

BIF RESPONSE TO TRAI CP ON INTRODUCTION OF UL(VNO) CAT-B LICENSE WITH DISTRICT LEVEL AUTHORISATION

Q1. 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?

BIF RESPONSE

TRAI in its recommendations to the licensing framework for Audiotex/VMS/UMS Service dated 16th December 2016 recommended mandatory UL for all DID franchisees, post completion of their existing license period . Also the DOT vide its notification dated 5th July, 2016 issued guidelines for grant of UL(VNO) license for authorization for Category B with districts of a State as service area for all DID franchisees.

i) BIF supports the overall initiative of the Govt to provide and/or augment the telecom facilities in certain limited geographical areas through this process. What is particularly praiseworthy is that this would lead to increase in broadband penetration in areas covered by such licensees. Hence the move to create a UL(VNO) Cat-B license for existing DID franchisees to migrate to post completion of their existing license tenure, is perhaps necessary.

The existing DID franchisees should not be mandated but given the option/choice to migrate to the UL(VNO) Cat-B license post completion of their existing license tenure.

Some of the challenges that are likely to take place in this process are:

- a) Scope and geographical Area of services to be offered by UL (VNO) Cat-B licenses.
- b) Financial obligations of the licensees

TRAI in its recommendations for VNOs adopted a LSA based approach for VNO licenses which is in consonance with the service area provided under the Unified License approach as well. Also the LSA based approach is linked with allocation of access spectrum, computation of AGR, computation of SUC , National & Intra-Circle roaming etc However DOT in its circular dated 12th September, 2016 has clarified that UL(VNO) –Cat B license can provide all services (under the scope of Access Service) but within a district of a State or UT.

While fixed line services (voice & internet) can be easily offered within a given geographical area, the problem assumes a bit more complexity when it comes to mobile services, in case these franchisees are permitted the same, which they should as they hold a UL license. The issue is how these services shall be confined within a district (as per the CAT-B license conditions) and how the customers are to be charged in case they decide to roam outside of the licensed geographic area . Also in cases where the UL(VNO) –CatB licensee is operating in two districts of same LSA and enters into agreements with 2 separate TSP/NSOs for providing mobile services is likely to lead to further complexities. Also methodology for provision and calculation of AGR & SUC is likely to become more complex and difficult to determine and thereby likely to have a potential revenue impact on Govt revenues

As regards Financial Obligations (Entry Fee, Financial Bank Guarantees, etc) , the UL (VNO)-Cat B guidelines mention of an Entry fee of 16,500 Rupees & FBG of Rs. 1 lakh for DID franchisees. Since such UL (VNO) –CatB licensee will be providing Access services , perhaps the eligibility conditions including financial obligations should be at par with UL (VNO) Policy . Under the guidelines for UL(VNO) authorization for access services, the licensee is required to pay Entry fee of Rs. 50 lakh /LSA . Since District/SSA based access service license is not available, the determination of the eligibility conditions is also a challenge.

ii) Not applicable as the answer to i) is Yes.

Q2. 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.

BIF RESPONSE

- a) Since more than 90% of voice and data consumption is done by the consumers while using smartphones while on the move, UL-VNO licensee should perhaps be allowed to offer both fixed and mobile services, albeit the latter be restricted to within the given SSA or district only.
- b) As regards area of operation, it should be restricted to the given district or SSA and the TSP/NSO should perhaps apply roaming charges in case the customer of the UL(VNO) Cat-B licensee were to roam outside out of its licensed geographical area
Suitable methodology for calculation of AGR & SUC would have to be evolved based on airtime/resources used or shared between two or more NSOs (in the case where the UL-VNO Cat-B licensee is parented to two different NSOs in two separate districts of same LSA)

As already mentioned in response to Q1, BIF is of the opinion that UL(VNO) licensee must be permitted both fixed and mobile services and not restricted to wireline services only.

Q3. 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.

BIF RESPONSE

The license duration must be kept at 10 years on par with other UL(VNO) licenses. The current interim duration of one year must be subsumed under the larger policy condition for 10 years duration.

Q4. 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.

BIF RESPONSE

BIF is of the opinion that the UL (VNO) Cat-B licensee must be permitted both wireline and wireless services.

As regards eligibility conditions and financial obligations, it should be borne in mind that the existing DID franchisees are small & medium level entrepreneurs and can ill afford a heavy financial burden. Hence it is felt that these conditions be kept on par with the existing DOT guidelines for DID franchisees which is an Entry fee of Rs. 16,500 and Financial Bank Guarantee of Rupees One Lakh

Q5. 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.

BIF RESPONSE

This has been responded to in Q4 above

Q6. 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?

BIF RESPONSE

As mentioned in response to Q4 above, existing DID franchisees are small & medium level entrepreneurs who have infused some capex to build connectivity to their customers. Volume of business and revenue earned by them is miniscule as compared to that of the TSPs. Since they would enroll customers in their own names and provide services to the end consumer, hence these licenses should comply with appropriate CAF, security, QoS, complaint redressal norms etc. However, as explained the penalty clauses of a maximum amount of 50 Crores for UL (Access Service) licensee may not be perhaps viable for such a small operator.

To determine the extent of penalty to be charged, the cap may be decided proportionately on the basis of the ratio of the population of the district to the overall population of the circle/LSA , as has been done by TRAI in another case.

Q7. 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?

BIF RESPONSE

Perhaps compliance to TRAI TTOs/regulations/directions may be kept at par as they would be required of all licensees.

Q8. What QoS parameters shall be prescribed for UL (VNO) Cat. 'B' licensees?

BIF RESPONSE

Since the UL (VNO) Cat-B licensees are dependent on the QoS parameters being met and SLAs being signed by the TSPs(NSOs) whose resources they use , it may not be appropriate to enforce strict QoS parameters unless they have corresponding SLAs from their parent TSP/NSO. It may be perhaps left to individual licensees instead of regulating the same.

Q9. 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?

BIF RESPONSE

As described in Para 21 , it seems imperative to permit UL (VNO) Cat B licensee to enter into agreement with two or more TSPs .

Q10. Do you foresee any challenge in allowing such arrangement as discussed in Q9 above?

BIF RESPONSE

Details of the challenges involved have already been mentioned in response to Q1 above

Q11. Please give your comments on any related matter not covered in this Consultation paper.

BIF RESPONSE

None