

Unified Licensing Regime - Indian Case Study

Telecom Regulatory Authority of India

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Unified Licensing Regime

- **This presentation is divided in three parts:**
 - **Background**
 - **Why Unified Licensing**
 - **Migration path from Service specific licensing regime to ULR – different stages**

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Background – Telecom Liberalisation

- Telecom services sector was opened up for private sector participation with the entry of Radio Paging operators in 1992.
- To give further impetus to the liberalisation process National Telecom Policy 1994 (NTP' 94) was announced.
- As per NTP'94 licenses for E-mail services, Voice mail services, etc. were also issued.
- Fixed and Cellular Services were opened to Pvt. Sector in 1994. Duopoly was introduced in these services.

Background – Telecom Liberalisation

- Fixed service operators and Cellular Mobile operators had quoted very high entry fee.
- It was realised that their services would not be viable with such a high entry cost.
- NTP' 99 was announced. As per the policy, the fixed and mobile service operators were allowed to migrate to a revenue sharing arrangement w.e.f 1.8.99. The fees paid till 31.7.99 shall be treated as entry fee.
- This was a major step taken by Government of India which facilitated and laid the grounds for growth of mobile services in the country.

Background – Telecom Liberalisation

- Fixed and Mobile Services were opened for further competition in 2001.
 - In fixed services, unlimited competition was introduced and for mobile services due to scarcity of available spectrum, only four mobile operators were permitted.
- Unlimited competitions was also introduced in all telecom services. Viz. National Long Distance (NLD) Service, International Long Distance (ILD) Service.

Why Unified Licensing

1. Technological Developments
2. Market Trends
3. NTP'99 objectives
4. Convergence Bill
5. International Practice

Why Unified Licensing- Technological Developments

➤ **Fast Pace of Technological developments.**

- Blurring boundaries between different conduit systems such as Wireline and wireless.
- rendering service based divisions of Telecommunications redundant
- services covered under one license can also be provided under another license due to such developments e.g. SMS by Cellular operators encroached on Radio Paging. Voice mail, E-mail Services, etc. licensed initially as individual services submerged in Cellular, Fixed service and ISP license.
- A technology could offer various services which could be covered under different-different licenses e.g. Internet Services.

Evolving Convergence Scenario in Telecom services

- Convergence in “carriage” of telecommunications
 - Convergence of media
 - Convergence of IP based transmission for Voice, data and Video.

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Why Unified Licensing (Cont'd)

- In 1998, Fixed service operators permitted to provide the last mile connectivity through WLL Systems but the handset was fixed, according to license. This could, however, be moved around since wireline was not involved..
- Despite the fact that allotted spectrum could give unlimited mobility, no mobility was permitted . Due to licensing heritage and competition issues with cellular only limited mobility within SDCA permitted in 2001.
- Artificial restrictions encouraged service providers to find loopholes in licensing regime and they had tendency to use technology to by pass such restrictions.

Licensing restrictions should not come in the way of Technological Developments

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Why Unified Licensing (Cont'd)

Market Trends

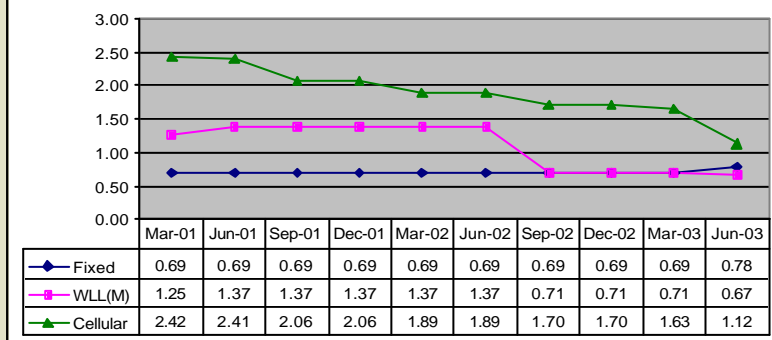
- Tariff Convergence
 - Convergence of Fixed and Cellular tariff gives rise to Product Substitution.
 - Falling tariff for Cellular services when 3rd operator and WLL operators entered in the market.
- Same Charging Regime
 - CPP for both fixed and Cellular services
- Very high growth of wireless subscribers
- Wireless roll-out costs significantly lower than wireline (1:3 approx.)

