

Response to Consultation Paper On Mobile Virtual Network Operator (MVNO)

By Priyank Chandra

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

Here is modified version.

MVNO licensee is an entity that does not have assignment of spectrum for Access Services (2G/3G/BWA) but can provide wireless (mobile) Access Services to customers by sharing the spectrum from an Access Provider Partner(UAS/ CMTS licensee)“.

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.

Yes, MVNO need to be introduced in India but not right now.

MVNO model have been successful for telecom markets where teledensity is high or saturated say more than 80%.

Indian market has recently witnessing issuance of new licences which in itself are sufficient to increase competition and hence benefit customers. Opening up MVNO right now will add only to the confusion which will not be healthy for future telecom market growth in India.

After Greenfield launch of new operators, market will see another round of mergers and acquisitions and thus control number of players in India again. That will be right time to bring MVNO in the picture so as to introduce fresh waves of competition for the benefits of customers.

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

Intermediate/Hybrid MVNO. If we allow Full MVNO, applicant not getting spectrum will go full MVNO route, which will be not a level playing field for applicant getting spectrum for new launch.

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.

- (i) There should cap on number of MVNOs per MNO along with review of business objective of MVNO which should have mandatory criteria to operate in B and C circles.
- (ii) MVNO entry, if allowed should be based on eligibility criteria for targeting B and C circle in India. MVNOs will be more than interested to enter lucrative Indian market but might only limit to A circles or Metros. In order to ensure the objective of increasing teledensity and reaching mobility to rural India is achieved by allowing MVNO, regulatory framework should ensure that there is product differentiation with respect to their partner MNO and they have B and C circle in plan to be executed by set deadline to Govt of India, in which case MVNO will not be able to operate anymore. MVNO in no way can just operate in India for making profits only. Telecom being backbone of Indian economy needs focus towards country growth too.

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

- Healthy financial backing or investments from PE firms
- Strong brand or niche characteristics in a market segment
- Ability to prove that their niche segment exist in Indian market.
- Plan to run operations in India and not just exit in short term
- Partnership with MNO to launch their MVNO operations
- Prior experience in MVNO operations in other country is a plus
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Issue 6: Do you suggest different eligibility criteria for different MVNO models and regulatory frameworks? If Yes, Please suggest with justification thereof.

No

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

Yes. There should be restriction on number of MVNO attached to an MNO. MVO partner with MVNOs with set goal in line which can be growing customer base to increase customer loyalty, increase ARPU etc. By putting a cap on number of MVNOs per MNO, we can ensure that MNO does not become resellers to multiple MVNOs only. This might be then seen as trading of spectrum and MNO might not invest to grow its operations. Partnering with multiple MNO will lead to unhealthy competition which will not be good for Indian customers.

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

- Commercial model with respect to DoT should be based on charging one time entry fees for spectrum varying from 10-50%.
- As per framework for MVNO and MNO, it should be left to them to chalk out commercial model.

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

No Comments

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

Entry fee can be determined by

- Number of circles applied for
- Renew of entry fee after a set timeline. Special concessions should be given to MVNO which are launching operations in B and C circles
- Lock-in period security of minimum 3-5 years should be collected. In case MVNO exit before that, security fees is not refunded.

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

AGR should be defined as annual licence fee which MVNO pay for using the spectrum. It will be half of what MNO pays for subscribed circles.

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?

ii) in case MVNO wants to exit the business.

- (i) In case of a dispute, option should be first given to customer to either exit or continue. In case customer want to continue, MNO need to oblige by moving customer to equal or lesser value of tariff plan on its customer. Allocation of number should be same as that of MNO.
- (ii) MNO need to take responsibility of moving customer to its network. Customer however, should be given first right to choose in case they want to opt out.

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.

Definitely, MVNO need to either roll out services in B circles or pay a stipulated amount to govt since the very reason of increasing penetration in rural market in not getting fulfilled. In case of failure or delay in fulfilling the obligations, heavy penalty should be imposed.

It is clear that Indian market is very lucrative but MVNO can not simply come and mint money in Indian telecom market.

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

There should be cap on MVNO players in a circle for allowing M&A to take place in first place. MVNO M&A should be allowed for those riding on that same MNO.

Cross MNO acquisition should be discouraged because that will also have implications on MNO service landscape and might not be healthy for customers. Cross MNO acquisition will mean MVNO will also ride on spectrum of second MNO which does not justify ethical means of using spectrum.

There should be cap on stake of one MVNO in other MVNO riding on different MNO.

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.

Cross MNO holdings should be discouraged because that will also have implications on MNO service landscape and might not be healthy for Indian telecom scenario. Cross MNO holdings will mean MVNO will also ride on spectrum of second MNO which does not justify ethical means of using spectrum.

There should be cap on stake of one MVNO in other MVNO riding on different MNO.

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

Same as for any other MNO in India.

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

No Comments

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

I would suggest that right time to open up Indian market for MVNO will be after 3G auctions. Then only will Indian customers get right advantage of MVNOs

Note: The above mentioned comments/suggestions are that of Mr. Priyank Chandra, Business Analyst with Leading IT company and MBA from Symbiosis Institute of Telecom Management (SITM). However, it is mentioned hereto that the above comments/suggestion are the personal comments/suggestions of Mr. Priyank Chandra.

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