



TELECOM REGULATORY AUTHORITY OF INDIA

NEWS LETTER

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February 2016

Dear Friends,

This newsletter brings you the information and developments that have taken place during the month of February, 2016.

A) Regulation/Direction/Tariff/Orders:

1. Clarification dated 16th February 2016 on TRAI views dated 2nd July 2015 on the issues relating to Spectrum Cap as follow up on SC interim order dated 14th May 2015

On 29th May 2015, DoT had sought the Authority's views on the issues relating to spectrum cap and minimum spectrum holding by TSPs as follow up of Hon'ble Supreme Court interim order dated 14th May 2015 in the Transfer Case (Civil) Nos.43/2015 and other similar matters.

After examination of the issues and consultation with TSPs, the Authority, sent its response on 2nd July 2015.

Thereafter, DoT, through its letter dated 21st January 2016, sought certain clarifications on the views of the Authority. The Authority examined the comments of DoT and finalised its response and forwarded the same to DoT on 16th February 2016.

2. Prohibition of Discriminatory Tariffs for Data Services Regulation, 2016.

After undertaking a consultation process, Telecom Regulatory Authority of India has issued "Prohibition of discriminatory tariff for Data services Regulations, 2016 on 8th February, 2016 which inter-alia has mandated the following:-

- (a) No service provider shall offer or charge discriminatory tariffs for data service on the basis of content.
- (b) 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 tariffs for data services being offered or charged by the service provider for the purpose of evading the prohibition in this regulation.

- (c) Reduced tariff for accessing or providing emergency services, or at times of public emergency has been permitted.

3. Draft on “The Reporting System on Accounting Separation Regulations, 2016”

The Telecom Regulatory Authority of India (TRAI) has issued draft ‘The Reporting System on Accounting Separation Regulations, 2016’ on 22nd February 2016 for the comments of stakeholders. The existing system of accounting separation reports (i.e. ‘The Reporting System on Accounting Separation Regulations, 2012’) was introduced four years back. During the submission of reports under Accounting Separation Regulations 2012, many telecom service providers have pointed out some difficulties/ concerns with regard to the requirements/ reporting under Accounting Separation Regulations, 2012 vis-à-vis applicability criteria, list of products/network elements, financial and non-financial proformae, periodicity and time period of submission of reports etc. The key objectives of draft Regulations 2016 is to review of:-

- i. applicability of Regulation,
- ii. telecom services covered,
- iii. list of specified products and network elements,
- iv. financial and non-financial proformae and
- v. periodicity and submission of reports

2.The Authority has also prepared draft guidelines on ‘The Reporting System on Accounting Separation Regulations, 2016’ and issued for stakeholders comments. These draft guidelines provide broad methodology and principles to be followed by telecom service providers while preparing reports under Accounting Separation Regulations, 2016.

3.The draft Regulation and Guidelines are available on TRAI website at www.trai.gov.in and the comments/views on the same was invited from stakeholders on or before 14th March, 2016.

4. Advisory to Distribution Platform Operators (DTH/MSOs/LCOs/HITS/IPTV) for use of Electronic Customer Application Form (e-CAF)

Telecom Regulatory Authority of India (TRAI), on 05.02.2016, issued an advisory for use of “Electronic Customer Application Form: (e-CAF) by the Distribution Platform Operators (DPOs) providing TV broadcast services namely DTH/MSOS/HITs/IPTV operators. This Advisory is a proactive measure taken by TRAI for enabling use of digital technologies towards bringing efficiencies in providing and managing services to the subscribers. The CAF is required to be filled up by customers before subscribing TV services. The information captured in the CAF is then transferred to the Subscriber Management System (SMS) of the DPO for managing the services availed by the subscriber.

Presently use of CAF in paper format is prevalent and manual process is followed for updating information in the SMS. The processing of millions of physical CAFs and their storage creates operational difficulties. The e-CAF can be easily accessed and integrated with the SMS of the DPO eliminating the manual feeding of information. It will also provide customers a simpler method

for subscribing to services; improve customer relationship, and management of their subscription and services. The e-CAF will bring efficiencies in the process of providing and managing services to the subscribers. It will also make easier storage of millions of CAFs resulting in lesser operational costs. The adoption of e-CAF is an environment friendly measure and it is likely to benefit all stakeholders.

