

Annexure A

Idea Cellular Response to TRAI Consultation Paper

on

'Introduction of UL (VNO) for Access Service authorization for category B license with districts of a State as a service area'

Summary:

At the outset, it is submitted that the present consultation is inappropriate, since in this instance, the DoT has already issued the Guidelines with respect to the introduction of UL(VNO) Cat-B authorizations (for DID franchisees) in a District of a State / UT. This post facto consultation goes against the very spirit of transparency and participative approach that needs to be followed before any new players are sought to be introduced in the already struggling telecom market. In addition, the DoT decision tends to fundamentally change the present licensing regime wherein the licensing area has been designated based on telecom service areas.

While Idea Cellular favours an approach that is likely to create benefits for consumers through VNO Licensing route, it would like to add that the Licensing conditions should be in the spirit of "Same Service Same Rules" so that parity is maintained between the various service providers providing similar type of service. This is also particularly important so that there are suitable checks and safeguards through necessary compliances, penalties, etc. in the licensing terms to prevent any possible misuse and so that terms & conditions are similar for all market operators, and no arbitrage opportunity exists.

In view of the above, our submissions to the queries raised in the CP are as follows:

IDEA SUBMISSIONS ON ISSUES FOR CONSULTATION

Our inputs on various issues raised in the Consultation Paper are:

Q1. Is there any need to introduce Cat –B VNOs in the sector?

- i. If yes, should the existing DID franchisees be mandated to migrate to UL (VNO) Cat-B based licensing regime? Do you foresee any challenges in the migration from franchisee regime to licensing regime?**
- ii. If no, how DID franchisee can be accommodated in the existing licensing regime in the country?**

Idea Submissions:

It is not feasible to have an area of operation of a VNO not aligned to that of a NSO. Having a VNO Licensing framework that does not align with the area of operation of a NSO can lead to various operational complexities in addition to impinging on the need for maintaining parity in the Licensing framework for VNO and NSO.

It is pertinent to mention here that the DoT UL(VNO) Guidelines also state that only pan-India or service area-wise authorizations may be granted under a UL (VNO) license. However, UL (VNO) licensee will be able to service an area within the LSA of the NSO with which the VNO has entered into an agreement for delivery of services.

However, as submitted above, we note from the Consultation Paper that DoT has already issued its guidelines on 5th July, 2016 to introduce UL (VNO) Cat-B (for DID franchisees) with Access Area authorization in a District of a State/UT. It is critical to note, the DoT & TRAI have not given due importance to aspects of “business continuity”, as was exhibited at time of license renewal for access providers in very recent past. While we expressly oppose use of any such approach which alters the fundamental structure of present licensing regime, however, with due consideration to the issue of continuity of services offered by DID franchisees, we submit that Cat-B VNOs [DID] may be allowed in the sector only for DID franchisees in order to accommodate them. **In view of the same, DID franchisees may be mandated to migrate to UL (VNO) Cat-B License.**

We further submit that the purpose of the Cat-B License should be to only accommodate the DID franchisees in the Licensing Regime and thus the scope of services under this license should be limited to the DID service areas only and it should not become a conduit for any further services based on such altered area of operation.

It is further submitted that while the VNO-DID Category B Licensees would be offering their services within a District as a service area, however if a particular DID franchisee wishes to offer its services in more than four SSAs of a Telecom Circle then in that particular case, that franchisee should be mandated to obtain Access Service Authorization License for the entire Telecom Circle. This is similar to the provision in UL-Internet services guidelines, wherein any operator who wishes to offer services in more than 4 SSAs is required to take the entire service area authorization.

Q2. Should the scope of UL (VNO) Cat-B licensee be limited to provide landline (voice) and internet services or should these be allowed to provide mobile service also?

Idea Submissions:

As already submitted, with due consideration to the issue of continuity of services offered by DID franchisees, we submit that Cat-B VNOs [DID] may be allowed in the sector only for DID franchisees in order to accommodate them. Further, in view of the exception being considered to accommodate and allow the continuity of services offered by the DID franchisees, we submit that there should be no enhancement in the scope of service of Cat-B VNOs and they must be allowed to operate in fixed DID services only. **Under no circumstances should the DID franchisees be allowed to offer either mobile or internet services as it**

will lead to a complete undermining of the UL VNO framework, that has been formulated after a full-fledged consultation and regulatory process involving the Regulator as well as the Licensor.

