



Telewings Communications Services Pvt. Ltd.

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Shri Sanjeev Banzal,
Advisor (Network, Spectrum & Licensing)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi 110002

Subject : Telewings (Uninor) response to **Pre-consultation paper on 'Delinking of license for networks from delivery of services by way of virtual network operators'**

Dear Sir,

Please find enclosed our response to the pre-Consultation Paper subjected above. We hope that the Authority will find our response useful and consider our inputs while formulating the consultation paper.

Thanking you,

Yours sincerely,

For **Telewings Communications Services Private Limited**

A handwritten signature in black ink, appearing to read "Pankaj Sharma", written over a horizontal line.

(Pankaj Sharma)

Sr Vice President and
Head of Regulatory

Encl: a/a (4 pages)

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Telewings (Uninor) Submissions
on
**TRAI pre Consultation Paper – Delinking of license for networks from
delivery of services by way of Virtual Network Operators'**

Executive Summary

India is a highly competitive market with many service providers offering similar products & services in the access space. The market is served primarily by mobile networks and the percentage of wire line is declining. The competition in 2G voice and SMS is strong leading to lower average realisation per minute compared to the base tariffs. Moreover, MNP facility is also available for the customers as an option to switch from one telecom service provider to another. The ARPU in the Indian market is also amongst the lowest. This is clear evidence of competition in the market place.

Globally in various countries like US, Korea, Japan, the number of players in the market has been restricted to maximum 3-4 players. In European countries, one has seen a deregulation of the market, rather than imposing new regulation and there is also a growing consolidation. Whereas, in India, most of the circles have 8-10 telecom service providers which are vying for the market share. As per recent GSMA study, MVNOs remain most prevalent in mature markets - Europe is home to more than two thirds of global MVNOs and accounted 61% of the share of global MVNOs classified into eight separate categories of MVNOs, namely discount, telecom, media/entertainment, migrant, retail, business, roaming and M2M. By contrast, in Asia and African market, MVNO sector remains in its infancy and their presence is limited, essentially due to regulatory decisions regarding MVNO licensing. The licencing of MVNOs is a phenomenon that mainly applies to saturated mobile markets, as operators seek innovative ways to attract new customers. Indian TSPs average spectrum assignment is 10 MHz per operator which is much lower than the global average of 50MHz per operator combining all access spectrum bands.

The uptake of 3G and 4G data is picking up and the investments made in 3G spectrum acquisition and network rollout is yet to reach the cost realisation curve. Significant additional CAPEX is required for rollout of these data centric networks in the coming years. Today, many Indian operators are still struggling to provide a reasonable return of investment and this is not going to be easier in the near future.

In this overall context, we think that a move into a service based competition will reduce the incentives for investments and rollout and not be appropriate to create socio economic value and benefit for the Indian consumers or businesses.

In India, the telecom market is still having only 45% rural penetration and further growth lies only in such areas and in data services which requires large investments and availability of sufficient spectrum. Therefore, the need of the hour is that the Government should encourage investments in networks and strive to make available the resources (Access Spectrum and Microwave spectrum) on an equitable basis to all service providers in a time bound manner. It should be left to the TSPs to be voluntarily opened for service based competition and consolidation.

Service providers have acquired spectrum in the auctions held in 2010, 2012, 2013 and 2014 at high cost. The auction acquired spectrum is not contiguous and partial in many cases, therefore making it unsuitable for data applications. This auction acquired technology neutral spectrum coupled with the existing unliberalised spectrum may not be sufficient to meet the data growth envisaged in Digital India vision. The existing spectrum

holding per operator is just sufficient for their own requirements hence there may not be spare capacity available for leasing to VNOs in the access space.

In view of above submissions, we feel that the VNO in access space is pre-mature in view of the spectrum constraints, existence of adequate competition and significant investments made in the rollout of networks.

Issue wise response to the pre-consultation paper

Q1: Presently most access providers are integrated operators who have their own infrastructure for both access and long distance services. Having already established their networks, the issue to deliberate upon is whether delinking the network from service delivery will have any effect on the working of these TSPs?

