

10th June 2021

To

Shri Sunil Kumar Singhal,
The Advisor (Broadband and Policy Analysis),
Telecom Regulatory Authority of India
New Delhi.
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Dear Sir,

Sub: Response from All India Fixed Internet Service Providers Association (AIFISPA) to the Supplementary Consultation Paper (SCP) on Roadmap to promote Broadband Connectivity and Enhanced Broadband speed.

We, All India Fixed Internet Service Providers Association ('AIFISPA') is a registered association of leading Fixed Internet service providers in the Country bearing number DRB4/SOR/25/2021-22. We have our registered office situate at Bangalore and our Branch office at New Delhi. The AIFISPA has been formed to represent and put forth the interests and concerns of Fixed line ISPs in the country which we feel are the backbone for proliferation of Broadband services in the country. With this context, we thank the Authority for coming up with a supplementary consultation paper which specifically discusses the License fee and other issues that directly impact Fixed Line Broadband (hereinafter 'FLB').

AIFISPA feels that the Authority has rightly recognised the fact that Broadband services has become one of the essential services and is very important to ones day to day living such as potable water, electricity etc., The current pandemic situation we are in has only reinstated the importance of a Broadband connectivity.

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To begin with, the Authority has rightly considered FLB as a separate class in itself in its recommendations dated 16.04.2015 itself and had recommended that *“To promote fixed line BB, the license fee on the revenues earned on fixed line BB should be exempted for at least 5 years”*. However, DOT instead of providing a positive impetus by duly considering the recommendations of TRAI by amending the required ISP Licenses, has gone ahead and taken a further regressive step by amending the Pre-UL regime ISP licenses on 31st March 2021 wherein the definition of the AGR in the Pre UL ISP licenses has levied license fee on pure internet revenues as well.

Even though DOT had gone ahead and issued its amendment vide its notification dated 31-3-2021, it is apparent from the Supplementary CP that the amendment has been issued by DOT even before completing this consultation process. With this backdrop we ISPs providing FLB consider that this supplementary CP issued by TRAI as one of the important opportunities to put forth our views on various matters that adversely affect this FLB industry.

Executive summary pointers:

- 1. Incentivizing approach should be a hybrid of both Direct and Indirect incentives, with focus being to provide License fee (LF) exemption for all ISP licenses on revenues earned from pure internet services.*
- 2. Supply side issues such as ROW permission and infrastructure creation to be given priority for proliferation*
- 3. Whenever multiple services are offered through fixed line, to mitigate the risk of misuse by the licensee through misappropriation of revenues, a fixed notional amount can be allowed as exemption per FLB subscriber.*
- 4. The exemption of license fee based on fixed notional amount per FLB subscriber to all type of licensee (including access service providers other ISPs who provides converged wireless and fixed-line products or converged services) shall avoid any misuse by the licensees*

through misappropriation of revenue and will also ensure level playing field among all the service providers.

5. *200% of subscription amount paid by individual on their Home broadband connection may be given as deduction from their individual income tax liability*

Before we answer the specific questions raised by the Authority, we would like to submit the following for the consideration of the Authority:

1. **Fixed Broadband is a separate class and cannot be compared with wireless telecom service providers:** FLB service providers provide Broadband services by laying optic fiber cable networks from their core network directly to or closer to the subscriber. It is capital intensive in nature. FLB service providers create their own optic fiber cable network to provide services and they do not use any spectrum like wireless broadband services. It is well recognized that fixed broadband plays an important part in future societal developments and underpins the enormous transition to Smart Cities in various other countries including developed countries. We request the Authority to take note that FLB has evolved to such an extent that the basic broadband plan provided by a FLB ranges anywhere between 40 to 50 Mbps and goes up till 1 Gbps and no other technology would be in position to give such consistent services. The important attributes of FLB such as “higher reliability, low latency, and higher speed” are not available in a wireless Broadband connectivity and a Wireless Broadband connectivity will never be able to provide the above attributes. Hence FLB service providers cannot be equated with that of wireless Broadband services and the incentives/exemption schemes cannot be discussed with that comparison in mind.
2. Most of the FLBs are pure play ISPs. They cannot be and ought not to be equated with other telecom service providers which may also be ISP operators, and which may be providing other services as well under their Access and ISP license.

