The **Virtual Network Operators Association of India (VNOAI)** represents the interests of the nascent **Virtual Network Operator (VNO) industry** in India. It is working with the existing Licensed VNOs which are about 120 in number and potential VNOs plus the ecosystem partners to ensure that the VNO industry in India develops in a healthy and sustainable manner and is able to meaningfully contribute towards the Government's aims to achieve universal access to communication, universal high-speed internet access and universal financial inclusion using the broadband and mobile phone as a medium.

While formulating the policy, a balance was sought to be achieved between the provisions of universal service to all uncovered areas, including the rural areas, encourage development of telecommunication facilities in remote, hilly and tribal areas of the country, and to transform the telecommunications sector, in a time bound manner, to a greater competitive environment in both urban and rural areas.

In Rural India the voice penetration be given priority to attain desired/pre-decided level and also need to push data by providing connectivity on OFC up to Panchayat level. NOFN is already doing good work to connect about 2,50,000 Gram Panchayats in the country. But it is needed to provide the technological solutions to provide voice and broadband at affordable rates. The VNOs licensees are ready to provide such innovative technologies which would be the most effective business model for rural India.

Increasing Mobile Subscribers:

- The number of wireless subscribers in India reached 1,152 billion by Januaray, 2018.
- Of the total 1175.01 million subscribers as of January 2018, around 57.24 percent subscribers are from urban areas and the rest 42.76 percent from rural areas.

Untapped rural Markets:

- By January 2018, rural tele-density reached 56.63 per cent, growing from 43.05 percent as of March, 2016.
- By January,2018, rural wireless tele density in the country increased to 56.25 percent, while the urban wireless tele-density reached 159.39 percent during the same period.

Rising Internet Penetration:

- Internet penetration is expected to grow steadily and is likely to be bolstered by government policy.
- Number of broadband subscribers reached 378.10 million at the end of January 2018.
- To encourage cash economy, Indian free Wi-fi to more than 1000 gram Panchayats.

With rural population expected to be 832 million, the maximum number of rural subscribers on household basis can be expected to be around 180 million. There are presently around 100 million rural subscribers and therefore balance of around 90-100 million rural subscribers needs to be acquired in the next two years.

The mobile handset has to become a multipurpose instrument providing him entertainment, news, education, connectivity as well as a means to promote his financial and other informative e-services to be provided to the rural population in their local languages.

Providing locally relevant applications on Mobile this could include applications on mobile regarding health, education, farming and other local trade. With proper communication infrastructure, it may also be possible to move business processes to rural regions. This should open up the growth potential of rural Indian economy.

Incentives to MVNOs.

MVNOs is an urban phenomenon, but if certain incentives are extended to them then local entrepreneurs who have a better understanding of the needs and habits of the people of their area can develop customized applications and products and create a success story. The incentives can be considered in terms of reduction in license fee and viability gap funding by USO Fund. However, it needs to be ensured that such MVNO operate exclusively in rural area under their brand names.

Viability Gap Funding by USO-Fund leveraged by the VNOs in India:

Delivering of Mobile telephony and Broadband services to the rural and tribal areas by viability gap funding from the USO-Fund. There are the Global case studies of USO Fund utilization in various geographies like USA and elsewhere.

TSPs and VNOs may be asked to launch offers with bundled free minutes/SMS/Data for this identified segment at a low affordable cost. The viability gap may be funded through the USO Fund.

We submit that the above initiative will be of great benefit to the unconnected masses in India. Our members, who are the licensed VNOs of India, are eager to participate in this envisaged program and help achieve the aim of universal mobile use

Persisting Gap in universal mobile coverage

Globally the VNO industry is playing a key role in ensuring that mobile services remain affordable even to the poorest sections of the society and to customers who are living in hitherto unconnected areas. By using innovative distribution channels and adopting low cost models of operations – in many cases, VNOs are able to serve customers at lower costs, compared to the TSPs.

<u>Digitisation is Job Creator</u>

Digitalization of rural and unconnected remote areas by creating infrastructure and access to the remotest areas by the VNOs. The innovative approach of VNOs will help creation of direct and indirect jobs in the rural and tribal areas**.** As Mobile and Broadband are the enablers for the benefit of achieving socio economic goals of the Government of India.

> Please refer to the national digital communication policy 2018 draft the USO fund is proposed to channelize the funds for achieving the "Goals for fulfilling the Universal Service Obligation". Therefore, as explained above in order to full fill the aim of universal service obligation the VNOs are going to contribute to achieve the target of connectivity Broadband and Mobile for all the uncovered rural and tribal areas of India resulting in creating numerous jobs for the people.

1. Consolidation of Indian Market to (3+1) market after merger of two top Operators moving towards monolithic market. International practice to mandate capacity to VNOs to sustain the competition in the consolidated Telecomm Market.

This in reference to the recent approval for merger of different TSP forming the new entity the issue of competition being reduced due to merger such entities. However, the merger of two big players as some challenges on M&A policy front. Therefore in order such a competition to new entity the issue of competition being reduced due to merger and Acquisition of two large operators forming a new entity with the revenue of about Rupees.80,000/- crores and a market share of (RMS of 43%) leaving behind market leader **Bharti Airtel**. However, the proposed merger of large entity has some challenges on the M&A policy front. The RMS of the new entity should not be over 50% of the overall revenue of the market.

