

Annexure



Government of India / भारत सरकार
Ministry of Communications / संचार मंत्रालय
Department of Telecommunications / दूरसंचार विभाग
Satellite Division, DoT HQ
Sanchar Bhawan, New Delhi - 110001

No. 824-203/NLD SUC/2022-SAT

Date: 09.03.2022

To

The Secretary
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg (Old Minto Road),
New Delhi-11002

Sub: Reference back on Spectrum Usage Charges (SUC) for NLD license after considering TRAI recommendations on licensing framework for Satellite based low bit-rate applications dated 26.08.2021

Kind reference is invited to TRAI recommendation on licensing framework for Satellite based low bit-rate applications dated 26.08.2021.

2. Digital Communications Commission (DCC) considered the TRAI recommendations in its meeting held on 04.01.2022 and decided to accept all the recommendations except para 4.9(ii) with regards to NLD SUC, which is reproduced as below:

"4.9 The Authority recommends that:

(ii) Recommendations made earlier vide recommendations on 'Provision of Cellular Backhaul Connectivity via Satellite Through VSAT Under Commercial VSAT CUG Service Authorization' dated 28th July 2020, are reiterated in respect of provision of satellite-based bandwidth by NLD service providers:

a. Replacing the existing formula-based mechanism, Spectrum usage charges for using satellite frequencies under the NLD service license/ authorization should be prescribed as 1% of AGR excluding the revenue from the licensed services other than satellite-based services.

b. The NLD service licensees should be asked to do the accounting separation and maintain the revenues accruing from the satellite-based services and other licensed services separately."

3. Regarding this recommendation, DCC decided to refer back the same to TRAI to examine the feasibility of accounting separation for NLD operator(s) between satellite based services and other licensed services it provides.

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4. Further, TRAI in its earlier recommendation dated 28.07.2020 has mentioned that:

2.85 The Authority is of the view that migration to the AGR-based spectrum charge for the satellite-based VSAT services will require accounting separation for computation of AGR. The Authority also agrees with the argument that only the revenue from the provision of satellite services should be considered for the purpose of calculation of spectrum usage charge, and no component of the revenue from other licensed services, under NLD, should be accounted for SUC. Accordingly, suitable amendment in the license should be incorporated by DoT for this purpose.

2.86 Based on above analysis, the Authority is of the view that the spectrum usage charges for using satellite frequencies under the NLD service license/authorization should be prescribed as a percentage of AGR. Replacing the existing formula-based mechanism, Spectrum usage charges for using satellite frequencies under the NLD service license/authorization should be prescribed as 1% of AGR excluding the revenue from the licensed services other than satellite-based services. The NLD Service licensee has to do the accounting separation and maintain the revenues accruing from the satellite-based services and other licensed services separately.

*2.87 Access Service Providers are also permitted to establish satellite-based connectivity for their access network within a Licensed Service Area. For establishing a satellite-based radio communication network, Access Service licensee is required to obtain the satellite frequency authorization from WPC and pay the associated Royalty charges on formula basis. **Migrating spectrum usage charges for using satellite frequencies from the formula-based mechanism to AGR-based mechanism for Access Service licensee will be a complex issue, as it is difficult to do the accounting separation for revenues accruing through the use of satellite connectivity.** For Access service licensee, it is an integrated activity and the revenues are accrued by way of the voice calls, data usage and other revenues. Further, all the Access Service licensees also have NLD Service Authorization and mostly use their NLD network for such requirement of satellite bandwidth. **The Authority, therefore, is of the view that no such changes should be proposed under the Access Service Authorization for calculation of spectrum charges for satellite-based services.***

2.88 In case of VSAT, the transponder bandwidth is allocated by the Department of Space (DoS) and the frequency allotment is carried out by WPC, DoT. Therefore, the VSAT licensees have to essentially take the satellite bandwidth and pay the charges for the transponder bandwidth to the DoS. These transponder charges are basically to enable the use of electronics and resources of the satellite placed in the space. The Authority, therefore, does not agree with the proposal of one of the stakeholders to treat transponder charges payable to DoS and backhaul charges payable to NLD/Commercial VSAT CUG service providers as pass through, because in absence of the satellite connectivity, the service provider shall anyway have to create its own transmission infrastructure or lease the connectivity from the NLD operator and it is part of the cost for creation of infrastructure.

2.89 In view of the above, the Authority recommends that:

a) Replacing the existing formula-based mechanism, Spectrum Usage Charges for using satellite frequencies under the NLD service license/authorization should be prescribed as 1% of AGR excluding the revenue from the licensed services other than satellite-based services.

b) The NLD Service licensees should be asked to do the accounting separation and maintain the revenues accruing from the satellite-based services and other licensed services separately."

5. TRAI is accordingly requested to examine the above to provide clarity on whether it is feasible for an NLD service provider to segregate revenues (and consequently separate accounts) accruing from its satellite connectivity.

6. As per the provisions of Section 11 of TRAI Act, 1997, a reference back is hereby accordingly made to TRAI for reconsideration of the said recommendation.

7. Also, as the DCC has further decided that DoT may work with TRAI to further reduce the charges pertaining to roll-out of satellite based communication systems, TRAI is requested to give recommendation(s) on this aspect also.

 9/3/22
(Suneel Niraniyan)
Deputy Director General (Satellite)
Satellite Division, DoT HQ