



SSTL/Reg/TRAI/ 1410/404

October 7, 2014

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**Advisor, NSL**  
**Telecom Regulatory Authority of India**  
Mahanagar Doorsanchar Bhawan  
Jawahar Lal Nehru Marg (Old Minto Road)  
New Delhi – 110 002

**Subject: Response to TRAI Pre Consultation Paper on 'Delinking of license for networks from delivery of services by way of virtual network operators' dated 3rd September 2014**

Dear Sir,

At the outset we appreciate and welcome the Authority's pre consultation paper on 'Delinking of license for networks from delivery of services by way of virtual network operators' dated 3rd September 2014.

With reference to above please find enclosed our comments to the pre consultation paper on 'Delinking of license for networks from delivery of services by way of virtual network operators' dated 3rd September 2014.

We hope that the Authority will consider our views and comments enclosed.

Thanking you,

With Regards,

**For Sistema Shyam TeleServices Limited**

  
**Sunil Gupta**  
Associate Director

Enclosed: As above

**Sistema Shyam TeleServices Limited**

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## Pre-consultation paper on 'Delinking of license for networks from delivery of services by way of virtual network operators'

1. Sistema Shyam Teleservices Ltd (SSTL) welcomes opportunity extended by the TRAI to comment on issues concerning Delinking of License for networks from delivery of services by way of Virtual Network operators.
2. SSTL supports further liberalization of the telecom sector by allowing resale of telecom services and permit entry of Virtual Network Operators (VNOs). VNOs are expected to improve customer acquisition and expand the telecom market. The introduction of VNOs is the next step towards enhancing free market principles and contributing to the better utilization of spectrum and other telecom resources.
3. **Another important issue closely linked to the VNO policy is the inter-band spectrum sharing.** The Authority in its recommendations on spectrum sharing had dis-allowed inter-band spectrum sharing as such arrangements were similar to MVNOs which in the current licensing regime is not permitted. **As TRAI is deliberating on a licensing regime to allow VNOs, it is apt time to also consider and permit inter-band spectrum with regard to spectrum sharing.**
4. OTT players like Whatsapp, Skype, Vonageetc offer services using telephone numbers which are perfect substitute of services being offered by TSPs but are not covered under licensing. It is surprising that an "Unlicensed operator is allowed to offer Licensed Services". Such unlicensed OTTs services has a larger ramifications on the security of the nation. With the hosting of services, user information and communications data being stored outside the sovereign boundaries of India and security agencies do not have any powers to get the security related information. In addition it is a level playing issue as OTT operators do not have to bear any regulatory cost for license fee, spectrum usage charges, LI etc. In view of this **the OTT players which offer services substitutable to the telecom services should be covered under Service delivery License.**
5. The pre-consultation paper deliberates an important issue whether DoT envisages an entirely new licensing regime or the limited requirement of service delivery license can be interwoven with the current licensing regime. SSTL suggests that the new network and service delivery licensing regime

should not have any effect on the working of existing TSPs as their licenses are bundled for setting up of telecom networks and delivery of services. SSTL suggests that **for existing TSPs, their existing UL/UASL should be amendment so that they are able to resell telecom services and enter into commercial agreement with VNOs.**

6. Introducing of network operators and virtual network operators does not require entirely new licensing regime as the existing UL is comprehensive enough to cater for both types of service providers, i.e. Network Service and Service delivery. Hence there would be no requirement to migrate the existing licensees to a different licensing regime. It is possible to append new chapters / guidelines in the UL to meet the requirements introducing NSOs and SDOs. SSTL suggests that besides existing bundled licenses for network services and service delivery, following two new chapter can be added to facilitate licensing of network and virtual network operator:

- (i) Network Services
- (ii) Virtual Network Services.

7. The main term and conditions for Network and Service delivery operators have been suggested below.

Existing MNOs should be eligible to become VNOs

8. It would be unviable for any operator to directly enter in all product segments as market may not be able to support so many facility based operators in the market. It would be more efficient to permit existing Licensed TSPs to become VNO of other licensee networks as TSPs would be able to decide become network operator or virtual operators depending on the scale of their operations. Such arrangement would benefit consumers as operator of their choice would be able to offer complete gambit of services.

9. It is not very efficient to impose rollout obligations on every operator who is entering the market as it results in duplication of infrastructure creation. Telecom infrastructure sharing has resulted in more efficient utilization of passive infrastructure. Similarly, sharing of active infrastructure or permission for MNO to become VNO of other operator would result in more efficient utilization of resources. This will also address the problem of hige debt burden on the telecom sector to a large extent.



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10. In view of the above it is suggested that existing MNOs should be allowed to become VNO of other operators. Under the same category of license inter-band spectrum sharing would also be covered and therefore operators in any band would be able to offer services.

#### Entry Fee for MNO & VNO

11. Only nominal entry fee should be charged from VNO. No entry fee should be applicable in case an existing licensee wants to be VNO. Entry fee for Network Operator should be as per UL, Access Services authorizations.

#### Spectrum Allocation and Rollout Obligations

12. We have already submitted above that it would be more efficient in case no rollout obligations are imposed and MNOs are allowed to become VNOs. In case rollout obligation is to be imposed then the same should be linked to the spectrum. Therefore no rollout obligations should be imposed on VNOs.

#### Cross Holding restrictions

13. SSTL does not support cross holding restrictions, as a general statement, as these restrictions do not serve any useful purpose when markets are truly competitive. We suggest that there should not be any cross holding restriction in case any TSP operators intends take Unified License with only authorization for Virtual Network.

#### AGR, License Fee and SUC

14. AGR and License Fee for MNO, NSO and SDO should be similar. The basic principle of CENVAT should be followed in the AGR and charges paid for all input services may be allowed as pass thru charge. For example charges paid by VNO to MNO/Network operator should be allowed as pass thru charges.
15. VNO should be charged flat SUC at a minimum rate of 3%. Linking SUC to a parent MNO will be complicated as different MNOs pay different SUCs, depending on the quantum of spectrum held by the. Uniform SUC would result in level playing field amongst VNOs.



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### Mergers

16. Mergers and Acquisitions of VNO with another VNO should be generally allowed as VNOs are unlikely to have significant impact on competition. The current M&A guidelines should be applicable only on MNOs and NSOs.

### Nature of agreement:

17. There should not be any regulatory intervention to regulate wholesale charges so as to facilitate entry of VNOs.. Any regulatory intervention to decide commercials between MNO and VNO may turn out to be a disincentive for MNOs to make further investment in infrastructure

### QoS, Security and other issues

18. The VNO should have obligation to comply with all the requirement of QoS, Customer acquisition and related compliances, national security, reporting requirements, technical standards and TRAI tariff orders and regulations as applicable from time to time. The flexibility should be available with VNOs to comply with QoS and security requirements on their own or through their parenting MNOs/NSOs.

### Allocation of numbers

19. VNO should have a flexibility of designing its network architecture. In case VNO wishes to install its own MSC and also have direct connectivity with other operators, the same should be permitted. The DoT should allocate numbers, SP code and other resources in case same are required by VNO.

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