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Ref: ACTO Response to TRAI's Consultation Paper No. 15/2014 dated December 5, 2014 on 'Delinking license for networks from delivery of services by way of Virtual Network Operators (VNOs)'.

Dear Sir,

We express our sincere thanks to the Hon'ble Authority for bringing this consultation paper on delinking license for networks from delivery of services by the way of Virtual Network Operators(VNOs).

ACTO is pleased to provide its responses to the questions and issues posed in support of the captioned Consultation Paper including some other issues which are also relevant under phase two of unified license regime deliberated through the current consultation exercise.

We hope that our comments (enclosed as Annexure - I) will merit the kind consideration of the Hon'ble Authority.

Respectfully submitted,

Yours sincerely,

for Association of Competitive Telecom Operator



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Encl: As above

Annexure-I

ACTO's response on TRAI consultation paper on 'Delinking of license for networks from delivery of services by way of Virtual Network Operators (VNOs)'.

Introduction

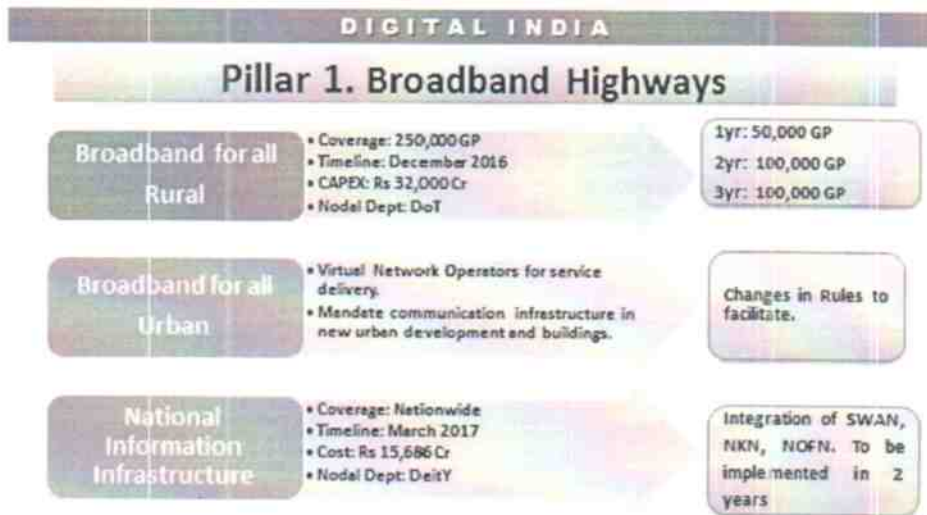
When telecom markets got saturated and matured in the advanced countries, a new concept of Virtual Network Operator has emerged which helped push further growth, competition in the market, facilitate roll out of new technology through innovation, increased customer satisfaction and affordability. With a subscriber base of 950 million and a tele-density which has been hovering around 75% for last couple of years, and a areas which are unserved, in India, it's right time to introduce resale of telecom services in retail and wholesale segment with or without value addition through the introduction of VNOs to push for further growth/investment in the telecom sector.

With the possible merger/consolidation round the corner in Indian telecom market, introduction of VNOs will not only help to keep up the current competition level but it will also benefit Indian businesses and consumers and the economy as a whole by ensuring competitive prices, new and innovative products and services and expanded customer choice.

Government of India ambitious plan for the completion of NOFN project will ensure to generate huge fibre optic bandwidth across the country and that requires speedy implementation by entities for service delivery which can be also done by introducing VNOs for optimum usage of these resources as well as to compliment the flagship program "Digital India".

The benefits of allowing the resale of telecom services by VNOs are already highlighted under National Telecom Policy 2012 both for creating competition as well as optimally and efficiently utilize networks by sharing of infrastructure. This will enhance the quality of service, optimize investments and help address the issue of the digital divide.

The prestigious Digital India Program also supports introduction of virtual network operators for service delivery under the very first pillar on building broadband highways. The slide from the Digital India presentation mentioned below clearly states the steps required to be taken and the action point. Introduction of Virtual Network Operators for Service Delivery has been identified as the key step required. The action is in the form of changing rules to facilitate the same for overall broadband growth. Therefore the objectives of NTP 2012, Digital India Program and Prior Approval to this concept in 2009, clearly support the introduction of VNOs to facilitate competition and growth in the sector to achieve the objectives of the stated policies and roadmap of Government of India.



