

\ Comments on the views of Government on TRAI's VSAT recommendations

Sl. No.	Recommendations of TRAI	Views of Government	Comments of TRAI
	<p>Entry fees: An entry fee of Rs. 30 lakhs to discourage non-serious players and also not to put any avoidable financial burden on serious players. This entry fee, however, will be utilized towards the prescribed per VSAT license fee and surcharge where applicable, as the roll out takes place.</p>	<p>The entry fee of Rs. 30 lakhs recommended by TRAI should be non-refundable /non-adjustable.</p>	<p>The concept behind such a fee structure is that non-serious players are discouraged and no avoidable financial burden is placed on serious players. Since additional charge for each year of delay in commissioning of the service is stipulated, TRAI is of the opinion that by not allowing the sum of Rs. 30.00 lakh to be adjusted towards the license fee, the service will be made avoidably expensive. This will also act as an entry barrier to entrepreneurs who can not afford to set apart such a big amount. Adjustment of entry fee towards license fee and surcharge wherever applicable is a step in the direction of making the service more affordable and the Authority would therefore, like to reiterate its recommendation in this regard.</p>
	<p>License fees: A license fee per VSAT for basic rate bearer service i.e. for 64 Kbps:-</p> <p>i) 500 VSATs – Rs. 20,000 per VSAT per annum, with a minimum of Rs. 30 lakhs per annum#</p> <p>ii) 501 to 1,000 VSATs – Rs. 15,000 per VSAT per annum, with a minimum of Rs. 100 lakhs per annum</p> <p>iii) Above 1,000 VSATs – Rs. 10,000 per VSAT per annum, with a minimum of Rs. 150 lakhs per annum</p> <p>#The amount of Rs. 30 lakhs, which is stipulated as the minimum license fee also, serves the purpose of an entry fee.</p>	<p>The license fee recommended by TRAI is dependent on the following four factors – Number of VSATs (slab), Data rate, type of terminal and nature of the orbit. The implementation of this would be very difficult. The past experience of verification of number of VSATs has posed serious practical difficulties, as visiting the hub station of each licensee for doing the exercise is not practicable. Moreover, charging differently for different data rates for the VSATs in the same network is also difficult to implement. Another problem is of distinguishing and verifying the number of Receive Only VSATs.</p>	<p>In the opinion of the TRAI, a revenue share @15% which has been proposed by the DOT is not in line with the license fees presently being stipulated for other telecom operating licenses being issued by the Government. Even the license fee for basic and cellular telecom services have now been reduced to 8%, 10% and 12% of revenue in C, B and A circles respectively. At a level of 15%, the license fee for VSAT service will work out to be the highest in the Telecom sector and considering the present state of this subsector of the industry, this is too much on the higher side.</p> <p>As regards its being stipulated as a percentage of the revenue in terms of NTP'99, the authority's view is that while NTP'99 prescribes a share of the revenue, it does not stipulate that it should necessarily be expressed in terms of percentage of revenue. Any payment out of revenue earned is</p>

Similarly, identification of VSATs operating on an inclined orbit satellite is not easy. Further NTP'99 also contemplates licence fee in the form of revenue share even for VSAT licenses.

In view of the reasons cited above, and also the fact that voice is allowed and it is proposed to allow data rates upto 512 Kbps it was felt that a revenue share of 15% would be a better option. The definition of revenue would be the same as in other licenses.

quite clearly sharing of revenue and, therefore, the mode of sharing should be decided based on the merits of each case. The Authority is of the view that the license fee structure recommended by it for VSAT operators is reasonable, practical and implementable.

The structure recommended also provides good incentive to the operators for expanding their network infrastructure which in turn will encourage them to offer higher bandwidth services to users. If through such incentive the network gets expanded, it will reduce the cost of service to the consumer due to economy of scale and scope. At the same time, he will have greater incentive to use transponder capacity in an optimal manner.

The Authority is, therefore, of the opinion, that it will be beneficial to all stake holders, to introduce a license fee charged on the basis of per VSAT, rather than as a percentage of revenue. Similar basis has been adopted for private networks which are identical in architecture & therefore if it can be operationalised for such networks, there is no reason to believe that it cannot be operationalised for public VSAT networks. The Authority does not find itself in agreement with the view that verification of number of VSATs will pose a problem.

Since revenue is dependent also on the level of traffic, which in turn is reflected in the bandwidth requirement, a component of license fee should be linked to bandwidth. Hence, in addition to the number of VSATs, the license fee structure should have a component to reflect the bandwidth of the bearer services in the CUG networks. It needs to be appreciated that greater is the

bandwidth of the bearer services, richer will be the tele and supplementary services derived from the CUG networks. The consequent revenue generation will naturally be higher.

