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Subject: Response to comment on consultation Paper on " Mobile Value Added Services".

Dear Sir,

We welcome the opportunity to respond to the telecom regulatory Authority of India (TRAI) in the form of comment on consultation paper " Mobile Value Added Services".

Please find our Response to the consultation paper.

We would definitely like to participate if any further opportunity is provided to us to discuss on this issue and we are looking forward to more consultation papers in the future.

Yours sincerely,

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Please Note that the views presented below are solely of the Students and not of the Institut

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?

As per our understanding the current provisions under various license are not adequate for the growth of VAS industry. Since today VAS services can be provided through all the mediums whether it is mobile or Landline. So Service providers either having UASL, CMTS or BASIC license need to provide VAS services to satisfy its customer. Therefore all the Service providers must also get the permission to provide VAS services with their current license and for that purpose they need not to have the approval from the licensor.

Furthermore we also think that all the VAS services should be available centrally. And any customer using any service provider SIM can access the same service with the same code(short or long). For such type of model it is extremely important that all VAS services must be included in all the licenses.

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

Yes, there is a need to bring VAS operators under license regime. Because in India currently VAS is provided using walled garden approach where service providers have the complete control over the VAS services offered to the customer, In order to protect the customer interests as well as interest of small VAS players licensing is required.

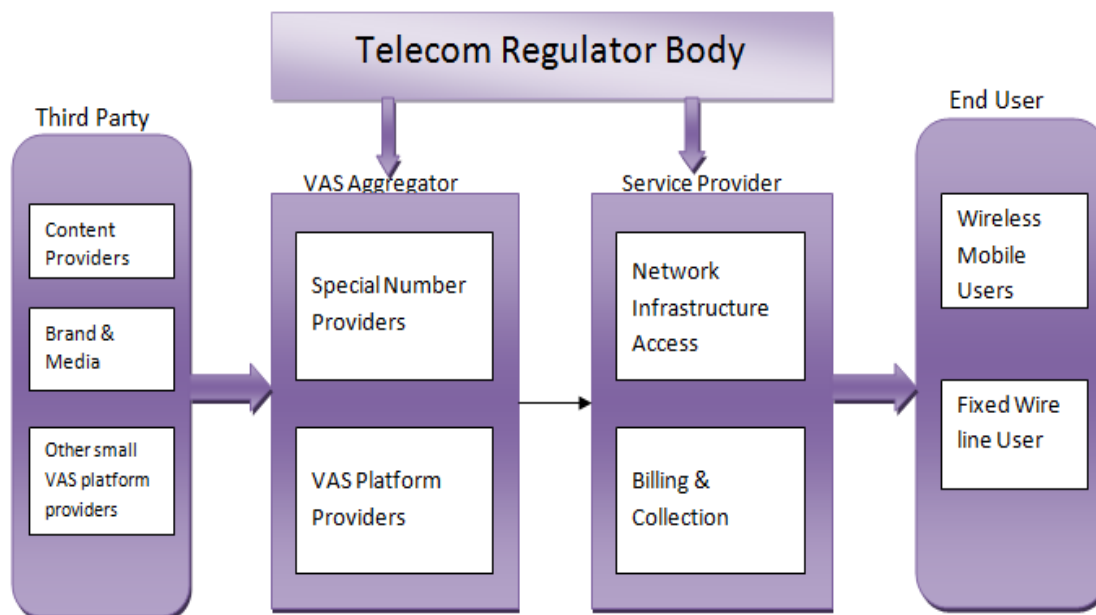
Currently VAS market in India is totally operators dominant and VAS providers have very less negotiating powers. Licensing will help independent MVAS players to demand desired QOS from different service providers and in case of any dispute VAS providers can seek for compensation which is currently not possible.

Furthermore with the enhancement of technology such as 4G,NGN,MPLS etc, the demand MVAS is bound to increase . Thus it is extremely important to regulate the MVAS industry.

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?

No, there should be a separate license for the VAS players. As per the Mobile VAS value chain proposed by us. There should be license for all the VAS aggregators or VAS platform enabler. In each license VAS aggregator should be allocated a particular series of short and long code that it can allocate further to the content providers and small VAS platform providers.

In this suggested value chain model the core business of VAS aggregator will be to provide and operate special numbers (short code and long codes) to the third party service providers i.e content providers, small VAS platform providers etc and enable them to market their offering to the customers with the help of service providers ; VAS aggregator will set up the interconnect and make revenue sharing agreement between each mobile operator and VAS player.



This model of licensing will not be the hindrance for the growth of MVAS industry as innovative small VAS player will still exist in the market and they can do business with the help of licensed VAS Aggregators.

