

**VSNL response to the
Consultation Paper on issues relating to Mobile Television Service**

1. Whether the technology for mobile television service should be regulated or whether it should be left to the service provider.

In line with the prevalent technology neutral licensing regime in the telecom services sector and since each technology brings with it advantages and disadvantages for service providers, according to us decisions regarding choice of technology should be left solely at the discretion of the service providers. As has been witnessed in the case of mobile telephony sector in India, which has presence of both GSM and CDMA technology based operators, competition and consumer choice are vital for the rapid and wide-spread adoption of any service.

2. If the technology is to be regulated, then please indicate which technology should be chosen and why. Please give reasons in support of your answer.

Not applicable in view of the response to question 1 above.

3. What will be the frequency requirement for different broadcast technological standards for terrestrial and satellite mobile television transmission in India?

In line with the global best practices:

- The quantum of spectrum allotted to different service providers should be the same, and not linked to the technology chosen by them
- In order to allow service providers and end users benefit from global economies of scale and have a sufficiently wide range of equipment and devices, spectrum should be allotted to service providers in globally aligned bands.

In accordance with TRAI's observation stated in section 4.16, and following the principle of technology neutrality, we recommend that an allotment of 8 MHz spectrum per service provider should be made for the launch of mobile TV service, irrespective of the technology being used by the service provider.

4. Which route would be preferable for mobile TV transmission – dedicated terrestrial transmission route or the satellite route? Should the mobile TV operator be free to decide the appropriate route for transmission?

Yes, the mobile TV operator should be free to decide the appropriate route for transmission.

5. How should the spectrum requirements for analogue/ Digital/ Mobile TV terrestrial broadcasting be accommodated in the frequency bands of operation? Should mobile TV be earmarked some limited assignment in these broadcasting bands, leaving the rest for analog and digital terrestrial transmission?

As has been pointed out in section 4.25 of the consultation paper, there is already a move to shift the terrestrial TV transmission from analog to the spectrally efficient digital mode across the world, and India too should follow suit, so that the spectrum thus freed can be used for bringing advanced digital services such as digital terrestrial broadcasting and Mobile TV to Indian consumers. Given that Mobile TV brings together the two most popular services in India, mobile and television, it is very likely to find appeal amongst Indian consumers, and therefore sufficient spectrum, in globally aligned bands, must be assigned for launch of Mobile TV service in India. As mentioned earlier, assigning Mobile TV spectrum in globally aligned bands will allow service providers and end users to benefit from global economies of scale and have a sufficiently wide range of equipment and devices.

6. In the case of terrestrial transmission route, how many channels of 8 MHz should be blocked for mobile TV services for initial and future demand of the services as there are nearly 270 TV channels permitted under downlinking guidelines by Ministry of Information and broadcasting?

As has been pointed out in section 5.6 of the consultation paper, the investment required to be made by a service provider in the mobile TV project is likely to be significant, whereas the initial revenue is likely to be very small. Therefore, in the interest of encouraging investments in mobile TV services, at least for the first few years, a limited number of players should be allowed to offer mobile TV service. At the same time, it must be ensured that consumers have sufficient choice as far as technology and content are concerned. In light of the above, it is recommended that initially 3 to 4 channels of 8 MHz be provided for mobile TV service, and another 3 to 4 channels be blocked for allowing future expansion.

7. Whether Digital Terrestrial Transmission should be given priority for the spectrum assignment over mobile TV, particularly in view of the fact that the Mobile TV all over the world is essentially at a trial stage.

As the table in section 6.4.4 of the consultation paper indicates, Mobile TV has already been launched commercially in a dozen countries. It would therefore not be appropriate to state that Mobile TV is essentially at a trial stage. There is no reason for assigning higher priority to Digital Terrestrial Transmission over Mobile TV for spectrum assignment.

8. Whether the frequency allocation for the mobile TV should be made based on the Single Frequency network (SFN) topology for the entire service area or it should follow Multi Frequency Network (MFN) approach.

Frequency allocation for Mobile TV should be made based on the Single Frequency Network topology, as this mode of operation is better suited to supporting mobility of service. Advantages of Single Frequency Network topology include ability to provide common broadcast across a large geography and better network planning.

9. Whether frequency spectrum should be assigned through a market led approach – auctions and roll out obligation or should there be a utilization fee?

The investment required to be made by a service provider in the mobile TV project is likely to be significant, whereas, the initial revenue is likely to be very small. Therefore, in the interest of encouraging growth of mobile TV services, open ended auctions for spectrum assignment are not advisable. Instead a fixed fee, in line with that charged for similar services such as DTH, should be charged for Mobile TV spectrum assignment. Besides, Mobile TV service providers should also be asked to share certain percentage of their annual revenue as recurring annual charge for spectrum usage. In case the number of claimants for mobile TV spectrum is more than what can be accommodated within the available spectrum, the entities bidding the highest revenue share should be assigned the spectrum.

