Recommendations of TRAI on reference made by the Ministry of Information & Broadcasting regarding issues relating to Phase-II Private FM Radio

The observations of the government are first set out in italics and TRAI's comments are indicated below the observations in normal font.

1) Method of licensing and licence fee structure:

(i) The TRAI's recommendation, with regard to adoption of closed bid tender system without any reserve entry fee and adequate penal provisions for withdrawal and with a provision for a waiting list, is considered to be susceptible to both pre-tender and post-tender cartelization and therefore can't be accepted. There is a case for prescribing a reserve entry fee, with sufficient withdrawal penalty to deter a non-serious bidder, from participating in the tender process.

a) *Reserve Price*: The need for a reserve entry fee only arises when a particular value is to be attached to a particular asset. The Reserve price then can be used as a guide as to whether to go ahead with the sale or not if the highest offer is below the reserve price. In the case of Spectrum, the entry fee is only a means of selection amongst competing bidders. The value of the spectrum depends on the use to which it is put. The value of the Spectrum could very well be zero in a town where there is no excess demand. If there is only one bidder and he decided to bid lower than the reserve price the implication would be that it is better not to utilize the spectrum than to give it at that price. The problem in the radio industry today is that at present the number of operators are very few and the spectrum is lying largely unutilized specially in smaller towns. In such a situation the prescription of a reserve price for the entry fee could only slow down the process of using the available spectrum for expansion of radio services – which is the primary aim of the FM Radio policy. **Accordingly, it is considered that there is no need for any reserve entry fee as has already been recommended.**

b) *Deterring Non serious bidders*: In paragraph 3.4 (b) of the recommendations the steps proposed to ensure that only serious bidders participate in the tender process have been indicated. The provision of a closed tender and specifying a waiting list would help in preventing the kind of speculative bidding

that characterised Phase I. The problem with stronger safeguards is that it would make it difficult for smaller parties to participate in the bidding process and therefore a stronger withdrawal penalty could also lead to fewer bidders and cartelization. However, Government's concerns can be addressed and speculative bidding prevented by the following proposal.

Instead of all applicants being requested to provide only 50% of the entry fees of phase I as earlier recommended, they may be asked to provide 50% of the amount bid as a demand draft along with their bids. This will be refunded if the bidder is unsuccessful. If the bidder is successful he will have to pay the balance 50% within 7 days of his being informed that his bid has been accepted. The amount will be forfeited if the applicant fails to complete the remaining steps and set up the radio station. In order to ensure that this does not affect the capability of smaller parties to bid, the bidding may be done on a staggered basis with a provision that unsuccessful bidders can get back their demand drafts within a week's time and then bid for the next round .

It may, however, be noted that while discussing the alternatives for licence fee structure, it had been recognised that if the entry fee is to be the basis of the annual licence fee, then there would need to be a reserve price as well as bank guarantees for the bid amounts to prevent cartelization.

It must be emphasised that the revenue angle should always be kept as secondary and the attempt should be to maximize competition and the number of frequencies made operational. If in this process there is some apparent loss of revenue, this should be ignored, since in the long run with greater growth annual revenues would in any case increase.

(ii) The recommendation in respect of eligibility criteria with specific reference to withdrawal of court cases by phase-I bidders needs further examination in this Ministry, in consultation with Law Ministry.

This requires no comment from TRAI.

(iii) TRAI's recommendation for annual licence fee @4% of gross revenue is found unacceptable on the following grounds:

- *The revenue earnings of a radio operator are expected to be in the form of advertising revenues, which are un-metered, unlike the earnings of a telecom service provider. In many cases, it would be difficult to segregate the earnings accruing on account of radio operations, in case the licensee company has other business activities, as in the case of SUN TV. Two FM licensees of Phase-I, viz., Hitz FM and India FM, have contracted out the advertising time to a third party, where the advertising revenues are paid to the third party by the advertisers and only a portion of the same are ploughed back to these companies. This arrangement has a great potential of under reporting of revenues by a company.*

- *In the case of private FM radio operations, about 300-400 licensees could be anticipated for 100 centres, making the task of getting the correct picture about gross revenue far more complex and time consuming. Thus, revenue sharing arrangement is likely to be cumbersome to administer on the above grounds and also considering the propensity of the licensees to move law courts at each stage, whereas fixed licence fee regime could be much simpler to administer.*