Source: DeitY Website.

The additional competition in India's telecom markets resulting from introduction of VNO measures will benefit Indian businesses and consumers and the economy as a whole by ensuring competitive prices, new and innovative products and services and expanded customer choice.

International Best Practice

International experience aptly demonstrates that the competition in the Telecom space is gradually shifting away from traditional competitor's i.e pure vanilla network operators to resellers, Virtual Network Operators (VNOs). The new classes of companies/operators are not competing with the traditional telecom companies on price or superior network but on enhanced customer experience and moving away from traditional to innovative business offerings tailor made to suit the business requirements of enterprise as well as small and medium businesses.

Removal of restrictions on resale facilitates more efficient use of infrastructure, increases competition, availability of innovative services and stimulates affordability in the sector. The current license regime needs to be amended to permit resale of all fixed or mobile telecommunications services both at wholesale and retail level including through VNOs. This will help allow customers and operators to benefits, including faster roll out of services having less tele density.

The role of VNOs in such a scenario is very critical especially for the proliferation of emerging technology formats like cloud and Machine-to-Machine (M2M) services which are expected to usher in the next wave of telecom revolution in India and represents the next big opportunity in the industry.

Given the tremendous opportunity that lies untapped there is an urgent need for the introduction of VNO's, given the fact that the current estimates of growth for M2M services are a fraction of what lies in the future which represents huge growth for sector.

The focus of the government policy as reflected in the NTP-2012 has been to provide affordable access and efficient service delivery to the end users. The role of VNOs for facilitating such services thus becomes very relevant and becomes an important part of an operator's business model.

Globally it is seen that many VNOs are partnering with NSO's to be a part of the service delivery value chain. VNO's can really play a significant role in partnering with the NSO's to provide a bouquet of enhanced services in a more scalable and innovative fashion.

The VNO model can either expand the distribution strategy of the NSO and potential areas of innovation in the infrastructure sharing space. Alternatively the VNOs can also have their own strategy as well in terms of having control of various service elements to provide service to the end customer.

Pursuant to the opening up of the telecom sector for private participation in 1994-95', telecom service providers in India have invested significantly in building the networks as part of their roll out obligations under the license. Through the VNO, there is an opportunity for the integrated and facilities based network service operators to leverage their already established networks & associated infrastructure and provide innovative and customized services and expand distribution channels for their services.

Traditional business models are also giving way to newer service formats as business customers are becoming increasingly comfortable with service & pricing models that create maximum value for them. Internationally there are examples of TSP's embracing VNO business models to expand and drive growth. For example, in ASPAC region, Australia mobile market has three main telecom operators and 43 VNO's, similarly in Hong Kong mobile market there are four MNO's and 11 VNO's.

Thus the above Global trends indicate that VNO is considered as one of the ideal options for growth strategy.

Under the current reference DoT has requested TRAI to submit its recommendations on VNOs including associated issues under unified licensing regime. A new authorization/ registration based regime needs to evolve to take care of New entrants who plan to enter the sector.

ACTO is in favour for speedy introduction and implementation of Virtual Network Operator while ensuring a level playing field, removing all multi stage levy/license fees and provide equal treatment to voice, data & video for allowing pass through charges as deduction from AGR for license fee payment purposes.

ACTO's response to the specific questions in the consultation paper is enumerated as below:

Q1. (a) Is there any need to introduce more competition in service delivery by the way of introduction of VNO in the sector? If not, why not?

(b) If yes, is it right time to introduce VNOs?

ACTO's Response:

As indicated in our response to the pre consultation dated 3rd September, 2014, it is certainly the right time to introduce more competition in service delivery segment by the way of introduction of VNO in the sector due to the following reasons:

- The Digital India Program views this as an important area to open up for further broadband growth.
- The National Telecom Policy 2012 states:
"3.3. To move towards Unified Licence regime in order to exploit the attendant benefits of convergence, spectrum liberalisation and facilitate delinking of the licensing of Networks from the delivery of Services to the end users in order to enable operators to optimally and efficiently utilise their networks and spectrum by sharing active and passive infrastructure. This will enhance the quality, optimize investments and help address the issue of the digital divide. This new licensing regime will address the requirements of level playing field, rollout obligations, policy on merger & acquisition, non-discriminatory interconnection including interconnection at IP level etc. while ensuring adequate competition."
- VNOs will provide innovation in service or in terms of service delivery. The sooner we do, it would be better for the overall sectoral growth.
- The trends in the Indian telecom sector witness more shift to delivery of services. Hence the need for additional players in the service delivery segment in the form of VNOs.
- The introduction of VNO will lead to faster penetration of telecom services. There are lot of unserved and underserved areas where basic telecom connectivity, internet and broadband services need to be provided. The broadband penetration is very low in India and need to be aggressively pursued to meet the objectives of Digital India and NTP 2012.
- Introduction of VNOs will facilitate the success for the flagship program "Digital India".
- Introduction of VNOs has already proven success in many countries in last 10 years.
- Current level of competition in Indian telecom market may get reduced due to possible merger/acquisition among NSOs and VNO will ensure to keep up the level of competition for the benefit of end customers.
- Implementation of NOFN will ensure to have availability of huge bandwidth. In order to utilize this resource and address the key issue of service delivery, VNO will play an important role.
- The table below clearly indicates that the overall growth of in the sector has saturated with no significant growth. There are infact negative trends witnessed in last couple of

years. With the tele-density and numbers remaining more or less constant and falling, it makes a fit case to introduce VNO at this point of time in this sector to revive growth.

Telephone Network in India

March Year end	Telephones (million)			Share in % age		% age Growth (over previous year)		
	Wireline	Wireless	Total	Wireline	Wireless	Wireline	Wireless	Overall
2001	32.7	3.58	36.28	90.1	9.9			
2003	41.32	13.29	54.61	75.7	24.3	7.92	99.11	21.46
2005	41.42	56.95	98.37	42.1	57.9	1.23	59.88	28.53
2007	40.77	165.09	205.86	19.8	80.2	1.36	62.07	44.88
2009	37.96	391.76	429.72	8.8	91.2	-3.68	50.05	43.01
2011	34.73	811.6	846.33	4.1	95.9	-6.03	38.9	36.22
2012	32.17	919.17	951.34	3.38	96.62	-7.37	13.25	12.41
2013	30.21	867.81	898.02	3.4	96.6	-6.09	-5.59	-5.60
2014	28.49	904.51	933	3.25	96.75	-5.69	4.23	3.90

Source: Economic Research Unit, DoT & TRAI

Q2. Will VNO pose a threat to NSOs or will they complement their operations? Justify your answer.

ACTO's Response:

Clause 3.3 of the NTP-2012 states:

"3.3. To *move towards Unified Licence regime* in order to exploit the attendant benefits of convergence, spectrum liberalisation and facilitate *delinking of the licensing of Networks from the delivery of Services to the end users* in order to enable operators to optimally and efficiently utilise their networks and spectrum by sharing active and passive infrastructure. This will enhance the quality of service, optimize investments and help address the issue of the digital divide. This new licensing regime will address the requirements of level playing field, rollout obligations, policy on merger & acquisition, non-discriminatory interconnection including interconnection at IP level etc. while ensuring adequate competition."

VNOs will complement the operations of NSOs in providing service due to following reasons:

- Increase in the revenue of incumbent NSO without further investment in Capex and in turn it will increase ROI by optimum utilization of resources like spectrum, bandwidth, capacity and fibre, etc.
- It will be beneficial for VNO to reach niche areas for providing innovative services and spread their network/services indirectly. It will also create more competition and offer more choices to the customers.
- VNO and NSO will increase overall revenue of the telecom market when the barrier to resale is removed by the introduction of VNO.

Q3. How can effective utilization of existing infrastructure be improved? Can VNOs be a solution to achieve targets defined in NTP-12 for rural density?

ACTO's Response:

Yes, ACTO believes that VNO will be an effective stakeholder for efficient utilization of existing infrastructure. VNO's can address the issues of quality of service and delivery of service by means of innovative products and services. VNO's will play an equally critical role for further penetration in niche, unserved and underserved area in addition to improvement in service quality and delivery including generating content for delivery in local areas. Thus VNOs will be an important stakeholder to achieve targets defined in NTP-2012.

Q4. Does there exist a business case for introduction of VNOs in all segments of Voice, Data & Videos?

ACTO's Response:

In the era of convergence, voice, video and data cannot be seen as separate avenues both from technology and economic perspective. Combining these services will make more strong business case towards the introduction of VNO. Further innovation aspect of VNO will make these services more cost efficient and reach economies of scale.