10. What should be the eligibility conditions for grant of license for mobile television services?

As has been pointed out by TRAI in section 5.6 of the consultation paper, the investment required to be made by a service provider in the mobile TV project is likely to be significant, whereas the initial revenue is likely to be very small. The Yankee Group, in its report of December 2006, has stated that, “it will take several years before key variables such as handset cost/form factor, network coverage, spectrum, compelling content and new pricing plans/business models coalesce to spark more widespread user adoption. The “if you build it, they will come” mantra will likely disappoint companies seeking a quick payback on mobile TV investments”.

In view of the above, mobile TV licenses should be granted to entities that can clearly demonstrate the following:

- Ability to commit significant financial and managerial resources for a relatively long period of time. Analysis indicates that the total project cost for launching mobile TV service in just the top 10 cities of India could run into a few hundred crore rupees
- Previous experience in successfully managing the key variables identified by the Yankee Group (handset cost/form factor, network coverage, spectrum, compelling content and new pricing plans/business models)

Besides, as pointed out in response to question 6, the eligibility conditions for grant of license must ensure that consumers have sufficient choice as far as technology and content are concerned.

From amongst the list of eligibility criteria used by the Government for licensing FM Radio, Community Radio and DTH service, the following appear relevant for mobile TV service:

- Applicant company should be an Indian company registered under Indian Company's Act, 1956
- Applicant company should not be:
 - Controlled by a person convicted of an offence involving moral turpitude of declared as insolvent or applied for being declared insolvent
 - Controlled by or associated with a religious body
 - Controlled by or associated with a political body
 - Any company which is functioning as an advertising agency or is an associate of an advertising agency or is controlled by an advertising agency or person associated with an advertising agency
 - Subsidiary company of another applicant in the license area
 - Holding company of another applicant in the license area
 - Company having the same management as another applicant in the license area

11. Whether net worth requirements should be laid down for participation in licensing process for mobile television services? If yes, what should be the net worth requirements for participation in licensing process for mobile television services?

As has been pointed out by TRAI in section 5.6 of the consultation paper, the investment required to be made by a service provider in the mobile TV project is likely to be significant, whereas the initial revenue is likely to be very small. Analysis indicates that the total project cost for launching mobile TV service in just the top 10 cities of India could run into a few hundred crore rupees.

Besides, mobile TV being a new service, consumers will have to make relatively high investments in purchasing devices, which would be rendered useless if the service discontinues due to lack of funding support from its promoters. It is therefore recommended that a minimum net worth of Rs.100 crore, either of the applicant company, or its promoters, be kept as an eligibility requirement for participation in the licensing process for mobile TV services.

12. What should be the limit for FDI and portfolio investment for mobile television service providers?

We agree with the observation made by TRAI in its recommendations on issues relating to convergence and competition in broadcasting and telecommunications, dated March 20th, 2006, that the Government should undertake a complete review of the FDI policy for the various sub sectors in telecommunications and broadcasting so that there is consistency in policy and a level playing field between competing technologies.

13. What should be the tenure of license for the mobile television service providers?

As has been pointed out by in section 5.6 of the consultation paper, the investment required to be made by a service provider in the mobile TV project is likely to be significant, whereas the initial revenue is likely to be very small. We therefore agree with TRAI's observation in section 5.5 that the mobile television service providers could be licensed for a term similar to the term of mobile telecommunications network license (i.e. 20 years). Also most of the other telecom service licenses have tenure of 20 years.

14. What should be the license fee to be imposed on the mobile television service providers?

Since the investment required to be made by a service provider in the mobile TV project is likely to be significant whereas the initial revenue is likely to be very small, we therefore agree with TRAI's observation that the levy/quantum of licensee fee can affect the viability of the mobile TV industry, and would recommend a license fee in line with the license fee charged for other comparable services such as DTH.

15. Whether in view of the high capital investment and risk associated with the establishment of mobile television service, a revenue share system would be more appropriate?

We agree with TRAI's recommendations on this subject, which were made as part of its recommendations on issues related to Private Terrestrial TV

Broadcast Service, dated August 29th, 2005, that the annual fee should be on the basis of a revenue share of the gross revenue of the licensee which could be at the same level as that proposed for Private FM Radio i.e. 4%. As mentioned in our response to question 9, in case the number of applicants for mobile TV spectrum/license is more than what can be accommodated within the available spectrum, the entities bidding the highest revenue share should be assigned the spectrum.

16. Whether any Bank Guarantee should be specified for licensing of the mobile television service providers. If yes, then what should be the amount of such bank guarantee? The basis for arriving at the amount should also be indicated.

We do not recommend the use of Bank Guarantee for either ensuring compliance to performance or payment related terms and conditions of license, as they unproductively lock-up resources which could otherwise be used by service operators for rapidly expanding their network and services. Following measures can achieve the same benefits as are sought through the use of Bank Guarantees:

- Careful selection of licensees based on their previous track record, and their ability to commit significant financial and managerial resources
- Providing incentives to service providers for expanding/improving their services

17. Whether the licenses for mobile television service should be given on national/ regional/ city basis.

We agree with TRAI's observation in section 5.8.4 of the consultation paper that allowing service providers to share content with many viewers simultaneously will greatly encourage new investments to come in. We would therefore recommend that the licenses be given on a national basis.