



Telecom Regulatory Authority of India



Recommendations

on

Encouraging Data usage in Rural Areas

through

Provisioning of Free Data

19.12.2016

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CHAPTER-I

Introduction

A. Background

1.0 Digital India is an ambitious mission of the Government of India which seeks to transform India into a digitally empowered society and knowledge economy. The initiative is powered by three key vision areas and nine strong pillars that shall pave the way for all round implementation by 2019. The vision areas of Digital India include digital infrastructure as a utility to citizens, governance and services on demand and citizen's empowerment. Broadband Highways, Universal Access to Mobile Connectivity, and Public Internet Access Programme are among the essential pillars of this programme.

1.1 The number of narrowband and broadband connections in the country as on 30th September 2016 are given below in Table 1.1.

Table 1.1:Internet Subscribers as on 30th September 2016 [in millions]

S.No.	Category	Narrowband	Broadband	Total Internet
1.	Wired	3.42	17.84	21.26
2.	Fixed Wireless	0.03	0.60	0.63
3.	Mobile Wireless	171.73	173.87	345.60
	Total	175.18	192.30	367.48

Source: TRAI data

- 1.2 As per the State of the Broadband¹ report, 2016 India has been ranked 132nd in the world for fixed broadband penetration, out of 187 countries ranked, and 156th in the wireless broadband penetration, out of 179 countries ranked. Further, a white paper on broadband regulations and policy in Asia-Pacific region, released by ITU in November 2016, lists India below Vietnam and Sri Lanka in terms of fixed broadband penetration. Our performance of 7% penetration of broadband is well below the world average of 46%.
- 1.3 Further the rural-urban disparity in terms of telecom subscribers is highlighted in Tables 1.2 and 1.3 below:

Table 1.2: Rural-Urban Divide in India (As on 30th September, 2016)

Type	Rural Subscribers	Urban Subscribers	Total	% of Rural Subscribers
Wireline	3.92	20.57	24.49	16.01
Wireless	445.94	603.80	1049.74	42.48
Internet & Broadband	119.79	247.69	367.48	32.60

Table 1.3: Teledensity in Rural and Urban India

Type	Rural Teledensity	Urban Teledensity	Total Teledensity
Wireline	0.45	5.15	1.92
Wireless	50.80	151.10	82.17
Internet & Broadband	13.64	61.98	28.76

- 1.4 Greater broadband access, particularly for large parts of the rural population, can be the force to drive integration of the unconnected and the underserved in economy, thereby helping to enhance the overall value of the network. Greater broadband access has the power to augment productivity of the agricultural sector as well as small

¹ State of the Broadband Report – 2016 by Broadband Commission, ITU

enterprises, facilitate easier and more efficient participation of the rural population in governance, generate new employment opportunities, and enable a host of services like e-commerce, e-learning, e-banking etc. As an increasing number of Government services are also being electronically delivered, expanding rural Internet access has become a matter of urgency and is essential in fulfilling the vision of Digital India. Moreover, rural broadband access will help to address multiple service deficits that arise due to other infrastructure related constraints that affect the rural population. The potential gains from increasing such access are tremendous – the Report of the Committee on the National Optic Fibre Network (NOFN) in its projections of the economic benefit from BharatNet estimated that an additional 2.5 crore Internet users by 2018-19 would result in economic benefits of Rs. 66,465 crore due to direct, indirect and spillover benefits of Internet access. It follows that the slow rate of growth in Internet penetration has had significant opportunity costs in terms of potential benefits that are being foregone.

- 1.5 It had come to the notice of the Authority that some service providers were offering differential data tariff with free or discounted tariffs to certain contents of certain websites/applications/platforms. The objective of offering such schemes was claimed to be the desire of various service providers/content providers or platform providers to enable the consumers, especially the poor to access certain content on the Internet free of charge.
- 1.6 The position of the Authority relating to the use of discriminatory tariffs by Telecom Service Providers has been spelt out in - “The Prohibition of Discriminatory Tariffs for Data Services Regulations, 2016,” notified on 8th February, 2016. This regulation prohibits discriminatory pricing for data services based on content. This includes banning various forms of “zero-rating”, a term that is generally used to describe schemes that

provide free access to data services for subscribers of a particular Internet Service provider for accessing specific content. This may also include zero-rating content in return for edge provider payment or zero-rating of select applications or classes of applications without paying any access fees.

