

Roundtable on

Role of Proposed VAS Guideline in Localized Citizen Service Creation and Economic Development

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Outline

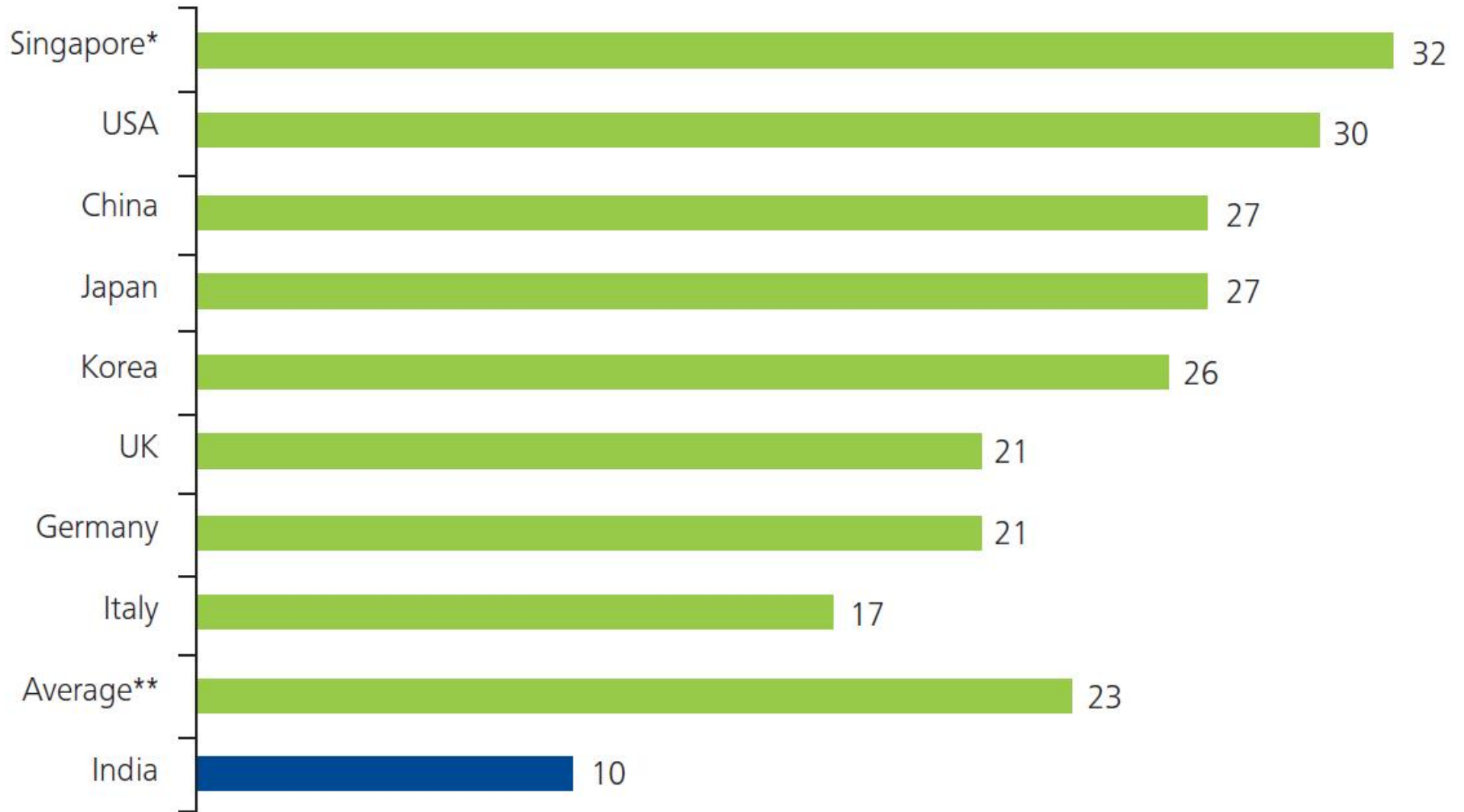


- Current Context of VAS Industry in Bangladesh
- VAS and Citizen Services
- Challenges for VAS Service Development
- What is the Need for Licensing?
- Proposed VAS Licensing Guideline
- Other Country Examples
- Implication of Proposed Guideline on VAS Industry

