



RSM/COAI/2015/014

22<sup>nd</sup> January , 2015

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**Sub: COAI Counter Comments to the Responses of the Stakeholder's to the TRAI Consultation Paper on "Delinking of license for networks from delivery of services by way of virtual network operators"**

Dear Sir,

This is with reference to the TRAI consultation paper on "Delinking of license for networks from delivery of services by way of virtual network operators" issued on 05.12.2014.

In this regard, please find enclosed COAI's counter comments to the responses of the stakeholder's to the said consultation paper as **Annexure – 1**.

We hope that our submission will merit your kind consideration.

Yours sincerely,

**Rajan S. Mathews**  
**Director General**

**CC : Dr. Rahul Khullar, Chairman, TRAI**  
**: Shri. R.K. Arnold, Member, TRAI**  
**: Dr. Vijayalakshmy K Gupta, Member, TRAI**  
**: Shri. Sudhir Gupta, Secretary, TRAI**

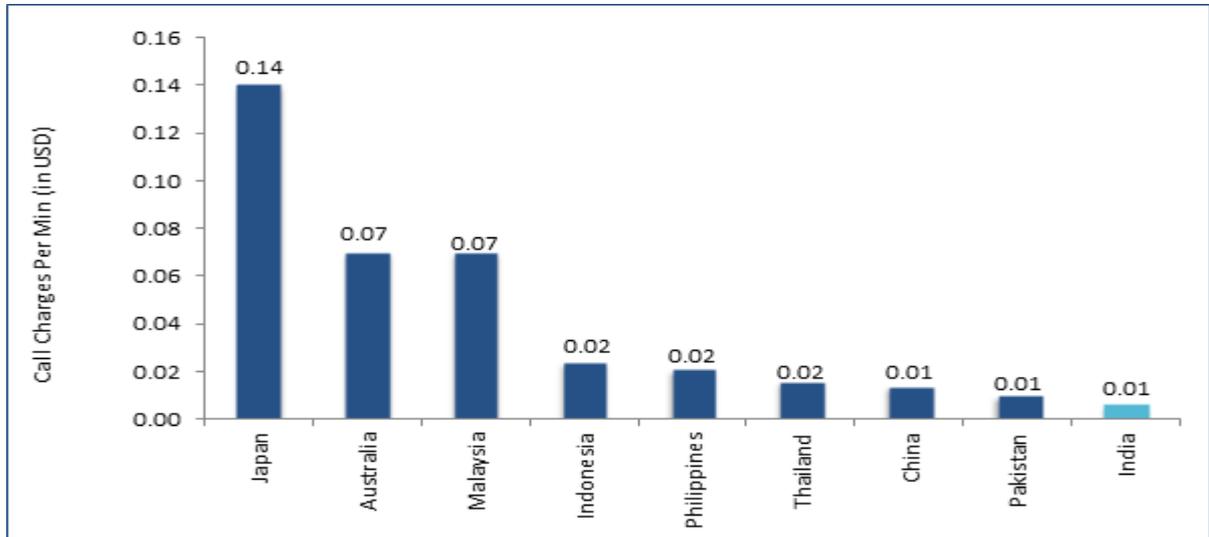


## COAI Counter Comments to Response's on the TRAI Consultation Paper on 'Delinking of license for networks from delivery of services by way of virtual network operators'

- 1) COAI welcomes the opportunity to submit counter comments on responses received on TRAI Consultation Paper on "Delinking of license for networks from delivery of services by way of virtual network operators"
- 2) At the outset, we would like to submit that it is of utmost importance for the long term growth of the Telecom sector that the policies formulated by the Government are predictable and stable in nature.
- 3) In the response to the Consultation Paper COAI had highlighted that :
  - a) Indian telecom market is hyper-competitive and the need of the hour is to introduce measures to facilitate market based consolidation rather than to create further fragmentation.
  - b) It would be most undesirable for the government to introduce any regime which further derails the financial health of the sector.
  - c) With low spectrum holding by the operators i.e. around 13.8 Mhz spectrum per operator and the growth in traffic and data, it will be very difficult for the Indian mobile operators to spare capacity for any VNOs/MVNOs as their first priority would be to meet their own growing requirements.
  - d) Further, the objective of the DoT to ensure adequate competition has already been met, in fact excessively so, as per the views of the Authority and as per global norms.
  - e) Also, objective of optimal and efficient utilisation of network and spectrum is being met even within the existing licensing framework and hence there is no requirement for delinking of license for networks from delivery of services by way of virtual network operators to achieve the same.
- 4) **Thus, we are view that delinking of license for networks from delivery of services by way of VNO is not required, especially for Indian telecom market, for the several reasons as highlighted by us in our response to the paper.**
- 5) Further, to the above we would like to like to make following submissions with regard to the responses of the different stakeholders to the present consultation:
  - a) We note that Operators who have significant commitment – in terms of infrastructure, investment, etc. have opined that delinking of networks and services or introduction of VNO will not support national objectives. VNO proposal is mostly supported by operators who do not have any significant commitment or presence in the market, and perhaps look at this as an opportunity to cream skim the market.
  - b) **Competition in sector and low tariffs:**
    - i) **Globally VNOs are used to increase competition or bring down tariffs.** – it is evident from the data submitted by COAI as well as other stakeholders as part of the consultation that India already has the highest number of operators and the most affordable tariffs – **it is difficult to appreciate what further incremental benefits can accrue through this proposal.**



