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From
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Extreme Infocom Pvt. Ltd.

To,
Shri Amit Sharma,
Advisor (Finance & Economic Analysis),
TRAI

Ref.: Our Counter Comments on the various responses received for TRAI Consultation Paper on '**Rationalisation of Entry Fee and Bank Guarantees**'.

Dear Sir,

With reference to the Consultation Paper issued by Telecom Regulatory Authority of India on '**Rationalisation of Entry Fee and Bank Guarantees**', Extreme Infocom Pvt. Ltd., would like to put forth its counter comments on the responses to this consultation paper from some stakeholders.

Our counter comments are enclosed as Annexure – I to this letter for the kind consideration of the Authority.

Warm regards,
For **EXTREME Infocom Pvt. Ltd.**

Raunak Maheshwari



Annexure-I

Counter comments on the responses to TRAI Consultation Paper on 'Rationalisation of Entry Fee and Bank Guarantees**'**

Extreme Infocom Pvt. Ltd. appreciates TRAI's effort and interest in bringing out the comprehensive Consultation Paper on "**Rationalisation of Entry Fee and Bank Guarantees**". After looking at the responses from various stakeholders on this consultation paper, we would like to provide counter comments on the response to a few questions related to rationalisation of Entry Fees, levy of uniform entry fee and furnishing of Bank Guarantee.

Summary of counter comments:



1. Rationalisation of Entry Fee

- Entry fee should be rationalised or completely removed to allow the proliferation of telecom services in India and have a positive impact on economic growth and connectivity.
- Entry fees should be rationalised to cover only the administrative costs.
- Monetary barriers such as entry fees should not be levied as it will hinder innovation and healthy competition in the industry as well as have the unintended effect of imposing avoidable costs.

2. Uniform Entry Fee

- Based on an administrative cost-oriented fee approach, uniform entry may only be levied if the cost of administration for the authority is the same. If that is not possible, then uniform entry fee may not be practicable.

3. Bank Guarantee

- The practice of Bank Guarantee in various licences/authorizations should be done away with and alternatively the other modes of recovery currently in practice should be relied upon for securing Government dues.
- Other regulatory or statutory compliance such as payment of GST or registration of a company do not mandate furnishing of Bank Guarantee and the same rationale is applicable for doing away with Bank Guarantee in the telecom industry.
- Bank Guarantees cause financial impediments as the working capital is frozen and also causes additional compliance burden.

1. Rationalisation of Entry Fee

Question 1) Should the entry fee be rationalised from the present levels in the UL and UL (VNO) licences?

Question 3) What should be the methodology for arriving at the rationalised entry fee and/ or other terms and conditions for each authorization?

Largely, the stakeholders are in agreement that entry fee should be rationalised or completely removed. Many stakeholders are also in agreement that entry fees should be rationalised to cover only the administrative costs or levying a nominal fee to serve the purpose of deterring non-serious players.

However, some stakeholders have also expressed the concern on the role of entry fees in ensuring that only credible operators come forward to apply for the telecom licences so that the public resources could be efficiently utilised and also to ensure healthy competition in the industry. For this, it has also been pointed out by some stakeholders that any prospective reduction in entry fee will go against the interests of the existing TSPs who have already paid these levies thereby disbalancing the level playing field.

While it has been mentioned that the entry fee was levied in the telecom sector to ensure credibility and to act as a deterrent against non-serious players, the sector has greatly evolved over time and has proved that only credible operators with robust strategies and capacity, can optimally operate in the sector. Given such evolution of the industry it is prudent and economically beneficial to let the market forces determine the nature and class of entrants especially in case of activities that neither require scarce resources nor pose a risk to public health, or national security. As long as the industry is able to ensure entry as well as exit of players without harming the ecosystem, monetary entry barriers such as entry fees should not be levied as it will also hinder innovation and healthy competition in the industry. Further, to ensure entry of serious players in



activities requiring scarce resources like spectrum, for example, adequate cross-checks in the form of bidding processes and roll-out obligations are already in place. There is nothing that an entry fee will achieve in this regard that these cross-checks will not.

