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Mahanagar Doorsanchar Bhawan

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New Delhi 110002

Subject: Response to the consultation paper on “Mobile Value Added Services” dated 21st July, 2011

Dear Sir,

We welcome the opportunity to respond to the Telecom Regulatory Authority of India's (TRAI) Consultation Paper on “Mobile Value Added Services”.

We thank TRAI for this consultation paper which will concern the growth of VAS providers in India.

Please find our response to the consultation paper. We would like to participate in any further opportunity to discuss these issues and looking forward to the counter-comments on the same.

Yours Sincerely,

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4.1 Whether the current provisions under various licences (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 licencing framework?

Answer:

The current provisions under various licences (UASL, CMTS, Basic and ISP) are not adequate for the growth of MVAS market to the desired level. The additional provisions that need to be addressed under the current licensing framework are as follows:

- MVAS player should be brought under the 'Other service provider (OSP)' license by DOT.
- Mandate for only registered MVAS providers to be able to provide services through operators.
- Consumer protection guidelines for content providers need to be clearly stated. Similar to the guidelines given by IDA in Singapore.
- Accountability for content and quality of service.
E.g. If any operator is providing news content, it has to come from a licensed service provider. Similar guidelines could be defined for various types of content.
- Guidelines for a legal framework for protecting legitimate concerns of stakeholders e.g. content providers, operators : these may include privacy protection laws, legal liabilities' ceilings, thus reducing unnecessary or frivolous law-suits and also alleviating concerns around risks for players associated with Utility MVAS, especially in the M-Health and M-Commerce categories.
- Provision of short codes by DoT directly, in order to facilitate direct monitoring by TRAI.
- Set up of a dispute resolution body for MVAS providers/ bringing MVAS providers under the jurisdiction of TDSAT/ TRAI.
- Create a framework for data services which provides role definition for each of the value chain players especially between the telcos and content providers, including timely disclosure of usage/billing data. For e.g. in Singapore there is a regulatory framework for Data Services, which identifies guidelines for various types of data : General IT services and Mobile Device Content

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

Answer:

In absence of licensing regime following are the challenges that MVAS need to face.

- Problem of accountability of consumer rights and contents.
- Problem of dispute resolution of mechanism
- Limited ways of consumer authentication for Utility MVAS.
- Unwillingness/ delay of operators to share usage/ billing data with VAS players, including lack of fair grounds for disclosure and data reconciliation.
- Inequitable revenue share model in favour of operators due to their investments in network infrastructure, ownership of relationship with the subscriber, billing and collections and associated risks.

Considering above points, a policy framework should be formed which will act as a set of underlying guidelines governing an industry and will serve the above challenges. Currently MVAS is not recognized as an industry in India unlike in other countries. There are policies and regulations meant for voice only, not for data. There are no norms for the security, privacy, quality of data transmitted using mobile phones. Thus there is need to bring the VAS providers under the licensing regime which lays down broad roles for the various ecosystem partner, and helps to foster equitable growth.

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

Answer:

It should be in the category of the Unified License as recommended by the authority because of the following reason

- a) In this case spectrum is delinked from the license hence the VAS providers will not bear the burden of the licence. This would also give relief to small scale VAS providers to a great extent.
- b) It will help in developing healthy ecosystem for value added services and will support innovations in the near future, resulting in increase of usage of VAS.
- c) It will allow independent MVAS providers to seek interconnection with a required QoS from telecom service providers.

4.4 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?

Answer:

Although, with the upcoming technology 3G & BWA roll out, implementation of National Broadband Plan and migration to Next Generation Networks will automatically drive us towards off deck model of MVAS. But a well-developed & harmonised framework could facilitate the systematic growth in all segments of the mobile value added service viz content development, technology platform, and content aggregation etc. thereby creating opportunities of entrepreneurship in MVAS along with the creation of additional revenue shares.

We can regulate the revenue sharing model by:

- putting a floor rate(minimum fixed rate) on percentage share in revenue to be provided to the VAS providers
- variable rate which could depend upon the factors like the nature of technology, utility of content, demand from the customers and innovation involved

or

- Providing a window (i.e. the rate of percentage for revenue sharing should lie between a minimum and a maximum percentage value) of revenue sharing for improving the development of VAS to its full potential and also giving some flexibility for the commercial negotiations between VAS providers and telecom service providers.

This would protect the interests of both of them. Also enforcement of the regulation will give them due recognition in the telecom world.

It is recommended that Telecom Service Providers should:

- provide uniform access to their infrastructure to the VAS providers through mutual agreement
- Publish charges for VAS and maintain transparency in billing.

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.

Effective cooperation and collaboration amongst various participants is a key factor to form a healthy eco system for provision of value added services.

4.5 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?