All VSAT systems have a computerized Network Management system (NMS) as an integral part of the hub, which by suitable man-machine command can output the relevant information for computation of the license fee based on the number of VSATs. A printout generated by the system can be relied upon, backed by random checks by the Licensor, if considered necessary.

It may be added in this context that the license fee structure in most countries is not as a fixed percentage of revenue but on per VSAT basis with a minimum amount for each year depending upon number of VSATs in operation. Some countries are even following the policy of levying a flat fee.

In view of the foregoing the Authority strongly feels that the recommendations made by it in regard to the structure of the license fee for VSAT operations are reasonable and can be implemented. More importantly it is designed to provide fillip to growth of VSAT operations/services in the country. It is also in line with the practice followed in most countries which have developed VSAT based network and service. The Authority, therefore does not consider that any change in its recommendation regarding License fee structure is called for.

<p>Surcharge for higher data rate: An additional license fee be charged in the form of a surcharge per VSAT for higher than basic (64 Kbps) bearer service on the CUG at the following rate:-</p> <p>i) Above 64 Kbps and upto 128 Kbps – Rs.10,000/-</p> <p>ii) Above 128 Kbps and upto 384 Kbps - Rs. 20,000/-</p> <p>iii) Above 384 Kbps and upto 512 Kbps – Rs. 50,000/</p>	<p>Covered in para 2 above.</p>	<p>As explained above.</p>
<p>License fees for receive only terminals: No license fee to be charged for Receive Only terminals. Use of these terminals to be encouraged in order to reduce the costs of distance education, dissemination of news and important messages, document delivery, telehealth and other public services etc.</p>	<p>Covered in para 2 above.</p>	<p>The identification problem of receive only terminal as envisaged by DOT can also be tackled in a similar way as suggested above. The Authority therefore, would like to reiterate its earlier recommendation in this regard. It is firmly of the opinion that Receive only VSATs should not attract any license fee so that these can be used extensively for the purpose of spread of tele education and tele medicine applications in rural and remote areas. It will also provide strong base for disaster management. These VSATs, therefore, need to be encouraged and should not be seen as a source for Govt. revenue. In the course of open house discussions too this issue was brought up and most experts stressed the need for adopting social policy objective in this regard and not to levy any license fee on Receive only VSATs.</p>
<p>License fee for Inclined Orbit Operations: A 25% discount be applied to the per VSAT license fee and also for the hub fee. However, the minimum amount payable i.e Rs. 30 lakhs, will remain unchanged.</p>	<p>Covered in para 2 above.</p>	<p>As explained above.</p>

<p>Rollout obligation: A minimum rollout obligation of 5 VSATs along with the hub within one year of the grant of license to be stipulated in the license. In the event of failure to fulfil the rollout obligation, the licensee will be obliged to pay an additional entry fee of Rs. 10 lakhs for delay upto 1 year and another Rs. 10 lakhs if the delay is more than 1 year but less than 2 years. If the rollout obligation is not fulfilled by the end of two years, the license would be terminated. The first tranche of Rs. Lakhs may be taken as a bank guarantee together with the entry fee. If the service is commissioned within the 1st year, the bank guarantee should be returned. If the service is yet to be commissioned at the end of one year, an additional bank guarantee of Rs. 10 lakhs should be taken from the licensee and the first bank guarantee encashed.</p>	<p>Accepted. However, the two Bank guarantees of Rs. 10 lakhs each against rollout obligation recommended by TRAI should be taken at the time of signing of the license agreement.</p>	<p>To check the entry of non serious players, there is an entry fee of Rs.30 lakhs. Further safeguards for timely roll out of networks are these two bank guarantees of Rs.10 lakhs each for the first year and second year roll out plan. Keeping this in view, the Authority does not consider it necessary to modify its recommendation in this regard. It needs to be kept in view that the main intention behind the recommendation is that serious service providers are attracted and that licensing requirements do not ask for such heavy financial commitments which is not easy to fulfil. These would act as unwarranted and avoidable barriers to entry.</p>
<p>Definition of CUG: The definition of CUG should be enlarged so as to allow formation of large group by joining smaller groups of the same class of users having community of interest such as groups of banks and technical institutions, health service providers, groups in the business of transportation, educational institutions and libraries and similar other groups which while retaining their separate group identities can together form a larger group with a wider community of interest. In such situations a number of CUGs may be seen as together forming a larger group serving a common interest. VSAT networks in such CUGs may be allowed</p>	<p>The enlargement of the definition of CUG in the manner proposed by TRAI would virtually enable formation of a parallel long distance network, as it would be difficult to deny interconnection between any CUG. Also, we are permitting the transmission of voice traffic on the CUG networks. However, the interconnection can be permitted or enlargement of the CUG can be considered on a case to case basis by DOT so that the possibility of formation of a parallel long distance network can be avoided.</p>	<p>While interconnection may be permitted on case to case basis, the requirement of such permission must not result in denial of interconnection between two CUGs networks where community of interest exists. The permission must therefore, come within a reasonable time, say, not more than a month and where it is denied the reasons must be communicated to the party seeking the permission. A mechanism for review of the denial of permission would also needs to be provided.</p>

