

# MVNOs: Issues for Consultation

Response to TRAI's consultation paper dated 5<sup>th</sup> May 2008

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## Introduction

*This is a timely consultation. MVNOs can bring many benefits to India's consumers through more customized and cheaper services. However, it must be remembered that the existing distortions of the spectrum regime- which severely underprices spectrum- must be removed if the entry of MVNOs is not to add to these existing distortions by enabling mobile companies to resell at market prices to MVNOs the spectrum the former have received at highly subsidized prices.*

## Answers to specific questions in the consultation paper

Issue 1. Do you agree with the definition of MVNO given in section 2.1.6? If not please suggest alternate definition with justification.

**TRAI's definition is restrictive. In line with definitions adopted by other international regulators, It should not include reference to any kind of licensing regime such UASL, CMTS etc. This is bound to be abused in future.**

**The definition used by oftel and FCC listed below respectively are equivalent and either should be adequate for India's purposes.**

***OFTEL- An MVNO is an organization that offers mobile subscription and call services to customers but does not have an allocation of spectrum.***

***FCC- An MVNO arrangement is one in which "a network operators acts as a wholesaler of airtime to another firm, which then markets itself to users just like an independent operator with its own network infrastructure."***

Issue 2: Do you think there is a need to introduce MVNO in the Indian Telecom Market. If yes, is it the right time to introduce MVNO as a distinct service provider with its own licensing and regulatory framework? Please elaborate the comments with appropriate reasoning.

**Spectrum is being used very inefficiently in India since companies receive it automatically when they reach specific subscriber thresholds. The companies do not pay for it per MHz. Spectrum must be priced and allocated using market principles. This is urgently required and a precondition for introduction of MVNOs.**

**However, MVNOs enable spectrum to be used with greater efficiency. MVNOs also enable services for specific market segments to be customized to a greater extent and addressed more effectively. This should be welcomed. MVNO is good for India also because it will increase the quantity and quality of competition in the market.**

Issue 3: To what extent should the MVNO be permitted to set up their own infrastructure?

Issue 4 (i): What Regulatory Model should be followed for MVNO in the Indian context?

(ii): What kind of obligations may be imposed on MNOs so that Mobile Virtual Network Operations are implemented effectively in India benefiting the customers?

Please elaborate the comments with appropriate reasoning.

**MVNOs will necessarily need to work in close alliance with those operators whose spectrum they will use. The MNOs will allow MVNOs only if it makes commercial sense. Obligations for rollout are already in place for MNOs. It makes little sense to extend them to MVNOs. Public interest and government revenues should not be impacted if the regulatory regime for MVNOs is as flexible as possible and introduces no additional obligations. MVNOs should be allowed to deploy infrastructure as long as this does not reduce the obligations of MNOs.**

Issue 5: What should be the eligibility criteria for MVNO?

**A minimal networth say, Rs 1 crore or less should be adequate.**

Issue 6: Do you suggest different eligibility criteria for different MVNO models and regulatory frameworks? If Yes, Please suggest with justification thereof.

**This should be left to the MNOs for reasons given above. Like MNOs, MVNOs should be bound by all TRAI and other consumer law provisions related to billing, quality of service, fair trading etc.**

Issue 7: Should there be any restriction on the number of MVNOs attached to an MNO? Please elaborate the comments with appropriate reasoning.

**No. An MNO will have every commercial reason and incentive to ensure the right number of MVNOs.**

Issue 8: What should be the commercial model/framework for spectrum sharing by MVNO; w.r.t. (i) Department of Telecom and (ii) MNO?

**This should be entirely left to MNO.**

Issue 9: What should be the service obligations of MVNO? Please list them with justification thereof.

**There is no justification for any rollout obligations on MVNOs since the latter almost always serve specific market segments. They should be bound by all rules related to fair trading and consumer protection that are applicable to MNOs.**

Issue 10. What should be the method and consideration for determining the entry fee for MVNO?

**There is no need for any entry fee for MVNOs.**

Issue 11. What should be the definition of AGR for MVNOs?

**These definitions should be the same as the ones used for MNOs.**

Issue 12: What is the best way to protect the subscribers both in terms of continuity of service and applicability of tariff plan:

i) in case of a dispute between MVNO and MNO?

**This disputes should go to TDSAT, like all inter-operator disputes.**

ii) in case MVNO wants to exit the business.

**All consumer service liabilities of MVNOs must fall on MNOs since the MVNOs are *de facto* resellers of MNOs.**

Issue 13: Should there be any roll out obligations specified for MVNO? If yes, what should be the penal provisions for failure/ delay in fulfilling the obligations.

**No rollout obligations are required for MVNOs. MNOs already have them.**

Issue 14: What shall be the specific guidelines on the Mergers and Acquisitions of MVNO? Please elaborate the comments with appropriate reasoning.

**In view of their unique relationship to MNOs, this must be a matter for MNOs and MVNOs to decide.**

Issue 15: Should there be any restriction on cross holdings between two MVNOs and between MVNO and an MNO in a service area? Please comment on the nature and scale of restructuring.

**No, as long as liabilities of MNOs are not diluted in the process.**

Issue 16: What should be the FDI limit for MVNO?

**The same as MNOs.**

Issue 17: What should be the quantum of FBG and PBG for MVNO?

**No FBG and PBG is necessary. The risk if any is that of MNOs who will face the liabilities from the failure of MVNOs.**

Issue 18: Any other relevant issue you would like to suggest /comment upon.

**MVNO can improve service quality as well as reduce prices for end consumers. However, it would be unfair if companies that receive hugely subsidised spectrum government could profiteer from it by reselling it. MVNOs make most sense after spectrum allocation and pricing rules are changed to bring them in line with market based methods adopted with regulators worldwide. This is critical.**