

POLICY DOCUMENT FOR VALUE ADDED SERVICES (VAS)

This policy document intends to serve as guiding document for provision of VAS services in Mobile Network of BSNL.

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1. Objective of the document

Certain processes and approval procedures are being used to do the business of Value Added Services (VAS) in BSNL, and these are refined and modified at regular intervals to deal with the evolving market scenario. New innovative services keep appearing on the horizon and some services keep getting stabilized with the time.

1.1 Due to very nature of VAS, the traditional procurement policies can't be applied. Policies specifically adapted for quick provision and deployment of VAS need to be adopted. However, in the past some complaints were generated by competing vendors taking plea that this business also be dealt with as per traditional guidelines of procurement. In this regard, a presentation was given to CVC and other officials of CVC office on 20-07-2012 by the CMD along with all functional Directors of the BSNL Board. The CVC thereafter conveyed vide office memorandum no. 008/P&T/280-184029 dated 13-08-2012 to document the processes being followed and which will continue to be followed by concerned officials of BSNL dealing with BSNL VAS business. Accordingly this policy document is framed, to be used as a guiding document for all BSNL officials dealing with business in VAS Cell.

NOTE: This Document attempts to capture various processes involved in provisioning of VAS. However, based on specific requirement, separate Policy for a category of services may be adopted. The procedure mentioned in specific policy documents for a service will have precedence over the process/guidelines mentioned in this document.

2. Introduction

Value Added Services (VAS) have assumed significant importance in recent times due to the rapid growth in wireless subscriber base. They have enhanced the utility of mobile phone as a powerful medium to deliver information viz., News, Entertainment, Advertisement, Music, Games, Commerce, Education and Health. Simultaneously, they help the service providers in generating new revenue streams as also the consumers in receiving the benefits of personalized applications. VAS Business involves stakeholders like Value Added Services (VAS) Companies in addition to TELCOs.

2.1 A typical stakeholder's chain in the VAS industry encompasses content creators, content providers, content aggregators, technology enablers, telecom service providers and end users or subscribers. Content aggregation and provision of technology platform is usually performed by a

single entity known as Value Added Service Provider (VASP). VASPs are Technology enablers, Application providers and also sometimes Content Providers/ Content Aggregators. VASPs need TELCOs for delivery of service & to collect revenue for them. Generally VASPs bear complete CAPEX & OPEX and operate on 'Revenue sharing' model of business with TELCOs.

2.2 Objectives of BSNL for launching VAS:

- Addition of Value over plain telecom service for customers
- Increase usage of deployed telecom resources & revenue
- Improve subscriber's loyalty, retention and ARPU
- Create competitive differentiation
- Enhance brand image by bringing newer services
- Create alternative source of revenue i.e. other than plain voice
- Engage partners without any direct CAPEX to be done by BSNL.
- Develop eco system of content partners to fuel development and consumption of content/VAS / Telecom Services

2.3 No specific guidelines for fixation of eligibility criteria for EOIs in VAS segment exist as VAS works on managed services model of revenue sharing where BSNL usually does not have to bear any upfront cost (CAPEX or OPEX). VAS is bound to be different from that of any other Business as no outright procurement of equipment/ services/ goods is involved in VAS. However, the aim of any guideline should be to attract wide participation of reputed, capable, financially sound and experienced firms with proper track record and are suitable for scope & nature of work involved.

3. Categorization of VAS

3.1 Value Added Services can be categorized depending upon either the access channel used to access the service or based on type of VAS Content.

a) Categorization of value added services based on Access Channel:-

- **SMS** : Text based VAS
- **STK (SIM Tool Kit)** - text services through a menu on SIM itself
- **USSD (Unstructured Supplementary Services Data)** based services like for all type of content alerts, promotions etc.

