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Shri Syed Tausif Abbas,
Advisor (NSL),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi – 110002

Subject: COAI Response to the TRAI Consultation Paper on Methodology of applying Spectrum Usage Charges (SUC) under the weighted average method of SUC assessment, in cases of Spectrum Sharing

Dear Sir,

This is with reference to the Consultation Paper on “Methodology of applying Spectrum Usage Charges (SUC) under the weighted average method of SUC assessment, in cases of Spectrum Sharing” released by TRAI on April 22, 2020.

In this regard, please find enclosed COAI response to the Consultation Paper.

We hope that our submission will merit your kind consideration and support.

With Regards,

Yours faithfully,

Rajan S. Mathews
Director General



Response to the TRAI Consultation Paper on Methodology of applying Spectrum Usage Charges (SUC) under the weighted average method of SUC assessment, in cases of Spectrum Sharing released on April 22, 2020

At the outset, COAI welcomes the opportunity to comment on the TRAI Consultation Paper on Methodology of applying Spectrum Usage Charges (SUC) under the weighted-average method of SUC assessment, in cases of Spectrum Sharing.

Preamble:

1. As highlighted in the Consultation paper for optimizing the cost of providing telecom services using the latest technologies, the telecom service providers across the world are resorting to various kinds of sharing mechanisms such as sharing of infrastructure, network and spectrum, etc.
2. The spectrum sharing has benefits such as:
 - a. Sharing increases efficiency
 - b. Has the potential to increase coverage
 - c. Mitigate congestion issues in the network.
 - d. Generate higher revenue for the TSPs and the Government.
3. Thus, it is imperative for the Government to facilitate spectrum sharing by putting in place enabling policies and remove any regulatory hurdles which hamper spectrum sharing.
4. The intention of the Government to facilitate the Spectrum Sharing amongst the TSPs is also evident from the National Digital Communication policy 2018. Clause 1.2(b)(ii) of the NDCP enunciates:

“1.2 Recognizing Spectrum as a key natural resource for public benefit to achieve India’s socio-economic goals, ensure transparency in allocation and optimise availability and utilisation by:

- (b) Making adequate spectrum available to be equipped for the new broadband era:*
 - (ii) Further liberalizing the spectrum sharing, leasing and trading regime”*

Issue -Wise Response:

Q1. Do you agree that as per the existing Spectrum-Sharing Guidelines dated 24th September 2015, post sharing of spectrum, increment of 0.5% on SUC rate should apply on the spectrum holding in specific band in which sharing is taking place and not on the entire spectrum holding (all bands) of the TSPs. Please justify your answer.

COAI Response:

1. Yes, as per the existing Spectrum-Sharing Guidelines dated 24th September 2015, post sharing of spectrum, an increment of 0.5% on SUC rate should apply on the spectrum holding in the specific band in which sharing is taking place and not on the entire spectrum holding (all bands) of the TSPs.

2. This is evident from the clause (2), (3) and (12) of the Guidelines for sharing the access Spectrum:

“ (2) Spectrum sharing is permitted between two TSPs utilising the spectrum in the same band.

(3) Spectrum sharing is not permitted when both the licensees are having spectrum in different bands. Leasing of spectrum is not permitted.

(12)For the purpose of charging SUC , it shall be considered that the licensees are sharing their entire spectrum holding in the particular band in the entire LSA”

3. Thus, we are of the view that the SUC rate should apply **only** on the spectrum holding in specific bands in which sharing takes place.

Q2. Do you think that increment in SUC rate is a deterrent for TSPs in entering into spectrum-sharing arrangements? Further, do you also think that in order to facilitate the spectrum sharing, there should not be any increment in SUC rate post sharing of spectrum? Please justify your answer.

