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LYCAMOBILE welcomes the opportunity to offer information its views on the consultation questions posed by TRAI for introduction of MVNO in the Indian Telecom Market. In these comments, we respond to the questions and relevant rules that will influence the choices that eventual MVNO licenses will need to make with respect to their networks.

The LYCAMOBILE brand our European MVNO launched in the Belgium & Netherlands last year is already reaping rewards with a growing subscriber base of over 1 Million customers. The strategic diversification and investment into the mobile business will continue through 2007 with rollout of the LYCAMOBILE brand in global markets. We already have our commercial network operations in Americas. The Lycatel & LYCAMOBILE brands targeting 20 Millions subscribers in three years.

The Lycatel Group's future is exciting.

Our current Lycatel brand international long distance prepaid cards customer base is around 7 Million and in the processing of launching worldwide.

Substantial investments to develop key capabilities- the technology infrastructure, talented people, long-term strategic partners and best practice processes have allowed Lycatel to firmly establish a profitable prepaid calling card business. A thorough understanding of the underlying cost structure required to drive economies of scale in calling card operations has enabled Lycatel to set a benchmark business model for the industry. We originate and terminate over 1.4 billion minutes of voice traffic per month, interconnect with over 120 international carriers and complete over 2.1 million voice calls per day.

Our focus on targeted niche prepaid markets has enabled us to compete successfully with innovative products serving the needs of ethnic customer segments, by providing great voice quality supported by customer services that aims to create customer delight at every touch point. Our 800+ employees are committed to growing the Lycatel brand in a relentless pursuit to develop winning propositions.

Our mission to be the number one prepaid operator globally is driving us to grow our market share even further and to replicate our European success world-wide by developing sales and distribution channels in key markets.

Below are LYCAMOBILE responses to TRAI on the MVNO Consultation paper; LYCAMOBILE will be actively participating at the forthcoming Open House Discussions at Delhi to support TRAI on the initiative.

Issue 1.

Do you agree with the definition of MVNO given in section 2.1.6? If not please suggest alternate definition with justification.

TRAI Definition - "MVNO licensee is an entity that does not have assignment of spectrum for Access Services (2G/3G/BWA) but can provide wireless (mobile) Access Services to customers by sharing the spectrum of the Access Provider (UAS/ CMTS licensee)".

Response - MVNO licensee is an entity that does not have assignment of spectrum for Access Services (2G/3G/BWA) but can provide wireless (mobile) Access Services to customers by sharing the spectrum of the Access Provider (UAS/ CMTS licensee).

The services can be -

- a. Voice 2G/3G
- b. SMS
- c. GPRS
- d. VAS

Access provider should not force the MVNO to provide only specific services. MVNO can define its own services and provide the same and Access provider should support MVNO for the same.

Issue 2:

Do you think there is a need to introduce MVNO in the Indian Telecom Market. If yes, is it the right time to introduce MVNO as a distinct service provider with its own licensing and regulatory framework? Please elaborate the comments with appropriate reasoning.

Response - This is the right time for introducing the MVNO in the Indian Telecom Market. Below are the reasons for the same -

- a. Access providers cannot provide the demographic services across all the geographical area as they are limited by the resources, consumer understanding, marketing etc
- b. Niche (Customer specific) services are not addressed by the Access providers as they address the mass segment
- c. MVNO's bring in lot of value added services at very cost effective prices. This is possible as they address a very specific segment of consumers

- d. At the end consumers get to choose what type of services they want and at what value

Yes, MVNO should be introduced as distinct service provider with its own licensing and regulatory framework.

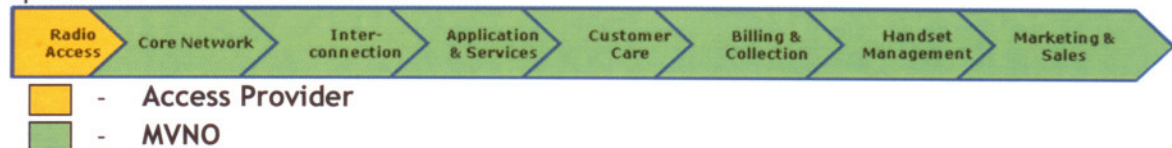
- There should be very minimal/none license fees as MVNO operate on a very thin margin to provide very cost effective and niche services
- There should be regulatory framework to protect them from Access provider's monopoly of services
- MVNO should be able to connect to various other Access providers for different services. For e.g. Voice 2G services from one Access provider, 3G services from other Access provider etc
- MVNO should not be liable to Access provider if they fail in the business

Issue 3:

To what extent should the MVNO be permitted to set up their own infrastructure?

Please elaborate the comments with appropriate reasoning.