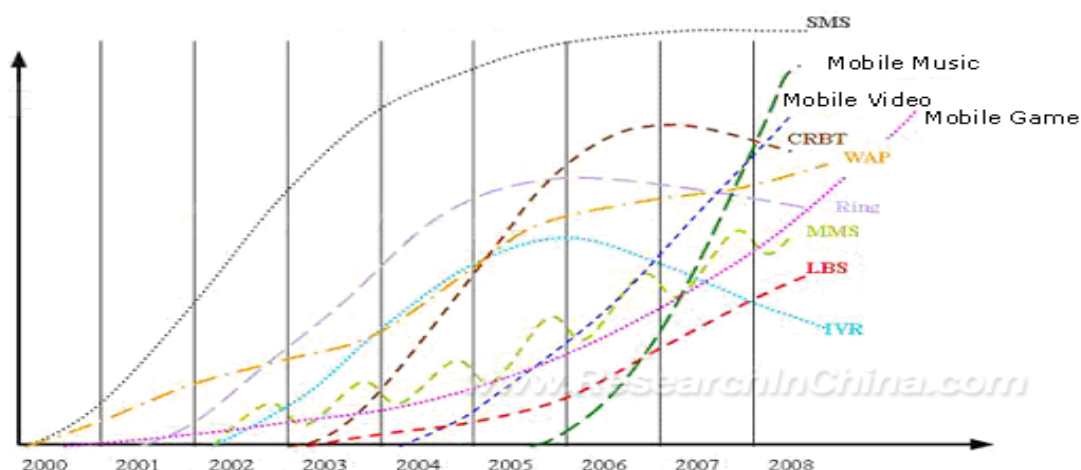
- **Voice Circuit-** Dial a number to exchange voice or video (IVR or IVVR)
- **Data** -3G/ GPRS (General Packet Radio) & WAP (Wireless Application protocol): Browsing & downloading
- **Cell Broadcast** – Alerts and Promotions

b) Categorization based on type of VAS :-

- **M-Infotainment:** Information (News, astrology, Travel info, Digital Mandi, Weather etc.) on SMS, Data, CBS, IVRS, IVVR, STK, USSD, Mobile TV etc . Entertainment (PRBT, Movies, Songs, Videos & Games etc.) on IVR, Video portal, Mobile TV, Data etc
- **M-Commerce-** Retail, banking, and transactions over the mobile phone
- **Utility** (Phone back up, Gas booking, Cable and Satellite TV) on SMS, Data & USSD.
- **M-Governance** (Government sponsored services like Health Programs, Issuance of Certificates, complaint management, monitoring supply chains- mid-day meal scheme, ASHA etc) on SMS, Data, IVR etc
- **Location based** (Fleet Tracking, Friend Finder, Advertisement, Chatting etc.) on SMS, Data, USSD etc
- **Mobile advertisement** on SMS, Data,CBS, IVR, PRBT etc.

4. Different Life Cycles of VAS

4.1 Value Added Services have 3 phases in their life which are "Introduction phase", "Growth phase", "Matured phase". Some VAS may start directly from 2nd phase or may bypass 2nd phase. Initiation and performance of various services has been shown with the help of following graph. It may be observed from the graph that different services may be at different stage of evolution at the same point of time.



4.2 Various Phases of VAS are described below:

i. Introduction Phase: The value added services which are in introduction phase has following characteristics:

- a) Offered for the first time in market,
- b) Developed after extensive R&D
- c) Innovative & uses new technology capabilities
- d) May require integration with new network elements
- e) May or may not require new access channel
- f) Technology provider demands high revenue share specially in view of uncertainties in the uptake of innovative service to
 - i. Recover its R&D costs
 - ii. Tap potential on his innovation and
 - iii. Exploit first mover advantage
- g) Such services, sometimes may look to be similar to existing services but these may be different in terms of:-
 - i. IPR involved for the premium content (old song/ new song)
 - ii. Features on offer- like Automatic Speech recognition platform i.e SMS integrated Voice Portal, Humshakal etc.
 - iii. Customization: For example, SMS based health counseling
- h) Aggressive Marketing is required to popularize these services
- i) In some cases the actual revenue realization may not be commensurate with the initial expectation

