



Telecom Regulatory Authority of India



Recommendations
on
‘Introduction of UL (VNO) for
Access Service authorization for category B license with
districts of a State as a service area’

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CHAPTER I: INTRODUCTION

- 1.1 Licensing framework has been an integral part of India's telecommunication law. The Indian Telegraph Act of 1885 governs the telecommunications sector in the country. Under this Act, the government is responsible for policy making and provision of services. Section 4 of this Act gives power to the government to grant licence to any person to establish, maintain or use a telegraph.
- 1.2 In 1994, DoT announced the National Telecom Policy which defined certain important objectives, including availability of telephone on demand, provision of world class services at reasonable prices, ensuring India's emergence as major manufacturing/export base of telecom equipment and universal availability of basic telecom services to all villages. It also announced a series of specific targets to be achieved by 1997. During that period, DoT issued licenses to private companies to provide basic telephone services through wireline network, value added services such as Paging Services and Cellular Mobile Telephone Services (CMTS) through first generation cellular mobile telephony.
- 1.3 In the wireline segment, in order to supplement its efforts of providing telecom facilities to the public, DoT introduced a scheme called Direct Inward Dialing (DID) in the year 1994 to provide facilities of group Electronic Private Automatic Branch Exchange (EPABX) by private entities as franchisees of DoT.
- 1.4 Over the last two decades, the licensing regime for access services has witnessed periodic transformations to accommodate technological evolution and changing market requirements. One of the strategy envisaged under National Telecom Policy, 2012 (NTP-2012) is to facilitate resale at the service level, both wholesale and retail, for example, by introduction of virtual operators.

- 1.5 In context of NTP-2012, DoT through its reference dated 7th July 2014 had sought recommendations of the Authority on ‘Delinking of licenses for networks from the delivery of services by way of Virtual Network Operators (VNOs) including associated issues of definition of Adjusted Gross Revenue (AGR) under the UL regime’. The Authority after detailed consultation issued its recommendations on “Introducing Virtual Network Operators in telecom sector” on 1st May, 2015. Pursuant to these recommendations DoT issued guidelines and license agreement for the grant of Unified License on 31st May, 2016.
- 1.6 Under Unified License (UL) policy, VNOs are created to exploit the benefits of convergence, spectrum liberalization and facilitate delinking of the licensing of networks from the delivery of services so as to enable the Telecom Service Providers (TSPs) to optimally and efficiently utilize their networks and spectrum by sharing active and passive infrastructure.
- 1.7 DoT vide its notification dated 5th July 2016, separately issued guidelines for grant of UL (VNO) for authorization for category ‘B’ license, with districts of a State as a service area, for entrepreneurs like Direct Inward Dialing (DID) franchisees.
- 1.8 Guidelines issued by DoT on 5th July, 2016 has been prescribed as an interim measure for one year for migration from DID franchisee regime to UL (VNO) Category ‘B’ licenses to be issued for operations at district level. In this regard, DoT, vide its letter F. No. 20-507/2016-AS-I¹ dated 11th July, 2016 (**ANNEXURE I**) requested the Authority to provide recommendations for Access Service authorization for category ‘B’ license with districts of a State as a service area for Virtual Network Operators (VNOs). DoT further clarified vide their letter dated 12th September 2016 that there shall be no category of DID franchisee License in future.

¹ DoT reference included UL (VNO) Guidelines issued on 31st May, 2016 and notification dated 5th July 2016

- 1.9 The Authority, upon examination of the reference from DoT, issued the Consultation Paper (CP) on 20th March, 2017 raising specific issues for consideration of stakeholders. In response to the CP, TRAI received 18 comments and 2 counter comments. These comments and counter-comments are available on TRAI website <http://traigov.in/>. An Open House Discussion (OHD) was conducted on 06th July 2017 at Pune.
- 1.10 The Authority has formulated its recommendations based on inputs received from the stakeholders, views expressed during the OHD and its own internal analysis. Chapter -II of the recommendations covers Scope of UL (VNO) Category 'B' License, terms and condition. Chapter - III broadly covers licensing and regulatory compliances in terms of Know Your Customer (KYC), Tariff, Quality of Services and penalty structure etc. Chapter - IV summarizes the recommendations.

CHAPTER II: SCOPE OF UL (VNO) CATEGORY ‘B’ LICENSE, TERMS AND CONDITIONS

A. Need for UL (VNO) Category ‘B’ License

- 2.1 DID franchisees are operating for more than two decades in Indian telecom market. The telecom licensing framework has witnessed transformational changes during this period, however, the policy for DID franchisees remained unchanged. DID franchisees have survived despite fierce competition at the level of pricing and services by large Telecom Service Providers (TSPs). In the CP, a question was raised as to whether there is any need to introduce Cat ‘B’ VNOs in the sector. The Authority further sought stakeholders view on whether the existing DID franchisees be mandated to migrate to UL (VNO) Cat ‘B’ based licensing regime. Also if any challenge is foreseen in migration from franchisee regime to licensing regime.
- 2.2 In response, most of the stakeholders have inter-alia submitted that there is a need to introduce Cat ‘B’ VNOs in the sector. These stakeholders have broadly cited that such a category will provide competitive services, innovative applications and greater reach in services. It will penetrate telecom services deeper into the market. Such a category will encourage the migration of district level DID operators from non-licensing to licensing regime. One stakeholder has requested to create a separate “C” class VNO License, as a onetime dispensation applicable only for existing DID operators so that they can be absorbed under this policy.
- 2.3 One stakeholder favoring the introduction of VNO Category ‘B’ license has mentioned that in the best interest of the consumer, there is a need to introduce Cat ‘B’ VNOs in the telecom sector and the existing DID franchisees should be mandated to migrate to UL (VNO) Cat ‘B’ based licensing regime. On the issue of challenge in migration of existing DID franchisees, the stakeholder mentioned that the only technical challenge foreseen for migration of the existing DID

franchisees to the licensing regime would be the prohibition on multiple NSO parenting of the VNOs for access services. In this regard stakeholder suggested that in order for VNO (Cat 'B') to become an attractive proposition, it is important that clause xxii of the 'General' guidelines for grant of UL (VNO) is amended to permit VNOs to be parented to multiple NSOs for access services.

- 2.4 Some stakeholders have submitted that according to VNO guidelines it is not feasible to have an area of operation of a VNO not aligned to that of a NSO. Having a VNO licensing framework that does not align with the area of operation of a NSO can lead to various operational complexities in addition to impinging on the need for maintaining parity in the Licensing framework for VNO and NSO. The stakeholders further stated that they oppose the use of any such approach which alters the fundamental structure of present licensing regime, however, with due consideration to the issue of continuity of services offered by DID franchisees, they are of the view that Cat 'B' VNOs [DID] may be allowed in the sector only for DID franchisees in order to accommodate them and DID franchisees may be mandated to migrate to UL (VNO) Cat 'B' License.
- 2.5 The stakeholders further submitted that the VNO-DID Category 'B' Licensees would be offering their services within a District as a service area. However if a particular DID franchisee wishes to offer its services in more than four SSAs of an LSA (Telecom Circle) then in that particular case, that franchisee should be mandated to obtain Access Service Authorization License for the entire Telecom Circle. This is in line with the provision in UL-Internet services guidelines, wherein any operator who wishes to offer services in more than 4 SSAs is required to take the entire service area authorization.
- 2.6 One stakeholder while supporting the introduction of Cat 'B' VNOs in the sector has suggested that the existing DID franchisees to migrate should not be mandated to UL VNO Cat 'B' based licensing regime.

Both the options should be made available for the DID franchisees.

- 2.7 One stakeholder has stated that introduction of Cat 'B' UL (VNO) Access Service License for Districts as Service Area in the sector will be the much needed shot in the arm for providing competitive services & innovative applications and for greater reach of Access Services. This will also permit smaller players, including SMEs, to start small with services and scale up to circle levels.
- 2.8 Some stakeholders were of the view that existing DID franchisees should not be mandated to migrate to UL (VNO) but should be able to exercise the option to migrate to Cat 'B' license when their existing license ends. These stakeholders have foreseen some challenges in migration to new regime viz. Scope and geographical Area of services to be offered by UL (VNO) Cat 'B' licenses in case it is allowed to provide mobile access services, financial obligations such as Entry Fee and determination of eligibility conditions keeping in mind the existing guidelines for VNOs.
- 2.9 One stakeholder has submitted that considering the restricted nature /scope of the service [EPABX] and the need to ensure continuity of these services even while ensuring their integration into the Unified Licensing regime, Cat 'B' VNOs can be introduced in the sector only for the provision of DID services [Cat 'B' VNO [DID] i.e. fixed line EPABX services only which are fixed in all respects, including extensions.
- 2.10 Some stakeholders have mentioned that there is challenge of imposing AGR without offset of services being purchased, which today predominantly may be as bandwidth purchase and creating the products both for voice and Broadband. This would result in depleting the margins which are already very thin and make new licenses unviable even as they start the service. Also, there is uncertainty in Metro areas as they are divided in multiple districts and it would be very difficult to have administrative control over service in such

districts which do not seem to have any clear boundary. So, for Areas which currently fall under the Metro Telecom Circles (Delhi, Kolkata, Chennai, Mumbai and areas under them such as Gurgaon, NOIDA, Mahabalipuram, Thane, etc), a revised entry fee not higher than Rs.3 lakh may be introduced.

- 2.11 One stakeholder in view of the challenges in defining areas of operation as district for providing mobile services and further issues on determining SUC and AGR etc. has proposed to mandate the migration of DID Franchisee to UL (VNO) Cat 'B' licensing regime and limit the scope of services provided by the DID Franchisee to wireline voice and Broadband services. The stakeholder suggested to create a new classification of UL (VNO) Cat license to distinguish between DID franchisee offering wireline voice and internet services and UL (VNO) Cat 'B' licensees offering both Wireline and Wireless voice and internet services.
- 2.12 One stakeholder has submitted that in order to encourage the migration of district level DID operators from non licensing regime to licensing regime introduction of this category of License is a welcome step. The process (the existing DID franchisees mandated to migrate to UL (VNO) Cat 'B' based licensing regime) has already commenced and the existing DID operators are already migrating. No problem is envisaged in migration. DoT has already given sufficient time to the DID operators. Even in the past, the migration from Access service licenses to UL has happened. In the existing license also provision of services through Franchisee arrangement is allowed. But certain acts like issuing a bill directly to the customer are not allowed as these are considered as reselling of services. This should be allowed as it will provide more flexibility to these operators.
- 2.13 One stakeholder has submitted that as per Unified License (UL) policy, VNOs are created to exploit the benefits of convergence, spectrum liberalization and facilitate delinking of the licensing of networks from

the delivery of services so as to enable the Telecom Service Providers (TSPs) to optimally and efficiently utilize their networks and spectrum by sharing active and passive infrastructure. Therefore UL (VNO) Cat 'B' Licensee will play the same role as UL (VNO) initially in small area i.e. District wise. The stakeholder was of the view that DID franchisee should be mandated to migrate to UL (VNO) Cat 'B' based licensing regime. However, a fresh policy is required based on the opportunities mentioned in scope of Access Service of UL (VNO) License. Policy of Group EPABX with DID Facility under Franchisee Scheme issued by DoT on 27.01.1994 and detailed instructions on 04.03.1994 can be used as a guidelines in arriving at a new policy.

- 2.14 According to the Security Conditions mentioned in the guidelines for grant of UL (VNO), VNOs are treated as extension of NSOs or TSPs and they would not be allowed to install equipment interconnecting with the network of other NSOs (i.e. Soft Switches and TAX). One stakeholder is of the view that UL (VNO) Cat 'B' Licensees should not be responsible for security conditions mentioned under chapter VI and VIII since UL (VNO) Cat 'B' Licensee have his own network which in compared to TSPs/NSOs network is extremely small and moreover they are resellers of all services. The stakeholder requested to exempt Cat 'B' Licensee from security conditions mentioned there in and allow UL (VNO) Cat 'B' Licensee to operate his network as per B.2 Technical Conditions mentioned in the detailed instructions issued under reference 4-5/93-PHB dated 04.03.1994 by the DoT.

Analysis

- 2.15 The Authority has carefully gone through the comments of the stakeholders. There is a broad consensus among the stakeholders that in order to maintain the continuity of business for DID franchisees, and considering that the government has also temporarily migrated DID franchisees to a UL (VNO) licensing regime at the district level, DID licenses may be formally brought under the licensing regime.

