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Ref No: RP/FY 19-20/037/510

Dated: 27th January, 2020

To,
Shri Syed Tausif Abbas,
Advisor (Networks, Spectrum and Licensing),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi - 110 002.

Subject: Response to TRAI's Pre-Consultation Paper on "Enabling Unbundling of Different Layers through Differential Licensing"

Reference: TRAI Pre-Consultation paper dated 9th December, 2019

Dear Sir,

This is with reference to your above mentioned pre-consultation paper. In this regard, please find enclosed our response for your kind consideration

Thanking you,

Yours Sincerely,
For **Bharti Airtel Limited.**

A handwritten signature in blue ink, appearing to read 'Tarun Chitkara', is written over a faint circular stamp.

Tarun Chitkara
General Manager- Regulatory Affairs

Enclosed: As mentioned above

Bharti Airtel Limited (Airtel)'s Response to TRAI's Pre-Consultation Paper on Enabling Unbundling of Different Layers through Differential Licensing

At the outset, we would like to thank the Authority for giving us an opportunity to express our views on the TRAI's pre-consultation paper on 'Enabling Unbundling of Different Layers (Infrastructure, network, services and application layer) through Differential Licensing'.

In the last 3 years, the Indian telecom industry has witnessed unprecedented challenges – forced consolidation; shut down of various telecom service providers; rising losses due to below-cost tariffs, exorbitant spectrum cost, high regulatory levies/taxes, etc. Due to the below-cost tariffs; the consumption trends have changed drastically with data usage as high as 64 times and voice has increased by 1.8 times over the last 3 years. In fact, in the last year alone, despite the average data usage per subscriber increasing by 25%¹; the average outgo (rupees) per GB for data usage on wireless networks has dropped by 36%².

With rising consumption of data, there is tremendous pressure on the industry invest in network expansion for improving quality and customer experience. We estimate that the industry requires an excess of Rs. 1 Lakh Crore (excluding spectrum) in the coming 18-24 months to expand/upgrade the existing networks. Further, to achieve the vision of Digital India, the industry will have to invest heavily in 5G technology/spectrum. As per TRAI's own estimates³, the sector would need an additional investment of USD 60-70 billion to build 5G networks. These investments are contingent upon the availability of sufficient funds within the companies which is simply not possible given the current precarious state of the industry.

It is also pertinent to note that the technology is becoming obsolete at a faster pace, due to the advent of newer technologies. This is evident from the fact that while 2G technology remained relevant for more than two decades, the 3G technology did not last for more than 8-9 years. While the telecom companies are still investing in 4G network; the Government has already initiated the process of auctioning 5G spectrum. Therefore, the shrinking life span of technologies requires more efficient use of telecom network to achieve better economies of scale and to realize reasonable returns on investments

¹ As per TRAI Average Data Usage per unique data subscriber per month for Q.E. Sept, 2019 was Rs. 6.98 and for Q.E. Sept 2018 was 10.91

² As per TRAI average data outgo per GB at Q.E. Sept. 2019 was Rs. 6.98 | and Rs. 10.91 in Q.E. Sept 2018

³ https://main.trai.gov.in/sites/default/files/White_Paper_22022019_0.pdf

Connectivity has now become a basic necessity. The 'Digital India' vision recognizes this requirement and seeks to transform India into a digitally empowered society. This is a fundamental enabler in helping achieve the Government's vision of making India a global economic powerhouse by 2024-25 putting India on the road to being a 5 Trillion Economy. An ubiquitous broadband network (for all) lies at the heart of this Digital India vision; this requires substantial investments in building, best in class digital infrastructure through deployment of the latest technologies, including 5G.

It is thus critical that the Government's policies incentivize the faster rollouts of telecom network across the country by facilitating the full sharing of telecom network/infrastructure amongst licensed TSPs without imposing any additional regulatory costs. Any opportunity of optimizing the costs by way of full sharing of telecom networks is beneficial for both consumers as well as TSPs. The consumers will be benefited in terms of availability of telecom services across the country at affordable rates and TSPs will get an edge by economies of scale.

In line with our above submissions, please find below our response to the questions raised in the pre-consultation paper:

Q.1 In your view, what could be the possible benefits and anticipated problems in having an unbundled licensing regime? Kindly suggest the measures that can be taken to overcome the anticipated problems (if any).

Airtel's Response:

1. In its pre-consultation paper, TRAI has suggested enabling unbundling of different layers (e.g. infrastructure, network, services and application layer) through differential licensing. The objective of introducing different licensing layers is to promote building common telecom network/infrastructure and making more efficient utilization of telecom network/infrastructure.
2. We firmly believe that the above objectives can easily be achieved without altering the existing licensing regime. In fact, the Indian telecom sector has reaped significant benefits from extensive sharing of passive infrastructure, deployed by tower companies, amongst multiple TSPs. Most of TSPs have now hived off their fiber infrastructure to separate IP-I companies to promote fiber sharing and building

common fiber infrastructure. The sector has also witnessed sharing of spectrum and active infrastructure amongst licensed TSPs.

