

Prof. Rohan Samarajiva's Comments on the TRCSL Consultation paper on Realignment/Allocation of Spectrum in the 800/900 MHz bands

1.0 The TRC is to be commended for preparing a well-written and clear consultation paper. It would have been better, however, if more publicity had been given to this consultation paper on perhaps the most important issue in telecom policy and regulation in Sri Lanka today.

2.0 The comments below are necessarily brief given the shortness of time, but I shall be pleased to elaborate on any of them should the Commission so request. They represent my personal views and expertise, not those of any organization.

3.0 The end state set out in Annex III appears commendable in that it assigns 800/900 MHz low-cost frequencies to the fixed and mobile operators, treating them as separate classes, but with equal assignments within each class. The fatal omission in this scheme is the absence of the Regional Telecom Networks (RTNs) that are critical components of the e Sri Lanka Initiative, which is under the Prime Minister's Office. I assume the PMO and ICTA will make clear the serious negative ramifications of this omission. It would be remiss of the TRCSL not to consult them.

4.0 The fundamental flaw in the proposed scheme is the sequence of assignment of frequencies on the fixed side.

4.1 In light of e Sri Lanka requirements, the first freed-up 2.5 MHz slot of CDMA 800 frequencies must be reserved for the RTNs.

4.2 The next logical candidates for CDMA 800 frequencies are the two fixed entrants who were licensed in 1996 to provide competition in the fixed sector. They are limited to wireless by license and to high high-cost WLL equipment by frequency assignments. The promise of widespread worldwide adoption (and resultant declines in unit costs) proved false in the case of WLL technologies such as DECT. CDMA, which was a somewhat marginal mobile technology limited to the United States and South Korea in 1996-97, subsequently underwent a qualitative transformation with its widespread adoption in India and China (among others) and the resultant rapid declines in unit costs. Without access to this kind of low-cost technology (and effective interconnection and access enforcement), the WLL operators have not been, and will not be, able to offer credible competition to the incumbent. The proposed priority assignment of low-cost frequencies to the incumbent may well push them out of business, resulting in a worsening of the services provided by the incumbent, now restored to a fully monopolistic position by government action. It is likely that such an action will be in violation of the General Agreement of Trade in Services, Protocol 4 Regulatory Reference Paper to which GOSL is party. It will negate the GOSL policies of 1996.

4.3 In light of the choice of administrative assignment for the low-cost frequencies in the 800/900 MHz bands and in the event that 5 MHz cannot be freed up in the second phase, it would be necessary to conduct some form of transparent administrative process privileging rollout commitments to select one of the two companies. But ideally, 5 MHz should be freed up and the two slots will be given to the fixed challengers simultaneously.

4.4 The dominant incumbent should be given the fourth available CDMA 800 slot because the operator freeing up the CDMA 800 frequencies is its fully-owned subsidiary. It is best that the parent be given the desired frequencies last in order to ensure the orderly and timely release of the CDMA frequencies. This is likely to be far more effective than the promise of

strictly following the implementation plan. Please recall that such promises were made in writing (and violated) in relation to the 2003 Interconnection Rules.

5.0 It is well known that the cheapest CDMA handsets are mobile handsets developed for the _limited mobility_ markets of India and China. It is also well known that the fixed-mobile boundary that is sought to be preserved by the proposed scheme may be difficult to maintain if limited mobility is introduced, in the name of low-cost equipment. India is currently grappling with the problem in terms of devising unified licensing. Pakistan is seeking to maintain the boundary through enforceable restrictions. The lessons are there, if the TRCSL wants to learn. A consultation paper that does not discuss the limited mobility issue is incomplete.