

VTL/Reg/TRAI/1501/4404  
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**Subject: VTL Response on Consultation Paper on “Delinking of the License for Networks from Delivery of services by way of Virtual Network Operators”**

**Ref: TRAI Consultation Paper No. 15/2014 dated 5<sup>th</sup> December, 2014**

Respected Sir:

Videocon Telecommunications Limited welcomes the opportunity to give our comments to TRAI's consultation Paper on “Delinking of the License for Networks from Delivery of services by way of Virtual Network Operators” Please find attached herewith our response on the same.

This is for your information and kind consideration please.

Kind Regards



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*Encl.: as above*

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## Response to the TRAI Consultation Paper on “Delinking of license for networks from delivery of services by way of virtual network operators”

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Videocon Telecommunications Limited is thankful to the Authority for a very timely action to start a consultation process on this subject and of the opinion that with introduction of MVNO in India, it 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.

Please find below our detailed response to the issues raised by the Authority in the Consultation Paper on “Delinking of License for Networks from Delivery of Services by way of Virtual Network Operators”

**Q1. (a) Is there any need to introduce more competition in service delivery by the way of introduction of VNOs in the sector? If not, why not?  
(b) If yes, is it the right time to introduce VNOs?**

Ans: (a) Yes, introduction of VNOs will facilitate resale of services at wholesale and retail levels in tune with the need for promoting robust competition while ensuring due compliance with security and other license related obligations.

(b) The most ambitious program of Govt. of India ‘NOFN’ (National Optical Fibre Network) to connect all Gram Panchayats by broadband and promote e-governance is targeted to be completed in 2016. Completion of this project will make transmission capacity available for different telecom services in untapped rural areas. Introduction of VNOs by that time may help in quick and efficient utilization of this network and fulfill the objectives of ‘Digital India’.

**Q2. Will VNOs pose a threat to NSOs or will they complement their operations? Justify your answer.**

Ans: VNOs who do not have their network will have to rely on the network and support of infrastructure providers and TSPs for providing telecom services to the end users. They will have to enter into agreement with the Network Service Operators (NSO). While the Network service operator can concentrate on development and maintenance of its network which may be its core competence area, the VNO can complement the operations of NSO through a robust and efficient marketing and sales organization for customer acquisition and service.

**Q3. How can effective utilization of existing infrastructure be improved? Can VNOs be a solution to achieve targets defined in NTP-2012 for rural density?**

Ans: In a small country like Singapore, it is understandable that entire country can be covered with robust telecom infrastructure by 2-3 TSPs and competition



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can be enhanced through introduction of VNOs. But, in a vast country like India, there are large areas which are still uncovered by telecom infrastructure. Access spectrum available with mobile operators is far less. There is a wide Digital Divide between urban and rural India. While congestion is observed in urban areas, the telecom infrastructure/spectrum remains underutilized in rural areas. A VNO may serve a niche and untapped market thus enabling penetration of services beyond what is being provided by existing service providers.

Once the basic infrastructure using OFC commissioned though NOFN is put in place, introduction of VNO may help in quick and efficient utilization of this network and achieve targets defined in NTP-2012 for rural density.

**Q4. Does there exist a business case for introduction of VNOs in all segments of Voice, Data and Videos?**

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**Q5. Whether VNOs be introduced in all or some of the services notified in the UL? Please name the services and the justification.**

Ans: It is difficult to say at this stage whether there exists a business case for introduction of VNOs in all segments of voice, data and video. However, it is suggested that VNOs should be allowed in all services in order to encourage the business of reselling in all services rather than confining them to limited services. This way new entrepreneurs may come up with new business models in different services. Introduction of VNOs in all segments and services does not mean that VNOs will come up successfully in all services but there will be no barriers from the Govt. side and market forces will determine the future course of development in telecom service sector.

