



# ZICTA

ZAMBIA INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

## REPORT ON THE CONSULTATION PROCESS - LICENSING MVNOS IN ZAMBIA

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MARKETS COMPETITION AND LICENSING DEPARTMENT

NOVEMBER 2015

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## **A. Introduction**

The communication sector in Zambia has grown since the liberalization of the economy in the early 1990s. Mobile Network Operators (MNOs) were introduced during the second half of the 1990s and by 2003 there were three entities competing in the mobile sector.

The mobile cellular industry has recently seen reduced levels of growth in the subscriber base for the mobile cellular operators. The mobile penetration levels as at December 2014 stood at 65 percent which was deemed as not being good for the sector. This therefore posed a challenge to ZICTA to ensure that interventions were made to accelerate growth in the sector. As such in May 2015 the Authority developed a concept Paper aimed at exploring the option of licensing Mobile Virtual Network (MVNOs), to enhance mobile industry performance and consequently increase growth in the sector. The paper provided information on how the MVNO business model works, the types of MVNO business models, how they are regulated in various jurisdictions, and the existing licensing framework in Zambia and its implication on MVNOs. From this paper the Consultation document was formulated and included Consultation questions so that the public could provide their views.

The consultation paper was made public through the print media and ran from 11 September 2015 to 9 October 2015. There was feedback from the public to the consultation questions.

Consequently, a follow-up stakeholders meeting was convened on 15 October 2015 to share the response received from the public and get more views from the ICT sector players.

## **B. Purpose**

The aim of this report is to highlight the various views received from the public on whether Zambia was ready to introduce MVNOs in the ICT market. Thereafter to make recommendations to management for consideration and approval.

**C. List of contributors/participants in the consultative process**

**Table C1: Correspondence Participants**

	Name of Contributor	Representative	Email address	Mobile Number
1	KOZA Limited	Dr. Mbita Chitala	mbitachitala@yahoo.co.uk	0965 860113
2	connectafrica.net	Dion Jerling	dion@connectafrica.net	+27 (0)82 487 8354 (South Africa)/ +260 (0)965 860 113 (Zambia)
3	Airtel Zambia Limited	Mrs. Susan M. Mulikita	Susan.Mulikita@zm.airtel.com	
4	MTN Zambia Limited	Mrs. Mwenzi Mulenga	Mulengmwenzi@mtnzambia.co.zm	
5	Mobile Broad Band Limited	Mitesh Patel	mitesh@mobilebroadbandzambia.com	
6	Finance Bank Limited	Aubrey Mutale	Aubrey.Mutale@unicapitalfs.com	+27763548481
7	Universal Talk Time	Roy Chisha	universaltalktime@gmail.com	+260-976-301-086
8	Mwizukanji Sikanyika		mwizukanji.sikanyika@gmail.com	0966650224
10	Primus	Kelvin Nkole	bankolekm@yahoo.com	0965846989

**Table C2: List of Stakeholder Participants at the Consultative Meeting**

	Name of Participant	Organization Represented
1	Mr. Isaac Nonde	ZICTA (Chairperson)
2	Ms. Cassandra Chakanika	ZAMTEL
3	Mr. Patrick Lukama	Hai Telecoms
4	Mr. James Banda	Telplus
5	Ms. Chimuka Katambo	Africonnect
6	Mr. Austin Phiri	IHS
7	Mr. Charles Kabuka	IHS
8	Christine Hill	Dimension Data
9	Mr. Nalumino Moola	ZAMNET
10	Mr. Jay Banda	CEC-Liquid
11	Ms. Christabel Lungu	Finance Bank Plc
12	Mr. John Machayi	Finance Bank
13	Mr. Dennis Chiwala	Finance Bank
14	Mr. Lars Stork	Mobile Broadband
15	Ms. Lucy Lengwe	Iway Africa (Z) Limited
16	Mr. Shahzad Ghazi	Finance Bank
17	Mr. Godfrey Chikumbi	Smartnet Ltd
18	Mr. Bwalya Kasenge	Smartnet Ltd
19	Ms. Rachel Zimba	Hai Telecoms
20	Mr. Elly Longwe	ZICTA (Secretary)

## D. Results from the Consultation Process

### 1. Proposed Definition of MVNO

“An MVNO licensee is an entity that has not been assigned spectrum for provision of mobile cellular services but is able to provide mobile cellular services to customers by using the spectrum assigned to a Mobile Network Operator by the Authority.”