- 1.7 Importantly, the regulation not only adopted rules that were based on sound policy considerations, but also did so in the form of bright-line rules. Bright-line rules provide certainty to market participants, keep the costs of regulation low, limit the potential for regulatory overreach and protect those – Internet users, start-ups, small businesses – who do not have the time or resources to engage in long and costly proceedings before regulators to defend themselves against harmful forms of zero-rating. This decision has been lauded as a landmark decision that will allow all Indians to reap the benefits of an open Internet for innovation, competition, and free speech.
- 1.8 This decision was motivated by concerns that individual TSPs entering into arrangements with individual content providers could create an uneven playing field in which large and influential stakeholders could combine to:
 - a. Exert undue and restrictive influence over certain consumers' experience of the Internet.
 - b. Exclude smaller content or ISPs and their consumers from accessing the same benefits as such deals would afford to the large stakeholders and their audiences.
- 1.9 While framing the regulations, the Authority also acknowledged that during the consultation process, stakeholders had raised various arguments in favour of allowing content or ISPs to subsidise the costs

incurred by consumers in using mobile data to consume their products. This included the suggestion that it would make Internet access more affordable by reducing costs of certain types of content, giving unconnected people access to at least part of the Internet and that it would accelerate the roll out of Internet access services. While being fully in agreement with the benefits of digital inclusion, a key motivation across the entire telecom sector, the Authority decided against allowing any kind of discriminatory practices that could threaten the open and non-discriminatory nature of the Internet.

- 1.10 The Authority strongly reaffirms that allowing TSPs, content providers or ISPs to strike agreements to differentially price data based on content would distort the market and is therefore not permitted. However, the Authority also decided to explore the possibility, whether some forms of commercial subsidy or data reward (collectively Free Data) could be offered, within the bounds of the discriminatory tariff regulations — which would address the requirements of inclusivity, transparency and non-discrimination in the delivery of free consumer access to Internet. In the Consultation Paper on Differential Pricing for Data Services”, one of the questions raised by the Authority was “Are there alternative methods/technologies/business models, other than differentiated tariff plans, available to achieve the objective of providing free internet access to the consumers? If yes, please suggest/describe these methods/technologies/business models. Also, describe the potential benefits and disadvantages associated with such methods/technologies/business models?”. Some suggestions were received during the consultation process. Keeping in view these suggestions, the Authority issued a Consultation Paper on Free Data on 19th May, 2016.

B. Consumer Benefits and Digital Inclusion

- 1.11 The emergence of the app economy with its disruptive challenges to existing businesses and business models, demonstrates the potential productivity and efficiency gains through broadband and wireless technologies. The obvious contribution of Internet access to economic development, however, should not cause policy makers to overlook the potential for radical progress to be made in social domains. Use of the Internet has the capacity to facilitate significant social change through greatly increased inclusion and access for socio-economic groups that have traditionally been excluded completely or to some extent in the processes associated with improving living standards. The essential point is that Governments the world over are concerned with both efficiency and equity and therefore deployments of Internet infrastructure and services on purely social grounds should be considered alongside those motivated by economic objectives. Having emphasised this distinction, it is also important to highlight that these two high-level objectives are never hermetically separated from each other – there is significant overlap between them.
- 1.12 It has been argued that by removing or reducing the cost of accessing content or services consumed over the Internet, more consumers would be in a position to use them. In particular, this could prove to be a socially desirable means of enabling more people to make use of, and extract benefit from, the Internet.
- 1.13 Moreover, when consumers are introduced to the Internet through subsidised content, it is suggested that they are expected to proceed to become paying consumers of data services. Beyond that, the link between increased access to the Internet and economic improvement both at personal and macro level has been well documented.
- 1.14 But if the ability to subsidise content is available only to the large and resourceful content providers and ISPs, and the advantages of those

subsidies available only to customers of a particular mobile network, the overall benefit of any such dispensation would be significantly diminished. Too many consumers would be excluded — either because they are not customers of the “right network”, or they would not be deemed sufficiently attractive as an advertising audience. Meanwhile, even those who do get subsidised access would be restricted to a limited pool of subsidised products and services to consume.

