



Symbiosis Institute of Telecom Management

Symbiosis Knowledge Village
Near Lupin Research Park, Village Lavale,
Mulshi-Tahsil , Pune-411 042

Contact:

Apoorva: apoorva.sitm@gmail.com (+91 9960587465)

Snehal : snehalg.sitm@gmail.com (+91 9823743763)

CONSULTATION PAPER

ON

MOBILE VALUE ADDED SERVICES

To,

Mr. Rajkumar Upadhyay,
Advisor (BB& PA)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg, New Delhi-110 002
Tel. No.011-23237922 Fax No.011-23220442

Dear Sir,

Subject: Consultation Paper On “Mobile Value Added Services”

We welcome the opportunity to respond to the Telecom Regulatory Authority of India’s (TRAI) Consultation Paper on “**Mobile Value Added Services**”. We appreciate TRAI for this excellent consultation which will help in establishment of new standards as well as finding new policies for VAS industry.

Please find below our selective response to the consultation paper.

We would like to participate in any case any further opportunity is provided to discuss these issues. Also, we are available for discussions in taking some of these recommendations forward.

Yours Sincerely,

Apoorva Chaturvedi

MBA – Telecom Management (2nd Year)

Snehal Gajbhiye

MBA – Telecom Management (2nd Year)

Symbiosis Institute of Telecom Management, Pune

Disclaimer: Please note that the views presented in the paper are of the students and not of the Institute.

Q1. 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 licensing framework?

Ans. Yes, the current provisions under various licences (UASL, CMTS, Basic and ISP) are adequate to grow the MVAS market to the desired level.

Also we would like to suggest two additional provisions that need to be incorporated.

1. A new revenue sharing model(discussed later in the paper)
2. An Open Access model

Revenue Sharing Model:

All telecom operators in India today have implemented (or are capable of implementing) billing and charging the two legs of “VAS request” and “VAS delivery” separately and differentially. A logical way to look at charging the end-user for VAS would be to:-

- Charge for generating the VAS request (over SMS, GPRS or Voice) from the end user
- Charge for delivering the VAS (Content) to the end user over Data (SMS MT, GPRS session) or Voice (IVR/Video) channel

Model 1

	SMS		GPRS		Voice/Video	
	Access	Content	Access	Content	Call	Content
On-Deck content						
Telecom operator	90%	40%	90%	40%	50%	50%
Aggregator/ enabler	10%	20%	10%	20%	25%	25%
Publisher/ provider	0%	40%	0%	40%	25%	25%
Off-Deck content						
Telecom operator	50%	20%	40%	25%	25%	25%
Aggregator/ enabler	10%	20%	20%	25%	25%	25%
Publisher/ provider	40%	60%	20%	50%	50%	50%

Model 2

	SMS		GPRS		Voice/Video	
	Access	Content	Access	Content	Call @	Subscp
Basic						
Telecom operator	50%	25%	50%	25%	25%	25%
Tech Aggregator/ Enabler	25%	15%	25%	15%	25%	25%
Publisher/ Licensor	0%	35%	0%	35%	25%	25%
Service Provider - SP #	25%	25%	25%	25%	25%	25%
On-Deck content - O						
Telecom operator (SP)	75%	50%	75%	50%	50%	50%
Tech Aggregator/ Enabler	25%	15%	25%	15%	25%	25%
Publisher/ Licensor	0%	35%	0%	35%	25%	25%
Off-Deck content - A						
Telecom operator	50%	25%	50%	25%	25%	25%
Tech Aggregator/ Enabler (SP)	50%	40%	50%	40%	50%	50%
Publisher/ Licensor	0%	35%	0%	35%	25%	25%
Off-Deck content - C						
Telecom operator	50%	25%	50%	25%	25%	25%
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Publisher/ Licensor (SP)	25%	60%	25%	60%	50%	50%

