

**BHARAT SANCHAR NIGAM LIMITED**  
*(A Govt. of India Enterprise)*  
**Regulation Branch, Corporate Office**  
**611, Statesman House, B-148, Barakhamba Road New Delhi-110 001**

**No: 1-21/2006-Regln**

**Dated 15th January, 2007.**

To,

The Secretary  
Telecom Regulatory Authority of India  
MTNL Telephone Exchange Building  
Jawahar Lal Nehru Marg, Minto Road,  
New Delhi-110 029.

**( Kind attention Shri S. K. Gupta, Advisor (CN), TRAI, New Delhi )**

**Subject :BSNL's comments on consultation paper on "Review of Internet Services"**

With reference to your Consultation Paper No. 19/2006 on "Review of Internet Services", following are the comments of BSNL on various issues raised in this paper:

| <b>S No</b> | <b>ISSUES</b>   | <b>COMMENTS</b>   |
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| 1.          | 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 rationale 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. | <p>The presence of large number of non serious players in the ISP market may be attributed to the following reasons</p> <ul style="list-style-type: none"><li>(i) No entry barrier &amp;</li><li>(ii) No rollout obligations.</li></ul> <p>Though license conditions were made easy to introduce more number of private players in the ISP market but this has only helped the growth of Internet to a limited extent. Similarly, elimination of non-serious players may also not help growth of Internet.</p> <p>Some of the key enablers in the proliferation of internet would however be:</p> <ul style="list-style-type: none"><li>1) Breaking the entry barrier by increasing the PC penetration through low cost PCs.</li><li>2) Development of local content in</li></ul> |

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|    |   | <p>local language which may appeal to the public at large</p> <p>3) Making Internet connectivity more affordable by lowering of international bandwidth costs.</p>  |
| 2. | <p>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.</p> | <p>When the ISPs entered the market, they piggybacked their services on the connectivity offered by access providers. However, with the narrowing of margins for basic services and growing demand for value added services, the Access providers are shifting their services, in a major way, into IP domain with end-to-end IP networks. No growth is, therefore, foreseen for the stand alone ISPs unless they move up the value chain to provide greater level of technical expertise and diversity of services.</p>  |
| 3  | <p>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 that can be provided under ISPs licenses need to be broadened to cover new services and content? Suggest changes you feel necessary in this regard.</p>            | <p>Given the multi-tasking, multi-function, convergent nature of Internet, it would be illogical to consider regulating isolated applications. It does not appear possible, however, to expand the scope of ISP licence to cover all applications as it will infringe on the rights granted to ILD / NLD / Access Providers. Therefore, for the ISPs to move up the value chain, there is no option but to obtain one or more licences as per the services planned to be offered by them. The ISPs, who do not choose to do so, should continue to operate in the limited niche market.</p> |
| 4  | <p>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</p>   | <p>The services from authorized legal providers are bound to be costlier than the illegal services due to various compliances, fees and taxes, compulsion to maintain the quality of services etc. The illegal operators are not answerable to anybody. Apart from issues related to quality of service, it also relates to the Return on</p>   |

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|   | <p>quality are increasing Internet telephony grey market. Please suggest how grey market operations can be curbed without depriving users to avail such services</p> | <p>Investment, which has been made by the Access Providers in their network and also that huge investments are required by them to go into the uncovered areas. Internet Telephony is another dimension of the Access services, which the licensed operators are supposed to provide to meet the market demand. Therefore, coexistence of these services is not becoming feasible.</p> <p>At the same time, if ISPs are allowed unrestricted Internet Telephony, it will have a dent in the market of the access providers directly impacting their viability. This is not a desirable situation as the country needs more investments of the type which is being made by the facility based operators i.e. the Access Providers to reach the nook and corner of the country it shall not be opportune to de-stabilize the present momentum of growth of the sector.</p> <p>As far as restricting the grey market is concerned, a thought has to be given for best utilization of the resources available at the command of licensor / regulator under the law. Monitoring mechanism may be required to be strengthen and if necessary new law / rules may be enacted while ensuring their strict implementation.</p> |
| 5 | <p>How to address the issue of level playing field amongst the licensees of UASL, CMTS and ISPs?</p>   | <p>The Access Providers licence and ISP licence have different scope accordingly the question of level playing field does not arise. The ISP licences can be modified only to the extent the modifications do not infringe upon the scope of the other licences.</p>  |
| 6 | <p>The emerging technological</p>  | <p>Licences should be as far as possible</p>  |

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|    | trends have been discussed in chapter 3. Please suggest changes you feel necessary in ISP licenses to keep pace with emerging technical trends?  | technology neutral. However, the ISP license needs to be revamped in view of the evolving internet market. The existing license does not address issues like rollout obligation, curbing illegal practices that ISPs may indulge in, role of security agencies etc. Certain clauses in existing license such as one regarding intimation to DOT for every change in the network architecture of an ISP may be done away with. In addition regarding the services that ISP can offer the answers given in 4 and 5 above may kindly be seen. |
| 7  | 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.       | Comments in respect of issue no. 1 may kindly be seen.   |
| 8  | 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. | ISP licensing was introduced about 10 years ago. Having served its initial purpose, the soft licensing regime has lost its relevance today. As already suggested above, the ISPs should be allowed to migrate to UASL / CMTS licence etc. in a suitably defined time frame.  |
| 9  | 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.  | If the ISPs migrate to UASL / CMTS licence, they should be covered by non-discriminatory licensing regime. However, for the existing licenses of access services / NLD / ILD operators, no additional licence fee should be imposed.   |
| 10 | Virtually there is no license fee for ISPs at present. The amount of performance bank guarantee  | Levies need to be rationalized. As mentioned above, rollout obligations also to be included.   |

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|    | (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?  |  |
| 11 | 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? | No need to change the regime.<br>No discriminatory policy should be implemented.   |
| 12 | 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.                                   | Our comments on the subject may be seen above. In the urge to provide level playing field, the provisions existing for the serious players may not be cut which will prove detrimental. The scope available to the existing players should not be curtailed / infringed upon, which may be detrimental to the existing telecom regime. |

( **Sanjeev Banzal** )  
Jt. Dy. Director General (Regln.-I)