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Sub: Idea Cellular's response to TRAI Consultation Paper on "Definition of AGR for provision of Internet Services and minimum presumptive AGR"

Sir,

Over the last 10 years of telecom deregulation, the one sector that has produced formidable results both in terms of achievement of coverage and building a strong infrastructure has been the wireless industry. This has happened post the New Telecom Policy 1999 which laid down certain basic guidelines which have benefitted the overall industry. Due to various reasons, many of these principles have been diluted leading to the surfacing of several issues. Needless to mention the principles enshrined in NTP-1999 such as level playing field etc. should form the benchmark for any future changes in the Licensing conditions.

In that context, we would like to first convey our strong opposition to any attempt from the Regulator or the DoT to compare and equate BWA Spectrum holders under Internet Service with access service licenses in the present Consultation Paper. The TRAI must note that operators make investments based on predictability of regulatory regime. The networks follow a particular depreciation cycle and when existing investments are not recovered, then ushering in any such subsequent change that dilute the level playing field can prove to be counter-productive.

Notwithstanding the above, our responses to the various queries raised in the Consultation are as follows:

Issue Wise Response:

Q1: Stakeholders are requested to give their comments on definition of AGR for all three categories of ISP licences

Idea Cellular's Response:

The Consultation Paper lists 3 categories of ISP licenses:

- ISP licenses issued from 1998
- ISP with Internet Telephony issued in April 2002
- ISP with Internet Telephony issued after 1st January 2006

As Idea Cellular's license falls in the 3rd category, we are restricting our comments to this category which are as follows:



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1. We strongly recommend that the current definition of Gross revenue and Adjusted Gross Revenue as contained in the ISP IT license (and as reproduced in clause 24 of the Consultation paper) should continue.
2. The set-off of charges on pure Internet access, Internet content and Internet access related installation charges should also continue.
3. Penetration of Broadband and Internet services remains a critical concern in India and India needs atleast several years to achieve Broadband penetration levels comparable to currently that of voice services. The earlier incentive of the set-off for pure Internet access services was given to hasten the Broadband penetration that in turn has a salutary effect on the Indian economy.
4. The current regime of AGR has helped make Broadband increasingly affordable for the users. Inclusion of this revenue under revenue share would not only increase current consumer prices but would also act as a disincentive for future growth of Broadband services.
5. Thus it is in the overall interest of Broadband penetration that the current definition of AGR should continue.

Q2: Should minimum presumptive AGR be applicable to BWA Spectrum holders under Internet Service/Access Service license(s) and other licenses with or without spectrum, including access service licenses? If yes, what should the value of minimum presumptive AGR?

Idea Cellular's Response:

Here we would like to first submit that the recent TRAI recommendations state that all the existing licensees shall automatically migrate to Unified License {{UL(R)}} at no additional fee. The services allowed under such a license will be restricted to the service (s) that the licensee can already offer under its current license and in the service area(s) already permitted.

This effectively means that when these guidelines come into force, an ISP licensee will automatically migrate to a UL(R). Further if it wants to migrate from UL(R) to a full Unified License, then the licensee will be required to pay a sum of just Rs 15 Crs for the National level Unified License that will allow the former ISP licensee to subsequently start offering all services, including voice.

However, as the TRAI may also be aware, such a provision contrasts directly with the DoT position in the BWA spectrum Auction of 2010, where it gave an option to the successful bidder to either get the spectrum under an ISP (Cat A) license or under a UAS License. Under the former, the spectrum could only be used for restricted telephony services while under the latter, full voice services were permitted provided the successful bidder already had or acquired a UAS License (at an entry fee of Rs 1,650 Crs for Pan-India service) in addition to the cost of BWA spectrum.

As can be seen, such a provision is likely to seriously disadvantage the existing players and jeopardize the level playing field that is critical to maintaining healthy competition in the marketplace.

We would therefore urge the TRAI to first review its Recommendations in light of our above submissions and then seek views on the issue of minimum presumptive AGR.

Q3: Please suggest the amendments required in the formats of statement of revenue and licence fee reported by various categories of Internet service licensees and UAS licensees

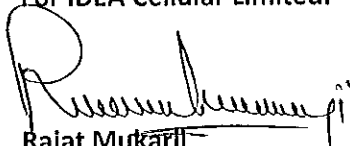
Idea Cellular's Response:

We feel that the current formats of statement for revenue and license fee for reporting purposes are sufficient and there is no need for changes in the same.

We are confident that the Authority will give due-consideration to our afore-mentioned comments before formalizing any guidelines on the issue.

Thanking You

Yours faithfully,
For IDEA Cellular Limited.


Rajat Mukarji
Chief Corporate Affairs Officer