



VIL/PB/RCA/2023/020

July 31, 2023

Advisor (Broadband and Policy Analysis)
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg (Old Minto Road),
New Delhi – 110002

Kind Attn: Shri Sanjeev Kumar Sharma

Subject: Comments on the TRAI's Consultation Paper on "Encouraging Innovative Technologies, Services, Use Cases, and Business Models through Regulatory Sandbox in Digital Communication Sector" dated June 19, 2023

Dear Sir,

This is in reference to the above mentioned Consultation Paper from TRAI on "Encouraging Innovative Technologies, Services, Use Cases, and Business Models through Regulatory Sandbox in Digital Communication Sector" issued on June 19, 2023.

In this regard, kindly find enclosed herewith comments from Vodafone Idea Limited to the said consultation paper.

We hope our comments will merit kind consideration of the Authority, please.

Thanking you,
Yours sincerely,

For **Vodafone Idea Limited**

P. Balaji
Chief Regulatory & Corporate Affairs Officer

Enclosed: As stated above

myvi.in

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VIL Comments to the TRAI Consultation Paper on “Encouraging Innovative Technologies, Services, Use Cases, and Business Models through Regulatory Sandbox in Digital Communication Sector”

At the outset, we are thankful to the Authority for giving us this opportunity to provide our comments to the TRAI Consultation Paper on “Encouraging Innovative Technologies, Services, Use Cases, and Business Models through Regulatory Sandbox in Digital Communication Sector” dated June 19, 2023.

Our comments on the draft framework provided in the consultation paper are given below for kind consideration of the Authority:

1. India emerging as Innovation Hub:

- a. Over the past few years, propelled by the Hon’ble Prime Minister’s mission of “Digital India” and “Make in India”, India has emerged as a hotbed of innovation and entrepreneurship.
- b. India has climbed to 40th position out of 132 in the Global Innovation Index (GII) 2022 rankings¹ released by World Intellectual Property Organization (WIPO) as compared to 81st rank in 2015, i.e. a huge leap of 41 places in 7 years.
- c. India had embarked on the ‘Digital India’ journey in 2015 and the Government has set up a goal of a trillion-dollar digital economy in the next few years. The Government has been working to strengthen Research & Development across sectors as amplified by Hon’ble Prime Minister’s clarion call to make innovation our nation’s mission.

2. Start-up ecosystem in India:

- a. Further, the start-up ecosystem is rapidly growing in India. According to the Economic Survey Report 2022-2023, Indian start-ups have risen from 452 in 2016 to 84,012 in 2022. The 84,012 start-ups, recognized by the Department for Promotion of Industry and Internal Trade (DPIIT), have created direct 9+ lakh jobs with a 64% increase in 2022. The country is currently ranked as the third-largest start-up hub in the world after the United States and China.
- d. The world of start-ups has been constantly evolving since the pandemic times, and staying up-to-date with the latest trends and statistics is crucial for any aspiring entrepreneur. However, having access to the right resources and support can make

¹ <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1863536>



all the difference in turning a start-up into a successful and sustainable business. This is where Regulatory Sandboxes come into picture and are considered one of the most sought mechanism to drive testing of new ideas.

3. **New-Gen Technologies in Digital Communications Sector:** As 5G is being rolled out in India, emergence of new use cases is widely anticipated. Many of such use-cases may require testing in a protected environment due to some restrictions in licensing/regulatory norms, to establish their value to the consumers and society.
4. Therefore, in our view, Regulatory Sandbox can help and enable testing and successful launch of innovative business models, products and services in the market, while understanding their impact from a regulatory perspective.
5. **Key Submissions:**
 - a. **The Applicant/Principal applicant should only be a licensed entity. Hence, the regulator must carefully define the eligibility criteria and ensure that only eligible and licensed entities can apply for the RS as 'Applicant'.**
 - b. **The licensed operator should be enabled and allowed to deploy RS for the specific product/service/application only after an approval is provided by DoT/TRAI.**
 - c. **Sufficient guard rails and principles should be prescribed as a policy to prevent deviation from achieving the aim of RS and for bringing in requisite clarity, uniformity and transparency.**
 - d. **The results of RS should not become a tool to vitiate the robustness of licensing and regulatory regime and it should not become a deciding factor for change in licensing and regulatory norms.**
 - e. **The products/services/applications falling in category having restriction due to licensing/regulatory norms, requires framework of RS, which can enable them to be tested in a controlled environment. The products/services/applications falling in second category that are not impacted by any restrictions under licensing/regulatory norms and/or does not require any explicit permission/dispensation, should be out of scope for the RS.**
 - f. **All the related activities involving application, intimation, approval, sharing of requirements etc., should be carried out through an end-to-end digital process.**