to interconnect so that the reach and the utility of the pooled network and the available bandwidth with them is optimally utilized.	Also, the option to become an NLDO or an Infrastructure Provider category II is open to the VSAT operator.	
Interconnection with other networks: Interconnection with PSTN is not to be permitted	Accepted	
i) Networks of other VSATs – May be permitted by mutual agreement.	Accepted but the network should be owned by the same organization/Company	This restriction of owning the network by the same organization / company is not considered desirable as this will defeat the basic purpose of interconnection of CUGs. Two CUGs with clear community of interest should have the freedom of interconnectivity notwithstanding the fact that their respective networks may have been provided by different VSAT network operators. Inter-connectivity may be permitted by mutual agreement as originally recommended.
II) Terrestrial data lines leased by customers of VSATs- May be permitted provided it is not connected to the PSTN network.	Accepted provided the network approval is given by the leased line provider	As long as the leased line used by the customers of the VSAT operators is not connected to the PSTN network, it should not be necessary for the VSAT operators to obtain any kind of network approval from the leased line provider.
iii) VAN operators- May be permitted by mutual agreement. However, it should be ensured that the CUG character of the service is not changed by such connectivity. In other words connectivity should be permitted when a clear community of interests is perceived between the two networks connected.	This cannot be permitted in view of the fact that this would change the CUG character of the service.	The Authority does not agree with the viewpoint expressed by DOT. VAN is a specialised CUG and connectivity between two VANs does not change their CUG character as long as there is clear community of interest between them. The Authority's recommendations aim at enlarging the scope of the CUG and not at changing its character. The enlarged scope of CUG will result in better utilisation of the network and add further value to it. Any change in the recommendations regarding connectivity between VANs is therefore, not considered necessary.

	All the interconnections with (i) networks of other VSATs (ii) terrestrial data lines of a public nature, (iii) overseas office of CUG for data transfer purposes and (iv) Internet, would be through the hub.	
Captive VSAT Networks: The concept of revenue earned through VSAT services does not apply in a private network, although the authority feels that it is desirable to being a common basis to charge license fee for both type of VSAT networks i.e for captive and for shared hub VSAT networks. Thus, it will be easier to implement a license fee charged on the basis of per VSATs are used both for private networks as well as for shared hub networks.	As regards captive VSAT networks are concerned, the present arrangement of charging Rs. 16,000/- p.a. per VSAT may continue as the concept of revenue is not applicable in this case.	In the interest of a level playing field between private network owners and public VSAT network operators, the basis of license for both kind of networks has been recommended to be the same. While in the private networks, there is no concept of revenue earned, these work on the comparable concept of opportunity cost. The Authority would, therefore like to reiterate its recommendations in this regard.
WPC Charges: In the interest of growth of VSAT service, the Government may consider not levying Rs. 5,000/- per VSAT charged by the WPC wing. However, the following charges which goes to the WPC wing may be continued: i) Royalty Rs. 20,000/- p.a for the hub station. ii) License fee rs. 100/- p.a per station (Hub or VSAT)	While the recommendations relating to continuation of royalty charges at Rs. 20,000/- p.a for hub station and license fee at Rs. 100/- p.a per station (Hub at VSAT), it is felt that since VSAT networks work in the mode of a two-way communication wherein both hub station and VSAT stations are receiving the signals, it may not be appropriate to delete the spectrum royalty charges for each VSAT station.	Royalty payable to the WPC Wing of the Ministry of Communications for use of radio frequency spectrum presently works as a surcharge on the already high per VSAT license fee. It is, therefore, recommended that in the interests of growth of VSAT services the Government may consider not levying yet another Rs. 5,000 per VSAT charged by the WPC Unit. The Authority would, therefore, like to reiterate its recommendation on this issue.
	The new license conditions would be applicable to both the existing and new licensees, from the date of implementation.	The Authority is in agreement with this view.

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