While introducing VNOs in the sector, reliance should be on market mechanism rather than regulating what segment or service is to be permitted. The VNO model has mostly been about offering affordable, innovative, rebranded network operator's services and controlling and reducing operators own overhead costs.

The regulatory framework should not identify or dwell on whether there is a supporting business case, before allowing VNOs to provide service. Instead, VNOs should be able to provide service, based on their business judgment that it may be profitable to do so in light of available market opportunities. A market based approach instead of a regulatory oversight in such matters will be most appropriate to serve the requirements of all the stakeholders.

Q5. Whether VNOs be introduced in all or some of the services notified in the UL? Please name the services and justification.

ACTO's Response:

In the larger interest of spurring innovation and competition in the sector, ACTO is in favour of allowing VNOs in all services notified in the UL instead in a piece meal manner in the current market scenario.

Q6. Is there sufficient infrastructure (active & passive including access spectrum) available with a TSP to meet its own requirement? Can TSPs spare available infrastructure for VNOs?

ACTO's Response:

The licensing and regulatory framework should allow complete sharing of both active and passive infrastructure in all respects across all categories of licenses. The matter relating to availability of infrastructure for sharing is best addressed between the NSO and VNO on a commercial basis.

All types of infrastructure are available to meet any additional requirement of resources for VNOs. This will help both the existing operator by way of additional revenue and faster Return on Investment. Moreover, Government of India has ambitious target for NOFN which will generate huge bandwidth and capacity.

Q7. If any TSP is able to share its infrastructure with VNOs, what should be the broad terms and conditions for sharing the infrastructure?

ACTO's Response:

Sharing of infrastructure between the VNO and NSO should be a matter of mutually agreed commercial agreement. The proposed regime should allow for sharing of both passive and active infrastructures. The reseller /VNO should be able to provide services on the strength of infrastructure of NSO.

The arrangements negotiated by Virtual Network Operator with the network operator must be settled on a purely commercial basis and there is no need for regulatory involvement in these arrangements. The VNO model works best where there is a willing network supplier with spare capacity and a desire to develop new channels to market which the VNO model provides.

Insofar as interconnection and other more forms of bottleneck infrastructure access is concerned, the VNOs should simply be treated on the basis the same regulatory regime that applies to NSOs.

The licensing and regulatory framework should allow complete sharing of both active and passive infrastructure in all respects across all categories of licenses.

Q8. Should VNOs be allowed to create their own infrastructure to reach out to niche markets? If yes, to what extent?

ACTO's Response:

VNO should be allowed to lay infrastructure where ever it may require for further penetration of connectivity to facilitate providing service. Cost sharing model with NSOs to lay additional infrastructure may also be encouraged on mutually negotiated commercial terms.

Q9. Should Local Cable Operators (LCOs) or Multi System Operators (MSOs) with cable networks be permitted to share infrastructure with VNOs to provide last mile connectivity?

ACTO's Response:

Yes, we believe that LCO & MSO should be allowed to share infrastructure for last mile connectivity. This will definitely help to reduce the capex cost and help in optimal utilization of network thus making services more affordable to the customers.

Q10. Does the adoption of the VNO model requires an entirely new licensing regime or will a chapter or a separate section for VNOs added to the existing UL suffice?

ACTO's Response:

ACTO supports a light touch authorization process in the form of a registration for VNO in UL. This will ensure making the process simpler.

Q11. Comment on what measures are required to ensure that the existing or new licensing regime takes care of future requirements of technological development & innovation and provides a clear roadmap for migration to existing service providers.

ACTO's Response:

Current licensing regime should be flexible, technology neutral & service agnostic. It should be left to the choice of the operators for migration to new technology for providing innovative services.

Q12. In view of the complexity in the existing licensing regime as explained in Para 3.16 to 3.18, should India move towards NSO & VNO based licensing?

ACTO's Response:

ACTO supports a light touch authorization process in the form of registration for VNO and not for NSO/VNO based licensing as separate category in UL.

The issue may be viewed from the following perspectives:

- Existing Telecom Licensees who already have networks on the ground and provide services to end users on the strength of the said networks, may wish to become VNOs may seek flexibility opt for a standalone & pure resell regime notwithstanding their existing network capabilities on the ground.
- New Entrants who may wish to enter the sector by becoming resellers VNOs.
- Separate Registration or License based framework regime for existing licensees as resellers VNOs.

