

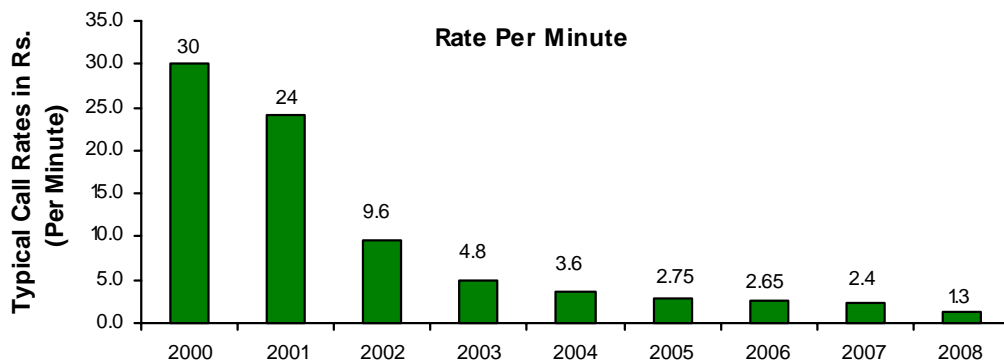
COAI RESPONSE TO THE TRAI CONSULTATION PAPER NO. 10/2008
ON CARRIER SELECTION

- Q1. Is there a case for implementation of carrier selection in today's environment?**
- Q2. Should carrier selected be implemented only in fixed, only in mobile or both.**
- Q3. Should only call-by-call carrier selection (CS) or both CS and Carrier Pre-Selection (CPS) be implemented in the fixed and mobile networks?**
- Q4. In case both CS and CPS are implemented then in view of no major network changes in CS should it be implemented first? Give your suggestions for a reasonable time frame of implementation of CS and CPS.**
- Q5. For what type of calls described in Chapter 1 section 3 should carrier selection be implemented?**
- Q6. In case of CS what should be the policy for default carrier considering the cost and benefits to the customer.**
- Q7. If it is to be implemented in mobile network, should CS and CPS be implemented for both prepaid and post paid customers?**
- Q8. In what way should carrier selection be implemented for roaming customers?**
- Q9. With reference to section 4 of Chapter 1, how do you think the customer should exercise the initial choice?**
- Q10. With reference to section 5.4 of Chapter 1, in the event of implementation of carrier selection, what should be the procedure followed for activation of CS/CPS to avoid slamming?**
- Q11. What should be the mechanism for determination of up-gradation costs? Please suggest the cost recovery method in the present environment?**
- Q12. If the cost is recovered from NLD/ILD service providers then should it be equally distributed among all NLDO/ILDO or there should be difference between NLD/ILD carrying voice traffic and not carrying voice traffic. How would a new entrant in long distance segment contribute towards this cost?**
- Q13. What should be the reasonable time frame for implementing carrier selection separately for fixed and mobile, CS and CPS in both the networks and prepaid and post paid in case of mobile?**
- Q14. Should the billing be necessarily done separately by NLDO/ILDO or left for mutual agreement between access and long distance service providers?**
- Q15. Should access provider make arrangement for selection of the NLDO/ILDO who is not present in SDCA.**

- Q16. If the answer to Q 15 is yes then what arrangement do you propose for carriage of calls upto the point of presence of selected NLDO?**
- Q17. Should NLDO to NLDO interconnection/handover of traffic be mandated in the event of carrier selection being implemented?**
- Q18. In the event of implementation of carrier selection, would any change in the interconnection usage charge regime is required e.g. mandating origination charge, forbearance on carriage charge etc.?**
- Q19. Should there be any requirement to specify minimum criteria for NLDO/ILDOS, based on their coverage etc. to become eligible for selection as carrier. If yes, please provide detailed suggestions.**

- (a) At the outset it is submitted that the predominant rationale for consideration of carrier selection was to provide competition, choice and more affordable tariffs to consumers in the long distance segment.
- (b) The exercise to introduce carrier selection was first carried out by the Authority in 2001 when there were only 2 long distance operators in the market and the STD tariffs were prevailing around Rs. 10 per minute.
- (c) However, the environment has changed significantly since then and the Authority itself has noted that the number of long distance operators has increased from 2 to 21. Further, the STD tariffs have also been falling continuously and currently are as low as around Rs. 1-1.3 per minute. (see Graph-1) These developments have also been noted by the Authority in its Consultation Paper.

