

MOBILE VALUE ADDED SERVICES

REPLY TO CONSULTATION PAPER

Submitted by -

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Subject: Comments on the Consultation paper on "Mobile Value Added Services (MVAS)

Dear Sir,

We welcome the opportunity to submit comments on the Consultation paper on "Mobile Value Added Services (MVAS). Please find our comments for the same. We would like to participate in any further opportunity to discuss these issues and looking forward to the further comments on the same.

Yours Sincerely,

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Please note that the views presented below are solely of the students and not of the Institute

1. Whether the current provisions under various licenses (UASL, CMTS, Basic and ISP) are adequate to grow the MVAS market to the desired level? If not, what are the additional provisions that need to be addressed under the current licensing framework?

Ans. Following are our views on same -

- 1) Current provisions under various licenses (UASL, CMTS, Basic and ISP) are sufficient to address the needs of growing MVAS market as further licensing provisions shall adversely affect the already lopsided MVAS market in the country. The new provisions, if introduced further may give power to the operator to further squeeze the revenue share of the other players in the value chain. The telecom service providers may adversely affect the VASP because for the operators already the entry fees and annual fees as charged by DOT are high (including spectrum).
- 2) Any move to change current provisions will further burden and suppress innovation and entrepreneurship.

2. Is there a need to bring the Value Added Service Providers (VASPs) providing Mobile Value Added Services under the licensing regime?

Ans. Following are our views on same –

- 1) There is no need to bring VASPs under the licensing regime because this will adversely affect the VASPs who generally are SMEs or other small entities and these will find it difficult to incur these charges.
- 2) However even without licensing, the regulator should ensure the following
 - a) Fair and transparent revenue share between telecom service providers and VASPs - 15% max. revenue share payable to operator for billing access. Operator to make payment to VASP within 30 days.
 - b) Dispute resolution mechanism - Any dispute with operators will be addressed by TDSAT. During dispute redressal/hearing period, service will not be interrupted unless found to be violating Govt. of India norms.
 - c) Transparency in MIS
 - d) Reconciliation and protection of IPR
 - e) For services such as banking, finance, health, news and current affairs, authorities should ensure quality content and protect consumer rights
 - f) The need to provide open access to the networks by breaking down “walled gardens”
- 3) Also because of the large number of entities involved, it would be difficult to burden all.
- 4) For example as in Australia, all suppliers of Mobile Premium Services are required to just submit company details to the Mobile Premium Services Industry Register managed by Communications Alliance.
- 5) VASPs have a lesser impact on market, therefore they should not be required to purchase license as required by the telecom service providers.

- 6) If it is not feasible to bring separate regulations for each of the points mentioned in second point, the regulator may come out with a separate optional license for VASPs but the license cost for such license should not be too high as the case for other licenses like UASL or CMTS etc. This is because VASPs are very small players as compared to other players like telecom service operators. This is clear from the following table(as of June 2008) –

	MVAS revenue percentage	MVAS revenue(in Rs. Crores)
Mobile operator	60-80%	Rs. 2185-2910
Technology Enabler	10-20%	Rs. 364-730
Content aggregator	10-15%	Rs. 364-545
Content owner	5-10%	Rs. 180-364