Response:

Presently, the access service providers for voice and SMS are constrained by the limited spectrum available. Moreover, they have made significant investments in spectrum acquisition through auctions as well as in building networks. **Hence, there may not be a case for VNO in access space.**

Any possible delinking of network from service delivery should be done in such a way that this do not affect the TSPs (integrated NSO & SDO) and so that the investments in spectrum acquisition through auction and rollout of networks are adequately protected. VNO by nature shall not participate in auctions and service providers may not have the incentive to invest more. **A negative outlook towards return on investment has the potential to derail future auctions.**

However, as a policy as and when formulated, all operators irrespective of current operator or future VNO must be a licensee for ensuring level playing field. This is to ensure that the VNOs adhere to the telecom regulations set by the licensor and regulator.

Q2: Whether the existing TSPs, will have to obtain an NSO licence or both NSO & SDO licences on migration to the new licensing regime? A linked issue for deliberation will be about the necessity of changing the licensing regime at all, at such a short interval since UL was introduced.

Response:

The Unified License regime has just been introduced in August 2014 and we believe that there is no need for a introduction of new regime in such a short period of time. All new type of service providers like VNO as may be decided in future should fulfil the eligibility conditions of the UL. Future VNOs must secure UL prior to offering services.

The present licensees have been granted license (UL in our case) for both building network infrastructure and offering telecom services. The current UL is granted for 20 years with rollout obligations for the first 5 years, this demands continuous and huge investments (eg. purchasing spectrum, CAPEX for rollout, etc) over the next 5 to 8 years before there may be any return on investment.

In view of above, it is recommended that there is no need to change the definition of service provider and scope of telecom services defined under the UL for existing licensees.



Q3: Apart from access services, for other services like VSAT, PMRTS /CMRTS, GMPCS, it needs to be deliberated whether any business case/revenue potential exists for a standalone Virtual Operator for these services

Response:

Presently, Uninor is not having presence in this line of business.

Q4: In India, the TSPs have infrastructure, including spectrum, which is just about sufficient to cater to their own requirements. Would they really be able to spare their infrastructure for new SDOs?

Response:

As stated in the executive summary, there is a scarcity of spectrum in India. As per GSMA, despite of strongest subscriber growth, average spectrum holding per operator in India is 10.4 MHz per operator which is far below than the global average of 50 MHz per operator.

This shows that India is severely lags behind global benchmarks in terms of availability of spectrum. The ability of existing licenses is limited by the spectrum allocated for telecom services, this has constrained their ability to have spare capacity. This may vary over time and with development of market share and expansion plans.

We recommend that Government should make all efforts to make available spectrum a.) in existing bands through reorganisation, b.) explore new bands for IMT services c.) de-license spectrum for Wi-Fi offloading.

The effort should be made to create enough capacity. We believe that the market shall device its own mechanisms and automatically move towards sharing of infrastructure and create space to accommodate VNOs. This will be similar to the infrastructure sharing and intra circle roaming success stories of innovation in Indian market.

Q5: It can also be deliberated whether the reference of DoT envisaged an entirely new licensing regime or could be considered to mean that a chapter may be added to the existing UL for facilitating licenses to the VNO.

Response:

The VNOs in future should meet the eligibility criteria for UL and should be granted service area wise or pan-India UL. The facility of VNO should be an additional chapter in part – II of UL, as the part-I is applicable to all service providers.

Q6: Other related issues in new licensing framework are related with Rollout Obligation, nature of agreements between two licensees, sharing of infrastructures, issues of SUC, allotment of numbering resources, lawful Interception etc.

Response:

The VNOs in future should be allotted number series and should be responsible for lawful interception, customer acquisition verification, payment of license fees and SUC. The rollout obligation may not be applicable to them. It may be noted that there is severe shortage of number series for existing service providers. The network sharing charges, LF and SUC paid as statutory deductions should be allowed under pass through charges.

Q7: Whether application providers and OTT, should they have licences under the proposed model.

Response:

The social media and related contents & applications have gained significant popularity among mobile customers. This technological shift has immensely benefited mobile subscribers and it has found favour with mobile customers in terms of getting better & cheap communication platform.

We suggest the following approach:

- TSPs should be allowed to offer such OTT services with all flexibility that the present technology has to offer. The license conditions should be suitably modified so that TSPs can offer services from a common server hosting applications, offering services Globally from one location. This will also add to the economies of scale for such hosted applications. The concerns of the security agencies will be adequately addressed when OTT services are offered by TSPs and the same should also be applicable to standalone OTTs.

This is in line with the objectives of NTP-2012 and all stakeholders will reap the benefits in terms of enhanced data usage and revenue.
