



RSM/COAI/2017/075

May 1, 2017

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Subject: Consultation Paper on “Introduction of UL (VNO) for Access Service authorization for category B license with districts of a State as a service area”

Dear Sir,

This is with reference to TRAI Consultation Paper on “Introduction of UL (VNO) for Access Service authorization for category B license with districts of a State as a service area” issued on March 20, 2017.

In this regard, please find enclosed COAI response on the paper.

We hope that our submissions will merit your kind consideration and support.

Thanking You,

Yours faithfully,

Rajan S. Mathews
Director General

Copy to: Shri Sudhir Gupta, Secretary, TRAI



Response to TRAI Consultation Paper on

‘Introduction of UL (VNO) for Access Service authorization for category B license with districts of a State as a service area’ Issued on 20th March, 2017

We thank the Authority for giving us the opportunity to respond to this paper. At the outset, we welcome any steps that are taken to facilitate various business cases or benefit consumers through VNO Licensing route, but at the same time submit that the Licensing conditions should be in the spirit of “Same Service Same Rules” so that parity is maintained between the various service providers providing similar type of service.

Our inputs on various issues raised in the Consultation Paper are:

Q1. Is there any need to introduce Cat –B VNOs in the sector?

- i. If yes, should the existing DID franchisees be mandated to migrate to UL (VNO) Cat-B based licensing regime? Do you foresee any challenges in the migration from franchisee regime to licensing regime?
- ii. If no, how DID franchisee can be accommodated in the existing licensing regime in the country?

COAI Comments:

1. At the outset, we believe that the area of operation of a VNO should be aligned with a NSO for maintaining the parity in the Licensing framework. Devising a VNO Licensing framework which does not align with the area of operation of a NSO can also lead to various operational complexities.
2. The DoT UL(VNO) Guidelines also state that only pan-India or service area-wise authorizations may be granted under a UL (VNO) license. However, UL (VNO) licensee will be able to service an area within the LSA of the NSO with which the VNO has entered into an agreement for delivery of services.
3. We note from the Consultation Paper that DoT has already issued its guidelines on 5th July, 2016 to introduce UL (VNO) Cat-B with Access Area authorization in a District of a State/UT.
4. While expressing our reservations on this approach, however, with due consideration to the issue of continuity of services offered by DID franchisees, we submit that Cat-B VNOs [DID] may be allowed in the sector only for DID franchisees in order to prevent any further complications that may arise. In view of the same, DID franchisees may be mandated to migrate to UL (VNO) Cat-B License.

5. We further submit that the purpose of the Cat-B License should **be only to accommodate the DID franchisees** in the Licensing Regime and thus the scope of services under this license should be limited to the same. While VNO-DID Category B Licensees would be offering their services in a District as a service area, however if a particular DID franchisee wishes to provide services in more than four SSAs of a Telecom Circle then in this case, that franchisee should be mandated to obtain Access Service Authorization License for the entire Telecom Circle.

Q2. Should the scope of UL (VNO) Cat-B licensee be limited to provide landline (voice) and internet services or should these be allowed to provide mobile service also?

COAI Comments:

1. In this regard, as submitted in our response to Question 1, that the Geographical area of operation of VNO Licensee should be the same as that of parent NSO. The same is necessary to avoid conflict with the current licensing structure and to avoid operating complexities.
2. However, with due consideration to the continuity of services offered by DID franchisees by bringing them in Licensing framework, we submit that VNO-DID Category B be allowed to operate to provide **fixed DID services only**.
3. In view of the exceptional circumstances to accommodate and allow the continuity of services offered by the DID franchises, we strongly submit that there **should be no enhancement of their scope of service which must be restricted to fixed DID only**.
4. Thus under no circumstances should the DID franchisees be allowed to provide either mobile or internet services. This will lead to a complete undermining of the UL VNO framework.
5. In case any operator wants to offer mobile services, it will have to take a UL VNO Access license for the full LSA. As already provided in the guidelines, the authorization for access services must be taken for the full LSA even if the service is provided in any part of the LSA.
6. In view of the above, **we would like to submit that Mobile Services should not be allowed to be provided under a License having service area as a District which would again be against the present licensing structure** as the Geographical area of operation of a VNO Licensee and parent NSO should be the same. Further, allowing mobile services to be provided under a license whose area of operation is smaller than a LSA would lead to various operational complexities such as:
 - a. Since, the area of operation of MNOs is on a LSA level, therefore, all the resources like mobile numbering series etc. are assigned on a LSA Level. Using/bifurcating some of these resources to be used on district level would prove to be a huge challenge.
 - b. In the Unified License, Access Service Authorization is granted on a Telecom LSA level for the purpose of providing mobile services. Allowing VNOs whose area of operation is different from parent MNO would lead to complications in the calculation of AGR and applicable Regulatory levies.

