



Reliance Jio

Infocomm Limited

RJIL/TRAI/2014-15/4213
15th January 2015

To,
Sh. Sanjeev Banzal,
Advisor (Network Spectrum & Licensing),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg,
New Delhi - 110002


Subject: Comments on TRAI's Consultation Paper on 'Delinking of license for networks from delivery of services by way of Virtual Network Operators' (Consultation Paper No. 15/2014) dated 05.12.2014.

Dear Sir,

Please find attached comments of Reliance Jio Infocomm Limited on the issues raised in TRAI's Consultation Paper on 'Delinking of license for networks from delivery of services by way of Virtual Network Operators' (Consultation Paper No. 15/2014) released on 05.12.2014.

Thanking You,

Yours sincerely,
For **Reliance Jio Infocomm Limited,**


Kapoor Singh Guliani
Authorised Signatory



Encl.: As above.

RELIANCE JIO INFOCOMM LIMITED COMMENTS ON TRAI'S CONSULTATION PAPER
on 'DELINKING OF LICENSE FOR NETWORKS FROM DELIVERY OF SERVICES BY WAY
OF VIRTUAL NETWORK OPERATORS' DATED 05.12.2014

A. General Comments

1. The National Telecom Policy 2012 highlights the need to move towards convergence between telecom, broadcast and IT services, networks, platforms, technologies and overcome the existing segregation of licencing, registration and regulatory mechanisms in these areas to enhance affordability, increase access, delivery of multiple services and reduce cost. One of the objectives of the National Telecom Policy-2012 is "Strive to create One Nation - One License across services and service areas".

2. We note that the present consultation paper on 'Delinking of License for networks from delivery of services by way of Virtual Network operators' dated 05.12.2014 issued by TRAI in the backdrop of DoT's reference dated 7th July 2014 seeking TRAI's recommendations on delinking of licenses for networks from the delivery of services by way of virtual network operators (VNOs). DoT in its reference has referred following two Para of NTP'2012:-

"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.

3.8 To facilitate resale at the service level under the proposed licensing regime – both wholesale and retail, for example, by introduction of virtual operators – in tune with the need for robust competition at consumer end while ensuring due compliance with security and other license related obligations."

3. As per the 'Guidelines for grant of Unified Licence' dated 19 Aug 13, Unified Licence (UL) has been introduced to realize the objectives of NTP'2012 referred in Para 1 above i.e. convergence and 'One Nation- One Licence'. TRAI has itself noticed in its consultation paper on "Definition of Revenue Base (AGR) for the reckoning of Licence Fee and Spectrum Usage Charges" that the existing UL Agreement does not "unify" the licensing regime such that a single licence covers the provision of all telecom services. Instead, it is a collation under one cover of terms and conditions of all telecom services that were



previously governed by different sets of agreements. The UL regime falls short of imparting true flexibility to the licence holder to leverage technological advancements and convergence of networks for seamless delivery of services to the consumer by operating in any or all service segments.

4. It is submitted that without finishing the first step of unification of licence, further changes in the licensing framework and introduction of a Service Delivery Operator (SDO) / Virtual Network Operator (VNO) will only create complexity, uncertainty and litigations.
5. The objective envisaged in Para 3.3 and Para 3.8 the NTP'2012 i.e. Delinking of the licensing of Networks from the delivery of Services to the end users and to facilitate resale at both wholesale and retail service level can be achieved in following two ways:
 - (i) As discussed in TRAI's consultation paper, by creating two categories of licence (a) Network Service Operator (NSO) Licence and (b) Service Delivery Operator (SDO) licence; wherein NSO would be licensed to set up and maintain converged networks, capable of delivering various types of services and the SDO would be licensed to deliver these services.
 - (ii) Another way could be that after complete unification of licence, the licensed service provider is permitted to resale the services at retail and wholesale level to the Authorized entities and these authorized entities may be termed as Virtual Network Operator (VNO) / Service Delivery Operator (SDO).
6. The prime objective of NTP'2012 and 'Digital India' program is to achieve convergence. World over, in order to facilitate the development of new technologies, which brings telecommunications, broadcasting, and the Internet closer together, the regulatory frameworks governing these industries are being coordinated, and correspondingly modified, so that they are all focused on the same objective of convergence. In India also, the efforts should be in the direction to achieve convergence of networks for seamless delivery of services including broadcasting services to the consumer, through unified licence.
7. It is pertinent to mention here that creating two categories of licence NSO and SDO goes against the objective envisaged in NTP-2012 '*to strive to create One Nation - One License across services and service areas*'. Instead of unification of licence, the licensing regime will be fragmented and each service provider would be required to opt for two licences, one for network service operator(NSO) and another for service delivery operator (SDO).
8. The first step should be complete unification of licence so that all services including broadcasting can be provided under single unified licence. Other objectives mentioned in NTP'2012, can be achieved by way of permitting liberal active and passive infrastructure sharing including spectrum sharing for provision of any services.



