

To,  
**The Advisor (BB & PA)**  
Telecom Regulatory Authority of India  
Mahanagar Doorsanchar Bhawan  
Jawaharlal Nehru Marg, New Delhi -110002  
Email: [advbbpa@tra.gov.in](mailto:advbbpa@tra.gov.in), [bbpa@tra.gov.in](mailto:bbpa@tra.gov.in)

**Subject:** Comments on consultation paper **Mobile Value Added Services (MVAS)** dated 21<sup>st</sup> July, 2011.

**Dear Sir,**

We welcome the opportunity to respond to the telecom regulatory authority of India (TRAI) in the form of a comment on consultation paper " **Mobile Value Added Services (MVAS)**".

Please find our comments on the consultation paper. We would definitely like to participate if any further opportunity provided to us to discuss on this issue and looking forward to the new consultation papers in the future.

Kindly let us know in case of any query.

**Yours Sincerely,**

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**ANIRBAN CHOUDHURY**

MBA-Telecom Management (2<sup>nd</sup> Year)  
Symbiosis Institute of Telecom Management  
Contact: [anirban.sitm@gmail.com](mailto:anirban.sitm@gmail.com)  
Mobile: +91 9552572914

(2)

**HARSHAL DESAI**

MBA-Telecom Management (2<sup>nd</sup> Year)  
Symbiosis Institute of Telecom Management  
Contact: [harshal.sitm@gmail.com](mailto:harshal.sitm@gmail.com)  
Mobile: +91 955255012

**Disclaimer:**

Please note that the views presented below are solely of the student and not of Institute.

#### 4.1

**Whether the current provisions under various licenses (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?**

**Answer:** The Unified access service licensing schemes touched upon various services that service providers could offer under various platforms to their customers. But cellular mobile telephone service license did not cover in great depth about value added services also the licensee in this case have to take prior permission from the authority before provisioning of any value added services. Also In basic service license it is not clearly mentioned about the kind of services for which separate licenses are required.

The above fact calls for a need to include transparency in the licensing scheme. The license should be such that either it specifically states the kind of services service provider can launch in the market or it should not put any barrier for the service provider to launch new services in the market.

#### 4.2

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

**Answer:** The current licensing schemes do not give a clear picture of the services that service provider can launch in future. Therefore it is necessary to bring the Value Added service providers under separate licensing regime for the benefit of value added service providers.

#### 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 is better not to make any changes to the existing Unified access service licenses and introduce a new licensing scheme for the Value added service providers.

The new licensing scheme should be such that it is able to identify the various VAS categories like

- 1) VAS in the fixed telephone network
- 2) VAS in the mobile telephone network
- 3) Internet VAS
- 4) VAS in the other data network

And then try to find out the various services that are possible under above mention category and the various platforms over which the services could be delivered. For example various services for category 1 could be as follows:

<b>Delivery Platform</b>	<b>Entertainment</b>	<b>Alerts and News</b>	<b>Commerce</b>	<b>Social VAS</b>	<b>Enterprise VAS</b>
IVRS	Any entertainment service that passes the regulatory compliance	Any alerts or news that passes the regulatory compliance	Ticketing, banking etc.	Any social VAS service which passes the compliance	Self help centers, IVRS based contact centers etc.

For category II it could cover various other services over various other platform as it is wireless

<b>Delivery Platform</b>	<b>Entertainment</b>	<b>Alerts and News</b>	<b>Commerce</b>	<b>Social VAS</b>	<b>Enterprise VAS</b>
<b>IVRS</b>	Any entertainment service that passes the regulatory compliance	Any alerts or news that passes the regulatory compliance	Ticketing, banking etc.	Any social VAS service which passes the compliance	Self help centers, IVRS based contact centers and others which comply with rules and regulation.
<b>SMS</b>	Ringtones CRBT, Customized wallpapers, Animation, Quiz and any other which comply with rules and regulation	Cricket/ match alerts, News and any other service which comply with rules	Mobile banking, Ticketing, Payment conformation etc.	Any social VAS service which passes the compliance	IVRS based contacts centers, Self help centers, voice portal and others which comply with rules and regulation.
<b>WAP Portals</b>	Video clip, Mobile games, Mobile themes ,mobile radio and others which comply to regulation	Mobile related info, stock portfolio management and others which comply with rules.	Mobile banking, ticketing, travel ,industry boeing and others which is compliant to rules and regulation of Authority	Mail, mobile greetings, chatting, blogging ,infotainment an others which comply with rules	Location based information, Internet mobile email, mobile calendar and others which adhere to rules.