In some cases VASP promotes & tightly controls branding across TELCOs like Apalya TV, Frenzo (social n/w service). For some services BSNL itself adopts branding & promotes - like BSNL Tunes, BSNL Live

ii. Growth Phase: The value added services, which are in growth phase, have following characteristics:

- a) VAS stabilizes, starts growing & generating revenue on its own without any special support for promotion
- b) Other VASPs follow innovation & limited competition develops
- c) VASPs make efforts to further improve their VAS & try to create uniqueness in their VAS offerings

iii. Matured Phase: The value added services, which are in matured phase, have following characteristics:

- a) Sufficient numbers of players exist
- b) Many VASPs want to enter the segment to ride on the wave and to cash-in the opportunity, which was initially created by innovators

- c) Examples – Generic services - A(strology), B(ollywood), C(ricket), D(evotion), tones on SMS and IVR, Wallpaper, Tones, simple games, Themes on GPRS.
- d) At times, this phase may be characterized by Excessive competition & Survival of the fittest
- e) Revenue potential tends to reach its peak

5. Existing VAS policy in BSNL

Following are the general principles being followed in BSNL for VAS:

- a) BSNL operates on a 'Revenue sharing' business model bearing no cost (CAPEX or OPEX) to BSNL.
- b) BSNL keeps updating policies to cater to services in each phase to bring maximum business to itself as per market situation and to face competition in a transparent manner.
- c) Broad strategy is prepared after informally studying industry practices, market happenings, regulatory environment & revenue potential etc.
- d) BSNL frames specific policies to cater to the specific requirement of various services. Presently BSNL has following specific & major policies;
 - i) Prepaid Instrument Policy for products like M-Wallet
 - ii) SMS/ Data/ 3G/ USSD based VAS
 - iii) IVR / Human Assisted Platform based VAS
 - iv) Location Based VAS
 - v) Mobile TV based VAS
 - vi) VAS through OTA
 - vii) M-Governance Policy
 - viii) Infrastructure Policy

6. Policy for deployment of VASP infrastructure including connectivity

6.1 VASPs may deploy their equipment at their own location or in BSNL premises. The equipment has to be integrated with the different network elements in BSNL network so that a seamless exchange of information / data etc. may take place. Various terms and conditions will be as defined in the infrastructure policy dated 20-09-2012 and subsequent amendments, if any.

7. Methodology to choose VASPs in BSNL for VAS in various phases

7.1 Depending upon the phase, in which a service currently is, BSNL adopts varying methodology to choose the VASP. The same is explained below:

- a) **During Introductory phase:-** EOI/Tender is not possible for VAS, which is in introduction phase since the VAS is inducted in a proprietary manner. The proposals have to be examined on case to case basis only. If the service is judged to be in introductory phase, BSNL may sign non-

exclusive agreement with the interested company based on mutually negotiated terms & conditions which involves:-

- i) End User Price (EUP),
- ii) Revenue share – depending on costs & competition
- iii) Duration of agreement – based on type of service and anticipated revenues, adoption period of customers
- iv) Period of roll out including deployment, integration and customization
- v) Area of roll out – Zones/ Circles

However, such companies should meet eligibility criteria as per the respective policy. Based on recommendations of VAS Cell/Committee, approval shall be given by the Functional Director.

- b) **During Growth phase:** If the service is judged to be in growth phase, BSNL may enter into Non-Exclusive arrangement, Exclusive arrangement or Mix of the two. However generally, BSNL signs non-exclusive agreements with VASPs. The objective of adopting the above methodology is to tap market potential of respective VAS revenue streams to the maximum extent possible. The modality of agreement with VASP will be examined and recommended by VAS Cell and approved by the Functional Director.

The process for selection of VASP on Non-Exclusive basis: Eligibility criteria including Turnover to ensure financial soundness of VASPs to meet CAPEX & OPEX requirement & Commitment for revenue generation is fixed & displayed on BSNL website in the form of different policy documents. Agreements are entered into with eligible VASPs only. Depending upon revenue potential, number of VASPs may be controlled by revising entry barriers or imposing certain conditions.

