



At the outset, Tata Teleservices Limited and Tata Teleservices (Maharashtra) Limited [together called “TTL”] express our sincere gratitude to Telecom Regulatory Authority of India (TRAI) for releasing the “Consultation Paper on Rationalization of Entry Fee and Bank Guarantees” to seek industry inputs.

In this regard we hereby submit our inputs to the points raised by the Authority in the consultation paper is as follows:

- Q1. Should the entry fee be rationalised from the present levels in the UL and UL (VNO) licenses? Please support your comments with detailed justification.**
- 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.**
- Q3. 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.**
- Q4. 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.**
- Q5. What should be the amount of the uniform Entry Fee for various authorizations? Please justify.**
- Q6. 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.**

TTL Response:

- India’s Telecom Industry is the second largest in the world with a subscriber base of 1.17 billion as of April 2022 (wireless + wireline subscribers). India has an overall tele-density of 84.88 %. However, the penetration in uncovered territories is still miles away, as the tele-density of the rural India stands at just 58.16% even after 25 years of privatisation of the industry. Whereas the urban India has tele-density of more than 134%. This shows there is big urban-rural divide/gap, and this would require huge investments to connect the unconnected population of India.
- Given the nature of telecom industry, setting up of infrastructure requires huge initial as well as continuous investment due to fast changing technology and offering new services. For example, as we enter the 5G era the world is talking about 6G technology and preparations have already started. This, therefore, would require further investments in the years to come to increase the number of sites and street furniture that will be required for densification of networks etc. At the same time upfront investment in backbone network including laying of



fiber across the length and breadth of the country involves significant investment and realization is over very long period and, in some cases, industry loses due to these challenges.

- Spectrum is one of the crucial raw materials for running a telecom business. Acquiring spectrum through auction requires huge investments to be paid over a period of 20 years. In addition to spectrum, telecom companies need to invest in relevant equipment and eco system to deliver its services.
- Initial and continuous Investment requirement is the major barrier for a licensee company to enter into the telecom business. This, in fact, weeds out non-serious and fly-by-night operators. Hence, DoT should avoid fixing any fees, charges and guarantees based on the concept of non-serious players.
- On top of it, the requirement of minimum net worth and equity ranging from Rs. 25 Cr. to Rs. 2.5 Cr. for various types of authorizations ensures that casual players do not get the telecom licence.
- Under the present regulatory framework for Telecom in India, there are provisions/prescriptions acting as barrier to entry, such as (i) requirement of obtaining a license; (ii) entry fee; (iii) annual license fee in the form of revenue share; (iv) requirement of meeting net worth and furnishing/maintaining bank guarantees; (v) complex regulations. Such entry barriers not only act as impediment to competition and attracting private investments, but also are anti-consumer as these result in inflated price and lack of choice to consumers.
- There is certainly an urgent need for rationalization and, in most certain cases, doing away altogether with entry barriers. In fact, in the electricity sector the Union Government in the recently introduced Electricity (Amendment) Bill 2021 in the parliament has taken steps to de-license the power distribution business and make the sector more competitive. It has been a common experience that removal/reduction of entry barriers leads to faster and more efficient growth propelled by increased private participation. For example, in the electricity sector 'Generation of electricity' since inception of the Electricity Act 2003 continued to be de-licensed with no regulations, which has resulted in India transforming from energy deficit to energy surplus. This is the only way; rural connectivity can be propelled to achieve 100%.
- We believe that with the right mix of de-licensing, rationalization of complex regulations and removal/in certain cases reduction in various fees and licensing costs, the full potential of the telecom industry can be accomplished. A robust telecom sector is critical in achieving the goal set by NDCP 2018 and the vision of our Hon'ble Prime Minister of India.
- Entry fee should be removed all-together. Since 2013, with introduction of Unified Licensing Regime, spectrum has been de-linked from license and is allotted by auction. Therefore, license is merely permission to carry telegraph services, and as such, there is no need to separately charge Entry Fee.



- There are other industries which are regulated but licences are issued without any artificial barrier like entry fee of this magnitude for example Power, Aviation etc.
- Therefore, we submit that any such barrier for new licences or new authorizations is not required. There are already adequate natural barriers existing in terms of minimum net worth, equity and investments.

Q7. Is there a need to continue with the practice of the Bank Guarantee in various licenses/authorizations? Please Justify.

