ANNEXURE A

Idea Cellular response to the TRAI Consultation Paper on "Delinking of Licenses for Networks from delivery of services by way of VNOs"

At the outset, we would like to state that Authority has correctly questioned the "very need" of initiating any consultation on this issue through its pre-consultation paper. The Authority has also rightly pointed out under para 1.8 of its CP that for the telecom sector, which is highly capital intensive and where pay-offs are realized over a long time period, this reference from the DoT has the potential to change the entire licensing framework in India.

Briefly stated a new Unified Licensing regime has just been initiated and not fully implemented for all operators due to various issues. Even as operators cope with changes in licensing regime, we are being asked to comment on further disruptive changes within a year of implementation of new policy. We see no rationale in delinking of licenses for networks from delivery of services.

It is even more intriguing that the consultation (on reference from DoT) comes at a time when the Regulator has repeatedly highlighted the need for consolidation in the sector. The existing level of competitive intensity and the financial health of telecom sector do not justify any need for introduction for "Virtual Network Operator" (VNO).

It is further pertinent to mention here that the need to ensure predictability and consistency in Government policy has recently been highlighted by the Hon'ble Prime Minister. It is submitted that any disruptive approach to policy and licensing by way of introduction of VNOs will have the effect of deterring investments and eroding investor confidence

Our summary submissions in this regard are as under:

A. Objective

Every policy initiative has an objective. In the case of VNO, there is lack of clarity on this objective. The only objective of a VNO can be to increase competition by bringing in more service providers who do not need to make investments in networks. If this indeed is the objective, then it has to be seen in context of the current state of Indian telecom industry.

1. Excessive Competition

The level of competition is determined by the number of independent service providers who make independent decisions on service offerings and prices in the market. These service providers could either be "Network Operators" or "VNOs". The total number of service providers in India without VNOs is already very high. In India we have 171 service providers in 22 service areas giving an average of 7.8 TSPs in each service area. This is actually as high as 10 TSPs in a circle like Gujarat. Given this level of competition adding any more TSPs would only worsen the industry economics and health.

2. Financial Health of Operators

As already discussed above India has far too many TSPs than in most other countries The genesis of this problem is the licenses issued in 2008, whereby we saw fly by night operators coming in and either not launching services at all or exiting businesses after incurring huge losses. While such new entrants themselves incurred losses, the presence of so many operators resulted in hyper competition resulting in price cutting and constant deterioration in the financial health of the industry. The voice realized rate (for Idea which is broadly representative of the industry) came down steeply from a level of around 57p/min in 2008-09, which was already at the lowest level globally, to a level of around 35p/min currently. However, the financial health of the industry is still grave as can be seen from the following data.

I. ROCE

Operator	FY12	FY13	FY14
Idea Cellular Ltd.	5.3%	6.0%	7.2%
Bharti Airtel Ltd.	7.1%	5.7%	6.7%
Reliance Comm. Ltd.*	3.4%	3.8%	5.6%
Tata Teleservices (Maharashtra) Ltd *	0.1%	-2.4%	-0.1%
Mahanagar Telephone Nigam Ltd.*	-24.6%	-40.5%	-16.5%
Bharat Shanchar Nigam Ltd *	-11.9%	-11.1%	-10.7%
Tata Teleservices Ltd. *	-10.8%	-12.9%	-19.3%

Source: Annual Report/Calculated based on financial results filed with RoC

$$\text{*ROCE Computation} = \frac{\text{PAT+ Net Interest \& Finance Cost*(1-tax rate for the period)}}{\text{Shareholders' Funds + Net Debt}}$$

The following are the takeaways from the above –

a. There are only 3 operators out of those listed above who are making any positive ROCE and that too after 20 years of business. All the remaining operators are incurring losses.
b. More importantly, even 3 operators who are earning profits are not able to even recover their cost of capital, with the best ROCE for FY14 being at 7.2%, much below the cost of capital of ~12%.
c. The most telling part is that these operators whose returns are below cost of capital are not new start ups, but are incumbent operators who have operated for 20 years with their licenses coming up for extension. One needs to also recognize that these are the levels of ROCE / Profits before the taking into account the investment to be made for extension of licenses based on market value of spectrum. The ROCE levels would decline further from FY14 levels once investment is made for extension of licenses and spectrum, which would result in significant increase in capital employed to continue the existing business. The recovery of cost of capital is nowhere in sight even after 20 years of operations, even for the market leaders.
d. The business case for operators has undergone a significant change. What with the cost of spectrum undergoing a fundamental change – from administered allocation, allowing for low pricing to an auction based determination where the cost of the basic raw material is several multiples higher.

