

September 06, 2022.

To,

Shri Amit Sharma,

Advisor (Finance & Economic Analysis),

Telecom Regulatory Authority of India.

Subject: Comments on behalf of GTPL Broadband Private Limited ('*GTPL*') on the Consultation Paper on "*Rationalization of Entry Fee and Bank Guarantees*" dated 27.07.2022 ('*CP*').

Dear Sir,

We would like to thank the Telecom Regulatory Authority of India (*hereinafter referred as 'Authority'*) for providing us with the opportunity to share our comments on the CP.

At the outset, we would like to put on record our sincere appreciation and gratitude for all the endeavors and measures that the Authority has been putting forth in the recent past to improve the functioning of the broadcasting and telecommunication sector by periodically introducing diverse regulations and processes with deep involvement of the concerned stakeholders. The captioned CP is likewise a welcome step towards reviewing and reforming the conditions of entry fee and bank guarantee as is prescribed under the license of Unified License (UL) and Unified License (Virtual Network Operators) 'UL(VNO)'.

In view of this backdrop, we would like to submit our comments on the issues highlighted in the CP. We stand ready to be involved in further consultations, industry dialogues that may be undertaken by the Authority before finalizing any view on these issues.

ISSUES FOR CONSULTATION

Q1. Should the entry fee be rationalized from the present levels in the UL and UL (VNO) licenses? Please support your comments with detailed justification.

Response: We submit that presently both Unified License (UL) and Unified License (Virtual

GTPL Broadband Pvt. Ltd.

CIN: U64204GJ2008PTC054111

Registered Office : 202, 2nd Floor, Sahajanand Shopping Centre,
Opp. Swaminarayan Temple, Shahibaug, Ahmedabad-380004, Gujarat.
Phone : 079-25626470 Fax : 079-61400007



Network Operator) UL(VNO) are subjected to the payment of a maximum amount of Rs.15,00,00,000/- and Rs.7,50,00,000/- respectively as entry-fee. Such entry fee has been prescribed by the Department of Telecommunication with the rationale of deterring the presence of such non-serious and frivolous UL and UL(VNO) players who are characterized by low investments, limited range of products and services and poor quality of service with low speeds, in the market.

The Authority would also acknowledge that provisioning of any service under the Unified License calls for significant upfront capital-intensive investments for creation of quality infrastructure and secured network with Network Operations Center (NOC), engineers, technicians, routing functionalities, security infrastructure, and all applicable resources. Hence, if the Authority is contemplating to introduce any reduction in the entry fee for Unified License services, the Authority should formulate a parallel mechanism for ascertaining the net-worth and credibility of a particular entrant who is desirous of obtaining Unified License for provisioning of any of the specified services under the license for ensuring creation of a secured network and for maintaining the quality of services (QoS). The importance of provisioning of a secured network by any UL service provider cannot be undermined in the present times. Any form of liberalization of the licensing framework, even in terms of the entry-fee; may lead to the creation of such niche and lower rung players who may not be capable of creating a secured network and the same may lead to catastrophic losses in the form of cyber-attacks, data loss, theft and sabotage. Additionally, QoS is a basic functionality that any network needs to be able to provide and cope with. Traffic congestion, lower speed and inability to use varied number of applications are the issues that lead to discontentment of the end users on poor networks.

We acknowledge and understand that while formulating any aspect of the licensing framework, the Authority and the Department are enshrined with a dual responsibility of promoting and ensuring orderly growth of the sector as well as protecting the interest of the consumers. It is in this regard that we suggest that irrespective of the entry fee, the Authority should also devise a review mechanism from time to time, to ascertain that the UL service providers who are operating their businesses, are in sheer compliance with the technical and functional obligations that are enshrined under the respective license and that any exemption or liberalization of the entry fee does not lead to creation of several non-serious UL service providers in the market

GTPL Broadband Pvt. Ltd.

CIN: U64204GJ2008PTC054111

Registered Office : 202, 2nd Floor, Sahajanand Shopping Centre,
Opp. Swaminarayan Temple, Shahibaug, Ahmedabad-380004, Gujarat.

Phone : 079-25626470 Fax : 079-61400007



who do not have quality infrastructure for the provisioning of their respective services. It is also to be ensured that only serious UL service providers with strict rollout obligations and adherent to the regulatory obligations are allowed to remain operative in the market. Further, for incentivizing the subsisting UL players and for proliferating the growth of UL services, the government should put a concerted effort and thrive to create a conducive and sustainable environment for the domestic and indigenous production of equipment(s) for provisioning of UL services like that of Optical Line Terminals (OLTs) and Optical Network Units (ONU), in case of UL(ISP)s which are used for providing broadband services. The government should also provide additional incentives and reduced taxes on such domestically manufactured equipment(s). Additionally, if such equipment(s) are imported from outside, the government should also reduce the custom duty to *nil* on the import of such equipment(s), irrespective of the utilization of the equipment, whether being used for installation at the premises of the subscribers or being utilized towards infrastructure. Such incentives will enhance the affordability for all concerned stakeholders, thereby ensuring effective provisioning and delivery of UL services.