1.15 Thus systems that make free data a feasible model for all content and ISPs, and available to the maximum addressable consumer market, are clearly the more desirable option.

1.16 In response to the Consultation Paper, TRAI received comments and counter comments from stakeholders. These were placed on the TRAI website www.trai.gov.in. An Open House Discussion (OHD) with stakeholders was organized on 24th October 2016 at Hyderabad. After analyzing the various issues involved and considering the comments received from stakeholders in their written responses and during the OHD, the Authority has finalized these recommendations.

1.17 Chapter II discusses the various models which were discussed during the consultation process. Chapter III contains the recommendations.

CHAPTER-II

Models for Provision of Free Data

A. Background

2.0 In the Consultation Paper following three models for providing Free Data were proposed:-

Reward Model - To provide reward to consumers through a TSP agnostic platform. Rewards could be in form of a recharge for data usage or for voice usage.

Toll free Model - Allowing free access to certain websites, in a manner where the TSP does not act as a gatekeeper and plays a passive role.

Direct Money Transfer Model - Similar to subsidy payment for the domestic LPG connections this would allow for the payment of the subsidy by the ISP directly into the mobile account.

2.1 Stakeholders were requested to submit their comments and counter-comments by 16th June 2016 and 30th June 2016 which was subsequently extended to 30th June 2016 and 14th July 2016 respectively. A total of 4224 comments and 9 counter-comments were received. Of the 4224 comments 4100 comments were of common text type.

2.2 In the comments most of the TSPs/ISPs and their associations put forth the following :-

- a. At the present stage of development, the priority is Internet adoption and increased data usage and whatever facilitates the same needs to be supported.
- b. TSPs should be permitted to offer Free Data.
- c. It should be left to TSPs to decide whether they want to enter into arrangements with the content providers or not based on their business case and requirement of technical development.

d. No ex-ante regulations are required since the market is vibrant enough. On ex-post basis, TRAI can examine tariff plans on a case by case basis after giving operators a reasonable opportunity of being heard.

2.3 Some stakeholders have highlighted that the models suggested in the present Consultation Paper on 'Free Data' are at variance with the Prohibition of Discriminatory Tariffs for Data Services Regulation, 2016 (hereinafter, Discriminatory Tariff Regulation). Some stakeholders have suggested aggregation models towards solving the problem of expensive data and expanding Internet access to Indian users; they have further highlighted that more innovation in this area is needed for a healthy digital ecosystem.

2.4 Many stakeholders have suggested provision of free data quota/packs. While some of them have suggested that these be universal, many have suggested restricting it to certain class of subscribers e.g. rural. There are also differing views regarding the funding mechanism for providing these packs. While some of the stakeholders have suggested making it compulsory for the ISPs others have suggested tapping the Universal Service Obligation Fund (USOF). One of the stakeholders has also suggested that it could be created as a public subsidy programme to enable TSPs to provide free Internet access to rural consumers, along the lines of other national programmes currently being adopted in the country. For the sake of further discussion these have been named as Government Incentivised Models

2.5 Having considered these viewpoints, the Authority finds it necessary to highlight the difference between the needs of two categories of users – those who have no prior experience of using the Internet and those who are existing users but their usage may be limited due to the price of

data services. Each of the models accordingly need to be examined in light of the inclusion objectives that they are most capable of serving.

- 2.6 In addition, any scheme for the provision of free data should meet certain basic criteria, viz. that it should not be possible for a TSP/ISP to use discriminatory pricing of certain data content as a service differentiator.

B. Why Aggregation?

- 2.7 It has been suggested that the use of aggregators may be one of the ways for providing non-discriminatory free data to users. This is based on the rationale that the use of third-party aggregators would allow the market to benefit from transparency and consistency of pricing, encouraging small or start-up content providers and ISPs, to engage with the consumers for providing free data. It would also help to ensure that the benefits of free data are not restricted to the customers of just one network. In order to serve these purposes, any third party aggregators must satisfy certain basic requirements, which include:

- a. No unfair discrimination against any person who may wish to sponsor mobile data
- b. Absolute transparency of costs of providing free data to consumers.
- c. Dealing in a TSP-agnostic manner so as to ensure that the benefits on offer are available to the largest possible number of consumers in the market.