COAI Response:

1. Yes, there should not be any increment in SUC rate post sharing of spectrum due to the following reasons:

- a. Any incremental revenue arising from Spectrum sharing will attract LF and SUC anyway. Therefore, to suggest an additional charge, is a double hit, goes against the intentions of NDPC-18 and adds an additional financial burden on TSPs.
 - b. The burden of the additional SUC on the TSPs will discourage them from entering into any kind of agreement between themselves for the spectrum sharing as this will increase the outgo of both the TSPs.
 - c. In the past the additional SUC has acted as a disincentive for the TSPs, as there have been very few cases of spectrum sharing since the time these Guidelines have been notified by DoT.
 - d. In case there is no additional SUC levied on the TSPs, then TSPs will be encouraged to have agreements amongst themselves for spectrum sharing to improve their networks in areas having congestion and enhancing coverage.
2. Thus, to facilitate spectrum sharing arrangements in line with the NDCP 2018 objectives, the additional SUC of 0.5% in the case of spectrum sharing should be done away with. **The same should be implemented immediately with prospective effect.**
 3. In addition, to lower the burden of the Regulatory Levies on the sector COAI has been requesting the Government for the reduction in the SUC. In this regard, the repeated request of COAI to DoT has been that since the spectrum is determined through a market-driven mechanism of auctions, the effective rate of the SUC should be reduced by 3% for all the TSP's i.e. the weighted average SUC rate arrived based on respective SUC rates of the auctioned spectrum and the administrative spectrum should be reduced by 3% for all the TSPs in each service area, after removal of the existing SUC floor of 3% of AGR.

Q3. What other changes are required in the Spectrum-Sharing Guidelines to facilitate spectrum sharing? Please provide detailed explanation and justification for your suggestions.

COAI Response:

1. Inter-band Spectrum Sharing:

- a. As per the current Guidelines on the Spectrum Sharing:

“Spectrum Sharing is not permitted when both the licensees have spectrum in different bands”.

- b. Thus, only the intra-band spectrum sharing is allowed currently.

- c. In this regard, we would like to submit that the inter-band sharing of the spectrum should also be allowed, considering that going forward all the spectrum will be allocated through auction and will be liberalised/ technology-neutral spectrum.

2. Promoting Sharing of microwave backhaul spectrum:

- a. Sharing of access spectrum also entails the requirement of higher backhaul bandwidth to support the increased traffic.
- b. In order to create greater network efficiency TSPs may also be encouraged to share their backhaul i.e. fibre or the Microwave.
- c. We, therefore, request that specific guidelines may be issued by the Government for the microwave sharing for further facilitation. Sharing of microwave backhaul spectrum should also be promoted like Sharing of Access Spectrum to facilitate the efficient roll-out of service in far-flung areas of the country.

Q4. If there are any other issues/suggestions relevant to the subject, stakeholders may submit the same with proper explanation and justification.

COAI Response:

1. Reduction in the SUC Charge:

We would hereby take this opportunity to highlight our views w.r.t Reduction in the Spectrum Usage Charges (SUC) being paid by the TSPs:

- a. SUC should only be levied for recovering the Administrative cost: We submit that when the spectrum is acquired through an auction mechanism with the fee payable upfront, there should be no requirement for further annual payments beyond a nominal administrative fee towards spectrum management, because the intrinsic value of spectrum has already been paid for in full through the auction. The NDSP-2018, also recognizes the same under one of their strategies stating that the SUC should be rationalized to reflect the costs of regulation and administration of spectrum.
- b. International Practice: In European countries, most nations have either a low annual spectrum fee or no charge at all. This is the practice in countries where the value of the spectrum is captured upfront in a single payment either through an auction or a “beauty contest” with a defined payment level. In the United States and Australia, annual fees are

meant to cover the cost of management and regulation of the spectrum only. Even some of the Asian countries like China have much lower annual spectrum charges.

- c. High SUC creates stringent barriers for the operators to invest in Infrastructure: Once the spectrum is allocated through an auction mechanism, continuing with the current escalating charge approach is detrimental to consumers and operators as it works as an inverted duty structure. It increases the input cost of the spectrum leading to the excessive burden on operating margins and revenues for the spectrum holders. This leads to the imposition of stringent barriers for the operators to invest in the superior quality of services.

- d. Considering the above, **we request TRAI to kindly recommend to DoT that since the spectrum is being auctioned, prices determined through market-driven mechanism the effective rate of the SUC should be reduced by 3% for all the TSP's i.e. the weighted average SUC rate arrived based on respective SUC rates of the auctioned spectrum and the administrative spectrum should be reduced by 3% for all the TSPs in each service area, after removal of the existing SUC floor of 3% of AGR. Further, a nominal rate of SUC, say 0.5-1% of AGR, should be prescribed for forthcoming auctions for recovering only the administrative cost.**
