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Response to Consultation Paper on
'Delinking of the license for networks from
delivery of services by way of Virtual Network
Operators

Submitted By



MCOF

Maharashtra Cable operators' Foundation
(MCOF)

Prabhoo Ghar, Hanuman Cross Road # 2
Vile Parle (E)

Mumbai 400057

Email : mcof247@gmail.com

About Us:

MCOF represents over 1800 Last Mile Owners in Maharashtra who connect to over 20Lac C&S Homes.

MCOF has also inspired and collaborated in formation of Counterparts in other States like COWF in Delhi, TCOF in Telengana, West Bengal, Karnataka, Gujarat

MCOF Members are pro-digitization and regulated business

While MCOF represents Owners and is not a Union, it has had the need to get involved in conflicts between MSOs and LMOs, Distributors (Persona Non Grata as per TRAI Regulations but harboured by MSOs)

We have been very fortunate to have had audience with TRAI Members

Constructive activities by MCOF in the past year include the following-

- Conducting Business Education Seminars for LMOs
- Presentations to TRAI on CVNO, BSS technology for Receipting, Settlement
- Participating in Open House
- Launching SCOPE, India's First CVNO in the Cable TV Space, in Mumbai without disrupting the Market Place
- Launching BOLT(Broadband Over Local Trunk), a High Speed Internet Service In Mumbai

PREAMBLE TO THE RESPONSE

MCOF is looking at the CP not from only the LMO perspective but it has a nationally holistic approach .

For decades India has lagged in Data Services and Cable ARPU have remained Static beating the omnipresent inflation

We have contested the frequent and easy way out of Drop in Talk time as a Lead example in ICT space to which Cable TV also belongs, since the Subscriber Numbers of Telecom Services have grown many fold over past 10 years .On the other hand, Cable has remained steady and grown arithmetically unlike geometric growth of Telecom Players

MCOF is aware of the harsh ground realities such as-

Fragmented Market dominated by SMS space LMOs who are ignored by Broadcasters, MSOs and even Regulators

Their inability to raise resources is obvious

The huge infrastructure created by them is grossly under-utilized and Licensed Players are raising humongous amounts to recreate/bypass to depreciate the Crores of Rupees invested by the LMOs

Losers in the big- time Modernization will be end- Consumers who will end up paying much more than what they are paying now and yet receive services less reliable than Wire line based Services

The collective infrastructure cum Last Mile Local Loop that the LMOs pool in is at least 4X of the LMLL of Wire line Service providers whose numbers are dwindling by the day

The Wire lineTelco's thus have decaying Assets while LMOs have Live, in use Wires

Our responses aim to bring out above and many related aspects and ensure that

- the LMOs get an opportunity to play the role cut out for them
- Duplication of investments is avoided
- Scarce resources are directed at end-Customer experience elevation
- End-Customer benefits both in terms of SLA and pricing
- India emerges as the World's largest Digital TV and Internet User Market by 2020

MCOF RESPONSE

Q1. (a) Is there any need to introduce more competition in service delivery by the way of introduction of VNOs in the sector? If not, why not?

Response:

Most certainly there is a need for introducing more competition in the Service Delivery for following reasons-

- Existing License Holders have consistently failed to meet with even modest targets
- All Investments/Campaigns are Revenue or Valuation driven and thus clutter smaller Urban Footprints
- Competition will result in coverage of more Homes Passed, provide options to Customers

(b) If yes, is it the right time to introduce VNOs?

The time is here and now, as-

- Consumers have numerous choices for Devices and the hunger for Data is rising
- SDOs are falling short of Customer needs and aspirations

Q2. Will VNOs pose a threat to NSOs or will they complement their operations? Justify your answer.

Response:

The VNOs will not pose any competition to NSOs; rather they will be complementing the NSOs

The above belief emerges from following facts-

- NSOs are yet to cover the entire footprint
- NSOs do not have the ready resources to cover the residual market
- The time NSOs will take to create the Infrastructure will be very long , probably stretching beyond their License Terms or residual Technology Life cycle
- VNOs will bring in ready Customers and result in huge savings on Customer acquisition costs

- The Coverage/penetration will be collective and reach much above the Break-even point for Capital Intensive NSOs

Q3. How can effective utilization of existing infrastructure be improved?

Can VNOs be a solution to achieve targets defined in NTP-2012 for rural density?