Mobile Landscape of Bangladesh

- Currently Over 90 Million Mobile Users (over 50% penetration)
- Annual Revenue of Mobile Industry approximately Tk. 20,000 crore
- Average Revenue per person over Tk. 2,000 every year
- Mobile revenue is predominantly Voice based.
- **Less than 4% Non Voice Revenue (one of the lowest in the world)**

Non voice revenues (% of overall mobile revenues)



Source: IAMAI Paper, BWA – Analyst Presentation (Reliance Industries Limited), June 2010

3 Major Type of Content/Application Services



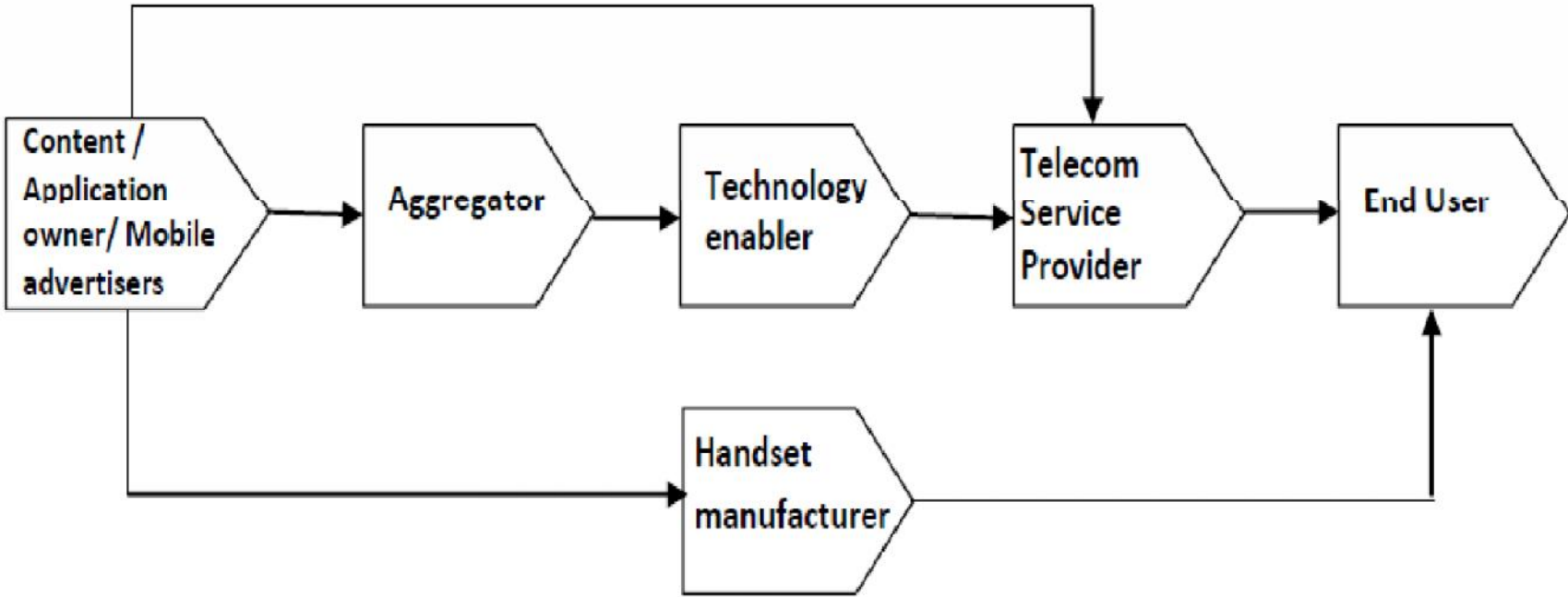
- **Information** (one time request, monthly subscription, IVR etc.)
- **Entertainment** (Ringtone, CRBT, Music, Games etc.)
- **Transactional** (mobile ticketing)