It is further stated that in the case of UL(VNO) license, the entry fee needs to be significantly rationalized as VNOs are not required to undertake heavy investments for setting up a quality infrastructure for provisioning of their services. They do not possess a telecommunication infrastructure of their own and they utilize the infrastructure and spare capacities of its respective Network Service Operators (NSOs), with whom they are affiliated with. It is suggested that the UL(VNO) license holders having any area or either of the service authorizations should be subjected to nominal entry fee and DoT should also prescribe a minimal share of revenue that UL(VNO) players should compulsorily pay to its NSO(s) which can be further utilized by such NSO(s) to upgrade their network infrastructure for provisioning of quality services to the end consumers. This will not only lead to a significant increase in the number of UL(VNO) license holders, thereby proliferating the overall growth of telecommunication, broadband and internet connectivity services, but will also assist the NSO(s) to operate with advanced technologies and deliver quality services to the consumers.

Q2. If the answer to Q1 is yes, should the entry fee be rationalized across all authorizations or some specific authorizations, both within each license and across licenses? Please justify.

Response: Placing reliance on the response to the aforesaid question and in continuation to the

same, we state that entry fee which is payable by the UL(VNO) players at present, need to be significantly rationalized and they should be subjected to nominal entry fee irrespective of having any area or either of the service authorizations. This is suggested in view of the fact that UL(VNO) license holders are not required to undertake significant investments for setting up the adequate infrastructure, unlike the UL players, and they utilize the infrastructure and spare capacities of the NSOs. Liberalization of entry fee for UL(VNO) license holders will lead to a significant increase in the number of UL(VNO) players that are operating in the market and the monies that are paid as entry fee, can instead, be paid by such VNO players to their respective NSOs which can be utilized for upgrading their network infrastructure for provisioning of quality services to the end consumers.

Q.3. What should be the methodology for arriving at the rationalized entry fee and/ or other terms and conditions for each authorization? Please provide the detailed rationale for each authorization.

Response: We state that the parameters as have been suggested as a response to question 1 should be taken into consideration by the Department for determining a suitable, just and fair methodology for determining the entry fee. It is reiterated that at all times, there should always be such UL and UL(VNO) license players operational in the market that maintain highest standards of network infrastructure and quality of services.

Q. 4. Should a uniform Entry Fee be charged for each of the authorizations in the UL and UL (VNO) licenses, both within each license and across licenses? Please justify.

Response: We do not suggest levying of uniform fee on account of significant difference in the provisioning of services by the UL and UL (VNO) license holders as well as the investments that are undertaken by them to provision their services, which makes them incomparable. The Authority would acknowledge that UL license holders incur huge costs in establishing, maintaining and upgrading their networks. On the other hand, the UL(VNO) license holders do not have a network infrastructure of their own and they depend on the infrastructure of the NSO(s) for delivering their services. As has been suggested as a response to the aforesaid questions, the entry fee which is levied on the UL(VNO) can be rationalized and reduced to a nominal fee, with a condition that certain minimal share as determined by the Department of Telecommunication is paid to the respective NSOs which can be utilized by them for

maintaining and upgrading their networks. Aside to that, if the Authority is of the opinion to reduce or liberalise the entry fee which is levied on the UL license holders, the same can be made effective subject to the fact that the UL license holders should always stand compliant to the license conditions and maintain the highest standard of quality of services.

Q 5 What should be the amount of the uniform Entry Fee for various authorizations? Please justify.

AND

Q.6. Should the Entry Fee in licenses/ registrations/ authorisations/ permissions, other than UL and UL (VNO) be rationalized? If yes, please provide the reasons and appropriate levels of entry fee for each of these licenses/ registrations/ authorisations/ permissions.

Response: Placing reliance on the response to the aforesaid question, we state that we do not advocate levy of uniform entry fee and hence, we cannot suggest the amount towards the same.

Q.7. Is there a need to continue with the practice of the Bank Guarantee in various licenses/authorizations? Please justify.

Response: The Authority would acknowledge that presently, the practice of bank guarantee stands as a hurdle towards proliferating the growth of telecommunication, broadband and internet services as well as towards promoting ease of doing business. It is reiterated that telecommunication sector as a whole, is a capital-intensive sector where significant investments are required to be borne by the licensees in the nature of both fixed as well as variable expenditure towards establishing the requisite infrastructure as well as for maintaining and upgrading the same. While the Department of Telecommunication has slashed the requirement of both financial and performance bank guarantees by almost 80% vide its notification dated 05.10.2021, however taking into consideration the continuous requirement of capital investments that a licensee is subjected to, it is suggested that the requirement of furnishing bank guarantees, either in the nature of financial or performance or of any other kind should be forthwith stopped and done away with. Moreover, the primary objective with which the Department has subjected the UL and UL(VNO) license holders to furnish the bank guarantees is to secure the license fee which is payable by the respective license holders on the

GTPL Broadband Pvt. Ltd.