- *Further,* ***the adoption of the licence fee @4% of gross revenue would result in a steep decline in revenues to the government,*** *going by the trends of earnings in the previous two financial years. As per the revenue figures quoted in TRAI's report, 4% of revenue earnings of all the private radio players come to Rs.1.92 crores for 2002-03 and Rs.4.63 crores for 2003-04; as against the current annual revenue of more than Rs.100 crores. TRAI has not provided the analysis of the nature of losses incurred by various operators. It is also not clear as to whether or not all the licensees have suffered losses. This input could have provided some basis to arrive at the optimal annual licence fee.*

The following comments are made in respect of these observations:

a) The cases referred to by the Government have taken place without any accounting safeguards being in place. Since the license fees in the present regime is based on the entry fees such safeguards are not necessary. Moreover at present since there is no revenue share such underreporting has no impact on Government revenues. It has already been recommended that there should be accounting separation so that for each licence there are separate accounts. In addition it has been proposed that the Government should have the right to get the accounts audited annually by the C.A.G. These safeguards should be enough and any attempt to artificially take out revenues from the company through agencies and third parties can be controlled by including these agencies' commission in the revenue of the licensee for the purpose of computing revenue share. One of the ways that advertising revenues can be under reported is by appointing an agent for collecting advertisements and then paying such agency heavy commission. However, this amount can be capped on the basis of an industry norm. Thus, in South Africa, the license fees has been fixed as 1% of the turnover less agency fee and other deductions upto a maximum of 20%. In the Indian industry it is understood that the agency commission norm is 15%. **Accordingly it is recommended that the maximum permissible agency commission may be fixed as 15% of gross advertising revenue and this limit may be specified in the license agreement to ensure that there is no wrongful loss to the government.**

b) It is quite true that the revenue share arrangements are more cumbersome administratively and this has been recognised in the recommendations. However, administrative convenience cannot be the only criterion. The revenue share mechanism allows revenue to grow with business and therefore this is a more desirable licence fee structure, for an industry that the Government is trying to grow and where an earlier entry fee structure has severely constrained growth. In the case of Income Tax the income of over 3 crore assesses are scrutinized – the administrative difficulties faced in this process has not led to the Government abandoning this tax. Once a large number of licensees are in position, the revenues would also grow accordingly and a part of these can be ploughed back for specific administrative arrangements to handle such a large volume of work. This would in any case be required for various issues relating to disputes, litigations and other issues concerning the interface between the licensees and the licensor. The investment in this sector by virtue of large number of stations being set up, will bring its own benefits. Besides, the telecom

experience has clearly shown that an initial low fee structure is a win-win situation. The figures of Central Government revenues from the Telecom Sector under different license fee regimes (given in Annexure-IV to the recommendations) establish this assertion.

c) The objective of recommending a licence share of 4% of gross-revenue is to bring down the burden on the industry and naturally this would lead to a decline in the revenues of Government. It needs to be strongly emphasised that the current revenues of more than Rs.100 crores per annum are not sustainable as indicated in the section on licence fee structure in paragraph 3.4 of the recommendations and in the table at Annexure-I to this note. The table attached as Annexure-I to this note indicates the revenue, expenditure and loss figures reported by the various licensees. It may be noted that in the case of ENI Ltd and Music Broadcast Pvt Ltd separate accounts are not available for separate licences. In the case of Sun TV and Udaya TV, accounts are not available separately for the radio business and therefore the loss on account of the radio operations cannot be determined. The important point to emphasise is that all licensees have made a loss and that in aggregate this loss is more than the existing licence fee. Of even greater significance is the fact that out of the 108 frequencies put on bid only 21 are today operational and of these two have also given notice to close down. This clearly indicates that with the present levels of license fees it is unlikely that existing broadcasters will be in a position to continue their operations for a long time. The notice of closure given by a Private FM Radio Broadcaster has been given with the pre-condition that the notice would be effective if migration to a viable alternate license fee regime is not brought into force by 15th November 2005. Thus, the existing operators have started opting out of the Industry due to unsustainably heavy burden of License Fee.