- c. The operational complexities under such an arrangement would be further compounded by the requirement of restricting mobility on a district level or charging roaming for the inter- district level movement. Needless to say, handling customer complaints and queries would itself become a huge challenge in itself as due to various factors such as occupational requirements of subscribers, movement at an inter-district level on a daily basis becomes inevitable.

Some of the above may not be possible to implement at all and hence, we do not recommend the mobile services to be allowed under the UL(VNO) category B license. It would be fundamentally against the existing licensing structure where NSOs and VNOs should have same geographic area of operation.

7. The requirement of this License has emerged as a result of a need to provide fixed-line DID services on a smaller scale and therefore, its scope should be limited to the same.
8. We note that the DoT letter dated 12.09.2016 referred to by the TRAI has not been annexed with the consultation. We request that the same may kindly be shared. It is submitted that we do not agree with that Cat-B licensee can provide all services under the scope of access service at district level. We reiterate that the scope may be restricted to fixed DID only.
9. As submitted above, we note from the Consultation Paper that DoT has already issued its guidelines on 5th July, 2016 to introduce UL (VNO) Cat-B with Access Area authorization in a District of a State/UT and the reference to TRAI is by way of seeking post facto recommendations on a decision that has already been taken. We would like to express our reservations against such an approach and urge that this reference may be taken up as an exceptional case/circumstance only.

Q3. Can the license duration for UL (VNO) Cat-B be kept 10 years which is at par with other licenses issued under UL (VNO) policy? If no, justify your answer.

COAI Comments:

1. We recommend that the duration of these licenses should be for 10 years which has been set for other authorizations in VNO Licence.

Q4. What should be Networth, Equity, Entry Fee, PBG, FBG etc. for District level UL (VNO) Cat.-B licensee in case these are allowed for Wireline and Internet services only? Answer with justification.

COAI Comments:

1. The Licensing obligations should be proportionate to the scope of services covered under that particular license; in this case, as stated aforementioned only Wireline services should be permitted under the VNO Cat.-B Licenses. Accordingly the criteria for Net worth, Equity , Entry Fee , PBG and FBG may be specified as below:

Criteria	In INR
Net worth	Nil
Equity	Nil
Entry Fee	25 lakhs
PBG	50 lakhs
FBG	50 lakhs

- At the same time, as submitted earlier also if a VNO-DID Category B Licensee wishes to provide services in more than four SSAs of a Telecom LSA then that DID franchisee should obtain VNO Access Service License for the entire Telecom LSA.

Q5. What should be Networth, Equity, Entry Fee, PBG, FBG etc. in case Cat.-B VNOs are allowed to provide mobile access service also? Please quantify the same with justification.

COAI Comments:

- We reiterate that the scope of the License should be limited to Fixed line DID services and **do not recommend the Mobile Services to be allowed under Cat-B VNOs.**
- We also state that **no internet services should be allowed under the VNO Cat-B** license which should be confined to EPABX services only.

Q6. Keeping in view the volume of business done by DID franchisees, what penalty structure be prescribed for UL (VNO) Cat 'B' licensee for violation of UL (VNO) Cat.-'B' license terms and conditions?