Other than such activities, entry to the market should be based simply on conditions given as part of a general authorization. Entry fee as a method to gauge the seriousness of any player looking to provide services must be discontinued as a practice. Currently, it is possible to obtain an NLD licence or provide services as part of an UL (VNO) service without significant capital investment. Today, the telecom market in India is at a level of maturity where with a proper framework in place for infrastructure and resource sharing, smaller entities with innovative products can start offering services, without the added cost of an entry fee. The rationalisation of entry fees will further enable this ecosystem and support competition and innovation, leading to a better quality and variety of services available to the consumer.

Some stakeholders have mentioned that since existing market players have already paid an entry fee, any reduction creates an impediment in ensuring a level playing field. We would respectfully submit that the rationalisation of entry fee will actually help to create a level playing field, allowing newer players to enter the market and provide services. While some entities may have already paid a market fee, that should not hinder the regulators efforts to rationalise the fee to allow for more innovation and fair competition in the market.

Thus, there is no logical rationale that warrants levy of entry fees. On the contrary, the entry fees have the unintended effect of imposing avoidable costs and entry-barriers. Accordingly, this needs to be rationalised to allow the proliferation of telecom services in India and have a positive impact on economic growth and connectivity. Since there is a direct correlation between the boost in internet economy and the country's GDP, rationalising entry fees to reflect only the cost of administration and regulation will make it easier to expand telecom services and resultantly enhance the economy and support citizen welfare.

2. Uniform Entry Fee

Question 4) Should a Uniform Entry Fee be charged for each of the authorizations in the UL and UL (VNO) licences, both within each licence and across licences?

While most stakeholders agree that it is not feasible to have a uniform entry fee given that the inputs required for authorisation are different for different regimes, some stakeholders have suggested a uniform entry fee for all authorizations under UL with UL(VNO) entry fees being lower than that of UL. In this regard, we reiterate that any fee should only reflect the cost of administration for the regulator. Rationalising fees to reflect only the cost of administration and regulation will make it easier to expand telecom services and boost overall economic growth. If it is the case that the cost of authorization is the same across different services, then a Uniform Administrative Fee may be levied. Otherwise, it is not feasible to have a Uniform Entry Fee. What becomes imperative is to have the entry fees cost oriented such as being limited to covering administrative cost and not as a measure to regulate the entry or competition in the industry.

4. Bank Guarantees

Question 7) Is there a need to continue with the practice of the Bank Guarantee in various licences/authorizations?

Question 8: If the answer is no, then what practice should be followed to secure the Government dues and performance of service providers?

We note that the stakeholders are in consonance with the view that the practice of Bank Guarantee in various licences/authorizations should be done away with and alternatively the other modes of recovery currently in practice should be relied upon for securing Government dues. However, some stakeholders have suggested continuing the practice of furnishing Bank Guarantee to secure the Government revenue although with some changes in terms and conditions such as different terms and conditions for Government PSUs and private operators.

We reiterate that Bank Guarantees cause financial impediments as the working capital is frozen and also causes additional compliance burden as well as burden in the form of processing and handling fee, recurring fee, etc., which increases the overall cost of obtaining a licence. Here, it is pertinent to draw a comparison with other regulatory or even statutory compliances such as obtaining a GST registration. A dealer obtaining GST registration and engaged in the business of providing goods or services will be liable to discharge his GST liability. However, there is no mandate requiring him to furnish a bank guarantee for either operating his business or obtaining a registration. The same rationale should apply to the telecom industry as well. Further, we do not see any merit in differentiating between Government and private entities for the requirement of furnishing Bank Guarantees. Both apply for the same licence/authorisation and both shall be equally liable for government dues and providing services. Hence, differentiating between the two is unjustified.