This is not to suggest that the only problem is with the level of license fees. Allowing News and Current affairs will also boost listenership and thus revenues. Networking will also cut costs and boost profitability. What is needed is to increase the number of stations that are operational. If companies make large profits due to the lower license fees then this can always be mopped up by corporate tax. On the other hand if the license fees is kept very high, there will neither be revenue through license fees or corporate tax nor will there be any development of the radio industry. In this connection attention is again invited to Annexure IV of the

recommendations which gave the experience of the telecom industry – how despite reductions in the license fees government revenues had grown. Such growth may not take place in the FM radio industry but would allow a flourishing and growing FM radio industry, which would grow 'communication' in the society, having its own benefits and would also bring huge investments in the sector, bring benefits to the economy and higher returns to the Government through other taxes.

d) The loss made by the existing operators is only one of the factors to be considered. The more important issue is to have a more rational licence fee structure which is not co-related to the entry price, but which allows the licence fee to move along with the increase/decrease in business making a better business case for the industry.

(iv) TRAI has not recommended any Performance Bank Guarantee (PBG) for the entire licence period, to safeguard the interest of the government.

Performance Bank Guarantee had not been recommended for the entire licence period since this imposes an unnecessary cost. In its place what has been recommended is that the revenue share payments should be made every quarter in advance. If thereafter there is any default, Article 12.1 of the Licence (Schedule 'C') can be used to terminate the licence – in which case the licensee would lose his investment, the entry fee and the licence fee already paid. At present as has been indicated in (i) above there will be no PBG and a cash deposit would be taken for the entry fees. In such a situation it is hardly likely that any licensee would default, specially since the license fee would now be a small amount based on the formula of 4% of the revenue share.

2) <u>Migration of Phase-I licensees to the revised Phase-II regime:</u>

All the issues mentioned above are relevant here as well. It would have helped matters if TRAI had provided an analysis on the nature of losses, giving clear position on the following:

- *Number of licensees, who are currently running into losses and have no chances of breaking even in the foreseeable future.*

- *Whether the business model, adopted by the loss making licensees has also contributed to the non-viability of radio operations or in other words, whether there was any scope for reducing operational expenses to make the business viable.*

- *Details of licensees who have actually not incurred any loss.*

a) The table at Annexure-I to this note gives details of the loss made by the licensees. It would not be possible for TRAI to indicate whether operational expenses can be reduced or for that matter for revenues to be increased without going into the details of the entire industry which would be a very time consuming and an unnecessary exercise, since the lack of business case can be clearly proved by Annexure-I to this note and the fact that most of the FM stations in Phase-I either did not start or are getting closed. If the present system was one that allowed large number of players to enter, the result of the Phase I would have been different - the very fact that only about 20% of the frequencies could be operationalised tells its own story. Secondly, not enough frequencies were put on bid in the smaller towns and this led to the peculiar result that in one case the bid amount was higher in a small town (Tirunelveli:Rs.5.10 crores) than in the nearest metro(Chennai:Rs.3.30 crores). Moreover, this is not a standardized or stable industry yet where costs can be closely linked to objective technical parameters. Projections can be made based on certain assumptions which can always be questioned. Past experience is also very limited as accounts are available for only one year for the large income earning stations. The essential point that needs emphasis in considering a migration package, is whether or not it would be desirable to allow the existing

operators to move to the new system. As has been indicated in the recommendations, it is always desirable to have one system.

It is for these reasons that recommendations have been made to:

i. change the license fee structure- divorcing the annual license fees from the entry fee

ii. change the bidding system from a multiple round auction to a one time closed bid

iii. increase the number of frequencies being put on bid with a minimum of two in smaller towns

With these changes it is expected that the entire structure of license fees will change. For the reasons already indicated in the paragraph 13.4 of the recommendations, it would be fair to allow the Phase I operators to migrate if they consider it desirable regardless of the level of losses being made presently.
b) The various options considered in the recommendations regarding migration of existing licensees to the new regime (under the heading 'Cut off date' in paragraph 13.4 of the recommendations) included three options of automatic migration for existing licensees (options I, II and III with different cut-off dates). While Option I had not been recommended at all being an extreme, Options II and III had been recommended for consideration if Option IV is not found desirable by the Government on account of losing gains already made in Phase-I. Adoption of Option II or III would necessitate collection of entry fee of Phase-II

from the existing operators. Since, the Government has not conveyed any objection to the recommendation about the successful bidders having to pay the entry fee as per the amount bid by them, it is presumed that this recommendation is acceptable to the Government. Thus, the entry fee for any location would not be fixed but would be different for different bidders. In such a case the entry fee payable by the existing operators could be fixed as: -

(i) the highest amount bid or

(ii) the lowest amount bid or

(iii) the average amount of the accepted bids.

