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निगम कार्यालय  
MAHANAGAR TELEPHONE NIGAM LIMITED  
Corporate Office



MTNLCO-21/01(01)/8/2021-O/O PGM(RA AND C)  
Dated 04.06.2021

To,

The Advisor (B & PA)  
TRAI, New Delhi

**Sub. : Comments on TRAI supplementary consultation paper on  
“Roadmap to promote Broadband connectivity and enhanced  
Broadband speed”.**

The TRAI issued consultation paper on 19.05.2021 on the aforesaid subject and asked the various stakeholders to comment on the issues mentioned in the consultation paper. The following comments are submitted for kind consideration:

**A. Preliminary Submissions:**

1. MTNL has appreciated the TRAI Recommendation wherein “To promote fixed line Broadband, the license fee on the revenues earned on fixed line BB should be exempted for at least 5 years” was recommended.

As MTNL has submitted before the authority on various occasions that the recommendations may be modified to include all the services offered using the fixed line network.

It is submitted that in spite of the theoretical and technical aspects wherein both services could be explained differently, practically all the services offered over the fixed line network (voice and data) are integral/bundled, and the same are extended to subscriber in integral form, wherever offered together.

The provision of fixed line voice service to subscriber requires the same infrastructure as for the Broadband service. Further, extension of the fixed line network up to the subscriber requires few additional resources for providing Broadband service.

MTNL being a PSU, is committed to extend the services on demand to the customers without considering the business viability of the case.

It is therefore suggested, the TRAI should modify their earlier recommendations to the extent as to include all types services offered through fixed line network, under the ambit of the above recommendations.

2. The issue under discussion is regarding promotion of Broadband connectivity on fixed line network and it is an acknowledged fact that installation and maintenance of fixed line broadband is a capital intensive technology. In India for fixed line Broadband connectivity, the higher constraints are on supply side as compared to constraints on demand side. Demand side constraints can be adjudged from the rising ARPUs of Mobile operators where the customers are willing to pay higher tariff for the mobile internet services. Whereas on the Supply side the cost of fixed line Broadband provisioning is increasing due to factors other than technology costs that includes RoW charges & other costs. Low return on capital employed on fixed line Broadband connectivity justifies the case for license fee exemption to the fixed line operators instead of direct incentive to the subscribers.
3. The exemption of license fee to the TSPs should be considered as better option for the following reasons:
  - (i) The DBT could be a promotional concept for the subscriber, but the same will not be able to alter the present situation regarding consideration of "Business viability" by TSPs in terms of revenue generation prospects viz. (a) the applicable tariff plan, as the (ii) number of subscriber acquired.
  - (ii) The DBT would be applicable for a particular "Basic Plan" involving limited data consumption, may not be a game changer for private TSPs business perspectives and hence may end up being a futile exercise.
  - (iii) Categorization of "Basic Plan" qualifying for DBT could be an exhaustive exercise involving demographic studies and probably some arbitrary decision making, and the same may further be complicated in identification of eligible subscribers claiming

benefits, documentary requirements and need of bank accounts by the beneficiaries.

- (iv) The incentive offered to TSPs is easy to administer the benefit. In case of DBT maintaining of large data of all subscribers and its correction time to time is a challenging task.
  - (v) The incentive to TSPs in indirect form is easy in implementation and compliance. Exemption of license fee will directly benefit the customer in the form of reduced tariffs for broadband and it does not involve money circulation from TSP to Govt. and then again Govt to subscriber. The money circulation will create time gap and require machinery for distribution of benefit.
  - (vi) The infrastructure required to pull the DBT scheme off successfully continues to be lacking in India, with many rural areas lacking basic banking and road connectivity.
  - (vii) Illiterate beneficiaries are more vulnerable if direct incentive scheme is implemented. Direct cash may not be used for intended purpose and can be used in unhealthy ways.
  - (viii) Telecom operators do not retain the Bank or Aadhar / KYC data of their subscribers and this will be the foremost requirement to initiate the scheme of Direct incentive starting with authorization to the telecom to collect the required data or to conduct KYC of the subscribers.
  - (ix) Billing systems of Telecom operators may not have provision to transfer the direct incentive and the required matrix may be in the form of sharing the data by telecom operator with the government agency and Govt in turn directly crediting the accounts of subscribers with the subsidy amount.
4. The incentive to TSPs in form of License fee exemption, even at the cost of revenue loss to the government may take up the present issue of Broadband penetration. Such incentive should be wrapped up with mandatory extension of the network in every corner of applicable service area and the same should be monitored in terms of transparent waiting list and surveys for network expansion including complaints regarding non-provision of services. Any valid request for service provisioning made by any customer before any TSPs should be served by TSP. A periodical undertaking/reports from TSPs including strict penalties to this effect may also be considered.
5. The incentive offered to TSPs will not just improve the penetration of services to the new customers, but it will also enable TSPs to transfer