#### a. Response Status

- i. Eighty percent (80%) agreed with the definition stating that it was easy to understand and was in line with the standard definition used in other jurisdictions.
- ii. Twenty percent (20%) did not agree partly because of the grammatical construction of the definition in that it started with the fact that “An MVNO is not assigned spectrum....” instead of stating that “An MVNO is an entity allowed to provide mobile service....” The respondents also wanted the definition to clearly stipulate the services to be provided and in this case that it should be only Value Added Services and no voice services.

### 2. Necessity to introduce MVNO

#### a. Response Status

- i. Eighty nine percent (89%) stated that it was necessary to introduce MVNOs in Zambia as this would enhance competition in the mobile services sector. The increased competition would then result in the provision of innovative services, not only being by mobile network operators, but by more players in the sector. The consumers in niche markets would be effectively served as the MNOs are only providing services to mass markets. The introduction of MVNOs would also result in new business models such as Banks providing Value Added Services to their clients using this type of entity.
- ii. Eleven percent (11%), primarily being the MNOs themselves, stated that it was not necessary to introduce MVNOs in Zambia because there was already a provision for Value Added Service licenses. A number of players were already in the market after reaching a commercial agreement with the MNOs.

### 3. Limiting the number of MVNOs

#### a. Response Status

- i. Eighty eight percent (88%) stated that there was no need to limit the number of MVNOs into the market. The market would determine how many players could compete in this type of business as in the case of Internet Service provision licensing. Since spectrum was a limited resource, this could also be a basis upon which the number of MVNOs could be limited. More MVNOs were necessary for improved competition and enhanced growth of the ICT sector.
- ii. Twelve percent (12%) stated that there was need to limit the number of players so as not to allow non-ICT players and indigenous Zambians into this segment.

### 4. Legislation to enable infrastructure sharing

#### a. Response status

- i. Seventy eight percent (78%) stated that there was need to have legislation in place to compel the MNOs share infrastructure with the MVNOs. Lack of legislation would result in MNOs resisting entry of MVNOs into the market. MNOs would want to continue enjoying less competition in the provision of mobile cellular services.
- ii. Twenty two percent (22%) stated that there was no need to introduce legislation to compel MNOs share infrastructure with MNOs. The MNO should be allowed to freely choose whether to enter into a commercial agreement with the MVNOs or not. An MNO was of the view that compelling it to share infrastructure would result in micro managing the sector.

### 5. Types of MVNOs

#### a. Response status

- i. Forty percent (40%) stated that there should be no limit on the types of MVNOs that should be licensed by the regulator. The market should determine what type of an MVNO would be most appropriate in achieving the intended business objectives.

- ii. In most cases, Banks would want to have a full MVNO or Intermediate whilst a sports clubs would go for a pure (Thin) reseller MVNO.
- iii. Twenty percent (20%) proposed that the Full MVNO would be most appropriate for Zambia.
- iv. Another Twenty percent (20%) stated that Intermediate MVNO would be most appropriate for Zambia in that it had lower entry costs since it did not have mobile switching centre.
- v. Twenty percent (20%) stated that a Thin MVNO would be appropriate for Zambia since the main drive of this type of business was niches such as youths that required voice, data and IMS services.

## 6. Preferred License Type

### a. Response status

- i. Fifty six percent (56%) stated that the service license should be issued to an MVNO in line with the definition which means that such an entity does not own a network of its own.
- ii. Eleven percent (11%) preferred a Network license.
- iii. Another Eleven percent (11%) stated that an MVNO should be given both a Network and Service license.
- iv. Twenty two percent (22%) preferred free registration of MVNO upon securing a commercial agreement with the MNO.

## 7. License Issuance Process

### a. Response status

- i. Seventy one percent (71%) stated that the issuance of MVNO licenses should be subjected to competitive process to ensure that only the best players in terms of financial capability and innovative potential were allowed entry.
- ii. Twenty nine percent (29%) were of the view that MVNOs should only be issued licenses whilst they had proof of a commercial agreement with the MNOs.

## 8. Accountability of Quality of Service

### a. Response Status

- i. All respondents agreed that MVNOs were responsible for the quality of service offered to their clients with whom they had service agreements with. The MVNOs were required to enter into a Service Level agreement that ensured that MNO provided the required level of quality of service.

