BIF Response to TRAI CP on Connectivity to Access Service VNOs From More Than one NSO

Q1. In your view, what is the maximum number of Network Service Operators (NSOs) from whom a UL (VNO) licensee holding Access Service Authorization should be permitted to take connectivity in a licensed service area (LSA) for providing wireline access service? Kindly provide a detailed response with justification.

BIF Response:

At the outset, we wish to laud the Authority for its path breaking Recommendations on VNOs in 2015, post which DoT issued VNO Guidelines first in 2015, which were further revised in 2017. Licenses were issued to over 700 VNOs all across the country, majority of which were in Category 'B'. This was an extremely important initiative to increase competition and provide quality services at an affordable price to the end consumer, besides enabling consumer choice.

When it was introduced in 2015, it was indeed a praiseworthy initiative. However, never has it been of greater necessity than now. This is because the market has turned into a virtual duopoly with two large operators enjoying more than 80% share of the market. The other two operators, one of whom is 100% Govt. owned and the other which has major shareholding by the Government, are both steadily losing market share.

Effectively, with the market being dominated by two large operators, both quality and affordability of service is getting affected besides the niche segments of the country are not being addressed. Hence promotion of VNOs has become a dire need and a necessity today.

While we have over few hundreds of Fixed VNOs, they are essentially DID franchisees and not really VNOs. On the other hand, there are no known MVNOs despite eight years since the introduction of VNOs by the Government. The Mobile Services Market has become highly consolidated and it needs more competition. It needs the positivity of a VNO to arrest the situation where 2 out of the 4 operators are steadily losing market share, thereby leading to a market failure in the MVNO market segment.

It is reliably understood that majority of MVNO License holders today are facing insurmountable challenges and have not been able to commence their services, even after so many years, as NSOs are not forthcoming in providing network access to the VNOs.

While it may be acknowledged that parenting of a VNO with one NSO may not be sufficient but the presence of at least one MVNO per MNO to begin with would be good for the economy and for the consumers at large. For success of the market and for the sake of increasing competition, this has to succeed. By introducing a MVNO, it would help grow the revenues of the Government NSOs.

CASE STUDY OF SUCCESSFUL IMPLEMENTATION OF MVNOs in MEXICO

The case in Mexico is being cited so as to bring out an example as to how the Government and the Regulator got together to promote MVNOs, after a market failure

Details of the same are given below: -

Mexico Model – A Case study

Mexico Case study

Mexico was facing a challenge to achieve effective competition in telecommunications service provision.
As of 2019 América Móvil had retained a 60% market share in the retail mobile market and more than 50 % in the fixed broadband market. Other service providers faced issues due to this monopoly. Additionally, the market was facing challenges in terms of -
- Low consumer choice
- Poor quality of service and
- High Urban – Rural Divide

Mexican Government enacted the Constitutional Reform including wide-reaching changes to the Mexican telecom landscape. Altan Redes was established as a wholesale-only operator offering equal access to any MVNO, so as to establish effective retail competition

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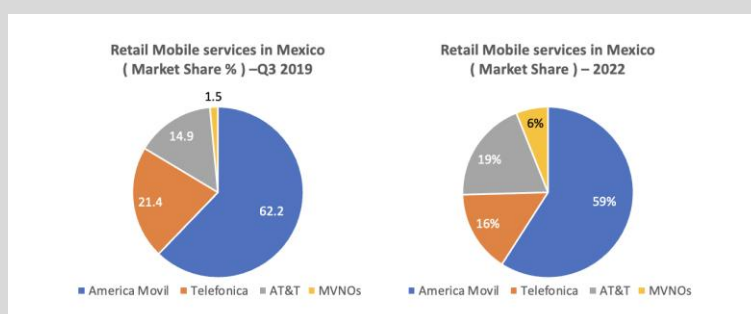- Coverage for localities of fewer than 5 thousand inhabitants

Altan Redes , structured as a public-private partnership (PPP), is the cornerstone of the Mexican Telecom Reform encouraging:
- Substantially increased 4G LTE wireless coverage, access and penetration
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Retail Mobile services in Mexico (Market Share %) –Q3 2019