Digital Content and Application Service for Citizens that could be Accessed by Mobile



- Health
- Education
- Livelihood /Employment
- Agriculture
- Financial Services
- Government Services

Mobile Value Added Service Value Chain



Current Regulatory Framework



- **Bangladesh Mobile VAS (MVAS)/Content Providers industry is young and evolving. MVAS providers are not regulated or licenced and mainly they act as service partners of telecom service providers.**
- **The telecom service providers are the core in the value chain as they own network infrastructure and have a large customer base.**
- **VAS providers aggregate different type of content and enable the content suitable to be transported on mobile network.**
- **Telecom service provider and VASPs enter commercial agreements for provisioning of MVAS. There is no standard format of agreement**
- **Telecom service providers being the core of the MVAS value chain, usually dominate in finalizing the terms and conditions of the agreement.**



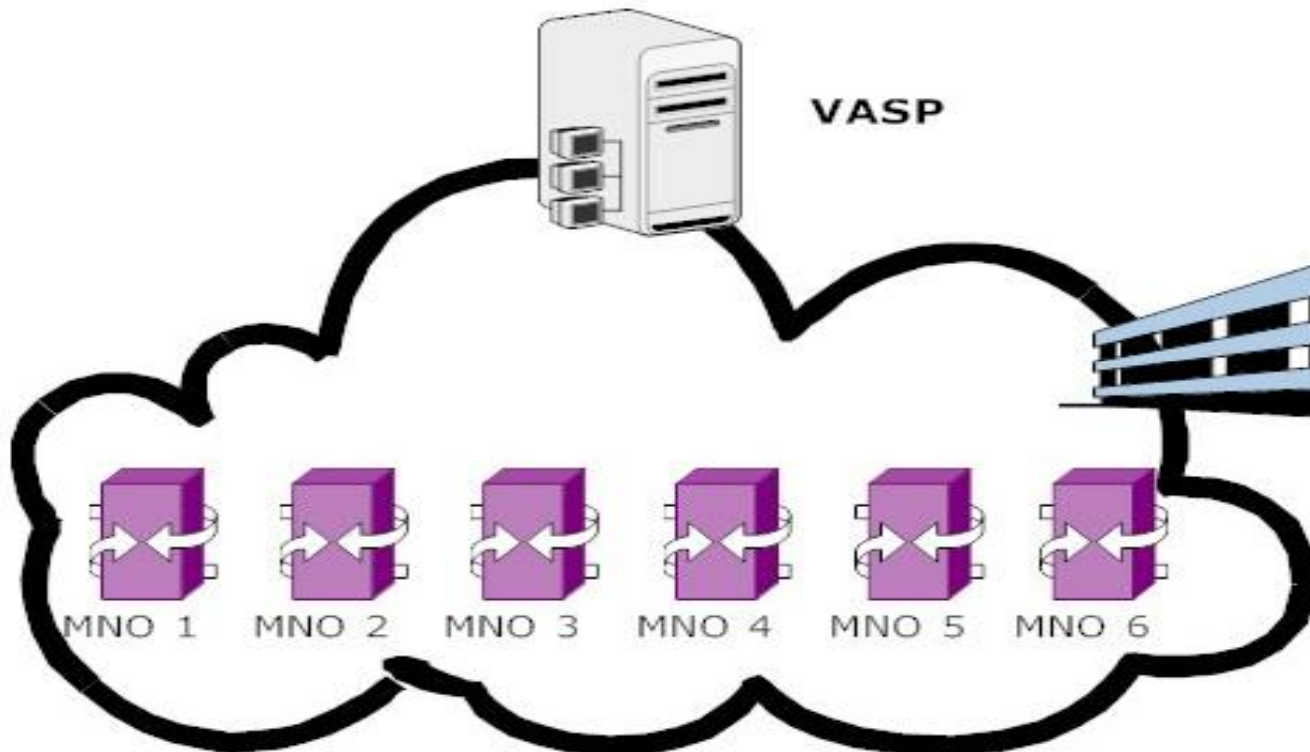
Content Owner



VASP



BTRC



MNO 1 MNO 2 MNO 3 MNO 4 MNO 5 MNO 6



Any Mobile Subscriber

Connectivity



- The Content Owner/VAS Provider (VASP) follows up with the respective MNOs (Mobile Network Operator) for opening and connecting the Short-code to the VASP systems
- VASP communicates with each MNO individually and agrees on revenue sharing percentage
- On the other hand, VASP agrees on the revenue sharing percentage with the Content Owner
- MNOs individually open the short-code in varying times and connect it to VASP system

