



India's Next Telecommunications Revolution – Virtual Network Operators

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The recent approval by the Telecom. Commission of India, the apex regulatory body on telecom issues in India, of the recommendations made by the Telecom. Regulatory Authority of India ("TRAI") on allowing Virtual Operators ("VNO") to setup and offer their services in India, is a path breaking decision capable unleashing a new telecom revolution in the Indian telecommunications industry and taking it to the next level of growth, catalysing government's digital initiatives.

A NEW REVOLUTION

The Telecom. Commission of India's approval comes at a time when the Indian telecom industry is facing innumerable challenges. With a geographically diverse country, the telecom operators in Indian have long struggled in putting in place a profitable business model for their investments. With a high license fee driven industry Indian telecom operators need to be extremely optimistic while investing in the market, be it spectrum licensing or telecom equipment or fibre investments and it is for this reason the growth of the telecom market in India has been negatively impacted as only big players are capable of making such investments in the country.

Such a scenario has pitched the Indian telco players against the Government on several occasions in the past, primarily due to the fact that most of them are unable to



build a viable business model under the existing telecom policies.

TRAI RECOMMENDATIONS

Earlier, in 2011, TRAI had provided certain recommendations on MVNOs, stating that a Unified License holder who do not possess spectrum should be allowed to work as MVNO, however, such license holder shall cease to be an MVNO on procuring spectrum.

Further, the TRAI had also recommended that MVNOs be allowed to set up their own infrastructure and fulfill all obligations like full-fledged telecom operators, although restricting that a MVNO should not partner

with more than one telecom operator within a district.

As per the recommendations, MVNOs/VNOs will be able to offer all telecom services provided by the telecom operator with which it has partnered and can sell services of more than one operator. They can offer voice call services of one operator and data service of the other player by partnering with multiple service providers.

VNOS: THE TELECOM RESELLERS

Generally, VNOs can be described as resellers of telecom operators who will bill directly to customers. Under the VNO model, service providers are not obligated

to setup their own infrastructure rather the core investments are made by the leading NSOs that can later be will be shared by both NSOs and VNOs.

As per TRAI recommendations, a VNO will be able to deliver any type of telecom services under a new Unified Licensing (UL) regime, including the following:

Unified License (All Services);

Access Service (Service Area-wise)

Internet Service (Category-A with All India jurisdiction)

Internet Service (Category-B with jurisdiction in a Service Area)

Internet Service (Category-C with jurisdiction in a Secondary Switching Area)

National Long Distance (NLD) Service

International Long Distance (ILD) Service

Global Mobile Personal Communication by Satellite (GMPCS) Service

Public Mobile Radio Trunking Service (PMRTS) Service

Very Small Aperture Terminal (VSAT) Closed User Group (CUG) Service

INSAT MSS-Reporting (MSS-R) Service.

Resale of International Private Leased Circuit (IPLC) Service

Under the UL scheme, procuring a VNO license should be easier and VNO's would also be able to opt the kind of services suitable to the locality where they operates and override some of the prohibitive licensing model existing within the country – for e.g. the IP II license that mandates Rs. 100 crore performance bank guarantee.

THE VNO MODEL

The VNO model has been found highly successful in many developed regions like Europe, where Mobile VNOs (MVNOs) are most popular where more than two thirds of global MVNOs are based in Europe and based on number of connections, have more than 100 percent penetration. Besides, the MVNO concept is gaining popularity in

Americas as well. With virtual networks, the Indian Governments objective of telecom convergence will be a reality. Once the link between network technology and services diminishes operators will find it easier to deliver their choice of services regardless of the network technology and offer better bundled services, with options for quadplay i.e. delivery of three and more services under one license.

MAXIMISATION OF BENEFITS

With infrastructure sharing being the key feature in VNO model, the service is likely to address some of the major concerns faced by the telecom industry in India. A quick analysis of this business model reveals that benefits are three fold or higher. NSO, can optimize its resources by letting a new VNO utilize them to deliver services in new markets. The NSO will earn a recurring income from the VNO for utilizing these resources. Second, the reseller model creates opportunities for entrants or helps widen the scope of services offered by existing players. Third, delivery of new telecom services under the infrastructure sharing model will effectively reduce the cost of service delivery. The immediate benefit of this will go to end customers who will be able to enjoy services at the most competitive price.

HURDLES

The main hurdle in smooth rolling out of the VNOs services is the fact that currently the Indian telecom industry is facing a very acute shortage of existing bandwidth and the leading telecom operators themselves do not have sufficient bandwidth in their spectrum, so it would be very difficult for them to share it with these VNOs.

Additionally, to create significant market presence VNOs would need to have a strong brand name for attracting the customers. This would translate to additional marketing and distribution costs for the upcoming VNO companies.

REGULATORY

There are also some regulatory hurdles and the absence of a clearly defined regulatory

framework is a significant impediment for the entry of VNOs/VNOs. Besides, there are limits on Foreign Direct Investment (FDI) investments in MVNOs (the recent TRAI working paper on MVNOs does not clarify the status). Besides, as per the existing norms Mobile Network Operators are also limited in investing in MVNOs. These issues, coupled with a high tax structure and problems in spectrum & licensing, pricing policy and norms for MVNOs on roaming agreements and subscriber data sharing, which are yet to be formulated, offer some significant challenges

A NEW DIGITAL INDIA

The new revolutionary VNO business model will induce fresh kind of enthusiasm in the industry because it will, to an extent, remove the barriers incumbent operators face in many of the telecom circles where they have license. While the proliferation of virtual networks will help the Government of India address the connectivity concerns in rural areas and add much muscle to its march towards its goal of Digital India. VNO is also an answer to the ongoing debate on whether NTP-2012 target will ever be achieved. As per the TRAI, Government plans to increase rural tele density from the current level of around 39 to 70 by the year 2017 and 100 by the year 2020. This target, as in the past, looks unattainable in the current scenario but the introduction of VNOs in the Telecom industry does raise much hopes in this regard. Hence, while the Telecom. Commission of India's approval to the TRAI's Recommendations on VNOs is much delayed a decision; but it's better to be late than never.

ABOUT AUTHOR

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