Therefore, subject to satisfying the above requirements, aggregators could be permitted to provide free data to users.

- 2.8 Having discussed that, it is also relevant to note that the discriminatory tariff regulation also prohibits any arrangements between TSPs and any person that have the “effect of” discriminatory tariffs for data services

based on content. This would also include third parties like aggregators. Therefore, any scheme that requires any sort of arrangement with some or all TSPs for the delivery of free data with the resulting effect of discriminatory tariffs based on content should not be permitted.

2.9 With the above background, the Authority has examined each of the models to assess any potential conflict with the provisions of the discriminatory tariff regulations, taking into account the issues raised by various stakeholders in this regard.

C. Reward Model

2.10 A data reward could be given for download of an app or for visiting a particular website, e.g. submission in a survey, payment of bills through specified aggregators, registration with KYC, and even on purchase of a packet of biscuits through coupons. This platform could also be integrated with mobile advertising ecosystems (like banner ads) as well as SMS based communication, enabling businesses to reach out to their target consumers.

2.11 The Reward model could also allow content providers and app publishers to reward their users with recharge packs to be used for unrestricted mobile data. It could therefore be a sustainable way for end users to consume data and get rewarded for doing so. Megabytes flowing back into the system could, in turn, help build a healthy consumer ecosystem for the development of India's next generation of online entrepreneurs. The Authority therefore recognises that there are certain benefits of the rewards model when it is structured in a manner that is open and non discriminatory.

2.12 As per the UASL terms, a person who is a licensee is authorized to provide "data services". Some may therefore argue that the reward in

form of data could be considered as a form of data reselling by a non-licensed body. However, on a closer examination of this issue, it is found that a distinction can be drawn between situations where a provider is offering data services and one in which a data is offered to consumers as a stand-alone product to be serviced by a licensed TSP. For instance, the prepaid recharge coupons of all TSPs are available for purchase by any person. An aggregator that acquires such data packs in bulk with the intention of distributing them to consumers as rewards, without any arrangement with any TSP and allowing the users for accessing any content of their choice should therefore not be regarded as offering 'data services'.

D. Toll Free Model

2.13 This model is very similar to rewards based model, where instead of a recharge API there could be an equivalent "don't charge" or toll free API. This model is also prevalent in many markets, allowing free access to certain websites and applications. This helps the businesses make their service easily accessible without impacting the mobile bill of the consumers. In this model, the TSP does not act as a gatekeeper and plays a passive role. The platform owner has a business interest to allow any and every content provider making the model neutral. This model could work for mobile subscribers who have zero-balance as the subscribers are not being charged so they don't need balance vs. a reward model that requires an action before the reward thereby excluding the mobile users who have low or zero balance.

2.14 In the Toll Free model the consumer will effectively get free access to certain websites and applications while he/she will have to pay for accessing other websites who have not contracted with the aggregator. In this case the reimbursement to the TSP is made by the aggregator, the consumer effectively get free access to those specified websites. As

highlighted by a large number of stakeholders this would be a contravention of clause 3(2) which states that

No Service Provider shall enter into any arrangement, agreement or contract, by whatever name called, with any person, natural or legal, that has the effect of discriminatory tariff for data service being offered or charged to the consumer on the basis of content.

2.15 Since this model involves the ISP getting into an agreement with the aggregator the model would constitute a form of zero-rating with a strong discriminatory effect.

E. Direct Money Transfer Model

2.16 Direct Money Transfer Model is an interesting model whereby the mobile users are reimbursed the actual cost of data by the apps, websites and brands, into their respective mobile accounts. However, the stakeholders have submitted that implementation of the Direct Money Transfer would be difficult as lot of information pertaining to the user would have to be shared with third parties.