- 2.16 The Authority is also of the view that since these franchisee operators are already in existence for more than two decades and have survived despite fierce competition in the sector, they deserve to brand their services in their own name under the aegis of UL (VNO) policy. The Authority also feels that in the changing circumstances and evolving technological environment, these licensees can be provided broader business umbrella through proper licensing framework. These licensees have built their reputation by serving in niche market; hence, there will be no crisis of identity for them. As per the information available, most of the DID franchisees have either been migrated to the UL (VNO) Cat 'B' license or they are in the process of migrations.
- 2.17 Besides providing voice and data services through wireline network; in future, the role of UL (VNO) Cat 'B' can also be effective as a connectivity/network provider in Smart Cities. The last mile access network of UL (VNO) Cat 'B' licensee can be efficiently utilized to provide connectivity and related services for M2M Service providers in a smart city environment and provide access and integration of resources to other providers.
- 2.18 Some stakeholders have categorically mentioned that UL (VNO) Cat 'B' license should be limited to accommodate existing DID franchisees only. In this regard the Authority feels that the policy should not be exclusive in nature. In future, if any entrepreneur intends to provide such services, the policy should be an enabler for such efforts, hence, an open ended policy should be in place that will motivate budding entrepreneurs and contribute to bridge the connectivity and digital divide in the country.
- 2.19 **In view of the above, the Authority recommends that:**
- a) A new category of authorization may be introduced under Unified License (VNO), for Access Service as Category 'B' license with districts as a Service Area on non-exclusive basis.**

- b) To continue their services, existing DID franchisees should migrate to UL (VNO) Category ‘B’.**
- c) New license should not be restricted only to existing DID franchisees and should also be open to new entities intending to offer such services.**

B. Scope of UL (VNO) Category ‘B’ licensee

- 2.20 Present framework of DID franchisees permits provisioning of voice telephony to the subscribers through wire-line network only. On the scope of the proposed framework of UL (VNO) Category ‘B’ licensees, the Authority raised an issue in the CP for the comments of stakeholders on whether such licensees shall be allowed providing the services defined in Access service license including mobile services or they shall be allowed voice and internet services only through wireline network. The associated issues of allowing wireless services viz. confining the territory of operation in a district as license service area, charging of Spectrum Usage Charges (SUC), roaming etc has also been highlighted in the CP.
- 2.21 If DID franchisees are also allowed to provide wireless services under their brand(s), under UL (VNO) Cat ‘B’, the issue will arise as to how these licensees will be able to confine their services within the territory of license area of a district only. In such a circumstance existing Telecom Service Provider (TSP) or Network Service Provider (NSO) shall have to restrict the users of the District based operator to its license area and charge them roaming charges once a user of UL (VNO) Cat ‘B’ roam out of its licensed geographic area. Such an arrangement may not be practically possible as it will give rise to technical issues to both NSO and VNO which can further result in inconveniencing the customer.
- 2.22 In response some stakeholders have submitted that Cat ‘B’ access licensees should be allowed all services including mobile services.

Local operators would be able to align the services and innovate to meet the needs of the users.

2.23 One association of DID franchisees has submitted that they do not see any scope to add mobile service under District level VNO regime as wireless GSM service does not fit in their business model. As per them, none of the existing DID operators will focus on Wireless voice service and their objective is to increase the wired tele-density of the country as envisaged in Telecom Policy. The association further submitted that as per TRAI statistics report, wire line connections are decreasing significantly since last one decade. On the contrary, wireless connections are increasing significantly. Hence, Authority should focus only to boost wire line connections.

2.24 One stakeholder has submitted that the scope of UL (VNO) Cat 'B' licensee should not be limited to provide landline (voice) and internet services only. They should be allowed to provide mobile service also as the issues listed in para 13–15 in the CP are addressable. The stakeholder has explained para wise technical solution to the issues as under:-

Issue raised at Para 13:- Clause 2.1 (a) (ix) of the UL (Access Services Authorisation) permits offering of *“Home Zone Tariff Scheme (s) as a subset of full mobile service in well defined geographical Areas”*. This concept can be used to create virtual zones of operation by the Mobile NSOs for the UL (VNO) Cat 'B' service provider. Hence, there is no challenge on the issue of confining/configuring services within the territory of license area of a district only.

Issue raised at Para 14:- Since the UL (VNO) Cat 'B' would be dependent on the parent NSO for the services, the issue of roaming can be handled as per the roaming agreements of the parent NSO(s), even if the VNO is provisioning services in two districts by parenting to two different NSOs. And AGR issue can be tackled by making the UL (VNO) Cat 'B', parented to multiple NSOs, account for its revenue

accrued from utilizing the infrastructure of each NSO separately. As regards SUC, the existing procedure of calculating the same based on weighted averages, similar to the way it is done for NSOs, can be adopted.

2.25 Some stakeholders have mentioned that in view of the exception being considered to accommodate and allow the continuity of services offered by the DID franchisees, there should be no enhancement in the scope of service of Cat 'B' VNOs and they must be allowed to operate in fixed DID services only. Under no circumstances should DID franchisees be allowed to offer either mobile or internet services as it will lead to a complete undermining of the UL VNO framework, that has been formulated after a full-fledged consultation and regulatory process involving the Regulator as well as the Licensor. In the event that an operator wishes to offer mobile services, it should be required to take a UL VNO Access license for the full LSA and if it wants to provide internet services, it can take UL-Internet authorization. It may be noted the authorization for access services has to be taken for the full LSA even if the service is intended to be provided in just a part of the LSA.

2.26 The stakeholders further submitted that allowing VNOs with an authorized area of operation, different from that of a parent MNO, would lead to complications such as the ones already mentioned above, and others such as:

- a. All the resources like mobile numbering series etc. are assigned on a LSA Level since the area of operation of MNOs is on a LSA level. Using/bifurcating some of these resources to be used on district level would prove to be a huge logistical challenge.
- b. The operational complexities such as the ones mentioned in the CP on the issue of restricting mobility on a district level or charging roaming for the inter-district movement of customers for various reasons such as occupation, trade, relationships, treatment, etc.

would also lead to huge influx of customer complaints and queries at the MNOs call centres. Handling and convincingly explaining the complexities arising out of such an arrangement to the aggrieved customers would be an enormous challenge.

- 2.27 One stakeholder stated that scope of the UL (VNO) Cat 'B' licensee should not to be limited to providing landline (voice) and internet services only rather they should be allowed to provide mobile service also to maximise the revenue of both parties. The stakeholder further submitted that the complexities enlisted in para 13-15 like charging in case roaming out to the licensed geographical service area, calculation of AGR & SUC etc. can be taken care of by its NSO under certain arrangement.
- 2.28 One stakeholder has submitted that scope of the license should exclude Mobile services otherwise it will be misused as was earlier done in the case of limited mobility. The mobile signal cannot be restricted to district level and the march of technology cannot be stopped. However, UL (VNO) Cat 'B' should include IP category services as has already been allowed in DoT circular dated 28th November, 2016 advising the existing IP-I operators to migrate to licensing regime to provide active infrastructure and migration to VNO category 'B' is given as one of the option. Sharing of passive infrastructure in fact is allowed in the UL/UL (VNO) itself. In fact all services which do not require spectrum and can be restricted to district level operations should allowed to be provided under this category.
- 2.29 One stakeholder has elaborated the thought that mobile services to any VNO at a sub service area level is not permissible and will lead to various operational and licensing complexities, disputes, etc. The stakeholder further mentioned that it do not support that UL VNO-DID licensee should be permitted to offer Internet and Mobility services for the reasons that VNO-DID UL holder is not authorized to

offer MSC Series based mobility and IP address based internet services unless it is subject to all Network Security and LIM compliances as are applicable for UL with Access & Internet service authorisations. Besides, there are complexities in MNP, Telemarketer, VAS etc related compliances which cannot be complied with by UL-VNO-DID holder.

- 2.30 One stakeholder has submitted that the allocation/provisioning of resources such as spectrum, MWA/MWB, mobile numbering series, PLMN codes, etc., is done at the LSA level. Therefore, any Access Service Authorization for wireless services at a smaller geographical level would prove to be a huge challenge. The stakeholder has also quoted para 5.6 of the Authority's recommendations on "Introducing Virtual Networks Operators in telecom sector", dated 1st May 2015, which is reproduced below. The same was duly accepted by the DoT.

"As per prevailing licenses issued under various license regimes for delivery of the services, service areas are defined at National, Circle and SSA levels, depending on the type of service a licensee wants to provide. Therefore, the service area of a VNO cannot be beyond the service area of its NSO. Even though a VNO may not wish to serve the entire service area and may want to confine itself to a district area it will not be practicable to carve out an area specific to a VNO; parity has to be maintained as per the existing license area(s) of NSOs."

- 2.31 One stakeholder has submitted that UL (VNO) Cat 'B' Licensee should be allowed to provide Mobile service also along with other services as mentioned in the scope of Access service as per UL (VNO) Guidelines and Agreement (clause No. 2 on page No. 43 of License Agreement for Unified License for VNO part-II Chapter VIII, Access service.) issued by DoT wherein the mobile network belongs to NSOs/TSPs and act as extension of NSOs/TSPs. The above clause authorized UL (VNO) Cat 'B' Licensee to provide all services mentioned therein. The stakeholder suggests that UL (VNO) Cat 'B' Licensee can provide triple play and mobile service within the scope of Access Service and can satisfy demand of their customers at one stop solution under one roof.

2.32 In response to the issues highlighted in para 13 and 14 of CP, the stakeholder has submitted that the roaming charges has been withdrawn by most of the TSPs and tariffs in offering by TSPs allows fixed charges for pan-India. The stakeholder reiterated clause 2.1 (a) (ii) of UL (VNO) License Agreement which is reproduced below:-

“(ii) The Licensee can acquire customer for delivery of services offered in its network and/or NSO’s network using only the spectrum band held & technology deployed by the NSO(s). While roaming on other Licensees’ network, the services availed by the subscriber shall be limited to only those services which have been subscribed in its parent NSO’s home network.”

Analysis

2.33 On the issue of scope of services to be provided by UL (VNO) Cat ‘B’ licensees, three distinct views are emerging in a broad sense. One set of stakeholders want the scope of DID franchisees converted into UL (VNO) Category ‘B’ on similar lines as defined for their earlier role i.e. providing EPABX extension based voice service through wireline network. Another set of stakeholders suggest allowing voice, internet and triple play services through wired network. Third set of stakeholders, advocates for allowing providing of all services as defined for under UL/ UL (VNO) Access Service authorizations i.e. voice, data and other Value Added Services (VAS) through wired as well as wireless access medium.

2.34 The Authority in the CP has clearly brought out foreseeable challenges in prescribing the scope for UL (VNO) Cat ‘B’ licensees at par with UL (VNO) access licensees. The Authority had sought view on challenges specifically in allowing district based operations in mobile telephony as well as associated issues of roaming , SUC and AGR etc. Based on the views submitted by the stakeholders the Authority is of the view that in the light of the complexities involved, the arrangement of allowing wireless access services by a UL (VNO) Cat ‘B’ licensee is not workable. As per existing business proposition of DID franchisees,

they have gathered experience for long and they know the market dynamics of landline telephony well. In case of allowing mobile access services, there seems no value addition to their existing business profile and practically not much impact can be created in mobile telephony market in terms of branding, tariffs and QoS by a very small operator. It is also a fact that in light of fierce competition between the TSPs, the consolidation in telecom sector is taking place.

2.35 One set of stakeholders has indicated allowing UL (VNO) Cat 'B' licensees to provide voice, internet and triple play services to be delivered through wireline network only. In this regard these stakeholders have clearly mentioned that allowing mobile service for them would not be helping to enhance their profile as market for mobile services is altogether different, hence, they want to be in the market according to their existing expertise and experience in maintaining and providing services through wireline network. The Authority has also emphasized in the CP that in the proposed UL (VNO) Cat 'B' license, transition of these franchisees should be such that it should accommodate their existing business model smoothly. Additional authorization to provide internet and triple services will enhance their capability with minimum additional investments. This approach will also contribute towards increasing the broadband penetration in the areas served by such licensees with a minimum add-on investment.

2.36 **In view of the above, the Authority recommends that:**

- a) Scope of proposed UL (VNO) Cat 'B' license should be to provide only wireline access services within a district. Wireless access services shall not be a part of the scope of UL VNO Cat 'B'.**
- b) The number of district to be served by a UL (VNO) Cat 'B' licensee in a telecom circle should be limited to four. If a licensee wishes to provide services in more than four districts of an LSA, the licensee should be mandated to obtain UL (VNO) Access Service Authorization License for entire LSA.**

CHAPTER III: LICENSE TERMS, CONDITIONS AND OBLIGATIONS

A. Duration of the license

- 3.1 Duration of license in UL (VNO) policy has been kept 10 years. Accordingly, the Authority in the CP had sought comments of the stakeholders on whether the license duration for UL (VNO) Cat 'B' be kept 10 years which is at par with other licenses issued under UL (VNO) policy.
- 3.2 In response, most of the stakeholders have unanimously stated that the duration of UL (VNO) Cat 'B' Licenses should be for 10 years, as the same as has been set out for other authorizations in VNO License. In addition, some stakeholders also submitted that license duration should be 10 years even for licenses awarded before the date of Licensor starting issuing Licenses post TRAI recommendations under this consultation paper. One stakeholder has also suggested that current interim duration of one year must be subsumed under the larger policy condition for 10 years duration.
- 3.3 Contrary to above, one stakeholder has suggested that since renewal of License and other formalities would be a very cumbersome process for MSME operators, hence, duration of License for UL (VNO) Cat 'B' must be kept as 15 Years. Another stakeholder has submitted that the License duration for UL (VNO) Cat 'B' should be kept as 20 years which will be at par with Unified License (refer Clause 4. Terms of License of Unified License guidelines No. 20-281/2010-AS-I (Vol VI) dated 19th August, 2013 issued by DoT) as UL (VNO) Cat 'B' Licensees are MSME and cannot afford to have uncertainty in the business but want peace of mind to concentrate for expansion of business.

Analysis

- 3.4 The Authority on examination of the comments of the stakeholders feels that it would be appropriate to keep parity with the existing UL (VNO) policy as most of the stakeholders have sought for. The

Authority does not foresee any challenge as licenses can be renewed on prevailing terms and conditions after 10 years time duration. As per past experience the licensing regime has seen changes almost on every 10-12 years duration. The Authority also agrees with the views of some stakeholders on subsuming the duration of licenses issued by the licensor prior to the recommendations of the Authority.

