

**BIF RESPONSE TO TRAI CP ON METHODOLOGY FOR LEVY OF SPECTRUM CHARGES FOR SATELLITE BASED SERVICES UNDER 'SUI GENERIS' CATEGORY**

- 1. Do you agree that the formula based spectrum charges should be replaced with AGR based SUC in respect of provision of services by BSNL under its license for 'Provision and Operation of Satellite based services using Gateway installed in India' under 'sui-generis' category? If yes, what percentage of AGR should be the spectrum usage charges?**

**BIF RESPONSE**

Spectrum Usage Charges for provision of Satellite based Phone services should be a variable cost and be fixed as a percentage of the AGR ( Adjusted Gross Revenues ) instead of the existing formula based charging.

The quantum of the Spectrum Usage Charges should be aligned to the guidelines as enunciated in the new National Digital Communications Policy 2018 wherein the Spectrum Usage Charges are to be fixed based on the administrative and regulatory cost alone. This, as per DOT's own calculation , is a fraction and is well below even 1%.

This is also in accordance with the License terms and conditions granted to BSNL wherein it is stated that Spectrum Usage Charges shall be as per applicable charging orders which is based on percentage of AGR.

Also, the existing Formula based charging may be reasonable in case of Captive usage i.e. when an entity takes license/spectrum for its own use and not for provision of commercial services.

- 2. In case your response to Q1 is negative, what should be the spectrum charges and how should it be calculated?**

**BIF RESPONSE**

NOT APPLICABLE as the answer to Q1 is positive

- 3. In your opinion, while determining the AGR for the purpose of levy of license fee and SUC, whether the cost of handsets (which is separately identifiable) should be allowed as deduction from the Gross revenue of BSNL's Satellite based services under 'sui-generis' category?**

#### **BIF RESPONSE**

YES. The Cost of the Satellite Receiver/Handset should be deducted from calculation of AGR from these services. This service –Global Satellite Phone ( GSP ) service is comparable to the terrestrial Mobile Phone Service, except that connectivity is through Satellite. In case of Mobile Phone Service , the subscriber buys handset either from the TSP or directly from the open market, obtains a SIM card from any of the licensed TSPs and avails the service after completion of due process of Kyc No per device charge is either payable to the TSP or by the subscriber. In this case, since BSNL is given the sole responsibility to import the satellite receivers/handsets on behalf of its customers, hence the subscriber has to buy the handsets/receivers directly from BSNL only.

To bring it on par with the Mobile Telephony Services, the Cost of the Handset should not be included while determining the AGR.

- 4. If there are any other issues/suggestions relevant to the subject, stakeholders may submit the same with proper explanation and justification.**

#### **BIF RESPONSE**

- a) As there is a gateway established and it is possible to monitor and intercept traffic, the service should be made available everywhere. At present because of legacy guidelines, Satellite services are barred in some areas like Punjab, J& K , coastal regions of Gujarat and Tamil Nadu. Being a service which is meant for emergencies it is helpful for disaster and emergencies. It should also be permitted to be used for connecting the unreachable and far flung areas as well. Hence, there should not be any areas which are prohibited from using this service.
- b) Global Satellite Phone Service (GSPS) services are global in nature and hence, roaming is important to fully utilize the potential of these services. The policy of re-registration by incoming international customers from MHA, discourages them to use these critical services.
- c) It is not clear if the scope of the CP includes the Rs. 38.7 Lakhs which is paid as Spectrum Charge per annum for Gateway. Since there is no question on that matter it is assumed that that charge would continue as it is. In our opinion, this charge should perhaps be also reviewed.
- d) It seems that the purpose of this Consultation is to try to ensure that the GSP Service is viable and is extended to more users. In that case, it may be more relevant to take a holistic view and review not just the Spectrum Charges but also the other elements of the service. At the same time due importance must be given to maximise the reach of this critical GSP Service so that fishermen and people in far-flung areas & remote areas also get the benefits.

The proliferation of the service is also dependent on the per minute usage charge and on the cost of the handset. Both these aspects have not been addressed in the paper.

A rough estimate on these items can be got from the Quarterly numbers provided in Clause 2.6. Based on the Service revenue of Rs. 11.4Mn, it is likely that the per minute voice and per SMS message charged to the end-user is perhaps more than Re. 0.75/min and Rs. 20/SMS respectively. This makes the service not affordable in addition to the huge burden of the handset cost and the Spectrum Usage Charges

Again, from the Quarterly numbers mentioned in Clause 2.6, it seems that the sale of the handset has resulted in a one-time revenue of Rs. 12.4 Mn. This perhaps makes the handset cost to be more than Rs. 20,000 per handset which is extremely high and unaffordable for the common man.

Therefore, while the need is definitely to proliferate the service to a wider population, merely migrating the Spectrum Usage Charge from fixed to variable, with no price reduction on the usage charges or handset prices is perhaps not likely to serve the purpose. In light of the above, it may be prudent to think in terms of providing a waiver for the Spectrum Usage Charges for all handsets/users till the quantum of such handsets/users reaches a critical mass. The critical mass may be kept as 8000 based on the original frequency authorization sought by BSNL. This waiver could be for an initial period of 1 or 2 years, as may be deemed fit by the Authority, so as to kickstart the project and try to make it economically viable. Another way of making the project viable could be by bundling the cost of the handsets into the services, thereby saving the customer from incurring the burden of bearing the steep one-time cost of the handset upfront besides other recurring charges.