q12. If answer to Q11 is affirmative, then:

- i. Should DBT scheme be made applicable to all or a particular segment of fixed-line broadband subscribers? Kindly justify your comments.**
- ii. If you recommend supporting a particular segment of fixed-line broadband subscribers, how to identify such segment of the subscribers?**
- iii. How to administer this scheme?**
- iv. What should be the amount of DBT for each connection?**
- v. What should be the period of offer within which individuals need to register their demand with the service providers?**
- vi. What should be the maximum duration of subsidy for each eligible fixed-line broadband connection?**

ISPAI Response-

As this option is not yet practiced, in our country, it is difficult to comment or recommend this option. However, we recommend Government should incentivize fixed- broadband/ internet access service providers by way of exemption of license fee, withdrawal of retrospective demands on license fee on unlicensed revenues, reimbursement of the capex and opex of network deployed in rural and urban areas from USO fund for offering services in subsidized tariffs etc.

Q13. Any other related issue.

ISPAI Response-

Other incentives like, creating local data centres, allowing sharing of active infrastructure can also work for increasing penetration. Effective utilization of infrastructure of PSUs, NOFN, with right pricing can help gathering momentum. For all Bharat Broadband OFC and PSUs OFC, leasing prices should be determined based on capacity built, and not capacity utilized. Utilization of office space available for data-centres, effective proliferation of internet exchanges can also help achieving desired results.