3.5 In view of the above, the Authority recommends that:

- a) The duration of UL (VNO) Cat 'B' license shall remain consistent with the guidelines of UL (VNO). Accordingly, licenses will be issued for 10 years duration and further renewable for 10 years as per prevailing terms and conditions.**

B. Financial terms, conditions and obligations

- 3.6** The Authority in the CP had also sought comments of the stakeholders on determining Networth, Equity, Entry Fee, PBG, FBG etc. for District level UL (VNO) Cat 'B' licensee by raising two separate questions for the following two scenarios:

Case1: these licensees are allowed for Wireline and Internet services only

Case2: these licensees are allowed all access services including cellular mobile services.

- 3.7** In response, some stakeholders have submitted that financial eligibility conditions should be as per Cat 'B' licenses already being issued. As per existing UL VNO policy Cat 'B', district level Entry fee is fixed at Rs.16,500/- per year and FBG Rs.1 Lakh. Some stakeholders also submitted that there is uncertainty in Metro areas as they are divided in multiple districts and it would be very difficult to administer control over service in such districts which do not seem to have any clear boundary. So for Areas which currently fall under the Metro Telecom Circles (Delhi, Kolkata, Chennai, Mumbai and areas under them such as Gurgaon, NOIDA, Mahabalipuram, Thane, etc), a revised entry fee not higher than Rs. 3 Lakh may be introduced.

- 3.8 Some stakeholders have proposed the amount of Networth, Equity, Entry Fee, PBG and FBG respectively as mentioned in the table 3.1 below:

Table 3.1: Proposed amount of Networth, Equity, Entry Fee, PBG and FBG for UL (VNO) Cat ‘B’

Criteria	Stakeholder 1 (value in INR)	Stakeholder 2 (Value in INR)	Stakeholder 3 (Value in INR)
Networth	Nil	Nil	10 lakhs
Equity	Nil	Nil	Nil
Entry Fee	25 lakhs	25 lakhs	0.30 lakh p.a.
PBG	50 lakhs	25 lakhs	Nil
FBG	50 lakhs	25 lakhs, review basis revenue generation on half yearly basis	0.50 lakhs

- 3.9 One stakeholder has stated that as long as the scope of the proposed licensee remains to provide DID/EPABX based voice service only, the Networth, Equity, Entry Fee, PBG, FBG conditions etc. for the UL-VNO-DID may be as decided by DoT in its guidelines of 5th July 2016.
- 3.10 One stakeholder is of the view that the Networth, Equity, Entry Fee, PBG, FBG etc. for District level UL (VNO) Cat ‘B’ licensee shall be proportionate to the demographic (number of house hold, per capita income, population literacy etc.) condition of that district. This amount should be kept low for remote district in comparison to developed district proportionately. Therefore, policy may be framed accordingly to promote UL (VNO) Cat ‘B’ in remote districts. Another stakeholder has emphasised that since DID franchisee would be allowed to provide voice services, a suitable entry fee, PBG and FBG is recommended to securitize the government’s dues and ensure a level playing field.
- 3.11 One stakeholder advocating for voice, internet and triple play services through wireline network only has stated that as per existing UL VNO policy Cat ‘B’ district level License fee is fixed at Rs.16,500/- per year

and FBG Rs. 1 Lakh. If wireless service is withdrawn from UL VNO Cat 'B' District Level then License fee should be kept Rs. 3,000 and FBG Rs. 50,000.

3.12 The stakeholder further suggested that in order to boost internet segment at every part of country and encourage small to medium enterprise, Department of Telecom should collect token License Re. 1 per year toward Internet Service Provider category Class 'C'. The authority should fix token license fee and abolish FBG, network & equity structure. It will encourage more DID operators to launch services in the non-feasible pockets. This will also decrease subscriber traffic and spectrum shortage resulting in lesser call drops and congestion issue in GSM telephony.

3.13 The stakeholder has suggested the following AGR based License Fee structure:

Authorization Service	AGR @ 8% from GSM Revenue	AGR @ 8% from Internet Revenue	AGR from Voice Wireline Revenue
Landline Voice, Internet and GSM Voice	NA	As per existing present %age	NIL

3.14 The stakeholder has inter-alia cited following reasons/justifications for abolishing AGR from wireline voice:

- a) The inception of PHB policy 1995 to 2015 call charges and rent to be collected from end user was fixed by DoT and its successor BSNL and MTNL which is mentioned as under-
 - i. Rent – Rs. 125 per connection per month. Out of rental collection they had to contribute 15 to 20 % collected rent revenue to their principal company against Junction or PRI rent charges.
 - ii. Call Charges Rs. 01 per unit as per BSNL/MTNL pulse rate which is totally payable to NSO and DID get commission @ Rs.0.20 per call unit.

After deduction of fix operative expense i.e. AC/DC Power bill, Cable maintenance and fault, Staff salary, AMC of switch, DID franchisees'

earn at par or in some case approx 5 to 10 % net of margin from total turnover. In such lower ratio of margin the stakeholder strongly oppose Levy of AGR particular in wire line voice segment.

- b) In the last decade due to proliferation of mobile services, the traffic generated from wireline services have declined. This has resulted in depletion of outgoing calls thereby reducing the commission the DID Franchisees receiving from TSPs. Apps like Skype, Face time, IMO, Whatapp etc. also negatively impacted the ISD call traffic of DID franchisees. Unlimited voice calls /data being offered by certain TSPs in the recent past also added to further decline of their revenue. Due to all these, DID operators have to face mass disconnection of Wireline connections that caused continuous process of downfall of their revenue.
- c) Yearly tele-density growth report of TRAI proves that landline connections have heavily declined, pan India. In this scenario DID operators are fighting for their existence and levy of AGR will ruin their micro scale landline segment.
- d) In the year 2015 TRAI had initiated a step to free wire line segment from IUC regime. This step will surely stop further erosion of wire line voice segment. The stakeholder strongly believes that TRAI should completely remove AGR from Wire line Connection.

3.15 One stakeholder seeking for allowing all Access services including triple play and mobile services has submitted that the structure of payment proposed by DoT may be accepted with reduction in License Fee from Rs. 16500/- per year to Rs. 3,000/- per year (as in the case of ISP 'C' Licensee).

3.16 One stakeholder has submitted that already DID operators have a lot of investments sunk while setting up services. Entry Fee should be kept at minimal levels permitting more players to enter without the necessity of greatly leveraging themselves. Necessary values of Networth, Equity, PBG and FBG should be adequate markers to

permit entry of only serious players.

- 3.17 The Authority in the CP had sought comments on Networth, Equity, Entry Fee, PBG, FBG etc. in case Cat 'B' VNOs are allowed to provide mobile access service also. Although the issue has become redundant now in view of the recommendations of the Authority in para 2.36 above. However, comments submitted by stakeholders are illustrated in the paragraphs below.
- 3.18 One stakeholder supporting full-fledged Access services under UL (VNO) Cat 'B' license has expressed that the structure of payment including FBG proposed by DoT may be accepted with reduction in License Fee from Rs. 16500/- per year to Rs. 3,000/- per year as per ISP 'C' Licensee and FBG from Rs. 1,00,000/- to Rs. 50,000/- due to MSME status of Cat 'B' Licensee. And no net worth criteria should be kept for UL (VNO) Cat 'B' Licensee as this category was specifically made for migration of DID Franchisee from Franchisee regime to License regime. Therefore only DID Franchisee is eligible for UL (VNO) Cat 'B' License.
- 3.19 One stakeholder has stated that the concept of networth and equity is applicable only for companies registered with Company Law Board. DID Franchisees are either small entrepreneurs or firms and cannot be expected to fulfill networth and equity criteria. The stakeholder is of the view that no PBG is required for these UL (VNO) Cat 'B' licensees and suggests that one time Entry Fee of Rs 1 Lac only along with FBG of Rs 5 Lac should be applicable for UL (VNO) Cat 'B' Wireline and Wireless Voice and Internet service providers.
- 3.20 One stakeholder has specifically mentioned that as it has suggested removing mobile access service from present UL VNO Cat 'B' for district level regime. If the Authority is not in position to remove Mobile access service then Wireless and Wireline service should be segregated within access service area.

Analysis

- 3.21 The Authority is aware of the fact that proposed UL (VNO) Cat 'B' licensees are small entrepreneurs who have infused capital and are running their niche segment business in small areas of the city or a town. The Authority has taken note of the facts submitted by some of the stakeholders that despite fierce competition these entrepreneurs have survived their business model; however, the margins have narrowed due to increasing operational cost and sharp reduction in tariffs in recent past.
- 3.22 During the OHD, a section of stakeholders have raised the issue of double taxation, and stated that VNOs are burdened since consideration of amount paid to TSP/NSO by a VNO in respect of procurement of bulk/wholesale bandwidth, minutes, SMSs etc. are not considered as 'pass through charges'. This results in double taxation. In this regard similar issues were raised by the Virtual Network Operators Association of India (VNOAI) through their communication to the Authority in February 2017 stating that the VNO Licensees are constrained to absorb high costs and it is difficult to sustain and survive the regulatory and licensing costs. Accordingly, VNOAI had inter-alia requested to review the AGR/ License Fee payable by the VNO and NSO and their relationship on pass through charges.
- 3.23 As regards the AGR related issues, as discussed in para above, the Authority has examined the issues in depth in the 'Recommendations on Definition of Revenue Base (AGR) for the Reckoning of License Fee and Spectrum Usage Charges' dated 6th January 2015. The Authority is of the view that amounts paid to other TSPs in respect of input services provided by them are in the nature of expenses and cannot be considered as PTC except exclusively defined (IUC, roaming charges etc.). The Authority in order to reduce the burden of License fee on TSPs. in its recommendations dated 6th January, 2015 on 'Definition of Revenue Base (AGR) for the Reckoning of Licence Fee and Spectrum

Usage Charges'² has recommended that the component of USO levy should be reduced from the present 5% to 3% of AGR for all licences with effect from 1st April 2015. With this reduction, the applicable uniform rate of licence fee would become 6% (from the present 8%) of AGR.

3.24 The recommendations on definition of AGR, as discussed in previous para, were issued when concept of VNO was not in existence. As the policy for UL (VNO) has been accepted and announced by DoT in May, 2016, the issues highlighted by the concerned stakeholders on 'pass through charges' for VNOs can be looked into afresh by DoT.

3.25 As a part of biggest tax reform in independent India, the recent rollout of Goods and Service Tax (GST) have been envisaged to bring revolutionary changes in indirect tax regime. The uninterrupted and seamless chain of input tax credit (ITC)³ is one of the key features of Goods and Services Tax (GST). ITC is a mechanism to ensure that the supplier needs to pay GST in cash only on the value addition. ITC mechanism thereby avoids cascading of taxes that is 'tax on tax'. Under the previous system of indirect taxation, credit of taxes being levied by Central Government was not available as set-off for payment of taxes levied by State Governments, and vice versa. GST will thus subsume a number of State and Centre taxes into a single tax thereby allowing ITC of tax paid at every stage to be available as set-off for payment of tax at every subsequent stage.

3.26 The Authority is of the view that keeping in mind the introduction of VNO regime where one NSO is permitted to host multiple VNOs, a review of components for computation of AGR is need of the hour. Also keeping in mind the prevailing hyper competitive market conditions, DoT may consider review of AGR components; and charges paid by VNO licensee to the TSP/NSO for procurement of services should be

² http://traf.gov.in/sites/default/files/Reco-AGR-Final-06.01.2015_0.pdf

³ <https://blog.mygov.in/editorial/input-tax-credit-mechanism-documents-required-in-gst/>

allowed to be deducted as pass through charges for the purpose of calculating the AGR, similar to other pass through charges permitted under UL like IUC, roaming charges etc.

- 3.27 Further, in larger context of the issue, the Authority has felt that AGR regime in telecom sector needs to align with the vision of the government to simplify the tax structure and avoid double taxation at various stages. In this regard, the introduction of mechanism like ITC can be of great help. To explore the possible implementation in this regard, DoT may setup a Committee which includes stakeholders and TRAI.
- 3.28 The Authority in its recommendations dated 17th April, 2015 on ‘Delivering Broadband Quickly: What do we need to do?’ has inter-alia recommended that in order to promote fixed line BB, the license fee on the revenue earned from fixed line BB should be exempted for at least 5 years. The above said recommendations are still pending for implementation by DoT. Acceptance of recommendations stated above would not only be great relief for the small operators such as UL (VNO) Cat ‘B’ licensees but also enhance broadband penetration by utilizing the wireline network of the licensee. This will further strengthen the objectives envisaged in ‘Digital India’ initiative.
- 3.29 Keeping in view the scale and other aspects of such licensees the financial conditions on such small operators should be such that it does not burden them to the extent that they are forced to exit from the business. The Authority is of the view that in the present context the role of DID - franchisees is not only relevant but it is enlarged in realizing ‘Digital India’ in real sense. Therefore, a balanced approach is needed to incorporate and encourage DID - franchisees as UL (VNO) Cat ‘B’ licensees so that serious players are able to make further investment and make it a long term sustainable venture.
- 3.30 As per interim guidelines issued for UL (VNO) Cat ‘B’ licensee, an applicant should be either a registered company or a partnership firm

or an organization registered under Shop and Establishment Act or a legal person. However, DoT has not specified criteria for networth of the proposed licensee. The Authority is also of the view that in order to prevent the entry of fly-by-night operators there should be some criteria for determining the networth of such entities.

3.31 During the OHD some of the stakeholders stated that it would in the interest of consumers and the industry that a reasonable networth of these licensees are defined. Some stakeholders suggested that the networth of such entities should not be more than 2-3 lakhs. Some stakeholders were of the view that networth should be according to the provisions of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

3.32 According to the clause 7 (Chapter -III) of MSMED Act, 2006, the Central Government, for the purpose of the Act may classify any class or classes of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership firm, company or undertaking, by whatever name called. The Act provides that in the case of the enterprises engaged in providing or rendering of services, as—

- (i) a micro enterprise, where the investment in equipment does not exceed ten lakh rupees;
- (ii) a small enterprise, where the investment in equipment is more than ten lakh rupees but does not exceed two crore rupees; or
- (iii) a medium enterprise, where the investment in equipment is more than two crore rupees but does not exceed five crore rupees.