Response:

Our country is unique where the HFC Network created over past 2 decades by numerous LMOs runs over 60Lac KM (taken @ 50 meters per Subscriber). This Network thus exceeds the combined length of the Capital intensive Telco's

Most DAS 4 Cable Networks are connected to an Analog Head-end in DAS 3 or DAS 2 Area via Fibre

The Fibre % of the HFC network has risen steadily over past decade

The Last Mile Local Loop that Cable Networks have at their disposal with reach into 12 Crore+ Homes stands miles ahead of Telco's who have less than 2.50Crore Wire line Users, many of who are Commercial or Government Offices

In MCOF's opinion,

- The Trunk Fibres are like Arteries and veins
- Cable Wires are like Capillaries

Inter-linking the two will demolish the road-blocks faced by both sides-

- Cable Operators will have RGUs in place of Vanilla Single Service
- Telco/ISP will get access to Homes like never before and almost on an overnight basis
- Both sides will have enough reasons to invest in structured upgrade

Q 4 Does there exist a business case for introduction of VNOs in all segments of Voice, Data and Videos?

Response:

Yes, indeed there is a case to universalize CVNO introduction

The rationale for this need is as follows-

- Network overhauls and/or designing are not exercises that one does time and again
- The investment and time spent need to be justified through monetization within a reasonable time without need to go for Second Round of Overhaul before Payback of First Round
- Technologies are breaking barriers and inability to reach all Screens/Devices will weaken the Business Case for Limited Service Capability Networks
- Services are becoming Device agnostic on one hand some are Cash hungry e.g. UHD TV. The need to increase the RGUs is very acute to facilitate cross-subsidization
- Customers too do not desire Multiple Service Providers
- The benefit of Collective Sales and Servicing flow unto the end-Customer

Q 5 Whether VNOs be introduced in all or some of the services notified in the UL? Please name the services and the justification

Response:

The VNOs be introduced in all Services notified in the UL, based on following considerations-

Inter-operability of Services and Devices is the order of the day

Unrelated technologies are eating into Core Revenues for each Service in the UL e.g. Telco's are losing SMS income to what's App, Cable losing to Free You Tube Videos without Data Service on Mo-devices

Unfortunately none of these and many other threats (not mentioned due to paucity of space) are covered by any Regulations

It is therefore necessary that the License Holders, who are answerable to the Regulators and contribute to the Exchequer in one or more ways and the Nation's GDP Growth operate on

a Level Playing Field. Any imbalance or lack of opportunity to scale up riding on a VNO will hurt even the strongest in respective field

Q6. Is there sufficient infrastructure (active and passive including access spectrum) available with a TSP to meet its own requirements? Can TSP spare available infrastructure for VNOs?

Response:

Since Cable TV is beyond Spectrum, a CVNO riding on Cable TV infrastructure escapes the Expenses on scarce Spectrum resource

Q7 If any TSP is able to share its infrastructure with VNOs, what should be the broad terms and conditions for sharing the infrastructure?

Response:

This is a commercial decision which is best left to market forces to find the optimal level MCOF believes that the sharing has to ensure survival and incremental growth to both sides else it will collapse under its own weight and neglect that gets attached to a loss making SBU

Q 8 Should VNOs be allowed to create their own infrastructure to reach out to niche markets? If yes, to what extent?

Response:

This too would be a Commercial call. In all probability for Green field or brown field areas, the VNO will drive growth by creating Infrastructure connectible to the SDO. If the VNO decides not to invest in the Infrastructure, the SDO has no reason to join forces in the first place, the said investment will be Upto 100%

Q 9 Should Local Cable Operators (LCOs) or Multi System Operators (MSOs) with cable networks be permitted to share infrastructure with VNOs to provide last mile connectivity?

Response:

MCOF views as under-

- Last Mile connectivity is the true physical asset of Cable TV Networks and access to Customers is the intangible asset
- These Assets have to become part of all mainstream businesses going into Households
- The Cable Operators, particularly the LMOs be permitted to lead the VNOs and not be expected to be Secondary Partners to SDOs

Q 10 Does the adoption of the VNO model requires an entirely new licensing regime or will a chapter or a separate section for VNOs added to the existing UL suffice?