Q8. If the answer to Q7 is no, then what practice should be followed to secure the Government dues and performance of service providers?

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

Q10. What should be the methodology to calculate the amount of merged Bank Guarantee? Please Justify. What should be associated terms and conditions with reference to financial and performance parameters?

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

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?

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.

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.

TTL Response:

- We would like to put the issue of Bank Guarantees (BGs) in perspective. BG in any form for any services/revenues imposes additional burden on telecom operators already facing financial crunch and maintaining these BGs is an administrative as well as compliance burden. The said BGs are currently being kept for indicative purposes than securitizing the demands that may be raised by DoT on LF, SUC and various other reasons. Therefore, there should be no prerequisite of any BG to securitize the dues. The licensor has a legal right including right of freezing of bank accounts, cancellation of licence, withdrawal of spectrum, sale of asset etc.



to ensure that all legitimate dues are paid by the licensees. Government can recover any amount of dues by resorting to such legal methods as compared to encashment of meagre BG of only 20% of the LF/SUC dues.

- No other Industry, including those who collect upfront money follows the BG model. Realising this the government has already done away with the BG of an amount equal to one annual instalment and PBG for rollout obligation for spectrum acquired through future auction. In fact, Spectrum dues are much higher than any other operational dues and discontinuing BG requirements will help the industry to manage its finances better and DoT from ease of doing business.
- Licence Fees and SUC are similar to any other dues such as GST, Income Tax etc. payable to the Government by any Corporate. Therefore, it is necessary to simplify and bring in line with payment mechanism adopted by those acts (such as GST, Income Tax etc.) There is no requirement of Bank guarantees in GST and Income Tax Acts to fulfil payment obligations. No other industry is asked to furnish BG to securitize dues which are payable under their licences. Telecom is the only industry which has been burdened with bank guarantee requirements. In view of above, it is submitted that DoT should keep the ease of doing business in mind and follow the path of other sectors and do away with BGs.
- BG requirement should be done away with even for new entrants. This will reduce compliance for the new as well as existing licensees, improve liquidity as Banks, in many cases, Banks insist for 100% cash deposits while issuing BGs and it would also eliminate cost of BG in the form of payment of commission to the Banks. This can certainly be avoided to ensure good governance and ease of doing business.
- The Licensor has removed the clause related to the roll out of services under UL in most of the authorizations except GMPCS, PMRTS and Commercial VSAT CUG. The rationale for maintaining the PBG was to ensure roll out of service in the given time frame. Therefore, there is no need to maintain PBG for service authorizations which do not envisage roll out obligation under the licence. Also, the Indian telecom market has matured, and market forces ensure performance to be achieved to cater to the needs of customers. Like any other services, Customers will punish poor quality service providers rather than DoT acting as watchdog in a matured market like ours. Therefore, we suggest that there should be no PBG under the UL.
- In view of the above, TTL recommends that both types of BG's, i.e., PBG and FBG, be done away with immediately.

Q15. Any other relevant issue that you would like to highlight in relation to the above issues?



TTL Response:

- We, TTL would like to bring to your attention the issue of release of BGs in cases wherein a TSP has migrated from erstwhile UASL to UL. TSP has submitted the requisite PBG under the new UL and all liability of UASL stands migrated to UL. Hence, the PBG submitted under erstwhile UASL are no longer required to be retained by DoT and it should be released. The reason given by DoT for retention of the old BG is pending demands for LD raised under the old UASL. It is submitted that TSP has already submitted the fresh PBG while migrating from UASL to UL which caters for the LD demands raised which stand migrated to UL from UASL. This tantamount to having given two BGs against the norm of one BG. Maintaining two BGs has strained liquidity of TSP and involves additional avoidable costs for TSP. At a time when the industry is facing financial burden, such anomaly and administrative hurdles need to be corrected.
- The TSPs who have exited the mobility business and currently not holding any spectrum, the FBG for SUC submitted previously should be released. The LF and other dues are already securitized under the existing FBG. The TSP is not paying SUC anymore and therefore, there is no requirement to hold back the old SUC BG.
- License has a provision to raise penalty which are either paid or challenged by the TSP's. There is no provision in the license to prescribe any BG for securitizing the penalty demand. Some of the CCAs keep raising request for enhancement of existing FBG on account of penalty raised due to CAF, EMF etc.