3.33 According to the Companies Act, 2013 the definition of networth is—
(57) “net worth” means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as

per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

- 3.34 Considering the provisions of MSMED Act, 2006 appropriate in determining the networth of UL (VNO) Cat 'B' licensee, for example - an EPABX of 512 lines it can be assumed that average cost of equipment and installations including EPABX, ports, copper cables, terminations and tools shall not be more than Rs. 10 Lakhs. This implies that considering UL (VNO) Cat 'B' licensee a micro enterprise, it seems to be appropriate for the networth upto Rs. 10 Lakh per authorization. The networth of the enterprise shall multiply accordingly in case of authorizations are for more than one District. Accordingly, the Authority considering the inputs from the stakeholders has taken the view that UL (VNO) Cat 'B' licensee shall possess the minimum networth of more than Rs. 5 lakhs per authorization.
- 3.35 As per interim guidelines issued, DoT has prescribed Rs. 16,500/- as Entry Fee for one year. If calculated for 10 years duration of the license the amount will be Rs. 1,65,000/-. Guidelines also prescribe for Rs. 1,00,000/- as Financial Bank Guarantee (FBG). As rollout obligations are not there for VNOs, hence, Performance Bank Guarantee (PBG) does not stand applicable in this case. The Authority on examination of the comments from stakeholders and information from DoT is of the view that charges for Entry Fee and FBG as prescribed by DoT are agreeable, hence shall be made applicable accordingly.
- 3.36 **In view of the above, the Authority recommends that:**
- a) Entry Fee of Rs. 1,65,000 for 10 years of duration of license shall be applicable to the UL (VNO) Cat 'B' licensee.**
 - b) FBG of Rs. 1,00,000 shall be applicable to UL (VNO) Cat 'B' licensee.**
 - c) UL (VNO) Cat 'B' licensee shall possess a minimum networth of**

more than Rs. 5 lakhs per authorization.

- d) In order to promote fixed line Broadband, the DoT should implement TRAI recommendations dated 17th April, 2015 on ‘Delivering Broadband Quickly: What do we need to do?’, wherein the license fee on the revenue earned from fixed line BB should be exempted for at least 5 years.**
- e) On introduction of VNO regime, an issue of double taxation has arisen. DoT may consider review of AGR components; and charges paid by UL (VNO) licensee to the TSP/NSO for procurement of services should be allowed to be deducted as pass through charges for the purpose of calculating the AGR, similar to other pass through charges permitted under UL like IUC, roaming charges etc. This will be in line with the Input Tax Credit (ITC) feature under Goods and Service Tax regime.**

C. Penalty structure for UL (VNO) Category ‘B’ licensee

3.37 The Authority has emphasized in the CP that existing DID franchisees are small and medium level entrepreneurs who are guided by the operational framework of TSP. The volume of business and revenue earned by them are minuscule in comparison to the TSPs. However, in the proposed licensing framework these entities will be known by their own brand and also will solely be responsible to comply with various activities such as Know Your Customer (KYC), provisioning of services, complaint handling, billing and meeting Quality of Service (QoS) and other relevant benchmarks set by the Authority and the licensor. Also, as a separate entity, these licensees will have liberty to design their own tariffs and rates, thus shall be under obligation to comply with relevant tariff reporting, Telecom Tariff Orders (TTOs), AGR reporting, orders and directions issued by the Authority from time to time. On the issue of penalty structure for UL (VNO) Cat ‘B’ licensees the response of the stakeholders is as mentioned in the paragraphs below.

3.38 One stakeholder has submitted that DID franchisee’s are very small

MSME entrepreneurs with limited scope of investment and revenue. Penalty structure mentioned in UL VNO guideline is totally contrasted with their financial and business status. The stakeholder suggested fixing penalty structure which is bearable and reasonable for their limited version of business model i.e. maximum penalty should not exceed more than one month average bill payable to NSO. Another stakeholder has stated that penalty structure should be commensurate with the potential of business in the respective service area.

- 3.39 One stakeholder has submitted that since better customer service and QoS is expected from a service provider provisioning services to a limited subscriber base in a limited area, it is imperative that the penalty structure for UL (VNO) Cat 'B' licensee for violation of UL (VNO) Cat 'B' license terms and conditions should be a credible deterrent against any slippages. Accordingly, this stakeholder has recommended that the penalty structure for UL (VNO) Cat 'B' licensee for violation of UL (VNO) Cat 'B' license terms and conditions should be similar to that of the UL (VNO) – Access Service Authorisation. Another stakeholder has also suggested that penalty structure should be same as for the UL (VNO) authorizations.
- 3.40 One stakeholder has stated that given the restricted nature of the UL (VNO) Cat 'B' authorization and balancing the need for adherence to compliance, for a UL (VNO) Cat 'B' licensee providing DID/ Fixed line voice only in any District/SSA, a maximum penalty of upto Rs. 25 Lakhs may be considered. The same is necessary in order to strengthen the regulatory framework and to prevent any possible misuse through violation of licensing conditions in respect of voice services. Whereas, another stakeholder has mentioned that since 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, hence, in order to discourage any violation of licensing conditions pertaining to voice services, penalty of up to Rs. 1 Crore is suggested. Another

stakeholder of similar views has suggested that penalty of upto Rs. 20 Lakhs may be specified.

- 3.41 A couple of stakeholders have proposed that there should be penalties imposed but with a cap of Rs. 5 Lakhs. Whereas, some stakeholders were of the opinion that since these are extremely small businesses, to determine the extent of penalty to be charged, the cap may be decided proportionately on the basis of the ratio of the population of the district to the overall population of the circle/LSA, as has been done by TRAI in another case.
- 3.42 One stakeholder has proposed that no heavy penalty should be levied on UL (VNO) Cat 'B' Licensee and penalty should be in range as proposed as follows:-
- a. Incomplete KYC: Rs. 100/- for each compliances and after 3 defaults it may be increased to maximum Rs. 1,000/- as a deterrent.
 - b. Make classification of types and nature of violation and penalties. Also, minimum penalty should be Rs. 100/- and maximum Rs. 10,000/- may be charged.

Analysis

- 3.43 The Authority observes that few stakeholders are of the opinion that penalty structure for UL (VNO) Cat 'B' licensees should be same as applicable in UL (VNO) policy. The stakeholders have suggested maximum quantum of penalty ranging from Rs. 10 thousand to Rs. 1 Crore. However, stakeholders have not substantiated the reasoning for arriving at the amount of penalty they have provided.
- 3.44 As discussed in CP, the amount of maximum penalty on telecom service provider in various authorizations under UL and UL (VNO) ranges from Rs. 10 Lakhs to Rs. 50 Crores. Provision for maximum penalty on a district/SSA based operator i.e. ISP Category 'C' is Rs. 10 Lakhs. Broadly speaking, scope of ISP Category 'C' and UL (VNO) Category 'B' can be treated almost similar based on the area of license,

therefore, rather than defining a new penalty structure, it would be appropriate that penalty structure stipulated in UL (VNO) license for ISP Cat 'C' shall be also made applicable to UL (VNO) Cat 'B' licensee. Such approach would not burden the UL (VNO) Cat 'B' licensees.

3.45 As few stakeholders have mentioned that penalty to licensee should be bare minimum and bearable according to the financial position and quantum of business being done. One stakeholder has proposed penalty of Rs. 100 for 1st violations and Rs. 1000 for subsequent violation on failure to comply with subscriber verification norms. Although Authority tends to with their views, there should not be any compromise on the activities of licensee such as compliance to the subscriber verification as this has broader ramifications including national security. Therefore, it would be appropriate that penalty on the failure to comply with subscriber verification/ KYC norms should be uniform according to the UL (VNO) policy.

3.46 **In view of the above, the Authority recommends that:**

- a) The amount of maximum penalty on UL (VNO) Category 'B' licensee should be same as provisioned for ISP Cat 'C' in UL (VNO) policy.**
- b) The penalty on failure to comply with subscriber verification/ KYC norms should be as per provisions of UL (VNO) policy.**

D. Tariff reporting and related obligations

3.47 The Authority is mandated to promote and ensure the orderly growth of the telecom sector and to protect the interests of consumers and service providers. Accordingly, the Authority in order to protect interests of the consumers issues Tariff directions, orders or make regulatory provisions from time to time and applicable licensee have to comply with them accordingly. In the CP, the Authority had sought the comments of the stakeholders on whether 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.

3.48 In response most of the stakeholders are of the view that UL (VNO) Cat 'B' licensees should 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.

3.49 Few stakeholders have mentioned that 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. The stakeholders also mentioned that with the advent of online methods for filing of tariffs, it would become easier for the Licensees to file tariff plans to TRAI and quoted the provision in UL (VNO) License issued by DoT provides as below:

“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.”

3.50 Contrary to the above, a set of stakeholders representing DID franchisees have submitted that the Authority should not treat UL (VNO) Cat 'B' District Level entity equivalent to the existing TSPs/VNOs for meeting obligation arising from Tariff order/regulations/direction etc. PHB Notification 4/94 dated 24-05-94 itself proves that DID Franchisee segment are first privatization model of Indian telecommunication history and are well disciplined with the regulations/Tariff orders/ directions issued by TRAI since 1995. The stakeholders requested for separate regulation and tariff orders to be formulated for MSME operators and also expressed that DID franchisees are in business since 1995 and have invested in

developing the whole telecom infrastructure by creating last mile telephone exchanges. All DID Franchisees' works on grass root level with absolute minimal margin.

Analysis

3.51 Upon examination of the comments of stakeholders it is noted that most of the stakeholders are equivocally supporting for the Tariff reporting requirements by the UL (VNO) Cat 'B' licensee to the Authority. As such, tariff innovation and variety of plans, vouchers, and packs are prevalent in mobile telephony market; hence there is lot of dynamism in wireless segment in comparison to wireline and ISP segment. Due to less dynamism in wireline tariffs, reporting requirement will also be less for UL (VNO) Cat 'B' licensees, moreover, since reporting of tariff has been made online there should not be any hassle in submitting them online.

3.52 **In view of the above, the Authority recommends that:**

- a) UL (VNO) Cat 'B' licensee has to comply with obligations arising from Tariff orders/regulations/directions etc. issued by TRAI from time to time.**

E. Compliance of QoS parameters

3.53 The Authority has defined certain QoS parameters so that customers experience desired level of services offered by service providers. The technical parameters applicable at network level, point of interconnection (PoI), access network level are complied by service provider separately for wireless network, wireline network and core networks. Other than technical parameters there are consumer specific parameters on complaint handling and disposal, billing issues and refund of security deposits etc. The Authority in the CP had raised the issue for the comments of stakeholders on the QoS parameters that shall be prescribed for UL (VNO) Cat 'B' licensees.

3.54 In response, majority of the stakeholders were of the view that QoS parameter should be same as for other TSPs. UL (VNO) Cat 'B'

licensees should not be allowed to lower QoS in any manner. Some stakeholders have stated that 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. Some stakeholders have mentioned that QoS parameters, as prescribed for UL (VNO) – Access Service Authorization, should be prescribed for UL (VNO) Cat 'B' licensees as well.

- 3.55 One stakeholder has categorically stated that QoS parameters should be stringent and more effective to all telecom/VNO licensees. QoS parameters for UL VNO Cat 'B' licensees should be similar to the QoS parameters imposed on TSP for wire line segment.
- 3.56 One stakeholder has stated that the QoS parameters should be as per the TRAI guidelines for landline (voice) and Internet Services. Another stakeholder supporting the same has also expressed that applicability of network related parameters will depend upon the extent of infrastructure being provided by the VNO.
- 3.57 Some stakeholders were of the view that since the UL (VNO) Cat 'B' services are dependent on the QoS parameters and SLAs signed by the TSPs (NSOs) whose resources they use, it may not be appropriate to enforce strict QoS parameters unless they have corresponding SLAs from their parent TSP/NSO. Stakeholders suggested that it may perhaps be left to individual licensees instead of regulating the same.
- 3.58 One stakeholder has proposed small changes to existing QoS parameters for Basic (Wire line) Services as follows:

Name of Parameter	Benchmark	Proposal
Fault incidences (No. of faults/100 subscribers /month)	≤ 7	<12 instead of < 7 for One Quarter.
Point of Interconnection (POI) Congestion (on individual POI)	$\leq 0.5\%$	Benchmark Not Applicable instead of < 0.5% for One month.

Metering and billing credibility – post paid	Not more than 0.1% of bills issued should be disputed over a billing cycle	0.5% instead of Not more than 1 complaint per 1000 customers i.e. 0.1% for one billing cycle.
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The Stakeholder has also mentioned that the QoS parameters for 2G & 3G Services are applicable to TSPs/NSOs and not applicable to UL (VNO) Cat ‘B’ Licensee as they are treated as extension of NSOs. (As per Guidelines issued by DoT under reference No. 800-23/2011-VAS (Vol.II) dated 31.05.2016).

- 3.59 One stakeholder has submitted that UL (VNO) Cat ‘B’ licensee uses the infrastructure of existing TSPs; hence QoS parameters cannot be made applicable to these licensees. The stakeholder suggested that the agreement between the UL (VNO) Cat ‘B’ licensee and the TSP should define the SLAs to ensure adherence of QoS parameters as laid down by the authority from time to time.

