

**Reliance Communications Limited's Response to the Consultation Paper on
Introduction of UL (VNO) for Access Service Authorization for Category 'B'
License with Districts of a State as a Service Area**

Executive Summary

- A. In the best interest of the consumer, there is a need to introduce Cat – B VNOs in the telecom sector and the existing DID franchisees should be mandated to migrate to UL (VNO) Cat – B based licensing regime.
- B. For VNO (Cat – B) to become an attractive proposition, it is important that clause xxii of the 'General' guidelines for grant of UL (VNO) is amended to permit VNOs to be parented to multiple NSOs for access services.
- C. The scope of UL (VNO) Cat – B licensee should not be limited to provide landline (voice) and internet services only and they should be allowed to provide mobile service also as the issues listed in Para 13 – 15 are addressable.
- D. The license duration for UL (VNO) Cat – B should be kept 10 years i.e. at par with other licenses issued under UL (VNO) policy.
- E. For VNO (Cat – B) the statutory levies should be made pragmatic and aligned to the UL (VNO) – Access Services Authorization viz Networth (Rs 1000000/-), Equity (NIL), Entry Fee (Rs 30000/- pa), PBG (NIL), FBG (Rs 500000/-).
- F. The penalty structure for UL (VNO) Cat 'B' licensee for violation of UL (VNO) Cat.-'B' license terms and conditions should be similar to that of the UL (VNO) – Access Service Authorisation.
- G. The UL (VNO) Cat – B licensees should be treated equivalent to the existing TSPs / VNOs for meeting obligations arising from Tariff orders / regulations / directions etc. issued by TRAI from time to time.
- H. QoS parameters, as prescribed for UL (VNO) – Access Service Authorization, should be prescribed for UL (VNO) Cat.'B' licensees as well.
- I. For improved QoS of its services, UL (VNO) Cat. 'B' licensees should be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation for providing voice and internet services through wireline as well as wireless networks.

Detailed responses, to the specific questions asked in the consultation paper, are given in subsequent paragraphs.

Detailed Response

Question 1: Is there any need to introduce Cat – B VNOs in the sector?

- i. If yes, should the existing DID franchisees be mandated to migrate to UL (VNO) Cat-B based licensing regime? Do you foresee any challenges in the migration from franchisee regime to licensing regime?**
- ii. If no, how DID franchisee can be accommodated in the existing licensing regime in the country?**

Our Response

Yes, there is a need to introduce Cat – B VNOs in the telecom sector.

Yes, the existing DID franchisees should be mandated to migrate to UL (VNO) Cat – B based licensing regime.

No, we do not foresee any challenges in the migration from franchisee regime to licensing regime.

DID franchisee can be accommodated in the existing licensing regime in the country by mandating them to become VNOs of their parent NSOs.

1. Introduction of VNO (Cat – B) for provisioning of services in a smaller area would be advantageous for the customers on following accounts.
 - a. **Better customer service.** For customer centric services, it is most beneficial for the customers to avail services from a service provider who can concentrate his service provisioning efforts in a smaller area. The customer is not only better informed about the customer support services of the local service provider but has the advantage of getting his complaints and grievances attended to in a faster time frame from a localised service provider.
 - b. **Win – Win for both customers and large operators.** The enormity of operations of the UL (Access Services Authorisation) holders, both in terms of geographic area of operations and subscriber base are most ideal for exploiting the economies of scales. However, as brought out earlier, operations on a larger scale tend to bring in a non personalised customer service experience for the customers. Introduction of VNO (Cat – B) enables the customers to avail better customer service while subscribing to the services of the same large scale operator without foregoing the advantage of better tariffs due to economies of scales of a larger operator. In fact bulk sourcing of minutes / data volume by the VNO can at times prove to be more beneficial for the customers than direct subscription to the services of the larger service provider.
2. Therefore, **in the best interest of the consumer, there is a need to introduce Cat – B VNOs in the telecom sector and the existing DID franchisees should be mandated to migrate to UL (VNO) Cat – B based licensing regime.**
3. **Challenges in the migration from franchisee regime to licensing regime.** The only technical challenge foreseen for migration of the existing DID franchisees to the licensing regime would be the prohibition on multiple NSO parenting of the VNOs for access services. As per clause xxii of the 'General' guidelines for grant of UL (VNO), an access services VNO

is prohibited to be parented to multiple NSOs. This clause prohibits a VNO (Cat – B) from subscribing to the best of the breed of voice telephony along with internet services and mobile services for making VNO (Cat – B) an attractive proposition. Therefore, **for VNO (Cat – B) to become an attractive proposition, it is important that clause xxii of the ‘General’ guidelines for grant of UL (VNO) should be amended to permit VNOs to be parented to multiple NSOs for access services.**