2 Type of VAS Delivery Model



- On Deck (Branded Service) – for its own network user base
- Odd Deck (Non Branded Service)

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Challenges of Mobile VAS Industry



- Lack of **Motivation for Innovation** (for Content Providers)
 - Incentive and Low ROI
 - Accessibility
 - Transparency
 - Idea Protection
 - Product and Business Development Flexibility

- Lack of **Focus with Flexibility** (for Telecom Operators)
 - Very small part of revenue (compared to Voice revenue) for operator
 - Supporting Management ownership and continuity problem

Challenges of Mobile VAS Industry

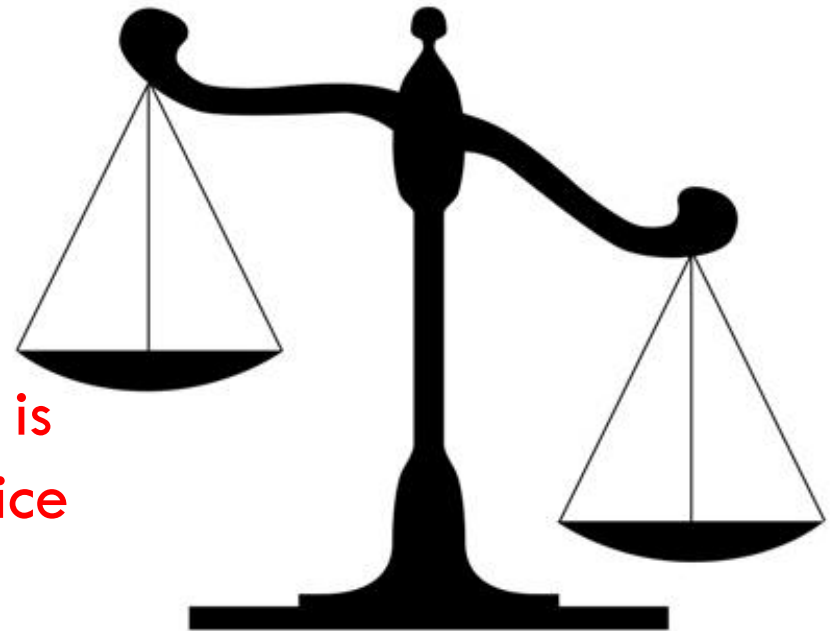


- Problem (Cost and Hassle) with Connectivity with all operators
- Cross Operator accessibility of services

Incentive & Low ROI

Mobile Operators dominate the VAS market to a significant extent-

- ▣ by determining VAS service fees
- ▣ by selecting VAS Provider according to their existing relationship
- ▣ by excluding content providers who do not generate sufficient revenues or who provide similar non-branded VAS services that it is offering as its own branded service



Revenue Sharing Scenario

□ For Branded Service

| | |
|--|--------|
| □ Operator | 65-80% |
| □ Content Provider/Application Developer | 35-20% |
| ■ Technology Enabler/Aggregator | 10-15% |
| ■ Content Owner | 10-15% |

□ For Non-Branded Service

| | |
|--|--------|
| □ Operator | 50-60% |
| □ Content Provider/Application Developer | 50-40% |
| ■ Technology Enabler/Aggregator | 20% |
| ■ Content Owner | 20% |