Analysis

- 3.60 Most of the stakeholders have expressed that QoS norms must be stringent and there should not be any degradation to the existing norms.
- 3.61 The Authority has noted the proposal to amend QoS norm as submitted by one of the stakeholder representing DID franchisees. Proposed amendment are on certain parameters such as Fault incidences (No. of faults/100 subscribers/month), Point of Interconnection (PoI) Congestion (on individual PoI) and Metering and billing credibility. Another stakeholder has inter-alia proposed that Auto SLA (Service level agreement) should be included in the CAF itself for all the customers. Complaint should be registered with Complaint numbers, compliance with ETR (earliest time of restoration) and should deliver RFO (reason for outage) by text message/Email or by written note to end user and billing complaints should be resolved within 48 hrs.

3.62 As It may be recalled that the Authority in its recommendations on 'Introduction of Virtual Network Operators (VNOs) in telecom sector' issued on 1st May, 2015 had highlighted that there are some QoS parameters like network availability, interconnection, roaming, call completion ratio (CCR), congestion etc. where the VNO may not have any direct control & there are QoS parameters like provision or closure of services, metering & billing, response time to customer for assistance, complaint handling, downtime etc. where VNOs will be directly responsible. The Authority has opined that there must be a clear distinction between the VNO and the NSO while complying with the QoS parameters. Accordingly, the authority recommended that since QoS is in the exclusive domain of TRAI, therefore, once the UL (VNO) based regime comes into force, the Authority will put in place comprehensive regulations on QoS parameters to be complied separately by NSOs and VNOs. Here, it is pertinent to mention that Authority will, in due course, come out with separate parameters for NSO and VNO on the relevant aspects. Also, suggestions for modifications to QoS regulations as received through comments of the stakeholders will also be incorporated accordingly, if deemed fit.

3.63 **In view of the foregoing, the Authority recommends that:**

- a) **Relevant QoS parameters as applicable to UL (VNO) shall also be applicable to UL (VNO) Cat 'B' licensee. The Authority will, in due course, define separate QoS parameters for NSO and VNO on the relevant aspects.**

F. Conditions for hiring of network resources from multiple TSPs/NSOs

3.64 Initially during the consultation process some stakeholders raised issue of reluctance on signing of SLA by TSPs with the existing franchisees. Due to this, DID franchisees were not being able to maintain required QoS, hence, they were forced to resort to connectivity from two TSPs/NSOs. These stakeholders expressed that it will be absolutely unviable for them to be in business without

provisioning of connectivity from more than one TSP/NSO. Accordingly, the Authority raised the issue whether 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 and sought stakeholders views on possible challenges in allowing such provisions, if any.

3.65 In response, one stakeholder has submitted that UL (VNO) Cat 'B' licensee should 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 as well as wireless networks. According to the stakeholder, there is no challenge in allowing such arrangements and parenting of VNO (Cat 'B') to multiple NSOs. Also, connectivity from multiple NSOs would make a VNO's network more robust and shall add to the reliability of its services thereby contributing towards improved QoS.

3.66 One stakeholder demanding for allowing of connectivity from multiple NSOs has stated that this is their main concern and they must be allowed to enter into agreement to hire telecom resources from more than one TSP in their area of operation for providing voice and internet service through wire line network. The stakeholder has mentioned that a monopolistic condition will have adverse impact in their services and tariffs to be offered to the end users. The stakeholder has narrated the impact of opting of Singular NSO terms as below:

- a) In a monopolistic environment, single Telecom Service provider of a Primary Rate Interface (PRI) will get full privilege and free passage to exploitation of their VNO DID operator by way to fixing higher prices. There will be 100% dependency on sole provider. The provider can demand exorbitant tariff because DID operators are left with no alternative option.
- b) Singular NSO connectivity will constrain the grade of service envisaged for the end customer.

- c) If signing agreement with more than one NSO is not allowed then companies who are already operating within a district at multiple sites with more than one NSO has no alternative other than closing their operation.
- 3.67 The stakeholder demanded that if the Authority sticks with singular NSO terms for UL VNO access service segment then DID Franchisee should get their own number level proprietary from National Number Plan. Also, the existing number level which is allotted by any TSP should be immobilized and allotted permanently to DID franchisees. In case of migration of existing NSO to other NSO, a VNO licensee should get facility of number level portability and their own number level shall be accommodated with other NSO. The stakeholder further mentioned that in recent time TRAI had issued recommendation paper of In-Building Access by Telecom Service Providers. In this recommendation TRAI emphasized to prevent monopoly access and communication service. Similarly, singular NSO system laid down to UL VNO access service will create adverse impact to the end users. The stakeholder requested the Authority to suggest a solution incase UL VNO is not allowed signing agreement with more than one company.
- 3.68 Some stakeholders have submitted that UL (VNO) Cat 'B' licensees should be allowed to enter into agreement to hire telecom resources from multiple TSPs for the same service only after 3 years from a specified date. In any case from day1, separate TSP should be allowed for separate service e.g. ISP services, TSP1 & Mobile services, TSP2.
- 3.69 A stakeholder has mentioned that in many cases principal NSO/TSP does not have feasibility to provide telecommunication resources in the remote area. In such cases DID operators lose their business opportunity and NSO/TSP and Government lose revenue vis-a-vis people staying in remote area remains deprived from telecom services (which is a basic service). Non feasibility is a speed breaker for MSME's business and big setback for extending telecom services in

remote area. The stakeholder mentioned that the existing ISPs and NSD/ISD services providers are allowed to take telecom resources from another service provider in spite of executing SLA, to have redundancy for services provided and therefore requested the Authority to allow having telecom resources from multiple TSPs/NSOs by the UL (VNO) Cat 'B' Licensee for the purpose of business acquisition and operational redundancy, even if parent NSO/TSP agrees to execute SLA with UL (VNO) Cat 'B' Licensee.

3.70 Some stakeholders were of the opinion that hiring of telecom resources from multiple TSPs in an area of operation should not be allowed. The stakeholders reiterated TRAI recommendations dated 1st May, 2015 on the subject and DoT VNO guidelines which provide that *“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”*.

3.71 The stakeholders mentioned that allowing such arrangement as hiring of Telecom resources from more than one TSP may lead to the emergence of issues such as bypass of 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. The stakeholders further submitted that the challenges/operational requirements highlighted by DID franchisees do not qualify as the reasons for allowing resources from multiple TSPs because of the following reasons:

- i. 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. This is in fact done for many customers during feasibility checks.
- ii. A single TSP can provide necessary redundancy as TSPs themselves ensure proper redundancy to take care of any service outages. For

example TSPs have multiple exchanges located at different sites, maintain redundancy in media paths to prevent any service outage. In light of this, a single TSP can offer required protection for the traffic of VNO Licensee.

- iii. The arrangement between VNO and TSPs comes under the purview of B2B arrangements and currently there are sufficient numbers of TSPs operating in a particular region for a VNO to be able to negotiate SLAs.

3.72 One stakeholder has argued that in current VNO policy a VNO operator is allowed to become VNO of only one main operator where the numbering resources are involved. In case resources from multiple operators are allowed in VNO Cat 'B' then the same should also be allowed in the VNO access category as well. The stakeholder further added that the argument that resources from multiple operators will help in providing QoS is not sustainable because the service will not be provided in patches but will be provided through end-to-end network of the operator whose numbering scheme is being used.

3.73 One stakeholder opposing allowing any such arrangement has stated that as the VNO shall be extension of NSO for re-sale of telecom services. In case of network of one TSP not available in complete geographical area of a District, the UL (VNO) Cat 'B' can always ask their NSO for coverage in that particular area. Also, as per licensing terms and condition each TSP is bound to rollout his services in entire LSA and therefore they can't deny the request of UL (VNO) Cat 'B'. Therefore, UL (VNO) Cat 'B' licensees should not be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation. The stakeholder also mentions that NSO can enter into agreement with VNO on non-exclusive basis within same service area of VNO. There shall not be any restriction on the NSO on the number of VNOs in a particular service area of VNO.

3.74 Some stakeholders were of the opinion that as described in para 21 of CP, it seems imperative to permit UL (VNO) Cat 'B' licensee to enter

into agreement with two or more TSPs.

- 3.75 One stakeholder has stated that looking at the business and commercial requirements of a UL (VNO) Cat 'B', where the services offered are limited to a district, it is not advisable for a UL (VNO) Cat 'B' licensee to take resources from multiple TSPs in the same LSA. As mentioned in the CP, taking resources from multiple TSPs will introduce further complexities w.r.t. determination of AGR, which can further impact Government's revenue. Another stakeholder supporting the view submitted that it may create complexity, like delay in bill payments etc. on part of VNOs if permitted to hire telecom resources from more than one TSP in its area of operation.
- 3.76 The stakeholder advocating for allowing opting of multi NSO under UL VNO access service in wire line voice segment has mentioned that they do not see any challenge on such arrangement and it will boost wireline voice segment by offering alternate and cheapest tariff package to end user. Another stakeholder having a similar view expressed that such arrangements are the backbone of business acquisition and operational redundancy of telecom services provided by UL (VNO) Cat 'B' Licensee and it helps to extend/provide uninterrupted services to the general public at competitive rate.

Analysis

- 3.77 DID franchisees during the course of expanding their business in the past have taken connectivity resources from more than one TSP at different locations and occasionally at same location as well. According to the comments of the stakeholders, primary reasons behind taking resources from different TSPs are non-availability of network of TSP in certain areas in the LSA, choice of competitive tariffs in offering, redundancy and to maintain QoS.
- 3.78 On the issue of allowing of hiring resources from more than one TSP/NSO, there are clearly two divergent views. One section of stakeholders clearly outlined the arrangement as business necessity

in terms of operational requirement, convenience and better tariffs in offering by TSP/NSO. The Authority has already highlighted some of these aspects in the CP. The other section of stakeholders has raised their reservation on allowing such arrangement. In support of their views they have cited the provision of UL (VNO) Policy released by DoT which provides that 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. Further these stakeholders have raised apprehension on the possibility of bypassing of STD and ILD traffic through such arrangements and also indicated possible security breaches on account of the same.

- 3.79 From the submissions of stakeholders it is clear that in the beginning of the DID franchisee regime there was only DoT/DTS and MTNL to provide such connectivity. Arrangement of hosting resources from multiple TSPs at multiple locations or same location came in vogue particularly post NTP-1999 (after year 2000) when private telecom companies started their operations throughout the country. The Authority has taken note of the fact that DID franchisees have sustained their business and in fact have expanded in some areas of the country within the prevailing framework and cannot be left in a situation that will affect their business adversely. So the Authority has given considerable weight to their opinion and noted that the scope of the licensees is recommended to be limited to provide voice, internet and triple play services through the static wireline network at different locations in its licensed area. Therefore, in order to meet the requirement of connectivity they may be allowed to have arrangement for connectivity at different locations with different TSPs/NSOs in its licensed area of operation i.e. within the geography of a district.
- 3.80 The Authority also felt that provisions of allowing hiring of network resources from more than one NSO/TSP in a license area can also be considered for service authorized through wireline network for the UL

(VNO) access service licensee as well. Such provision can be allowed in case the licensee provides the services to the subscribers through an EPABX. Therefore, considering the case, the Authority is of the opinion that UL (VNO) (Access service) license may also be amended to enable the provision of allowing parenting with multiple NSOs for wireline network at different location of the LSA in providing the associated wireline services, in case the licensee provides the services to the subscribers through an EPABX .

3.81 On another aspect of allowing connectivity from more than one TSP/NSO at the same location or same EPABX of the licensee, the Authority has taken note of the concerns raised by some stakeholders regarding possible bypassing and routing of STD and ISD traffic that may result into the security breach. The EPABX cannot be allowed to function as mini TAX; hence the Authority feels there is a need to carry out further analysis on the virtual partitioning of the EPABX. As many cases are reported to DoT on the issues of illegal routing of calls, the Authority is of the opinion that such arrangements can be allowed only after suitable examination and approval by TEC/DoT with desired specifications. Continuation of such type of existing arrangements shall depend on the outcome of the decision of DoT/TEC.

3.82 On the issue raised by some stakeholders for reluctance on entering into SLAs, the Authority is of the opinion that connectivity provided by the TSP/NSO to a Cat 'B' licensees should be mandatorily in ring protection preferably on OFC. TSP/NSO entering into an agreement to provide the connectivity should mandatorily sign an SLA with Cat 'B' licensee. The SLA shall include all the parameters defined for QoS. The DoT may design a template for such SLA in the licensing condition and the copy of the SLA shall be submitted to licensor and TRAI accordingly.