Table – 1

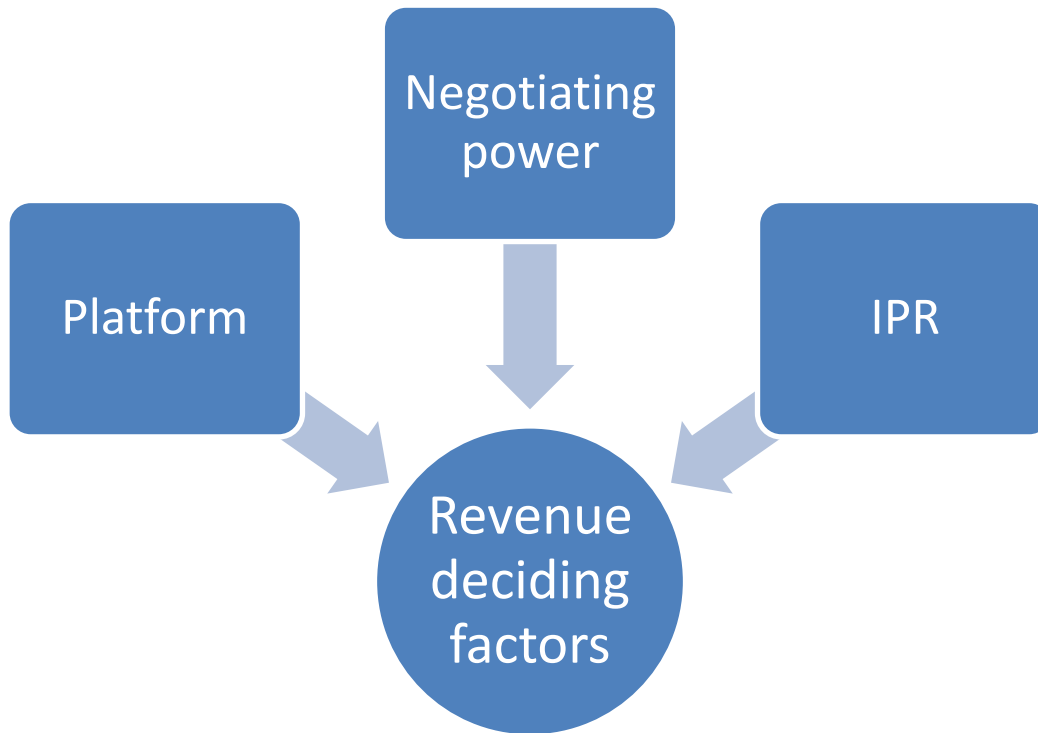
- 3. If yes, do you agree that it should be in the category of the Unified License as recommended by this Authority in May 2010? In case of disagreement, please indicate the type of license along with the rationale thereof.**

Ans. Following is our view on this –

- 1) There is no need to bring VASPs in the category of Unified License as it will be an inappropriate burden on the small players in the market.
- 2) The license if necessary should ensure the points mentioned in the second point of the second question. At the same time it should be appropriately priced to ensure that it does not become a constraint on the innovation and entrepreneurship necessary for the growth of VAS in the country.

4. How do we ensure that the VAS providers get the due revenue share from the Telecom Service providers, so that the development of VAS takes place to its full potential? Is there a need to regulate revenue sharing model or should it be left to commercial negotiations between VAS providers and telecom service providers?

Ans. Following are our views on same –



- 1) The Indian MVAS industry needs to take a close look at best practices in developed markets like China, Japan and Europe to design a fair revenue distribution system whereby creators/owners are adequately rewarded for creating higher quality content. In China for example, till July 2005 China Mobile took 15 per cent while the service providers took 85 per cent of the revenues. In 2005 China Mobile altered the rule marginally to allow for 85 per cent share to service providers only if they undertook marketing and customer services related to MVAS product. Otherwise, China Mobile would take 30 to 50 per cent. In Japan and Europe as well the revenue share is between 85 and 65 percent in favor of the MVAS service provider.
- 2) There is a need to create a transparent framework that clearly sets out balanced revenue sharing agreements with a fair system of payouts to different stakeholders across value chain.
- 3) There is an urgent need for regulation of revenue sharing model because it has players varying widely in value as clear from the table – 1.
- 4) The operator should be directed to keep only 15% of revenue generated from the service and should pay to the VASP within 30 days.