If this is the situation of the most efficient players in the industry after 20 years of operation, then this industry can ill afford any further increase in competition through VNOs.

II. Leverage ratios

Operator	Period	Source	Net Debt	EBITDA	Net Debt / EBITDA
Bharti Airtel Ltd.	FY 14	AR	73,455	27,777	2.64
Idea Cellular Ltd.	FY 14	AR	20,231	8,334	2.43
Reliance Comm. Ltd.	FY 14	AR	40,178	7,726	5.20
Bharat Shanchar Nigam Ltd.	FY 14	RoC	4,013	-759	*
Tata Teleservice Ltd.	FY 14	RoC	22,966	188	122.36
Tata Teleservice (Maharashtra) Ltd.	FY 14	AR	6,498	706	9.21
Mahanagar Telephone Nigam Ltd.	FY 14	AR	13,970	-527	*
Aircel Ltd.	FY 14	RoC	18,763	294	63.72
Aircel Cellular Ltd.	FY 14	RoC	16	153	0.11
Dishnet Wireless	FY 14	RoC	17,478	473	36.97
Sistema Shyam Teleservices Ltd.	FY 14	AR	4,626	-816	*

** implies that as the EBITDA is negative, the Leverage ratio cannot be calculated.*

As can be seen the absolute level of leverage in the industry is very high. This will increase further when operators borrow for payment of spectrum to extend their licenses. Given this background the operators will have severe constraints on capital to make investments in networks to fulfill national policy objectives of rural coverage and digital India.

This also impacts the banks and other investors who will have to write off a significant part of these debts. There have already been exits by licensees where banks are saddled with NPAs.

The Authority has himself recognized the need for further consolidation in the industry to make the industry healthier. **Consumer interest can hardly be served by increasing competition to a level where the prices are low (perhaps the lowest in the World), but industry players are either loss making or making meager profits not enough to cover even the cost of capital. Hence, any policy initiative to force more competition in the already hyper competitive industry is not desirable and will ultimately harm the consumer interest.**

B. The reference to NTP – 2012 – Need for holistic understanding

1. **Relevant clauses -** While the TRAI has highlighted the DoT reference which hinges on the strategies highlighted in NTP 2012, we wish to highlight various other provisions of the very same NTP 2012 as under :

i) Refer NTP 2012 document – III. **Objectives at sr. nos. 11**

__Simplify the licensing framework__ to further extend converged high quality services across the nation including rural and remote areas.

The proposal for introduction of VNO in no way would lead to simplification of licensing regime. In fact it would only lead to complexities in terms of roll-out, security obligations, AGR assessments and even lead to level playing field issues.

ii) Refer NTP 2012 document – III. **Objectives at sr. nos. 32**

Evolve a ***policy framework for financing the sector*** consistent with long term sustainability.

With the current financial health of Industry being accentuated by abysmal RoCE figures the VNO proposition talks about additional competition. We fail to understand as to how VNO policy would lead to long term sustainability for telecom operators and the sector.

iii) Refer NTP 2012 document – IV. Strategies at sr. nos. 3 – Licensing, sub item 3.9 **Objectives at sr. nos. 32**

*To **frame appropriate Policies** for new licensing framework, migration of existing licensees to new framework, exit policy, measures for ensuring adequate competition etc. in consultation with TRAI.*

The Authority has stated at various times that the Industry is in dire need of consolidation and that the level of competition is too intense. In this background we fail to understand as how the introduction of VNO can justified to be a move for ensuring "adequate" competition.

iv) Refer NTP 2012 document – Quote at last page of document.

*"The primary objective of NTP-2012 is **maximizing public good by making available affordable, reliable and secure telecommunication and broadband services across the entire country.** The main thrust of the Policy is on the multiplier effect and transformational impact of such services on the overall economy. **It recognizes the role of such services in furthering the national development agenda** while enhancing equity and inclusiveness"*

The Authority needs to consider as to public good would be maximized with introduction of VNO. The main aim of any new proposed policy change should be to endeavor and ensure sound business viability and sustenance of telecom service providers through introduction of comprehensive and integrated policies that further the cause for affordable services.

This is clearly not in line with the Government's declared intent to "recognized the role of telecom services in furthering the national development agenda".

C. **<u>Need for Regulatory "Certainty & Predictability".</u>**

As acknowledged by the Authority in its Pre-CP it is necessary that regulatory policies are "predictable" and "stable" in nature. Operators make investments based on predictability of regulatory regime.