America Movil 62.2, Telefonica 21.4, AT&T 14.9, MVNOs 1.5

Retail Mobile services in Mexico (Market Share) – 2022

America Movil 59%, Telefonica 16%, AT&T 19%, MVNOs 6%

Following are few of the key technical requirements, besides several others, which are needed for starting the mobile services by the MVNOs under its Access Services License:-

1.   MNP requirement for access service for MVNO's.

As per the licensing guidelines and business requirement for VNOs, MNP is the basic requirement for VNO to start its mobile services by porting from the competitors. In the MNP Guidelines also, there are requirements of integration between the VNO and NSO for the MNP process flow, in line with TRAI's MNP Regulations. DOT had amended the UL VNO License on 20.11.2019 and issued separate LRN for VNOs. But there are still issues with NSOs (TSPs) for configurations of VNOs inside their networks.

2.   Allocation of 10-digit numbering resources by NSO to MVNO.

As per licensing guidelines numbering resources are to be taken from the parent NSO but there have been inordinate delays in allocation of the MSISDN numbers and that too, it

has been allocated in fractions. The fractional number series for the VNOs, is creating technical issues in mapping the same on the NSO switches.

Allocation of number series in blocks are required to be allocated to VNOs in order to facilitate mapping in the switches by all the TSPs. Thus, it is suggested that TRAI needs to examine this requirement of allocation of number series accordingly.

Multi-Operator Parenting:

Multi-TSP (NSO) Parenting is important from the point of view of promoting competition and improvement in quality of service as well as helps in increasing consumer choice. However, there are technical challenges in implementing it. Also, globally, most of the VNOs use it temporarily, while changing the parenting from one MNO to another, it is not implemented generally for long term deployment.

Currently the VNO guidelines in India, prohibits a VNO from parenting to more than one NSO in a particular LSA. Suitable regulatory intervention is required to enable VNOs to parent with more than one operator so that VNOs can start to provide quality services in a cost-efficient manner.

Ceiling on Parenting with Multiple NSOs

Given the fact that Quality of service offered by a particular NSO is not fixed and varies over time and within the same LSA and/or even outside it, VNOs are required to have the freedom to choose between different operators and also change the operators while in service. Keeping the above in mind, there should be no regulatory ceiling at all as regards the number of operators that a VNO should be permitted to parent to, as long as the MNO and VNO can find the necessary solution to the technical challenges.

Multi-NSO parenting could become the USP of the VNO in India, as no VNO can flourish based on price competitiveness as data rates are already very low and VNOs would not be in a position to offer lower rates. However, it is the quality of service which can become the basis of sustained business model for the VNO. Thus, better quality service coupled with innovative add on services can be provided by VNO if it is permitted to be parented with any number of NSOs.

SUMMARY

Given the fact that today the biggest challenge is the absence of MVNOs in the Wireless Access Services market, we request the Authority to kindly consider:

1.   Taking suitable Regulatory measures to ensure that each NSO may at least tie up with one MVNO for providing wireless access services.

2.   To begin with, maybe a pilot project could be started involving one MVNO and the Govt. operator BSNL. Based on the performance and success of this pilot, the same could then be extended to other NSOs also to adopt a similar model.

3.   Notwithstanding the technical challenges associated with multi-operator parenting, Multi-NSO parenting within the same LSA may kindly be permitted, which is currently not the case.

4.   Once multi-parenting is permitted, there should be no cap/ceiling as regards number of NSOs that a MVNO can be parented to.

Q2. In case your response to the Q1 is a number greater than one, what should be the associated terms and conditions for permitting such connectivity? Kindly provide a detailed response with justification.

BIF Response:

BIF is of the opinion that the UL (VNO) licensee must be permitted multiple parenting, without any ceiling/cap on the same. Justification for the same has been provided in response to Q1 above.