## 9. Universal Access Obligations

### a. Response status

- i. Fifty percent (50%) stated that MVNOs should be subjected to universal access obligations because they generated revenues for the MNO's network.
- ii. Fifty percent (50%) stated that MVNOs should not be subjected to universal access obligations because this would result in them passing on the cost to their consumers. Contributing to the Universal access fund could result in double taxation on the part of the MVNOs, since the MNOs already contribute to the fund and this would therefore deter entry of MVNOs into the market.

## E. Conclusion

The responses received from the various members of the public and stakeholders brought out a number of interesting positions on the various aspects of whether Zambia was ready to introduce MVNOs.

The majority of the responses indicate that Zambia is ready for the introduction of MVNOs which would enhance competition and result in innovative services. It was highly viewed that the MVNOs should be issued Service Licenses through a competitive process. The regulator should allow the market forces and availability of spectrum determine the number of MVNOs that could enter the market.

Furthermore the majority of the views were for the availability of appropriate legislation to compel MNOs to share their infrastructure with MVNOs. There was also a position from the public and various stakeholders that all types of MVNOs should be allowed entry which included full, intermediate (MVNEs) and thin.

The majority of the respondents were of the view that MVNOs should be held accountable for the quality of the services they offered to their clients.

On whether the MVNOs should be subjected to Universal Access Obligations, the views indicated that the regulator would be required to decide on the matter in the interest of the sector.

Annex 1.0

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## REPORT ON THE CONSULTATION PROCESS - LICENSING MVNOS IN ZAMBIA

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Responses to Questions Raised During the Consultative Process

CONSULTATION QUESTIONS	RESPONSES
<p>Question1: Do you agree with the definition of an MVNO given in 2.1.3? If not, what is your proposed definition and provide reasons?</p>	<ul style="list-style-type: none"> <li>a) Yes</li> <li>b) Yes; this definition is simple yet comprehensive</li> <li>c) I agree with this definition</li> <li>d) Yes I agree</li> <li>e) Yes</li> <li>f) FBZ fully agrees with the definition, as it is precise and sufficiently inclusive. The only proposal is to replace “able” to “allowed”.</li>   <li>g) The definition is acceptable for the traditional MVNO but it does not address the requirement for rural coverage infrastructure across Zambia that will require a different licensing model. Refer the attached White Paper, “A Micro Approach to Connecting the Next Billion” and our Concept Note, “A Disruptive Rural Telecom Solution”.</li>   <li>h) Yes, we do agree that the definition is correct based on the description of MVNO, and how the services has been defined by ITU, OFCOM and OFTA.</li>   <li>i) We do not agree with your proposed definition of MVNO. In our view, an MVNO Licensee should also have the right to apply and be assigned a spectrum for provision of mobile cellular services. Our proposed definition could read as follows:   <p>"An MVNO Licensee is an entity that may be assigned a spectrum by the Authority or not be assigned a spectrum for provision of mobile cellular services but is able to provide mobile cellular services to customers by using a spectrum assigned either to itself or to a Mobile Network Operator by the Authority."</p> </li> </ul>

	<p>It is important to give the Authority discretion to give a spectrum to an MVNO to enable an MVNO operate in an underserved market segment or as a method of empowering Zambians.</p> <p>j) Airtel does not agree with the proposed definition and proposes- ‘An MVNO is an entity that has been licensed by the Authority to provide Value Added Services by using resources assigned to an MNO by the Authority on the basis of commercial agreed with the MNO.</p>
<p>Question 2: Do you think it is necessary to introduce MVNOs into the Zambian Telecom Market? If so, should a limit be set of how many are introduced? Please provide adequate information for your answer.</p>	<p>a) No, as the definition of an MVNO was put it provides services to particular customers or segmented groups. What service will an MVNO be able to provide that the already existing MNOs don’t provide. Due to lack of exposure only a few people out the millions of subscribers will appreciate the new services, e.g. people in the suburbs which constitute only a small portion of the economy. With only a few subscribers tagging along it may not be profitable in the long run for the MVNO especially after incurring high startup costs to ensure that its services are differentiated. Not every service is well received. The MVNO would only work if they are services that are user friendly and interesting to illiterate people who make up most of the population</p> <p>b) Yes; it is not just necessary but vital that MVNOs are introduced as they would accelerate by far the growth rate of the communication sector and also improve satisfaction by service users.</p> <p>Setting a limit for the number of MVNO’s may not be a very effective method of regulation as it would only counter effect the purpose; getting back to the same problem of an untapped market with unsatisfied consumers. Rather, adopting already set</p>