Response - MVNO should be permitted to have all GSM/CDMA infrastructures apart from the Radio Access Network



- MVNO should have their own HLR, IN SCP, SMSC, VAS, Billing, Mediation, S&M etc
- They should be able to have their own Interconnection and Roaming agreements
- This will allow MVNO to control their services and tariffs for the end consumers without depending on the Access Providers
- If MVNO on its own does not need to have some part of its infrastructure like Core Network (HLR) then they should be supported for the same by Access Providers

Issue 4

(i): What Regulatory Model should be followed for MVNO in the Indian context?

- a. There should be very minimal/none license fees as MVNO operate on a very thin margin to provide very cost effective and niche services
- b. Since MVNO operate on niche segment which is distributed across the country; MVNO should not be bound by circle license instead they should be provided license across the country
- c. MVNO operate on a thin margin hence MVNO's should be able to pay a an yearly fee to Licensor(DOT) based on the Gross Revenue (AGR)of the organization
- d. There should be regulatory framework to protect them from Access provider's monopoly of services
- e. MVNO should be able to connect to various other Access providers for different services. For e.g. Voice 2G services from one Access provider, 3G services from other Access provider etc
- f. MVNO should not be liable to Access provider if they fail in the business

(ii): What kind of obligations may be imposed on MNOs so that Mobile Virtual Network Operations are implemented effectively in India benefiting the customers?

Please elaborate the comments with appropriate reasoning.

- a. There should be regulatory framework to protect them from Access provider's monopoly of services
- b. MNO should not be an MVNO. Even if they have a small equity stake in an MVNO then major focus goes to that MVNO to be successful and other MVNO do not get the required support
- c. MVNO's need to pay service charge based on the usage of Access Provider Infrastructure to MNO's. Service should be based on CDR generated at the switch level for basic 2G services. For GPRS services MVNO should pay a minimal amount per subscriber.
- d. MVNO should be able to connect to various other Access providers for different services. For e.g. Voice 2G services from one Access provider, 3G services from other Access provider etc
- e. MVNO should not be liable to Access provider if they fail in the business

Issue 5

What should be the eligibility criteria for MVNO?

- a. MVNO's should be backed up by a strong financial set up (Organization/Bank) so that MVNO's can survive for more than 3 years in the market
- b. This is to make sure that the consumers do not face any break up of services that has been provided
- c. MVNO's should have a strong experience Management and Technical team especially; team which has experience in starting and operating MVNO's
- d. While applying for the license MVNO's should be able to differentiate the services that they provide as compared to the services provided by MNO
- e. MVNO need to provide a Business plan with details on the market segment, forecast (Subscriber & Revenue) to Licensor (DOT) and MNO

Issue 6

Do you suggest different eligibility criteria for different MVNO models and regulatory frameworks? If Yes, Please suggest with justification thereof.

- a. Eligibility criteria and regulatory frameworks for MVNO should be common.
- b. The reason is that even the services & target market segment is different; they are bound with the same agenda to provide cost effective niche services. Business model may differ however at the end they are front face to the end consumers

Issue 7:

Should there be any restriction on the number of MVNOs attached to an MNO? Please elaborate the comments with appropriate reasoning.

- a. Yes there should be restriction on the number of MVNO's attached to MNO
- b. If not then MNO will not be able to provide the concentrated support to the MVNO for them to being successful
- c. Also for the market to be competitive there should not be only one MVNO per MNO however a cap of 2 to 3 MVNO per MNO should be there

Issue 8:

What should be the commercial model/framework for spectrum sharing by MVNO; w.r.t.

(i) Department of Telecom

(ii) MNO?

- a. MVNO's should be given a minimal guarantee of the spectrum (Capacity) to be used by them
- b. MVNO need to give the forecast of the capacity quarter on quarter to the MNO
- c. MVNO will pay for the capacity that is being used i.e. for the MNO leg. The charges to be per minute based on the available on the CDR generated at the switch
- d. For MT leg, MNO should pay some charge to the MVNO as they can pass on the benefit to the subscriber (MTR)
- e. MVNO's can tie up with multiple MNO for different services; if necessary MVNO should be able to tie up with multiple for same kind of services

Issue 9

What should be the service obligations of MVNO? Please list them with justification thereof.

- a. MVNO should guarantee a 100% performance for tariff defined to billing
- b. 24/7 customer care with SLA to be provided
- c. QoS as defined by TRAI should be followed
- d. Subscriber should be able to access emergency number at any time. Zero balance should not affect this service. Also call to emergency number to be free of cost
- e. All national security requirements as defined by DOT/Security agencies to be followed and should be open for Lawful Interception and Monitoring 24/7
- f. Subscriber verification to be governed as per the rules defined by TRAI/DOT. Each subscriber identity to be verified before starting of the services.
- g. As and when number portability is introduced MVNO to abide by the process

Issue 10

What should be the method and consideration for determining the entry fee for MVNO?

