



## IAMAI Submission on “Ease of Doing Telecom Business in India”

The Internet and Mobile Association of India [IAMAI] would like to thank the regulator for the opportunity to make a submission in the stakeholders’ inputs on ‘*ease of doing telecom business in India*’.

Network and connectivity forms the backbone for the internet and digital services sector that we as an industry association represent. Thus, even though our members are not directly involved in the business of providing telecom services in India; the regulations pertaining to telecom regulation has a direct bearing on the business operations of the sector. Consequently, over time, IAMAI has made submissions on various consultations relevant to the digital sector.

In this submission, we would like to highlight issues regarding telecom regulations that are central to ease of doing business for the Internet businesses in India.

### **Spectrum Pricing needs to be rationalised**

Spectrum pricing has been an issue of contention in recent times; and it is our understanding that many of the ongoing debates in telecom stem from the pricing and availability of spectrum for commercial usage. The present practice of rationing spectrum in order to extract maximum revenue needs to be revisited for the following reasons.

- a) Spectrum is not like Coal or any other ‘natural resource’ as spectrum does not get exhausted once used;
- b) High pricing of spectrum leads to multiplier effects for the entire downstream industry leading to higher operational costs for every vertical involved.

Premium on spectrum leads to rent seeking behaviour from ISPs who have to recover the high prices they have to pay for the rights, which in turn leads to conflict between telecom service providers and the internet service providers, whom the telecom service providers refer to as OTTs.

It is our collective understanding that in order to promote Digital India, this bottleneck needs to be addressed first in the form of *ease of access* both in terms of licenses and spectrum price. Easing access to spectrum will trigger higher innovation and deeper adoption of digital technology, and the multiplier effect so triggered will more than cover for any revenue loss to the exchequer such liberalisation might cause.

### **Light Touch Regulations to provide breathing space for newer innovative businesses**

With new technological innovations and disruptive business models coming up in the country, the service categories recognised should be read with greater flexibility in order to accommodate future developments. For example, in the context of UL, the newly emerged sector of Cloud telephony in India is incorrectly identified as ‘Audio tex messaging services’ while ideally it should be categorised under Application Services. This arises from the fact that the exact nature of cloud telephony business model as it has emerged in India was misunderstood; and it was wrongly assumed that this segment engaged in VOIP activities.



We would also like to state our earlier submissions on Cloud Computing in this regard. Digital India project provides potential opportunities for cloud adoption at a \$19 billion between 2014-2018. This growth will be throttled if the government brings in regulations around licensing regimes and the same will impede the establishment of cloud services in India. Cloud service is similar to any internet service which is already regulated and any additional licensing requirements would hinder the growth of the sector and may keep cloud service providers (CSPs) away from India in and it may also discourage global companies from setting up data centers in India. It is IAMAI's recommendation that the cloud platforms must be left to free market mechanism.<sup>1</sup>

Similarly, there is significant ambiguity between the close and symbiotic existence of automation and OSP related businesses. Both automation companies and OSP related business provide by nature the same set of services (termed loosely as Application Services), often provided by BPOs by using man-power or by automation companies using their intellectual property and know-hows. In both cases, escalations to human positions are equally important. OSPs have matured over the years and Automation or other Internet Services companies are the sunrise sector and therefore clarity and parity in guidelines between both services need to be brought in.

For example, OSPs subject to certain bank guarantee (conditions of which are being made more and more lenient) are permitted to inter-connect multiple locations. A similar parity may be offered to Automation or Internet services companies where they can receive calls at a location may be routed to a different location. Registration system may be maintained (as it is for OSPs) to ensure only bonafide vendors exist and withhold any persons or entities wishing to leverage such a service for any activities that may lead to by-pass of toll.

Moreover, with distance no-longer being a parameter, and the vision to make inter-connected India a reality, it is advisable to remove regional or local licensing and permit PAN India authorisation and licensing for service providers.

#### **Business Friendly regime for promoting BOOT model for telecom penetration**

The Government had earlier identified the need for speeding up the BharatNet project and involved in a consultancy process to determine the best model for its implementation. One of the models for discussion was the BOOT model, which is also endorsed by IAMAI as one of the possible model. The implementation of the BharatNet project has been substantially delayed and therefore the BOOT model becomes all the more relevant. The BOOT approach balances both public and commercial interests and allows governments to subcontract substantial technical and operational risks to the private sector. The private sector brings its efficiency and effectiveness in the development of a public facility which helps in timely completion of the projects.<sup>2</sup>

Any form of PPP like BOOT will require certain 'guarantees' from the public sector to encourage private participation such as:

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<sup>1</sup> Further refer : Inputs derived from IAMAI Submission on Cloud Computing Dated- July, 2016

<sup>2</sup> Further refer : IAMAI Submission on the Consultation Paper on "*Implementation Model for Bharatnet*" Dated- December 2015;



- Ease of registration/licensing
- Technical specification instead of Technological mandate to allow greater efficiency through speedy adoption of latest innovations
- Ease in import of technology/ machine/equipment
- Indemnification clauses
- Cover for fiscal risk

Going forward, the PPP model can be used for greater good and all telecom regulations should provide for such requirements.

### **Delicensing of Spectrum for free wi-fi**

In course of tracking internet usage in India, IAMAI in the recent years has realised that growth of internet in India is now hitting a plateau after years of rapid growth. This stems from the fact that Urban penetration of internet is fast reaching saturation at 51% while rural penetration remains very low at a mere 17%. IAMAI agrees with the government on the scope and need of providing free wi-fi to promote internet services in India. This may be in the form of smart cities or through any other developmental scheme.

In order to promote better internet access via public wi-fi, the following frequency bands need to be delicensed completely for indoor and outdoor use in wi-fi space in accordance with international best practices and developments.

Spectrum	Recommendation	Rationale
5150-5350 MHz	License exempt outdoor usage with appropriate power limits aligned with global best practices and developments	Existing international equipment ecosystem. Primary candidate to relieve Wi-Fi crowding at 2.4 GHz
5725-5875 MHz		Existing international equipment ecosystem. Primary candidate to relieve Wi-Fi crowding at 2.4 GHz
60 GHz ('WiGig' / V-Band)		Last mile fiber alternative for cellular backhaul and fixed Internet
71-76 / 81-86 GHz (E-Band)*		Last mile fiber alternative for cellular backhaul, fixed Internet and village connectivity

Delicensing these frequencies will facilitate innovation and sound business models to emerge; which will address the challenge of last mile connectivity in the hitherto unaddressed areas of the country.

It may be noted that free licensing to such service providers may be done under condition that users are charged only for services attained via its usage and not for access to free wi-fi. This will take care of concerns of undue profiteering and ensure the benefits actual accrue to the target users.



### **Due recognition to technologically innovative digital services**

While telecom forms the backbone of digital sector; it needs to be duly recognised that the digital and internet sector by itself is an important sector and that the real digital ‘services’ are provided by this sector and not the infrastructure providers. Identifying such service as OTT with respect to telecom (for instance, VOIP services) presupposes these services to be offshoots of the telecom service sector; and this is a gross misrepresentation.

Whether it is the issue of Net Neutrality or Differential Pricing or the debate over regulation VOIP calls on the basis of a fallacious argument of Revenue Loss for ISPs; the recent past has witnessed numerous attempted infringements by ISPs in the digital/internet sector in the name of protecting and promoting telecom business fortunes in India.

Any regulation for ensuring ease of doing business in the telecom sector must not infringe on the ease of doing digital/internet business in India by giving undue advantage to any particular class of service provider.