	<p>standards and rules for MVNO's by model countries or introducing new ones would be a more effective approach. As the barriers to entry will self-regulate the number of MVNO's yet not hinder opportunities for growth.</p> <p>c) Yes MVNOs should be introduced into the Zambia telecom market as they would deal with the needs wants and requirements that are being addressed poorly or not at all by the existing MNOs.</p> <p>Yes a limit should be set on how many are introduced. Why? Because if there is no limit MVNOs would be too many as even other entities outside the telecommunication industry would become MVNOs in order to enhance their brands.</p> <p>d) Yes, it is necessary to introduce MVNOs in Zambian Telecom market</p> <p>No, they should introduce as many as possible especially that they would increase capacity utilisation of the MNO radio access network and improve spectrum utilisation in the 3G networks</p> <p>e) Global experience suggest markets with MVNOs have more competition; higher service levels; more investment and greater consumer choice than those without. MVNOs allow specific segments to be targeted and super served in a way that the MNOs can rarely achieve. Hence yes, we believe MVNOs in general are a real benefit to the economy and accordingly, should be introduced to the Zambian Telecoms Market.</p> <p>We do not believe that number of players should be limited. Rather, any number of MVNOs may prevail within an agreed and consistent set of commercial parameters, operated by each MNO.</p>
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	<p>In practice, the MVNO will be responsible for the ‘non-network’ activities such as sales, marketing and customer service. The host network will enjoy a wholesale cost contribution from the MVNO, which contributes towards overall network infrastructure costs. The MNO would therefore experience additional wholesale customers added to the total base, with low or no marginal costs, whilst the MVNO funds its business activities from the difference between the wholesale costs and the retail price charged to its customers- ‘the wholesale margin’.</p> <p>The role of the regulator is to create and oversee a regulatory environment conducive to allow MVNO’s to launch and compete with the established MNO’s. One such environmental factor for example, would be the existence of Mobile Number Portability (MNP), the absence of which, can be a real deterrent for customers seeking to move easily between operators- virtual or otherwise- thereby encouraging competition and driving up services levels.</p> <p>f) FBZ fully supports ZICTA’s initiative to facilitate the introduction of MVNOs into the Zambian Market. FBZ trusts that MVNOs will bring innovative services, new business models, tools and ways of working that will be new to the Zambian market. New services, innovations and investment will not only increase the competitiveness of the Zambian mobile market, but will also improve the lives of Zambians by reducing the digital divide, making the services more affordable and increasing the usage of digital services.</p> <p>g) Introducing MVNO’s could provide Zambians with alternative and more competitive choices of mobile services with tailored value added services provided by the likes of banks.</p> <p>An MVNO licensing structure will also address the question of whether or not to introduce a fourth operator license. The Zambian market is too small to accommodate a fourth operator.</p>
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	<p>The consolidation of operators worldwide would also suggest that a fourth operator is not necessary. There is however scope for different MVNO models in Zambia – full, intermediate and thin.</p> <p>Just like ISP licenses, the market will determine those that survive and those that don't so no limitation on number of licenses would be necessary on MVNO's will provide the competition the mobile market in Zambia requires.</p> <ul style="list-style-type: none"><li>h) Yes, MVNO should be introduced in the Zambian market. The market has only had 3 mobile operators for more than 10 years and the decline in number of subscribers despite the market penetration being at 65% only, is a sign of stagnation. Value added services through MVNO would stimulate uptake of mobile services and encourage growth of the sector.</li><li>i) It is necessary to quickly introduce MVNOs in the Zambian market. With the advancement of VOIP, Zambia appears to be very backward in insisting that only the three MNOs will have voice license. We know that there are many ways voice is currently being used such as SKYPE and the continued refusal to acknowledge this technological advancement by ZICTA is regrettable indeed.</li></ul> <p>There should be no limit as to how many MVNOs should be registered. The only limitation should be the availability of spectrum or businesses consideration if an MVNO opts to use a spectrum of an MNO.</p> <ul style="list-style-type: none"><li>j) While Airtel do not object to the licensing of MVNOs we are of the view that it is not necessary for ZICTA to do so for the Zambian market. It is our considered view that MNOs and MVNOs should be allowed to independently decide to enter commercial agreements should they wish without the intervention of ZICTA.</li></ul>
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	<p>Currently MNOs are providing VAS in partnership with a number of partners based purely on commercial agreement and the revenues are subjected to the annual operating fees payable to ZICTA. Introducing licensing requirements will likely result in such services becoming expensive for the Zambian customer.</p>
<p>Question 3: Do you think ZICTA should make the MNOs share their infrastructure with MVNOs through enactment of legislation? What type of MVNO would be most appropriate for Zambia? Please elaborate your responses with appropriate reasoning.</p>	<p><b>a)</b> Yes, legislation needs to be enacted because the telecom industry in Zambia can be compared to an oligopoly type of market and the three incumbent firms can easily collude to drive out the MVNOs either by jamming their radio access or driving down prices lower than the entrants' average costs. The better type of MVNO is the full MVNO because there is less dependency on the MNOs.</p> <p><b>b)</b> Yes, The MNO's should be made to share their infrastructure with MVNO's through enactment of legislation as this would probably be the best way to quickly overcome resistance to change and force the MNO's to adopt innovative and pro-active approaches.</p> <p>The most appropriate MVNO for Zambia would be Intermediate MVNO's. Having mobile switching centres may be a high barrier to entry in itself. Zambia has so many companies, firms and start-ups with the potential to create highly effective MVNO's given the opportunity. With the industrial synergies capable of being formed being, Zambia would definitely reap the benefits though not yet ready for Full MVNO's</p> <p><b>c)</b> Yes ZICTA should enact legislation to make the MNOs share their infrastructure with MVNOs.</p>