And similarly for the other 2 categories we can identify the various services and platforms over which services can be delivered.

Apart from the specific service the other important points that license should cover is

- a) **Content Authentication:** There should be an authentication standard set out for the value added service providers that apply to the download of content.
- b) **Copyright Protection:** Despite the extension of copyright law to contents copyright protection continues to remain weak. The industry requires a stringent regulatory framework in place, to encourage the flow of branded content to consumers.
- c) **Encourage to invest more on utility VAS:** Utility MVAS like m-commerce, m-health, m-education & m-governance etc. contributes to the extent of only 4% of total MVAS revenue, this could be because of service providers not creating much of value addition to this sector and one possible reason could be because of high CAPEX. To overcome this challenge it needs a collaboration of operators, MVAS providers and the government to push the growth in utility MVAS. Also Authority should keep an eye over the utility service charge and possibly put a ceiling on the charge.
- d) **The license should have the validity period.** It is necessary that service providers renew their licenses after the license expires to keep check on the future changes in the VAS environment.

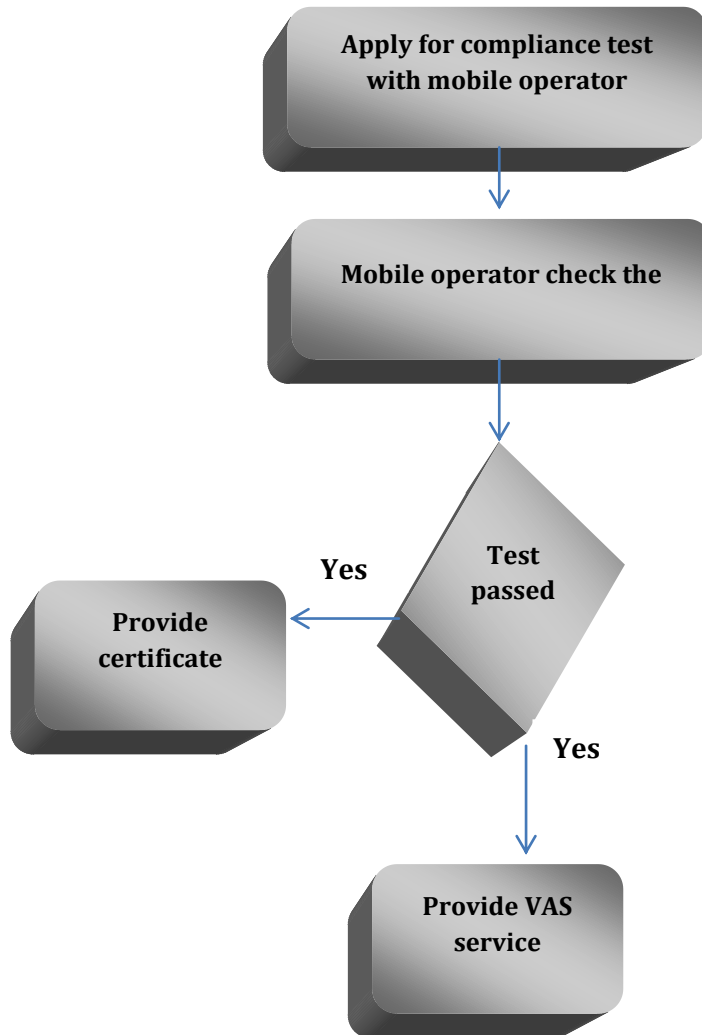
The licensing scheme should be such that entry barrier is minimized to the extent possible which will encourage more VAS players to enter the MVAS market which will in a way create competition in the market and hence the customer will be benefited with a better content.