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Why Unified Licensing (Cont'd)

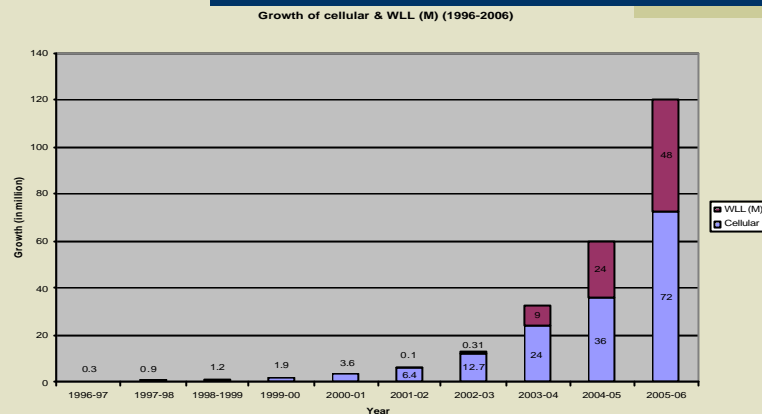
Tariff Convergence
Comparison of effective charge per minute for 400 MOU/month (Rs.)
(Local)



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Why Unified Licensing (Cont'd)



2 million subscribers are being added per month

Expected wireless subscriber by Dec. 2005 = 100 million

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Why Unified Licensing (cont'd)

NTP '99

NTP'99 recognised that

- convergence of both markets and technologies is a reality that is forcing realignment of the industry.
- convergence now allows operators to use their facilities to deliver some services reserved for other operators, necessitating a relook into the existing policy framework.
- However, service specific licensing was stipulated. Evidently, market conditions at that point of time forced service specific licensing.
- Envisaged that due to substantial changes in the existing telecom sector, Indian Telegraph Act (ITA 1885) and Indian Wireless Act, 1933 needs to be replaced with a more forward looking Act.

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Why Unified Licensing (cont'd)

Convergence Bill

- Convergence Bill handles both carriage and content aspect of communications. Convergence of access media has already been discussed in NTP'99. Thus, the convergence phenomenon has already matured in carriage i.e. the telecom sector.
- Handling of convergence of both carriage and content is raising certain issues which is delaying the Convergence Bill becoming an Act. Therefore, unification of carriage i.e. telecom sector has been considered ahead of the convergence bill.

Unified License is an approach in that direction

Why Unified Licensing (Cont'd)

International Practices

- A number of countries are migrating towards the concept of authorisation or converged licensing. This has been encouraged due to technological developments, consumer demand, long-term sustainability of telecom service providers and optimum utilisation of resources.
- From the various international practices, it was observed that Unified Licensing regime enhance the scope of applications/ services that can be provided under a given Single license / Authorisation, thereby removing the policy imposed artificial barriers on application of technology.

Key Objectives of ULR

Key objectives

To encourage free growth of new applications and services leveraging on the technological developments in the Information and Communication Technology (ICT) area.

Other main objectives are to:

- Simplify the procedure of licensing in the telecom sector,
- Ensure flexibility and efficient utilisation of resources keeping in mind the technological developments
- Encourage efficient small operators to cover niche areas in particular rural, remote and telecommunication facilities wise less developed areas.
- Ensure No- worse off, level playing field and easy entry.