3.83 **In view of the above, the Authority recommends that:**

- a) In order to meet the requirement of connectivity UL (VNO) Cat ‘B’ licensees may be allowed to have arrangement for connectivity at different locations with different TSPs/NSOs in its licensed area of operation i.e. within the geography of a district, only in case of provision of wireline access services through EPABX.**
- b) UL (VNO) (Access service) license may be amended to enable the provision of allowing parenting with multiple NSOs by a VNO for wireline network at different locations of the LSA only in case of provision of wireline access services through EPABX .**
- c) The arrangements for allowing connectivity from more than one TSP/NSO at same EPABX can be allowed only after suitable examination and approval by TEC/DoT with desired specifications.**
- d) UL (VNO) Cat ‘B’ licensee shall intimate the licensor regarding having connectivity of more than one TSP/NSO at particular EPABX, in case such arrangement is approved by DoT.**
- e) The provider TSP/NSO shall mandatorily enter into Service Level Agreement (SLA) with UL (VNO) Cat ‘B’ licensee.**
- f) The DoT may prepare a model template for such SLA in the licensing condition and the copy of the SLA shall be submitted to licensor and TRAI accordingly by the licensee.**

CHAPTER IV: SUMMARY OF RECOMMENDATIONS

4.1 The Authority recommends that:

- a) A new category of authorization may be introduced under Unified License (VNO), for Access Service as Category 'B' license with districts as a Service Area on non-exclusive basis.**
 - b) To continue their services, existing DID franchisees should migrate to UL (VNO) Category 'B'.**
 - c) New license should not be restricted only to existing DID franchisees and should also be open to new entities intending to offer such services.**
- [Para 2.19]**

4.2 The Authority recommends that:

- a) Scope of proposed UL (VNO) Cat 'B' license should be to provide only wireline access services within a district. Wireless access services shall not be a part of the scope of UL VNO Cat 'B'.**
 - b) The number of district to be served by a UL (VNO) Cat 'B' licensee in a telecom circle should be limited to four. If a licensee wishes to provide services in more than four districts of an LSA, the licensee should be mandated to obtain UL (VNO) Access Service Authorization License for entire LSA.**
- [Para 2.36]**

4.3 The Authority recommends that:

- a) The duration of UL (VNO) Cat 'B' license shall remain consistent with the guidelines of UL (VNO). Accordingly, licenses will be issued for 10 years duration and further renewable for 10 years as per prevailing terms and conditions.**
- [Para 3.5]**

4.4 The Authority recommends that:

- a) Entry Fee of Rs. 1,65,000 for 10 years of duration of license shall be applicable to the UL (VNO) Cat 'B' licensee.**
- b) FBG of Rs. 1,00,000 shall be applicable to UL (VNO) Cat 'B'**

licensee.

- c) UL (VNO) Cat 'B' licensee shall possess a minimum networth of more than Rs. 5 lakhs per authorization.
- d) In order to promote fixed line Broadband, the DoT should implement TRAI recommendations dated 17th April, 2015 on 'Delivering Broadband Quickly: What do we need to do?', wherein the license fee on the revenue earned from fixed line BB should be exempted for at least 5 years.
- e) On introduction of VNO regime, an issue of double taxation has arisen. DoT may consider review of AGR components; and charges paid by UL (VNO) licensee to the TSP/NSO for procurement of services should be allowed to be deducted as pass through charges for the purpose of calculating the AGR, similar to other pass through charges permitted under UL like IUC, roaming charges etc. This will be in line with the Input Tax Credit (ITC) feature under Goods and Service Tax regime.

[Para 3.36]

4.5 The Authority recommends that:

- a) The amount of maximum penalty on UL (VNO) Category 'B' licensee should be same as provisioned for ISP Cat 'C' in UL (VNO) policy.
- b) The penalty on failure to comply with subscriber verification/ KYC norms should be as per provisions of UL (VNO) policy.

[Para 3.46]

4.6 The Authority recommends that:

- a) UL (VNO) Cat 'B' licensee has to comply with obligations arising from Tariff orders/regulations/ directions etc. issued by TRAI from time to time.

[Para 3.52]

4.7 The Authority recommends that:

- a) Relevant QoS parameters as applicable to UL (VNO) shall also be

applicable to UL (VNO) Cat ‘B’ licensee. The Authority will, in due course, define separate QoS parameters for NSO and VNO on the relevant aspects.

[Para 3.63]

4.8 The Authority recommends that:

- a) In order to meet the requirement of connectivity UL (VNO) Cat ‘B’ licensees may be allowed to have arrangement for connectivity at different locations with different TSPs/NSOs in its licensed area of operation i.e. within the geography of a district, only in case of provision of wireline access services through EPABX.**
- b) UL (VNO) (Access service) license may be amended to enable the provision of allowing parenting with multiple NSOs by a VNO for wireline network at different locations of the LSA only in case of provision of wireline access services through EPABX .**
- c) The arrangements for allowing connectivity from more than one TSP/NSO at same EPABX can be allowed only after suitable examination and approval by TEC/DoT with desired specifications.**
- d) UL (VNO) Cat ‘B’ licensee shall intimate the licensor regarding having connectivity of more than one TSP/NSO at particular EPABX, in case such arrangement is approved by DoT.**
- e) The provider TSP/NSO shall mandatorily enter into Service Level Agreement (SLA) with UL (VNO) Cat ‘B’ licensee.**
- f) The DoT may prepare a model template for such SLA in the licensing condition and the copy of the SLA shall be submitted to licensor and TRAI accordingly by the licensee.**

[Para 3.83]

LIST OF ACRONYMS

2G	Second Generation
3G	Third Generation
AGR	Adjusted Gross Revenue
AMC	Annual Maintenance Contract
BB	Broadband
BSNL	Bharat Sanchar Nigam Limited
CAF	Customer Acquisition Form
CCR	Call Completion Ratio
CMTS	Cellular Mobile Telephone Services
CP	Consultation Paper
DID	Direct Inward Dialing
DoT	Department Of Telecommunications
EPABX	Electronic Private Automatic Branch Exchange
ETR	Earliest Time Of Restoration
FBG	Financial Bank Guarantee
GSM	Global System For Mobile Communications
GST	Goods And Service Tax
ILD	International Long Distance
IP	Internet Protocol
ISD	International Subscriber Dialing
ISP	Internet Service Provider
ITC	Input Tax Credit
IUC	Interconnection Usage Charges
KPI	Key Performance Indicators
KYC	Know Your Customer
LIM	Legal Intercept And Monitoring
LSA	License Service Area
M2M	Machine To Machine
MNO	Mobile Network Operator
MNP	Mobile Number Portability
MSC	Mobile Switching Centre
MSME	Micro, Small And Medium Enterprises
MSMED	Micro, Small And Medium Enterprises Development
MTNL	Mahanagar Telephone Nigam Limited
MWA	Microwave Access
MWB	Microwave Backbone
NSD	National Subscriber Dialing
NSO	Network Service Operator
NTP	National Telecom Policy
OFC	Optical Fiber Cable
OHD	Open House Discussion
PBG	Performance Bank Guarantee
PLMN	Public Land Mobile Network
PoI	Point Of Interconnection
QoS	Quality Of Service

RFO	Reason For Outage
SLA	Service Level Agreement
SME	Small and Medium Sized Enterprises
SMS	Short Message Service
SSA	Secondary Switching Area
STD	Subscriber Trunk Dialing
SUC	Spectrum Usage Charges
TAX	Trunk Automatic Exchange
TEC	Telecommunication Engineering Centre
TRAI	Telecom Regulatory of India
TSP	Telecom Service Providers
TTO	Telecom Tariff Order
UL	Unified License
UL (VNO)	Unified License (Virtual Network Operators)
USOF	Universal Service Obligation Fund
VAS	Value Added Services
VNO	Virtual Network Operators
VNOAI	Virtual Network Operator S Association Of India

ANNEXURE I

F. No. 20-507/2016-AS-I
Department of Telecommunications
Access Service Division-I
Sanchar Bhavan,
New Delhi

Recd the 1st July, 2016.

To

The Secretary,
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg (Old Minto Road)
New Delhi - 110002.

Subject: Recommendation for Access Service authorisation for category B licence with districts of a State as a service area for VNO.

Sir,

The Government has decided to introduce Category B licence in Access Service Authorisation with districts of a State as a service area for VNO particularly for entrepreneurs like Direct Inward Dialling (DID) Franchisees. DID Franchisees maintain Group EPABX (Electronic Private Automatic Branch Exchange). These DID Franchisees are in vogue since 1995 and it has been decided by the Government to enable them in VNO regime.

2. The guidelines for grant of VNO operators have been issued on 31.05.2016 (copy of which is annexure A). These guidelines provide for VNO at service area level for access service authorisation, which is typically a State or metro city. The DID Franchisees operate in a very small pocket and have been contributing for provisioning of telecom services as an entrepreneur.

3. As an interim measure, guidelines for category B VNO, have been issued to facilitate the continuance of DID Franchisees on 5/7/2016 (copy at Annexure B). It has been decided to seek TRAI recommendations for Access Service authorisation for category B licence with districts of a State as a service area for VNO for regularising the same.

4. Therefore, it is requested that recommendation for Access Service authorisation for category B licence with districts of a State as a service area for VNO may please be provided.

Yours faithfully,

P.K. Mittal
(P.K. Mittal)

Deputy Director General (AS-I) 11/3/16

Government of India
Ministry of Communications and Information Technology
Department of Telecommunications
Sanchar Bhawan, 20 Ashoka Road, New Delhi-110 001.

No. 800-23/2011-VAS (Vol.II)

Dated, the 31st May, 2016

SUB: GUIDELINES FOR GRANT OF UNIFIED LICENSE (VIRTUAL NETWORK OPERATORS).

One of the strategies for seamless delivery of converged services is to move towards a Unified License regime and facilitate delinking of licensing of networks from the delivery of services so that Telecom Service Provider (TSP) can utilize their networks and spectrum efficiently by sharing active and passive infrastructure and also to facilitate resale at service level by introduction of Virtual Network Operator (VNOs).

2. While introducing the UL regime (in its first phase), the Department of Telecommunications (DoT) decided that this regime may be introduced over two phases with the delinking of licensing for networks from the delivery of services be taken up in a second phase. In convergence era, same network can provide various services which are independent of network layer, that means, the delivery of services can be provided by one operator and network may be owned by a distinct operator.

3. After considering the recommendations of TRAI on VNO, the Government has decided to grant Unified License VNO {UL(VNO)}. The basic features of UL(VNO) are as follows:-

- (i) VNOs are treated as extension of NSOs (Network Service Operator) or TSPs and they would not be allowed to install equipment interconnecting with the network of other NSOs
- (ii) Applicant can apply for UL (VNO) along with VNO authorisation for any one or more services listed below:
 - a. Unified License VNO (All Services)
 - b. Access Service (Service Area-wise)
 - c. Internet Service (Category-A with All India jurisdiction)

- d. Internet Service (Category-B with jurisdiction in a Service Area)
- e. Internet Service (Category C with jurisdiction in a SSA)
- f. National Long Distance (NLD) Service
- g. International Long Distance (ILD) Service
- h. Global Mobile Personal Communication by Satellite (GMPCS) Service
- i. Public Mobile Radio Trunking Service (PMRTS) Service
- j. Very Small Aperture Terminal (VSAT) Closed User Group (CUG) Service
- k. INSAT MSS-Reporting (MSS-R) Service.
- l. Resale of International Private Leased Circuit (IPLC) Service

Authorisation for UL VNO (All Services) would however cover all services listed at para 3(ii) (b) in all service areas, 3 (ii) (c), 3(ii) (f) to 3(ii) (l) above. No more UL for authorization of resale of IPLC shall be granted except for the Applications already under process for Resale of IPLC.

4. The broad guidelines for grant of Unified License (VNO), i.e., UL (VNO); are as follows:-

1. General

- (i) The applicant must be an Indian company, registered under the Indian Companies Act, 2013.
- (ii) The applicant company shall submit the application in single copy in the prescribed Application form enclosed at **Annexure-II**. UL (VNO) and Authorisation under UL (VNO) shall be issued on non-exclusive basis i.e. without any restriction on the number of entrants for provision of any service in a Service Area.
- (iii) One Company can have only one UL (VNO). The applicant company can apply for authorisation for more than one service and service area subject to fulfillment of all the conditions of entry simultaneously or separately at different time. The tenure of such authorisation will run concurrently with the UL(VNO).

- (iv) At the time of applying for UL (VNO), the applicant has to apply for authorisation of at least one service listed in para 3(ii) above.
- (v) In case VNO authorisation is required for more than 4 SSAs in a Telecom Circle for ISP 'C' category, Category "B" ISP authorisation for the respective telecom circle is to be applied for.
- (vi) The applicant company shall pay nonrefundable processing fee as prescribed in **Annexure-I** along with the application (Two copies) in the form of Demand Draft/Pay Order from a Schedule Bank payable at New Delhi issued in the name of Pay & Accounts Officer (Headquarter) DOT or through Bharatkosh or e-payments.
- (vii) The total composite foreign holding shall be governed by Foreign Direct Investment (FDI) policy of the Government of India as announced by Department of Industrial Policy and Promotion from time to time.
- (viii) The applicant company shall have a minimum paid up equity capital and networth of the amount indicated in **Annexure-I** for the respective Service(s) and Service Area(s) on the date of the application and a certificate to this effect shall be provided by the registered Company Secretary alongwith application. Any applicant seeking additional authorisation, subsequent to grant of UL(VNO), has to meet the minimum cumulative networth required on the date of application for seeking such additional authorisation. The requirement under this license for the combined minimum Networth and paid-up equity shall be limited to a maximum of Rs. 10 Crore (Rupees Ten Crore only), each. The paid-up equity capital shall be maintained during the currency of the License.
- (ix) Net worth shall be as defined in the Companies Act 2013 and as amended from time to time. The networth of promoters/equity share holders shall not be counted for determining the networth of the company. While counting the Net-worth, the foreign currency shall be converted into Indian Rupees at the prevalent rate indicated by the Reserve Bank of India as on the date of Application received.
- (x) Grant of UL (VNO) to the applicant shall be on the basis of the claims, representations and submissions made by the applicant as duly certified by the Company Secretary and authorized Director of the Company. The

applicant is therefore advised to ascertain their eligibility for the license and authorisations applied for with utmost care and diligence. The application shall be decided, so far as practicable, within 60 days of the submission of the application complete in all respect and the applicant company shall be informed accordingly. In case the applicant is eligible for grant of license or additional authorisation, a Letter of Intent (LOI) will be issued. The applicant shall be required to deposit non- refundable Entry Fee and submit the Bank Guarantees / other documents and sign the license agreement within the specified period as mentioned in the letter of intent (LOI) failing which the offer of grant of license may be withdrawn at the expiry of the permitted period.