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?

Currently Service providers Keep 60-65% of the VAS revenue and the rest is shared amongst the content provider, the content aggregator and the technology enabler. So there is not much scope for VAS providers to get proportionate reward for their innovative ideas. Service Providers justify their high revenues with high infrastructure cost , network access cost, branding & marketing of service ,billing and collection cost.

Though it seems to be justified from their point of this will hinder the development of the MVAS market. In the model proposed by us there will be centralized codes for all the VAS related services .One code will be provided for one particular VAS service and customers can access that service by using any service provider. It will be the job of VAS aggregator to provide codes (short code and long code) to the various VAS content providers.

In the suggested model branding & marketing of particular VAS services will be done by the VAS providers only. The job of the service providers will reduce to provide network access and make billing & collection. So Suppose if service Providers are getting 0.6 Rs for per minute normal call and 0.5 Rs for per SMS then they should demand only this much revenue for the VAS services. Though In this case service provider need to collect more revenue than they actually collect for normal voice or SMS services so there can be chances for revenue leakage because of the fraudulent nature of some customer. Thus service provider can ask for slightly more revenue to mitigate their risk but it should not be in the range of current 60-65%.

Revenue sharing should depend upon the agreement between the VAS aggregator and Service Providers and there should not be any regulation in this regard as this is imperative to nurture innovation in the VAS market. If VAS providers have some innovative service then they should get proportionate reward for the same.

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?

There should be differentiating revenue sharing for different VAS services between the VAS providers and service providers. For example take two cases – In the first case the customer votes in a particular poll. Here the operator’s bandwidth is being utilized only once. In second case the customer applies for a monthly subscription of Cricket alerts. So in this case the operator’s network will be used again and again to provide the service to the customer, thus operator should get more revenue in this case.

Since the model suggested by us would be the Off Deck model so VAS providers should get more revenue for their service. Here is the suggested chart for revenue sharing between VAS aggregators and Service Providers.

	SMS		GPRS/EDGE/Internet		IVR/Video	
	Access	Content	Access	Content	Access	Content
Service Provider	50%	25%	50%	25%	35%	25%
VAS aggregator/ Tech. enabler+ VAS Content Provider	50%	75%	50%	75%	65%	75%

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, differences are bound to happen between the MIS figure of the operator and the service providers.

For the growth of MVAS industry it is imperative that reconciliation and payment happens in a time bound manner and based on commonly agreed parameter between the service providers and the VAS providers. This issue is internal for the industry thus there should not be any regulation by regulatory body. This issue can be easily sorted out if the telecom operators accept a common third party audit for their MIS System.

Telecom Industry is facing two major issues that arise with regards to payments, MIS and reconciliation. These issues are described in detail with suggested remedies given below:

1) Difference in MIS figure is too high and traffic reconciliation process is dictated by the Operators

VAS providers would not mind if the difference in MIS is within 0-2% level. Since such small differences are bound to happen. And if they try to find out the reason for such differences then it may turn out to be more costly than initial loss in the revenues. But if such a difference is in the range of 5%+ then VAS operators should definitely look into the matter. So there should be a contract between the service providers and the VAS providers that allows a formal process of reconciliation of MIS for difference more than 2%.

2) Process of reconciliation & payment settlement cycle is too long

Generally it takes more than 3 months for reconciliation & payment settlement between service providers and VAS providers. Actually the service providers should pay the money to the VAS providers within 20-25 days. And if some differences do occur after the traffic reconciliation process, the differences should be settled in the next payment cycle.

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, there is a need to bring about a change in the existing framework for allocation of short codes for accessing MVAS. As per the model suggested by us in spite of service providers providing short code to the VAS providers, VAS aggregators will get a series of short codes when they apply for the license. Then VAS aggregators can sell these short codes to the various VAS providers.

Short Codes should be allocated to the VAS providers and the telecom service providers independently. Since Service providers can offer various VAS services independently they will require a separate short code.

Yes, As per our suggested model we recommend that short code should be allocated centrally. Because it will help the customer to access any VAS service by using any Service Provider. In this process short codes will be allocated to various VAS providers centrally and customers using any service provider connection can access any service by just dialing short code associated with that service.

A well defined procedure should be followed for the activation of short codes .So whenever any VAS aggregator demands for activation of particular short code. The job of the govt. regulatory body is to inform all the service providers regarding that service. And as per recommendation of the govt. regulatory body service providers need to upgrade their system within stimulated time period.

For allotment of short code govt. regulatory body should divide the all VAS services in 8-10 different verticals and then assign a series of short code for the particular vertical. This type of practice is very famous in many other countries as it helps the regulator to regulate the charging scheme among various VAS services.

