HFCL INFOTEL RESPONSE TO TRAI CONSULTATION PAPER NO.19/2006 ON 'REVIEW OF INTERNET SERVICES'

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 rational 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. The existing internet policy favours entry of large number of operators, primarily non-facility based operators, providing generally dial up access to internet services. These near virtual ISPs are typically characterized by low investments, limited range of products and services, poor quality of service - low speeds etc. However, non-facility based ISPs are not a major issue, except to the extent of preventing grey market operations.

On the other hand, broadband ISPs are generally facility based operators and provide good quality high speed internet services and other content and application services. The broadband service should be made affordable and available to a large number of customers.

Keeping the above in view, there is need for a differential treatment for non-facility based ISPs and facility based ISPs as follows:

a) For non facility based ISPs, we suggest to:

   (i) Remove non-serious operators by stipulating geographical coverage (number of cities with internet POPs with local dialup access).

   (ii) Stipulate minimum 256 KBps bandwidth to customer.

b) The facility based broadband ISPs be encouraged. The main hindrance to the fast rollout is the right of way (ROW). TRAI may consider following initiatives

   i) Uniform guidelines for Right of Way (RoW) and municipal clearance needs to be developed to facilitate standard rates, terms and conditions for granting Right of Way (RoW) for all towns and state and national highways uniformly across the country.

ii) Tax deductible status for expenditure on broadband connectivity / usage (similar to policies for other public welfare services).

iii) Service providers be given subsidy for creating broadband infrastructure.

iv) Support local access and content delivery to towns beyond 150 commercially viable towns to obtain true benefit of broadband.

v) Government as both e-governance service provider and anchor tenant to drive subscriber usage and revenues for the service provider.

vi) Investment in key developmental content and services, eg, e-health, e-education etc.

vii) Government to mandatory observe ICT in its day to day operations and encourage the usage of Internet.

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.

Most ISPs are non-facility based operators providing dial up access services. These operators do not make large investments and the business model is based on margin difference between whole sale and retail prices.

The Unified Access Service License already permits provision of access to Internet Service Providers both through wire line and wireless. Since TRAI themselves have indicated that there is high cost of creating last mile infrastructure, the use of wireless access through the access providers is to be encouraged, especially to the non facility based ISPs so that they are left with an option to provide internet through wireless access. TRAI after detailed deliberations had recommended to DoT to allow use of special characters (#, *, $ etc)for such wireless access to ISPs/Data etc. After considering TRAI's recommendations regarding use of special characters (#, *, $ etc) DoT permitted access to data /internet/content services through wireless access.

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 fast technological developments that are changing the telecom scenario enabling better speech quality of internet telephony (restricted/unrestricted) over internet clouds and improved quality of service over internet, HFCL Infotel feels that the scope of services under Internet License with Internet Telephony (restricted/unrestricted) is similar to the UASL. Therefore Internet License with Internet Telephony (restricted/unrestricted) be migrated to UASL.

To facilitate expansion of internet services, pure ISPs providing broadband or dial up internet services may be permitted to continue with the existing license.

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 with in 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?

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 internet telephony (restricted /unrestricted) on payment of requisite entry fee matching those paid by the UASLs for different circles and complying with other terms and conditions of UASL/CMTS licensees in order to maintain level playing field amongst UAS /CMTS licensees and ISPs.

UASLs/ CMTS licensees though permitted internet telephony (restricted /unrestricted) on their platform, they are not able to offer the services due to various concerns and ambiguity in their licenses viz. numbering, routing, security, definition of AGR regarding inclusion of revenue from ISPs – which should be deducted from the gross revenue. These are to be taken care to facilitate UASLs/CMTS licensees to provide Internet Telephony services effectively.

In addition, Skype / Google type service available on internet bypass number of laws and regulations. The companies providing these services are not licensed. They do not provide facility for lawful interception and

therefore, pose a threat to security. As such these services should be blocked.

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

In case ISPs are considered to be permitted to offer internet telephony (restricted/unrestricted) service, then the issue of level playing field among UASLs and ISPs is of prime consideration.

ISPs could be allowed to provide internet telephony (restricted/ unrestricted) if they pay entry fee matching with those paid by UASLs and are governed by the other terms and conditions as applicable to UASLs.

Internet (other than internet telephony – restricted /unrestricted) whether provided by UASL/CMTS/ISP should not attract revenue share. This is essentially required to encourage growth of internet service.

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?

In view of the fast emerging technological developments that are changing the telecom scenario enabling better speech quality of internet telephony (restricted/unrestricted) over internet clouds and improved quality of service over internet, we feel that the scope of services which can be provided under ISPs' licenses need to be broadened to cover new services and content.

HFCL INFOTEL is of the view that the existing ISPs who intend to offer Internet telephony (restricted/unrestricted) should be allowed to migrate to UASL. The other class of ISPs who **do not** want to offer Internet telephony (restricted/unrestricted)and other value added services, like IP / MPLS/ VPN may continue as per existing arrangement.

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.

The limited rollout obligation under ISP license could be based on number of internet POPs (for dial-up services with local access) or based on coverage of population of the licensed area.

The Authority should also consider recommending subsidy based on rollout obligations from USO fund for rural broadband connections

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.

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.

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.

To maintain level playing field with UAS licensees, it is utmost necessary to impose similar levies, viz entry fee, licence fee, rollout obligations, LD charges, 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?

Pure ISPs providing internet service excepting internet telephony (restricted/unrestricted)should continue to be governed by the existing terms and conditions. However, in order to encourage serious players, we suggest that the conditions stipulated in our response to the question No.7 may be incorporated.

Only internet service provider wishing to provide internet telephony (restricted/unrestricted) should be migrated to UASL so that they are on level playing field, in terms of fees and levies viz. entry fee, license fee as well as rollout obligation and the scope of the service.

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?

There are two types of internet service providers - one providing only internet and value added services and the other one providing internet telephony (restricted/unrestricted). As mentioned in our response to the

various questions in the consultation paper above, the players who are providing Internet Telephony (restricted /unrestricted) should be migrated to USAL and all levies, charges and terms and conditions and rollout obligation be made applicable accordingly.

For those ISPs who are pure ISPs and are given LMDS spectrum, the concept of AGR is not defined.

For the purpose of payment, only spot frequencies in LMDS should be taken into consideration and not the hops. Because, with additional hops there is no additional allocation of frequency. The hops are increased to meet the growing demand of customers without additional frequency allocation. Therefore, we consider that the payment of LMDS should be on the basis of spot frequencies instead of hops.

Q12. The consultation paper has discussed some strategic paths to boost Internet telephony, bring in level playing field vis a 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.

HFCL Infotel agrees 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.

The Authority has proposed that ISPs be permitted to offer all value added services including internet telephony service (restricted/unrestricted) and is of the view that ISPs who have intention to provide internet telephony (restricted/unrestricted) service be permitted to migrate to UASL. Those who do not like to migrate to UASL, be permitted to provide all value added services excluding unrestricted Internet telephony service.

However, HFCL Infotel is of the view that the existing ISPs who intend to offer Internet telephony (restricted/unrestricted) should also be migrated to UASL on payment of requisite entry fee matching those paid by the UASLs for different circles and other taxes & levies, rollout obligation etc in order to maintain level playing field among UAS licensees and ISPs .

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