9. Para 3.8 of NTP'2012, which is also referred in DoT's reference provides for facilitation of resale at the service level- both wholesale and retail. Resale is the modality for optimizing the resources in the sector by facilitating make or buy decisions. Resellers or non facility based service providers are introduced to enhance competition. Fundamentally, a Reseller is an entity who sells what he buys from the service provider and gets his arbitrage on difference between bulk rate and retail rate. Basically, therefore, a Reseller only sells the products which the service provider is authorized to sell under the Licence.
10. In accordance with Para 3.8 of the NTP'2012, after complete unification of licence, permitting the licensed service provider to resale the services at retail and wholesale level to the Authorized entities will eliminate any need for creation of separate license categories like NSO/VNO. These authorized entities to whom the unified licensee will resale the services may be termed as Virtual Network Operator (VNO) / Service Delivery Operator (SDO).
11. Other issues referred in DoT's reference viz. enable operators to optimally and efficiently utilise their networks and spectrum by sharing active and passive infrastructure, enhance the quality of service, optimize investments and help address the issue of the digital divide are better met under the framework of Unified Licence by permitting reselling. In fact, the proposed delinking will actually hinder rather than help to meet the stated objectives.
12. We note that there is no clarity in the DoT's reference. TRAI has rightly noted in Para 1.8 of the Consultation Paper, that there is no clarity of rationale of the proposed framework. The same is reproduced below:

"...This reference from the DoT has the potential to change the entire licensing framework in India. Since the UL has been introduced only recently, it was not very clear as to why such a reference has been made so soon after the UL was introduced. The rationale for changing the licensing regime was not apparent. Further, in the changed regime, would existing Telecom Service Providers (TSPs), who own their network and provide services to customers, have to obtain separate licenses for provisioning of network and delivery of services or would their existing license be treated as network and service delivery license etc?"
13. The issues raised in the consultation paper can be answered appropriately if there is clarity of the exact nature and structure of the proposed framework including the objectives sought to be achieved through the same.
14. In view of the above, the comments on the Questions raised in the Consultation paper are as follows:



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

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

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Q.12 In view of the complexity in the existing licensing regime as explained in Para 3.16 to 3.18, Should India move towards NSO and VNO based licensing?

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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?

RJIL's Response to Q 1(a)

- (i) It is necessary that regulatory policies are predictable and stable in nature specifically for the telecom sector, which is highly capital intensive and where the pay-offs take a long time. At present, there are telecom service providers having CMTS licences, UAS licenses, NLD/ILD licenses. There are some TSPs who have migrated to UL or have taken new UL licenses. We submit that it is only about a year since the new licensing regime i.e. the 'Unified Licensing Regime' has come into force. In our view, at this stage, changing the licensing regime by way of introducing Virtual Network Operators(VNOs) as a separate licence category for delivery of services by delinking them from licensing of networks, is unsought for. It will be against the interest of the existing service providers who invested huge sums of money and efforts in order to set up and maintain networks for delivery of various types of services e.g. Voice, Data, Video, broadcast, IPTV, VAS etc. Each and every policy step should be in direction to achieve the prime requirement of convergence.
- (ii) As already submitted in General Comments, before considering any changes in the licensing framework, it is extremely important that unification of licence is completed.
- (iii) **To fulfill the various objectives mentioned in NTP'2012, after complete unification of licence, liberal active and passive infrastructure sharing including the spectrum sharing for provision of any service may be permitted amongst licensee/ authorized entities. The licensed service providers may be permitted to resale the services at retail and wholesale level to the Authorized entities. These authorized entities to whom the unified licensee will resale the services may be termed as Virtual Network Operator (VNO) / Service Delivery Operator (SDO). Introduction of VNOs by way of**



reselling the services will also address the competition issues. Further, the Unified Licensees should also be allowed to become VNO of other operators.

RJIL's Response to Q 1(b), Q 12 & Q 13: Not applicable in view of RJIL's response to Q 1(a) above.

Q.2 Will VNOs pose a threat to NSOs or will they complement their operations? Justify your answer.

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Q.6 Is there sufficient infrastructure (active and passive including access spectrum) available with a TSP to meet its own requirements? Can TSPs spare available infrastructure for VNOs?

RJIL's Response to Q2 & Q 6

- (i) Creating separate licensing category of NSO and VNO will be against the NTP'2012 objectives and only create complexity in the licensing regime.
- (ii) As submitted in response to Q.1 above, post-unification of licensing framework, introduction of reseller/ VNO through resale of services on mutually agreed terms and conditions by Unified Licensee to reseller, who may termed as VNO will be in line with the objectives of NTP'2012. Such reseller/ VNO will complement the operations of licensed service providers.