The Authority is aware that the new "Unified Licensing regime" has been introduced in September last year. The Authority would also acknowledge that the adopters of said regime are only new operators (renewal or fresh license for a service area). No existing licensee has shown its intent to migrate to Unified Licensing regime and there is no incentive to do so either. Thus operators is sceptical even on the Unified License regime. In such a situation to add layers of complexity and discuss VNO is completely unnecessary. Perhaps a discussion is required on as to how onerous conditions in Unified regime can be worked upon so that operators willingly look towards migrating to Unified License regime.

The Authority has rightly pointed out in its Pre-CP that the interval between the introduction of the Unified Licensing Regime and the proposed change appears to be too short.

Thus we submit that the delinking of networks from services is neither necessary nor desirable.

D. **<u>Proposed Change works at cross purposes to consolidation in the sector</u>**

Adequate competition is critical to the telecom sector's sustenance. The Authority has itself highlighted this as at various occasions. In order to support efficient sharing of infrastructure, government needs to create an environment to facilitate consolidation in telecom sector. A Flexible and realistic M&A policy is necessary and all efforts should be made to facilitate mergers.

It needs to be noted that the proposed VNO concept works is at cross-purposes to consolidation in the sector. If the very basis of consolidation is to provide opportunities for operators to have efficient operations, then the concept of splitting network and services in the licensing regime, adds to further unwanted costs. The government needs to reconsider this concept and the Regulator needs to drive a proper understanding of the unwanted ramifications emerging out of such a proposed step to the Government.

E. **<u>Promote efficient competition by ushering TRAI recommendations.</u>**

The Authority needs to seriously consider as to how the proposed change will help the state of the telecom market in India– Telecom sector is a core infrastructure that helps all economic and social activities, connects different parts of the society and economy, generates employment and directly contributes to GDP growth - we cannot have a situation where the existing operators are already struggling to make profits or break even and new operators are introduced by way of

MVNOs. The Regulator has already acknowledged that hyper-Competition has created a significant dent in the profitability of some of the telecom service provider. Thus there exists no business case for allowing standalone VNOs for access services.

Further, the Authority may also take notice of the fact that if more efficient use of resources (active and passive infra) is the intent of the Government for such a move, then the Authority's recommendations on "Spectrum Sharing", "Spectrum Trading", "E-GSM", etc need to be first dealt by it in earnest. Further, in the current scenario, the operators themselves are "spectrum starved" and hence there exists no scope for allowing or sparing infrastructure for new SDOs.

In view of the above, we summarize as follows:

1. The Telecom industry is going through a most difficult phase and the access providers in the Indian telecom sector are already reeling under huge debts and either negative returns or returns significantly below cost of capital for Operators. The viability of business and sustenance of service providers is extremely essential to reap the benefits of any policy statement to end customers/ users. Any further dent on already precarious financial position of industry players would result in lack of funds for investment in roll out of networks.

2. As acknowledged by the Authority itself, the Telecom sector is highly capital intensive where pay-offs take a long time. The Authority will agree that operators have made huge investments over the last few years on setting up networks based on the current licensing regime. All of a sudden, any new regulatory regime cannot be foisted on licensees, when existing investments have not been recovered as yet.

3. The proposal on introduction of VNO seems to be without any clear policy objective. If the only objective of a VNO is to increase competition by bringing in more service providers who do not need to make investments in networks, then the Authority needs to recognize that the total number of service providers in India without VNOs is already very high. Hence, any more TSPs would only worsen the industry economics and health.

4. This in our view, the Authority should focus on ensuring Regulatory certainty and aim for ensuring efficient roll out of networks based on adequate spectrum availability and seek to pursue implementation of its recommendations on spectrum sharing, trading etc. rather than consider introduction of VNO.

5. Thus we submit that the delinking of networks from services is neither necessary nor desirable

6. Thus in our view, there is no rationale for introduction of VNO at this stage.

We request that all our following query-wise submissions should be read in context of our above summary submissions.

IDEA SUBMISSIONS ON ISSUES FOR CONSULTATION

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?

Please refer to our detailed submission in the Introduction.

The level of competition is determined by the number of independent service providers who make independent decisions on service offerings and prices in the market. These service providers could either be "Network Operators" or "VNOs". The total number of service providers in India without VNOs is already very high. In India we have 171 service providers in 22 service areas giving an average of 7.8 TSPs in each service area. This is actually as high as 10 TSPs in a circle like Gujarat. Given this level of competition adding any more TSPs would only worsen the industry economics and health.