Table given below shows the division of all VAS services among various verticals in Spain-

Number range(s)	Use	Details	Price range (per message/per minute)
8030-8031; 8032-8033; 8034-8035; 8036-8037; 8038; 8039	Adult entertainment	The price increases with the numbering range. The less expensive prefixes are 8030-8031 and the more expensive are 8039 prefixes.	Price ≤EUR0.65 (USD0.87); Price >EUR3.45 (USD4.60)
8060-8061; 8062-8063; 8064-8065; 8066-8067; 8068; 8069	Leisure and entertainment	The price increases with the numbering range. The less expensive prefixes are 8060-8061 and the more expensive are 8069 prefixes.	Price ≤EUR0.65 (USD0.87); Price >EUR3.45 (USD4.60)
8070-8071; 8072-8073; 8074-8075; 8076-8077; 8078; 8079	Professional services	The price increases with the numbering range. The less expensive prefixes are 8070-8071 and the more expensive are 8079 prefixes.	Price ≤EUR0.65 (USD0.87); Price >EUR3.45 (USD4.60)
9070; 9071; 9072; 9073; 9074	Professional, entertainment and leisure	The price increases with the numbering range. The less expensive prefixes are 9070 and the more expensive are 9074 prefixes.	Price ≤EUR0.65 (USD0.87); Price >EUR1.95 (USD2.60)
9075; 9076; 9077; 9078; 9079	Adult entertainment	The price increases with the numbering range. The less expensive prefixes are 9075 and the more expensive are 9079 prefixes.	Price ≤EUR0.65 (USD0.87); Price >EUR1.95 (USD2.60)
9051; 9052; 9054-9055	Professional, entertainment and televoting	Price increases with the numbering range. The less expensive prefixes are 9051; more expensive are 9055 prefixes.	EUR0.75-1.65 per call (USD1.00-2.20)
9057; 9058	Televoting	Price increases with the numbering range. Less expensive prefixes are 9057; more expensive are 9058.	EUR1.05-1.65 per call (USD1.40-2.20)
25000-25999; 27000-27999;	Solidarity campaigns	SMS/MMS Premium. Same price limit across all prefixes	Price ≤EUR1.2 (USD1.60)

Source : SETSI, 2008

We can also have such type of division of VAS services in India and this will also help the regulator to decide price range of various VAS service.

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

No, Govt. should charge only the license fees to the VAS aggregators. As per our recommendation these VAS aggregators will get certain series of short codes along with their license. So further decision should be left with the VAS aggregator how they will sell the short codes to the VAS content providers.

8) Is there a need to provide open access to subscriber 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 justification?

Para 2.46 allows customer to choose any VAS from any VASP irrespective of VAS location. This approach will help VASP as they now will not have to integrate with every telecom service provider. Moreover there will be uniformity as for a single VAS. There will be a single short code independent of the operator which will be easy for the customers to remember.

Drawbacks

The only problem is that this approach will let to increase in the price of the VAS services charged from the customer. The originating operator collects the charges from the customers and after deducting the charges like billing, customer care passes on the revenue to the terminating operator. The terminating operator after deducting the transit charges passes the revenue to the VASP which will lead to increase in the price of the VAS service charged from the customer.

The model proposed by us as described earlier is another way to implement VAS using open access approach.

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?

M-commerce

Although the above mentioned factors are relevant we believe the biggest hindrance in the growth of utility mvas like m-commerce is security. As the technology advances it creates that many ways to penetrate and break the security of that technology. The security in mobile applications is not very well developed. That is why the number of attacks inflicting mobile phones have increased exponentially as mentioned in the graph:

The number of attacks took off after 2008 i.e. after the android, I Phone and other smart phones became popular. This sudden increase in the volume was not accompanied by an equivalent improvement in security.

Especially in Europe after 3G a lot of attacks have taken place, private information stolen, privacy, content is protected by a peep, mobile phone automatically sends information to the outside

The worst thing about mobile security is it can be implemented after the first few attacks have taken place.

This lack of trust in mobile safety especially with regards transactions of money is one of the main reasons why m-commerce is not budding to its full potential.

M-agriculture

M- agriculture has a huge capacity to repair the ailing agricultural sector.

Plus farmers will be able to learn about the new trends in farming very easily.

Dr. Arun Pande from mkrishi, TCS had famously said "If one expects on an average \$1 fee per month, the potential would be \$ 110 million per month of revenue from this market segment.