In the event that an operator wish to offer mobile services, it should be required to take a UL VNO Access license for the full LSA and if it wants to provide internet services, it can take UL-Internet authorization. It may be noted the authorization for access services has to be taken for the full LSA even if the service is intended to be provided in just a part of the LSA.

Allowing mobile services to be provided under a license whose area of operation is smaller than a LSA would require fundamental changes in current licensing structure and lead to various operational complexities. The Authority has itself correctly pointed out in the CP:

“If DID franchisees are also allowed to provide wireless services under their brand(s), under UL (VNO) - at B, the issue will arise as to how these licensees will be able to confine their services within the territory of license area of a district only. In such a circumstance existing Telecom Service Provider (TSP) or network Service Provider (NSO) shall have to restrict the users of the District based operator to its license area and charge them roaming charges once a user of UL (VNO) Cat-B roam out of its licensed geographic area. Such an arrangement may not be workable as will create technical issues to both NSO and VNO which can further result in inconveniencing the customer”.

There can be instances when a UL (VNO) Cat-B licensee operating in two districts of the same LSA enters into agreements with two separate NSOs for providing mobile services. Such a scenario will introduce further complexities. Moreover, the methodology for provision and calculations of AGR and SUC will become more complex and will be difficult to determine. It can have potential adverse impact on Govt. revenues.

It is pertinent to mention here that in the Unified License - Access Service Authorization is granted on a Telecom LSA level for the purpose of providing mobile services. Existing operators have made huge investments based on the current licensing regime and based on the circle specific structure, interconnection, etc. Allowing VNOs with an authorized area of operation different from that of a parent MNO would thus lead to complications such as the ones already mentioned above, and others such as:

1. All the resources like mobile numbering series etc. are assigned on a LSA Level since the area of operation of MNOs is on a LSA level. Using/bifurcating some of these resources to be used on district level would prove to be a huge logistical challenge.
2. The operational complexities such as the one mentioned in the CP on the issue of restricting mobility on a district level or charging roaming for the inter-district movement of customers for various reasons such as occupation, trade, relationships, treatment, etc. would also lead to huge influx of customer complaints and queries at the MNOs call centres. Handling and convincingly explaining the complexities arising out of such an arrangement to the aggrieved customers would be an enormous challenge.

We reiterate that the requirement of this License has emerged as a result of the need to provide fixed-line DID services on a smaller scale and therefore, its scope should invariably be limited to the same.

Q3. Can the license duration for UL (VNO) Cat-B be kept 10 years which is at par with other licenses issued under UL (VNO) policy? If no, justify your answer.

Idea Submissions:

We strongly recommend that the duration of these Licenses should be for 10 years, the same as has been set out for other authorizations in VNO License. The basic licensing framework & structure should be adhered to.

Q4. What should be Networth, Equity, Entry Fee, PBG, FBG etc. for District level UL (VNO) Cat.-B licensee in case these are allowed for Wireline and Internet services only? Answer with justification.

Idea Submissions:

As already submitted, we reiterate that there should be no enhancement in the scope of service of Cat-B VNOs and they must be allowed to operate in fixed DID services only. **Under no circumstances should the DID franchisees be allowed to offer either mobile or internet services.** Further, as already submitted, In the event that an operator wish to offer mobile services, it should be required to take a UL VNO Access license for the full LSA and if it wants to provide internet services, it can take UL-Internet authorization

If the TRAI decides to allow wire line services to Cat-B VNOs (for DID services) , then it should ensure that the terms and conditions are such that they only encourage serious players to operate and offer their services. Towards that end, the Licensing obligations have to be proportionate to the scope of services covered, i.e., Wire line (DID services). The Net worth, Equity, Entry Fee, PBG and FBG may thus be specified as below:

Criteria	In INR
Networth	Nil
Equity	Nil
Entry Fee	25 lakhs
PBG	25 lakhs
FBG	25 lakhs, review basis revenue generation on half yearly basis

Further, as submitted earlier, if a particular DID franchisee wishes to offer its services in more than four SSAs of a Telecom Circle then in that particular case, that franchisee should be mandated to obtain Access Service Authorization License for the entire Telecom Circle.

Q5. What should be Networth, Equity, Entry Fee, PBG, FBG etc. in case Cat.-B VNOs are allowed to provide mobile access service also? Please quantify the same with justification.

