



Symbiosis Institute of Telecom Management

Symbiosis Knowledge Village
Near Lupin Research Park, Village Lavale,
Mulshi-Tahsil , Pune-411 042

Contact:

Mangesh: mangeshd.sitm@gmail.com (+91 9766697576)

Rahul: rahulsingh.sitm@gmail.com (+91 9552555013)

Shrutika: shrutikaborikar.sitm@gmail.com (+91 7350013985)

CONSULTATION PAPER

ON

Mobile Value Added Services

To,
Rajkumar Upadhyay
Advisor (BB & PA)
Telecom Regulatory Authority of India
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi -110002.
Tel. No.: 011- 23220020,
Fax No.: 011- 23211998
Email: advbbpa@tra.gov.in

Dear Sir,

Subject: Consultation Paper On “Mobile Value Added Services”

We welcome the opportunity to respond to the Telecom Regulatory Authority of India’s (TRAI) Consultation Paper on “**Mobile Value Added Services**”. We appreciate TRAI for this excellent consultation which will help in establishment of new standards as well as finding new policies for MVAS industry.

Please find below our selective response to the consultation paper.

We would like to participate in any case any further opportunity is provided to discuss these issues. Also, we are available for discussions in taking some of these recommendations forward.

Yours Sincerely,

Rahul Singh
MBA – Telecom Management (2nd Year)
Mangesh Dighade
MBA –Telecom Management (2nd Year)
Shrutika Borikar
MBA-Telecom Management (2nd Year)

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Disclaimer: Please note that the views presented in the paper are of the students and not of the Institute.

3.1: 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 licensing framework?

Ans: The current provisions under various licences are adequate to grow the MVAS market to the desired level.

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

Ans: If a licensing system is to be introduced for licensing mobile value added services, it should be formulated with the aim of resolving the growth impediments and commercial disputes that the industry currently suffers from. The licensing system should address the following issues:-

1. Obtaining and operating short codes smoothly and in a standardized with a minimum cost of acquiring it.
2. Setting up norms for access, interconnection and interoperability such that would help in new and more innovative services to be offered to customers and also accelerating the growth of MVAS industry.
3. Norms for MIS and reconciliation which would lead to a better payment regime .This may include formation of an authority auditing the MIS figures by both service providers and content providers monthly or quarterly.

Besides licensing and operating conditions, licensing system must cover issues of CONSUMER PROTECTION, like TRANSPARENCY, INFORMATION, TARIFF, BILLING and COMPLAINT REDRESSAL..

3.3: 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.

Ans: No, it should not be covered in the category of Unified Licence.

The rationale is duly addressed in the above question.

3.4: 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?

Ans: The business model of the global MVAS industry is majorly dominated by walled garden model except a few countries like Thailand and China. The major bargaining power for the VASP's is the demand of the content provided by them. Since the demand is not there and still the operator is pushing it on its customers, make obligatory for them to have

a major chunk of the revenue as he is only responsible for engaging the subscriber on his laid network.(Subscriber Acquisition Cost)

The demand has to rise then only the business model will change. So steps regarding instilling innovative services have to be done on the part of VASP's. With 3G coming the VAS industry is pushing up, and the chances are brighter that their share will increase from 10% to 20% within a few years or more. Then VASP's can have the bargaining power which will empower them to snatch a major chunk of revenue. Till that time the industry should be left for innovation and efforts should be taken to provide these companies with some incentivised schemes or tax rebates in order to bring their operating costs and concentrate innovation. The mobile vas industry is speedy in its growth and is witnessing a lot of entrepreneurial ventures

the choice of business model that various actors in mobile business, ranging from device Manufacturers, equipment vendors, content providers, application vendors, payment agents, mobile network operators to regulatory authorities and users adopt, relies on Economic characteristics underlying the mobile business: mobility, network externalities and exclusive control over network assets

3.5: 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?