It is believed that the highest or the lowest bids would be extremes and not representative of the true value of the license for that city. Therefore, **it is clarified that in case the Government adopts Option II or III mentioned in the recommendations regarding migration of existing licensees to the new regime, the existing operators would be required to pay the average amount of the accepted bids of Phase-II apart from paying all the dues payable under Phase-I license till the cut-off date. Where there are no bids the migrating licensees may be asked to pay the reserve price for Phase I .**

c) Given the fact that less than 5 months are left for the current financial year, the possibility of using 1-4-2004 as the cut off date in Option IV is now remote. At the same time there has been no indication of any improvement in the finances of the existing licensees. Government have asked whether the business model adopted by the licensees have contributed to the losses. Irrespective of the answer to this question the broad direction should be to keep entry costs low and provide as much flexibility as possible to allow operators to choose the business model that suits them the best. It would be difficult for TRAI to estimate when the existing licensees can break even and to what extent this is caused by the business model and to what extent this can be cured by the changes in the regulatory regime. However, on the basis of the trends available till now it does not seem possible that operators would make profits in the near future. This is

why two notices of closure have been given. As time passes, the burden on the existing licensees will increase specially the smaller companies and the achievements of Phase-I could get eroded. In order to maximize competition it should be ensured that even the smallest licensee has a business case. In this context, in case a final decision is going to take time, and prescribing the cut off date as 1-4-2004 under option IV gets ruled out TRAI has also looked at the other possibilities which have been suggested by the existing operators.

d) One possibility is to allow migration but not to allow any extension of the license. If this approach is to be followed then a cut off date should be prescribed. It is suggested that in this model the cut off date should be 1-4-2005. Thus if an operator has already completed two years on the date of cut off, then the license would be valid only for another eight years. If this model is to be adopted operators will get the balance tenure of 10 years (in the above example - 8 years) plus the automatic extension of five years as already suggested in section 3.4 of the recommendations. This extension of five years should be on the existing terms and conditions with no additional payments, as would be the case for Phase II licensees. Given the delay in cut off and the reduced license period no additional entry fee should be payable as envisaged in option II and III of the recommendations.

e) The other possibility is to allow migration without the operators paying the full amount of Phase II entry fees but only the difference between the Phase II entry fees and the license fees already paid under Phase I plus an amount for the period of the license under Phase I that has expired. Thus under the example of the case referred to above if the licensee has paid 12 crores for the first two years and the average of the Phase II bid price comes to Rs. 20 crores then the licensee has to pay Rs. 8 crores plus an amount for the use of the license for the first two years. This has been suggested by the operators as either based on the reserve price of Phase I or the new bid for the entry price of Phase II.

f) Considering the present situation and to prevent further closures in view of the position brought out at sub para c) above it is necessary to take an urgent decision on the final migration package so that operators can plan their future operations. The option suggested at d) above has the simplicity that no additional payments need to be made except the annual revenue share. The option at e) above means lower payments than what has been recommended earlier by TRAI under Option II or Option III. The advantage of this approach is that the cut off date becomes irrelevant. However, if rebidding is to be avoided and there is going to be automatic migration to protect the existing investments then it would appear to be fair that the existing licensees should be asked to pay the full Phase II entry bid price and allowed to migrate from 1-4-2004 for a full tenure of 10+5 years. The operators under this option would get the following benefits:

- Reduction in the annual license fees
- A full tenure of 10+5 years
- No uncertainty in bidding for Phase II

These benefits have to be weighed against the losses incurred by them in implementing their bids and keeping up their side of the contract. In addition note has to be taken of the fact that since July last year there has been some expectation of reform and change in the licensing conditions. As has already been recommended by TRAI Option II (with the entry price defined as per sub para (b) above) would be the best option of ensuring protection of the Phase I investments. This would imply that an operator wishing to migrate to the Phase II conditions should pay the following:

(i) the difference between Phase II average bid for the entry fee (or the reserve price for Phase I if there is no bid) and the amount of license fees already paid for the financial year 2004-05 (including the amount paid in 2003-04 adjusted on a pro-rata basis for the number of days in