Q.3 How can effective utilization of existing infrastructure be improved? Can VNOs be a solution to achieve targets defined in NTP-2012 for rural density?

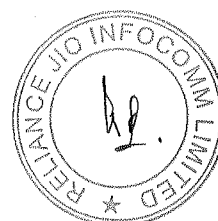
RJIL's Response to Q 3

The best way to improve the effective utilization of the existing infrastructure is to encourage convergence of network and services including broadcasting services and to permit passive and active infrastructure sharing, without any restriction.

Q.4 Does there exist a business case for introduction of VNOs in all segments of Voice, Data and Videos?

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Q.5 Whether VNOs be introduced in all or some of the services notified in the UL? Please name the services and the justification.



RIL's Response to Q 4 & Q 5

There should not be any restriction of services or segments like voice, data or video for reselling by unified licensee to reseller/VNO. Depending on their business case, Unified Licensee may be permitted to resale the services to reseller on mutually agreed terms and conditions.

Q.7 If any TSP is able to share its infrastructure with VNOs, what should be the broad terms and conditions for sharing the infrastructure?

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

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

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

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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.

RIL's Response to Q 7, 19, 21, 22 & 27

- (i) In line with our submission to Q.1 above, the licensed service providers may be permitted to resale the services at retail and wholesale level to the Authorized entities on mutually agreed terms and conditions. Following the light touch regulation approach, there should not be any concept of mandating Unified Licensee/Network Service Operators (NSOs) to provide services to reseller/Virtual Network Operator (VNO) and mandating charges etc. Any regulatory intervention to decide commercials between licensee and reseller may turn out to be a disincentive for unified licensee to make further investment in infrastructure.
- (ii) There should not be any restriction for Unified Licensee/NSO to be eligible to become reseller/ VNO of other operators. It would be more efficient to permit licensed operator to become reseller/ VNO of other licensee networks as the licensee would be able to decide to become network operator or virtual operators depending on the scale of their operations.



- (iii) There should not be any cross holding restrictions between unified licensee and reseller/ VNO.

Q.8 Should VNOs be allowed to create their own infrastructure to reach out to niche markets? If yes, to what extent?

RJIL's Response to Q 8

In order to maintain level playing field, creation of own infrastructure should be allowed to Unified Licensees only. Reseller/ VNO should not be allowed to create own infrastructure.

Q.9 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?

RJIL's Response to Q 9

In order to achieve convergence, even broadcasting services should be provided under Unified Licence. Once the broadcasting services are provided under unified Licence and the Licensee is permitted to resale all services then this issue will be automatically addressed.

Q.10 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?

RJIL's Response to Q 10

The whole thrust should be to achieve convergence under a single unified licence. As already submitted that after complete unification of licence, reselling of all services notified in the Unified Licence may be permitted to the licensee on mutually agreed terms and conditions to the reseller. This will fulfill all the policy objective and obviate the requirement of new fragmented licensing regime of NSO/VNO. Such reseller may be termed as VNO/SDO.

In this regard a separate section for resellers/ VNOs may be added in the UL.

Q.11 Comment on what measures are required to ensure that the existing or new licensing regime takes care of future requirements of technological development and innovation and provides a clear roadmap for migration to existing service providers.



RJIL's Response to Q 11

In the traditional service specific network, operators are prohibited from offering services outside their traditional, rigidly defined services only. Now with the need for convergence, policy makers and regulators of developed as well as developing world are enacting reforms to transform regulatory regime so that they can effectively address converged networks and services. Some of the measures required to ensure that the existing or new licensing regime takes care of future requirements of technological development and innovation, are as follows:

- (i) The licensing regime should be predictable and stable to maintain/restore investor confidence.
- (ii) Whether it is existing or new licensing regime, it should facilitate converged network and services. Convergence between telecom, broadcast and IT services, networks, platforms, technologies is highly required to enhance affordability, increase access, delivery of multiple services and reduce cost.
- (iii) It should facilitate easy movement of customers across networks.
- (iv) It should facilitate speedy establishment of converged networks.
- (v) The best way to achieve convergence is the IP Based Network. Hence the licensing regime must facilitate and encourage the establishment of IP based Networks.
- (vi) It should remove the existing hurdles in the way of IP based interconnection and should facilitate and encourage IP based interconnection.
- (vii) One of the most important hurdle in the way of convergence is Termination Charges specified for voice calls in telecom networks. It should be reduced to zero i.e. Bill and Keep regime should be implemented.
- (viii) The regime should ensure availability of additional spectrum preferably in contiguous spectrum blocks (to avoid the inefficiencies due to fragmented spectrum allocation), to meet the growing requirements of the TSPs.
- (ix) Simple, transparent and unambiguous definition of Gross revenues/AGR for payment of applicable license and spectrum fees.
- (x) The regime should promote De-licencing of additional frequency bands for public use and operation of low power devices.