	<p><b>d)</b> Yes, MBL would support the enactment of legislation that requires MNOs in Zambia to share their infrastructure with MVNOs. This will benefit the consumer, the economy and drive taxable revenues.</p> <p>In terms of which MVNOs would be the most appropriate for Zambia, this should be left to the efficient market mechanism: if there is a niche that can be profitably served by an MVNO then this is likely to be filled by a player who understands and recognises the unmet need in the market.</p> <p>MVNOs typically require funding over an extended period to reach the breakeven. This funding requirement serves to filter out those concepts which may not pass the acceptable return on investment hurdles.</p> <p>The needs of specific segments such as youth (data rich offers; cool communications etc.); migrant workers (lower cost international calls and money transfer); or closed user groups such as Retailers or Banks are often the niches served by MVNOs.</p> <p><b>e)</b> While FBZ believes that ultimately MNOs should find the MVNOs contributing to their business model, the decision on whether MNOs should be compelled to accept MVNOs by regulation should be taken after MNOs are interviewed and their attitudes toward liberalisation of the market are assessed. If ZICTA and MVNO candidates come to a conclusion that at least two of the three MNOs are open towards MNOs and are state that they are ready to engage in Mobile Wholesale discussions with the MVNO candidates, compelling regulation might be excessive. However, in case MNOs do not demonstrate willingness to engage with MVNOs, a stronger regulation might be in order.</p> <p>Regarding MVNO types – FZB believes no type of MVNO should be excluded, as different business models call for different types of implementation.</p>
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	<p>It is important, however, that more complex implementation models like Full MVNO or Enhanced MVNO (IN-MVNO), as well as the role of MVNEs - enablers - are acknowledged in the regulation.</p> <p>Regarding MVNO business models - while it is difficult to forecast the innovative models that MVNOs will potentially bring to the market, it is clear that proven business models are the most desirable - mobile banking MVNOs, retail MVNOs, ethnical MVNOs, data/broadband MVNOs and quad-play MVNOs are among them.</p> <p><i>f)</i> No, MNO's should share their infrastructure with MVNO's through commercial negotiation. The fact that MTN and Airtel have already disposed of their passive infrastructure assets to IHS helps simplify this process. Zamtel will be most affected in requiring to share their passive infrastructure.</p> <p>A range of all MVNO license types (full, intermediate and thin) should be offered in order to cater for the different types of service providers who would want to utilize the license. A bank would require an intermediate or full MVNO license in order to provide the VAS they would want to offer their customers. A sports team or club could work under a thin MVNO license. A specialist rural service provider will require a full MVNO license with an added requirement to be able to deploy infrastructure where there is none currently present – 65% of rural areas remain unserved. However, deploying infrastructure contradicts the definition of an MVNO so another licensing model should be considered – e.g. Mobile Village Operator Licenses?</p> <p>The remaining 35% of mobile penetration to be achieved will be rural residents where there is no cellular infrastructure. This means the MVNO licensing model will not work to achieve 100% mobile penetration unless the MVNO licensee is allowed to deploy physical (active and passive) infrastructure – but this again contradicts the definition of an MVNO.</p>
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	<p>An alternative licensing model, in addition to the traditional MVNO licensing model, can be restricted to agreed deep rural regions and using a shared RAN technology calls from all MNOs can be backhauled to an MNO switch where routing follows the traditional MNO pattern. A rural licensing model will be a first and provide a model for the rest of Africa – refer the attached White paper.</p> <p><b>g)</b> The regulator should enact legislation to ensure that the existing MNO are mandated to share the infrastructure. Lack of legislation will hinder penetration and growth of MVNO. If there were a possibility of allowing all the types of MVNO, this would broaden the choice for new entrants who can choose appropriate type. However, the main idea of having MVNO, especially in small markets like Zambia, is to drive niche products that are of little interest or are not being offered by existing MNO. This means that Thin MVNO would be appropriate.</p> <p>This type of MVNO normally leverages on its brand to resell mobile products. One of the areas that can be considered under this type of MVNO is that reseller can roll up some new customers, get a lot of free press, and associate their brand with cutting-edge innovation. The reseller would typically come in at, for example, as an entertainment company like a football club or similar, just look for attracting customers based on affinity with their brand. The product would come in the form of a branded SIM and phone provided by the host operator. There could be many ways differentiating the service with this model, from SIM applications, to 3rd party voice, data and IMS based services and of course content.</p> <p><b>h)</b> In our view, it is necessary for the ZICTA via statutory instrument or via an amendment to the law enact legislation to encourage/compel the MNOs to sublet their infrastructure to MVNOs. If this is not done, MNOs will sabotage this good effort of attempting to spread wealth to more Zambians and simply ignore their obligation and continue to enjoy monopolies.</p>
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	<p><i>i)</i> Airtel do not agree that MNOs should share infrastructure with MVNOs through enactment of legislation as this will lead to micro management of activities that are already currently self-regulated. Should ZICTA decide to issue licenses to MVNOs, we request that consideration is given to allowing MVNOs to utilise Guidelines rather than law for this purpose.</p> <p>MVNOs should only be allowed to provide services that are currently not being provided by the MNOs and their partners in order to stimulate growth of areas currently not touched such as machine to machine smart services.</p>
<p>Question 4: What type of license should be issued to an MVNO? Should the issuance of MVNO license be subjected to a competitive process? Do you think the MNO should be held accountable for MVNOs poor quality of service? If not, please explain.</p>	<p><i>a)</i> A service license because it will allow them to concentrate mainly on providing telecommunication services. Yes it should be subjected to a competitive process because it will foster creative and innovativeness among the MVNOs. No the MNO must not be held accountable, for example in cases of war and natural disasters that can disturb the radio access on what grounds can the MNO be charged.</p> <p><i>b)</i> A service license should be issued to MVNO's, as from the proposed definition, they do not use their own infrastructure but the infrastructure of existing MNO's.</p>