**Innovative Young Entrepreneurs are not joining because of
Lack of Financial Incentive**

Transparency

- As per the industry feedback, there are often differences in billing between the MIS of telecom service providers and the MVAS providers. Often, there is a lack of transparency in statistics of content transactions, absence of credible systems to address disagreements and grievance redressal mechanisms.
- In the absence of a system validating the number of data downloads or transactions between MIS of telecom service providers and the MVAS providers, the account provided by the service provider may prevail due to higher bargaining power. **This may lead to differences in the actual revenues earned between telecom service providers and the MVAS providers.**

Why License?



- One of the key arguments in favour of a licensing regime for value added services is to ensure that consumer's interests as well as the interest of smaller VASPs are safeguarded.
- **The licensing will allow the independent MVAS providers to seek interconnection with QoS from telecom service providers.**
- As a licensee, MVAS providers can also approach Authority for resolving their issues.

MAJOR HIGHLIGHTS OF
PROPOSED VAS LICENSE
GUIDELINE



Proposed VAS Licensing Guideline

- Other than the Licensee any other Network/Solution/Platform Provider, ICX, NIX Operator shall not act as a **Telecom VAS Operator**. The existing approved contents offered by Network Operator/Solution/Platform owner shall have to be ceded to the Telecom VAS Operator licensees. **[Section 8.8]**

Proposed VAS Licensing Guideline

- The Licensee shall have the access and interconnection of its approved short-codes with existing single point of Interconnection Exchange (ICX) and National Internet Exchange (NIX). **This will help to avoid the hazard of individual connectivity with all operators**, other related service providers and overseas content providers which may have connectivity through NIX over IP. **[Section 8.1]**
- The Licensee will be allotted a short code from the Commission which can be accessible from all the subscribers of different operators. The arrangement of interconnection to a single point network/solution/platform provider will be the responsibility of ICX and NIX. **[Section 8.7]**

- 
- All Network/Solution/Platform Provider will provide **fair access to their infrastructure to the Licensee.**

[Section 8.2]

- The services being Open-Access model, Network/Solution/Platform Provider shall not block web/mobile portals to a data plan (EVDO/GPRS/WAP etc.). **The operators will remain fair and unbiased in terms of providing access and thus will not be selective blocking of mobile portals or short codes.** [Section 8.2 (i)]

Proposed VAS Licensing Guideline

- Other than the **infrastructure-access fee** mentioned in these Guidelines **no other fees or charges or revenue sharing** model would be applicable upon the Licensee by the Network provider. [Section 8.2 (iii)]
- Network/Solution/Platform Provider shall publish the bulk charges for Licensee for **accessing its infrastructure** (bulk rates of SMS, IVR, IN Access, USSD, API, physical E1, etc.). The charges for accessing all categories of infrastructure resources shall have to be published after the approval from the Commission. [Section 8.2 (iii)]

Proposed VAS Licensing Guideline

- Telecom VAS License will be issued only to the **Bangladeshi entities** (resident citizens, Non-resident Bangladeshi (NRB), proprietorship, partnership firm, company, society) registered with the Registrar of Joint Stock Companies and Firms, Bangladesh.

[Section 7.1]