Migration Path to ULR

- Owing to technological and market developments TRAI felt that there was a need for review of the licensing regime.
- Accordingly, a Consultation Paper on Unified Licensing for basic and cellular services was issued on July 16, 2003.
- This consultation was limited to access network since in the Authority's perception enhancement of the growth of tele-density needed immediate attention and could be delivered by concentrating initially on the unification of access services.
- The Authority received comments from various stakeholders that the scope of the Unified License should be extended to include services such as National Long Distance (NLD), International Long Distance (ILD), and Internet Services.

Migration Path to ULR

Based on comments received from various stakeholders, International Practices and its own analysis, TRAI provided its recommendations to the Government on 27th October 2003. These recommendations were accepted by the Government on 11th November.2003.

- *The present system of Licensing should be replaced by Unified Licensing/Automatic Authorisation Regime.*
- *The objective of the Unified Licensing/Authorisation Regime is to be achieved in a two-stage process with the Unified Access Regime for Basic and Cellular Services in the first phase (which has already been implemented) , to be followed up with a process to define the guidelines and rules for fully Unified License/Authorisation Regime.*

Unified Access Licensing Regime

- Choice of migration was left to the operator.
- License fee, service area, rollout obligations and Performance Bank Guarantee under the Unified Access Licensing Regime is same as for existing cellular service providers.
- Network growth in rural areas would be met through USO and funding from Access Deficit Charge (ADC) Regime, where applicable.
- Entry fee: Entry fee paid by the 4th cellular operator. Basic operator to pay difference of 4th Cellular operator entry fee and entry fee paid by them.

Unified Access Licensing Regime

- Recommendations for efficient spectrum utilisation and spectrum pricing to be issued separately.
- Intra- circle Mergers & Acquisitions permitted subject to guidelines for Mergers & Acquisitions, which has been notified separately.
- Service providers, both Basic as well as Cellular Mobile: Free to offer basic and/or cellular mobile service using any technology.

Unified Licensing Regime

- Existing Licensing Regime to be replaced with Unified Licensing through an Authorisation/Automatic Licensing process for all telecom services
- The Unified Licensing Regime would be implemented through Automatic Licensing/Authorisation subject to notification to the licensor and Regulatory Authority and compliance with published guidelines.

Unified Licensing Regime

- Guidelines for Unified Licensing would be notified by the licensor based on TRAI recommendations to include nominal entry fee, USO, etc. The charge for spectrum shall be determined separately through appropriate mechanism.
- Choice of Area/Service under the Unified License would be left to the operator.
- Before migration to Unified Licensing/Authorisation the guidelines will have to be prescribed after consultation with various stakeholders so as to protect the interest of existing operators.

Unified Licensing Regime

- A preliminary consultation paper on Unified Licensing Regime was issued on November 15, 2003 in order to obtain more comprehensive inputs and address all relevant issues.
- Based on the comments received from various stakeholders on TRAI's Preliminary consultation paper, study of market conditions and international trends the second consultation paper on Unified Licensing Regime has been floated for discussion with stakeholders on 13th March 2004.
- Comments of various stakeholders are invited by April 30, 2004.
- These consultation paper are available on TRAI's website 'www.trai.gov.in'.

Unified Licensing Regime

Main Issues raised in Consultation paper pertain to:

- Framework of Unified Licensing.
 - Mapping of existing and new services
 - Single stage or phased implementation
- Registration Charges
- Service Area
- Other Licensing terms and Conditions which include: License Fee, Bank Guarantees, Roll-Out obligations, Interconnection, Numbering, Inter-Circle Connectivity, Infrastructure Sharing, , Reselling, Merger and Acquisition, etc.

**These consultation paper are available on TRAI's website
'www.traigov.in'.**

Unified Licensing Regime

In the envisaged Unified Licensing/Authorisation Regime service providers shall be able to offer any or all services, using technology of their choice with area of operation so defined as to promote greater participation of all types of big and small entrepreneurs.

Unified Licensing Regime

THANK YOU