

CONSULTATION PAPER No. 2000/ 2

**TELECOM REGULATORY AUTHORITY OF INDIA
CONSULTATION PAPER**

ON

LICENSING ISSUES RELATING TO

FIXED SERVICE PROVIDERS

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**TELECOM REGULATORY AUTHORITY OF INDIA
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Preface

Telecommunication is the prime core infrastructure needed for rapid growth and modernization of various sectors of the economy. Developments in the telecom sectors are taking place at a fast pace resulting in improvement in quality of service and introduction of a range of innovative services, which hitherto were not available. India has achieved tele-density of 2.5 per cent. This no doubt is low in comparison to other South-Asian countries. The New Telecom Policy (NTP) 1999 has envisaged a framework for achieving widespread network leading to a tele-density of 15 by the year 2010, with world class services at affordable prices to the consumers.

NTP 1999 envisages entry of multiple operators in the telecom sector. It also envisages that the fixed service providers shall pay one time entry fee. The license fee payable by the service providers will be in the form of a revenue share. NTP 1999 also states that the level of entry fee and the percentage of revenue share, and the basis of selection of new operators would be on the basis of recommendations made by the TRAI. Accordingly, the Department of Telecommunication (DoT) has asked for recommendations from the TRAI on various issues, including grant of licenses in case of eight circles in which there is no second operator. The DoT in pursuance of NTP 1999 has also asked for recommendations of the TRAI for the third operator in those circles for which licenses were granted (6 Circles), and also the circles for which Letters of Intent (7 circles) were issued. Determining the quantum of entry fee, License Fee and entry of additional operators has inevitably to be based on the projected business in the sector which is changing so fast that any prediction in respect of subscriber base, demand and revenues etc becomes difficult. Coupled with this is the possibility of reduction in input costs and possible new services, making the whole exercise quite complex. Nonetheless, this Paper attempts at analyzing the status and raises certain important issues on which we propose to consult, keeping in view the issues that are to be addressed in terms of the DOT request for recommendations. This exercise recognizes that since the license that would be issued for providing basic service would be for a reasonably long period of time, it would need to take into account benefits of the technological breakthroughs and innovations changing the telecom sector constantly.

I hope this Consultation Paper would generate useful inputs from all stakeholders viz., Service Providers, Consumers and Consumers' Organizations, Financial Institutions and Banks, Policy Makers and Research Institutions. I request that written comments on this Consultation Paper may please be furnished to Secretary, TRAI by 4th July 2000. For any further clarification of the matter Joint Secretary (Commercial) or Director (Commercial), TRAI may be contacted at Phone Nos. 3316782 and 3356523, respectively. (Fax No: 3738708, 3356083) (E-mail - trai@del2.vsnl.net.in)

(M. S. VERMA)

CHAIRPERSON

New Delhi
12th June 2000

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ABSTRACT

The Department of Telecommunications (DOT), as the Licensor, has sought recommendations from the Telecom Regulatory Authority of India (TRAI) for issue of fresh licenses in the vacant circles in line with the objectives of New Telecom Policy 1999. First reference from the DOT dated 23.4.99 (Annex I) was with a specific reference to the following:

- Number of private service providers in a circle besides DTS;
- Selection criteria;
- License fee structure; and
- Other facets of license conditions.

Another reference from the DOT dated 12.7.99 (Annex II) was received seeking similar recommendations in respect of new operators to be introduced in the 6 licensed circles including the revenue sharing percentage for the existing licensees who have migrated to the new license regime.

This Consultation Paper is intended to raise public debate on the issues relevant for formulating TRAI's recommendations in the matter. This Paper attempts to assess demand for the DELs keeping in view the tele-density envisaged in NTP 99 as also the criterion of affordability. It is expected that this attempt at consultations will provide a ballpark estimate of the size of the market, the investments involved and lead to finalization of Recommendations. The Paper also explores various options for faster roll out of service and includes the views expressed by various organizations while it was under preparation.

The issues for public debate are outlined in Chapter 6.