

Introduction

At the outset we would like to appreciate the Authority for its initiative of publishing the Consultation Paper and we also appreciate the aspects highlighted in the document.

Our feedback is based on the day to day challenges we face in our MVAS operations.

CHAPTER III : ISSUES FOR COSULTATION

4.1 Whether the current provisions under various licences (UASL, CMTS, Basic and ISP) are adequate to grow the MVAS market to the desired level? If not, what are the additional provisions that need to be addressed under the current licencing framework?

None of the above mentioned licenses have any provisions for Mobile Value Added Services. Under the current market structure, Operators and VAS Providers mutually agree on the commercial terms with respect to the Moblie Value Added Services (MVAS). Such agreement between two commercial entities is outside the purview of the current licensing regime, as MVAS companies remain unlicensed companies.

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

We do not recommend that MVAS should be brought under the licensing regime. However, we believe that regulating the base revenue share (detailed later in our response to 4.4) would significantly enhance the growth and shall boost the MVAS industry. We therefore recommend that MVAS be kept out of any licensing regime.

4.3 If yes, do you agree that it should be in the category of the Unified Licence as recommended by this Authority in May 2010? In case of disagreement, please indicate the type of licence along with the rationale thereof.

N.A. Please read our response to 4.2 above

4.4 How do we ensure that the VAS providers get the due revenue share from the Telecom Service providers, so that the development of VAS takes place to its full potential? Is there a need to regulate revenue sharing model or should it be left to commercial negotiations between VAS providers and telecom service providers?

Revenue share negotiations currently are a bilateral arrangement between the Operator and the MVAS Provider.

Clearly greater the innovation of the product or service, the Operator is also incentivised to offer greater revenue share. This system already exists in some form or the other. MVAS Providers typically retain a small portion of the Operator payouts and in turn remit the proceeds to the ultimate content owners.

The bilateral relationship is unfortunately not a relationship between "Equals". The Operator, by virtue of access to the user base and billing connectivity has a stronger negotiating point always with the MVAS Providers.

This bilateral relationships are however subject to some level of abuse e.g. (1) similar services have different revenue shares across MVAS Providers or (2) considerations other than innovation favour one MVAS Provider over the other in these revenue share discussions.

So in order to avoid situations where smaller MVAS players get lesser revenue share, some form of regulatory oversight may be useful. This could be in the form of some guidance on how much of the net EUP (net End User Price = End user price minus taxes, charges payable to any Government authority) Operators can retain before passing on the rest to the MVAS Provider.

Increasingly, MVAS Provider are also spending on customer marketing and acquisition. In these cases, Operator's role is restricted only to providing billing, connectivity and collection / payment services. Most of the product development, product marketing roles are hence taken up by MVAS Provider. Current agreements between VASP and operators do not currently adequately address these factors.

In the long term, we believe that innovation will drive market equilibrium in revenue shares, driven by competitiveness amongst the Operators and MVAS Provider. This is the situation largely in global markets - for e.g. in some countries like UK, Japan, operators pay out upto 75-80% of net customer proceeds to the MVAS Providers. In several countries in Asia, average payouts are about 50-60%. However in India, it is still between 20-40% in favour of MVAS Providers. Hence, in the near / medium term, TRAI guidelines will help more MVAS companies to flourish.

4.5 At the same time, how do we also ensure that the revenue share is a function of the innovation and utility involved in the concerned VAS? Should the revenue share be different for different categories of MVAS?

As detailed in reply to 4.4 above, we believe that the Basic Floor Price Mechanism should take care of the operational cost and rest should be left to the commercial understanding between the Operator and the MVAS Provider. Such commercial model will help reward new innovations and offerings.

4.6 Do you agree that the differences come up between the MIS figures of the operator and VAS provider? If yes, what measures are required to ensure reconciliation in MIS in a transparent manner?

Yes. MVAS providers have often faced issues with operators on MIS reconciliation and payment timelines. This issue can be addressed by setting up a self-governing industry board that can help provide guidelines and establish best practices to govern this sector. This body can function in a way similar to the Advertising Standards Council of India (ASCI). Such a body can provide the industry with

representation and a formal dispute redressal mechanism for supporting the ecosystem and addressing challenges of MIS reconciliation.

4.7 (i) Does existing framework for allocation of short codes for accessing MVAS require any modifications? Should short codes be allocated to telecom service providers and VAS providers independently? Will it be desirable to allot the short code centrally which is uniform across operators? If yes, suggest the changes required along with justification.

Yes, the existing framework for short code allocation needs significant modification. The current frame work does not provide for quick process of allocating short codes. Even once allotted and deployed, short code services face issues such as arbitrary pricing and blocking of services that are deemed 'competitive' by the carrier.

We believe that it would be better to allot the short codes centrally and mandate their implementation across operators within a specified timeline. A central short code (CSC) agency can be set up as a licensed agency under TRAI. Licensing of this agency will allow it to enter into agreements with other licensed entities (cellular service providers). This nodal agency can be the one stop shop for short code registration and allocation and can mandate that the short codes be integrated across all operators. A single number assigned to every MVAS Provider should work across all mobile telephone service providers. Terms and conditions may be decided upon by the Regulator and would be followed universally by all operators. The operators may then process the activation within set timelines, across all circles.

4.7 (ii) Should there be a fee to be paid for allotment of short code?

The central short code agency (CSC), governed by TRAI, can enter into agreements with other licensed entities (Cellular Service Providers). This agency could issue short codes to the MVAS providers at a pre determined price. Further, a "Rate Card" for the services provided by operators can be mandated by TRAI under the interconnection regime, in consultation with operators, on a cost+ model.

4.8 Is there a need to provide open access to subscribers for MVAS of their choice? If yes, then do you agree with the approach provided in para 2.46 to provide open access? What other measures need to be taken to promote open access for MVAS? Suggest a suitable framework with justifications?

We strongly suggest the provision of open access to subscribers for MVAS. From a technological perspective WAP/GPRS is the only channel on which services can be offered directly to consumers. TRAI recommendations have protected the open internet mobile model, which does not allow any carrier to block any particular portal. However lack of alternate billing/payment channels have been a significant factor in restricting the growth of off-deck VAS in India. The CSC agency can issue a short code to an MVAS provider and the same will be accepted and integrated by all UASL licensees within agreed upon timelines. This will help save cost and time in integration for the MVAS provider. TRAI can further create a set of norms for premium number interconnection. A "Rate Card" which will include price points for billing, origination/termination charges etc. can also be mandated by the Regulator. This will also allow MVAS providers to decide the end user pricing of services. In addition the market driven commercial negotiations between an MVAS provider and an operator will ensure multiple options based on nature of services.

4.9 What measures are required to boost the growth of utility MVAS like m-commerce, m-health, m-education & m-governance etc. in India? Should the tariff for utility services provided by government agencies through MVAS platform be regulated?

Mobile Telephony along with MVAS could significantly support the growth of m-commerce, m-health, m-education & m-governance etc. in India. This could be achieved with the support of high quality network coupled with adequate mobile phone penetration. The reach and penetration of mobile phones can ensure the delivery of a large number of value added services in a fast and cost-effective manner and penetrate the semi urban and rural areas. Such initiatives around the M-education, M-Finances/banking will offer an easy option to replacement to expensive infrastructure. We believe that regulation of tariffs at the initial stages is

not beneficial to the overall market structure. Once the market is stable and competition has settled, the Regulator can consider regulating tariffs for access to utility services provided by government agencies.

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