2.17 **Accordingly Authority recommends that :**

- a) To increase participation of other entities for incentivizing free data, there is a need to introduce third party (Aggregator) to facilitate schemes which are TSPs agnostic and non discriminatory in their implementation.**
- b) Scheme for free data must be TSP-agnostic, must not involve any arrangement between the TSP and the aggregator/content provider and should not be designed to circumvent the “The Prohibition of Discriminatory Tariffs for Data Services Regulations,” notified on 8th February, 2016.**

c) The following mechanism is recommended:

- **The Aggregators will need to register with DoT.**
- **The registrant must be a company registered under Indian Companies Act, 1956.**
- **The validity of registration shall be 5 years.**
- **The registrant shall not either directly or indirectly, assign or transfer the Registration in any manner whatsoever to a third party either in whole or in part.**

F. Government Incentivised Models

2.18 Provisioning of Internet access to all sections of the population, including rural masses, is *sine qua non* for their digital inclusion and empowerment and, in turn, for bridging the urban-rural divide. These policy goals, however, also need to be seen in light of the fact that (i) the Internet remains to be unaffordable for a vast majority of rural population; and (ii) basic Internet infrastructure continues to remain inadequate in most rural and remote areas of the country. This situation calls for the adoption of a range of innovative solutions that will help in enabling the broadest set of users to connect to the Internet through reliable and ubiquitous networks, access to which is within their reach and means. Given this context, there appears to be a strong case for providing support through the USOF for improvement of public use of Internet in rural and remote areas of the country.

2.19 As discussed above, universal access to the Internet is hampered by two key factors - availability and affordability of Internet access services. In addition, the lack of awareness among members of the public about the

value of the Internet is also a significant roadblock. The issue of availability is being addressed on many fronts, both by the Government as well as the Authority. In recent developments, the Government has notified the Indian Telegraph Right of Way Rules, 2016, to simplify the approval process at all levels of Government for establishment and maintenance of telegraph infrastructure. Prior to that, the spectrum auction of 2016 effectively solved any issues of fragmentation of spectrum by making contiguous spectrum available in various bands. In addition to this, the ongoing BharatNet project, being funded through the USOF, is a large-scale initiative for laying of optic fibre cable across the country. The goal of the project is to provide broadband connectivity to all households by connecting over 2.5 lakh gram panchayats to the Internet. Moreover, the Authority has also been working on various other initiatives to enhance broadband access, including the ongoing consultation on the proliferation of broadband through public Wi-Fi networks.

2.20 The next concern is of wide income disparities among different segments of the population and the resulting impact on affordability of Internet access services, both in terms of ownership of a Internet-enabled device as well as the subsequent cost of access. Ending extreme poverty is a central challenge that requires urgent action and can only be addressed through a broader vision which recognizes internet access as a tool of empowerment. In particular, its contribution to improving knowledge and awareness in health, education, social and digital inclusion and gender equality and making these processes more participative. All relevant stakeholders, and all levels of Government, will have to work together to ensure that the most effective solutions to these challenges are applied in the best possible way.

2.21 It is worthwhile to mention here that the United Nation’s Sustainable Development Goals (SDGs) also enshrine the global agreement around addressing inequality. The goals highlight the importance of empowering and promoting the social, economic and political inclusion of all people, irrespective of status, and of ensuring equal opportunity and reduced inequalities of outcome. Further, building resilient infrastructure, promoting sustainable industrialization and fostering innovation is another one of the SDG. One of the targets under this goal is to “*significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020*”. In addition, Article 1(d) of the Constitution of the International Telecommunication Union (ITU) also provides that one of the purposes of the Union is to promote the extension of the benefits of the new telecommunication technologies to all the world’s inhabitants. This highlights the fact that not only is improved access to the Internet a key policy goal for India, it also forms part of the global consensus on the need for more inclusive development. The Authority accordingly recommends that the Government should adopt a scheme to utilise a part of the USOF to provide a reasonable amount of monthly data free of charge to all subscribers in rural and remote areas.