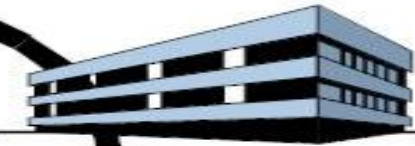
Content Owner



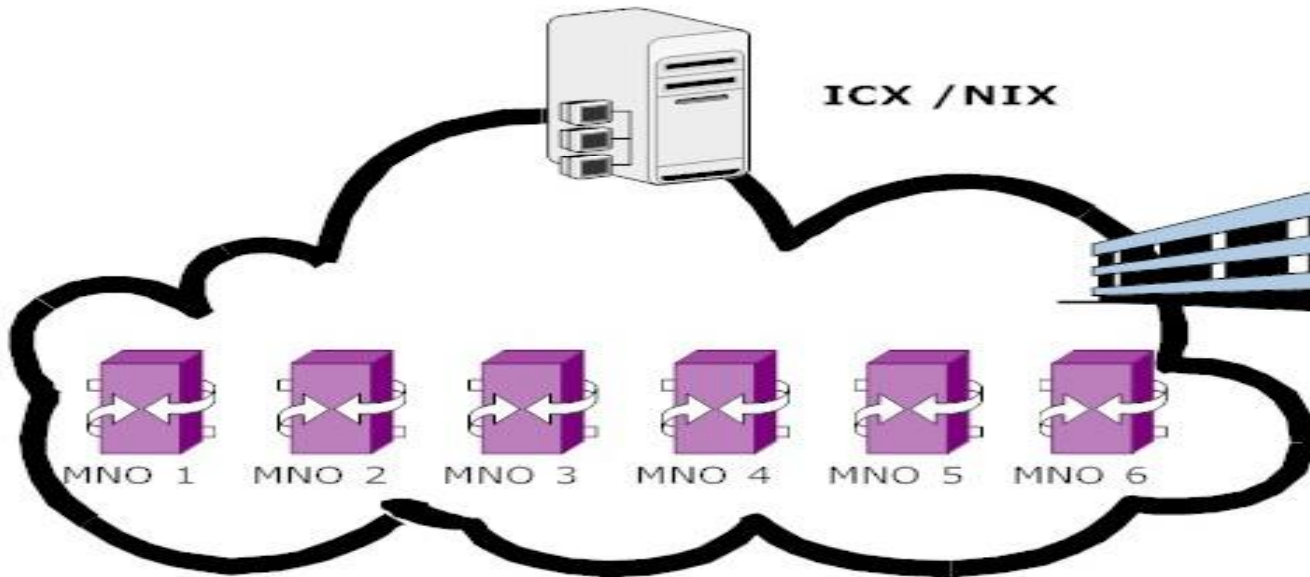
VASP



ICX / NIX



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Other Country Examples



- Licensing provisions for Value Added services are available in Singapore, South Africa, Malaysia, Bahrain and some African countries.
- In Singapore, value added network services are permitted under class license.
- In Malaysia, there is a provision of both individual license and class license for Application Service Provider and Content Application Service Provider.

Case in India



- Current Eco-System in India (in terms of market situation and regulatory framework) is very much similar to Bangladesh
- In January 2011, ASSCHAM (Associated Chambers of Commerce and Industry of India) published a report prepared by global renowned consulting firm **Deloitte** titled “Mobile Value Added Services (MVAS) -A vehicle to usher in inclusive growth and bridge the digital divide” . In that report, one of the specific suggestion was to recognize **MVAS players by the telecom industry through Licensing** under the OSP (Other Service Provider) license

Case in India



- The Deloitte report and subsequent industry pressure prompted TRAI (Telecom Regulatory Authority in India) to open up a public consultation process on the issue of VAS Provider Licencing. **In July 2011**, TRAI initiated the consultation process by asking a number of questions that include (among others) -
 - **Is there a need to bring the Value Added Service Providers (VASPs) providing Mobile Value Added Services under the licensing regime? If yes, do you agree that it should be in the category of the Unified Licence?**
 - **How do we ensure that the VAS providers get the due revenue share from the Telecom Service providers, so that the development of VAS takes place to its full potential? Is there a need to regulate revenue sharing model or should it be left to commercial negotiations between VAS providers and telecom service providers?**
 - **How do we also ensure that the revenue share is a function of the innovation and utility involved in the concerned VAS? Should the revenue share be different for different categories of MVAS?**

Case in India



After long consultation process (almost one year), TRAI on May 14, 2012 published its recommendation report and one of the major recommendations is -