Response:

The experience with time it takes to promulgate and implement Regulations goes against the advisability of the much desired, crystal clear fresh Legislation
Considering the urgency and incidental benefits, MCOF believes that the addition of a New Chapter or Section under existing UL will suffice so long as it encompasses those Players, LMOs in particular, not covered by UL regime

Once the Players get operational, some issues are likely to surface and a fresh Regulation may then be considered

Q 11 Comment on what measures are required to ensure that the existing or new licensing regime takes care of future requirements of technological development and innovation and provides a clear roadmap for migration to existing service providers.

Response:

MCOF believes that emphasis on Services rather than technologies or delivery mechanism be the approach, except the distinction between Spectrum based and Spectrum independent delivery mechanisms

Decoupling from Technology Model will enable R&D, transition, transformation and migration

Q12. In view of the complexity in the existing licensing regime as explained in Para 3.16 to 3.18, Should India move towards NSO and VNO based licensing?

Response:

Indeed the VNO are easier to define and operate as compared to SDOs. As stated earlier on, the VNO roll out being a priority, the flag off against amendments to Sections/Rules is desired

VNO has the potential to be a large Business Segment all together and will need the Regulatory framework for better accountability, resource raising

The steps in this behalf may be taken once the VNO gain momentum

Q 13 If yes, whether existing licensees may be mandated to migrate to NSO & VNO based new licensing regime? What challenges will arise in the migration to the two types of licensing framework?

Response:

No comments basis our views on Q 12 above

Q 14 Should a VNO be issued a license at the National Level or for LSAs in the case of UL or should it be based on the host NSO license areas?

Response:

Considering the likelihood of Taxation following the Licensing, two types of Licenses are recommended viz. National level and LSA

Another factor in favour of two types of license is the geographic limitations that prevail in certain Services e.g... ISP and these cannot be breached piggy-back on to VNO license

Q15. What should be the duration of a VNO's license? Should it be linked with the license of the NSO or should it be for 20 years, as in the case of UL?

Response:

The VNO license should be co-terminus with the NSO license and subject to automatic renewal with the affiliate NSO license

In case the affiliate NSO does not opt for renewal, the VNO should receive One year extension to find alternate NSO to work with

Q 16 Should there be any cap on the number of VNOs in a service area for a particular service? If yes, what should be the number? Please provide (a) service wise and (b) service area-wise numbers with justification

Response:

MCOF does not believe that there should be capping of licenses

- The Cable Market is highly fragmented and has more Players than Telecom Market
- The LMOs have, for the first time an opportunity to break free of MSO grip and to expose them to another set of Business Drivers will discourage modernization at Ground Level

Q 17 Should there be restriction on number of VNOs parented to a NSO? Justify your answer.

Response:

MCOF does not believe in curbs on number of affiliates since-

It goes against the spirit of choices

The first or fast mover need not be restricted to the few who attach faster

The larger VNOs are expected to adopt Wait and Watch approach and it both sides are discouraged to take first step forwards waiting for justifiable volumes, the purpose will be defeated

Q 18. Alternatively, should one VNO be permitted to parent more than one NSO per LSA?

Response:

Same as Q 17 above but seen from other side of the mirror

Q 19 What should be the eligibility conditions for becoming a VNO?

Response:

Experience in at least one of the Services covered

Certain Norms covering Net Worth, expertise, Management bandwidth, SLA be prescribed to block Opportunists edging out experienced Players

Q 20 Whether an existing Unified Licensee with authorisation to provide all services shall be eligible to become a VNO of another Licensee in the same or other LSA? Or, will it need separate/additional authorisation to work as a VNO for delivering services for which it does not have access spectrum?

Response:

Since the VNO concept itself revolves around riding on infrastructure or License of other Service Provider the above restrictions are seen to be out of sync

Q21. Should there be any cross-holding restriction between a NSO and VNOs? If yes, please quantify them the same with justification.

Response:

NSO should not be allowed to hold more than 20% in VNO

This capping is desired since NSO having larger stake in VNO does not augur well for the end Customer

At the same time the VNO does have potential to make a dent in the overall potential that a NSO holds and the latter is expected to seek some upside, Equity will deliver the upside and also create a vested interest in success of the VNO thereby preventing retracting, foreclosures or arbitrary revisions

Q 22 What should be the financial obligations of VNOs in the form of a) Equity & Net worth b) Entry Fee c) PBG and d) FBG etc.? Please quantify the same with justification.