- (xi) In case the applicant is found to be not eligible for the grant of license for UL(VNO) or for additional authorisation under UL (VNO), the applicant shall be informed accordingly.
- (xii) The grant of License would be subject to fulfillment of all requisites under the application and meeting eligibility conditions by the applicant. Mere filing of application would not lead to assignment of any priority. If deemed expedient, Licensor may seek clarification before rejecting the application.
- (xiii) VNOs that enter the network would do so based on arriving at a mutual agreement between an NSO and a VNO.
- (xiv) VNOs shall be permitted for services as indicated in para 3 (ii) above.
- (xv) The terms and conditions of sharing of infrastructure between the NSO and VNO shall be on the basis of mutually accepted terms and conditions between the NSO and the VNO.
- (xvi) VNOs shall be permitted to set up their own network equipment viz. Base Transceiver System (BTS), Base Station Controller (BSC), Mobile Switching Centre (MSC), Remote Switching Unit (RSU), Digital Subscriber Line Access Multiplexer (DSLAM), Local Area Network (LAN) switches,). VNOs shall not be allowed to own/ install equipment of core infrastructure, i.e., Gateway Mobile Switching Centre (GMSC), Soft Switches and Trunk Automatic Exchange (TAX) or equivalent. Therefore, they are not allowed to own/install equipment which are required for interconnection with other

NSO(s), viz. GMSCs, Soft-switches and TAX. Soft Switch is an Application Programme Interface (API) that is used to bridge a traditional Public Switch Telephone Network (PSTN) and Voice over Internet Protocol (VoIP) by linking PSTN to Internet Protocol (IP) networks and managing traffic that controls a mixture of voice, fax, data and video. Soft Switch is a software based switching platform based on open systems.

- (xvii) VNOs shall also be allowed to create their own service delivery platforms in respect of customer service, billing and VAS.
- (xviii) An operator who wishes to provide telecom services to its customers utilizing the underlying network and/or access spectrum of an existing NSO will have to obtain UL (VNO) license.
- (xix) 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.
- (xx) There would not be a restriction on the number of VNO licensees per service area
- (xxi) There shall be no restriction on the number of VNOs parented by an NSO.
- (xxii) 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.
- (xxiii) An NSO shall allocate a numbering range to their VNO(s) from the numbering range allocated to it by the licensor. VNOs shall also utilise the LRN and network codes of the parent NSO for the purpose of routing of calls.
- (xxiv) There would not be any mandate to an NSO for providing time bound access to its VNO; rather, it shall be left to the mutual agreement between NSO and VNO. However DoT/TRAI shall have right to intervene in the matter as and when required to protect the interest of consumers and telecom sector.
- (xxv) CAF verification and number activation shall be the responsibility of a VNO.

(xxvi) A VNO shall bear the penalty on account of failure of subscriber verification norms (for its own customers). Other penalties which are beyond the scope of the VNO viz. roll out obligations, core network issues etc. shall be borne by the NSO as per existing norms defined for them.

(xxvii) No spectrum shall be assigned to the VNOs.

(xxviii) In case, the MSC or equipment capable of interception is with VNO, then fulfilling requirement of Law Enforcement Agencies (LEA) would be a responsibility of VNO.

2. Financial Conditions

(a) Entry Fee:

A one-time non-refundable **Entry Fee** for authorisation of each Service and service area shall be payable before signing of license agreement and thereafter for each additional authorisation (s) as per Annexure-I. The total amount of Entry fee shall be subject to a maximum of Rs. 7.5 Crore (Rupees Seven crore fifty lacs only), whichever is higher..

(b) License Fee:

- (i) In addition to the Entry Fee, an annual License fee and Spectrum Usage Charges (SUC) as a percentage of Adjusted Gross Revenue (AGR) shall be paid by the Licensee service-area wise for each authorized service separately as per procedure prescribed in applicable Chapter of Unified Licenser (VNO) from the effective date of the respective authorisation. The License fee is at present 8% of the AGR, inclusive of USO Levy which is presently 5% of AGR. SUC shall be applicable as per rates applicable for NSO and can be amended from time to time.

Provided that from Second Year of the effective date of respective authorisation, the License fee shall be subject to a minimum of 10% of the Entry Fee of the respective authorized service and service area as in Annexure-I.

- (ii) The Licensor reserves the right to modify the above mentioned License fee and SUC any time during the currency of UL (VNO) agreement.

(c) Bank Guarantees:

In any case the, applicant company shall submit the Bank Guarantees i.e. PBG and FBG in prescribed proforma for each authorized service and service area separately in the concerned offices of the controllers of communication accounts (CCAs)/ DoT.

3. Terms of License

The Unified License (VNO) shall be issued on non-exclusive basis, for a period of 10 years. **However, depending on technological developments and experience gathered, this duration of license can be reviewed after 3-4 years.** The Licensor may renew, if deemed expedient, the period of License by 10 years at a time, upon request of the Licensee, on the terms specified by the Licensor, subject to extant policy. The decision of the Licensor shall be final and binding in this regard. On renewal, the Licensee may be required to pay a renewal fee as may be notified by the Licensor.

The prospective telecom service provider can obtain Unified License (VNO) with authorisation for any number of offered services in the composite license document. Any number of the remaining services can also be authorized subsequently as per the request of licensee. However, the validity of license shall be 10 years from the effective date of the first authorisation in the Unified License (VNO). This would imply that authorisation for services added at a later date would be valid only for the remaining period, without any prorata rebate in entry fee etc. and on fulfillment of the additional eligibility criteria, payment of required fee etc.

4. Equity holding in other companies:

No one VNO and another NSO (other than VNO's parent NSO) and a VNO & another VNO in the same service area directly or indirectly shall have any beneficial interest in each other.

For the purpose of this clause:

(a) Promoter shall mean legal entity other than Central Government, financial institutions and scheduled banks, which hold 10% or more equity in the licensee company.

(b) Beneficial interest shall mean holding of any equity directly or indirectly including through chain of companies in the licensee company.

(c) Any arrangement contrary to above shall be made consistent with the above stipulations within a period of one year from the date of grant of UL (VNO).

5. Security Conditions

5.1 The Chief Officer in charge of technical network operations and the Chief Security Officer/Chief Information Security Officer, The positions of the Chairman, Managing Director, Chief Executive Officer (CEO) and/or Chief Financial Officer (CFO), if held by foreign nationals, would require to be security vetted by Ministry of Home Affairs (MHA). Security vetting shall be required periodically on yearly basis. In case something adverse is found during the security vetting, the direction of MHA shall be binding on the Licensee. All foreign personnel likely to be deployed by the LICENSEE for installation, operation and maintenance of the LICENSEE's network shall also be security cleared by the Government of India prior to their deployment. The security clearance will be obtained from the Ministry of Home Affairs, Government of India, who will follow standard drill in the matter.

5.2 LICENSOR shall have the right to take over the SERVICE, equipment and networks of the LICENSEE or revoke/terminate/suspend the LICENSE either in part or in whole of the Service area in the interest of national security or in case of emergency or war or low intensity conflict or any other eventuality in public interest as declared by the Government of India. Any specific orders or direction from the Government issued under such conditions shall be immediately applicable to the LICENSEE without loss of time and shall be strictly complied with. Further, the LICENSOR reserves the right to keep any area out of the operation zone of the service if implications of security so require. Provided any taking over or suspension of license, issuance of an order and exclusion of an area, as described above shall neither be a ground of extension of license period or expansion of area in different corner or reduction of duly payable fee

5.3 For detailed conditions of the UL (VNO), applicant may refer to the UL (VNO) document on the DoT website <www.dot.gov.in>.

6. The LICENSOR reserves the right to modify at any time these guidelines and terms and conditions of the LICENSE, if in the opinion of the LICENSOR it is necessary or expedient to do so in public interest or in the interest of the security of the State or for the proper conduct of the telegraphs. The decision of the LICENSOR shall be final and binding in this regard.
7. If at any time, any averments made or information furnished for obtaining the license is found incorrect, the application and the license if granted thereto on the basis of such application, may invite penalties and/or cancellation as may be deemed fit by the Licensor.
8. Applications are to be submitted to the Under Secretary (AS-I), Department of Telecommunications, Sanchar Bhavan, 20 Ashoka Road, New Delhi-110 001.
9. This guidelines shall be part and parcel of the Unified License (VNO) agreement and the same will be read in harmony with the Unified License

(VNO) agreement which is attached herewith or on the DoT website
<www.dot.gov.in>



(R.K. Soni)

Director (AS-I)

For and on behalf of President of India

Annexure-I**Details of Minimum required Equity, Minimum Networth, Entry Fee for various service authorisations**

Sl. No.	Service Authorization(s) (VNO)	Minimum Equity (Rs. Cr.)	Minimum Networth (Rs. Cr.)	Entry Fee (Rs. Cr.)	Application processing fee (Rs. Cr.)
1	UL(VNO-All services)	10.0	10.0	7.5	0.01
2	Access Service (Telecom Circle / Metro Area)	1.0	1.0	0.5 (0.25 for NE & J&K)	0.005
3	NLD (National Area)	1.0	1.0	1.25	0.005
4	ILD (National Area)	1.0	1.0	1.25	0.005
5	VSAT (National Area)	Nil	Nil	0.15	0.005
6	PMRTS (Telecom circle/Metro)	Nil	Nil	0.0025	0.0015
7	GMPCS (National Area)	1.0	1.0	0.5	0.005
8	INSAT MSS-R (National Area)	Nil	Nil	0.15	0.005
9	ISP "A" (National Area)	Nil	Nil	0.15	0.005
10	ISP "B" (Telecom circle/Metro Area)	Nil	Nil	0.010	0.0015
11	ISP "C" (SSA)	Nil	Nil	0.001	0.001
12	Resale of IPLC (National Area)	2.5	2.5	1.000	0.005

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
DEPARTMENT OF TELECOMMUNICATIONS
(ACCESS SERVICES CELL)
SANCHAR BHAWAN, 20 ASHOKA ROAD, NEW DELHI-110 001.

APPLICATION FOR GRANT OF UL (VNO) / Authorisation for Additional Services
under Unified License (VNO)

(To be submitted in single copy)

1. Name of Applicant Company: _____

2. Complete postal address
with Telephone/FAX Nos./E-Mail
i) Corporate Office _____

- ii) Registered Office _____

3. Address for correspondence with _____
Telephone/FAX Nos./E-mail

4. Name of Authorised contact

person, his designation, address
and Telephone/FAX Nos./Email
5. Details of payment of processing fee (DD/PO to be enclosed in a separate
envelope)/e-payment/ Bharat kosh.

6. Certified copy of Certificate of Registration along with Articles of Association and Memorandum of Understanding to be attached.

(To be certified by the Certificate from Company Secretary/ Statutory Auditor and countersigned by Director duly authorised by the company)

7. (a) Details of Promoters/Partners/Shareholder in the Company: The Promoters to be indicated.

S.No.	Name of Promoter/ Partner	Indian/ Foreign	Equity %age.	Networth
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

(Complete break-up of 100% of equity must be given. Equity holding upto 5% of the total equity shared among various shareholder can be clubbed but Indian and Foreign equity must be separate.)

- (b) **Equity details**

Indian _____
Foreign _____

Total

(Certificate from Company Secretary/ Statutory Auditor countersigned by Director duly authorised by the company to be attached)

- (c) FDI up to 100 % with 49% under automatic route and beyond 49% through FIPB route. The applicant is required to disclose the status of foreign holding.

(Certificate from Company Secretary/ Statutory Auditor countersigned by Director duly authorised by the company to be attached)

- (d) Networth of the company _____

(Certificate from Company Secretary/ Statutory Auditor countersigned by Director duly authorised by the company to be attached)

8. Services for which authorisation sought

S.No	Name of the Service	Service Area, if applicable	Remark, if any

9 Details of the licenses granted under section 4 of Indian Telegraph Act 1885 or authorisation for various services under UL (VNO) held by the applicant

S.No.	Name of License/ Service authorization	Service area	No. and date of license/ authorisation

10. Paid up capital (Certificate from Company Secretary/ Statutory Auditor countersigned by Director duly authorised by the company to be attached)

11 Certified copy of approval of Government of India for Foreign Equity
(To be applicable if FDI is more than 49%) (Certificate from Company Secretary/ Statutory Auditor countersigned by Director duly authorised by the company to be attached)

12. (a) **Names of Chairman / Managing Director / Directors of the applicant Company**

Nationality

_____	_____
_____	_____
_____	_____

(b) **Details of Chief Executive Officer / Chief Technical Officer /Chief Finance Officer**

<u>Name</u>	<u>Designation</u>	<u>Nationality</u>
_____	_____	_____
_____	_____	_____

13. Power of Attorney by Resolution of Board of Directors that the person signing the application is authorized signatory.

Certificates/undertaking:

- 1 A. I hereby certify that I have carefully read the guidelines and License Agreement for providing UL (VNO). I undertake to fully comply with the terms and conditions therein.
- 2 B. I understand that this application if found incomplete in any respect and/or if found with conditional compliance or not accompanied with the processing fee shall be summarily rejected.
- 3 C. I understand that processing fee is non-refundable irrespective of any reason whatsoever.
- 4 D. I undertake to sign the License Agreement, within the prescribed time notified to me failing which my application shall be taken rejected and processing fee forfeited.
- 5 E. I understand that all matters relating to the application or license if granted to me will be subject to jurisdiction of courts/Tribunal(s) in Delhi/New Delhi only.
- 6 F. I understand that if at any time, any averments made or information furnished for obtaining the license is found incorrect, then my application and the license if granted thereto on the basis of such application, shall be cancelled.