- 5) Mobile Service providers are not inherently villainous entities. They are responding to market conditions that favor such short sighted action on their part. The MVAS market would have automatically evolved if individual action towards greater transparency and revenue sharing was rewarded with greater profits in short and long term. But that is not likely to be the case. If a single MSP were to provide greater transparency and revenue shares, he would lose on short term revenues and profits. It would also not benefit from better content because the incentive for a content provider to invest more to produce better quality content is higher, the greater the consumers he can access. But if only a single MSP provides greater revenues, strong enough incentives are not generated. (The smaller the share of the MSP, the smaller the positive impact of good action – in India the largest MSP has a market share of barely 20% and falling). For such an environment to be created we would require greater transparency and revenues across all MSPs in the industry.
- 6) The consumer may have the option to take a bundled price (where he/she pays one price for both content and delivery) or a separate/unbundled price where consumers pay for bandwidth separately from the content (useful for more regular users).
- 7) MIS reconciliation

5. At the same time, how do we also ensure that the revenue share is a function of the innovation and utility involved in the concerned VAS? Should the revenue share be different for different categories of MVAS?

Ans. Following is our view on this –

- 1) If we are providing the VASPs with a proper revenue share, then the industry will become attractive for new players to enter in the market which will increase the competition amongst existing and new players. The increased competition will ensure that the revenue share is a function of utility in the concerned VAS.
- 2) Yes, there should be different revenue share for different categories of MVAS. This is because of the different levels of investment from the side of the VASP for different services. For example, technology involved in making a mobile app available is complex as compared to the technology that is required to make a CRBT, so revenue share will be different in both the cases.

6. Do you agree that the differences come up between the MIS figures of the operator and VAS provider? If yes, what measures are required to ensure reconciliation in MIS in a transparent manner?

Ans. Yes there are differences between the MIS figures of the operator and VAS provider.

Following measures are required to ensure reconciliation in MIS in a transparent manner:-

- 1) The transparency in the operability of both the service Provider as well as VAS Provider can lead to a positive solution of this problem.
- 2) There should be transparency in statistics of content transactions between both of them.
- 3) For resolving such issues there should be the presence of a credible system to address disagreements and grievance redressal mechanisms.
- 4) There should be a proper system for validating the number of data downloads and transactions between MIS of telecom service providers and the MVAS providers; so that there is no conflict regarding whose provided account information quoted is correct or incorrect.
- 5) Sharing of information between telecom service providers and the MVAS providers can lead to reconciliation between MIS of telecom service providers and the MVAS providers in a transparent and fair manner.

7. (i) Does existing framework for allocation of short codes for accessing MVAS require any modifications? Should short codes be allocated to telecom service providers and VAS providers independently? Will it be desirable to allot the short code centrally which is uniform across operators? If yes, suggest the changes required along with justification.

(ii) Should there be a fee to be paid for allotment of short code?

Ans. (i) Yes the existing framework for allocation of short code for accessing MVAS requires modification as in present scenario Telcom operator stands out to be the largest gainer from the existing system.

Following are the problems in the existing system

- 1) Content providers need to individually reach out to telecom service providers for allotment of short code and the discretion lies with the individual telecom operator to accept or not to accept the request and allocate the chosen short code to the VAS provider.
- 2) There is a variance in amount of fee is required to be paid to each of the service providers for the allotment of short code.
- 3) The short codes accepted by one operator may not be accepted by others

- 4) There is no timeline defined within which the service providers are bound to approve/reject requests for short codes.

No, short codes should not be allocated to telecom service providers and VAS providers independently, as it will only further complicate the existing problem.

Yes it will be desirable if the allotment the short code is done centrally which will be uniform across all operators.

Following are the suggested changes required:-

- 1) There should be a central online agency for the allocation of short codes. The value added service providers should then make separate arrangement with telecom service providers for opening up of these codes.
- 2) There should be a framework with well defined procedures and parameters (like fee, timeframe) for allotment of code for speedy rollout of the value added services.
- 3) To enhance competition in development and provisioning of innovative services, the short-code ownership and service agreements with service providers should be decoupled.
- 4) The short-code numbers could be obtained centrally so that one short-code number is active across all network operators.
- 5) These short codes could be enabled through standard procedures across all networks

(ii) No there shouldn't be any fee to be paid for allotment of short code. The MVAS market in India is presently in a nascent phase. In present scenario Telecom operator stands out to be the largest gainer in terms of revenue from the existing system. The VAS Providers get a very small share of the overall revenue generated. There should be regulations and policies which encourage the growth of MVAS market to a great extent. However any type of fee charged to the VAS providers will further discourage the new VAS Providers to inter into this market.