Answer:

As coined in previous answer, regulation should be framed in a manner so as to provide a window of revenue sharing that could give flexibility for the commercial negotiations between VAS providers and telecom service providers.

There may be some VAS which may involve higher degree of innovation and utility than some other applications which could be commoditised. In this scenario, such VAS providers would have higher bargain power and they can get a reasonable amount for the innovations. It is also necessary that the innovative VAS solutions be given due credit so as to promote innovation. Accordingly, revenue share could become a function of the innovation and utility involved in the concerned VAS.

Yes, there should be different revenue shares for different categories of MVAS as this would encourage more innovation leveraging new technologies.

4.6 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?

Answer:

Yes, many of the times this difference has been observed. It is also reported that there is a lack of transparency in statistics of content transactions, absence of credible systems to address disagreements and grievance redressal mechanisms. In the absence of a system validating the number of data downloads or transactions between MIS of telecom service providers and the MVAS providers, the account provided by the service provider may prevail due to higher bargaining power. This leads to differences in the actual revenues earned between telecom service providers and the MVAS providers. The possible measures could be:

- 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.
- A 3rd party validation and audit could reconcile the difference
OR
- Setting up of a mediatory industry body could also be looked upon as a possible option
- There should be Contracts for mutual agreement between the VAS provider & operator which should allow for a formal process of reconciliation of MIS for difference above 2% - including the right of both parties to seek arbitration proceedings, if necessary.

The disputes of MVAS and operators should be included under TDSAT for resolving such issues.

Content suppliers/aggregators/tech companies should be given the freedom to either use or not use the operators billing and collection mechanisms. If alternate payment mechanisms are allowed, automatically the cost of this service will come down (outside as well as through the operator) and benefit us and the end user.

4.7 (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?

Answer:

- (i) Yes the existing framework for allocation of short codes for accessing MVAS should have well defined procedures and parameters (like fee, timeframe) for speedy rollout of the value added services.
 - a) The short codes should not be allocated individually rather they should be obtained centrally so that one short-code number is active across all network operators.
 - b) These short codes could be enabled through standard procedures across all networks. Centralised short codes will also facilitate Open Access model of MVAS thereby promoting the usage of MVAS services.
 - c) To enhance competition in development and provisioning of innovative services, the short-code ownership and service agreements with service providers could be decoupled.
- (ii) In countries like US the short codes are provided centrally by an agency after paying the requisite fee. However, value added service providers have to make separate arrangement with telecom service providers for opening up of these codes.

Similarly, In India, DoT (being a central body) would provide the short codes to the VAS providers and a mutually agreed amount of fee should be paid by VAS provider to the operators for opening up of short codes.

4.8 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?

Answer:

Yes there's a need to provide open access to subscribers for MVAS of their choice. Open or non-restricted access allows a user to obtain content from any provider offering mobile content. This content can be accessed either through the operator by using shared revenue model or independent of the mobile service provider's platform, through a link to any of the third-party content provider, through a Web browser on the mobile handset, by sending a SMS or accessing IVR. This will enhance the usage of VAS services by the end customer and will promote innovations in this field.

In an open access environment services and applications are decoupled from the network complexities, facilitating applications/content based services to be provided easily and also enabling third party application service providers to compete with the telecom service providers in the provision of services making the network more open.

Yes the approach provided in the document is correct as currently we don't have an adequate payment infrastructure so direct payment to VAS providers is not possible.

The measures that could promote MVAS open access are:

1. Introduction of centralised short codes for identifying each service. All service providers will be required to route a unique short code to the terminating operator where VASP has hosted its content. Under this approach VASPs will be free to host their service under any operator.
2. A 3rd party MIS support for maintaining transparency in the billing and charging system.
3. We need to have a framework which could define the fixed rates and parameters for sharing of revenue between originating and terminating operator as in case of interconnect billing because in this model, the originating operator can collect the charges from the customer and pass on to terminating operator after deducting the charges like billing, customer care, interconnection etc. Terminating operator in turn can pass the revenue collected from originating operator to VASP after deducting its charges like transit charges.

4.9 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?

Answer:

Measures required for boosting the growth of Utility MVAS:

An advisory committee should be set up for coordinating between various governments ministries which may be ADHOC in nature for:

