



Association of Unified Telecom Service Providers of India

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Subject: AUSPI's inputs to TRAI Pre-consultation on 'Delinking of license for networks from delivery of service by way of virtual network operators'

Dear Sir,

TRAI has initiated a pre-consultation process on 'Delinking of license for networks from delivery of service by way of virtual network operators' and sought inputs from stakeholders. We are pleased to enclose herewith AUSPI's inputs for your kind perusal and consideration.

Thanking you,

Yours faithfully,

Ashok Sud
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Copy to :

1. Dr. Rahul Khullar, Chairman, TRAI
2. Shri R K Arnold, Member, TRAI
3. Smt. Vijayalakshmy K Gupta, Member, TRAI
4. Shri Sudhir Gupta, Secretary, TRAI



AUSPI'S INPUTS TO TRAI'S PRE-CONSULTATION PAPER ON 'DELINKING OF LICENSE FOR NETWORKS FROM DELIVERY OF SERVICE BY WAY OF VIRTUAL NETWORK OPERATORS'.

Preamble

National Telecom Policy 2012 has emphasized the need for continued growth trajectory of telecom sector and recognised the predominant role of wireless technologies in the delivery of services. NTP-12 also envisages facilitation of resale at the service level under the proposed licensing regime – both wholesale and retail, for example, by introduction of virtual operators – in tune with the need for robust competition at consumer end while ensuring due compliance with security and other license related obligations. The TRAI, in its recommendations on August 06, 2008 also recognized introduction of MVNO as a natural progression towards enhancing free market principles and contributing to the efficient use of existing telecom infrastructure.

There are different types of VNOs who target various segments of the markets - telecom, media / entertainment, migrant, retail, business, roaming and M2M. In 2012, 'discount' and 'telecom' VNOs are the most prominent types of operation, accounting for 46% of the global market, while 19% are owned by companies that come from adjacent industries (e.g. retailers, banks, TV or media organizations), leaving 34% of the market to specialized providers focused on segments such as business, migrant, M2M and roamers. Therefore, **introduction of VNO in India will not only help in focused services in the Urban market (more than 100% tele-density) but will also help in better penetration of services in Rural areas.**

VNOs, also termed as SDOs (Service Delivery Operators) facilitate competition and efficient utilisation of scarce and valuable spectrum and existing networks of their parent network operators. In view of the dynamics of Indian market and challenges in revenue potential, spectrum utilization efficiencies and adequate financial strength, **introduction of VNO with a strong retail chain, shall enhance competition and efficient use of existing telecommunication infrastructure.**



2. Moreover, introduction of VNO concept shall accrue following additional benefits:

- **Customised Services:** Since, VNOs would be free from the responsibility of network operations; they can focus more on providing customized services to the customers catering to the specific requirements and will be in a better position to offer innovative content and services, to the new net savvy generation of our country.
- **Availability of niche services:** Due to brand appeal of the parent (NO), VNOs are better placed to provide certain limited but niche services to target or unconnected segments at innovative prices. Thus enhancing the reach of the (NO) to certain geographies and segments where the VNO can give better reach and services to the niche segments of the society.
- **Enhanced revenues for the govt:** Subscriber base of VNOs shall add on to the existing customer base of the (NO) on the same spectrum of the network operator resulting in increase in the revenue inflow for the government.
- **Better penetration of Telecom services:** Despite adequate coverage in an LSA, existing operators at times are unable to penetrate the entire market segments and the geographies on its own resulting in availability of unutilised spare capacities over its network. Hence, VNO efficiently exploits those unutilized capacities on the existing networks and expands the reach of (NO).
- **Optimization of OPEX:** Sharing of OPEX between the (NO) (Network Operator) and the VNOs shall reduce operating expenses burden on (NO) for the existing networks.



3. The following issues amongst others may please be considered while framing the consultation paper on the subject.

i) **Definitions:**

Network Operator (NO):

Network Operator would be a licensee to set up and maintain the infrastructure/ networks capable of delivering various telecommunication services.