2003-04 as on 1-4-2004 i.e. if a licensee has paid Rs. 10 Crores on 30-9-2003, then of this only Rs. 5 Crores is due for 2003-04 and he would get a credit of Rs. 5 Crores as on 1-4-2004 for adjustment against the entry fee payable on migration. Similarly if the payment was made on 30-6-2003, then Rs. 2.5 Crores only would be the credit.) as and when the bids are completed

(ii) an amount equal to 4% of the revenue for 2004-05 along with the payment at (i) above

(iii) an amount equal to 4% of the revenue for the remaining years to be paid as and when it falls due.

In the meanwhile till the bids are decided the licensees should keep their Bank Guarantees alive and make whatever payments may be ordered by the TDSAT or courts since the current dues are now in the process of litigation.

3) Ownership issues:

The TRAI's recommendation with regard to multiple licences in one centre and the total number of licences at the national level is likely to create monopoly and therefore is not acceptable. The matter requires to be considered in the light of the observations of Supreme Court in the case titled ***Union of India through Secretary (I&B)-vs.-Cricket Association of Bengal.***

The Supreme Court has held in the above cited case that: -

- The airwaves can be used by a citizen for the purpose of broadcasting only when allowed to do so by a statute and in accordance with such statute.

❖ The free speech right guaranteed to every citizen of this country does not encompass the right to use these airwaves at his choosing. Conceding such a right would be detrimental to the free speech rights of the body of citizens in as much as only the privileged few powerful economic, commercial and political interests- would come to dominate the media. By manipulating the news, views and information, by indulging in misinformation and disinformation, to suit their commercial or other interests, they would be harming – and not serving – the principle of plurality and diversity of views, news, ideas and opinions.

❖ Diversity of opinions, views, ideas and ideologies is essential to enable the citizens to arrive at informed judgement on all issues touching them. This cannot be provided by a medium controlled by a monopoly – whether the monopoly is of the State or any other individual, group or organisation. As a matter of fact, private broadcasting stations may perhaps be more prejudicial to free speech right of the citizens than the government controlled media.

❖ Monopoly of this medium (broadcasting media), whether by Government or by an individual, body or organization is unacceptable.

Thus, the Supreme Court has ruled that **the right of free speech guaranteed by Article 19 (1) (a) does not include the right to use airwaves**, which are public property and conceding such a right would be detrimental to the free speech rights of the body of citizens in as much as only the privileged few powerful economic, commercial and political interests- would come to dominate the media.

The judgment **permits use of airwaves by a citizen for the purpose of broadcasting only when allowed to do so by a statute and in accordance with such statute** and what it prohibits is a right to utilise airwaves at his choice and pleasure and for purposes of his choice including profit. Such a prohibition has been placed to prevent the privileged few powerful economic, commercial and political interests from dominating the media.

Therefore, the judgment has sought to prevent unregulated growth of monopolies in the broadcasting industry under the garb of the right of free speech guaranteed by Article 19 (1) (a) of the Constitution. By reaffirming the right of a citizen to use the airwaves for the purpose of broadcasting, when allowed to do so by a statute and in accordance with such statute, the Supreme Court has permitted regulated growth of Broadcasting Industry.

The judgment seeks to prevent monopoly of broadcasting media by Government or by an individual, body or organization. Towards this objective, restrictions on multiple licenses and monopoly control were recommended (under heading 'Multiple Licenses and Monopoly Control' in paragraph 4.4 of the recommendations) in line with the Mitra Committee's recommendations on both the number of licences that can be issued to one entity in one city as well as nationally. With these restrictions it would not be possible for any monopoly to exist – it could only lead to some concentration of market share, which is not the same as monopoly. Further, unless multiple licences are provided, it is unlikely that there would be a wide variety in the content made available. This has already been recognized in the recommendations and needs to be re-emphasised. **Therefore, for these reasons, the earlier recommendations (as given in paragraph 4.4 of the recommendations) are reiterated.**

It is important to prevent the emergence of monopolies and concentration of ownership. Control of monopoly through sectoral restrictions does not appear to be the correct method. It is for this reason that it had been recommended (under heading 'Multiple Licenses and Monopoly Control' in paragraph 4.4 of the recommendations) that the issue of cross-ownership of media should be looked at and a policy evolved so that monopolies do not emerge in news dissemination. As has already been indicated in the recommendations this issue should be de-linked from Phase II and formulation of this policy should not delay Phase II.