- Better categorization & prioritization of the needs of the customer in terms of what are the mobile technology addressable needs and understand key governance
- Ensuring affordability to customers/public
 - Setting of ceiling price for Utility MVAS services by the Government: This has to be done keeping in mind the cost structure of the operator. Key considerations would be the major costs in capex (network infrastructure) and marketing
 - Tax incentives could be offered by the government for the certain services like m-education, m-health, m-governance, m-agriculture e.g. waiver of 15% taxes on revenues for services provided under this category, tax holiday for a certain period. This tax incentive could be compensated by the funds provisioned under The National Employment Guarantee Act, Sarva Siksha Abhiyan, Total Literacy Campaign of the National Literacy Mission, National Health Mission or Total Sanitation Campaign and Bharat Nirman as these are some of the important steps taken by the Government which will help in achieving the Millennium Development Goals. And the additions like this tax incentive will push the Millennium Development Goals to a new height.
 - Provide guidelines of equitable revenue share for these services. Thus, in order for the success of Utility MVAS, it is imperative that the government / regulatory authorities lay down a vision, and a set of guidelines to provide the industry with direction. While the gestation period for some of these services maybe long, looking at business models where there is an opportunity to offer affordable, as well as, scalable services maybe the way to go, for instance, Nokia Life Tools which charges farmers a price lower than the system cost for the farmer to procure mandi information, and is sustainable for the service provider.
 - Guidelines around security and privacy for data transfer need to be set in place for MVAS, including for,
 - Placing of data servers in the country/ access to data by the government for security reasons
 - Use of secure encryption technologies such as double encryption for data transfer, especially for transaction type services
 - Misuse of consumer information and consumer privacy protection Simple authentication mechanisms can be devised to enable transactions, including by leveraging UIDAI

Along with the inputs provided by the committee, the Utility MVAS could be facilitated through the following Initiatives

- Referring to the best practices in the MVAS field and collaborating with other organisations which have successfully implemented relevant MVAS initiatives for public welfare such as Governments of Singapore, South Africa, and China, as well as multi-lateral development funds e.g. USAID, UNDP etc. to understand key challenges faced and critical actions required for success
- Effective partner search for relevant services in all parts of the value chain: telecom operators, application developers, and content providers (e.g. health care institutes, educational institutes etc.), foreign collaborators who have successfully deployed initiatives (e.g. Safaricom, Mxit, Commonwealth of Learning teams etc.) to co-create successful applications/models
- Ensure relevance of service
 - Leverage consumer data available with operators and Government records to ensure context based services keeping in mind the literacy rates, health related information etc.
 - M- Commerce players need to understand the current system cost the consumer has to incur and set a commensurate price point thereby implement innovative pricing structures. For e.g. Nokia charges farmers `60 for 2 months of continuous information regarding prevailing mandi prices which is more than commensurate for his transport cost of going to the mandi and opportunity cost of working
- Increase awareness: Promoting Utility MVAS initiatives through radio, TV, gram panchayat networks etc. (this will also reduce marketing cost of the operators).
- Innovation in payment mechanism Example: The National Payments Corporation of India (NPCI), set up by RBI, as an umbrella institution for all the retail payments system in the country, is currently piloting a Person-2-Person money transfer mechanism called the 'Interbank Mobile Payment Service (IMPS)'. This is a mode which can be leveraged by VAS providers to obtain payments.
- Business need of service providers such as hospitals and banks. There is also a growing need from industry players such as banks, educational institutions, healthcare providers etc. to use mobile applications and other value added services as a channel to provide easy access to services to their customers, as well as, increase productivity and efficiency of employees.
- Currently the NPCI is working with UIDAI to create a mobile banking system for the unbanked sections of society, though this is still in process.
 - Various value chain partners including handset manufacturers (e.g. Nokia) and operators (e.g. Bharti) are working with the Unique Identification Authority of India (UIDAI) team to figure out the execution of electronic authentication using mobile phones)

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

Answer:

Various other suggestion for the growth of mobile value added services are

- Recognition of MVAS player:-Providing recognition to MVAS is important for growth of the segment. Recognition can be provided through multiple ways
 - Licensing the MVAS player
 - Providing industry status to MVAS
- Provision for entity, similar to Service Basic Operator in Singapore, to expand the industry. Singapore has implemented concept of SBO. It is a licensed player who pays a fix rental payment to the operators and is accountable for content. They are also responsible for marketing and QoS.
- Increased access to handset
 - Setting up of smart phones booths in rural areas. Models such as these, has been implemented in South Africa where operators have to set up this infrastructure as part of the licensing agreements with the government.
 - Dissemination of smart phones and training on their usage to certain key individuals such as teachers/health care workers/gram panchayats in order to deploy basic services on the mobile phone.
- Accelerating the set-up of network infrastructure/towers especially in non-urban areas
- Encouraging open source based platforms
For e.g. Nokia has recently announced a project release of MeeGo software. MeeGo is the open source next gen operating system for computing devices jointly developed by Nokia and intel, For e.g. OperaMini works to develop applications which work across handsets.
- Various bodies like TRAI and COAI should conduct awareness campaign to make various stakeholders aware of the advantages of equitable revenue share and transparency. One of the ways could be through sharing case studies on how telecom operators globally have succeeded through adopting transparent methods and providing greater revenue share to other value chain players e.g. DoCoMo in Japan and its i-Mode application