Hence, there does not exist any business case for introduction of VNOs.

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

It is a fact that given the business model of MVNOs, the investment required for launching operations is far less compared to that required by NSOs. MVNOs require very low investments for entering the market and Investors would consider it more prudent to invest in VNO/MVNO ventures over NSO/MNOs, as investments in NSO/MNOs would be higher yield compared to MNOs.

As already submitted, given the level of competition adding any more TSPs would only worsen the industry economics and health, thereby impairing the capability of the NSOs to invest in rural areas and networks. Further, the churn levels in the industry are already alarmingly high given the current number of TSPs that has also translated to higher cost of customer acquisition for NSOs. If any more competition is introduced by way of VNOs, it will only lead to pushing the churn levels further up along with the cost of customer acquisition. It is also easily discernible that the VNOs would be interested to invest primarily in urban and well-connected areas for want of better returns and will not be able to support coverage to rural areas.

The combined effect of such development therefore would thus be that not only will the VNOs be detrimental to the short-term health of the existing NSOs, they will also adversely affect the network rollouts in the rural areas because of flight of capital from NSOs.

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?

The guidelines on Spectrum Trading and Spectrum Sharing are the right step in the direction of effective utilization of existing infrastructure.

However, in addition, the need at the moment is a facilitating M & A policy that can address the present bottlenecks in consolidation within the telecom Industry. Once such a policy is put in place, the market dynamics will itself lead to partnerships that will result in effective utilization of existing infrastructure.

It is a fact that because of spectrum constraints, a number of TSPs are running networks that cannot absorb further loading even while there are others with under-utilized capacity. A facilitating M & A regime will allow such networks to come together and forge partnerships that will result in effective utilization of their infrastructures.

As already mentioned above, VNOs, if they are allowed to come into being, will have little motivation to roll out operations in rural areas and even if they do, they will have a very guarded approach towards the same because of lack of higher returns.

In rural it would require robust distribution infrastructure to ensure that services reach all the customers. This requires time and expertise which cannot be expected from VNOs. VNOs will not be in a position to facilitate increase in rural tele density or penetration as rural servicing is cost-intensive and current TSPs are best suited to serve rural population due to their existing infrastructure. Allowing existing TSPs to share both active and passive infrastructure could help in effective utilization of existing infrastructure. Introduction of VNOs cannot be a solution to achieving targets defined in NTP 2012 for rural density.

On the other hand, the formation of VNOs would result in a situation where the NSOs would be financially constrained to roll out rural networks for want of funds although there pace and expanse of rollout could practically be many times that of VNOs. As a result, permitting VNOs will only result in an adverse effect on the achievement of targets as stated in NTP 12.

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.

As correctly pointed out by the Authority under point number 2.16 of the CP, Worldwide, MVNOs are considered a preferred way to increase penetration and competition in the market. However, the Authority needs to recognize that on both these parameters the Indian telecom Industry has made rapid strides and earned a distinct identity in the telecom map of the world. Hence, by no standards there exists a case for introduction of VNOs to increase penetration or competition. As already submitted, given the level of competition adding any more TSPs would only worsen the industry economics and health. Even otherwise, it is well known that NSOs that have already sunk in investments worth thousands of crores of rupees have not even started recovering their cost of capital

Further, it needs to be acknowledged that the convergence of voice, data and video has already led to a situation where none of these should be looked at separately. However, if such an arrangement is allowed, it will only lead to creation of confusion for the customers thus adversely affecting the telecom industry.

In case VNO is introduced they should be required to take a Unified License with necessary authorizations. The arrangements between a TSP and VNO should be mutual and delinking should not be mandated.

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?

It is well known that currently the 2G and 3G networks of most NSOs are completely and optimally utilized in order to achieve all possible cost efficiencies and the present allocated spectrum is alarmingly insufficient even to meet their current requirements.

Further, with the average spectrum holding per operator being sub optimal in India compared to the allocations globally, it is most challenging to even contemplate **sparing spectrum for any VNO operations as the top most priority for an operator would be to meet its own growing requirements**

The TRAI is already aware of the challenges being faced by operators to meet the TRAI QoS parameters currently and hence the question of sparing infrastructure for VNO operations does not arise.

