

Consultation Paper on the introduction of Mobile Virtual Network Operators (MVNO)

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Chapter – I

1.0 Introduction:

Modern telecommunication infrastructure is a vital requirement for rapid economic and social development of the country. Sri Lanka is moving towards a fully liberalized telecommunications market environment. At present, there are three Fixed Access Operators, five Cellular Mobile Operators, six Data Communication Providers (Facility-based), nine Data and Internet Service Providers (Non-facility based) and 7 External Gateway Operators. The telecommunication sector consists of approximately 2.7 million fixed access subscribers, 22.1 million mobile cellular subscribers, 3.39 million Internet connections and 6145 public payphones spread across the country.

The Mobile Virtual Network Operator (MVNO) model has become popular worldwide. As of June 2014 there were 943 active MVNO's and 255 Mobile Network Operators (MNO) sub-brands worldwide. This represents a total of almost 1,200 mobile service providers worldwide hosted by MNOs, up from 1,036 in 2012, which in turn are operated by 503 companies. (some companies operate multiple MVNOs in the same country)¹.

The introduction of MVNO is seen as a natural progression towards enhancing free market principles and contributing to the efficient use of existing telecommunication infrastructures.

1. http://en.wikipedia.org/wiki/Mobile_virtual_network_operator

Chapter – II

2.0 Mobile Virtual Network Operator (MVNO)

A MVNO is a wireless communication services provider that does not own wireless network infrastructure over which the MVNO provides services to customers.

The MVNO provides services under its own brand to the subscribers. MVNO do not have their own spectrum and MVNO enters into a business agreement with a mobile operators to obtain bulk access to network services at wholesale rates & then sets retail prices independently. A MVNO may use its own customer service, billing, support systems, marketing and sales personal or it may employ the services of a Mobile Virtual Network Enabler.

2.1 Conceptual Overview of MVNO's

MVNO's may have different business models.

- a) Pure resell MVNO
- b) Basic MVNO
- c) Enhanced MVNO
- d) Infrastructure based MVNO

The following diagram depicts the relationship between MNO's and MVNO's.

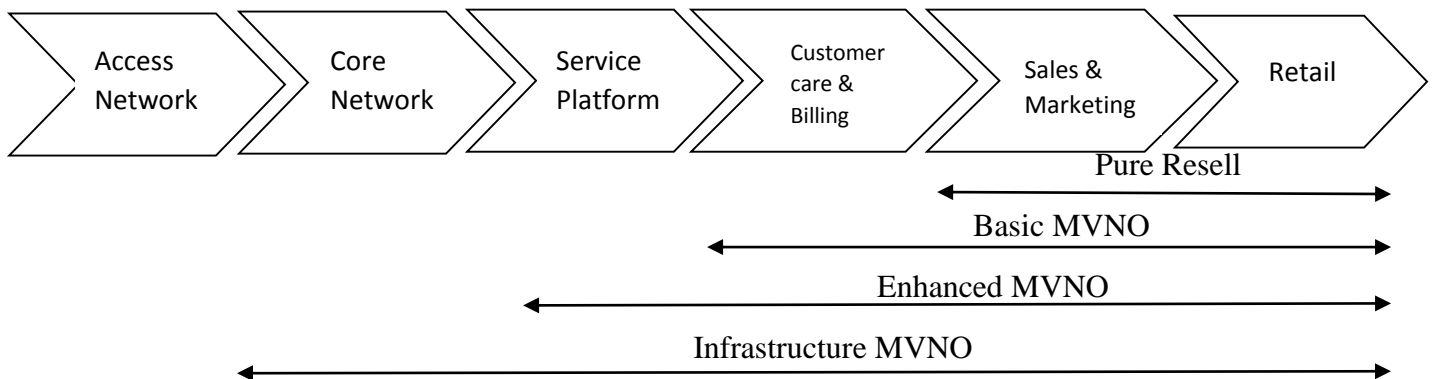


Fig 1 : MVNO Models

Chapter – III

3.0 Regulatory & Licensing Issues

3.1 Issues of Licence

Any person operating a telecommunication system in Sri Lanka requires a licence under Section 17 of the Act. As MVNO's would be providing Telecommunication services to the customers under its own brand which would be different from that of a MNO, a license is required for a MVNO. A section 17 licence applicant is required to submit an application in the stipulated format and pay the regulator a stipulated licence fee.