Virtual Network Operator (VNO):

VNO would be a Service Delivery Operator/licensee in any licensed service areas who do not own the underlying networks but provide any service to its own customers by using other's networks, which any licensed service provider such as UL/UASL/CMTS/ISP/NLD/ILD is able to provide.

VNO can have their core and value added platforms like IN, SMS, billing and be allowed to brand and bundle the product along with the distribution of their own product.

To start with, VNO may be introduced in the Indian telecom network with a licensing scheme with light touch regulatory frame work and should be allowed to choose its own business model. The Commercial model covering the nature of relationship including arrangement / agreement between network operator / licensees and VNO should be left to the market forces to determine.

The present License operations may be split into two parts i.e. a) Operation of the Networks b) Delivery of services and two more categories of authorization viz. NO (Network Operator) & VNO (Virtual Network Operator) under existing Unified Licenses



(UL), as defined above, needs to be introduced in addition to the existing category of authorizations in the UL.

ii) Licensing of NO & VNO

DoT may consider issuing NO & VNO licenses under UL as per Section 4 of the Indian Telegraph Act and broad terms and conditions of the licensee need to be outlined. The licensed service area of the NO and VNO shall be the same as that of the existing licensees such as UL/UASL/CMTS etc

iii) Validity of License

The duration of the NO shall be as per existing 20 years & for VNO licenses may also be of 20 years.

iv) Scope of Services

Scope of services for NO & VNO will need to be clearly defined under UL. Different categories/layers of VNOs are already defined internationally which may be referred for defining the scope for VNOs for each category/authorisation under UL in India as well.

v) Eligibility conditions

Eligibility condition for licensing of NO & VNO is listed as follows:

- a) An Indian registered company, which fulfils the existing prescribed telecommunication licensing conditions and FDI guidelines & prescribed substantial equity.
- b) Net worth - Reasonable amount needs to be defined for NO & VNO both.



- c) Paid up Capital - 10% of the prescribed net worth for VNO. (If a network operator becomes VNO, the substantial equity clause should not apply).
- d) No Cross holding restrictions.

Existing Licensed TSPs such as UASL/CMTS licensees should also be allowed to become a VNO of other NOs licensees in the same or other service areas.

vi) Number of VNOs

One VNO may be allowed to have multiple parent NOs. Similarly, one NO may cater to multiple VNOs.

vii) Commercial Model

Commercial model between VNO and NO be left to mutual agreement between the two, subject to fulfilling of the prescribed Licensing Conditions and TRAI prescribed Guidelines/Regulations/Directions as per the TRAI Act.

viii) Service Obligations

Service obligation of VNO is dependent on the parent NO or on the type of VNO model that VNO is licensed for.

ix) Entry Fee for NO & VNO

There should be nominal entry fee for VNO. No entry fee be applicable in case an existing UL/UASL/CMTS licensee wants to become a VNO in the same service Area or other service Area.

Entry fee for NO should be as per UL authorizations for access services.



x) License Fee and SUC of NO & VNO

License Fee should be similar to that of existing licensees i.e. as per Industry response to TRAI consultation paper on Definition of Revenue Base (AGR) for the Reckoning of License Fee etc. VNO should be allowed pass through of the charges paid to Network operator (NO).

As far as the SUC is concerned, it will be charged from the entity holding the spectrum. A VNO should be charged SUC only on his revenue and should be provided the pass through for the payments made by VNO to NO for bulk purchase of the services.

xi) Allocation of numbers

All numbering resources shall be allocated to the NO only. VNO should not have separate network code/numbering resource and the same should be allowed to be acquired from Licensor or shared with NOs on mutual understanding basis/parent network operator.

xii) QoS, Security and other issues

The VNO should comply with all the TRAI Regulations on QOS/Customer acquisition /MNP and other regulations issued by the TRAI and the Licensor from time to time.

xiii) Mergers

Mergers of a NO / VNO with another NO / VNO of the same network operator or another NO / VNOs with its network operator shall be allowed as per existing M&A Guidelines.