3. **Immediate attention required on resolving the Supply side constraints:** Right of Way (RoW) charges were identified as the single biggest impediment to the adoption of wireline FLB services and the levies are arbitrary and at times exorbitant. The process of ROW approvals cumbersome and prevents investors to get into the wireline FLB services. Indian Telegraph ROW Rules 2016 were brought in by the GOI with the right intent and initiative, the same has not benefitted the service providers as it was intended to be. There is a huge disparity between the thought process of the central govt and the respective state govts. While the central govts had prescribed the rules, the permission is to be obtained from the respective state govts as most of the ROW related assets are being owned by them and hence the disparity. Either many of the state govt. have not even adopted any specific ROW policy in line with the rules or even if the same has been adopted the implementation and the dispute redressal mechanism is not proper. Many important aspects such as single window clearance and deemed approval etc., are never made available and even if made available in the policy, the implementation of the same in the ground is far from reality. Even after laying such optic fiber cable network, the cost of maintenance is so high.
4. It is a common problem that the ROW applications for setting up a robust fixed line broadband is often looked as a means to augment the financial resources of the Government/Local Authority; which in turn results in levy of exorbitant charges, acting as a drain on the already strained finances of the Licensee. The Authority could come up with a recommendation to the Government to actually rationalise the ROW rates billed to the Licensee, which could again facilitate the setting up of fixed line broadband.
5. Given the abysmal growth and reach of fixed line broadband compared to the wireless broadband, there is an urgent need to incentivise the fixed line broadband players of the industry. In the event of pandemic shutting down the conventional norms of doing work/attending to business, the importance of a fixed line

broadband cannot be understated, which is more reliable in terms of speed and consistency in catering to operations requiring high bandwidth.

6. What we are witnessing right now is that fixed line broadband has been a laggard when compared to its wireless counterpart. We believe that this needs to be balanced through some much needed policy interventions for fixed line broadband players, so that their share of the market may be increased to a competitive level.
7. Despite the noble aims sought to be achieved by NDCP 2018, the CP has duly highlighted that there is still poor penetration of FLB for a multitude of reasons, despite the importance of such services growing on account of the prevailing COVID - 19 pandemic. There are huge supply side constraints which relate to issues pertaining to right of way, restricted access to building complexes and societies, higher cost of installation and maintenance of fixed - line network infrastructure, and the like. Moreover, the FLB business is extremely capital intensive and requires constant investments. Despite the best efforts of the FLB industry there has been slow progress on the ground since 2002 and the objectives as envisaged in NTP 2012 and NDCP 2018, are far from being achieved. The reasoning to grant exemption of charging LF on pure internet services to ISP Licensees remains as much if not more relevant today as the sector needs all the financial support it can get. We believe this is a promising recourse to provide the much-needed fillip to fixed line broadband. The exemption on license fee, if quantified liberally, would go a long way in allaying the fears of fixed line broadband providers and the exempted capital can be aggressively used to expand the fixed line broadband, thereby addressing the issue of poor reach.

With the above backdrop we would like to answer each of the queries raised by the Authority.

1. **What should be the approach for incentivizing the proliferation of fixed-line broadband networks? Should it be indirect incentives in the form of exemption of license fee on revenues earned from fixed line broadband services, or direct incentives based on an indisputable metric?**

We feel that the approach for incentivizing the proliferation of fixed-line broadband networks should be a hybrid of Indirect and Direct incentives.

FLB service providers provide Broadband services by laying optic fiber cable networks from their core network directly to or closer to the subscriber. Provisioning of fixed-line broadband services is capital and manpower intensive. It is a time-consuming activity and its maintenance is also challenging. Unlike the wireless service providers who use scarce natural resource such as Spectrum, FLB service providers create their own optic fiber cable network till the last mile in order to provide their services. Hence, the approximate cost of connecting a customer ranges anywhere between Rs 15 – 20K and a service provider takes several years to break even and recover the investment. Further, Providing FLB services requires constant expansion and enhancement of services as reliability is the USP of a FLB service and the same requires huge investments. In order to encourage investors to invest in a sector which is of paramount importance to the growth of Digital India as highlighted in NDCP 2018 and in the National Broadband mission, it is of paramount importance that the Govt provides indirect incentive in the form of LF exemption. which in turn shall encourage service providers to invest more and create more infrastructure and in turn provide services at more competitive rates. Apart from the LF exemption aspect discussed above, a reliable and effective solution needs to be brought in to deal with all the Supply side issues specifically on