The existing licensing regime did not distinguish operators based on creation of facility based networks and provision of service. As a consequence the existing licensees already included

everything necessary for the provision of services over a carrier's own infra-structure. So there is no need to change the existing regime. What is required is an enabling provisions to provide a further impetus and push for resale of services at wholesale and retail level. One of the options could be through VNOs. Then there could be the possibility of issuing separate licenses to entities that provide services over another company's infra-structure.

Alternatively this may relate to allowing new entrants as well as existing operators in the sector who may wish to become a VNO for which an authorization registration based model may also be looked into.

So the matter needs to be discussed in light of the above options. The objective would be to ensure that resale VNOs regime is encouraged for competition, innovation and affordability in the sector.

The experience in the US market is an important indicator to as VNO have fostered in the U.S. only because of the flexibility with which the VNOs are treated, such that entry barriers are very low. This flexibility has permitted proliferation of VNOs of the many different types & models identified by TRAI. For example, the FCC does not require a VNO to obtain a license specifically to resell wireless services. Thus, an authorized provider of long distance services may include resold wireless service in its package without any additional license specific to the wireless component. ACTO therefore urges TRAI to consider adopting this approach and not require licensed operators to obtain an additional VNO-specific license in cases where these operators simply resell the services of facilities-based carriers. This approach will benefit the public by facilitating the prompt offering of a wide range of services pursuant to different and innovative business models.

In this regard, TRAI should be guided, for example, by the evolution of the pro-competitive national deregulatory framework for Commercial Mobile Radio Service (CMRS) prescribed by Congress and implemented by the Federal Communications Commission (FCC), which has enabled both facilities-based and resale wireless competition to flourish in United States, with substantial benefits to consumers and the U.S. economy.

In summary, the licensing / authorization framework should provide for entrants who wish to take both the role of network creator and service delivery as well as simply network creator or service delivery like VNO/Resellers. ACTO supports a light touch authorization process in the form of registration for VNO and not for NSO/VNO based licensing as separate category in UL.

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In summary, the licensing / authorization framework should provide for entrants who wish to take both the role of network creator and service delivery as well as simply network creator or service delivery like VNO/Resellers.

Q13. If yes, whether existing licensees may be mandated to migrate to NSO & VNO based new licensing regime? What challenges will arise in the migration to the two types of licensing framework?

ACTO's Response:

ACTO does not support any mandate on compulsory migration of the existing licensees to NSO & VNO based new licensing regime.

Q14. Should a VNO be issued a license at the National Level, or for LSAs as in the case of UL or should it be based on the host NSO license areas?

ACTO's Response:

As suggested registration not license for VNO should be issued and applicable at national level which will have freedom to be attach with any NSO. The registration will be operator neutral and will have authorization to do business across the country with any NSO.

Q15. What should be the duration of a VNO's license. Should it be linked with the license of the NSO or should it be for 20 years, as in the case of UL?

ACTO's Response:

ACTO supports the registration based VNO authorization and validity duration of 20 years in line with other licenses.

Q16. Should there be any cap on the number of VNOs in as service areas for a particular service? If yes what should be the number? Please provide (a) service wise and (b) service area-wise numbers with justification.

ACTO's Response:

ACTO does not support any cap on the number of VNOs in a service area for a particular service as it will contain the level of competition. The purpose of introduction of VNO is to create more competition and make way for both basic and innovative services in niche, unserved areas. A VNO will likely work with a NSO but the regulations should not mandate linking to only one NSO. The VNO should have flexibility to work with all NSOs in the larger interest of serving customers.

Q17. Should there be restriction on number of VNOs parented to a NSO? Justify your answer.

ACTO's Response:

As mentioned in the response to Q7/Q16, ACTO is not in favour of a restriction on number of VNOs parented with NSO. It may defeat the main purpose and objective of introducing VNOs.

Q18. Alternatively, should one VNO be permitted to parent more than one NSO per LSA?

ACTO's Response:

Yes, ACTO believes that the VNO framework should be as flexible far as possible and open. Both VNOs and NSOs will have different requirements in terms of what to offer and ability to support in the form of infrastructure. The matter may best be addressed through market based mechanisms based on commercially negotiated agreements between VNO and NSO.