3. Therefore, to meet the vision of 'Digital India' and to further incentivize network sharing/infrastructure, the charges paid by one licensed TSP to another for any network/infrastructure sharing should be considered as 'pass through charges' for the purposes of calculation of AGR under the license.
4. Currently, all TSPs are allowed to share the active / passive infrastructure and the payments for the use of such infrastructure are made by the 'Seeker Licensee' to the 'Provider Licensee'. However, such payments made by the 'Seeker Licensee' to 'Provider Licensee', are not allowed to be deducted as 'pass through charges'. Moreover, such payments received by the 'Provider Licensee' forms part of its revenue on which it pays the License Fee. This results in double charge as the expense is not allowed as a deduction to the Seeker, while the Provider also pays a license fee on such receipts. Thus, this double charge increases the cost of sharing.
5. Therefore, it is imperative that the Government allows payments made by the 'Seeker Licensee' as deductions from the Gross Revenue. In fact, the regime of 'pass through charges' should be reviewed holistically and all kinds of payments (either fixed or variable) made by one TSP to another should be permitted as 'pass through charges' to avoid double taxation.
6. This will also bring parity with the provisions made for VNOs wherein the payments being made by VNOs towards bulk/wholesale bandwidth, leased line and bandwidth charges, minutes and SMS, to licensed TSPs have been permitted as 'pass through charges'
7. Furthermore, the Government should also permit full sharing of telecom network amongst licensed TSPs and allow sharing of core infrastructure such as Switch, MSC, HLR, IN, etc. amongst the Licensees having the UASL/UL (Access/ NLD/ILD/ISP/VSAT Authorization).

Q.2 In case it is decided to unbundle the different layers of licensing,

- a) **What should be the different layers and their scope? What changes would be required in licensing regime to enable such a framework?**
- b) **Q3 In case you are of the opinion that there is no need of unbundling of different layers of the license, what changes should be made in the existing**

licensing regime to (i) promote sharing to increase utilization of the existing resources, and (ii) catalyse investments and innovation in Digital Communications sector?

Airtel's Response:

1. In its Pre-Consultation Paper, TRAI has recognized that the emergence of new technologies, business models, services and players requires a review of the existing licensing framework to promote innovation and to attract investments. We humbly submit that until now, there has been no dearth of investments by existing telecom operators and the country has benefitted immensely from all generations of technologies – 2G, 3G and 4G. The existing ecosystem has also given impetus to various entrepreneurs and small scale players to provide innovative services, such as various services based on OTT applications, M2M applications etc. over the telecom infrastructure. Therefore, we sincerely believe that there is no need for introduction of a new licensing framework.
2. However, as enunciated in our response to Q. No.1, we again reiterate that the full sharing of telecom network should be permitted while avoiding the incidences of double charge on the same revenue. These incentives would be a key to making judicious use of investments made in the telecom infrastructure and to further promote innovation in business models of TSPs. This will also accelerate deployment of new generation of technologies like 5G by its integration with existing telecom infrastructure.
3. In its pre-consultation paper, TRAI has stated that if the scope of IP-I provider is enhanced to include active infrastructure elements, it will rightly serve the purpose of an independent infrastructure layer. In the said paper, it is also evident that TRAI has already initiated a consultation process on the review of scope of IP-I registration.
4. Presently, the IP Category-I is a registration and not a license under the Indian Telegraph Act, 1885. An IP Category-I registered company is allowed to provide dark fiber, duct space, towers on lease/rent out / sale basis and offers Right of Way to the licensees of telecom services on mutually agreed terms and conditions.
5. Therefore, we do not support or advocate any changes/ enhancement to the scope of present IP Category-I registration. The scope of IP Category-I registration should not be enhanced to include provisioning of common sharable active infrastructure. It should be limited to passive infrastructure only. However, the IP Category – I

registration may continue to include installations of active elements (limited to antenna, feeder cable, Node B, Radio Access Network (RAN) and transmission media only) on behalf of Telecom licensees, as presently allowed to them.

6. Also, in its pre-consultation paper, TRAI has suggested creating the separate layers for network and service. We firmly believe that the same is not required since the service layer already exists as Unified Licence (VNO) wherein VNO is not mandated to create any telecom infrastructure and can act as a pure reseller as being envisaged in the service layer. Therefore, incentivized full sharing of the telecom network, without any incidence of double taxation, amongst licensed TSPs can serve the objectives of creating a seamless network layer by unlocking the true potential of telecom infrastructure of existing licensed TSPs.
7. We believe that a light touch regulation for application providers such as M2M, IoT, Cloud services, data centers, e-commerce, etc. may be continued and they can continue to take telecom resources from the licensed TSPs. However, in doing so, it may be ensured that any provision of telecom services and/or holding the wireless equipment, as defined in the Indian Telegraph Act, 1885, should be permitted only to the licensed TSPs.