

30th January 2007

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Subject: TRAI's consultation paper No. 19/2006 on "Review of Internet Services"

Sir,

The TRAI has released the aforesaid Consultation Paper on 27th December 2006 seeking comments of all stakeholders. The comments of TTSL/TTML are enclosed for your consideration please.

Thanking you,

Yours faithfully,
For Tata Teleservices Limited

Harish Kapoor
General Manager – Corporate Regulatory Affairs

TTSL & TTML response to the TRAI's consultation paper No. 19/2006 dated 29th December 2006 on "Review of Internet Services"

The year of 2007 has been earmarked as the Year of Broadband by the Government of India. We appreciate the Authority's initiation in this regard by floating the present consultation paper on revamping the Internet Services in India.

As the Authority itself noticed that 98% of the Internet Subscribers are catered by only top 20 ISPs out of 389 ISPs and the biggest ISPs i.e. BSNL & VSNL are now shifting from Dialup to offer Broadband connectivity and hence, one cannot foresee much growth of an ISP as an Internet Dialup service provider.

The present Consultation paper has raised very interesting issues in the direction of revamping the Internet Services. Our comments on the questions raised are given below for consideration please:

Q1. At present, there are 389 licensed ISPs out of which only 135 are offering Internet services. Top 20 ISPs cater to 98% Internet subscriber base. In your view, is there a rationale for such a large number of ISPs who are neither contributing to the growth of Internet nor bringing in competition in the sector? Suggest appropriate measures to revamp the Internet service sector.

There is no rationale for such a large number of ISPs who are neither contributing to the growth of internet services nor bringing in competition in the sector.

We are of the view that standalone ISPs be allowed to provide only the Dialup / broadband internet service, restricted internet telephone service and other value added services permitted under the scope of service of ISP license. However, if ISPs wishes to offer unrestricted internet telephony services they should pay Entry fee, License fee, Bank Guarantees and meet roll out obligations and be governed under the same terms and conditions similar to the obligations enshrined under the UASL licenses.

Q2. Due to limited availability of spectrum for wireless broadband access, and high cost of creating last mile infrastructure, many ISPs are left with only option to provide Internet dialup access services. With increasing penetration of broadband, what efforts are required to ensure viability of such ISPs in changing scenario? Please give suggestions.

ISPs who are left with the only option to provide Internet dialup access services, be permitted to offer all application based value added services excluding unrestricted internet telephony to enhance their viability. The ISPs however, may be allowed to seek and work as franchisee to the UASLs. In no case, separate spectrum be allotted to ISPs, in order to maintain level playing field.

Q3. At present limited services are permitted under ISP licenses. There is no clarity in terms of some services whether they can be provided under ISP

licenses. Do you feel that scope of services which can be provided under ISPs licenses need to be broadened to cover new services and content? Suggest changes you feel necessary in this regard.

In view of the digitalization of the content and fast technological developments that are changing the telecom scenario enabling better speech quality of internet telephony, we feel that the scope of services which can be provided under ISPs' licences needs to be broadened to cover new services and content. However, Voice telephony and other services which fall under the ambit of scope of service of UASL should not be included in the scope of services of ISP licenses.

Q4. UASL/ CMTS licensees have been permitted unrestricted Internet telephony however none of them are offering the service. ISPs (with Internet telephony) can provide Internet telephony within scope defined in license condition. The user friendly and cheaper devices with good voice quality are increasing Internet telephony grey market. Please suggest how grey market operations can be curbed without depriving users to avail such services?

One of the reasons for slower offering of unrestricted internet telephony by UASL /CMTS Licensees could be few ambiguities prevailing in licensing conditions of both UASL & ISP Licenses, for example, numbering, definition of AGR regarding exclusion of revenue from ISPs should be deducted from gross revenue etc. To curb grey market without depriving users to avail of the user friendly devices and cheaper services, ISPs licensed to provide restricted internet telephony be permitted to provide unrestricted internet telephony as well on payment of requisite entry fee & license fee matching those paid by the UASLs for different circles in order to maintain level playing field amongst UAS licensees and ISPs. They should also be made subject to meeting roll out obligations in similarity with the roll out obligations defined under the UAS licenses.

Q5. How to address the issue of level playing field amongst the licensees of UASL, CMTS and ISPs?

At present a clear licensing regime does exist in the country and one can easily determine as to what type of service requires which mode of license in telecom. In case ISPs are considered to be permitted to offer services covered under the scope of UASL, then the issue of level playing among UASLs and ISPs is of prime consideration.