Ans: The global revenue sharing arrangement in the MVAS industry is largely biased towards the mobile operators i.e. its walled garden followed in most of the cases. Based on cases of the countries which open garden model is followed, it is found even though the large share of revenue is given to content providers and aggregators, there was a deluge of content providers providing similar content with little or no innovation. The important lesson for India is that despite higher revenue sharing, innovativeness in content and transparency should also be a deciding factor along with transparency in pricing. As far as utility VAS is concerned, providing higher status for them may not be fair the others. So, any provision to promote them should be undertaken by various related departments of the government for e.g. m- health to health department

3.6: 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?

Ans: Yes, the difference between the MIS figures of the operator and VAS provider comes up.

The customer access services through operators network, the VAS provider depends upon the MIS figures provided by the operator for knowing number of hits and downloads of applications, this process doesn't have the transparency required which creates the differences. To avoid such differences there should be commonly agreed central body or third party regulated by the authority in place to audit the MIS figures.

Most of the VAS providers are agree to get paid on operators MIS figures as long as the differences are in the range of 1%-2%, but if the differences are more than 5% and the VAS

providers are compiled to provide for bad debts at the end of financial year then this problem become difficult. To handle such situation there should be contract between the operator and the VASP which allows the maximum differences of 2% in the MIS figures. Also the strict guide lines should be providing to payment and tariff reconciliation cycle.

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

Ans: The current method of allocation of short codes should be changed , a short-code assignment system needs to be put in place that is integrated across all operators. The short code should be unique and should be assigned to every content provider, and this code should work across all service providers whether they are GSM or CDMA. It should be in line with the internet domain name and should cover both voice and data short codes . The integration of short codes across all service providers will help to brand them as it would be easy for the consumers to remember the codes. A similar method is followed in US with a third party taking care of the allocation of short codes Another issue that is to be addressed is the number of short codes . In a country like India with a highly heterogeneous population with highly varying tastes and preferences, a large range of content and content providers would need to be accommodated. This large set of numbers is available for content providers. Therefore, adequate numbers of short-codes need to be made available freely and fairly. There should be an authority monitoring and regulating the allocation of short codes. The authority should also be responsible for the allocation of short codes to the content providers. The charges should be kept as minimum as possible. Low charges would help in entrepreneurial growth among the content providers and would help in eliminating the entry barrier for them.

3.8: 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?

Ans: Yes, there is need to provide open access to subscribers for MVAS of Their choice to keep the interest of subscriber and allowing them to access to more number of applications and services available at the various VASP's end. This approach will also boost the entrepreneurial activity and innovation in the VAS market.

We do agree with the approach provided in Para 2.46 to provide open access.

The other measures such as the guidelines for revenue sharing between the originating operator and the other operator from where the subscriber is accessing the service should be defined taken into consideration the welfare of both the parties.

Though there are little chances of MIS figures differences, there should provision of guidelines to avoid future differences.

3.9: 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?

Ans: The utility MVAS have great potential in India. Increasing mobile phone, and network penetration, consumer awareness ,demand in both urban and non urban market, need of services such as banking and health, transformation from entertainment based vas to information and utility VAS, and technological development are the major driving factors for the utility M vas.

For further growth in utility MVAS following measures should be taken.

- 1) The VASP should be brought under the licence which will provide them the considerable position in the market. This will provide the vas providers to access the future tax benefits given by government and Government earmarking funds for MVAS.
- 2) The various department of government should work with the vas providers to understand the consumer needs and should provide tax benefits for these services.
- 3) The guidelines for the secure data transfer and data privacy should be defined, the KYC norms should be strictly followed.
- 4) The motivating schemes for new content developers, entrepreneurs
- 5) Authority should try to increase the consumer awareness for the utility MVAS; the authority should also consider the guidelines provided by different countries where the utility m vas is successful.

Yes, the tariff for utility services provided by government agencies be regulated to available the services at reasonable price for the consumer. The tariff regulation provided to the private sector should be favourable to motivate new entrants, innovation and growth of the sector rather than hampering the motives as stated above.

Also the services such as M-Health tariff should be regulated by the health department; M-education should be handling by the Education department and so on.

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

Ans: The responses to the above questions are sufficient enough and nearly covers every aspect for the orderly growth of the mobile value added services