	<p>The license should be subject to a competitive process to allow for scrutiny of the MVNO's being licensed as it will be a sensitive area.</p> <p>The MNO should not be held responsible for poor quality of service. Clear lines ought to be drawn between the roles and responsibilities of MNO's and MVNO's in their partnership. Giving the MNO the accountability for quality of service of the MVNO's it partners with, may help to regulate the MVNO's that are partnered with but it may also create a situation where MVNO's adapt to irresponsible service as the consequences will not fall on them which poses a great risk to the feasibility of MVNO's working in the long run.</p> <p><b>c) Service license</b>          Yes MVNO licenses should be subjected to a competitive process as this will act as a way of narrowing down the number of MVNOs as only the best will be given licenses.          Yes MNOs to an extent should be held accountable for MVNOs poor quality of service as the infrastructure that MVNOs use belongs to MNOs. So if there is a fault in the MNOs infrastructure MVNOs service provision will be affected.</p> <p><b>d) Service license</b></p> <p><b>e) MBL would advocate a Public Service Provider (PSP) license, under which the MVNO is allowed to sell certain services, such as voice, data and messaging obtained from the MNO.</b></p> <p>In general the MVNO is responsible for the quality of Service, albeit being dependent on the Radio Access Network (RAN) of the MNO. MVNOs would usually discuss and agree service levels, targets and remedies in advance with the host MNO. Typically MVNOs would request non-discriminatory service for their customers. If MVNOs offer ongoing poor service, then their business model would normally fail.</p>
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	<p>In general, MVNOs license should not be subjected to a competitive process. There should be minimal hurdles for the licensee to apply for the license, to not unduly deter entrants to the market. However, in a situation such as Zambia, where the Regulator is seeking to introduce MVNOs for the first time, it may be prudent to limit the first wave of MVNOs via some competitive process so that the market impact may be assessed.</p> <p><i>f)</i> All MVNOs should be issued a Telecom Services Provider license regardless of the business model or implementation model, including MVNEs (enablers). FZB suggests not limiting the number of licensees, however, certain requirement thresholds should be met by the MVNO candidates - mainly, financial capability and innovation potential. Regulation should seek to encourage well-prepared candidates regardless of the number of them, and exclude companies which might not be financially able to grow and keep their obligations towards the subscribers, or candidates which do not bring anything new to the market.</p> <p>Despite the fact that it's an MVNO which holds the terms and conditions agreement with the subscriber, and is responsible for quality of billing, rating, customer care and other services, no MVNO should not be held liable for the network problems of the host MNO. However, it is important to acknowledge the so called "Non-Discrimination" clause in the contracts between MNOs and MVNOs, which states that MNO is not allowed to discriminate against MVNO customers on its network in regards to network quality. This clause basically states that MNO will never reduce bandwidth, decrease voice quality or otherwise reduce the level of network service to MVNO subscribers - MVNO subscribers will always enjoy the same quality of service that MNO clients do. This clause should also be reflected in the terms and conditions agreement between MVNO and the subscriber, as well as regulation and MNO-MVNO wholesale agreement.</p>
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	<p><b>g)</b> No, the issuance of a license should be based on “light touch” regulation, and issued to a prospective MVNO based on the existence of a commercial agreement between the prospective MVNO and an MNO.</p> <p>Where this is clearly a network fault then the MNO should be held accountable. If the MVNO has been unreasonable, overly aggressive in selling or ill prepared then the MNO cannot be held to blame – these factors need to be agreed between the MVNO and MNO in advance and upheld through commercial SLAs.</p> <p><b>h)</b> A Network License would be appropriate to issue. The fact that the infrastructure is not owned by the MVNO should be the differentiator in terms of licensing type. Service License should only be issued to MNO.</p> <p>However, Quality of Service should be clearly defined and MVNO should held accountable depending on the level at which service is being reviewed. Any issues to do with infrastructure remain the responsibility of the MNO while issues to do with quality of consumer product remains the responsibility of the MVNO. The MVNO is in turn expected to have a clearly stipulated Service Level Agreement with an MNO to maintain services to expected levels before offloading them to the end user</p> <p><b>i)</b> In our view, an MVNO should be issued with both the service and network license at reduced price/fees. Such licensing should not be subjected to competitive process but be subject to availability of spectrum or agreement with the MNO The MVNO should also be accountable to QoS</p> <p><b>j)</b> If licenses are to be granted to MVNOs, consideration should be given to a simplified registration process requiring no fees to be paid to ZICTA. Rules and guidelines for operation may be stipulated in advance including the fact that registration may only be filed at ZICTA with consent of a partnering MNO.</p>
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	<p><b>k)</b> This is on the basis that MVNOs will not own infrastructure and that services will be provided using the platform availed by MNOs. In that regard, no entity may validly register to be an MVNO where there is no agreement with any MNO. Additionally, Airtel is of the view that there should be no competitive process for any MVNO to enter the market.</p> <p>Accountability for poor QOS should be dependent on the type of services and terms and conditions agreed between MNO and MVNO. This is view of the fact that the factors at play maybe outside the one party’s control hence perhaps consideration can be given to providing a general framework for which party would be accountable in the event of poor quality of service.</p>
<p>Question 5: Do you think MVNO should be subjected to Universal Access obligations? If not, explain your response.</p>	<p><b>a)</b> No, the MVNO should not be subjected to Universal Access Obligations. By definition, the MVNO has none of its own network and therefore coverage is defined by the coverage of the host MNO.</p> <p><b>b)</b> While taxation questions are entirely at the discretion of the regulator, it is important to avoid double taxation issues which have impeded MVNO development in countries like Turkey. Also, much lower operating margins of MVNOs must be taken into account.</p> <p><b>c)</b> If the MVNO is generating revenues from the network then they should be subject to the same taxes, fees and USF obligations as the MNO.</p> <p><b>d)</b> One of the key reasons for introducing MVNO is to ensure new entrants in telecoms can use existing infrastructure to roll out services.</p>

