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# ANSWERS TO MVAS CONSULTATION PAPER

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**3.1. 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 licensing framework?**

As per our understanding, the current provisions of Value Added Services, as given in the various licenses are adequate to meet the existing as well as future MVAS growth and hence, the same may be maintained. Collectively all the licenses as mentioned in the consultation paper are in the position to cater to services provided by 2G,3G,IMS and NGN

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

Licensing, though involves bureaucratic processes, brings in accountability and recognition to firms. Though licensing for VAS is in place, it is restricted to services such as voice mail service, audio text and unified messaging service. The definition of VAS licence should be augmented to include services such as content selling, content aggregation, and VAS technology platform provisioning. Currently the MNOs are so domineering in their presence that VAS providers barring a few don't have any recognition for their efforts. Licensing will give legal recognition to VAS providers. To make it simpler, only service providers (content owners, VAS platform provider, content aggregator) who directly interact with the MNOs to provide their offerings need be recognised through VAS licensing.

**Q3.3 If yes, do you agree that it should be in the category of the Unified License as recommended by this Authority in May 2010? In case of disagreement, please indicate the type of license along with the rationale thereof.**

A separate license should be given to VAS provider.

Thoughts on the entry fee

Nil entry fee as lobbied by VAS providers will lead to non-serious players getting licence and not providing any service, much the same as what was witnessed in the Internet Service Provider (ISP) market. The other possibility is no levy but with riders such as performance bank guarantee and net worth requirements. Though this was practised in the ISP market, it was difficult to monitor and enforce as there were many licensees, much the same as what we will witness in the VAS market. An entry fee of about Rs 10 lakh as is being currently levied on ISPs will encourage the licensees to provide services actively. The above two measures will prevent any fly-by-night operation and fraud and provide proper checks and balances for the orderly growth of this sector.

**3.4 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?**

The current revenue sharing model gives limited incentive for growth of the MVAS ecosystem; hence, operators will need to encourage other players by sacrificing revenue share. For this operators will have to use MVAS to differentiate themselves from competitors and hence will become more dependent on content providers and aggregators for quality content.

In order to ensure that the VAS providers get the due revenue from Telecom Service Providers, it is high time to regulate the revenue sharing model. It is only then the content developers and

aggregators will identify ways for delivering higher value innovative solutions to the operators. The popularity of high-end informational and transactional activity will increase the bargaining power of content providers, as will the introduction of 3G. Multiple small content aggregators will consolidate and grow stronger, and will thus be in a position to demand a higher revenue share.

**3.5 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?**

Right now the focus should be on regulating the revenue sharing model as it is only then the content developers and aggregators will identify ways for delivering higher value innovative solutions to the operators. The idea of categorising MVAS services based on innovation and utility can be taken in a phased approach.

**Q3.6 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?**

It is very important from MVAS player's 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 (average cycle is upwards of 3 months, and in one or two cases it goes over 6 months) .While the traffic reconciliation process happens (and often we may find that the operator is not able to complete the reconciliation process in an agreed timeline), the Operator needs to pay the VAS vendor within 21 days (payment lead time that operators offer to their own subscribers) from the date of Invoice based on the lower of the two figures

(Operator MIS and VAS Vendor MIS).

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 (take or leave it). I guess, as an industry, we could pitch for a situation where the 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.

Issue #3>. 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 a profit.

**3.7 (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?**

We feel that the existing framework for the allocation of short codes for accessing MVAS requires modifications. Since getting a short code in the current industry environment is extremely costly and difficult, thereby placing a high entry barrier in mobile VAS. The short-code allocation is a very tedious process, with negotiation with individual operators. For new start-ups in this field, high initial cash resources and high involvement in terms of time and effort for negotiations with operators are some of the prerequisites.

Thus, the short-code numbers could be obtained centrally so that one short-code number is active across all network operators. These short codes could be enabled through standard procedures across all networks. A framework having well defined procedures and parameters (like fee, timeframe) for allotment of code may be desirable for speedy rollout of the value added services.

**3.8 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 paragraph 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?**

Yes, there is definitely a need to provide open access to subscribers for MVAS of their choice. With the advent of the 3g coming up in the market, the utility of MVAS will tend to increase and during that period if the customer's hands are tied up, the market will not groom as it is supposed to be.

The model suggested in the paragraph 2.46 is well thought model and is taken care of all the aspects, but if we can make it fully independent body or vertical as a whole and make a totally new and common billing system for all the VAS provider then they will be empowered and all the service provider should come on a common platform where they will be able to get services form all the VASP.

The measure that can be taken care of is to empower the VASP so that they can be a separate vertical who will provide the MVAS services. Operators will definitely go behind them as they have already invested so much in the 3G auction.

A common platform on which all the VASP's and service providers can join and the customers can be billed from the VASP's end. The service provider will be a medium between the customers and VASP and the service provider can charge an amount from the VASP's for providing connection between them.

**3.9 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?**

Some of the measures to boost the growth of utility MVAS services can include initiatives taken by the government to set up an advisory committee that understands and identifies key needs of the public which can be addressed through mobile technology. Setting up of smart phone booths and spreading awareness through campaigns and trainings on their usage to certain key individual, deployment of innovative payment solutions and simple authentication mechanisms can be devised to enable transactions, including by leveraging UIDAI can be some other measures. UID can move the needle by miles. The growth seen by the Indian mobile telephony sector over the last decade has been nothing short of extraordinary, particularly in its ability to be a great leveler in voice communication access to most sections of the population. Enabled by 3g / 4g technologies and driven by the commoditisation of voice coupled with falling ARPUs (Average Revenue Per User), the industry today potentially stands on the cusp of another revolution called Mobile Value Added Services (MVAS). The industry is looking at various means to use MVAS as a growth driver and simultaneously as a key differentiator. The focus of the industry, so far, has been music, entertainment, gaming and other similar services, but MVAS have a huge potential to be used in areas which help bridge the digital divide and foster inclusive growth in India; these services referred to as Utility MVAS. Poised for rapid economic growth, India continues to lag behind on key development indicators such as basic health and education facilities. In order to promote and expedite inclusive growth, India can use MVAS to deliver such basic services.