We further reiterate that ISPs could be allowed to provide unrestricted internet telephony ONLY if they pay entry fee and other regulatory fee matching with those paid by UASLs for different circles and other taxes & levies as are being paid by UASLs including roll out obligations..

Q6. The emerging technological trends have been discussed in chapter 3. Please suggest changes you feel necessary in ISP licenses to keep pace with emerging technical trends?

The ISPs should not be allowed to offer any type of service which fall under the ambit of scope of service of UASL. We are of the view that the existing ISPs who intend to offer unrestricted Internet telephony should be allowed ONLY if they pay entry fee and other regulatory fee matching with those paid by UASLs for different circles and other taxes & levies as are being paid by UASLs including roll out obligations. Besides, a clear regulatory / licensing policy needs to be evolved to address the important issues such as Security issues, Monitoring issues and Content issues

- Q7. The service roll out obligations under ISP license is very general and can be misused by non-serious players. Do you feel the need to redefine roll out obligations so that growth of Internet can be boosted both in urban and rural areas? Give suggestions.**

To boost the growth of internet in urban and rural areas, it is necessary to redefine roll out obligations of ISPs at par with the roll out obligations envisaged under the UASL.

- Q8. Do you feel that ISPs who want to provide unrestricted Internet telephony and other value added services be permitted to migrate to UASL without spectrum charges? Will it boost Internet telephony in India? What should be the entry conditions? Give suggestions.**

The scope of service of UASL permits to offer Internet Telephony including unrestricted Internet telephony, however, spectrum is not guaranteed to UASLs, it is allocated subject to availability. Hence, it is very clear that payment of Entry fee for UASL does not guarantee spectrum allocation. In such a situation no meaningful purpose would be served if ISPs are permitted to migrate to UASL to offer unrestricted internet telephony without spectrum.

However, if at all, ISPs are considered to be allowed to offer unrestricted Internet telephony **without spectrum**, they may be permitted to do so by way of separate category of Class License with a different entry fee to enable them to offer unrestricted internet telephony and other valued added services **ONLY on WIRELINE platform**. We are of the view that in no case ISPs be permitted to offer their services on WIRELESS platform.

- Q9. UASL/ CMTS licensees pay higher regulatory levies as compared to ISPs for provision of similar services. Do you feel that similar levies be imposed on ISPs also to maintain level playing field? Give suggestions.**

In order to maintain level playing field, we believe that all internet service providers with internet telephony (restricted/unrestricted) license be migrated to the UASL such that they are at par with UAS licensees, in terms of scope of service, levies, charges, fees, rollout obligations, penalties etc.

- Q10. Virtually there is no license fee for ISPs at present. The amount of performance bank guarantee (PBG) and financial bank guarantee (FBG)**

submitted by ISPs is low. Do you feel the need to rationalize the license fee, PBG, FBG to regulate the Internet services?

Yes; there is a need to rationalize the Entry fee, license fee, PBG and FBG to regulate the internet services.

We are of the view that there should be a uniform rate of licence fee at 6 % of AGR for all telecom services segments in line with NLD / ILD licences.

Q11. At present ISPs are paying radio spectrum charges based on frequency, hops, link length etc. This methodology results in high cost to ISPs prohibiting use of spectrum for Internet services. Do you feel that there is a need to migrate to spectrum fee regime based on percentage of AGR earned from all the revenue streams? Give suggestions?

The present methodology of paying radio spectrum charges based on frequency, hops, link-length etc may be replaced by a regime based on percentage of AGR for those ISPs who are interested in internet telephony and are obliged migrate to UASL. At present UASL also pays radio spectrum on hops basis in case of LMDS. The AGR formula is applicable for spectrum used for providing access services under the UASL and not for point to point basis applications.

Q12. The consultation paper has discussed some strategic paths to boost Internet telephony, bring in level playing field vis-à-vis other operators, and regulate the Internet services. Do you agree with the approach? Please give your suggestion regarding future direction keeping in view the changing scenario.

We agree with TRAI that licensing policy of internet services needs to be reviewed and made forward looking so as to boost growth of internet services and enhance viability of existing ISPs.

We reiterate that if ISPs wishes to offer unrestricted internet telephony services they should pay Entry fee, License fee, Bank Guarantees and meet roll out obligations and be governed under the same terms and conditions similar to the obligations enshrined under the UASL licenses.

Further, if ISPs are considered to be allowed to offer unrestricted Internet telephony **without spectrum**, they may be permitted to do so by way of separate category of Class License with a different entry fee to enable them to offer unrestricted internet telephony and other valued added services **ONLY on WIRELINE platform**. We are of the view that in no case ISPs be permitted to offer their services on WIRELESS platform.