2.22 The proposed design features of the scheme would be as follows:

- a. *Amount of free data:* As per a CISCO report in 2015, the average data consumption per subscriber was about 150 MB/ month, while the average traffic generated from smart phones was slightly

higher at 430 MB.² For rural subscribers the average data consumption would be much less. Since the objective of this proposal is primarily to bring new users within the fold of Internet services, it is a fair estimation that a monthly data pack of about 100 MB per user would be reasonable to address the basic digital needs of those users, including carrying out of digital financial transactions. After the expiry of 100 MB of data in a month on a mobile connection, the free data services will be suspended till the beginning of the following month.

- b. *Scope of the scheme:* The scheme will be applicable to all users who are located in rural and remote areas, as notified by the Government. As the amount payable under the scheme is linked to actual utilisation of data, the target users need to have access to Internet-enabled devices on which s/he can utilise the free data pack. However, the Authority also acknowledges that a large number of rural consumers own or otherwise use mobile services on basic feature phones that do not have Internet access capabilities.

2.23 The Authority recommends that the immediate goal of the scheme should be to provide Internet access to all these rural consumers who currently have access to Internet-enabled devices, whether as owners or otherwise. It becomes important to highlight this difference in light of a recent report by ITU that has highlighted the stark difference between the number of mobile users in India and the number of persons who own mobile devices.³

2 CISCO, VNI Mobile Forecast Highlights, 2015-2020, India - 2015 Year in Review, http://www.cisco.com/assets/sol/sp/vni/forecast_highlights_mobile/index.html#~Country

3 The report notes that although over 80 percent of the population in India uses mobile cellular services, only about 40 per cent of them own cell phones, with around half of the cellular users using someone else's SIM card or device. See ITU, Measuring the Information Society Report 2016, www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2016/MISR2016-w4.pdf

- 2.24 While it is true that some rural users already have internet connections, there might still be value in encouraging their use of data services by offering free data benefits to them. The goal in such cases would be to encourage better utilisation of data services by such existing users who may not be fully aware of the full benefits of the Internet
- 2.25 Further, it is recommended that the scheme should be implemented for a definitive period with a clearly defined time limit for each subscriber-free benefit for a fixed number of months for each subscriber. Once the users have been introduced to the benefits of Internet access, it would be up to them to select and purchase appropriate data packs to suit their needs. In parallel, the Government as well as the Authority will continue to take appropriate steps to generate a conducive policy environment for the provision of affordable data services.
- 2.26 Lastly, the launch of the scheme will need to be accompanied by an awareness programme to educate new users about the benefits and value associated with the internet. These initiatives can be undertaken in partnership with various stakeholders like TSPs, content providers, civil society groups, etc. While undertaking such programmes, special attention will need to be paid to the significant disparities highlighted in the ITU report referred to above, in terms of age, gender, income and location of the existing users.
- 2.27 *Phases of the scheme:* As per the information currently available with TRAI, the average charge per MB of wireless data is about Re 0.20 per MB. However for bulk data packs some of the service providers in their latest offerings are charging Rs 1499/- for a 15 GB pack i.e Re 0.10 per MB. The scheme will therefore cost an amount of Rs. 10 per subscriber per month. As per a GSMA report, the number of smart phone users was 238 million in 2015. This number has been forecasted to increase

to 688 million in 2020. Even if we assume that rural subscribers account for 20% of the smart phones users, the number of rural smart phone users are likely to be in the range 50-60 million.

2.28 This scheme will provide free data benefits to these smart phone subscribers in rural areas. This would translate into to a cost of approximately Rs. 600 Crore to provide 100 MB of free data to 50 million users for a period of one year. However, considering the sharp decline in expected data prices, this scheme could be implemented at an even lower cost.

2.29 The preparatory work for the next phase of roll out should be carried out during the implementation of the first phase. This second phase involve providing Internet access to those users who live in areas that currently do not have Internet connectivity but where such connectivity is being built through the infrastructure-related initiatives referred to above. This may require the adoption of various innovative solutions for providing last mile connectivity to rural customers, requiring the cooperation of TSPs offering mobile data services, Internet service providers and various other stakeholders. Further, these solutions may differ from one area to another based on various factors, including demographic and geographical ones. The amount to be paid for facilitating such access would need to be calculated based on the actual costs of delivery, and will be paid out of the USOF.