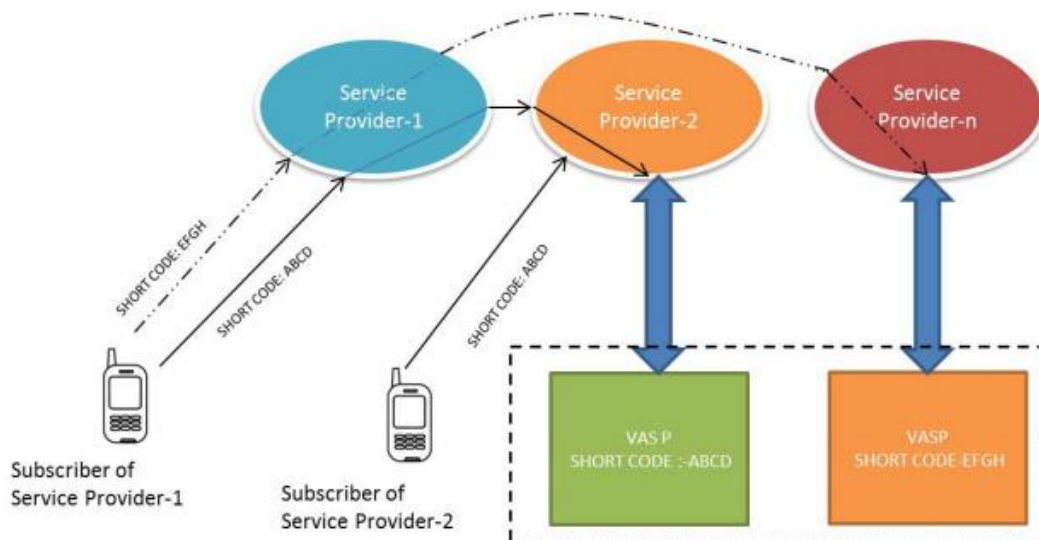
Service Provider in this context implies that player in the Value Chain who brands and markets the service to the end-user

@ Call session would typically include both Access and Delivery

The above model suggests separate billing for access and content. These models ensure minimum revenue to various stakeholders in the value. This would, while protecting the VAS industry from being stifled, would help innovations and bilateral negotiations based on perceived value of the product and services. The consumer should have the option to take a bundled price. This will also force transparency and clarity and the mentioning of a price point that the Regulatory Authority (within its existing remit) will be able to regulate, like voice charges.

Open Access Model:

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 VASP need not to approach and integrate with each service provider. In this approach VASP can limit his installations to single location requiring integration with only one service provider of his choice. Customers can access this VASP from any other service provider's network through a uniform short code. The originating operator collects the charges from the customer and passes on to terminating operator after deducting the charges like billing, customer care, interconnection etc. Terminating operator in turn passes the revenue collected from originating operator to VASP after deducting its charges like transit charges. This arrangement will require a common short code to be used across service providers. All service providers will be required to route the 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. Customers also will be free to choose any VAS from any VASP, irrespective of VASPs' location. 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.



OPEN ACCESS MODEL

Q2. Is there a need to bring the Value Added Service Providers (VASPs) providing Mobile Value Added Services under the licensing regime?

Ans. NO, there is need to bring VASPs under the licensing regime. Since content providers do not own telecom infrastructure, it would not be appropriate to license them under the India Telegraph Act, 1885. Furthermore the entire VAS value chain which includes content owners, content providers, content aggregators, content developers etc is large and it would be an enormous job to devise and cover each of them under a suitable license. Licensing may also affect the entrepreneurship, innovation and creativity of content developers and it would become difficult for them to sustain in the market.

Q3. 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 alongwith the rationale thereof.

Ans. Not applicable

Q4. 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. The current revenue sharing model between telecom service providers is unfavorable for the growth of VASPs. According to the consultation paper, telecom service providers typically retain the bulk of the revenue (around upto 60% to 65%) from MVAS depending on the type of content that is being delivered to the users. The rest of the revenue is shared among copyright owners, content developers, content aggregators, and technology enablers. To ensure attractive ROI for VASPs, ensure faster capital investments required growing the VAS industry to the desired level, encouraging innovation & entrepreneurship there is a need to change the current revenue sharing model.