the benefits to existing subscribers in terms of reduced tariffs and rich customised products by network expansion and introducing advanced technologies.

6. In cases of bundled products involving a combination of converged services offered under different licenses, the revenue for license fee exemption may be ascertained by the proportion of gross revenue/ call volume reported through individual services. Further, all TSPs claiming such exemption may be required to subject their accounts for the statutory audits, at least to the extent of such claims.
7. The exemption of license fee, so suggested above, may initially be applied for a period of 5 years and the same may be reviewed thereafter.

In the light of forgoing it is submitted that the incentive to the TSPs in the form of exemption of license fee for fixed line network services is a better placed option for ultimate growth of industry/services and for achievement of objective of Broadband penetration.

#### **B. Issue-wise Comments:**

**Q1:** 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?

**MTNL Comments:** The issue under discussion is regarding promotion of Broadband connectivity on fixed line network and it is an acknowledged fact that Installation and maintenance of Fixed line broadband is an capital intensive technology. In India for Fixed line Broadband connectivity, the higher constraints are on supply side as compared to constraints on demand side. Demand side constraints can be adjudged from the rising ARPUs of Mobile operators where the customers are willing to pay higher tariff for the mobile internet services. Whereas on the Supply side the cost of Fixed line Broadband provisioning is increasing due to factors other than technology costs that includes RoW charges & other costs. Low return on capital employed on Fixed line Broadband connectivity justifies the case for license fee exemption to the fixed line operators instead of direct incentive to the subscribers.

**Q2 :** 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?

**MTNL Comments:** The License Fee exemption should be considered for both broadband revenue and fixed line revenue as maintaining fixed line services only for activities other than broadband is not fruitful for TSP's now a days. Besides the backhaul support and optical fibre as well as copper network used for both services is common and sharing on time factor or any other basis for apportionment of costing is far from accuracy and also cannot be identified on real time basis. As such the exemption needs to be given for complete revenue. Further in order to promote the broad band penetration through fixed-line networks, which is not spectrum based, would go a long way in creating lesser pressure for more spectrum, in the advent of advancement of the customer base for digital operations and also for other OTT based apps etc. Therefore, the licensed fee should be exempted for complete revenue earned from all the counter services delivered through fixed-line networks.

Further, the share of Fixed Line network to the total telecom network is miniscule. As per data provided in Table 2.1 of this paper Fixed Line subscribers are 25.54 million against the total subscriber base of 795.18 million that come to approx.3.21%. Similarly the Fixed line Broadband customers are stated to be 22.3 million as against the 725 million wireless Broadband subscribers i.e. approx. only 3% subscribers are availing fixed line broadband.

The above data justifies the License Fee exemption on complete revenue earned from services delivered through Fixed Line networks primarily due to the following reasons:

- (a) Against the total fixed line subscribers of 25.54 million, the Fixed line Broadband customers are stated to be 22.54 million i.e. approx.88% are Broadband subscribers.
- (b) Hence if license fee waiver on complete revenue from fixed line services is considered in that case government will be in lose only 12% of license fee on account of those subscribers not availing Broadband services but it will save a lot of compliance issues.
- (c) In turn Government can give a target to the fixed line operators to gradually convert all Fixed line connections with Broadband connectivity in a phased manner.

(d) The license fee waiver will give much needed enticement to the fixed line operators to increase the CAPEX on fixed line network while achieving the Government target of increased penetration of fixed line broadband penetration amongst the masses.