Graph-1



Source: COAI Estimates

- (d) In addition to the consistent reduction in overall NLD tariffs, the service providers are also offering numerous add-on packs which allow subscribers to make long distance calls at substantially reduced tariffs.
- (e) Clearly there is enough competition in the market and customers already have ample choice and affordability in respect of their long distance calls and it appears that the benefits that the Authority sought to deliver through carrier selection have already filtered down to the customers.

- (f) Also, it may be noted that the various issues and challenges on account of which the earlier directions of TRAI issued in July 2002 could not be implemented, continue to subsist.
- (g) It is thus our view that the steep reduction in long distance call charges during the last six years has significantly reduced the benefits of lower tariffs which the carrier selection would have provided to the consumers. In fact, it may be noted that at the prevailing long distance tariffs, there appears to be little or no margin for any further reduction through introduction of carrier selection. Rather there is a greater possibility of the rates going up on account of the high costs involved in the introduction of this facility.
- (h) In this context, it is submitted that introduction of carrier selection for consumers entails huge costs in up-gradation of network facilities. The Authority has noted that in the earlier instance, MTNL and BSNL had indicated a cost of Rs. 732 crores and Rs. 1968 crores respectively for implementing carrier selection in their networks. In fact even as recently as in 2007, MTNL and BSNL had indicated that Rs. 171 crores and Rs. 2500 crores would be required for implementing carrier selection
- (i) Also, consequent to the implementation of carrier selection, the NLDOs/ILDOs will have to incur additional costs towards billing, collection of revenues, bad debts and marketing of their services.
- (j) It is pertinent to note that irrespective of who bears the cost of upgradation of the networks, the huge investments involved would be ultimately recovered from the customers resulting in higher tariff.
- (k) In addition to the high costs of implementation, another factor that must be considered is the time frame that would be required to implement this facility. The Authority has noted that CDR billing systems have still not been commissioned in BSNL and MTNL networks and that these would take upto 2 years to be implemented.
- (l) It may be appreciated that in the absence of CDR based billing it would be impossible for BSNL and MTNL to introduce carrier selection. Under these circumstances, it would not be fair on level playing field considerations to consider carrier selection for the private operators alone. In fact the Authority itself had taken this view in 2002 when BSNL was given a relaxation on carrier selection by 12 months by the DoT; the Authority had deferred implementation for all operators based on level playing field considerations. (Para 3.6 of the Consultation Paper)
- (m) There are also several issues involved in considering carrier selection for roaming and prepaid subscribers. The Authority has noted the possibility that carrier selection may not be possible to be implemented for prepaid and roaming subscribers due to various technical issues.
- In the case of roaming subscribers, it has been stated that not only will carrier selection will be complex, but also there was a likelihood that the NLDO/ILDO operator may not be present in the visiting LSA (para 4.4 of the Consultation Paper) Further that in case of international roaming, the carrier pre-selection by a subscriber may run contrary to the roaming agreements that have been entered into between the access provider and the foreign operator.

- In the case of prepaid subscribers, the Authority has noted that introduction of carrier selection will be a complex task with issues relating to control of the call and its termination based on the balance of the prepaid subscriber, revisions in the charging matrix in the IN platform every time a new NLDO is added or there is a change in the tariff plan, higher costs for additional digit, etc.
- (n) In an environment where 90% of the subscribers are prepaid subscribers and roaming traffic is also increasing, the perceived advantages of carrier selection are going to elude the overwhelming majority of the mobile population. Rather these subscribers would be adversely and unfairly impacted as the costs of carrier selection would be borne by all the mobile consumers.
- (o) The Authority has also noted that there will also be a need to resolve issues such as ensuring QOS for the customer, fair return to the access providers, suitable margins for the NLDO, etc.
- (p) In light of the above, the Authority is requested to weigh the pros and cons and consider whether, in an environment where STD tariffs are already prevailing at around Rs.1 to Rs. 1.5 per minute the consumer will get any tangible benefits with the introduction of carrier selection or the sheer costs involved in introducing this facility may actually result in higher tariffs for the consumers.
- (q) **In light of the above, we are of the view that in the present environment:**
- The end **deliverables sought to be achieved through** introduction of **carrier selection have already been achieved** in the market.
 - **The possibility of any major reductions in call** charges on account of carrier selection being available to the subscribers **do not exists as:**
 - a. **High level of competition already exists** in NLD/ILD segment.
 - b. Long distance **tariffs are coming down consistently;**
 - c. The operators will have to incur **huge cost for implementation of** carrier selection
 - d. **Technical and operational difficulties** will be faced by operators in implementation of carrier selection

