

Information note to the Press (Press Release No. 53/2008/QoS)

Telecom Regulatory Authority of India

For Immediate release

Tel. No.:011-23230404

Fax: 011-23213036

E-mail: chaubemc@traf.gov.in

Website: www.traf.gov.in

TRAI issues Consultation paper on Growth of Value Added Services and Regulatory Issues

New Delhi, 28th May 2008 - TRAI has today released a consultation paper on Growth of Value Added Services and Regulatory Issues. Consultation paper focuses on the approach for the growth, regulatory guidelines and terms and conditions in respect of licensing and provisioning of Value Added Services.

2. Telecommunications had traditionally been a voice communication service. With the rapid expansion of mobile phones, tele-density and 3G, Next Generation Network (NGN) services many more such novelties are in store for Indian population with mobile phone services and broadband services at the centre of innovation. The telecommunication services today have moved beyond their fundamental role of voice communications to a spectrum of non-core services, which in telecommunication parlance is called Value Added Services (VAS). In short, all services beyond basic voice calls and fax transmissions come under the category of VAS or also called enhanced services. In times to come people will buy mobile phones or any end user terminal device not just to remain connected for access but to express themselves in a variety of ways. Value Added Services are provided either directly by the telecom operators themselves or by a third party Value Added Service Providers (VASPs).

3. In India the revenue (estimated) from mobile Value Added Services is over 10 to 14% of the total revenue of mobile telecom service providers. The Value Added Services have great revenue potential. The mobile revenue through Value Added Services is expected to cross 30% of the mobile telecom service provider's revenue in the next 5-7 years as revealed in various studies/position papers. Today SMS constitutes major portion of the VAS revenue. While entertainment services have become popular with the consumers, there remains a scope for utility based services like location information, mobile commerce (M-Commerce) for mobile transactions etc.

4. For the telecom operators, success of Value Added Services is important for their growth. The service providers will shift their focus from subscriber base expansion to Value Added Services, as these services have the potential to generate good revenue for the telecom operators and will ultimately benefit telecom consumers. This will also contribute to the overall growth of the GDP of the country

5. The Value Added Services industry in India is at nascent stage and does not have a proper process or common benchmark or code of practice. There is no coordinated effort to make the industry grow and it also lacks transparency as the consumers are not fully aware of the nuances of the services. But considering the market potential for value added services in the coming years and the multiplicity of value added services that the Next Generation Network (NGN) and 3G will offer, there is a need to harmonize the licensing/regulatory framework for ushering growth in all the segments of the value added service viz content development, technology platform, content aggregation including copy right protection etc. There is also a need to facilitate provision of value added services directly by the content aggregators/value added service providers (VASPs).

6. Issues that determine the Growth of Mobile Value Added Services:

- Handset features: for Value Added Services consumption consumer need feature handsets or terminal devices which enable the easy access and display/storage of contents.
- GPRS connectivity: GPRS is capable of providing rich information and online delivery experiences.
- Copyright Protection: to encourage the content producer/creator and protect their copyrights, the need is to have stringent regulatory framework. This will encourage the branded content at lower cost and will create trust among various stakeholders in the value chain. Content providers/content aggregators (VASPs) will have to ensure the copyrights and digital rights management.
- Regulatory Framework: there is need to develop/adopt new technology, bring consolidation in the industry and confidence in the investors particularly foreign investors. Value Added Services which will be provided through NGN, 3G and Broadband Wireless Access will need foreign technology/investment. Creation of mass market will happen with the content branding, rationalized pricing, transparency and consumer education.
- Mobile Commerce (M-Commerce): in the Indian context, transaction based Value Added Services are still in a very nascent stage that too in metropolitan/major cities. Primarily, the M-Commerce services can be categorized as under:
 - Mobile financial services
 - Mobile banking
 - Mobile payments
- Consumer education and protection measures: there is need to bring greater transparency and awareness about the usefulness of Value Added Services and their usage among telecom consumers.
- Revenue sharing arrangements in the Value Chain: the telecom operators and VASPs would need to look at the best practices in other countries and

design a fair revenue sharing system where the content providers/content aggregators (VASPs) and content owners do get their due share in a transparent manner.

- Need to focus on Utility based Value Added Services.

7. The key issues raised in the consultation paper :

- Need to bring uniformity or clarity in the licensing conditions of mobile telecom operators/access service providers with regard to provision of value added services.
- The licensing obligation of telecom operators.
- Need to bring content provider/aggregators called Value Added Service Providers (VASPs) under the licensing regime.
- The scope of licence and other terms and conditions for the licensing Mobile Value Added Services including new/enhanced services in 3G, Next Generation Network (NGN) Environment.
- The licensing obligation for protecting copy rights, including digital rights management, and infringement of other laws of the country on value added Service licensees.
- The regulatory framework for content regulation.
- Allocation of short codes for Value Added Services, in order to have uniformity amongst all the telecom operators and to enable branding of Value Added Services.
- Revenue share Model in Mobile Value Added Services Value Chain and its transparency.

The Authority has invited the stakeholders to respond to the issues raised in this consultation paper by 30th June, 2008. The full text of the consultation paper is available on TRAI's website: www.trai.gov.in

Contact Details in case of any clarifications:

M.C. Chaube,
Advisor (Quality of Service)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg, New Delhi-110 002.
Telephone:011-23215228 /23230404 Fax: 011-23213036
Email:chaubemc@traigov.in
Authorized to Issue:

Advisor (QOS)