**Q3 :** 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?

**MTNL Comments:** The services being offered using end to end Fixed line Network till last mile can be treated as fixed line products while the converged services using licensed spectrum can be categorized as Wireless service.

The proportion of call volumes has to be considered as the basis in FMC regime with general authorisation to use both wireless and fixed license related operations in a combined manner so that based on the call volumes the exemption of license fee could be decided for broadband and fixed line services and it requires regulatory as well as technological policy decisions.

**Q4:** What should be the time period for license fee exemption? Whether this exemption may be gradually reduced or tapered off with each passing year?

**MTNL Comments:** In cases of bundled products involving a combination of converged services offered under different licenses, the revenue for license fee exemption may be ascertained by the proportion of gross revenue/ call volume reported through individual services. Further, all TSPs claiming such exemption may be required to subject their accounts for the statutory audits, at least to the extent of such claims.

The exemption of license fee, so suggested above, may initially be applied for a period of 5 years, and the same may be reviewed considering the targets achieved for the national penetration of Broadband in all spheres of activities.

**Q5:** 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?

**Q6:** 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.

**MTNL Comments** : The segment reporting of income for various services can be the tool for considering license fee waiver. For the operators offering multiple services the billing is supposed to be separate for Wireless and Wireline operations.

Further, all TSPs claiming such exemption may be required to subject their accounts for the statutory audits, at least to the extent of such claims.

**Q7:** 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?

**MTNL Comments:** Direct Incentive in case of Telecom services may have its own set of challenges mainly due to the following reasons:

(a) Telecom operators do not retain the Bank or Aadhar / KYC data of their subscribers and this will be the foremost requirement to initiate the scheme of direct incentive starting with authorization to the telecom operator to collect the required data or to conduct KYC of the subscribers.

(b) Billing systems of Telecom operators may not have provision to transfer the direct incentive and the required matrix may be in the form of sharing the data by telecom operator with the government agency and Govt in turn directly crediting the accounts of subscribers with the subsidy amount.

(c) If the Government decides to go ahead with direct incentive to the selected class of subscriber (Based upon the criteria to be decided by the Government), in that case instead of following DBT formula/process for LPG subscribers, another option of DBT could be in a way of subsidy being provided to Electricity consumers in Delhi. That is based upon the criteria, the subsidy/incentive is provided to the customer in the bill by reflecting the exact amount of subsidy and the operator claims the subsidy amount so passed on to the customer from the Government. But this will require time bound settlement from the government else, the revenue of operator will get stuck for want of settlement of claims from Government.

**Q8 :** 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.

**Q9:** 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.

**MTNL Comments:** Each and every public authority of each state has different set of rule and regulation for allowing / not allowing the public places and street furniture for installation of small cells / system. It is suggested that DoT / any nodal agency may be formed to formulize the rule for utilizing the public places and street furniture in consultation with respective agencies.

**Q.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?

**MTNL Comments:** It is unfeasible to keep a 100% check on the compliance of service provisioning by the service provider, as the service demand could be raised by customer through a number of ways including call centre booking, or referral to the company representatives.

However the same could be regulated w.r.t the demands registered by the TSP in the system, to which regular periodical review in terms of reports and compliances could be undertaken.

Further, if the benefit seeking TSP is ensured for extension of its network throughout the service area, the probability of non-registration and non-servicing of demand by the TSP could be minimized.

Furthermore, a central portal could be developed by a central agency wherein the customers from any service area could register demand for service including options for Service Provider and the same demands may be forwarded to concerned TSP and compliance could be observed.

**Q11:** 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.

**Q12:** 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

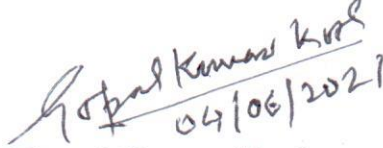
(v) What should be the period of offer within which individuals need to register their demand with the service providers

(vi) What should be the maximum duration of subsidy for each eligible fixed-line broadband connection

**MTNL Comments** : MTNL has proposed the provision of indirect incentive to TSPs in the form of exemption of License fee.

**Q 13:** Any other related issue.

**MTNL Comments** : No comments.

  
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