COAI Comments:

- It may first be noted that the LSA wise penalty prescribed by DoT for access services is upto Rs. 50 crores.
- However, given the restricted nature of the authorization, we suggest that For UL-VNO-DID Cat-B licensees providing Fixed line voice only in a District/SSA that penalty of up to Rs. 1 crore may be prescribed. UL (VNO) cat B licensees will provide the services up to a SSA level, they are more prone to be misused by fly by night operators. It is therefore necessary to impose hefty penalty to discourage any violation of Licensing conditions pertaining to voice services.

Q7. Should the UL (VNO) Cat.-B licensees be treated equivalent to the existing TSPs/VNOs for meeting obligations arising from Tariff orders/regulations /directions etc. issued by TRAI from time to time?

COAI Comments:

- Yes. This has to be applicable to all VNO Licensees.
- It may be noted that the UL VNO License issued by DoT provides as below:

“17. Tariffs:

17.1 The Licensee will charge the tariffs for the Service as per the Tariff orders / regulations / directions/decisions issued by TRAI from time to time. The Licensee shall also fulfill requirements regarding publication of tariffs, notifications and provision of information as directed by TRAI through its orders / regulations / directions issued from time to time as per the provisions of TRAI Act, 1997 as amended from time to time. “

3. The filing of Tariffs plays an important role in enabling TRAI to monitor the prevalent tariffs and to determine whether the tariffs are compliant to Regulatory principles. Hence, it is important that all the Licensees are mandated to file their tariffs to TRAI.
4. Further, with the advent of online methods for filing of tariffs, it would become easier for the Licensees to file tariff plans to TRAI.
5. Therefore, we recommend that the VNO Cat B Licensee should be mandated to meet all the obligations (equivalent to TSPs/VNOs) arising from Tariffs orders/regulations/directions etc. issued by TRAI.

Q8. What QoS parameters shall be prescribed for UL (VNO) Cat. 'B' licensees?

COAI Comments:

1. QOS parameters are well-defined for the fixed-line services and the same may be prescribed to be followed by VNO-DID Cat.-B Licensees.
2. In our view, there is no need for any additional QOS Requirements for UL(VNO-DID) Cat B, licensees, providing DID services, other than what have been already prescribed for the Licensees providing fixed-line services.

Q9. Based on the business and operational requirements as discussed in Para. 21 above, should UL (VNO) Cat. 'B' licensees be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation for providing voice and internet services through wireline network?

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Q10. Do you foresee any challenge in allowing such arrangement as discussed in Q9 above?

COAI Comments:

In this regard, we would like to submit that we do not recommend the hiring of telecom resources from multiple TSPs in an area of operation. Our inputs are as below:

1. Hiring of Telecom resources from more than one TSP may cause issues such as bypass of STD and ISD Traffic. It is important to ensure that there is no bypass of STD and ISD traffic and the call routing takes place as per the well-established architecture. This would ensure that there are no security gaps as well.

2. The challenges/operational requirements highlighted by DID franchisees do not qualify as the reasons for allowing resources from multiple TSPs; our submissions in this regard are as below:
 - a. Most of the TSPs have LSA wide presence to provide connectivity at most of the places and even in the places where it is difficult to extend media to certain premises, arrangements can be made to hire fiber/media from the third party to extend connectivity.
 - b. A single TSP can provide necessary redundancy as TSPs themselves ensure proper redundancy to prevent service outage. For example TSPs have multiple exchanges located at different sites, maintain redundancy in media paths to prevent any service outage. In light of this, we submit that a single TSP can offer required protection for the traffic of VNO Licensee.
 - c. The arrangement between VNO and TSPs fall under B2B arrangement and as far as number of TSPs are concerned, there are enough TSPs available in a particular region for a VNO to negotiate SLAs while entering into an arrangement.
 - d. It may be noted that the DoT VNO guidelines also state as below:

*“VNOs will be **allowed to have agreements with more than one NSO for all services other than access services** and such services which need numbering and unique identity of the customers.”*