Idea Submissions:

As already submitted under our response to Q 2, we reiterate that there should be no enhancement in the scope of service of Cat-B VNOs and they must be allowed to operate in fixed DID services only. **Under no circumstances should the DID franchisees be allowed to offer either mobile or internet services as it will lead to a complete undermining of the UL VNO framework, that has been formulated after a full-fledged consultation and regulatory process involving the Regulator as well as the Licensor. The reasons and rationale for our above submission has already been given under our response to Q2 and we request the Authority to kindly bear those in consideration. There can be no other dispensation**

Q6. Keeping in view the volume of business done by DID franchisees, what penalty structure be prescribed for UL (VNO) Cat 'B' licensee for violation of UL (VNO) Cat.-'B' license terms and conditions?

Idea Submissions:

At the outset, it is submitted that the Authority has rightly pointed out the need for compliance to the various license terms and conditions by the DID Franchisees in the CP by stating as follows:

“However, these franchisees will enroll customers in their name and provide services to end customers. Therefore, these licensees should also comply with CAF & penalty norms, QoS parameters and complaint redress norms as applicable.”

Currently, the LSA wise penalty prescribed by DoT for access service license violations is upto Rs. 50 crores.

However, given the restricted nature of the UL (VNO) Cat 'B' authorization and balancing the need for adherence to compliance, we suggest that for a UL-VNO-Cat-B licensee providing DID/ Fixed line voice only in any District/SSA, a maximum penalty of upto Rs. 25 Lakhs may be considered. The same is necessary in order to strengthen the regulatory framework and to prevent any possible misuse through violation of licensing conditions in respect of voice services.

Q7. Should the UL (VNO) Cat.-B licensees be treated equivalent to the existing TSPs/VNOs for meeting obligations arising from Tariff orders/regulations /directions etc. issued by TRAI from time to time?

Idea Submissions:

The TRAI is mandated to promote and ensure the orderly growth of the telecom sector and to protect the interests of service providers and consumers. Towards that end, the TRAI relies on various regulatory measures including forbearance to achieve the desired objectives.

As already submitted, the Authority has itself rightly pointed out the need for compliance to the various license terms and conditions by the DID Franchisees / UL (VNO) Cat.-B licensees. Any obligations arising from Tariff Orders / Regulations / Directions issued by the TRAI from time to time are thus to be complied

with by such licensees as compliance to the same is also a part and parcel of compliance to the licensing terms. The above is also necessary to ensure level playing field among all providers of services including all VNO Licensees and also for benefit of consumers of such services.

Q8. What QoS parameters shall be prescribed for UL (VNO) Cat. 'B' licensees?

Idea Submissions:

The QOS parameters are already well-defined for the fixed-line services and we recommend that the same may be prescribed to be followed by VNO-DID Cat.-B Licensees. This would ensure consistent and reliable services, while also ensuring level playing field.

Q9. Based on the business and operational requirements as discussed in Para. 21 above, should UL (VNO) Cat. 'B' licensees be permitted to enter into agreement to hire telecom resources from more than one TSP in its area of operation for providing voice and internet services through wireline network?

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Q10. Do you foresee any challenge in allowing such arrangement as discussed in Q9 above?

Idea Submissions:

It is submitted that we do not recommend hiring of telecom resources from multiple TSPs in an area of operation. Our submissions in that respect are as below:

- Firstly the arrangement would be against the UL-VNO guideline itself which state as below:
*“ VNOs will be **allowed to have agreements with more than one NSO for all services other than access services** and such services which need numbering and unique identity of the customers.”*
- Hiring of Telecom resources from more than one TSP may lead to the emergence of issues such as bypass of Traffic. Call routing needs to take place as per the well-established architecture and arrangement with just one TSP will ensure that no security gaps are easily possible.

Further, with respect to the challenges/operational requirements highlighted by DID franchisees in favour of allowing resources from multiple TSPs, our submissions against the same are as below:

- Most of the TSPs have LSA wide presence to provide connectivity at most of the places and even in the places where it is difficult to extend media to certain premises, arrangements can be made to hire fiber/media from a third party for extension of connectivity. This is in fact done for many customers during feasibility checks.

- A single TSP can provide necessary redundancy as TSPs themselves ensure proper redundancy to take care of any service outages. In light of this, we submit that a single TSP can offer required seamlessness for the traffic of VNO Licensee.
- The arrangement between VNO and TSPs comes under the purview of B2B arrangements and currently there are sufficient number of TSPs operating in a particular region for a VNO to be able to negotiate SLAs. We do not see any reason why the TSPs would not be reluctant to sign the SLAs for providing guaranteed QoS.

Q11. Please give your comments on any related matter not covered in this Consultation paper.

Idea Submissions:

Please refer to our Summary submissions.
