

Telecom Regulatory Authority of India

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**TRAI Facilitates Provision of Additional International Bandwidth
on FLAG Cable by VSNL.**

Several users of international leased circuits, in particular, the IT industry and ILDOs, approached TRAI to express their concerns about inadequate availability of International bandwidth and the price at which such capacity was made available in India. TRAI viewed this matter with great seriousness both on account of the implications for services such as IT enabled services, as well as the fact that such facilities have been treated as “bottleneck facilities” under the ILD license and for such facilities regulatory supervision becomes relevant.

TRAI held a number of meetings with various stakeholders and obtained a clear picture on the various factors affecting the provision of international capacity. Based on these inputs, it is expected that considerable capacity will be available from the last quarter of this year. It was necessary to facilitate an increase in capacity during the interim period, and TRAI addressed this matter with VSNL and FLAG, i.e. the two entities involved in making available additional capacity in the present period. TRAI's efforts focused on facilitation of easier availability of present capacity, as well as provision of additional capacity of 17 STM1s (1 STM1 = 155 Mbps) in the market.

As a facilitator, TRAI held intensive meetings with FLAG and VSNL and has helped the two parties to address their outstanding issues. The final outstanding issues were addressed in a meeting on 24.3.2004. At this meeting, the parties agreed on the following:

- (i) FLAG would submit the relevant schedules to VSNL indicating the basis for the availability of the additional capacity of 17 STM1.

- (ii) FLAG would charge non-discriminatory prices to VSNL, providing it the lowest prices charged in the market to either Reliance from the previously sold capacity or at a lower price if such a price had been charged by FLAG to any International Telecom Entity in India prior to the time of actual purchase by VSNL. FLAG also agreed to provide VSNL with clarifications on the price data on which VSNL had raised certain queries.
- (iii) VSNL agreed to the allocation of 5 STM1s that had been offered to it by FLAG out of the 17 STM1s. FLAG agreed to provide the remaining STM1s in a fair manner, i.e. they should not be predominantly provided to any single party.
- (iv) The issue of O&M charges paid by VSNL for the capacity taken previously from FLAG under existing contract, would be discussed later and not be linked to the 17 STM1s. Further, any reduction in the above O&M charges would apply with retrospective effect from 1.4.2004.
- (v) VSNL and FLAG agreed to issue a joint statement / Press Release stating that the difference between them had been settled amicably to the extent of the issue of access for existing capacity available under C&MA for sale on FLAG system. FLAG also agreed to write to certain Indian Authorities informing them about such amicable settlement of the differences.
- (vi) It was further agreed that the understanding with respect to the above 17 STM1s would extend also to the case of incremental capacity that becomes available because of grooming and/or change in existing contracts, subject to the relevant schedules being made available to VSNL.

By this agreement, an additional capacity of about 2.65 GBPS will become available from the middle of next week. Consequently, in addition to releasing the supply constraint, a decline in price for these resources is also expected.