Conclusion

We believe that m-health and other such services should be subsidized by the government at least in the initial stages to help foster its growth in India. For it to be a success its awareness needs to be spread especially in the rural areas.

The main reason why these services are not famous is because of a lack of awareness.

These could prove to be huge boosters for the economy as the mobile penetration in India is very high.

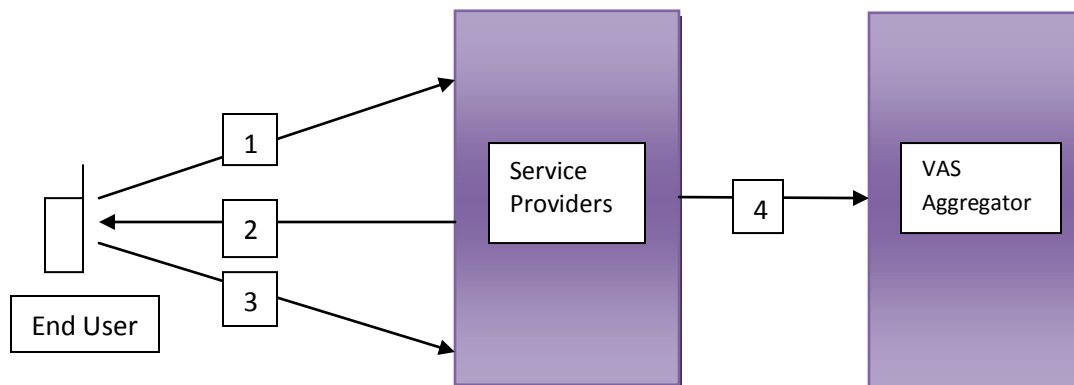
Tariff

As these are government ventures and most ventures are at their nascent stage it does not seem necessary that the tariff has to be regulated.

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

Currently one of the biggest concerns with VAS offerings is the lack of regulation regarding the proper operating procedures of Service Providers. Subscription based VAS suffers a lot from lack authorization and put all the powers in hand of VAS providers. Besides this VAS advertisement is often vary ambiguous and misleading and this results in unsatisfied customers as most of the time they are charged for services they do not really want.

Our solution attempts to enforce a strict procedure before a customer is subscribed to any VAS service. As subscription process proposed by us in the figure given below, Service providers need to get dual approval from the customer before activating any service. This will help to reduce customer complain as customers will be outweighed by the inconvenience of being subscribed to a service that they do not want.



This solution works as follows:

1. Customer acknowledge this service through some means (SMS,Email etc)
2. Service Providers sends the detail of particular subscription VAS to the customer in the text asking for acknowledgement.
3. Customer can respond to that message or ignore it.
4. If Customer replies to message than only Service providers will transfer that message (short code or long code) to the VAS aggregator.

Suggested Regulation to protect consumer from high bill shock-

For the growth of VAS industry it is extremely important to protect the consumer interest . So we have suggested some guidelines for the same –

- 1) In case of IVR call which is getting charged on per minute basis if time limit exceeds than caller must be required to take positive action (eg. Dialing '*') at 10 minute interval to continue the call
- 2) Maximum length of any IVR call should be 60 minutes, after this it should automatically get disconnected
- 3) VAS related call that costs more than 5 Rs per minute and exceeds 5 minutes and exceeds 5 minute in duration shall play a audible three beep tone at 5 minute interval
- 4) In case of post paid in a particular month if a customer spend more than 500 Rs on VAS then he should be informed by SMS or mail
- 5) After subscribing to any VAS service customer should receive SMS or mail from VAS providers that should include the detail of all the costs (including sign-up cost, charges per message, charge period).
- 6) Instructions on how to unsubscribe should also be provided through SMS by service provider
- 7) Advertisement of VAS service should be clear, prominent and should provide legible information in plain language. All the hidden terms & condition should also be mentioned.

VAS related complaints and compensation –

In case of any grievance or complain from customer side there must be a regulatory body to look after such issue. We would suggest that TRAI must have a separate department to look into this matter.

Following is the regulatory body that we are proposing which can be made for regulating MVAS under TRAI.

- The regulatory body which will be under TRAI will have equal representation from MVAS players and the mobile subscribers.
- The MVAS players should have representation from content providers and content aggregators.
- This regulatory body will make directives for the amendments regarding the working of MVAS ecosystem.
- It will have to be approved by TRAI which will be the final authority.
- Licensing and its issues will be handled by TRAI.
- TRAI will have the veto power to intervene and change or cancel altogether any regulation or proposal.

If evidence suggests that there is some breach of code by either service provider or VAS aggregator, this regulatory body must have the power to either fine companies, bar access to services and order for refund.