CIN: U64204GJ2008PTC054111

Registered Office : 202, 2nd Floor, Sahajanand Shopping Centre,
Opp. Swaminarayan Temple, Shahibaug, Ahmedabad-380004, Gujarat.
Phone : 079-25626470 Fax : 079-61400007



adjusted gross revenue, in terms of their respective licenses. The Department has been strongly contemplating the removal of such license fees and hence, the requirement of retaining the bank guarantees, will also turn insignificant and futile in absence of any license dues.

We further state that doing away with the practice of furnishing bank guarantees will immediately increase the cash flow for the service providers, which otherwise is blocked with the banks in the form of bank guarantees to be furnished before the DoT. It will also give more leeway to banks to lend more monies to the debt-ridden companies, thereby improving the overall economic scenario. Further, the same will significantly ease the financial burden which any service provider is subjected to in the present times. The funds that are submitted towards bank guarantees can be utilized by the UL and UL(VNO) players for creation of quality infrastructure and secured network, which will stand beneficial both for the service providers as well as the subscribers. Such funds can also be utilized for providing broadband, internet and telecommunication services in the rural parts of India, thereby effectively realizing the vision of our Hon'ble Prime Minister.

The Authority has stated that the performance as well as financial bank guarantee assists in securing the government dues as well as performance of service providers. The Authority would acknowledge that invocation of financial and performance bank guarantees amounting to whopping crore of monies, by DoT, in either of the aforesaid scenarios, have not been fruitful and has resulted in frivolous litigations and irreparable wastage of time, money and resources. Alternatively, it is suggested that the Department may devise a rational mechanism of levying penalties in the instance of deferment of license conditions. The Department may also determine and introduce a rational slab-wise structure of penalties against the defiance of certain identified parameters of license conditions. Such mechanism, if adopted, will prove to be a more realistic approach in the long run as the same will act both as a deterrent as well as an efficient tool in ensuring compliance on part of the license holders. The Department may also further strengthen the penalty mechanism by subjecting the license holders to suspension or termination of license, after certain fixed number of successive defaults in performance on an annual basis, subject to a show-cause and an opportunity of being heard.

We suggest that the aforesaid mechanism of imposing penalties and removal of the practice of bank guarantee, will not only compel the license holders to ensure due compliance with the license conditions, but the latter will also assist the license holders to make investments towards

maintaining and improving their subsisting networks, thereby ushering the growth of the telecommunication sector and contentment of subscribers on account of receipt of quality service from the telecommunication operators.

Q.8 If the answer to Q7 is no, then what practice should be followed to secure the Government dues and performance of service providers?

Response: Placing reliance and in continuity to the response to the aforesaid question, we state that the Department may formulate a slab-wise structure of penalties against the defiance of performance and financial parameters of license conditions.

Q9. Is there any justification for merging the two bank guarantees i.e., Financial Bank Guarantee and Performance Bank Guarantee? Please give detailed justification.

Response: Placing reliance on our response to the aforesaid question, we state and submit that since we advocate cessation of the practice of furnishing bank guarantee in any form, therefore the question of merging the guarantees does not arise. Having said so, in the event, the practice of bank guarantee continues to subsist, we suggest that both financial and performance guarantees are maintained separately as each of them correspond to the different set of financial and performance obligations under the license. Hence, the bank guarantees should not be merged.

Q 10. What should be the methodology to calculate the amount of merged Bank Guarantee? Please Justify. In case of failure to meet only performance parameters or only financial parameters what should be the methodology for partial encashment of BG?

AND

Q11. What should be the amount of merged bank guarantee that should be made applicable for new entrants during the first year? Please justify.

AND

Q12. What should be the methodology to review the merged Bank Guarantee and after how much time? Please justify. In case of failure to meet only performance parameters or only financial parameters what should be the methodology for partial encashment of BG?

GTPL Broadband Pvt. Ltd.

CIN: U64204GJ2008PTC054111

Registered Office : 202, 2nd Floor, Sahajanand Shopping Centre,
Opp. Swaminarayan Temple, Shahibaug, Ahmedabad-380004, Gujarat.
Phone : 079-25626470 Fax : 079-61400007



AND

Q13. Should the merged bank guarantees be applicable for new entrants as well as existing licensees other UL/UL(VNO)? Please give justification for your response.

AND

Q14. Is there any need to merge or review the bank guarantee for the licenses/ registrations/ authorisations/ permissions other than UL and UL (VNO)? Please justify.

Response: Placing reliance on our response to the aforesaid question, we state and submit that we suggest cessation of the practice of furnishing bank guarantee in any form. Additionally, if the practice of furnishing bank guarantee continues to subsist, in that event, we suggest that both financial and performance guarantees are maintained separately as each of them correspond to the different set of financial and performance obligations under the license.

Q15. Any other issue.

Response: No comments.