

TELECOM REGULATORY AUTHORITY OF INDIA

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TRAI releases Consultation Paper on “**Review of Internet Services**”.

Telecom Regulatory Authority of India received a reference from Department of Telecommunication seeking recommendations on Internet Services. The Government is contemplating to review the policy of Internet Services with a view to address large number of ISP licenses, grey market operations, level playing field vis-à-vis other licensed telecom service providers, for a effective, regulated and forward looking ISP license.

It may be recalled that Internet services were launched in India on 15th August 1995. In November 1998 the Government opened up the sector for providing Internet services by private operators. A liberal licensing regime was put in place with a view to increase Internet penetration across the country. Though large number of ISPs (389) has been licensed to operate Internet service today, top 20 ISPs provide Internet services to 98% subscribers. Internet Telephony has been permitted to 128 ISPs, however only 32 of them are presently providing Internet Telephony. The growth of Internet and Broadband is slow and with present growth it is not likely to achieve the target of 18 million Internet subscribers and 9 million Broadband connections by 2007.

Government is concerned with increasing IP telephony called grey market. The loss of government revenue, unlicensed operation by certain operators in violation of law of the land, depleting market share of licensed operators are some of the reasons which necessitates urgent review of policy of Internet services as well as ISP licensing conditions.

Numbers of new services like IP-TV, IP-Telephony etc are becoming very popular. The demands of the various content services are likely to increase in coming years. The scope of services under existing ISP license conditions are unclear. There is need to remove these ambiguities to smoothen roll out of these services while ensuring level playing field vis-a vis other licensed telecom operators.

The consultation paper discusses in detail various issues like level playing field vis a vis other telecom service providers, different foreign direct investment limits for provision of similar services under different licenses, virtually no license fee, limited performance bank guarantee and charging of radio spectrum based on allocated frequency, hops, link length etc. While ISPs demand permission to provide emerging new services as IP based value added services, other licensed operators want level paying field as ISPs virtually pay no license fee and very low performance bank guarantee. ISPs are permitted to have 100 FDI if they do not setup their own gateway (74% FDI if they setup their International gateway) but UASL and CMTS operators can normally get FDI up to just 49% unless they fulfill other conditions in which case it can go up to 74%. The spectrum charging mechanism for ISPs is based on complex mechanism and at time very costly.

In order to address these issues pertaining to Internet Services, Authority has decided to release a consultation paper on "Review of Internet Services". The consultation paper discusses in depth present scenario, regulatory environment, emerging trend and emphasizes the need to revamp internet services in India. The consultation paper is available on TRAI's website: (www.trai.gov.in) All the stakeholders are requested to send their written comments to the Authority through email/ fax/letter by 15th January 2007.

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Authorized to issue: