

Comments on TRAI Consultation Paper on Universal License

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Introduction

Telcordia Technologies (Telcordia), an Ericsson company, is pleased to provide this response to the TRAI consultation paper on the Universal Licensing scheme. Telcordia Technologies is a premier supplier of critical telecommunications software and systems and powers telecommunications networks in over 60 countries.

Telcordia Technologies' software and systems are installed in many Indian landline and mobile operators, including the Zone 2 Mobile Number Portability clearinghouse system.

Summary

Upon review of the TRAI Consultation Paper on Universal Licensing, Telcordia agrees with the proposed scheme as an effective method of opening up competition and enabling service providers to launch multiple services. Separating spectrum allocation and fees from the licensing is a welcome proposal that will enable a more robust mobile communications marketplace. However, Telcordia is also concerned about some of the issues that such a scheme might raise. Specifically, they relate to the cost of licensing, and ensuring that the new system encourages innovation, reduce barriers to entry and encourages new content and communications providers to enter the market.

Comments

The key ideas behind the Universal License scheme are laudable in, in that they break the two dimensional paradigm that was in vogue with previous licensing schemes – Service type as well as geography. By removing Service type from the licensing, it enables service providers to offer services that span multiple service types with lower licensing costs of entry for service providers that offer multiple services. Telcordia perceives many advantages to this type of licensing and we highlight some below:

Simplicity in Licensing:

Having a service agnostic Universal License with three levels of geography based tiers greatly simplifies the licensing process. It provides flexibility to service providers to offer services based on demographic considerations on a regional basis.

Enables new service providers to enter and innovate:

The Universal License enables new service providers to enter the market and increase competitive offerings. Since the license to new service providers are not bound to any particular service type, these providers can incrementally innovate as they attract more subscribers. This would enable service innovation and increase competition in the marketplace.

Unlinking the Spectrum from Licensing:

This is a single important factor in unlocking innovation to the telecommunications market. It allows newer as well as existing service providers of different sizes to offer multiple and differentiated services to the marketplace. This increases competition and enhances choices to customers. This could enable a

new breed of access service providers who can use alternate forms of access, such as 802.11 to provide a competitive service.

Service Providers can offer multiple services:

Having a particular license type previously restricted Service Providers from experimenting with new services, and increased the cost and time to enter the market with new offerings. With the Universal License, a service provider could be more flexible in their service offerings, especially in different regional markets.

While these are tremendous advantages, Telcordia has identified multiple issues with this Universal Licensing that we would like to highlight below.

Protection of Existing Licensees

Existing telecommunications providers have invested significant sums of money in building out their infrastructures to offer services. These licenses should not be revoked or changed, as it could potentially threaten the businesses and the investments that have already been made. Opening up exclusive licenses to competition after investments have already been creates an unfair disadvantage to these licensees. An important goal of the Universal license scheme should be to encourage these and other licensees (of which MITS is one) to commit further investments and add new services to their portfolios.

New License Category

There are operators which are providing services to the Mobile & Fixed Line operators like the MNP Operators which deal only with these Operators. A new category of license “Third Party Neutral Service Provider (TPNSP)” may be created which covers all third party neutral services, giving such operators to provide these services which not only benefit the Mobile and Fixed Line operator but also end customers. This would help bring innovation, improve service quality, and provide variety of new services to the end customer. The services of the TPNSP can be leveraged by the Govt. to provide variety of new services to the end customer.

Encourage Innovation

Innovation in service offerings is an important consideration for a robust marketplace. Typically smaller and newer service providers will innovate quickly and seek differentiation. The Universal license scheme and other such license categories should allow existing and new licensees to experiment with new services and add new features to their service portfolio without having to apply for new licenses or permissions. In other words, the Universal license should speed the process of bringing new services to market.

Flat license fee:

The flat but high license fee, while simple, may provide a disincentive to service providers to offer lower margin services, as it hurts profitability. Service providers, especially newer and smaller service providers, will be selective about the services that can be offered. Customers may be losing out here, and incumbent power is increased as they have the scale and financial wherewithal to offer multiple services.

Higher costs of entry for Greenfield Service Providers:

Greenfield service providers will face a high cost of entry based on the proposed License fee structure. The infrastructure needed for setting up Lawful Interception and the security requirements may present a very high cost to new entrants in the market.

Higher costs of entry for lower margin services and service providers:

The Universal License scheme would make the ongoing cost of the license onerous for lower margin service providers. For instance, a service provider paying only 5% in the current licensing regime would face a higher burden with the new Universal Licensing scheme, even though their revenue may not have changed substantially.

High cost for multiple geography service providers:

Service providers wanting to target multiple regional markets will face higher fees. The additive nature of regional license fees will tip the service providers in favor of seeking a national license, which increases the cost to service providers. Also, some smaller service providers will face a glass ceiling due to net worth requirements for obtaining a national license, and will be forced to stay small.

Consultation Issues

Given below are some targeted responses to the issues raised in the Consultation Paper.

License Categories:

While it is advantageous to separate the spectrum from the service licensing, it does make it hard for wireless service providers to plan service rollout without advance knowledge of spectrum allocation. This would lead service providers to opt for National license as a default; they would then be able to offer services wherever they can obtain spectrum. We would propose TRAI come up with a process in case a licensee is unable to obtain spectrum. Also, the "Class License" which can only be obtained on a National level, seems to be a category of license for satellite based communication services only. Instead, this could be viewed as a Special Service License, similar in concept to the TNPS license reference earlier, which can be applied to satellite based communication services.

Minor and Major Violations:

The severity of service violations depend on the service being offered. However, in a general sense, we would like to view Major violation as a catastrophic failure of service for an extended period of time and over a large geography – for instance, loss of service for over 8 hours covering an entire state. Minor violations are typically non-service affecting, and loss of functions may affect different constituents..

Licensing through Authorization:

While the Unified and Class Licenses may take care of most service licenses, there is still need to provide certain service on a national/regional level that will require TPNSP licenses as referenced before. These

could be for Mobile Number Portability clearinghouse services, Stolen/Bad Device Registry services etc. These service providers have to mandatorily interconnect with all the Licensee networks, whether at the National/Service Area/District level.

Other Services:

We believe that the Unified License should cover currently popular services with significant subscriber uptake. In fact, legacy services such as Voicemail, Radio Paging etc can be exempt from licensing regime. In a similar vein, new and emerging services should also be exempt from licensing – this is so that service providers can offer experimental services without incurring a high cost of entry. This will unleash innovation without prohibitive costs.

Migration of Licenses:

TRAI should propose a mechanism to enable current license holders to migrate to the new license regime without the stiff entry fee to offer new non-spectrum related services.

IP Interconnect:

We recommend that IP-I companies coming under the Unified License scheme comply with all corporate structure requirements in 18 months time.

Conclusion

Telcordia supports the development of a Universal Licensing scheme as outlined in TRAI's proposal. Telcordia sees this as a laudable attempt to make the marketplace more robust, enable service provider innovation and present more consumer choice. Unlinking the spectrum from the License makes it attractive for service providers to specialize and offer services on a regional basis. Telcordia also feels it is important that the Universal License scheme protect existing license holders while encouraging them to innovate and reducing time to market for the launch of new services whether under the current licenses they hold or through a new category of license that the Govt. may deem fit. Telcordia requests that TRAI consider these issues as they may come up if this scheme is rolled out.

Telcordia is open to providing further in-depth consultation on this subject, if needed.