CONSULTATION PAPER:

Q1. At present, there are 389 licensed ISPs out of which only 135 are offering Internet services. Top 20 ISPs cater to 98% Internet subscriber base. In your view, is there a rational for such a large number of ISPs who are neither contributing to the growth of Internet nor bringing in competition in the sector? Suggest appropriate measures to revamp the Internet service sector.

Answer to Question1

i) The number of ISPs is in hundreds (close to 1000) in advanced countries such as USA. Some are very small entrepreneurs with small budgets. They cater to local needs of a small geographical area providing both content and access services. Their large numbers has not bothered top regulators like FCC in USA or CRTC in Canada. The Regulator / Policy Makers should not try to restrict the number of players by policy fiats and regulatory interventions. The number of players should be left to market forces, which believes in the Darwinian principle of 'struggle for existence and survival of the fittest'

ii) The regulator should only concern itself with promoting competition based on a 'level playing field'. To promote competition, Regulator / Policy Maker should frame anti competitive policies, banning integrated players from bundling services and providing them under one license such as Unified Access. The present policy allows integrated players such as BSNL, MTNL, Reliance etc to offer Internet Services at predatory prices in a bundled package. This is possible because of their ability to cross subsidize the internet services from services where they have a virtual monopoly in the market. They should be asked to run internet services based on structural separation of various business lines, so that small ISPs can compete and survive in the market.

Q2. Due to limited availability of spectrum for wireless broadband access, and high cost of creating last mile infrastructure, many ISPs are left with only option to provide Internet dialup access services. With increasing penetration of broadband, what efforts are required to ensure viability of such ISPs in changing scenario? Please give suggestions.

Answer to Question 2

Wireless based broadband access still does not give real broadband experience provided by wire line access services such as ADSL and Cable Modem. For real broadband experience with good quality video, access speeds of atleast 2Mbps are required. Even 3G wireless technologies do not provide such speeds at present. Since real broadband access (in excess of 2Mbits/s) rates consume enormous amount of spectrum and considering the scarcity of spectrum, we should not depend on wireless technologies to bring in the broadband revolution in the country. We should therefore place greater reliance on wireline technologies. In this context we want to highlight that creating last mile infrastructure using copper is costly not using HFC. Thus the broadband service through HFC should be promoted. Here we can refer the TRAI recommendation dated 27th September 2005 for constitution of a committee on Broadband & Voice service over Cable Network and the draft report of the committee on the same dated 2nd November 2005.

Q3. At present limited services are permitted under ISP licenses. There is no clarity in terms of some services whether they can be provided under ISP licenses. Do you feel that scope of services which can be provided under ISPs licenses need to be broadened to cover new services and content? Suggest changes you feel necessary in this regard.

Answer To Question 3

VOIP: VOIP provisions under ISP license should be broadened. For example the voice service through HFC should be promoted so that people can get better service at a cheaper price.

Q4. UASL/ CMTS licensees have been permitted unrestricted Internet telephony however none of them are offering the service. ISPs (with Internet telephony) can provide Internet telephony with in scope defined in license condition. The user friendly and cheaper devices with good

voice quality are increasing Internet telephony grey market. Please suggest how grey market operations can be curbed without depriving users to avail such services?

Answer to Question 4

There is no justification for permitting computer based internet telephony to the carriers or operators who hold UASL license. Internet Telephony is an application service derived from the computer terminal and associated software. 'Access' is a carriage service, mainly for real time telephony. The Internet Telephony is a non real time service and does not give toll quality voice due to latency and jitter introduced by the best effort internet. Globally, these two types of voice services i.e, one non real time derived from a computer terminal, and the other real time derived from a telephone set are differentiated. Since, PSTN / PLMN voice call prices have registered a dramatic fall, the UASL / CMTs licensees do not find it profitable to offer, below quality tele services such as internet telephony. To arrest the growth in the gray market, ISPs should also be permitted to employ user friendly and cheaper devices/protocols such as MGCP, SGCP,ASP etc. to offer internet telephony at competitive prices. The field of internet telephony should be reserved for them.