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

As already submitted, if more efficient use of resources (active and passive infra) is the intent of the Government for such a move, then the Authority's recommendations on "Spectrum Sharing", "Spectrum Trading", "E-GSM", etc need to be first dealt by it in earnest. Further, in the current scenario, the operators themselves are "spectrum starved" and hence there exists no scope for allowing or sparing infrastructure for VNOs.

This should be permitted on mutually agreed commercial terms. TRAI, had earlier, in its 2011 recommendations stated that commercial model between MVNO and MNO should be left to mutual agreement between the MVNO and MNO.

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

We have already submitted that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we would like to submit that the VNOs be allowed to introduce their infrastructure in India subject to another round of Consultations with the stakeholders. It is pertinent to mention here that to be able to launch VNO operations, the primary requirement is to have last mile access on radio without which no VNO can launch its services. Since TSPs do not currently have any spare capacity in their radio network to spare / lease to the VNOs, the question of VNOs setting up their own infrastructure does not arise under current market conditions.

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?

We have already submitted that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we would like to submit that the LCOs and MSOs be allowed to share their infrastructure with VNOs to provide last mile connectivity.

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?

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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

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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?

The Authority has correctly pointed out under point number 3.10 of its CP that the Indian telecom sector has just moved to a UL regime in August 2013 with the objective of providing a simple and clear licensing framework for all telecom services. It has also rightly questioned the need for the DoT reference under point number 1.8 of the same CP:

"1.8 For the telecom sector, which is highly capital intensive and where pay-offs are realized over a long time period, it is necessary that regulatory policies are predictable and stable. This reference from the DoT has the potential to change the entire licensing framework in India. Since the UL has been introduced only recently, it was not very clear as to why such a reference has been made so soon after the UL was introduced. "

As quoted by the Authority, It is necessary that regulatory policies are "predictable" and "stable" in nature. However, through the present CP, we are being asked to comment on further disruptive changes within a year of implementation of the new policy on Unified Licensing regime, even as operators cope with changes in licensing regime. We see no rationale in delinking of licenses for networks from delivery of services.

The Authority would also acknowledge that the adopters of said regime are only new operators (renewal or fresh license for a service area). No existing licensee has shown its intent to migrate to Unified Licensing regime and there is no incentive to do so either. Thus operators are sceptical even on the Unified License regime.

Further, under point number 3.17 of the CP, the Authority has correctly highlighted the following:

"In case VNOs are allowed, another type of license/chapter/ section will be needed. Licenses have not been mandated to migrate to UL (or any other licensing regime). They have the discretion to choose whether or not to migrate to the new licensing regime based on merits and associated inherent benefits. As a result all these types of licenses/licensees co-exist which renders the current licensing structure very complex".

In such a situation to add layers of complexity and discuss VNO is completely unnecessary. Perhaps a discussion is required on as to how onerous conditions in Unified regime can be worked upon so that operators willingly look towards migrating to Unified License regime.Thus, there is no need for a new licensing regime for VNOs. VNOs if at all introduced, should be required to take a Unified License with necessary 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?

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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?

We have already submitted that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we feel that a VNO should be be required to take a Unified License with necessary authorizations.

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.

The Authority has rightly pointed out under point number 4.3 of the CP, the following:

"4.3 VNOs will utilize the network of NSO(s) for providing services to its subscribers. The existing TSPs are also providing services using their own network; therefore, there will be increased competition in service delivery. It is possible that there is a resource constraint for the NSOs as they have to cater to their own requirements..."

The total number of service providers in India without VNOs is already very high. In India we have 171 service providers in 22 service areas giving an average of 7.8 TSPs in each service area. This is actually as high as 10 TSPs in a circle like Gujarat. Given this level of competition and the limited resources, there does not exist any case for introduction of VNOs.

We have already submitted that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of, this issue may be taken up again with stakeholders.

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?

We have already submitted that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, the NSO should be allowed the flexibility to have more than one VNO attached to them as it is very likely that different VNOs will offer different services and a restriction on the numbers would be self-defeating to the purpose of VNOs.

With respect to the query on the number of VNOs parented by more than one NSO per LSA, we feel that a VNO should not be allowed to parent more than one NSO per LSA. TRAI had earlier in its 2011 recommendations stated that an MVNO cannot get attached to more than one MNO in the same service area. We believe that this was a considered view, and should be continued with in the case of VNOs as well.

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

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, it needs to be ensured that the eligibility conditions for becoming a VNO are robust enough to only permit serious players enter the market. In that respect we feel that the current eligibility conditions for becoming a TSP address this issue comprehensively and hence we recommend that the same eligibility conditions be replicated for the VNOS too.