Q19. What should be the eligibility conditions for becoming a VNO?

ACTO's Response:

The eligibility condition should be company registered under the Indian Companies Act 1956 as applicable for any other business entity desirous of entering into telecom sector in India.

Q20. Whether an existing Unified Licensee with authorisation to provide all services shall be eligible to become a VNO of another Licensee in the same or other LSA. Or, will it need separate/additional authorisation to work as a VNO for delivering services for which it does not have access spectrum?

ACTO's Response:

Yes, in order to allow operators to derive the benefits from resale while serving their customers, NSOs should be allowed to be VNO for optimum usage of resources and infrastructure. The same should be based on mutual agreed commercial agreements.

Q21. Should there be any cross-holding restriction between a NSO & VNOs? If yes, please quantify the same with justification.

ACTO's Response:

ACTO is not in favour of any crossholding restriction between a NSO & VNOs. Depending on market conditions and the level of competition applicable provisions of competition law or M&A guidelines may best address the matter.

Q22. What should be the financial obligations of VNOs in the form of a) Equity & Networth b) Entry fee & c) PBG d) FBG etc? Please quantify the same with justification.

ACTO's Response:

ACTO believes that proposed VNOs be a entity registered under the Indian Companies Act, 2013. The Networth and Equity requirements are to be the same as required to register as Company under the Act.

The entry fee should be kept minimal to cover the Administrative cost as.

PBG: Will not be applicable as it is suggested to be under registration not license.

FBG: Will be applicable as required for LF in order to avoid any arbitrage opportunity but need to be ensured no multistage levy leading to double taxation. The definition of AGR should be reviewed accordingly to help address this issue.

Q23. Should a VNO utilise numbering resources, Network Codes and Location Routing Number (LRN) of the NSO. Or, should the Licensor allocate separate numbering resource, Network Codes and Locational Routing Number (LRN) directly to a VNO?

ACTO's Response:

Yes. VNOs should have the flexibility to be allocated with separate numbering and other codes. ACTO recommends that the rights for the use of numbering resources will be granted for numbering units or blocks, according to the type of the service to be provided and in accordance with the existence of a request for numbering resources, in line with the principles and criteria applicable in the management and allocation of numbering resources in line with national numbering plan that may be allocated by Licensor.

**Q24. What operational difficulties could arise in the above arrangements?
and**

Q25. In case your reply is that the Licensor allocates numbering resource to the VNO, then how can it be ensured that the resources allocated to a VNO are efficiently utilized? Should any obligation be placed on VNOs for efficient utilisation of resources?

ACTO's Response:

Licensor will allocate, upon request, numbering resources in accordance with the National Numbering Plan and with the regulations regarding the allocation of numbering resources and of the technical resources.

Following a request for the allocation of numbering resources in the National Numbering Plan, DoT/TRAI will grant for the use of numbering resources to the VNOs for the use of at least the following categories of technical and numbering resources:

- a) Mobile Network Code (MNC) is allocated to each entity and is subject to the following criteria:
- The existence of a network that requires the identification of the provider's own terminals or of other networks' terminals (*roaming*);
 - The existence of a network or of an equipment that uses protocols established by mobile communications standards for the purpose of rendering services compatible and ensuring their interoperability for the end-users

VNOs may be allocated further categories of technical and numbering resources, unspecific to this provider type, according to the requirements of providing networks and/ or services, based on a motivated request addressed to Licensor, in compliance with the regulations in force.

Q26. Should the LF & SUC applicable to the VNO be as per stipulated conditions of authorisation in UL. Or, should it be treated differently for VNO? Please quantify your answer with justification.

ACTO's Response:

License fees should be applicable in order to avoid any arbitrage opportunity but it needs to be ensured that this does not result in a multistage levy leading to double taxation. The definition of AGR needs to be reviewed accordingly to help address this issue.

As VNOs do not hold spectrum usage rights for the provision of mobile electronic communications; therefore, VNOs will not be charged any fees for the use of the radio spectrum. These fees will be paid by the host network operator.

Q27. Should an NSO be mandated to provide access to its network to a VNO in a time bound manner or should it be left to their mutual agreement?

ACTO's Response:

No. As stated above, arrangements between VNOs and TSPs and other network providers should be a matter of commercial negotiation between the parties.

Q28. How can MNP be facilitated in the VNO/NSO model? Can the VNO be treated separately for MNP purposes? Or, should MNP be facilitated only through the network of the NSO?