In addition to above, our detailed clause-wise comments are provided below for kind consideration of the Authority:

6. Comments on 'Objectives and Scope':

- a. The draft framework mentions the objectives and scope as follows:

II. OBJECTIVES AND SCOPE:

3. The sandboxing framework for the Digital Communication (DC) sector in India is aimed at promoting innovation, protecting consumer interests, and mitigating potential risks associated with new technology and business models. The objectives of the framework are to encourage innovation, reduce regulatory burden on small and medium-sized enterprises (SMEs), and ensure consumer protection. Under this sandbox framework, entities shall be granted certain facilities and flexibility to experiment with telecom products/services/application in a live environment and on limited set of real customers for a limited time frame. These features shall be fortified with necessary safeguards for customer protection and risk mitigation. Various stakeholders can prototype product/service/ application solutions and evaluate processes and functions in the test environment.

4. The scope of the sandboxing framework includes any new DC service or technology that requires testing in a controlled environment. This framework is applicable to all entities or individuals concerned to test products or services or applications related to DC technology.

- b. In this regard, we would like to submit that the scope of the sandbox should provide ample clarity since it is the first stage for any entity to decide if its offering meets the objective and is in line with the scope of the process.
- c. There are two most common categories of new and innovative products/services/applications ('Items') which are to be understood from the perspective of RS. First category would be those Items which cannot be commercially launched/tested by TSPs due to certain restrictions contained in licensing and/or regulatory provisions. Second category would be those Items which can be commercially launched/tested by TSPs due to enabling licensing and/or regulatory provisions or no explicit restrictive conditions.
- d. Presently, the Items falling under the first category doesn't see light of the day due to said restrictions. Even if the Item looks promising, it is difficult for Government/Regulator to provide enabling conditions in absence of any detailed testing and/or consumer feedback and/or consumer uptake in live environment. A common issue faced in testing is the lack



of access to systems due to strict regulations and license conditions to be followed. This lack of access creates an uneven ground for players and hinders testing as well as implementation.

- e. Owing to this, many innovative products/services/applications falling in first category, and having potential to add value to the consumers and society, doesn't get any traction and loses the opportunity of a commercial launch.
- f. **Therefore, the products/services/applications falling in first category requires flexible framework of RS, which can enable them to be tested in a controlled environment. The products/services/applications falling in second category that are not impacted by any restrictions under licensing/regulatory norms and/or does not require any explicit permission/dispensation, should be out of scope for the RS.**

7. **Comments on 'Eligibility':**

- a. The draft framework mentions the Eligibility as follows:

5. Any licensed Service Provider, called Principal Applicant, shall be eligible for testing in the regulatory sandbox subject to fulfillment of laid conditions. The other entities, called Applicant, willing to utilize the Sandboxing facilities of any licensed service provider may engage with it as Principal Applicants. In case licensed service providers are applying in their own capacity they need to fulfill conditions meant for Principal Applicant and Applicant both.

6. In cases where the Applicants find difficulty in associating with a Principal Applicant OR the product/service/application does not necessitates associating with a Principal Applicant, the Applicant can apply directly. However, in such cases they will have to give sufficient justifications for applying directly. The Applicant will also be required to provide documents indicating the efforts made by them to tie-up with a Principal Applicant.