Our Recommendations

4. In view of the foregoing, following are recommended,
 - a. **In the best interest of the consumer, there is a need to introduce Cat – B VNOs in the telecom sector and the existing DID franchisees should be mandated to migrate to UL (VNO) Cat – B based licensing regime.**
 - b. **For VNO (Cat – B) to become an attractive proposition, it is important that clause xxii of the ‘General’ guidelines for grant of UL (VNO) is amended to permit VNOs to be parented to multiple NSOs for access services.**

Question 2 : Based on the complexities discussed in Para 13 – 15 above, should the scope of UL (VNO) Cat – B licensee be limited to provide landline (voice) and internet services or should these be allowed to provide mobile service also? In case mobile services for such licensees are allowed, how the issues enlisted in Para 13 – 15 will be addressed? Please explain in detail.

Our Response

No, the scope of UL (VNO) Cat – B licensee should not be limited to provide landline (voice) and internet services only.

They should be allowed to provide mobile service also as the issues listed in Para 13 – 15 are addressable.

1. It is brought out that the challenges listed at para 13 to 15 of the CP for the VNO (Cat – B) for provisioning mobile services can be resolved technically as explained below.
 - a. **Issue raised at Para 13.** *“If DID franchisees are also allowed to provide wireless services under their brand(s), under UL (VNO) -Cat B, the issue will arise as to how these licensees will be able to confine their services within the territory of license area of a district only.”* It is brought out that clause 2.1 (a) (ix) of the UL (Access Services Authorisation) permits offering of *“Home Zone Tariff Scheme (s) as a subset of full mobile service in well defined geographical Areas”*. This concept can be used to create virtual zones of operation by the Mobile NSOs for the UL (VNO) Cat – B service provider. Hence, **there is no challenge on the issue of confining / configuring services within the territory of license area of a district only.**
 - b. **Issue raised at Para 14.** *“There can be instances when a UL (VNO) Cat-B licensee operating in two districts of the same LSA enters into agreements with two separate NSOs for providing mobile services. Such a scenario will introduce further complexities.”* It is submitted that since the UL (VNO) Cat – B would be dependent on the parent NSO for the services, **the issue of roaming can be handled as per the roaming agreements of the parent NSO(s), even if the VNO is provisioning services in two districts by parenting to two different NSOs.**

- c. **Issue raised at Para 14.** “Moreover, the methodology for provision and calculations of AGR and SUC will become more complex and will be difficult to determine. It can have potential adverse impact on Govt. revenues.” It is submitted that **the AGR issue can be tackled by making the UL (VNO) Cat – B, parented to multiple NSOs, account for its revenue accrued from utilizing the infrastructure of each NSO separately. As regards SUC, the existing procedure of calculating the same based on weighted averages, similar to the way it is done for NSOs, can be adopted.**
2. Therefore, **the scope of UL (VNO) Cat – B licensee should not be limited to provide landline (voice) and internet services only and they should be allowed to provide mobile service also as the issues listed in Para 13 – 15 are addressable.**

Our Recommendations

3. In view of the foregoing, following are recommended, that **the scope of UL (VNO) Cat – B licensee should not be limited to provide landline (voice) and internet services only and they should be allowed to provide mobile service also as the issues listed in Para 13 – 15 are addressable.**

Question 3 : Can the license duration for UL (VNO) Cat – B be kept 10 years which is at par with other licenses issued under UL (VNO) policy? If no, justify your answer.

Our Response & Recommendation

Yes, the license duration for UL (VNO) Cat – B should be kept 10 years i.e. at par with other licenses issued under UL (VNO) policy.

Question 4 : What should be Networth, Equity, Entry Fee, PBG, FBG etc. for District level UL (VNO) Cat.-B licensee in case these are allowed for Wireline and Internet services only? Answer with justification.

&

Question 5 : What should be Networth, Equity, Entry Fee, PBG, FBG etc. in case Cat.-B VNOs are allowed to provide mobile access service also? Please quantify the same with justification.

Our Response

The Networth, Equity, Entry Fee, PBG, FBG etc. for District level UL (VNO) Cat.-B licensee for Wireline, Wireless and Internet services should be made pragmatic and aligned to the UL (VNO) – Access Services Authorization.