**Q6. Is there sufficient infrastructure (active and passive including access spectrum) available with a TSP to meet its own requirements? Can TSPs spare available infrastructure for VNOs?**

Ans: There may be some operators who have competence in network development and operation and may not be interested in selling the services directly to the end users. They may be willing to lease their network to VNOs in the entire service area or in some selected areas of LSA and/or sell bulk services to VNOs who can efficiently serve the end users. Whether a TSP can spare the available infrastructure for VNOs depends on the business model of the TSP. Govt. can remove the barriers in licensing and facilitate new models of business to come up through VNOs.



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**Q7. If any TSP is able to share its infrastructure with VNOs, what should be the broad terms and conditions for sharing the infrastructure?**

Ans: Commercial model between VNO and NSO should be left to mutual agreement between them subject to the license conditions of both VNOs and NSOs.

**Q8. Should VNOs be allowed to create their own infrastructure to reach out to niche markets? If yes, to what extent?**

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**Q9. Should Local Cable Operators (LCOs) or Multi System Operators(MSOs) with cable networks be permitted to share infrastructure with VNOs to provide last mile connectivity?**

Ans: Since the problem of availability of infrastructure in rural and far flung areas is the main reason of poor penetration of services in these areas, introduction of any entity to create infrastructure and utilization of local cable operators network can be really helpful. It is recommended to permit VNOs to set up their own infrastructure just to cover the gaps, if any, in the infrastructure provided by NSOs.

**Q10. Does the adoption of the VNO model requires an entirely new licensing regime or will a chapter or a separate section for VNOs added to the existing UL suffice?**

Ans: One more category of license may be added under UL and separate authorization for VNO can be obtained by the licensee.

**Q11. Comment on what measures are required to ensure that the existing or new licensing regime takes care of future requirements of technological development and innovation and provides a clear roadmap for migration to existing service providers.**

Ans: Frequent changes in licensing regime are not desirable. UL has been introduced in 2013 only. The objective should be to ensure that resale VNOs are encouraged to promote competition, innovation and affordability. Farsighted measures need to be taken that prevent fragmentation of licenses and migration paths.

**Q12. In view of the complexity in the existing licensing regime as explained in Para 3.16 to 3.18, Should India move towards NSO and VNO based licensing?**

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**Q13. If yes, whether existing licensees may be mandated to migrate to NSO & VNO based new licensing regime? What challenges will arise in the migration to the two types of licensing framework?**

Ans: Existing UL regime should not be made further complex. Existing licensees providing networks and services can be given both the NSO and VNO authorizations.

**Q14. Should a VNO be issued a license at the National Level, or for LSAs as in the case of UL or should it be based on the host NSO license areas?**

Ans: Multi tiered VNO license at National, LSA and district level is suggested.

**Q15. What should be the duration of a VNO's license? Should it be linked with the license of the NSO or should it be for 20 years, as in the case of UL?**

Ans: Duration of VNO license should be for 20 years and renewable like UL.

**Q16. Should there be any cap on the number of VNOs in a service area for a particular service? If yes, what should be the number? Please provide (a) service wise and (b) service area-wise numbers with justification.**

Ans: There should be no cap on the no. of VNOs in a service area for a particular service.

**Q17. Should there be restriction on number of VNOs parented to a NSO? Justify your answer.**

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**Q18. Alternatively, should one VNO be permitted to parent more than one NSO per LSA?**

Ans: There should be no restriction on number of VNOs parented to a NSO. A NSO may like to have different VNOs in different districts/ parts of its LSA. VNOs should be allowed to get attached to more than one NSO in a service area.