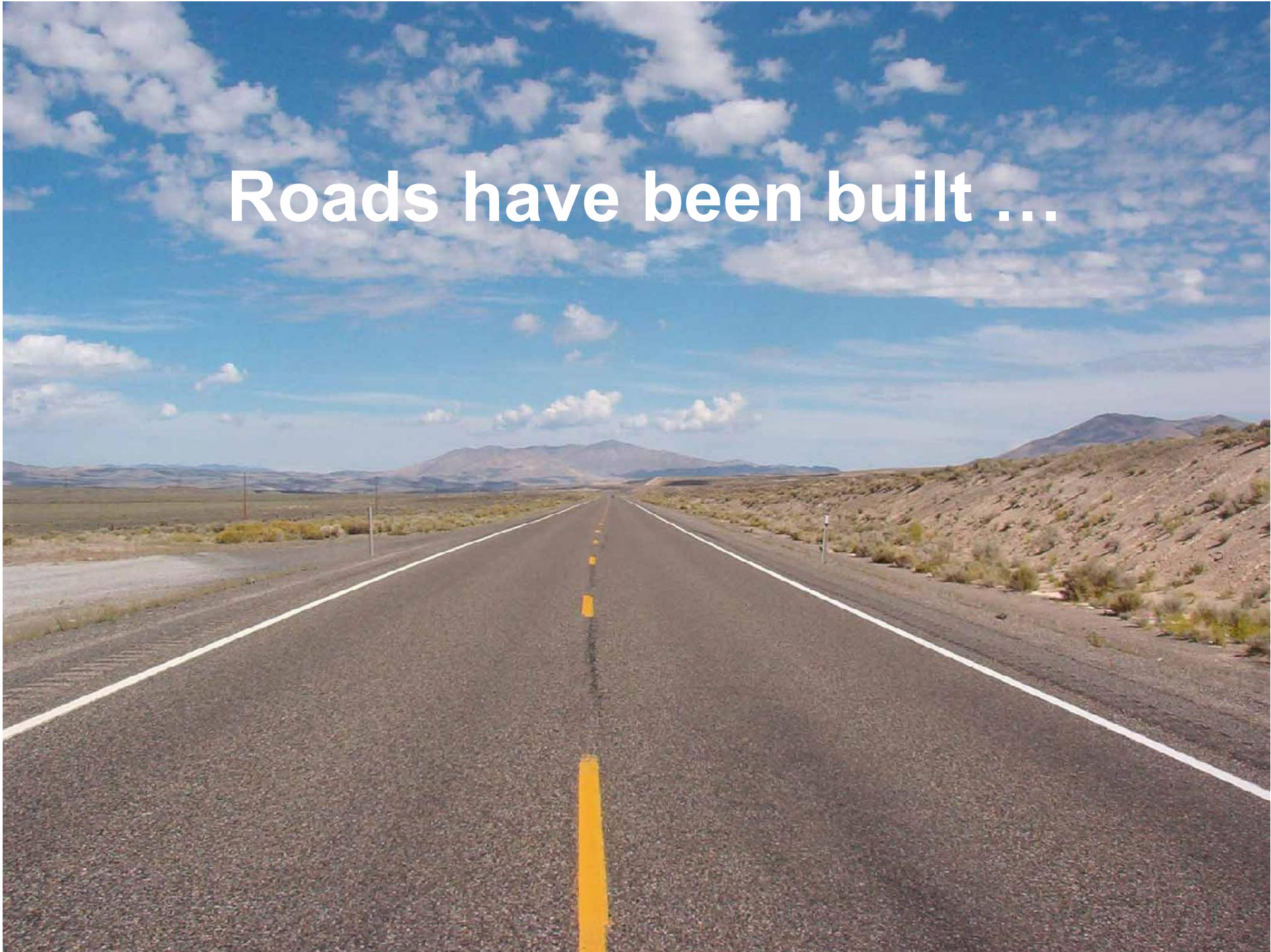
- **“ The Authority recommends that the Application Service Providers should be covered under Licensing through Authorisation. (para 2.26) ”**

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Roads have been built ...



Passengers are Ready to Travel



Driver and Vehicle - absent!!



Let us make maximum use of the ROAD





Thank you