- Issues related to RoW (Right of Way)
- Restricted access to building complexes, societies and RWAs

While the Supply side issues have been dealt at length in both the 2015 CP and also in the Primary CP issued in Aug 2020, the fact of the matter is that the issues still prevail as it is and nothing has been done in the ground to assuage the concerns of the service providers. While the Indian Telegraph ROW Rules 2016 has been brought in by the GOI, the same has not been effective in addressing the difficulties faced by service providers in the ground. There is a huge disparity in adopting the ROW rules by each of the state Govts. The Service providers are dependent on the respective state govt. who actually owns the infrastructure and in many cases there is no ROW policy available and all the supply side issues highlighted in the previous CPs still remain at large. Hence, we request the Authority to provide Direct incentive such

- prescribing specific ROW charges (with the maximum ceiling limit based on urban and rural areas) which shall be strictly followed by each of the state govt for both Overground and under ground optic fiber cable infrastructure.
- Fixing a central adjudicatory Authority who shall deal with all the ROW disputes and the same shall be completely outside the purview of the respective state Govt.

In addition to the indirect incentives provided to the FLBs if the authority is of the view that additional incentives needs to be provided to customers directly in the form of DBT subsidies, the same shall be a welcome move. However, it needs to be noted that providing DBT directly to customers alone without providing necessary and much needed support to FLB service providers shall not help or benefit the FLBs as the concerns of FLB is addressing the supply side issues and in catering the capital intensive roll out shall still remain. Hence a HYBRID incentive model is the need of the hour.

Hence, it would really aid the FLBs if a combination of both direct & indirect Incentives (in the form of License fee exemption and reduced ROW charges) are made available to accelerate the proliferation of the fixed line broadband networks.

2. **If indirect incentives in the form of exemption of license fee on revenues earned from fixed-line broadband services are to be considered then should this license fee exemption be limited to broadband revenue alone or it should be on complete revenue earned from services delivered through fixed-line networks?**

There is no requirement for providing exemption on the complete revenue earned by the FLB service providers. Converged services should be treated as normal and no incentives should be given either to customers or to Service providers. Exemption of license fee on the “pure internet revenue” alone including the activation charges along with the already existing deductions such as GST would suffice.

UL (VNO) licence provides and allow Lease line/ Bandwidth charges as pass through charges and the same was allowed as deduction for payment of License fee. We request the Authority to take note that the same benefit may also be extended to FLBs. As rightly noted by the Authority, FLB service providers are mostly standalone ISPs who in obtain bandwidth from large TSPs/NLDs/ILDs similar to that of VNOs and with this perspective, we request the Authority to consider the Bandwidth charges paid by an ISPs to other TSPs/NLDs/ILDs as pass through charges and allow as deduction for payment of LF and ensure proper level playing field.

3. **In case of converged wireless and fixed-line products or converged services delivered using the fixed-line networks, how to unambiguously arrive at the revenue on which license fee exemption could be claimed by the licensees?**

Most of the FLBs are only plain vanilla ISP license holders as they hold only ISP license, there is no scope for them to resort to any misappropriation of revenues. Hence, the entire “pure internet access” charges including the activation charges can be exempted for the ISP licensees.

The convergence of wireless and Fixed line Broadband services are being delivered by service providers who hold both Access services authorisation and Internet services authorisation. When compared to the ISPs, the Access service providers are in a more advantageous position to offer FLB, as the bouquet of services that they can offer are much more. So ISPs need the incentive more.

For Access Service providers, a fixed notional amount per FLB subscriber can be allowed for licence fee exemption. The notional amount may be fixed by TRAI after due consultation. The notional exemption amount per subscriber may have to be reviewed periodically by TRAI. Further, the existing certification process and the statutory audit process can be used for getting the exact number of FLB subscribers of the Access providers. Whenever multiple services are offered through fixed line, to mitigate the risk of misuse by the licensee through misappropriation of revenues, a fixed notional amount can be allowed as exemption per FLB subscriber.