Therefore, in order to sustain the competition in the Indian mobile market we need a balance between the efficient utilization of spectrum on the one hand and ensuring adequate competition on the other. The basic objective of maintaining competition in the market remains relevant. Therefore, internationally countries have used market share in terms of subscriber base as one of the criteria to classify any operator dominance. Internationally the regulators and licensing authority clear the mergers only on the commitment that the host merged entity will be setting aside 20% of whole-sale capacity for MVNOs with upfront commitment on MBA basis.

Some of the used cases in the European union where in recent some M&A activity has taken place between prominent operators. The Licensing authorities/Regulators mandated for earmarking of 20% of whole-sale capacity for the MVNOs in order to maintain the competition in the market and availability of good competitive products to the end consumer.

Globally – to avoid the above described scenario and to ensure that: –

- Customers continue to enjoy choice and the benefits of a competitive market, despite the consolidation (through mergers and acquisitions) among the TSPs.

While at the same time ensuring that: -

- spectrum is allocated to a few responsible players and not fragmented among several TSPs
- Capex expenditure for the industry as a WHOLE is kept at sustainable levels (ensuring that too many TSP's don't invest and build duplicate infrastructure across the country, far in excess to requirements.

Globally the regulatory authorities mandate in case of M&A that: -

- TSPs which are opting for mergers with other TSPs, or acquiring other TSPs must allocate a fixed proportion of their spectrum capacity (typically 20-40% depending on the 'dominance' of the operator) for the exclusive use of VNOs.
- Such TSPs are also mandated to compulsorily host VNOs (maybe 1-5 VNOs)
- TSPs are mandated to provide 'non-discriminatory access to VNOs i.e. the TSP must extend all facilities (like coverage, access to 4G networks etc.) to the customers of its hosted VNOs,that it provides to its own customers.
- In some cases, TSPs purchasing spectrum in auctions are also subject to mandate allowing VNO access to the TSP's network.

We proposed to the Authorities that similar conditions may be introduced in India also. Mandating the large incumbent TSPs in India to support **VNOs** – will ensure that several **VNOs** will emerge in India in a short period of time.

With a large number of **VNOs**, co-existing with the 4 large TSPs which will emerge post the current wave of consolidation – customers will continue to enjoy the benefits of a competitive market viz – lower, more affordable costs, innovative services and choice of multiple brands.

The dominance of the large TSPs –expressed as pricing power in the market, will be curtailed by the availability of a large number of **VNOs,** who will be **'alternate service providers'** for the end consumers.

We submit that such mandates be applied by DoT and TRAI, to TSPs opting for mergers and acquisitions so that the end customers continue to be benefited.

<u>Global Scenario and Case Study</u>

There have been several instances where regulators in other countries have mandated wholesale network access to MVNOs, as a precondition for allowing mergers and acquisitions among the TSPs in that country. Following are some case studies in Europe:

1. Austria – Acquisition of Orange Austria by Hutchison.
Hutchison was mandated to

- Ensure that up to 30% of its capacity was dedicated to its Wholesale business.
- Allow wholesale access (i.e. make its spectrum available) to up to 16 MVNOs for the next ten years;
- Sign wholesale access agreement with at least one MVNO approved by the European Commission BEFORE completing the acquisition.
- http://europa.eu/rapid/press-release IP-12-1361 en.htm

2.Ireland – Merger between Hutchison and Telefonica.
Hutchison was mandated to

- Ensure the short-term entry of two mobile virtual network operators (MVNOs), with an option for one of them to become a full mobile network operator later. Hutchison committed to divest five blocks of spectrum in the 900 MHz, 1800 MHz and 2100 MHz bands to either MVNO at a later date.
- Ensure to sell 30% of the merged company's network capacity to two MVNOs in Ireland at fixed payments. (Instead of the usual “pay-as-you-go” wholesale pricing model, typically used between TSPs and MVNOs, where payments are made as per the usage of the MVNO’s subscribers.)
- http://europa.eu/rapid/press-release IP-14-607 en.htm

3.Germany – Acquisition of E-Plus by Telefonica.
Telefónica submitted commitments to the regulator as below-

- To sell, before the acquisition is completed, up to 30% of the merged company's network capacity to one to three MVNOs in Germany at fixed payments.
- Extend existing wholesale agreements with Telefonica’s and E-Plus' partners (i.e. MVNOs and Service Providers) and to offer wholesale 4G services to all interested players in the future.
- Improve its wholesale partners' ability to switch their customers from one MNO to another (i.e. make it easier for its MVNOs to switch to the network of another TSP if they want)
- **http://europa.eu/rapid/press-release MEMO-14-460 en.doc**

As per Global case studies the Merged entity will be able to use excess network capacity optimally. The MVNOs will no longer face any hurdle or challenge to access the ‘merged entities’ networks. Customers will benefit from having larger choice of brands, to choose their telecom operator, and also benefit from continued affordable prices and innovative

service offerings. The government will benefit from increased revenues through regulatory fees and taxes since the telecom resources of the country will be monetized more efficiently by the merged entity.