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?

We reiterate that there exists no case for introduction of VNOs for reasons mentioned earlier. However, as and when market conditions become conducive to introduction of VNOs, we feel that a VNO should be be required to take a Unified License with necessary authorizations.

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

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we feel that the cross–holding restriction between NSO and VNO be made applicable, subject to a final round of Consultation with stakeholders.

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.

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we recommend the following:

1) The eligibility criteria may be prescribed in terms of paid-up equity and net worth. The criteria should be a proportion of the existing criteria for the UL.

2) Further, PBG and FBG should be as per the prevailing UL guidelines.

The above will insure that only serious players as VNO enter the telecom market.

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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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?

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we recommend that since the VNO will be using Network resources of NSO hence the numbering resources, Network codes and Location Routing Numbers used should be those of the NSO. That would preclude the need to allocate different numbering resources to MVNO.

In case separate or new Network codes (MNC) are allocated to VNOs, then these operators would virtually become separate access provider operator without holding any spectrum. **In case of separate number series allocated to VNO, issues on routing of calls to other operators, interconnect agreements and charging would arise. Need of separate trunks connectivity with other operators may also arise.**

In case of a separate MCC and numbering resources are allocated then MVNO need to take care of International and national roaming agreements .

In view of the above, it is strongly recommended that MNP be only facilitated through NSO.

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 utilized? Should any obligation be placed on VNOs for efficient utilization of resources?

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we see the following advantages and disadvantages emanating out of allocation of numbering resources by the Licensor:

1. In case of Numbering resources (MSISDN) are allotted to VNO by NSO and in case of dispute, then by means of MNP all the numbers need to be migrated to new or another NSO. The major disadvantage would be unnecessary increase in the MNP database which would impact existing MNP solutions. Another disadvantage would be, the NSO would be deprived of the resources allotted to him.

2. In case of Numbering resources (MSISDN) are allotted by Licensor with **different LRN** to VNO and in case of dispute VNO decides to move to another NSO then all the existing operators need to do configuration changes in Routing tables at all the nodes of MSC, SMSC, NLD and ILD, which may be complex and time consuming activity and will not be full proof as it has to depend on the changes done at all operators.

3. In case of Numbering resources (MSISDN) are allotted by Licenser but with **common NSO LRN,** and in case of dispute VNO decides to move to another NSO then by means of MNP all the numbers need to be migrated to new or another NSO. There would be no need to change routing at Operator nodes and the resources of the parent NSO will not be utilized. The disadvantage would be unnecessary increase in MNP database

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.

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we recommend that the LF and SUC applicable to the VNO be as per stipulated conditions of authorization in UL. However, it should be ensured that there is no double taxation and the mechanism is such that ultimately revenue earned from customers is taxed only once with suitable pass thru provisions.

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.

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, we recommend that since the issue involves technical and commercial discussions, mutual agreement should be the only basis. Further, it should be noted that the telecom industry is already suffering from the effects of various policy flip flops that have prevented free play of market forces. Any mandate on providing access would be contrarian to the terms and conditions on which the spectrum has acquired by various operators through auctions and would belie operators who have held legitimate expectations of business on consistent terms on which they participated in the auction and bid for spectrum..

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

We reiterate that there exists no case for VNOs. However, as and when market conditions become conducive to introduction of VNOs, we recommend that responsibility & accountability of CAF verification / number activation should lie with the VNO only. NSO should have no impact/bearing/linkage to activation & document verification related aspects.

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

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time.

However, as and when market conditions become conducive to introduction of VNOs, then in the VNO-NSO model, services to end subscribers will be provided by the VNO, but it will utilize the network of the NSO. Since VNO would ride on NSO's core network, VNO may not be able to control the QoS performance. This would largely depend on the agreement between NSO & VNO. Apart from this there are other regulations which would require continuous monitoring such as MNP / M&B / TCCCPR / TCPR etc.

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?

Mergers and Amalgamations is a complex subject and require detailed discussions. We recommend that a separate CP be floated for discussing the same with the stakeholders once the issue of permitting or not permitting VNOs along with other associated issues gets finalized.

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?

We reiterate that allowing VNOs will be detrimental to the health of the Indian telecom industry as well as consumer interest in India and hence no VNOs should be permitted at this current point in time. However, as and when market conditions become conducive to introduction of VNOs, VNOs be treated equivalent to existing TSP so that all compliances are also equally applicable on them.

Q33. Please give your comments on any related matter not covered in this Consultation paper.

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