Towards this, two models of Minimum Revenue Share are suggested below

The models below are based on the following assumptions:

All telecom operators in India today have implemented (or are capable of implementing) billing and charging the two legs of “VAS request” and “VAS delivery” separately and differentially. A logical way to look at charging the end-user for VAS would be to:-

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Publisher/ Licensor (SP)	25%	60%	25%	60%	50%	50%

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Justification for Operator's Revenue

The operator claims revenue share with 3 costs – cost of building the market (i.e., license fees and shares as well as capex/opex etc); cost of usage of the infrastructure and finally cost of billing and collection. the first and second cost (ie cost of building and cost of usage) are one and the same thing and a 1 minute voice call price at Rs. 1 includes cost of hardware and opex and usage charge. Similarly, his data/access charge should be on the same basis.

Also we would suggest that 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 and benefit VASP and the end user.

Q5. 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. To ensure attractive ROI for VASPs, ensure faster capital investments required growing the VAS industry to the desired level, encouraging innovation & entrepreneurship there is a need to change the current revenue sharing model. TRAI might consider articulating a revenue-share band or a minimum floor price based on service type. Such thresholds, benchmarks, and point of reference - while perhaps not mandatory can add enormous value as revenue-share agreements are finalised.

Also refer to response to Q4 .

Q6. 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 we agree to the fact that there are differences between the MIS figures of the operator and VAS providers. It is of crucial importance that reconciliation and payments happen in a time bound manner and are based on commonly agreed parameters.

It is very important from MVAS players perspective that whole process of MIS, reconciliation and payment get completed within reasonable period at the end of every month. Non-completion of the process in time by mobile operators is very unhealthy for the growth of mobile VAS. Because of delay in MIS and reconciliation process, MVAS players are not able to report download numbers to its content partners which in turn deteriorates trust of content partners in MVAS players.

Three major issues that arise with regards to payments, MIS and reconciliation with suggested remedies are given below:

Issue #1>. Traffic reconciliation & payment settlement cycle is too long

While the traffic reconciliation process happens, the Operator needs to pay the VAS vendor within 21 days from the date of Invoice based on the lower of the two figures (Operator MIS and VAS Vendor MIS).

Remedy: Upon completion of the reconciliation process (say within 30 days from the date of invoice), the difference should be settled in the next payment cycle. When the Operator intends to tighten the payment cycle it can surely do so. We see that happening when it comes to collecting their dues from VAS vendors for sending SMS Alerts using their PUSH pipes.

Issue #2>. Traffic reconciliation process is dictated by the Operators - through contracts which provide little or no recourse to the VAS vendor for challenging the MIS figures of the Operator.

Any traffic reconciliation process will always throw up differences between the two parties. It may be acceptable to most VAS Vendors to get paid on Operator MIS as long as the MIS difference is within 1%-2% levels. One can handle such differences by providing for it in the P&L. However, this issue becomes serious when the VAS vendors are compelled to provide for Bad debts at the end of the FY in the region of 5%+. Some operator contracts do not allow any reconciliation process till the difference in MIS is up to 5%. Others do not even provide for any formal scope for reconciliation in the contract - compelling the VAS vendor to accept the operator MIS figures .

Remedy: Contracts 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.

Also there is a need of transparency in MIS & payment settlement between the VAS vendor and Content Publisher is an issue. VAS vendors are not able to provide timely MIS to the Content Suppliers. Sometimes large Content Publishers/Licensors like Indian Railways or some big Music Labels insist on being paid on their Traffic figures and within their payment cycles - which leads to time & amount mismatch very often. In some cases, this can lead to a loss-making proposition for the VAS vendor - as it gets hit from both sides.

