It is high time that all stakeholders work together to ensure robust growth of the telecom industry,” noted Kapil Sibal, minister of communications and IT, at a round table conference with top executives of the telecom industry. The meeting was the first in a series of follow-ups to the “100 day plan” for the telecom sector announced by the minister on January 1, 2011. The agenda for the round table meet was the evolution of a clear and transparent telecom regime covering licensing, spectrum allocation and other important industry issues.

The Telecom Regulatory Authority of India’s (TRAI) recommendations on spectrum management and licensing, which had come in for sharp criticism from most leading telecom players, were discussed at length.

However, the meeting failed to find a common ground among the warring mobile service providers, who held on to their individual positions on issues concerning the allocation and pricing of airwaves.

TRAI had recently recommended a six-fold hike in 2G spectrum prices, besides a one-time fee for excess radio frequency held by operators over and above the contracted 6.2 MHz. While the incumbent GSM players, including Vodafone Essar and Bharti airtel, have opposed the formula proposed by TRAI, the new operators are reportedly in favour of the move.

A day before the meeting, Vodafone released a report prepared by UK-based Plum Consulting, which states that TRAI’s recommendation on telcos making a one-time payment of Rs 175.13 billion for additional spectrum is flawed and lacks transparency. The operator has thereby urged the government to abandon TRAI’s recommendations on spectrum pricing.

Several other operators have expressed their disagreement with the regulator’s pricing formula. Bharti airtel has stated that it goes against the government’s stated principle of offering affordability, fairness and a level playing field. Reliance Communications (RCOM) has alleged that TRAI’s recommendations favoured old operators. RCOM claimed that if the recommendations were accepted, it would cause a loss of Rs 65 billion to the centre.

Other issues that came up for discussion were the recommendations on future allotment of licences, inclusion of internet service providers (ISPs) in a category that entails the levy of up to 6 per cent fee, defining the contracted and prescribed amount of spectrum, changing the rollout obligations criteria, and replacing the unified access service licence (UASL) with a unified licence.

TRAI has stated that, currently, the only access service licence that can be given is the UASL, which is bundled along with spectrum. However, TRAI also argued that there might be some service providers like ISPs who do not need spectrum. In order to make a provision for such service providers, TRAI has recommended that the spectrum be delinked from future licences that are issued, and the future licence be a unified licence. Also, since spectrum availability is no longer the criterion, there need not be any cap on the number of access service providers in a particular service area.

The regulator has further stated that ISPs currently pay a licence fee of only Re 1, except for those offering internet telephony. It noted that UASL holders account for the major share of revenue from internet services. Hence, it recommended a licence fee of 4 per cent for 2010-11, which would be increased to 6 per cent later.

On the issue of rollout obligations, the regulator recommended that the current practice of covering a specified area be discontinued and instead, the focus be on covering a certain percentage of the population in the given area. At present, a licensee has to cover 10 per cent of a district headquarters in the first year and 50 per cent within three years of receiving the licence, and 90 per cent of the service area in the metros. The authority said that because of this, even after 15 years of introducing mobile phone services in the country, rural teledensity was below 25 per cent. TRAI said that henceforth, a licensee should cover 100 per cent of households within two years in service areas with less than 10,000 households. In places with 5,000-10,000 households, it should cover 50 per cent of the service area in the first two years and the remaining within three years of the effective date. In service areas with 2,000-5,000 households, the service provider must cover 50 per cent of the households within three years of the effective date and the remaining 50 per cent within four years.

**Follow-up plan**

While no consensus has been reached so far, the minister has asked all stakeholders to give their recommendations by end-March 2011.

Meanwhile, in the run-up to formulating the New Telecom Policy, 2011, the Department of Telecommunications has formed eight teams to discuss wide-ranging issues related to spectrum, mergers and acquisitions, indigenous manufacturing and security. All these proposals, along with the changes suggested by TRAI and the operators, will form the basis for formulating the New Telecom Policy, 2011.