### Tariffs in India are lowest in the world:



Source: Merrill Lynch Global Research Dec-2013

- ii) Further, we would like to submit that while none of the stakeholders have commented on low level of tariff in India, they have submitted that there is need to introduce VNO in order to increase the competition in Indian telecom market. In this regard, we would like to submit that as per the HHI Index which is the widely used measure of competitiveness, it is established that the rate of increase in competitiveness of the market levels off after 4-5 operators, i.e. entry of operators beyond 4-5 does not significantly increase the competitiveness of the market.

#### c) **Market Penetration and Maturity:**

- i) One of the stakeholder have submitted that as per the GSMA Intelligence analysis titled 'The global MVNO landscape, 2012 – 2014' dated Jun 2014, shows that MVNOs remain most prevalent in mature markets where penetration (based on connections) has surpassed 100%. Europe is home to more than two thirds of global MVNOs (579), followed by the Americas (128) and Asia (79).
- ii) In this regard, we would like to submit that as per the GSMA analysis MVNOs is a phenomenon that mainly applies to saturated mobile markets, as operators seek innovative ways to attract new customers. The average penetration rate among the 69 countries that host MVNOs stand at 129%, compared to the global average of 98%. **We would like to submit that the current market penetration of India has been just 77%, which is well below global average; hence the introduction of MVNO has little relevance at this stage.**

#### d) **Digital India Program:**

- i) Some of the stakeholders have highlighted that the prestigious Digital India Program also supports introduction of VNO for service delivery under the pillar of Broadband highways.



- ii) In this regard, we would like to submit that the introduction of VNOs is likely to further fragment the market and also discourage the investment in infrastructure.
- iii) Further, we believe that VNOs/SDOs will focus on cherry picking the creamy layer in prevailing market, thus reducing the sustainability and the business case to roll out infrastructure in rural and remote areas. There is also a possibility of the entry of non-serious players or fly by night operators. This will severely hamper the achievement of the connectivity and the Digital India objective of the government.

e) **Utilization of Infrastructure :**

- i) Some of the stakeholders have submitted that MVNO is required in order to have efficient utilization of the Infrastructure.
- ii) In this regard, we would like to submit that all the TSPs are already utilizing their networks most optimally in order to achieve all possible cost efficiencies and offer the most affordable tariffs. Both active and passive infrastructure sharing has already been permitted under the existing regime.
- iii) Further, we would like to submit that there are enough steps that can be taken even in the existing framework for e.g. by expeditiously notifying guidelines for spectrum trading and spectrum sharing. Thus, there is need of introducing VNO in India for the efficient utilisation of spectrum/infrastructure.

f) **3G ICR issue :**

- i) One of the stakeholders has submitted that the VNO concept is already present today in the market in form of 3G ICR arrangement among operators whereby an operator is able to offer services to its customers without having its own infrastructure and required resources including spectrum.
- ii) In this regard, we would like to submit that TDSAT, in its judgment dated April 29, 2014, has rejected the contention that 3G ICR is an MVNO arrangement and thus the contention of the said stakeholder is grossly inaccurate.
- iii) Thus, we would like to submit that the comment of the stakeholder regarding 3G ICR is not correct and has been turned down by the TDSAT.

g) **MVNO allowed to create its own infrastructure :**

- i) In respect of the views of some stakeholders that VNOs should be allowed to create their own infrastructure, it is respectfully submitted that if that is to be permitted that there will be no difference between VNOs and unified licensees.

h) **Mutual Agreement between TSP and VNO:**

- i) We note that even in cases where there is a support for introduction of VNOs by some of the stakeholders, there is unanimous agreement that the agreements between the VNO and the TSP should be based on mutual commercial agreements and should not be regulated.

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