Response:

MCOF is responding from LMO perspective on this count

The Financial obligations may therefore be lighter and comparable with the ISP Category for the Areas sought to be serviced

Such terms will enable upliftment of the Sector and a faster roll out

Q 23 Should a VNO utilise numbering resources, Network Codes and Locational Routing Number (LRN) of the NSO? Or, should the Licensor allocate separate numbering resource, Network Codes and Locational Routing Number (LRN) directly to a VNO?

Response:

Since the VNO will utilize the NSO back-end, the numbering and other resources like Code etc. be from the NSO

All these are in any case governed by MNP and the Inter-connect obligations will apply at all points of time

Separation may create operational issues and hence the proposition

Q24. What operational difficulties could arise in the above arrangements?

Response:

Not anticipated since sharing proposed

Q25. In case your reply is that the Licensor allocates numbering resource to the VNO, then how can it be ensured that the resources allocated to a VNO are efficiently utilised? Should any obligation be placed on VNOs for efficient utilisation of resources?

Response:

Not applicable in light of response to Q 23 above

Q 26 Should the LF and SUC applicable to the VNO be as per stipulated conditions of authorisation in UL? Or, should it be treated differently for VNO? Please quantify your Answer with justifications

Response:

VNOs should enjoy Special, lower terms for LF and SUC for following reasons- License fees would be built into Inter-connect terms by the SDO in any case and there is no loss to Exchequer

VNOs will have lower potential to grow and therefore lower ability to pay

VNOs will play a constructive role in National progress and deserve financial incentives, both direct and indirect

Q 27 Should an NSO be mandated to provide access to its network to a VNO in a time-bound manner or should it be left to their mutual agreement.

Response:

MCOF believes that while Market should be allowed to find its own pace, the negative response should be time bound so as to allow VNO to tap alternate NSO
The arrangement need not be mandated since the commercial benefits will not be seen in absolute terms

Q 28 How can MNP be facilitated in the VNO/NSO model? Can the VNO be treated separately for MNP purposes? Or, should MNP be facilitated only through the network of the NSO?

Response:

MNP be linked to SDO and unless the SDO has arrangement with another VNO the MNO will not work in any case
The absence of MNP be brought out as part of Sales documentation

Q 29 Who is to be held responsible for CAF verification and number activation, the NSO, the VNO or both?

Response:

Onus to verify should be on VNO but Audit Rights and responsibility be given to NSO

Q 30 Should an NSO or VNO or both be responsible for maintaining QoS standards as per TRAI's regulations?

Response:

The Roles need to be defined and commensurate obligations would vest in respective Role Players

Q 31 How should Mergers & Acquisitions be dealt with in the VNO/NSO licensing model? Should the recently announced M&A guidelines issued by the Government for existing players be extended by the Government for existing players be extended to cover VNOs? Or, should their M&A be treated separately?

Response:

Standardized like rest of the businesses with Rider on effect on Services and End-Customer Rights remaining intact

Q 32 Should the VNO be treated equivalent to the NSO/ existing TSPs meeting obligations arising from Tariff orders/regulations/directions etc. issued by TRAI from time to time?

Response:

Yes except that VNOs be permitted to offer Tariffs better than TRAI mandated, from the Customer perspective

Q 33 Please give your comments on any related matter not covered in this Consultation paper

Response:

The CP, though quite exhaustive is more telecom-centric and leaves out LMOs and Cable TV perspectives

Telecom Business is heading towards maturity, consolidation while Cable TV is the sunrise industry thanks to Analog Sunset

Cable is known for frugality, enterprise and deep penetration and its crying need for Regulatory and Financial Support

Cable CVNOs with Video and Data as Driver Services and Cable telephony, Domestic VoIP need to be encouraged and empowered in quick time

DAS 3 and DAS 4 areas are orphaned posing a serious threat to derailment of Implementation Deadline and thereby affecting Content cost and distribution

Likelihood wasteful expenditure for now and near certain losses of tomorrow on converting 5500+ Analog head-ends looms large on the Sector. At stake is over Rs 5500 Crore (@ Rs 1 Crore per Head-end conversion). This sum represents the CPE funding needed for nearly 50% of the residual market.

Channelizing energies, enterprise and resources is the need of the hour

A structured CVNO will lead to true Convergence of Players (Tele-Cable alliances), Convergent Services and lowering of costs of doing business

We reiterate our request for a greater role for and Regulatory support to LMOs to play the role only they can and wish to play in National Transformation