As regards eligibility conditions and financial obligations of the UL (VNO), it should be borne in mind that the existing UL (VNO) licensees are small & medium level entrepreneurs and can ill afford a heavy financial burden. Volume of business and revenue earned by them is miniscule as compared to that of the TSPs. Since they would enrol customers in their own names and provide services to the end consumer, hence these connectivity agreements with TSPs (NSOs) should only comply to minimum parameters viz. e-kyc, security, complaint redressal norms etc.

Since the UL (VNO) licensees are dependent on the QoS parameters being met by the parent TSP (NSO)s whose resources they use, it may not be appropriate to enforce any QoS related mandates/penalties on UL (VNO) licensees.

The VNOs must be permitted to hire bulk bandwidth at affordable wholesale prices to be able to re-package them appropriately while selling their services to their customers. Suitable Regulatory intervention maybe required to enforce bulk bandwidth rates with appropriate and reasonable ceiling/cap, so that the bandwidth rates do not become unviable for the VNOs.

Q3. Whether a UL (VNO) licensee holding Access Service Authorization in an LSA should be permitted to take connectivity from one NSO for wireless access service and other NSO(s) for wireline access service in the LSA? Kindly provide a detailed response with justification.

BIF Response:

VNOs should be permitted to have multi-parenting from at least one NSO for wireless and a different one for wireline service. This would enable the VNOs to provide services based on the best quality and commercial terms with both the Wireless and Wireline Operators in a given area.

Q4. In case your response to the Q3 is in the affirmative, what should be the associated terms and conditions for permitting such connectivity? Kindly provide a detailed response with justification.

BIF Response:

Please refer to our Response to Q2 above.

Q5. Whether there are any other relevant issues or suggestions related to the parenting of licensees holding Access Service Authorization under UL (VNO)? Please provide a detailed response with justification.

BIF Response:

1.   The current VNO license restrictions prevent access service providers from interconnecting their internet telephony and PSTN networks, forcing them to rely on NSOs

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for interconnection, which compromises their business autonomy and hampers seamless service provision. A liberal approach will be beneficial for the VNOs. Also some clarity around Cloud Services would be welcome.

2.   Though the DoT VNO Guidelines first came out in 2015 and were revised in 2017 with an intention of encouraging more competition and investments in this segment, Indian market has not witnessed the entry of successful MVNOs. Allowing multi-TSP parenting will encourage the competition into the sector and make the market more vibrant. Further, at present there is no mandatory framework for TSPs/ISPs to have an engagement with a VNO which has led to this situation.

3.   The experience in the US market is an important indicator as VNOs have proliferated in the US because of flexibility with which the VNOs are treated, such that entry barriers are low. The FCC rules do not require a VNO to obtain a license specifically to resell wireless services. The VNO model is also highly successful in Europe.

4.   CASE STUDY OF SUCCESSFUL IMPLEMENTATION OF MVNOs in MEXICO

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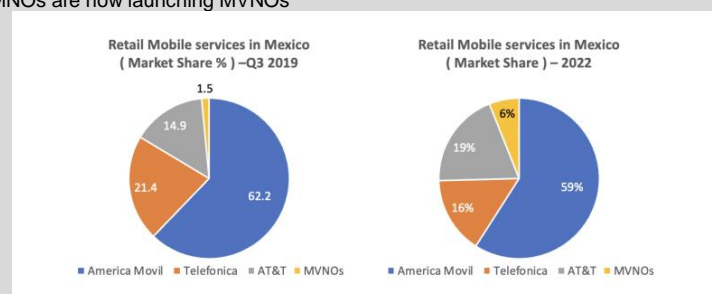- Coverage for localities of fewer than 5 thousand inhabitants

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Retail Mobile services in Mexico (Market Share %) –Q3 2019 / Retail Mobile services in Mexico (Market Share) – 2022

5.   VNOs are needed to propel the sector and expand the market to unaddressed segments. An ultra-light touch regulatory framework with almost zero entry barriers, and the permission to parent multiple TSPs with a clear, time-bound and transparent mandate for TSPs to enter into an engagement with VNOs is required.

6.   This may be accompanied by Regulatory oversight to smoothen and streamline the roadblocks, if any.

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