4) Networking:

Unfettered networking as suggested by TRAI could lead to minimization of local content and emergence of virtual national networks and, therefore, this recommendation in its present form is not acceptable.

Networking has been permitted in a restricted manner and not in a unfettered manner. The following restrictions have been recommended (in paragraph 7.4 of the recommendations):

- No networking within the same city.
- No networking should be permitted across licences except on special occasions.

Thus, networking would only be permitted between stations of the same licensee located in different cities. In other cases this can only be done with the prior permission of the licensor. If a large number of licences are provided to ensure competition and such networking is used by a licensee to provide content which is not popular, competition would automatically restrict the extent of networking. Moreover since a cap of 25% of nationwide licenses has been recommended as the maximum that one entity can get, no one licensee can get a national license through networking. Further, as already indicated in the recommendations networking can bring down costs and expenditure, and thus expand the reach of FM Radio rapidly. **Accordingly, the Authority reiterates its recommendations on networking.**

Annexure-I

(Amount in Rs. Lakhs)

Statement of Revenue and Licence Fee of FM Radio service providers(Circle-wise)

				2002-03				2003-04			
SL NO	**Name of Company**	**Circle/ City**	**Date of Operation**	**Revenue**	**Expenditure**	**Loss**	**Licence Fee**	**Revenue**	**Expenditure**	**Loss**	**Licence Fee**
1	**Entertainment Network (India) Ltd***			2099	6120	-4021	2570	5695	8627	-2932	3471
		Delhi,	29.4.03								
		Calcutta	3.5.03								
		Chennai,	5.5.03								
		Mumbai,	23.4.02								
		Ahmedabad	10.12.01								
		Indore,	1.10.01								
		Pune	1.5.02								
		Bhubneswar	deemed								
		Jabalpur	deemed								
2	**India FM Radio Pvt Ltd****	Calcutta	3.5.03	1.03	1.70	-0.67	0.00	26.14	403.03	-376.90	100.45
3	**Radio Today (Delhi) Broadcasting Ltd**	Delhi	29.4.03	0	427	-427	425	626	1141	-515	293
4	**Radio Today (Mumbai) Broadcasting Ltd**	Mumbai	26.6.02	74	1500	-1426	900	313	1923	-1610	1110
5	**Radio Today (Calcutta) Broadcasting Ltd**	Calcutta	3.5.03	0	63	-63	63	226	401	-175	41

(Amount in Rs. Lakhs)

SL NO	Name of Company	Circle/ City	Date of Operation	2002-03 Revenue	2002-03 Expenditure	2002-03 Loss	2002-03 Licence Fee	2003-04 Revenue	2003-04 Expenditure	2003-04 Loss	2003-04 Licence Fee
6	**Music Broadcast Pvt Ltd**			1973	5666	-3694	2653	3771	7362	-3591	3423
		Delhi	29.4.03								
		Bangalore	28.6.01								
		Lucknow	10.12.01								
		Mumbai	21.5.02								
7	**Millenium Broadcasting Pvt Ltd*** **	Mumbai	29.4.02	384	1478	-1095	891	317	1586	-1269	1110
8	**Hitz FM Radio India Pvt Ltd**	Calcutta	3.5.03	1.44	0.59	0.85	0.00	94.89	449.97	-355.09	91.67
9	**Radio Mid-day West (India) Ltd**	Mumbai	9.5.02	276	1389	-1114	874	398	1610	-1212	1111
10	**M/S.Sun TV********	Chennai	5.5.03								
		Coimbatore	7.3.03								
		Tirunalveli	7.3.03								
11	**M/s.Udaya TV********	Vishakapatnam	6.2.03								
	Total	**24 stations*******		**4808**	**16647**	-11839	**8377**	**11467**	**23503**	-12036	**10751**

* The license fee includes fees for deemed operational centres also. However revenue & expendture do not include deemed operational centres. Conditional notice of closure given for Pune Station on November 16, 2004.

** unaudited figures.

*** stopped broadcasting activity from April 29, 2004.

**** No accounting seperation as such their figures not taken into account.

***** includes 2 deemed operational centres.