The process for selection of VASP on Exclusive basis: Exclusive arrangements are generally adopted in case of Technical & Brand compulsions. The vendor selection is to be done through EOI route.

- c) **During Mature phase:** If the service is judged to be in Mature phase, BSNL may enter into Non-Exclusive arrangement, Exclusive arrangement or Mix of the two. However generally, BSNL signs non-exclusive agreements with VASPs. The objective of adopting the above methodology is to tap market potential of respective VAS revenue streams to the maximum extent possible. The modality of agreement with VASP will be examined and recommended by VAS Cell and approved by the Functional Director.

The process for selection of VASP on Non-Exclusive basis: Eligibility criteria including Turnover to ensure financial soundness of VASPs to meet CAPEX & OPEX requirement & Commitment for revenue generation is fixed & displayed on BSNL website in the form of different policy documents. Agreements are entered into with eligible VASPs only. Depending upon revenue potential, number of VASPs may be controlled by revising entry barriers or imposing certain conditions.

The process for selection of VASP on Exclusive basis: Exclusive arrangements are generally adopted in case of Technical & market compulsions. The vendor selection is to be done through EOI route. Depending on market realities & dynamics, eligibility conditions are decided based on following strategic cum business requirements:-

- Technical and financial strength
- Capability,
- Experience
- Geographical presence of the company

Eligibility criteria as per above is to be finalized by VAS Committee and approved by Functional Director. In some cases, extension of the agreement may be considered to ensure service continuity.

Based on recommendations of VAS Committee for Exclusive Agreement, approval will be given by the Functional Director. However, the Functional Director may decide to refer the case to Management Committee, if he/ she deems fit.

7.2 The Various Procedures being adopted for Existing Services are summarized below:

Name of Service	Methodology to choose vendor	Remarks
Prepaid Instrument Policy for products like M-Wallet	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 5 th November 2012 is available on BSNL Corporate site	Policy displayed on BSNL website
SMS/ Data/ 3G/ USSD	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 27 th June 2013 is available on BSNL Corporate site	
IVR / Human Assisted Platform based VAS	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 25 th June 2013 is available on BSNL	

	Corporate site	
Location Based VAS	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 25 th June 2013 is available on BSNL Corporate site	
Mobile TV based VAS	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 25 th June 2013 is available on BSNL Corporate site	
VAS through OTA	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 25 th June 2013 is available on BSNL Corporate site	
M-Governance Policy	Non exclusive agreement with multiple vendors meeting certain eligibility criteria. Approved policy dated 13 th April 2010 (with subsequent clarifications) was sent to Circles.	Agreements to be signed by Circles
STK	Vendor selection through EOI process	Service operational
PRBT	Vendor selection through EOI process	
CVPS Cum CG	Vendor selection through EOI process	Under Progress
CBS	Vendor selection through EOI process	EOI under Progress
Methodology for any new service is to be decided on case to case basis		

8. Turn over Criteria during Introduction, Growth and Mature Phase

The company should have a minimum annual turnover (as prescribed in respective policy) in the last financial year or in current financial year at the time of submitting of proposal. VAS provider shall submit a turnover certificate from the CA in this regard. In case Turnover Criteria is not met by front bidder, the turnover of Parent company may also be considered based on the merit of the case. Based on the recommendations of VAS Cell, this will be approved by the Functional Director.

9. Methodology to extend/Terminate agreements:

Extension of the agreement is approved after considering following:

- a) Revisions in revenue share, due to change in marketing conditions, by holding negotiations through a committee.
- b) Service continuity to existing subscribers is of paramount importance
- c) Feedback from User Agency
- d) Performance of VASP
- e) Revenue Potential of the Service
- f) To maintain Service Portfolio to match competition

Based on recommendations of VAS Cell for Non-Exclusive Agreement and VAS Committee for Exclusive Agreement, approval is given by the Functional Director.