#### 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:** Transparency in the revenue sharing arrangements is the only key driver which will ensure that VAS providers get their due revenue. The current revenue sharing arrangements favor the operators. The model should be designed in such a manner that it favors both MVAS providers and the operator. There should be a regulation which decides the revenue share between the operator, Content aggregator, Technology Enabler and Content Owner. But it should be left to operator to choose the service provider it wants to do business with.

Even the VAS application charge from the customer should be decided by the operator. This is necessary because operators have to earn from the MVAS market except for the utility MVAS which should be under Regulator to decide as at what rate the customers have to be charged as this needs higher attention.



**Fig: partnering with mobile operator**

#### 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:** It is absolutely fair to adequately reward creators/owners for creating higher quality content. If the operator regulates the VAS market to significant extent like

- a) Determining the VAS service fee
- b) Selecting MVAS providers according to their service portfolio that operators want to offer
- c) Exclude service providers who do not generate sufficient revenue for the operators
- d) Also monitoring service content and quality

Then it will be possible to ensure that a quality service is being delivered to the end customer and at the same time rewarding the MVAS players with large share of revenue which will encourage more and more players in this business and hence will reduce monopoly.

It is important that Authority should put more pressure to deliver more and more utility MVAS and hence in the licensing scheme it should mandate that content owner, content aggregator and technology provide get more share from the revenue generated from the utility MVAS and should make it necessary for the operator to not to put any barrier for the utility MVAS content. Other MVAS like entertainment and Social MVAS etc. will give less revenue to the content provider and aggregator compare to utility MVAS.

#### 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 there is a difference that comes up in the MIS figure of the operator and VAS provider.**

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. While the traffic reconciliation process happens the Operator needs to pay the VAS vendor before less than a month. Upon completion of the reconciliation process the difference should be settled in the next payment cycle.

Best ways to tackle the challenges of MIS figure are:

- a) 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).
- b) 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. Any difference which is more than 2% should be sorted out with the regulatory body like TDAST.
- c) 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.

#### 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, short code services need to be made independent of telecom operators, and allocated by an independent body on a first come first serve basis, at an affordable price, to ensure ease and low cost of starting a business. This will enable Digital Service Providers to have a separate access identity point for services, similar to the domain name regime that exists on the Internet.

**(ii)** Yes, short codes should be allotted to telecom service providers and VAS provider independently. At present, short codes are owned by the access service providers on mobile. For example, even though India times 58888 is a well-known brand from the Times of India group, the 58888 short codes for Airtel customers is owned by Airtel but licensed to India times. Similarly for Vodafone customers, 58888 is owned by Vodafone, but licensed to India times. The same agreements apply to Tata DoCoMo and other telecom operators.

This means that if any startup wants to create a similar short code brand for providing services, it needs to license the same short code with each mobile operator – which is a difficult task - and even then, it is not guaranteed ownership. Also, service providers need to host their services with each and every mobile operator for being able to provide these services to customers. Often, they end up owning different short codes across different telecom operators, which can be confusing for customers.

In comparison, in an open and competitive ecosystem, the identity is owned by the digital service provider, and not the access service provider (ISP/Mobile Operator). On the Internet, an Internet

#### 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:** No it is needed to provide open access to subscribers for MVAS of their choice. The better solution is to promote semi-walled garden model.

The approach in paragraph 2.46 beautifully explains the process of accessing the application and process of billing, which is feasible enough to be implemented.

Measures required for promoting open access and especially semi-walled garden model is to show the fairness of ecosystem, Also customers will have the opportunity of accessing content and services directly from the VAS provider bypassing the network operators.

#### **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:** The following measures are required to boost the growth of Utility MVAS in India

- i. Tariff for utility services by government agencies should be regulated to ensure a reasonable pricing for consumers
- ii. There should not any price regulation and government should try to formulate the licenses such that capital expenditure for the service provider remains less which will encourage players to innovate in this filed.

#### **4.10**

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

**Answer:** It is necessary to have a separate license for the MVAS provider which should cover the issues like,

- i. Proper screening of applicants before issuing licenses
- ii. License charge
- iii. License validity period
- iv. Promote FDI in this MVAS market