- a. MVNO should have very minimal/none entry fee as they operate on a thin margin
- b. However they should provide a bank guarantee so that the services offered are not affected

Issue 11

What should be the definition of AGR for MVNOs?

- a. AGR should not be defined by the Service area; as MVNO should not be bound by service area and should be given a country wide license
- b. There shall not be Inclusion of Revenue from one licensed activity in the revenue of another licensed activity as MVNO's will be doing the multiple License activities.
- c. Revenue from sale of equipment including sale of handsets.MVNO may be selling simultaneously other products also but the handsets which are not bundled with the particular service be excluded.
- d. Inclusion of items of revenue on accrual basis but exclusion of items of cost on actual payment basis.
- e. Any Bad debts, waivers or discounts offered to the customers be excluded from AGR.
- f. All the Deduction of leased line charges, port charges, interconnection set-up costs, signaling charges and other set up charges for Interconnection with the MNO be excluded from AGR.

Issue 12:

What is the best way to protect the subscribers both in terms of continuity of service and applicability of tariff plan:

i) in case of a dispute between MVNO and MNO?

- a. In case of dispute TRAI should support to find a reasonable solution between the MVNO and MNO
- b. If the dispute is not resolved than the MVNO should be allowed to be moved to other MNO. During the transition period current existing MNO should support the MVNO so that the services are not disturbed to the end consumers

- c. MVNO should be given a time frame of 6 months to make a transition as this involved discussion with other MNO, Commercial & Technical agreement and Testing of the services
 - d. If the above (C) does not happen than MNO should take over the subscriber and services with an agreed amount to be paid to the MVNO
- ii) in case MVNO wants to exit the business.
- a. MVNO should not be allowed to exit the business for a certain time frame (2 - 3 years) from the launch
 - b. If MVNO wants to exit the business then it should find an organization/company who want to take over the business and continue the services
 - c. If the above fails then MNO should take over the subscriber and pay an agreeable amount to MVNO
 - d. MVNO should pay DOT an exit clause amount which should be charged per subscriber. A small amount of the same will be paid to the MNO by DOT for continuing the services

Issue 13

Should there be any roll out obligations specified for MVNO? If yes, what should be the penal provisions for failure/ delay in fulfilling the obligations.

- a. Yes, there should be roll out obligations for MVNO. This has to be agreed between MNO, MVNO and (DOT) Licensor.
- b. MVNO should come out with a plan to start its services across the country. They should specify in the plan the launch date & services to be provided circle wise as defined by DOT.
- c. MVNO services are defined by the support of MNO and hence they should be given a month extra from the launch period. Even after the stipulated time + 1 month; services are launched than MVNO needs to pay to DOT as well as MNO
- d. The amount can be defined for each circle

Issue 14

What shall be the specific guidelines on the Mergers and Acquisitions of MVNO? Please elaborate the comments with appropriate reasoning.

- a. One MVNO can merge with other MVNO. Reason is that if one of the MVNO is not doing well it should be allowed to be merged or acquired by

the other MVNO so that the exit clause for MVNO does not come into picture and the end consumers do not lose out on the services

- b. Each merger and acquisition can be circle wise or across the country
- c. MNO should not be allowed to merge or acquire the MVNO
- d. Merger and Acquisition should not affect the already deployed services to the end consumers

Issue 15

Should there be any restriction on cross holdings between two MVNOs and between MVNO and an MNO in a service area? Please comment on the nature and scale of restructuring.

- a. Cross holding between two MVNO should be allowed and should be limited to 49%. This will help in case an MVNO is not doing well, other MVNO management can help the MVNO to roll out new services, reduce operating cost, restructuring etc
- b. MNO should not be allowed to be part of MVNO. If MNO is given an option to own even a small equity than MNO support to other MVNO's is affected

Issue 16

What should be the FDI limit for MVNO?

- a. FDI can be 100% for MVNO's. Across the world there are lots of MVNO who have successfully launched the services. These organizations can bring in good amount of money more focused on Sales & Marketing, VAS etc. This will also bring in lot of employment opportunities
- b. Decreasing the FDI may not affect much however 100% will allow these organization to pump in more money to be successful

Issue 17

What should be the quantum of FBG (Financial Bank Guarantee) and PBG (Performance Bank Guarantee) for MVNO?

- a. FBG and PBG should be based on the Subscriber projections and actual subscriber base.



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Issue 18

Any other relevant issue you would like to suggest/comment upon.

- a. MVNOs should not be limited to services which they can offer until and unless it is against the national interest of the country
- b. MVNO should have the flexibility to introduce services whenever they want

Respectfully Submitted,

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By

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