	<p>This concept encourages new entrants to set up business easily with low Capex. In the same vain, MVNO's should be subjected to Universal Access</p> <p><i>e)</i> The MVNO should also be subjected to Universal Access obligations</p> <p><i>f)</i> Airtel are of the view that MVNOs if allowed into the market, should not be assigned universal access obligations. MVNOs should only be allowed into the market to provide Value Adding Services for the benefit of the customer. With this model, any such obligations will result in an increase in the cost of providing services. However, should ZICTA decide to allow MVNOs to own infrastructure, they should be subjected to specific universal access obligations.</p> <p>If MVNOs are allowed to provide services as it currently is, no additional costs will be envisaged hence no additional costs will be passed to the customer.</p>
<p>Question 6: How could the sharing of spectrum be done between the MNO and MVNO? Do you think MVNO should be issued separate numbering resources by ZICTA or they should depend on numbers of MNO? Please elaborate your response.</p>	<p>a) Yes, the MVNO should be issued a Separate numbering resource to allow for accountability as earlier alluded to.</p> <p>b) MVNOs have no spectrum and use the RAN of the host- hence the 'sharing of spectrum' is not actually possible. The MVNO is usually required to provide rolling usage forecast (data, minutes and voice volumes) so that the MNO can build and manage network capacity. Separate numbering is ideal, as it gives the MVNO further autonomy from the MNO. MNP is also a consideration: in a market where MNP is present, nobody knows which network a customer is using, based on their number and therefore number ranges become less visible or linked to a particular network. MNP is usually regarded as a key factor in the market liberalisation process.</p>