Date
the
Place.

Signature and name of

Authorised Signatory
(Company's Seal)

SERVICE AREA (TELECOM CIRCLES/ METROS) AND THE AREAS COVERED BY THEM

Sl. No.	Name of Service Area	Areas covered
01.	West Bengal Service Area	Entire area falling within the Union Territory of Andaman & Nicobar Islands and area falling within the State of West Bengal and the State of Sikkim excluding the areas covered by Kolkata Metro Service Area.
02.	Andhra Pradesh Service Area	Entire area falling within the State of Andhra Pradesh & Telangana State
03.	Assam Service Area	Entire area falling within the State of Assam.
04.	Bihar Service Area	Entire area falling within the re-organised State of Bihar and newly created State of Jharkhand pursuant to the Bihar Reorganisation Act, 2000 (No.30 of 2000) dated 25 th August, 2000.
05.	Gujarat Service Area	Entire area falling within the State of Gujarat and Union Territory of Daman and Diu, Silvassa (Dadra & Nagar Haveli).
06.	Haryana Service Area	Entire area falling within the State of Haryana except Panchkula town and the local areas served by Faridabad and Gurgaon Telephone exchanges.
07.	Himachal Pradesh Service Area	Entire area falling within the State of Himachal Pradesh
08.	Jammu & Kashmir Service Area	Entire area falling within the State of Jammu & Kashmir including the autonomous council of Ladakh.
09.	Karnataka Service Area	Entire area falling within the State of Karnataka
10.	Kerala Service Area	Entire area falling within the State of Kerala and Union Territory of Lakshadweep and Minicoy.
11.	Madhya Pradesh Service Area	Entire area falling within the re-organised State of Madhya Pradesh as well as the newly created State of Chattisgarh pursuant to the Madhya Pradesh Reorganisation Act, 2000 (No:28 of 2000) dated 25 th August, 2000.
12.	Maharashtra Service Area	Entire area falling within the State of Maharashtra and Union Territory of Goa, excluding areas covered by Mumbai Metro Service Area.
13.	North East Service Area	Entire area falling within the States of Arunachal Pradesh, Meghalaya, Mizoram, Nagaland, Manipur and Tripura.
14.	Orissa Service Area	Entire area falling within the State of Orissa.
15.	Punjab Service Area	Entire area falling within the State of Punjab and Union territory of Chandigarh and Panchkula town of Haryana.

16.	Rajasthan Service Area	Entire area falling within the State of Rajasthan.
17.	Tamilnadu Service Area (including Chennai Service Area)	Entire area falling within the State of Tamilnadu and Union Territory of Pondichery including Local Areas served by Chennai Telephones, Maraimalai Nagar Export Promotion Zone (MPEZ), Minzur and Mahabalipuram Exchanges
17A.	Tamilnadu Service Area (excluding Chennai Service Area)	Entire area falling within the State of Tamilnadu and Union Territory of Pondichery excluding Local Areas served by Chennai Telephones, Maraimalai Nagar Export Promotion Zone (MPEZ), Minzur and Mahabalipuram Exchanges
17B.	Chennai Service Area	Local Areas served by Chennai Telephones, Maraimalai Nagar Export Promotion Zone (MPEZ), Minzur and Mahabalipuram Exchanges
18.	Uttar Pradesh (West) Service Area	Entire area covered by Western Uttar Pradesh with the following as its boundary districts towards Eastern Uttar Pradesh : Pilibhit, Bareilly, Badaun, Etah, Mainpuri and Etawah. It will exclude the local telephone area of Ghaziabad and Noida. However, it will also include the newly created State of Uttaranchal pursuant to the Uttar Pradesh Re-organisation Act, 2000 (No.29 of 2000) dated 25 th August, 2000.
19.	Uttar Pradesh (East) Service Area	Entire area covered by Eastern Uttar Pradesh with the following as its boundary districts towards Western Uttar Pradesh : Shahjahanpur, Farrukhabad, Kanpur and Jalaun.
20.	Delhi Service Area	Local Areas served by Delhi, Ghaziabad, Faridabad, Noida, and Gurgaon Telephone Exchanges
21.	Kolkata Service Area	Local Areas served by Calcutta Telephones.
22.	Mumbai Service Area	Local Areas served by Mumbai, New Mumbai and Kalyan Telephone Exchanges

NOTE:

1. Yenum, an area of Union Territory of Pondicherry is served under Andhra Pradesh Telecom Circle in East Godavari LDCA.
2. The definition of Local areas of exchanges will be as applicable to the existing cellular operators, i.e. at the time of grant of cellular Licenses in Metro cities.
3. The definition of local areas with regard to the above service area as applicable to this License is as per definition applicable to Cellular Mobile Service Licenses as in the year 1994 & 1995, when those Licenses were granted to them. This is in accordance with respective Gazette Notification for such local areas wherever issued and as per the statutory definition under Rule 2 (w) Indian Telephones Rules, 1951, as it stood during the year 1994/1995 where no specific Gazette Notification has been issued.
- 4.

Government of India
Ministry of Communications & Information Technology
Department of Telecommunications
(Access Services Division)
1203, Sanchar Bhavan, 20, Ashoka Road, New Delhi-110001

No. **Dated:** 2016

To,

Subject: Letter of Intent (LoI) for award of UL (VNO)

With reference to your application dated regarding grant of service authorizations under UL (VNO), the undersigned is directed to convey the approval of competent authority for award of Unified License authorization for Service Area, on non-exclusive basis subject to the Guidelines of Unified License (VNO).

2. The LOI is being issued based on the information/certificate submitted by you with the condition that at a later date if the information/certificate is found wrong or misleading, the license shall be liable to be terminated. Further, if the information/ certificate/ undertaking being submitted by the company along with the compliance of the LOI, is found wrong or misleading at a later date, then also, the license shall be liable to be terminated or any other action as deemed fit by the licensor.

3. A copy of the prescribed authorisation format is enclosed with this LOI. Amended authorisation in the prescribed format, shall be signed only after compliance of the following, within twenty one working days on receipt of this LoI, failing which the same shall stand cancelled without any further reference :-

- (i) Submission of **Rs** as non-refundable Entry Fee for authorisation in Unified License (VNO) for service area.
- (ii) Submission of one additional Financial Bank Guarantee (FBG) for **Rs Crores** (Rs crores only) for additional authorisation in Unified License (VNO) for service area in the prescribed format as per UL (VNO) Agreement.
- (iii) In respect of all licences granted under Section 4 of the Indian Telegraph Act, 1885 (including Indian Wireless Telegraphy Act, 1933) to you or any of your

promoter(s)/partner(s) or associate(s)/sister concerns, you are required to furnish the following before signing the Licence Agreement:-

‘An unconditional and unequivocal undertaking to clear all dues to the Department of Telecommunication (including the WPC) raised up to date under the respective Licence Agreements without any reservation or deviation and would also be liable to pay all such dues which would be assessed and demanded in respect of the licenses referred above, if quashed under the orders of the Hon’ble Supreme Court, up to the date of termination.’

- (iv) No one VNO and another NSO (other than VNO's parent NSO) and a VNO & another VNO in the same service area directly or indirectly shall have any beneficial interest in each other.

For the purpose of this clause:

(a) Promoter shall mean legal entity other than Central Government, financial institutions and scheduled banks, which hold 10% or more equity in the licensee company.

(b) Beneficial interest shall mean holding of any equity directly or indirectly including through chain of companies in the licensee company.

(c) Any arrangement contrary to above shall be made consistent with the above stipulations within a period of one year from the date of grant of UL (VNO).

a)

4. Unequivocal and unconditional acceptance of this offer should be conveyed latest by twenty one working days on the receipt of this LoI along with the required certificates/undertaking, PBGs & FBGs.

5. In accordance with the condition No.7 of the FBG and condition No. 8 of PBG Format, the Bank has to designate a local branch where the respective CCA Office is located for an ink signed copy of invocation letter. In case of M/s, the following city is to be designated.

Service Area

.....

City

.....

Therefore the name of such branch will be mentioned by the Bank, issuing Bank Guarantee.

6. The applicant Company is required to submit, the details of the Licenses held by the associate/sister concern apart from Applicant Company, along with compliance of this LOI.

7. This LOI is issued without prejudice to the rights and contentions of the Government in the court cases/ disputes/ show cause notices issued/ to be issued under the respective licenses granted to you or any of your promoter(s)/partner(s) or associate(s)/sister concerns.

Director (AS-I)
Tel. No. 23036284

Encl:

- (i) Proforma for Undertaking

|



Proforma for UNDERTAKING

To

The Department of Telecom/Licensor,

In consideration of the Department of Telecom (hereinafter called 'the Licensor') having agreed to grant additional authorisation in Unified Licence (VNO) {UL (VNO)} with authorization for (hereinafter called 'the LICENSE') for Service Area to us, we M/s

....., (hereinafter referred to as Licensee) in accordance with para 3 (iv) of the Letter of Intent

No. dated

(hereinafter called 'the LOI') do hereby give our unconditional and unequivocal undertaking that in respect of all licences granted under Section 4 of the Indian Telegraph Act, 1885 (including Indian Wireless Telegraphy Act, 1933) to us or any of our promoter(s)/partner(s) or associate(s)/sister concerns, we undertake that all dues to the Licensor (including the WPC) would be paid and cleared in terms of such Licence Agreements for demands raised up to date.

We also undertake that in respect of all licences granted under Section 4 of the Indian Telegraph Act, 1885 (including Indian Wireless Telegraphy Act, 1933) to us or any of our promoter(s)/partner(s) or associate(s)/sister concerns, which have been quashed as per the orders of the Hon'ble Supreme Court in Writ Petition (Civil) No 423/2010 vide their judgement/order dated 02.02.2012 or have expired or expiring, we undertake that all dues to the Department of Telecommunication (including the WPC) would be paid and cleared in terms of such Licence Agreements for demands raised up to date and demands which would be assessed and raised for the period up to the termination/cancellation/expiry of such licenses.

We also undertake, that the Performance and Financial Bank Guarantees given under compliance to the LOI for the UL(VNO)with authorization of licenses shall stand as a security for payment of the above said dues. We hereby irrevocably and unconditionally guarantee to the Licensor to pay all such dues, and in case of failure, the Licensor shall be entitled to recover its said dues by encashment of the said PBGs and FBGs, and in lieu of which we further undertake to furnish fresh PBGs and FBGs as per the requirement of our additional authorisation in Unified Licence with authorization of service.

We, the Licensee, DO HEREBY DECLARE AND AGREE that the decision of the Licensor as to whether LICENSEE has failed to pay the said dues shall be final and binding on us.

This Undertaking shall be irrevocable and the obligations of us herein shall not be conditional of any prior notice by us or by the LICENSEE. We, the Licensee, undertake not to revoke this Undertaking except with the previous consent of the Licensor in writing after the Licensor is satisfied on recovery of all said dues.

Licensee

Government of India
Ministry of Communications and Information Technology
Department of Telecommunications
Sanchar Bhawan, 20 Ashoka Road, New Delhi-110 001.

No. - 20-507/2016 AS-I

Dated, the 5th July, 2016


SUB: GUIDELINES FOR GRANT OF UNIFIED LICENSE (VIRTUAL NETWORK OPERATORS) CATEGORY B FOR ACCESS SERVICE AUTHORISATION.

In addition to guidelines for UL(VNO), following guidelines for UL(VNO) for Access Services (Category B) authorization are prescribed as an interim measure for a period of one year.

- (i) There shall be a category of UL(VNO) Cat-B for Access Service authorization. The service area under this category shall be a geographical area of a district of a State/Union Territory.
- (ii) The applicant should be either a registered company or a partnership firm or an organization registered under Shop and Establishment Act or a legal person. The signing or other requirement by Director/ Company Secretary of the company stand amended to that effect.
- (iii) The existing DID Franchise of any Telecom Service Providers may migrate to District-wise UL(VNO) for Access Services.
- (iv) The Entry fee of authorization for migration to UL(VNO) Category B would be Rs. 16,500/- for one year.
- (v) The UL(VNO) Category B licensee shall pay licence fee @ 8% of AGR, applicable Spectrum Usage Charges and submit financial bank guarantees.
- (vi) The Financial Guarantee shall be of Rs. 3.5 lakh and valid for a period of one year and to be renewed one month prior to expiry of validity of

Financial Bank Guarantee. In case, the Financial Bank Guarantee is not renewed, it shall be encashed without further intimation to the Licensee.

- (vii) The application Processing Fee would be Rs. 10,000/- .
- (viii) The instructions contained in DoT Circular No. 4-5/93 PHB dated 27.01.1994 and even no. dated 04.03.1994 stand withdrawn w.e.f. 01.08.2016
- (ix) All existing DID franchisee shall be given time upto 31.07.2016 to migrate to UL(VNO) Cat. B for Access Service authorization or franchisee regime under UL/UASL/Basic Service License of TSP.
- (x) W.e.f. 01.08.2016 all existing agreements/ arrangements, pursuant to DoT Circular No. 4-5/93-PHB dated 27.01.1999 shall be treated as null and void.
- (xi) All other terms and conditions of UL(VNO) guidelines issued vide this Office letter No. 800-23/2011-VAS(Vol.II) dated 31st May, 2016 shall be applicable.
- (xii) LICENSOR reserves the right to modify these guidelines or incorporate new guidelines considered necessary in the interest of national security, public interest and for proper conduct of telegraphs.


(R.K. Soni)
Director (AS)

For and on behalf of President of India