The exemption of license fee based on fixed notional amount per FLB subscriber to all type of licensee (including access service providers other ISPs who provides converged wireless and fixed-line products or converged services) shall avoid any misuse by the licensees through misappropriation of revenue and will also ensure level playing field among all the service providers.

4. **What should be the time period for license fee exemption? Whether this exemption may be gradually reduced or tapered off with each passing year?**

Time period should be a minimum of 7 years or alternatively a goal-based exemption i.e. FLB penetration reaches upto 50% of the households in India as envisaged in NDCP 2018.

5. **Is there a likelihood of misuse by the licensees through misappropriation of revenues due to the proposed exemption of the License Fee on the revenues earned from fixed-line broadband services? If yes, then how to prevent such misuse? From the revenue assurance perspective, what could be the other areas of concern?**

Response to Query no 3 may be referred here.

6. **How the system to ascertain revenue from fixed-line broadband services needs to be designed to ensure proper verification of operator's revenue from this stream and secure an effective check on the assessment, collection, and proper allocation and accounting of revenue. Further, what measures are required to be put in place to ensure that revenue earned from the other services is not mixed up with revenues earned from fixed-line broadband services in order to claim higher amount of incentive/exemption.**

A Big4 accounting firm can duly audit and ensure proper governance around accounting of revenues under the correct heads to ensure no loss to the exchequer.

7. **Is there any indisputable metric possible to provide direct incentive for proliferation of fixed-line broadband networks? What would be that**

indisputable metric? How to ensure that such direct incentives will not be misused by the licensees?

The Authority has already mentioned in SCP that RoW charges can be provided as one of the direct incentives to the Service providers. We would like to submit that if all the issues around RoW permission in creating the OFC network infrastructure is duly resolved would play a major role in motivating investors step into FLB industry and proliferation of Broadband in India.

- 8. What are key issues and challenges in getting access to public places and street furniture for installation of small cells? Kindly provide the State/ City wise details.**

We do not have any further comments as association members provide only FLBs.

- 9. How to permit use of public places and street furniture for the effective rollout of 5G networks? Kindly suggest a uniform, simple, and efficient process which can be used by States/ Local-Bodies for granting access to public places and street furniture for installing small cells. Kindly justify your comments.**

We do not have any further comments as association members provide only FLBs.

- 10. Which all type of channels of communication should be standardized to establish uniform, transparent, and customer friendly mechanisms for publicizing provisioning of service and registration of demand by Licensees?**

The most important reason as to why a customer is not serviceable in a particular location is only because a service provider is not able to reach its network to the customer location due to various supply side issues as we had already highlighted

in detail in the above queries. It is never the case where the services are not publicised widely, or the customers are refused registration of demand in the service areas. With the advent of more competition and availability of more options at the disposal of the customer all these license conditions have become redundant and infructuous. This should be left to market forces and regulatory measurement should enable FLB service providers to invest more for reach of FLB penetration as envisaged in NDCP 2018.

- 11. Whether proliferation of fixed-line broadband services can be better promoted by providing Direct Benefit Transfer (DBT) to subscribers of fixed-line broadband services? If no, elucidate the reasons.**

Yes, we agree that the scheme like DBT to the FLB consumers can be attractive & helpful in penetration of FLB services. We suggest instead of amount transferred to the individual customer account, the same can be provided as 200% of subscription amount paid by individual on their Home broadband connection can be given as deduction from their individual income tax liability for 5 years like promoting electricity car purchase. Certificate for such payment to be obtained from FLB service provider for claiming this deduction.

- 12. If answer to Q11 is affirmative, then:**

- I. Should DBT scheme be made applicable to all or a particular segment of fixed-line broadband subscribers? Kindly justify your comments.**
- II. If you recommend supporting a particular segment of fixed-line broadband subscribers, how to identify such segment of the subscribers?**
- III. How to administer this scheme?**
- IV. What should be the amount of DBT for each connection?**
- V. What should be the period of offer within which individuals need to register their demand with the service providers?**

VI. What should be the maximum duration of subsidy for each eligible fixed-line broadband connection?

The benefit of exemption under income tax liability will be more attractive and in fact beneficial to such individual customers as responded in Query no 11 above.

13. Any other related issue.

We do not have anything further to add.

**For ALL INDIA FIXED INTERNET
SERVICE PROVIDERS ASSOCIATION**



President