ACTO's Response:

The regime facilitating resale VNOs should have necessary provision for allotment of separate numbering arrangement for better administrative purpose in line with national numbering plan. The resellers VNOs should also have some capabilities to own some pieces of service delivery to be able to provide enhanced quality service to the end customers.

As per the existing regulations on number portability, these operators will be applied the specific obligations pursuant to the regulations in force, in accordance with the type of resources allocated. An operator unique code, corresponding to the format of the network routing number, will be allocated to each operator under the number portability obligations.

Q29. Who is to be held responsible for CAF verification and number activation, the NSO, the VNO or both?

ACTO's Response:

ACTO is of the view that the party VNO or NSO who has the contractual agreement with the end user to be made responsible for CAF verification Number activation to be done NSO.

Q30. Should an NSO or VNO or both to be responsible for maintaining QoS standards as per TRAI's regulations?

ACTO's Response:

The Quality of Service requirements should be applied depending upon who owns which part of service provisioning.

Q31. How should Mergers & Acquisitions be dealt with in the VNO/NSO licensing model. Should the recently announced M&A guidelines issued by the Government for existing players be extended to cover VNOs? Or should their M&A be treated separately?

ACTO's Response:

ACTO believes M&A for NSO/VNO should be left out at this stage. It may be taken up separately in future as it evolves in co-ordination with other ministries/departments entrusted to address the issue of competition.

Q32. Should the VNO be treated equivalent to the NSO/existing TSPs meeting obligations arising from Tariff orders/regulations/directions etc. issued by TRAI from time to time?

ACTO's Response:

Yes. ACTO believes that VNOs are also to be treated equivalent to the NSO/existing TSPs meeting the obligations arising from Tariff order/regulations/directions.

Q33. Please give your comments on any related matter not covered in this Consultation Paper.

ACTO's Response:

1. We recommend that TRAI consider allowing resale both at wholesale and retail level including VNOs under the proposed regime or suitable authorization mechanism under VNO similar to those in Europe and the US where a single, easily-obtained authorization allows operators to provide a broad range of data and voice services, fixed and mobile, facilities-based and resold, which has created the most dynamic telecom markets in the world with providers continuously able to offer new and innovative packages of services in response to customer demand and technological developments.
2. Regardless of how TRAI eventually decides to treat VNOs in India, however, it is vitally important that TRAI work towards ensuring clarity and transparency in the rules and regulations that relate to VNOs as an affirmative signal to new entrants and established players alike that this segment of India's telecom market is open and that all are able to compete on a level playing field.
3. It is also important that TRAI ensures when opening up any reseller market that the license fee regime does not frustrate the very goal of promoting competition and creating a level playing field among all service providers. Specifically, the license fee should not operate as a multi-stage and cumulative tax. Facilities-based operators such as

NSOs relying on their own networks need only pay the license fee once, while the services that operators such as VNOs buy from other operators are subject to the license fee twice – once when they are sold from the first network owner (NSO) to the second operator (VNO) and then again when the second operator sells them to the end user. Thus, a telecom operator who buys inputs from other licensed operators is placed at a competitive disadvantage with those who do not need to buy these inputs if the license fee is levied at every sales point in the supply chain. In addition to creating this inequity, the license fee may have the effect of frustrating the Consultation Paper's goal of promoting competition and creating a level playing field.

4. ACTO urges TRAI to consider the adoption of one of the following two suggestions as part of its VNO authorization regime to avoid this double taxation: the application of an excise tax or a value-added tax. Under an excise tax regime, the license fee applies only to transactions where the service is provided to an end user. Intermediate or wholesale transactions where the purchaser is another carrier are not counted. Under a value-added tax regime, all providers would contribute on the basis of all of their sales; however, each carrier would be able to deduct the value of any telecom services it has purchased
5. While considering VNO, we also request to address the issue of Convergence of Service / Networks / Devices i.e CUG/VPN-PSTN/Public network interconnection in line with the objectives of NTP-2012 which has not been duly recognized in the phase one of Unified License. This will be a key policy enabler for the BPOs/Enterprise Data services segment and fuel further growth of this very important sector. Convergence will enable sophisticated, Advanced and Open IP platform which will enhance the end-user experience and will efficiently address the growing business needs by leveraging on the best of both worlds.