**Utility MVAS Categories**

Based on a study of existing MVAS services in many other parts of the world and the current unmet needs of India, some categories which include M-Commerce, M-Education, M-Health and M-Governance can be the immediate focus areas for MVAS in India.

**M-Commerce**

Services consisting of payments, banking and retail transactions over the mobile phone such as person-to-person payment, bill payments etc. Internationally, M-Pesa in Kenya is a great success story where remittance services offered by Vodafone and Safaricom are being utilized by approximately 27 per cent of the population, monthly transactions are over \$375 Mn and users save upto \$3 per transaction. In India, players such as Spice, Oxicash, MChak, NGPay, ICICI's iMobile are already offering some services in this area but these are mostly restricted to information services. M-Commerce has a significant potential to promote financial inclusion and foster economic growth for large sections of the Indian society.

**M-Education**

Services consisting of training and learning related content, both in the sphere of formal education and non-formal and vocation training through mobile applications using SMS, WAP, USSD, etc. While most companies in India are largely focused on corporate learning or providing examination alerts for major public examinations, there is tremendous scope for services such as language training, mobile reading, broader adult literacy and vocational training on specific subjects. In India, EnableM, Deltics, GCube Solutions, Tata DoCoMo are some of the players in this area. Some countries such as

South Africa have also adopted the mobile phone as an integral part of the education system as it provides a platform to support and enable the curriculum, providing self-tutorials and interactive tutorials to children in particular subjects.

#### **M-Health**

This comprises services which use mobile devices to deliver health solutions such as health alerts, updates, and patient monitoring systems. M-Health is in a very nascent stage in India today but some of the healthcare service providers and telcos such as AIIMS, Maestros Mediline Systems, Apollo Hospitals, Aircel see a tremendous opportunity in use of mobile applications for service delivery. Information based services which spread education and awareness around chronic diseases using simple IVR or SMS technology have been found to be tremendously effective in countries such as South Africa (for AIDS), Mexico (for heart disease). As public health is a key indicator for the Indian Government, it could take initiatives to boost M-Health.

#### **M-Governance**

Services which involve the strategy and utilisation of all kinds of wireless and mobile technology services, applications, and devices for improving the delivery of effective government services for all citizens. In India, Bihar and Kerala are pioneers in the field of M-Governance. Globally, governments in countries such as China, Dubai, Hong Kong, Singapore and Malaysia have deployed M-Governance services from basic information based services such as natural disaster alerts to enabling polls through mobile phones. India can draw from these examples to devise an 'always-on' governance system.

Success of the above MVAS Categories globally, along with the burning need of such services in India shows the tremendous scope to develop and deploy such Utility MVAS Services in the country.

#### **The Roadmap Ahead**

Certain action needs to be taken by all players in the Utility MVAS value chain / ecosystem to meet the numerous challenges these services face and ensure the uptake of such services in India. Utility MVAS suffers from the lack of recognition of MVAS Providers as an industry, as also the lack of guidelines for various value chain players. Support infrastructure; network coverage, mobile phone penetration, robust security and payments infrastructure are a significant requirement for the success of Utility MVAS. Additionally, a cohesive eco-system with an equitable revenue share and transparency around areas such as usage / billing data is a critical requirement. Moreover, at an operational level, the ecosystem deals with many significant challenges such as ensuring relevance and affordability of service, appropriate partnerships, marketing etc.

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. The government should also look at MVAS as a serious vehicle to hasten the process of inclusive growth, and thus identify priority areas for which funds need to be allocated, and initiatives need to be undertaken, specifically in the areas of governance, health, and education. Many lessons can be learnt from global success stories across the world in order to deploy successful initiatives in these areas.

#### **3.10 Any other suggestions with reasons thereof for orderly growth of mobile value added services?**

The government also needs to look at framing a policy which encourages the aggressive roll-out of required network and device infrastructure on a large scale to truly attain scale for the Utility MVAS. The government can also play a role in fostering innovation, and setting guidelines around transparency and other best practices to promote an equitable ecosystem.

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. The government should also look at MVAS as a serious vehicle to hasten the process of inclusive growth, and thus identify priority areas for which funds need to be allocated, and initiatives need to be undertaken,

specifically in the areas of governance, health, and education. Many lessons can be learnt from global success stories across the world in order to deploy successful initiatives in these areas. The government also needs to look at framing a policy which encourages the aggressive roll-out of required network and device infrastructure on a large scale to truly attain scale for the Utility MVAS. The government can also play a role in fostering innovation, and setting guidelines around transparency and other best practices to promote an equitable ecosystem. The industry should look at best practices across the world and examine opportunities in the Utility MVAS space closely to identify various business models. The advantage of looking at these greenfield areas is a potential competitive differentiation, ability to generate new streams of revenue, and garner customer loyalty. 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. Thus, in conclusion, while there are plenty of challenges that face the Utility MVAS space today, the opportunities are tremendous, given the mobile phone's growing reach and the advancement of technology including the foray of 3g. It is only a matter of the government and the industry coming together to create a win-win situation for the industry and the consumers.