Q5. How to address the issue of level playing field amongst the licensees of UASL, CMTS and ISPs?

Answer to Question 5

This issue has been covered in reply to question 1. The ISPs who are single service players can not compete with industry Goliaths such as BSNL, MTNL, Reliance, etc who have been permitted to bundle various services. It is a David and Goliath fight which in real life the former can never win, unless the policy maker imposes certain restrictions on the Goliaths i.e the dominant players, as has been done in developed countries in a concept called 'Asymmetric Regulation'.

Q6. The emerging technological trends have been discussed in chapter 3. Please suggest changes you feel necessary in ISP licenses to keep pace with emerging technical trends?

Answer to Question 6

The regulator should be technology neutral. The ISP license should be made as technology neutral as possible.

Q7. The service roll out obligations under ISP license is very general and can be misused by non-serious players. Do you feel the need to redefine roll out obligations so that growth of Internet can be boosted both in urban and rural areas? Give suggestions.

Answer to Question 7

In the ISP market which has more than 100 players and where conditions of 'perfect competition' prevail, no roll out obligations should be prescribed. It should be left to the market forces.

Q8. Do you feel that ISPs who want to provide unrestricted Internet telephony and other value added services be permitted to migrate to UASL without spectrum charges? Will it boost Internet telephony in India? What should be the entry conditions? Give suggestions.

Answer to Question 8

After the universal access regime was introduced about a year back, the basic service license which is based on wireline and does not require any spectrum, has been abolished. The policy needs to be reviewed as in other developed countries as well as developing countries, wireline based broadband access has been found most attractive by the customers. There is still a fixed service category called wireline in USA, which is quite separate and distinct from mobile service category. The ISPs who do not want to offer mobile services through wireless technologies, should be permitted to migrate to the basic service license and permitted to employ such proven techniques as ADSL / Cable Modem.

Q9. UASL/ CMTS licensees pay higher regulatory levies as compared to ISPs for provision of similar services. Do you feel that similar levies be imposed on ISPs also to maintain level playing field? Give suggestions.

Answer to Question 9

Any attempt to levy high license fees from ISPs who are Value Added Service providers and are in quite a different category than carriers or operators will be quite contrary to the government policy to promote internet in the country. The need of the hour is to clearly separate facility based operators (FBOs) from pure Services Providers such as ISPs. This policy has been adapted in all advanced countries. To level the playing field, FBOs or Carriers such as Reliance, BSNL, MTNL, etc should be forbidden from offering Value Added Services such as Internet, through an omnibus, three in one License such as UASL. They should offer Value Added Services through structural separation.

Q10. Virtually there is no license fee for ISPs at present. The amount of performance bank guarantee (PBG) and financial bank guarantee (FBG) submitted by ISPs is low. Do you feel the need to rationalize the license fee, PBG, FBG to regulate the Internet services?

Answer to Question 10

Present scheme is adequate. No change is warranted. ISPs should not be loaded with high FBG etc. The policy of light handed regulation of Internet in India was based on the best international global practice of not regulating the Internet this should be continued.

Q11. At present ISPs are paying radio spectrum charges based on frequency, hops, link length etc. This methodology results in high cost to ISPs prohibiting use of spectrum for Internet services. Do you feel that there is a need to migrate to spectrum fee regime based on percentage of AGR earned from all the revenue streams? Give suggestions?

Answer to Question 11

ISPs who are using radio spectrum resources should pay the same charges as any other telecom service provider. The spectrum fee regime should be the same.

Q12. The consultation paper has discussed some strategic paths to boost Internet telephony, bring in level playing field vis a vis other operators, and regulate the Internet services. Do you agree with the approach? Please give your suggestion regarding future direction keeping in view the changing scenario.

Answer to Question 12

The need of the hour is to boost Broadband Access to internet to achieve the target set by the government for broadband penetration to homes. With the drastic fall in real time telephony prices Internet Telephony has become a non issue. In future Technology/Protocol neutral Internet telephony and re-introduction of Basic License will bring in adequate growth.