1. UL (VNO) Cat – B is envisaged to provide a similar bouquet of services as UL (VNO) – Access Services Authorization albeit at a district level; it is felt that the statutory levies for the same should be as given table below.

UL (VNO) Cat – B Service Authorization	Minimum Equity	Minimum Net Worth	Entry Fee (Annual)	Application Processing Fee	FBG	PBG
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
Voice Telephony + Internet Services + Mobile services	NIL	1000000	30000	10000	500000	Nil

2. **Minimum Equity & Net Worth.** It is brought out that UL (VNO) – Cat B would be mostly sought by individual entrepreneurs, hence there should be no condition for Minimum Equity for this authorisation. However, the condition for Minimum Net Worth should be imposed to keep a check on any fly by night operators.
3. **Entry Fee.** It is imperative that the quantum of entry fee of UL (VNO) Cat – B license be kept at a level that the operators should not use it to circumvent paying the UL (VNO) – Access Services Authorisation entry fee by applying individually for each SSA of the LSA. Therefore, it is recommended to be Rs 30000/- per annum.
4. **FBG.** Since UL (VNO) Cat – B would be providing services similar to UL (VNO) – Access Services Authorisation hence there is a need to impose a FBG on them as well.

Our Recommendation

In view of the foregoing, it is recommended that **for VNO (Cat – B) the statutory levies should be made pragmatic and aligned to the UL (VNO) – Access Services Authorization viz Networth (Rs 1000000/-), Equity (NIL), Entry Fee (Rs 30000/- pa), PBG (NIL), FBG (Rs 500000/-).**

Question 6 : Keeping in view the volume of business done by DID franchisees, what penalty structure be prescribed for UL (VNO) Cat ‘B’ licensee for violation of UL (VNO) Cat.-‘B’ license terms and conditions?

Our Response

The penalty structure for UL (VNO) Cat ‘B’ licensee for violation of UL (VNO) Cat.-‘B’ license terms and conditions should be similar to that of the UL (VNO) – Access Service Authorisation.

1. As has been brought out in our response to Question no 1, better customer service is one of the major advantage that a customer gets by subscribing to the services of a VNO. It is also brought out that permitting multiple parenting to the VNOs shall lead to greater robustness and reliability of services of the VNO, thereby improving the QoS of their services. **Since better customer service and QoS is expected from a service provider provisioning services to a limited subscriber base in a limited area, it is imperative that the penalty structure for UL (VNO) Cat ‘B’ licensee for violation of UL (VNO) Cat.-‘B’ license terms and conditions should be a credible deterrent against any slippages.**

Our Recommendation

2. Accordingly, it is recommended that **the penalty structure for UL (VNO) Cat ‘B’ licensee for violation of UL (VNO) Cat.-‘B’ license terms and conditions should be similar to that of the UL (VNO) – Access Service Authorisation.**

Question 7 : Should the UL (VNO) Cat – B licensees be treated equivalent to the existing TSPs / VNOs for meeting obligations arising from Tariff orders / regulations / directions etc. issued by TRAI from time to time?

Our Response & Recommendation

Yes, the UL (VNO) Cat – B licensees should be treated equivalent to the existing TSPs / VNOs for meeting obligations arising from Tariff orders / regulations / directions etc. issued by TRAI from time to time.

Question 8 : What QoS parameters shall be prescribed for UL (VNO) Cat 'B' licensees?

Our Response & Recommendation

QoS parameters, as prescribed for UL (VNO) – Access Service Authorization, should be prescribed for UL (VNO) Cat.'B' licensees as well.

Question 9 : Based on the business and operational requirements as discussed in Para. 21 above, should UL (VNO) Cat. 'B' licensees be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation for providing voice and internet services through wireline network?

&

Question 10 : Do you foresee any challenge in allowing such arrangement as discussed in Q9 above?

Our Response

Yes, UL (VNO) Cat. 'B' licensees should be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation for providing voice and internet services through wireline as well as wireless networks.

No, we do not foresee any challenges in allowing such arrangements.

1. Parenting of VNO (Cat – B) to multiple NSOs is important to ensure that,
 - a. They subscribe to the best of the breed of voice telephony along with internet services and mobile services.
 - b. Multiple connectivity from different sources (NSOs), would make a VNO's network more robust and shall add to the reliability of its services thereby contributing towards improved QoS.

Our Recommendations

In view of the foregoing, it is recommended that for improved QoS of its services, UL (VNO) Cat. 'B' licensees should be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation for providing voice and internet services through wireline as well as wireless networks.

Question 11 : Please give your comments on any related matter not covered in this Consultation paper.

NIL