- b. The key benefit of a Regulatory Sandbox is that it provides a safe space for start-ups to collaborate with licensed entities to experiment, develop, and innovate. They can test their products and services in a controlled environment without worrying about detailed and complete regulatory compliance, encouraging them to be more creative and take risks that they might not be able to take in a more controlled and regulated environment.
- c. One of the biggest challenges of Regulatory Sandbox is defining the eligibility criteria for participation. Regulatory sandboxes may create an environment where non-licensed entities can exploit regulatory loopholes to gain a competitive advantage over established licensed service providers. This Regulatory arbitrage can undermine the purpose of regulatory sandboxes, which is to encourage and foster innovation while ensuring consumer protection and regulatory compliances. Putting too relaxed eligibility criteria



may result in non-serious entities participating, wasting time and resources, and undermining the purpose of the sandbox.

- d. To deal with such uncertainties, the entities wanting to test their product/services, should engage and partner with Indian licensed entities. We would also like to highlight that **Indian licensed service providers are bound under the acts, regulations and license conditions laid down by the Authority/DoT**. For eg. In case of TRAI Act, most of the related clauses refer service provider which is defined as '[the Government as a service provider] and includes a licensee'. In no case, the Regulatory Sandbox should be used as a tool to bypass robust licensing and security norms.
- e. Further, the licensing and regulatory norms apply to licensed entities only as such, the RS application should only be allowed to be made by licensed entities only. Technically, a non-licensed entity cannot be granted any permission or exemption of a licensing and regulatory norm. If any non-licensed entity intends to get its product/service/application tested through RS, it should collaborate and partner with a licensee and file RS application through the licensee.
- f. **The Applicant/Principal applicant should only be a licensed entity. Hence, in our view, the regulator must carefully define the eligibility criteria and ensure that only eligible and licensed entities can apply for the RS as 'Applicant'.**
- g. **Further, we submit that there should not be any mandate on licensed service provider to partner any entity for testing any product/service under regulatory sandbox.**

8. Comments on 'Application and Approval Process'

- a. The draft framework mentions the Application and Approval Process as follows:

VII. APPLICATION AND APPROVAL PROCESS:

10. The application and approval process will be as follows:

- i. Applicant or Principal Applicant, as the case may be, desiring to test under Regulatory Sandbox in India shall make an application to the DoT/TRAI electronically in the specified form.*
- ii. The application shall be accompanied by a non-refundable processing fee of ten thousand rupees.*
- iii. The Principal Applicant/ Applicant shall ensure that the specified eligibility criteria are satisfied while submitting the application to DoT/TRAI. The necessary supporting documents and undertaking to substantiate its claim of fulfillment of Essential Conditions as detailed above should be provided with the application. The application form shall be signed by the officer duly authorized by the company board. The complete application must be submitted to: XXXXXX or by email at XXXXXX.*
- iv. DoT/TRAI will transparently communicate with the applicant during evaluation phase of the sandbox application, and during the testing phase.*

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- b. In this regard, we feel that the requirements for each process step of providing RS, should be aligned with the robustness of licensing and regulatory regime and such applications for RS must be carefully examined before providing approval.
- c. It should not allow any entity to bypass the robust licensing and regulatory norms in the name of seeking RS permissions.
- d. Also, it is important to ensure that no entity is allowed to claim only results of RS as a way to seek change in licensing and regulatory norms.
- e. TRAI has also aptly captured in its Consultation paper that:

The conventional approach of doing Pilots or conducting lab tests which neither permit any exemption from regulatory and licensing requirements nor provide access to live telecom resources and real time data may not fulfill the purpose in such cases.

- f. TRAI has also acknowledged that testing new ideas in the digital communications industry can be different from testing ideas in other fields, owing to following reason:

Regulatory compliance: *The digital communication industry, being a strategic sector, is tightly regulated, and products and services must comply with various rules and regulations before they can be launched commercially.*

- g. **Thus, the licensed operator should be enabled and allowed to deploy RS for the specific product/service/application only after explicit approval from DoT/TRAI.**
- h. **Sufficient guard rails and principles should be prescribed as a policy to prevent deviation from achieving the aim of RS and for bringing in requisite clarity, uniformity and transparency.**
- i. **Most importantly, the results of RS should not become a tool to vitiate the robustness of licensing and regulatory regime and it should not become a deciding factor for change in licensing and regulatory norms.**
- j. In addition to the above, all the related activities involving application, intimation, approval, sharing of requirements etc, should be carried out **through an end-to-end digital process.**

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