

Information Note to the Press (Press Release No. 88 /2023)

For Immediate release

Telecom Regulatory Authority of India

TRAI releases recommendations on "Rationalization of Entry Fee and Bank Guarantees"

New Delhi, 19th September 2023 - The Telecom Regulatory Authority of India (TRAI) has today issued the recommendations on "Rationalization of Entry Fee and Bank Guarantees".

2. Department of Telecommunication (DoT), vide letter no. 20-577/2016-AS-I Vol.III dated 3rd March 2022, sent a reference to TRAI seeking, *inter alia*, the rationalization of Entry Fees and Bank Guarantees of the various licenses operating in the telecom sector.

3. Entry Fee is a fixed one-time amount that prospective entrants must pay to enter a market. Entry Fees are typically non-refundable and constitute start-up costs for a firm. While as, a Bank Guarantee is a type of financial instrument to safeguard the interests of the Government as it ensures that the licensee pays its dues on time and fulfills their obligations as per the terms and conditions prescribed in the license agreement.

4. Based on the reference, a Consultation paper on "Rationalization of Entry Fee and Bank Guarantees" was issued by TRAI on 26th July 2022. Written comments and counter-comments on the Consultation Paper were invited from the stakeholders by 23rd August and 6th September 2022 respectively. On the request of the industry associations/stakeholders, the last date for submission of written comments and counter-comments was extended up to 6th September and 20th September 2022 respectively. The Authority received 20 comments and 1 counter-comment from various stakeholders. All these comments and counter-comment are available on TRAI's website at www.trai.gov.in. An Open House Discussion was also

convened on the issues raised in the Consultation Paper on 9th December 2022 through video conferencing.

5. In an environment of rapid technological transformation in the telecommunications sector, in order to facilitate the orderly growth of the telecom sector and Ease of Doing Business, TRAI has made recommendations to the Government for reducing the entry fees across various license authorizations and the merging of bank guarantees. It is expected that reductions in entry fee will lead to the entry of new service providers in the market, increase investment and enhance competition in telecom sector. The merging of bank guarantees will encourage ease of doing business and enable licensees to make investments in the sector thereby ushering the growth in the sector. Both these measures will improve the quality of service and enhance consumer welfare.

6. The Authority has also recommended no entry fee at the time of renewal of license. Such a move will ease the financial burden on existing, as well as new entrants, and will be beneficial for UL (VNO) licensees especially.

7. The salient features of the recommendations are as follows: -

- (i) The entry fee should be reduced from the present levels for Unified License (UL) as well as Unified License (Virtual Network Operator) (UL (VNO)) licenses.
- (ii) No entry fee for M2M ("A"/ "B"/ "C"), Audio conferencing/ Audiotex/ Voice mail service, ISP "C" recommended.
- (iii) Entry fee for following UL authorizations should be rationalized:
 - a) Access service: from Rs 1 crore to Rs 50 Lakh for each telecom circle/ metro area; from 0.5 crore to 25 lakh for J&K and North east each.
 - b) NLD and ILD: from Rs 2.5 crore to Rs 50 lakh.
 - c) PMRTS: from Rs. 50 thousand to Rs. 20 thousand for each telecom circle/ metro area.

- d) ISP "B": from Rs. 2 lakh to Rs. 50 thousand for each telecom circle and Rs. 25 thousand for J&K and North-East each.
- e) ISP "A": from Rs. 30 lakh to Rs. 10 lakh.
- (iv) The entry fee for UL (VNO) authorizations reduced substantially to promote competition and improved provision of services.
- (v) There should be no entry fee at the time of renewal of licenses.
- (vi) For Unified License, Financial Bank Guarantee (FBG) and Performance Bank Guarantee (PBG) should be merged into a single Bank Guarantee for securitizing the dues, to cover the violation of license conditions and to ensure the performance under license agreement.
- (vii) Similarly, for Mobile Number Portability license, FBG and PBG should be merged into a single Bank Guarantee.
- (viii) For enhancing the ease of doing business, the process for submission of electronic bank guarantee (eBG) should be adopted.

8. Full text of the recommendations on "Rationalization of Entry Fee and Bank Guarantees" have been placed on TRAI's website www.trai.gov.in.

9. For clarification/information, if any, Shri Amit Sharma, Advisor (F&EA) may be contacted at advfea2@trai.gov.in or Telephone Number +91-11-23234367.

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