B. Recommendation:

(I) Recommendations on Interconnection over IP Interface – Dated 11.02.2016

- (i) The Authority had issued a Consultation paper on “Migration to IP based network” on 30th June 2014 which was followed by an Open House Discussion on the subject on 2nd December 2014. In response to the consultation paper, some telecom service providers had submitted that as the imminent transition towards IP based network is widely anticipated, it is essential to amend the license conditions to explicitly provide for IP based interconnection.
- (ii) Department of Telecom, vide its communication dated 10.11.2015, had also written to TRAI that one of the issues of concern to the Telecom Industry is removal of restriction of Interconnection at IP level to ensure seamless IP interconnection. TRAI initiated a short consultation with the stakeholders vide “Consultation Note on IP Based Interconnection”, dated 27.11.2015. After analyzing the various issues involved and considering the comments received from stakeholders, the Authority recommended the amendment to clause 27.3 in the Unified License for interconnection at IP level. It was also recommended that similar amendment to this effect may also be incorporated in the relevant clauses in other license agreements.
- (iii) The proposed text for clause 27.3 is as under:

“Interconnection between the networks of different Licensees for carrying circuit switched traffic shall be as per national standards of CCS No. 7 and for carrying IP based traffic as per Telecom Engineering Centre (TEC) standards as amended from time to time and also subject to technical feasibility and technical integrity of the Networks and shall be within the overall framework of interconnection/regulations/directions/orders issued by the TRAI/Licensors from time to time. For inter-networking between circuit switched and IP based network, the Licensee shall install Media Gateway Switch. Further, the Licensor may direct the LICENSEE to adopt any other technical standards issued by TEC on interconnection related issues”.

(II) Recommendations on “Implementation Strategy for BharatNet” – Dated 01 February, 2016

1. The Authority issued the Consultation Paper on “Implementation Model for BharatNet” on 17th November, 2015 to find alternate model for implementation of BharatNet. The comments and counter-comments received from the stakeholders were placed on the TRAI’s website. Meetings were held

with Infrastructure Providers, Construction Companies, Financial Institutions, Multi-Service Operators (MSOs) and Broadcasters on 02nd December, 2015. A separate meeting with Telecom Service Providers (TSPs), Internet Service Providers (ISPs), Industry Associations, Multiple System Operators (MSOs) and Broadcasters was also held on 11th December, 2015. An Open House Discussion (OHD) with stakeholders was organized on 18th December, 2015.

2. In the consultation paper issued by TRAI Build-Own-Operate-Transfer (BOOT) model has been suggested as an alternative and stakeholders were asked to comment on various issues.
3. After considering the comments from the stakeholders and further analysis, the Authority has come out with its Recommendations on “Implementation Model for BharatNet”. The salient features of the recommendations are as follows:
 - A PPP model that aligns private incentives with long term service delivery in the vein of the Build-Own-Operate-Transfer/Build-Operate-Transfer models of implementation be the preferred means of implementation.
 - The scope of the concessionaire’s work should include both the deployment and implementation of the OFC and other network infrastructure as well as operating the network for the concession period. Concessionaires shall be entitled to proceeds of revenue from dark fibre and/or bandwidth.
 - Concessionaires should be selected by way of a reverse bidding process to determine minimum Viability Gap Funding sought for concession. The area of implementation may be analogous with the Licensed Service Areas (LSAs)/or the State/UT. The use of a reverse bid process to determine lowest VGF sought can ensure that the amount of support from public funds is rational.
 - The Contracting Agency may, in the first phase, explore the appetite and response of the potential BOOT participants through bidding process. This can either be done in one go for the entire country (by having States/LSA or packages as ‘Schedules’) or it can be done beginning with certain States with larger potential of bidders’ response.
 - In the second phase (after excluding those area where BOOT model can be implemented), EPC contractor may be selected. Such EPC contractor should be responsible for building the network and will have defect liability period of two years after completing the network. When the network is about to be completed, the Contracting Agency should engage a third party (through bidding process) who should be responsible for managing and marketing the network as per the broad principles laid down by the Government. The overlapping defect liability period of two years should be used to ensure smooth transition from construction to maintenance phase.
 - The period of concession should be coterminous with the technical life of the fibre at present the consensus on this is 25 years. Such a period should be sufficient time to align the concessionaire’s incentives with high quality installation for service delivery, while also providing a large enough window to make a reasonable profit. The period may be further extended in blocks of 10/20/30 years at the mutual agreement of the Government and the concessionaire.