	<p>c) Both options should be available depending on the size of the MVNO. Best practice shows that MVNOs which plan to have less than 100 000 subscribers are better off re-using the MNOs range, and larger MNOs usually seek to acquire own numbering range. It is best to leave this option open and allow MVNOs and MNOs agree on the best way to deal with the numbering.</p> <p>d) By definition of an MVNO, spectrum should only be issued to true MNO's, otherwise an MVNO can become effectively a fourth MNO by stealth, in which case, and to be fair to the existing three MNO's, a full competitive process would have to be implemented which would defeat the objective of issuing MVNO licenses with a "light regulatory touch".</p> <p>No, the MNO should allocate a portion of a block of its allocated numbers to the MVNO.</p> <p>e) The type of MVNO should determine whether spectrum and numbering could be issued. For example, if the type of MVNO possessed by an operator is full, the operator must be issued own spectrum and numbering resources to operate as a full telco operator while riding on other MNO infrastructure. However, the MVNO This type should not be spectrum or numbering but entirely rely on the MNO to deliver end-user products.</p> <p>f) The MVNO should be issued with separate numbering resources by ZICTA if they hold spectrum licenses but may use numbers of MNOs on the basis of business agreement.</p> <p>g) Airtel is of the view that MVNOs should not be assigned finite resources and equally that there should be no sharing of spectrum. MNOs have modelled their businesses for the long term on the resources assigned and any request for sharing will adversely affect growth and the business model.</p>
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<p>Further Comments</p>	<ul style="list-style-type: none"><li>a) A very material benefit of hosting MVNOs for the MNO is the additional financial contribution received via the wholesale charging mechanism. This arrangement is likely to provide significant funding for the host operator, which may then be used to fund additional network coverage, network capacity and / or introduction of new technology and services.</li><li>b) In conclusion, we do not have to go far to learn from workable examples. Kenya provides us with a perfect example where the MVNOs have been working well and licensing fees are affordable to enable the wider creation of a middle class. We are late in moving with technological advancements. This should have been done yesterday instead of criminalizing those who have been using SKYPE and VOIP etc.</li><li>c) Airtel is of the view that any attempts at licensing of such a layer of operators in the market structure will only result in over regulation and increased costs of doing business.</li></ul>
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