8. Is there a need to provide open access to subscribers for MVAS of their choice? If yes, then do you agree with the approach provided in para 2.46 to provide open access? What other measures need to be taken to promote open access for MVAS? Suggest a suitable framework with justifications?

Ans. Yes there is a need to provide open access to subscribers for MVAS of their choice The Open or non-restricted access allows a user to obtain content from any provider offering mobile content. Open access will promote innovation and lead to development of various applications depending on the customer needs.

Yes I do agree with the approach provided in para 2.46 to provide open access.

For provision of open access to customers, it will be desirable that services offered by VASPs under off deck model are decoupled from telecom service provider so that VAS Providers need not to approach and integrate with each service provider.

In this approach VAS Provider can limit his installations to single location requiring integration with only one service provider of his choice and the customers can access this VASP from any other service provider's network through a uniform short code.

This will increase competition among VASPs for providing relevant content at right price and also between service providers for providing best hosting rates to VASPs bringing efficiency in the system, which in turn could boost MVAS market.

There are other measures needed to be taken to promote open access for MVAS. Another suitable framework will be the semi-walled garden scenario where the users can access both, the content available on the mobile operator's platform, as well as directly from other value added service/content providers.

Users often have easier access to the content on the operators' platform, but will likely demand access to content beyond that selected by the mobile operator.

For e.g. Three different types of content sites could be accessed from iMode (portal launched by NTT DoCoMo):

1. Official iMode sites accessed through the iMode button on the phone
2. Independent sites reached by typing a URL
3. corporate intranet sites

9. What measures are required to boost the growth of utility MVAS like m-commerce, m-health, m-education & m-governance etc. in India? Should the tariff for utility services provided by government agencies through MVAS platform be regulated?

Ans. Following are the measures required to boost the growth of utility MVAS like m-commerce, m-health, m-education & m-governance etc. in India:-

- 1) There should be proper government initiatives for regulating MVAS in India
- 2) There should be proper consumer authentication infrastructure
- 3) There should be provision for micro payments infrastructure
- 4) There should be proper regulatory framework or guidelines related to privacy
- 5) There should be legal liabilities & dispute resolution mechanism

In addition following are some of the operational measures required while deploying Utility MVAS initiatives are:

- 1) There should be assurance of relevant service by understanding consumer needs
- 2) The products should be affordable
- 3) There should be right partners and proper ecosystem for MVAS
- 4) There should be proper consumer awareness
- 5) There should be significant investments on business models which have a long gestation period
- 6) There should be inter-operability of applications across operating systems/network architecture so as to not incur incremental set-up costs

Yes the tariff for utility services provided by government agencies through MVAS platform should be regulated. However there should be a notional charge for the same.

Government has initiated the National e-Governance Plan, wherein many of the government services will be available to citizens online. Therefore a lot of data will need to be transacted between citizens and the data centers. With very poor PC penetration in India, mobile can provide a perfect medium for delivery of government services to the common man. So a notional charge for such a service will surely be not a discouragement for the mobile users to access these documents.

10. Any other suggestions with reasons thereof for orderly growth of mobile value added services?

Ans. Other suggestions for orderly growth of mobile value added services:-

- 1) Controlling the value Chains:-The regulatory framework for the proper revenue share between the mobile operators and MVAPs will boost the growth of MVAS market in India.
- 2) Increasing the penetration of entry level smart phones: - With the increase of entry level smart phones in Indian market, the growth of MVAS is bound to leap forward in the coming future.
- 3) Technological changes in the Network 3G and beyond:- The technological changes in the Indian telecom scenario specially with the implementation of 3G and beyond technologies will surely trigger the growth of MVAS services like video on demand(VOD) services, live streaming, online gaming etc.