

Information note to the Press (Press Release No.8/2016)

For Immediate Release

Telecom Regulatory Authority of India

TRAI releases Recommendations on “Implementation Strategy for BharatNet”

New Delhi, 01 February, 2016 – The Telecom Regulatory Authority of India (TRAI) has today issued its Recommendations on “**Implementation Strategy for BharatNet**”.

2. The Authority issued the Consultation Paper on “Implementation Model for BharatNet” on 17th November, 2015 to find alternate model for implementation of BharatNet. The comments and counter-comments received from the stakeholders were placed on the TRAI’s website. Meetings were held with Infrastructure Providers, Construction Companies, Financial Institutions, Multi-Service Operators (MSOs) and Broadcasters on 02nd December, 2015. A separate meeting with Telecom Service Providers (TSPs), Internet Service Providers (ISPs), Industry Associations, Multiple System Operators (MSOs) and Broadcasters was also held on 11th December, 2015. An Open House Discussion (OHD) with stakeholders was organized on 18th December, 2015.

3. In the consultation paper issued by TRAI Build-Own-Operate-Transfer (BOOT) model has been suggested as an alternative and stakeholders were asked to comment on various issues.

4. After considering the comments from the stakeholders and further analysis, the Authority has come out with its Recommendations on “Implementation Model for BharatNet”. The salient features of the recommendations are as follows

- A PPP model that aligns private incentives with long term service delivery in the vein of the Build-Own-Operate-Transfer/Build-Operate-Transfer models of implementation be the preferred means of implementation.
- The scope of the concessionaire’s work should include both the deployment and implementation of the OFC and other network infrastructure as well as operating the network for the concession period. Concessionaires shall be entitled to proceeds of revenue from dark fibre and/or bandwidth.
- Concessionaires should be selected by way of a reverse bidding process to determine minimum Viability Gap Funding sought for

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concession. The area of implementation may be analogous with the Licensed Service Areas (LSAs)/or the State/UT. The use of a reverse bid process to determine lowest VGF sought can ensure that the amount of support from public funds is rational.

- The Contracting Agency may, in the first phase, explore the appetite and response of the potential BOOT participants through bidding process. This can either be done in one go for the entire country (by having States/LSA or packages as 'Schedules') or it can be done beginning with certain States with larger potential of bidders' response.
- In the second phase (after excluding those area where BOOT model can be implemented), EPC contractor may be selected. Such EPC contractor should be responsible for building the network and will have defect liability period of two years after completing the network. When the network is about to be completed, the Contracting Agency should engage a third party (through bidding process) who should be responsible for managing and marketing the network as per the broad principles laid down by the Government. The overlapping defect liability period of two years should be used to ensure smooth transition from construction to maintenance phase.
- The period of concession should be coterminous with the technical life of the fibre at present the consensus on this is 25 years. Such a period should be sufficient time to align the concessionaire's incentives with high quality installation for service delivery, while also providing a large enough window to make a reasonable profit. The period may be further extended in blocks of 10/20/30 years at the mutual agreement of the Government and the concessionaire.
- Care must be taken to ensure that the concessionaire provides access to all service providers in a non-discriminatory and transparent manner. Such competition is essential given that all manner of content (including entertainment, entitlements and Government services) will be delivered on the network.
- In addition the relationship between the concessionaire and the service provider should be at arm's length. This can be ensured by mandating a legal separation of the businesses of infrastructure provision and service provision in case of overlapping interests to preclude the possibility of a vertically integrated entity abusing its position.
- Liberal eligibility criteria that allows for broad participation is necessary to ensure the participation of a large number of bidders and guarantee a strong and competitive auction process to enable optimal price discovery.
- There is no need to place a cap on participation in the bidding process – however a cap should be set on the number of implementation areas that are allocated. This can ensure that the

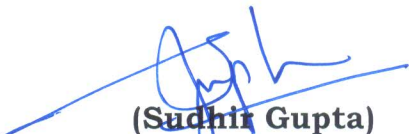


bidders' capacity and resources are not stretched thin due to winning bids for too many areas.

- Concessionaires be provided with flexibility in terms of route for laying optical fibre, choice of construction, topology and technology in order to ensure technical as well as economic efficiency. This flexibility is subject to the same standards of redundancy and quality as outlined for BharatNet by the Committee on NOFN.
- The Central and State Governments act as anchor clients to purchase a minimum amount of bandwidth (100 Mbps) to be purchased at market prices for the provision of services. Additionally, the mandating of a minimum amount of fibre (e.g. 50%) be set aside for use by other service providers in order to encourage competition may be considered.
- RoW is perceived as a major risk factor by the private sector, safeguards recognising such a possibility and outlining the steps to be taken must be put in place under the agreement to attenuate such risk and encourage participation. Guaranteed provision of free RoW is a necessary and non-negotiable precondition to successful deployment of BharatNet, subject to the reinstatement of public property to its original condition.
- Involvement of State Governments is essential for success of the project irrespective of the strategy chosen for implementing it. States/UTs should be made an integral part of the project implementation and an institutional mechanism both at the State and District level should be created to effectively coordinate and sort out the implementation issues.
- The Central and State Government should additionally consider becoming involved with the concessionaire by becoming a minority equity partner (~26%) in the selected consortium - this can reduce the perceived risks and thus lower the costs of obtaining private finance while also automatically solving the risks associated with windfall profits. In addition, this can help the Government check monopolistic behaviour on the part of the concessionaire.

The recommendations have been placed on TRAI's website www.trai.gov.in.

For any clarification/ information Shri Arvind Kumar, Advisor (NSL) may be contacted at Tel. No. +91-11-23220209 or email kapilhanda@trai.gov.in.


(Suchir Gupta)
Secretary, TRAI