Once the VAS vendors know that the "business-as-usual" downside is 2% - they could prepare their Content Suppliers for creating a Provision for this difference in their P&L. This will allow the Content Suppliers to book their mobile content download revenues at the end of the month - based on the Online MIS provided by the VAS vendor -and accepting an adjusted revenue collection later on. This way, the VAS vendor will have no problems in sharing On-line MIS with the Content Supplier - which is a critical need of the Content Publishers/Licensors.

Q7.

- (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. Yes there is a need to revise existing framework for allocation of short codes for accessing MVAS.

Yes there should be separate allocation of short code for access provider and VAS provider.

For example, Indiatimes 58888 is a well known brand from the Times of India group, the 58888 short code for Airtel customers is owned by Airtel but licensed to Indiatimes. Similarly for Vodafone customers, 58888 is owned by Vodafone, but licensed to Indiatimes.

Now if any startup wants to create a similar short code brand for providing services, it is required to license the same short code with each mobile operator – which is a difficult task. Therefore a Common Short Code Agency should be created which should have a simple and affordable online payment mechanism for enabling ownership of identity.

Yes a fee is required to be paid for the allocation of short codes. This is to ensure that there is efficient and correct utilization of the short codes. Also there should be a regular time period fee so that in case the short codes are not utilized they can be returned back to the free pool of short code.

Q8. 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.

We do agree with the approach suggested in the consultation paper. The current provisions in the open access model are sufficient.

Also refer our response to **ques 1**.

Q9. 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. The measures required to boost the growth of utility MVAS like m-commerce, m-health, m-education & m-governance etc. in India are as follows:

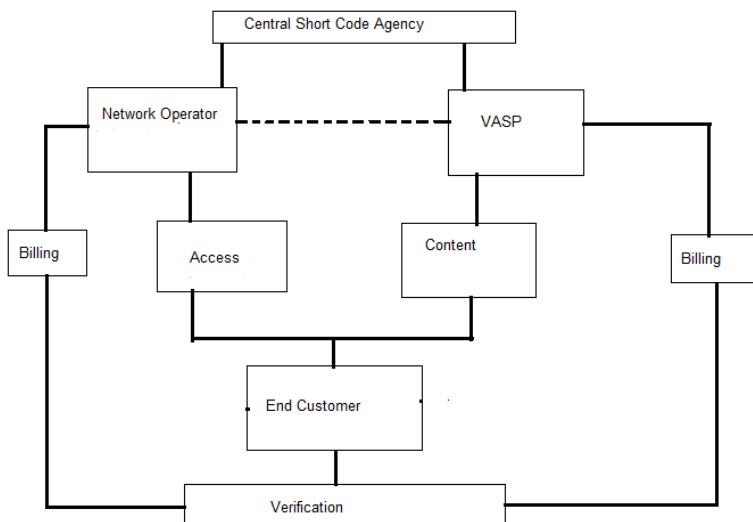
- 1) Building consumer awareness about utility MVAS initiatives through TV, radio , gram panchayats etc is important for its successful implementation.

- 2) The government needs to understand the key public welfare areas which need to be addressed through utility mvns. It should ensure relevance of services by leveraging consumer data available with the operators(educational qualifications,age) and government(health information, literacy rate etc) to provide better services.
- 3) It is important to build adequate network coverage across the country along with wider distribution of handsets in non-urban areas to enable empowerment.
- 4) Government should create funds to help entrepreneurs, content providers, developers etc thereby helping the MVAS industry by supporting innovation and creativity.

Tariff for utility services by government agencies should be regulated to ensure nominal charges for consumers. As the utility mvns services are also targeted for non-urban areas, they should be affordable by lower classes of the society. The government should set up a ceiling price keeping in mind the development and operating costs involved.

Q10. Any other suggestions with reasons thereof for orderly growth of mobile value added services?

Ans. Our framework for an Open and Competitive MVAS Ecosystem would be structured as follows:



This would support the VASP for their growth in the current scenario of Indian Telecom Industry. Also with 3G set in, it will promote VAS industry.