2.30 In addition to these initiatives, there is also an urgent need to address the digital needs of the remaining rural users who do not have access to Internet-enabled devices and perhaps constitute the poorest of poor of the rural population. This may require the Government to formulate

schemes for providing access to Internet enabled devices to this section of the population, such as through community-shared devices, in addition to a limited offer of free data services. At the same time, there is also a large number of users in urban areas who do not have access to Internet services and are not in a position to afford the same. This may include migrant labourers, daily wage workers, and other persons living below the poverty line in the cities and towns of India. A holistic solution towards expanding Internet penetration in the country should also take into account the needs of these users although the costs of the same may need to be borne directly by the Government instead of the USOF.

2.31 *Payment to TSPs:* TSPs offering mobile data services to target users will be required to furnish details of data consumed on covered mobile connections to the USOF. The USOF will provide support to the TSP for the total data consumed during the month, subject to the cap of 100 MB, at a predetermined rate per MB. The rate could be determined by calling in for tenders. In case any other stakeholders are involved in the distribution of Internet access services, they will also be compensated directly from the USOF.

2.32 The recommendations of the Authority listed in this document are broad in nature with an objective to promote usage of data in rural areas. However, Government while implementing the scheme should put sufficient safeguards to prevent any misuse.

G. Envisaged Benefits

2.33 Any scheme for free data must be TSP-agnostic, must not involve any arrangement between the TSP and the aggregator/content provider and should not be designed to circumvent the Discriminatory Tariffs Regulation, 2016.

2.34 The introduction of a Government incentivised, limited-period scheme for the provision of free data services into the Indian telecom market would create the following benefits:

- a) Greater digital inclusion.** As a result of this scheme, Internet usage will become affordable to a greater proportion of the population, allowing them to get a firsthand experience of the benefits of the Internet, in a non-discriminatory manner. This will enable them to get access to information from a vast range of sources and participate in the digital economy, including digital payment systems. It is expected that after the free usage period of six months, most users will continue to utilise Internet services, taking data packages that are most suitable for their needs and budget. Besides providing direct benefits to users who get connected to the Internet, greater digital inclusion will also increase the value of the Internet as a whole as these new users will become both consumers as well as creators of content on the Internet.
- b) Increased spend on telecommunication services.** As digital inclusion grows, overall spend on data consumption will also grow, with more consumers discovering compelling needs and use cases. This will benefit TSPs, ISPs, the wider economy, and the exchequer.
- c) Innovation in content and services.** New content and services require an audience in order to take root and succeed. Having a wider and more diverse user base of Internet users will therefore create new market opportunities that will stimulate more innovation and competition, including the growth of more localised and regional content. Once again this would deliver economic benefits not only to the providers of those services, but also to the wider economy.

2.34 **Accordingly Authority recommends that:**

- a) In order to bridge the affordability gap for the persons residing in rural areas and to support Governments efforts towards cashless economy by incentivising digital means, the Authority recommends that a scheme under which a reasonable amount of data say 100 MB per month may be made available to rural subscribers for free.**
- b) The cost of implementation of the scheme may be met from USOF.**

CHAPTER-III

Recommendations

- 1. In order to bridge the affordability gap for the persons residing in rural areas and to support Governments efforts towards cashless economy by incentivising digital means, the Authority recommends that a scheme under which a reasonable amount of data say 100 MB per month may be made available to rural subscribers for free.**
- 2. The cost of implementation of the scheme may be met from USOF.**
- 3. To increase participation of other entities for incentivizing free data, there is a need to introduce third party (Aggregator) to facilitate schemes which are TSPs agnostic and non discriminatory in their implementation.**
- 4. Scheme for free data must be TSP-agnostic, must not involve any arrangement between the TSP and the aggregator/content provider and should not be designed to circumvent the “The Prohibition of Discriminatory Tariffs for Data Services Regulations,” notified on 8th February, 2016.**
- 5. The following mechanism is recommended**
 - The Aggregators will need to register with DoT.**
 - The registrant must be a company registered under Indian Companies Act, 1956.**
 - The validity of registration shall be 5 years.**
 - The registrant shall not either directly or indirectly, assign or transfer the Registration in any manner whatsoever to a third party either in whole or in part.**