3.2 Spectrum sharing:

MVNOs do not have any separate assignment of spectrum by the regulator.

3.3 Allocation of numbers :

The MVNO may be required to provide separate numbers to subscribers. The issue is whether the number blocks should be directly allotted to the MVNO or whether the MVNO should get same from the MNO.

3.4 Dispute between MVNO and MNO

Usually MVNO will have an agreement with a MNO for operations. It is possible that a dispute may arise between the two at a later date. There is a need to protect subscribers who are served by the MVNO. The inclusion of a suitable clause in the agreement is necessary to safeguard subscribers.

3.5 Number of MVNOs

If a MVNO enters into an agreement with a MNO the regulator may consider the issuance of a licence.

3.6 Rollout Obligation

One of the objectives in having MVNOs is to extend the service to areas not covered by the MNO.

3.7 Interconnection and Roaming

MVNO would have an agreement with the MNO for all the calls carried which are originated by and terminated at its subscribers. MVNO shall not be allowed to make any interconnection or roaming agreements with other operators, but it shall use the interconnection or roaming agreement of the MNO.

3.8 Tariff

A low tariff package is a key factor for the success of MVNO and the retail tariff offered to its subscribers and will set its own tariffs. Therefore MVNOs should comply with applicable tariff related requirement imposed by the regulator.

3.9 Customer Care

Customer care should be carried out by the MVNO. Therefore the MVNO should comply with the customer acquisition and requirements of subscriber verifications. The MVNO may have to establish its own customer care center to cater for its own subscriber customer complaints.

3.10 Technical Conditions

MVNOs have to ensure that the equipment they use comply with prescribed standards set by the regulator.

3.11 Quality of Service

The MVNO is responsible for the quality of service provided to its customers and should adhere to the criteria set by the regulator, which are also applicable for MNOs.

3.12 National Security

The MVNO should comply with all requirements of national security.

3.13 Branding

MVNO could use their own brand. MVNOs to be enabled to sell SIM cards with their own brands with codes allocated for MNOs.

3.14 Billing

MVNOs shall be responsible for its consumers billing systems and storing billing information. Billing format should be approved prior to commencements of services. Billing complaints should also be resolved.

3.15 Fraudulent Usage and Security

Theft of mobile phones and fraudulent usage are high concern to the MNOs, who have their own procedures of reporting and deactivating stolen mobile phones. Specific arrangements to be made by commercial contract reached between parties an MNO is obliged to report and manage situations of detected fraudulence or theft.

3.16 Service Discontinuation/ Suspension/ Termination

After commencement of MVNO services, the MNO shall continuously offer services to MVNO. MNOs may not suspend/ terminate MVNO services based on the commercial agreements unless approved by the regulator.

Chapter 4

4.0 Consultation Questions:

Based on the above description provided in the earlier Chapters stakeholder views are requested for the following consultation questions.

- 1) Do you think there is a need to introduce Mobile Virtual Network Operator (MVNO) in the Sri Lankan Telecom Market?
 - a. If Yes, is it the right time to introduce MVNO ?
- 2) To what extent should the MVNO be permitted to setup their own infrastructure?
- 3) What Regulatory Models should be followed for MVNO?
- 4) What kind of obligations may be imposed on MNO's so that Mobile Virtual Network operations are implemented effectively?
- 5) What would be the eligibility criteria for MVNO?
- 6) Do you suggest different eligibility criteria for different MVNO models and regulatory framework?
- 7) Should there be any restriction on the number of MVNO's attached to a Mobile Network Operator (MNO) ?
- 8) What should be in the commercial module / framework for spectrum sharing by MVNO?
- 9) What would be the service obligation of MVNO?
- 10) What should be the method and consideration for determining the licence fee for MVNO?
- 11) What is the best way to protect the subscriber both in terms of continuity of service and applicability of tariff plan in the following cases?
 - i) Dispute between MVNO & MNO
 - ii) MVNO wants to exit the business
- 12) Any other relevant issues that you wish to raise.

The responses to the above consultation document should be addressed to the
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and submitted on or before 3rd August, 2015 by mail or by e-mail or fax.

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