- Care must be taken to ensure that the concessionaire provides access to all service providers in a non-discriminatory and transparent manner. Such competition is essential given that all manner of content (including entertainment, entitlements and Government services) will be delivered on the network.
- In addition the relationship between the concessionaire and the service provider should be at arm's length. This can be ensured by mandating a legal separation of the businesses of infrastructure provision and service provision in case of overlapping interests to preclude the possibility of a vertically integrated entity abusing its position.
- Liberal eligibility criteria that allows for broad participation is necessary to ensure the participation of a large number of bidders and guarantee a strong and competitive auction process to enable optimal price discovery.
- There is no need to place a cap on participation in the bidding process – however a cap should be set on the number of implementation areas that are allocated. This can ensure that the bidders' capacity and resources are not stretched thin due to winning bids for too many areas.
- Concessionaires be provided with flexibility in terms of route for laying optical fibre, choice of construction, topology and technology in order to ensure technical as well as economic efficiency. This flexibility is subject to the same standards of redundancy and quality as outlined for BharatNet by the Committee on NOFN.
- The Central and State Governments act as anchor clients to purchase a minimum amount of bandwidth (100 Mbps) to be purchased at market prices for the provision of services. Additionally, the mandating of a minimum amount of fibre (e.g. 50%) be set aside for use by other service providers in order to encourage competition may be considered.
- RoW is perceived as a major risk factor by the private sector, safeguards recognizing such a possibility and outlining the steps to be taken must be put in place under the agreement to attenuate such risk and encourage participation. Guaranteed provision of free RoW is a necessary and non-negotiable precondition to successful deployment of BharatNet, subject to the reinstatement of public property to its original condition.
- Involvement of State Governments is essential for success of the project irrespective of the strategy chosen for implementing it. States/UTs should be made an integral part of the project implementation and an institutional mechanism both at the State and District level should be created to effectively coordinate and sort out the implementation issues.
- The Central and State Government should additionally consider becoming involved with the concessionaire by becoming a minority equity partner (~26%) in the selected consortium - this can reduce the perceived risks and thus lower the costs of obtaining private finance while also automatically solving the risks associated with windfall profits. In addition, this can help the Government check monopolistic behaviour on the part of the concessionaire.

C. Miscellaneous :

i) Telecom Subscription Data as on 31st December, 2015

Particulars	No. of Wireless subscribers (in Millions)	No. of Wire-line Subscribers (in Millions)	No. of Total subscribers (Wireless + Wire-line) (in Millions)
Urban Subscription	579.67	20.99	600.66
Rural Subscription	431.22	4.53	435.75
Total Subscription	1010.89	25.52	1036.41
Overall Tele-density	79.82	2.01	81.83
Share of Urban Subscription	57.34%	82.25%	57.96%
Share of Rural Subscription	42.66%	17.75%	42.04%
No. of Broadband Subscribers	120.02	16.51	136.53

- Mobile number Portability requests increased from 186.69 million subscribers at the end of November, 2015 to 194.01 million at the end of December, 2015. In the month of December, 2015 alone 7.31 million requests have been made for MNP.
- Active wireless subscribers on the date of Peak VLR in December, 2015 were 912.06 million.

ii) Indian Telecom Service Performance Indicator Report:

TRAI has released the 'Indian Telecom Service Performance Indicator Report' for the quarter ending September 2015. The report provides broad perspective of the Telecom Services as well as cable TV, DTH and radio broadcasting services in India for the period from 1st July, 2015 to 30th September, 2015.

iii) Audit and Special Test Drive Report :

1. The audit work for the period July to September 2015 has been carried out & final Audit Reports were published through TRAI's website www.trai.gov.in on 4th February, 2016.
2. The special drive test report done by Independent Agencies in seven cities during the month of December 2015 & January 2016 were also published through TRAI's website on 4th February, 2016.

iv) Consumer Outreach Programmes:

During February, 2016 TRAI has organized Ten Consumer Outreach Programmes at the following places for the benefits of Telecom & Broadcasting consumers (Name of Regional Office in bracket):

Mandya (Karnataka)	04.02.2016
Ghaziabad (Uttar Pradesh)	05.02.2016
Tirupati (Andhra Pradesh)	15.02.2016
Aurangabad (Maharashtra)	16.02.2016
Baripada (Odisha)	18.02.2016
Purulia (West Bengal)	18.02.2016
Porbandar (Gujarat)	23.02.2016
Palakkad (Kerala)	25.02.2016
Gonda (Uttar Pradesh)	26.02.2016
Manali (Himachal Pradesh)	26.02.2016

Full details of the Directions/Orders, Recommendations, Consultation Paper, Subscription Data, etc as mentioned in this newsletter are available on our website

www.trai.gov.in

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