**Q19. What should be the eligibility conditions for becoming a VNO?**

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**Q20. Whether an existing Unified Licensee with authorisation to provide all services shall be eligible to become a VNO of another Licensee in the same or other LSA? Or, will it need separate/additional authorisation to work as a VNO for delivering services for which it does not have access spectrum?**

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**Q21. Should there be any cross-holding restriction between a NSO and VNOs? If yes, please quantify the same with justification.**

Ans: A Unified Licensee who does not possess spectrum should be allowed to work as VNO in any LSA. There should not be any objection in permitting a TSP to become VNO of another TSP in the same area for offering different services than what it is offering as TSP. Yes, there should be cross-holding restrictions between NSO and VNO to prevent possible cartelization / misuse of market power

**Q22. What should be the financial obligations of VNOs in the form of a) Equity & Networth b)Entry Fee c)PBG and d)FBG etc.? Please quantify the same with justification.**

Ans: Light touch regulation with nominal financial obligations in the form of entry fee, FBG, PBG etc. are recommended for facilitating easy entry of VNOs. However, to ensure that fly-by operators do not enter the market, policy needs sufficient checks and balances to protect the interests of the consumers. For mobile access services, financial obligations for a VNO may be about 10% of the specified figures for a NSO in that LSA. For other services, the financial obligations are already quite low which may be kept the same as for NSOs in that category.

**Q23. Should a VNO utilise numbering resources, Network Codes and Locational Routing Number (LRN) of the NSO? Or, should the Licensor allocate separate numbering resource, Network Codes and Locational Routing Number(LRN) directly to a VNO?**

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**Q24. What operational difficulties could arise in the above arrangements?**

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**Q25. In case your reply is that the Licensor allocates numbering resource to the VNO, then how can it be ensured that the resources allocated to a VNO are efficiently utilised? Should any obligation be placed on VNOs for efficient utilisation of resources?**



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Ans: Numbering resources, network codes and LRN of NSO should be utilized by a VNO. For allocating new block of numbers to NSO, the subscribers of VNOs attached to this NSO will also be counted. In case of any dispute between NSO and VNO, the authority can intervene.

**Q26. Should the LF and SUC applicable to the VNO be as per stipulated conditions of authorisation in UL? Or, should it be treated differently for VNO? Please quantify your answer with justification.**

Ans: Since LF and SUC is payable on the AGR generated through the licensed activities of NSO, the gross revenue generated by the VNO should be the basis of determining the AGR of the NSO.

LF applicable to the VNO should be as per conditions of authorization in UL. But, it has to be ensured that there is no levying the fee resulting into double taxation/levy. Reasonable definition of AGR giving justified pass through has to be ensured.

**Q27. Should an NSO be mandated to provide access to its network to a VNO in a time-bound manner or should it be left to their mutual agreement.**

Ans: It can be left to mutual agreement under prescribed guidelines with a provision of intervention of the authority in dispute resolution.

**Q28. How can MNP be facilitated in the VNO/NSO model? Can the VNO be treated separately for MNP purposes? Or, should MNP be facilitated only through the network of the NSO?**

Ans: MNP to be facilitated only through the network of the NSO.

**Q29. Who is to be held responsible for CAF verification and number activation, the NSO, the VNO or both?**

Ans: It should be the responsibility of VNO.

**Q30. Should an NSO or VNO or both be responsible for maintaining QoS standards as per TRAI's regulations?**

Ans: Some parameters of QoS can be in exclusive domain of VNO. All network dependent parameters which are directly controlled by NSO, can be the responsibility of NSO and the customer facing QoS parameter will be the responsibility of VNO.



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**Q31. How should Mergers & Acquisitions be dealt with in the VNO/NSO licensing model? Should the recently announced M&A guidelines issued by the Government for existing players be extended to cover VNOs? Or, should their M&A be treated separately?**

Ans: Separate M&A guidelines need to be formulated for VNOs.

**Q32. Should the VNO be treated equivalent to the NSO/ existing TSPs meeting obligations arising from Tariff orders/regulations /directions etc. issued by TRAI from time to time?**

Ans: Tariff orders/regulations/directions issued by TRAI from time to time will be applicable to VNOs.

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

Ans: Sharing of Active Infrastructure among existing TSPs should be made operative and Govt. should encourage it in order to quickly improve penetration of telecom services in rural/untapped areas.