10. Requirement of Document submission

As per the existing policies of BSNL for various VAS services following documents, in general, are to be submitted by the VASPs before signing the agreement:

- a) Copy of the Article of Association & Memorandum of Association.
- b) List of Directors including their names(s) and address(es) along-with contact telephone numbers, DIN of each director & CIN of the company.
- c) Certified True copy of Board's/ Management's resolution in favor of authorized signatory.
- d) Turnover certificate from the company's Auditors/ CA mentioning the field of turnover as required under the eligibility conditions.
- e) Latest audited Annual Report of the company, in case printed copy is not available then copy of the same duly certified by the Company Secretary/ Director/ Managing Director of the company.
- f) Empanelment fee in the form of DD, if any.
- g) Specimen signature of the authorized official duly attested by Company's/authorized signatory's Banker.
- h) Certificate from the concerned Telecom operator showing the experience as required under the eligibility conditions.
- i) Power of Attorney duly notarized on non-judicial stamp paper in favour of authorized signatory.

- j) Undertaking in support of company not having substantial equity stake(10% or more) or vice versa in & of any Basic services/ cellular services/ Internet services/ Unified Access Services/ National Long Distance services operating company(ies) in India or their promoters and not being a licensed service provider as required in eligibility conditions.
- k) Revenue generation commitment in support of eligibility conditions and an undertaking clearly committing to submit the Bank Guarantee within 15 days of signing of the agreement.
- l) Details of services including price points, which the company wants to provide on BSNL's network.
- m) Non-Disclosure undertaking, duly notarized on non judicial stamp paper.
- n) Contact details i.e. Name, mail id, phone no., mobile no., fax no. of a responsible person for liaising in this matter.

11. Policy for conducting proof of concept (POC)

The decision for requirement of POC is to be taken on case to case basis based on merit of service, revenue potential of the service, number of VASPs in the market, prevailing conditions in the market or any other condition as deemed fit by BSNL at the time of decision. VASP may request BSNL for POC along with submission of non-refundable processing fee Rs. 50,000/- or BSNL may ask the VASP for conducting the POC before commercial agreement with the same condition of payment. VASPs will be allowed to conduct POC with no additional cost to BSNL. The transactions made during the POC are generally not charged but if the volume of transactions during the POC is large, BSNL may prescribe charges for the same on case to case basis. VASPs are not allowed to use the infrastructure deployed for POC for commercial purpose and gain any benefit by advertising the same. They will have to indemnify BSNL in all respects. BSNL may issue detailed guidelines from time to time keeping these aspects in mind.

12. VAS Revenue share Policy

Revenue sharing is the basic feature of VAS working. Following are the salient features of revenue sharing policy adopted in BSNL:

- a) In case of non-exclusive agreement, revenue share to VAS Providers varies from 20% to 75% based on type of VAS, Marketing Conditions/industry Pattern, access channel and other parameters like IPR, royalty payout, volume of business etc & based on responsibility of VASP vis-à-vis BSNL.
- b) 90% of the agreements are for Generic VAS and have uniform revenue share for a type of access channel.

- c) In rest 10% of the agreements, which are for innovative VAS, revenue share varies on case to case basis.
- d) In case of EOI, revenue share will be finalized through successful bidder.

13. Methodology for deciding VAS Revenue Targets

As part of the annual exercise VAS revenue targets are set in BSNL. Following is the procedure of setting targets:

- a) DoT signs MOU including Revenue Target with BSNL
- b) BSNL apportions among different Business verticals. In case of Mobile Business Vertical, revenue targets are further split into Voice & VAS.
- c) Targets for individual VAS are arrived at after exploring revenue possibilities in individual VAS segments and extensive deliberations within VAS cell, with functional Director & BSNL Management after formal/ informal discussions.