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?



RJIL's Response to Q 14

In order to achieve objectives of the NTP' 2012 i.e. "Strive to create One Nation - One License across services and service areas", under one Unified Licence, nation wide, all services could be provided. As far as applicable service area for reseller/ VNO is concerned, they may be permitted to provide services on LSA basis or even below the LSA, depending on mutual agreement between unified licensee and reseller/VNO.

- 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?

RJIL's Response to Q 15

The duration of authorization for reseller should depend on the mutual agreement between Unified Licensee and reseller/ VNO.

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

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

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

RJIL's Response to Q 16, 17 & 18

Initially, there should not be any cap on the number of resellers/ VNOs for a particular service.

For convergence, it should be permitted that a reseller/ VNO may use the network of more than one unified licensee and similarly, one unified licensee may cater to more than one reseller/ VNO. This will result in optimal utilisation of infrastructures by the VNOs from many licensees and will immensely benefit the end customers. Therefore, there should not be any restriction on the No. of VNO to be parented to a NSO or No. of NSO, a VNO can serve. However the ownership of the spectrum, numbering resources, network elements etc. should stay with the Unified Licensee/ NSO and in any case VNO should not be free to share any infrastructure without written consent of NSO. Further, one reseller should not be permitted to further resale the services to another reseller.



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?

RJIL's Response to Q 20

Yes, an existing Unified Licensee with authorisation to provide all services shall be eligible to become a VNO of another Licensee in the LSA, for which it has licence. For the services/ service areas, it is not having authorisation, it need separate authorisation to work as a VNO for delivering the services in such service areas.

Q23. Should a VNO utilise numbering resources, Network Codes and Locational 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?

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

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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 utilised? Should any obligation be placed on VNOs for efficient utilisation of resources?

RJIL's Response to Q 23, 24 & 25

Reseller/ VNO should be allowed to only resale the services which are to be provided by unified licensee and can only utilize numbering resources, network codes, Locational Routing Number (LRN) of Unified Licensee/ NSO. VNO should not have separate network code/numbering resource and the parenting NSO should have the right to allocate the required numbering resources.

Q26. Should the LF and 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.



RJIL's Response to Q 26

- (i) AGR and License Fee for Unified Licensee/NSO and reseller/ VNO should be similar.
- (ii) Charges paid by reseller/ VNO to unified licensee/ NSO should be allowed as pass thru charges.
- (iii) In the present framework, spectrum usage charges for a licensee have been defined slab wise or as defined in the spectrum auction document i.e. NIA. In the era of auctioned spectrum wherein TSP is paying market determined price, the levy of spectrum usage charges is anyhow irrelevant, Authority must deliberate completely doing away with this onerous levy for auctioned spectrum. The proposed regimes of NSO/VNO will further make the issue of spectrum usage charges very complicated with no clear answers. In case, it may not be possible to completely do away with SUC, VNO should be subject to same rate of SUC which is being paid by a parenting NSO.
- (iv) All Government levies should be paid by the reseller/ VNO directly to the Government.

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?

RJIL's Response to Q 28

As submitted in response to Q 23, 24 and 25 that VNO should not have separate numbering resources, network codes, Locational Routing Number (LRN) etc. and the parenting Unified Licensee/ NSO should have the right to allocate the required numbering resources. In this way the MNP should be facilitated only through the network of Unified Licensee/NSO and there may not be any complexity in this regard.

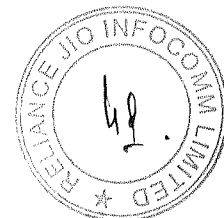
Q29. Who is to be held responsible for CAF verification and number activation, the NSO, the VNO or both?

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

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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?



RJIL's Response to Q 29, Q 30 & Q 32

- (i) Primary obligation should be of Unified Licensee/NSO to comply with all the requirement of customer acquisition, verification and activation, providing SIM cards, access to emergency services, customer care and billing services, controlling unsolicited commercial communications, registration of complaints and resolving the same within the prescribed time frame, national security, meeting with QoS norms prescribed by TRAI, reporting requirements, TRAI tariff orders and regulations as applicable from time to time.
- (ii) The flexibility should be there with Unified Licensee/NSO to comply with QoS and security requirements on their own or through their VNO. NSO should be free to incorporate these terms in their agreement and inform accordingly to the respective authorities.

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?

RJIL's Response to Q 31

There should be separate consultation on the matter, if required, after the introduction of VNO/NSO regime.

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

RJIL's Response to Q 33

Nil