Therefore, we are of the view that **introduction of carrier selection has lost its relevance in the current scenario** and the implementation of carrier selection may **not be a viable proposition either from the operator or from the customer perspective.**

- (r) Nonetheless if the Authority is of the view that subscribers need further choice in respect of their long distance services, the same can be achieved in a more speedy and cost effective way through calling cards.

Q20. Should the licence conditions of NLDOs/ILDs be amended to allow them direct access to customers through calling cards for making national/international calls.

Q21. Should NLDOs be allowed to sell calling cards only in those service areas where they have point of presence?

- Q22. Should NLDOs be allowed to sell calling cards only for national long distance and ILDOs for international long distance calls?**
- Q23. Should access providers be mandated to give connectivity to NLDO/ILDOs for accessing customers through calling cards.**
- Q24. Should NLDOs/ILDOs be allowed to market national/ international calling cards to promote competition in these segments to the benefit of the consumers?**
- Q25. Should there be restriction on making local calls using these cards in the service area for which they are sold?**
- Q26. How should it be ensured that only permitted services are offered in the market?**
- Q27. Would this require any change in the interconnection regime?**

- (a) The Authority has rightly recognized that one of the alternate ways to offer choice and benefits of competition in the NLD segment to the consumers is through Calling Cards. The Authority has noted in its Consultation Paper that *“the prime purpose behind the carrier selection i.e. choice of long distance operator by consumer may therefore get addressed to some extent through sharing of intelligent network platform among multiple access service providers”*
- (b) In this regard, it may be noted that the Authority has already notified Regulation on Intelligent Network (IN) Services in Multi Operator, Multi Network Scenario on 27th November, 2006. The said IN regulation makes it mandatory for all access providers to interconnect their respective IN Networks so as to allow their customers to access other access service providers’ IN services. The Authority has itself observed that “Special focus of this regulation is on toll free and calling cards.”
- (c) We believe that once this Regulation is fully implemented, it would be possible for the subscribers to use calling cards of one access service provider on the network of another access service provider, which will effectively give the customer the choice of NLD/ILD networks.
- (d) It may be noted that the calling cards of access providers will be able to offer all kinds of calls like local, long distance, value added services like toll free, tele-voting, Universal Access Number, etc. Thus, the customer will have a wide choice if calling cards are offered by access providers.
- (e) Apart from the above, since access providers are providing services to end customers, they have built-up ample infrastructure for marketing, sales and distribution, customer care, billing arrangements, etc. Thus, the access providers will be able to easily market their calling cards on their existing infrastructure and will be in a better position to offer competitive tariffs vis-à-vis a long distance operator.
- (f) However, insofar as the issue of allowing NLDO/ILDOs to directly access the customer, it is emphasized that this is not permissible under the existing license conditions. If the NLDO/ILDO is permitted to access the customer

directly, he becomes a de facto access provider and will necessarily have to acquire a UAS license as per the present policy and licensing regime. At present the UAS license is awarded on a first come first serve basis. There are already several licensee applicants waiting for the UAS license and giving an NLDO/ILDO the right to access consumers directly would tantamount to a backdoor entry. Further, the said license comes bundled with spectrum, allowing NLDO/ILDOs to access customers without a UAS license would tantamount to creating a new category of licensee, which would amount to a modification of National Telecom Policy 99.

- (g) There are thus several legal and policy issues involved in allowing the NLDO/ILDOs to access the customer directly. In light of this, it is submitted that the **license conditions of the / NLDO / ILDOs should not be amended to allow them direct access to the customer.**
- (h) Accordingly, we are of the view that **calling cards should be sold only by access providers** who are entitled under their respective licenses to directly access the subscriber. Also, the Access providers **are best placed to ensure end-to-end call completion of their respective subscribers, by having appropriate agreement with NLDO/ILDOs.**
- (i) **The Authority should thus ensure customer choice in long distance calls through full implementation of the IN Regulation and provision of VCC services by the access providers.** We believe that this will adequately enhance competition in long distance segment and act as an effective alternative to Carrier Selection.