14. Penalty provisions for termination of agreement by VASP

14.1 The provision of imposing penalty which are presently in practice, in case of not meeting the revenue commitment or non-compliance of the agreement clause, in both the scenarios i.e. agreement signing under policy or EOI are as follows:

- a) Signing of agreement as per the policy: BSNL has defined policies for signing agreement with the VASPs for various channels like SMS/ GPRS/ USSD/ IVR/ 3G based Services and for prepaid instruments etc. on non-exclusive basis. If prescribed by policy the VASP has to give a revenue commitment backed by PBG.
- b) Signing of agreement after selection through EOI: Earlier there used to be no provision of PBG for the VASPs who use to be selected through EOIs. However later many EOIs floated by VAS Cell wherein the provision of revenue commitment backed by PBG and Earnest Money deposit have been made. Therefore the revenue commitment is not met by the VASP then BSNL reserves the right to forfeit his PBG.

14.2 This new practice of including revenue commitment backed by PBG and Earnest Money deposit in the EOI conditions be made a standard

practice. The said conditions i.e. related to Revenue commitment, PBG & Earnest Money deposit in then EOI should have approval of Functional Director.

14.3 The amount of revenue commitment, related PBG & Earnest Money deposit may be recommended by VAS Committee on case to case basis depending upon the revenue potential of the service, numbers of VASPs in the market for the said service, duration of agreement, scope of work, responsibilities of BSNL, market conditions or any other condition as deemed important by the VAS Committee at the time of decision. Approval will be given by the Functional Director.

15. Role and Responsibilities of various officials

In general, decisions are to be taken by VAS Cell/VAS Committee/ concerned Functional Director except when the issue has wider policy ramifications involving cross functional issues and if felt necessary by functional Director, to have discussions in the Management Committee of BSNL.

The roles and responsibility of various entities includes (but not limited to) following:

- a) The role of Assistant Manager/ Dy. Manager/ Asstt. General Manager is to examine the proposal & put up cases / draft agreements/ draft EOIs with linkage of past events/ facts, bringing to notice the relaxations/ waivers/ exceptions in policies requested by VASPs.
- b) The role of Dy. GM/ Addl.GM is to examine cases / draft agreements/signing of agreements/ draft EOIs put up by subordinates & giving recommendations on relaxations/ waivers (on cases submitted by subordinates). Approve cases of routine nature.
- c) The role of General Manager (VAS) is to approve signing of agreements / modification in agreement proposed in line with VAS Policy, proposals for PoC, examining & improvising draft EOI/ tender document before approval. Residual / Miscellaneous examination / decision on day to day activities.
- d) The role of General Manager (F-CM) is to examine the cases/ proposals sent by GM(VAS) and give recommendations/ comments regarding financial implications/violations and suggestions to remain economical but earn better revenue from VAS.
- e) The role of VAS Committee, constituted by the CMD is to give recommendations about generic VAS related proposals referred by VAS Cell, including negotiation of revenue share and associated commercial/

technical terms & conditions. As of now, it consists of GM (NWP-GSM), GM(NWO-GSM), GM(RA &TP) & GM(VAS) .

- f) The role of Functional Director i.e. Director(CM) BSNL Board is to Consider proposals/ recommendations/ relaxations/ waivers/ exceptions (submitted by subordinates) in policies requested by VASPs & approve. If need be, opinion or comments may be taken from any unit having relevance in the matter.
- g) The role of Director (F) is to Offer comments on the cases sent by the Functional Director from financial point of view & give advices.
- h) CMD BSNL is to consider the cases sent by the Functional Director & approve.
- i) The role of Management Committee of BSNL Board is to deliberate on the cases / policy matters as per agenda note received from Director & approve.
- j) The role of Circles/ Zone is to adhere to the terms & conditions/ time lines of the agreement with no element of discrimination. To ensure timely payments of revenue share to VASPs as per terms & conditions of the agreement, claim and realize revenue share due to BSNL, if any, from VAS Partners. Facilitate integration of vendor's equipment with BSNL Network without delay. Remain vigilant against possibility of revenue leakage or possible fraudulent activity / event. If noticed, take immediate corrective as well as preventive measures and also report to the higher authorities. Handle the customer complaints and to ensure the satisfaction of customers.

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