

**CONSUMER PROTECTION ASSOCIATION
HIMMATNAGAR
DIST. : SABARKANTHA
GUJARAT**



COMMENTS

ON

**Review of Per Port Transaction Charge and Other Related
Charges for Mobile Number Portability**

Introduction :

Number portability that allows the end user to switch between service providers without changing their phone number is one of the fundamental prerequisites for full competition in telecommunications market. After it was first introduced in 1997, MNP has since then been implemented in many countries across the globe. Moreover, the European Union has considered it as a vitally important feature, mandating all member states to launch number portability solutions in 2003. **The European law treats number portability as human right under the EU Universal Service Directive (Directive (2002/22/EC)**

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The MNP costs can be distinguished between Direct and Indirect. In turn, direct costs of implementing and maintaining an MNP system are further divided into the following :

- (i) Setup costs (Upgrade of the network infrastructure to support the MNP solution)
- (ii) Maintenance costs of the MNP system
- (iii) Actual porting costs (Usage of Network resources to route the calls to ported number etc..)

These costs are heavily dependent on the choice of a technical solution to introduce MNP.

The European Union in its universal service directive require from all member states that porting prices should be based on cost, and the EU countries have enforced regulations prohibition to set porting charges above costs. (There should be no profit)

With the possibility to easily change carriers, subscriber churn turn into a significant challenges for market entities. As a consequence, they may engage in tough price competition as a tactical move to retain existing customers and attract new ones but cannot afford keeping up with it endlessly under the pressure of maintaining reasonable profit margins. Therefore, operators become more focused on creating additional value for subscribers rather than continuing price wars with rivals. As such, they tend to initiate loyalty programs, improve consumer service, extend network coverage and rollout new offers.

In countries where operators took a proactive stance in preparing for Number Portability, they were able to increase net

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subscriber addition in the face of more intense competition. This was achieved through a combination of customer service and network improvements, targeted advertising and to a lesser degree, more competitive rate plans.

Following important benefits/outcomes we have achieved from the effective implementation of Number Portability :

- Competition in the telecommunications market is enhanced, resulting in wider consumer choice, lower tariffs and better quality of service.
- Level playing field is created for latest market entrants to successfully compete with more established players/ incumbent operators.
- Innovation and introduction of new services is stimulated to attract investment in the telecommunications sector and to promote its further development.
- Taking into consideration the number portability's impact on the national numbering plan, numbering resources are utilized more efficiently, thus leaving free capacity and flexibility in structuring the numbering plan and accommodating new subscribers and services.

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- Q1. Whether the 'Per Port Transaction Charges' should continue to be calculated based on the methodology adopted by TRAI during the review done in the past? If not, please suggest methodology and supplement it with the detailed calculations indicating costs of hardware, software and other resources etc.**

Comments :

Yes, " Per Port Transaction Charges " should continue to be calculated based on the methodology adopted by TRAI during the review done in the past.

- Q2. While calculating 'Per Port Transaction Charge', whether the total number of MNP requests received by MNPS or successfully ported numbers be considered? Please justify your response.**

Comments :

Successfully ported numbers should be considered as it is an international practice.

- Q3. Should the charges for 'Per Port Transaction' and 'ancillary services' be determined separately or consolidated charges. Please justify your response along with detailed calculations indicating cost of hardware, software, other resources and overhead etc. in addition to the rationale for adoption of the method suggested by you.**

Comments :

The charges for " Per port Transaction " and " Ancillary services " be determined consolidated charges as, the parties incurring heaviest burden of costs are the mobile operators participating in the introduction of MNP. The

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mobile service providers have some system setup costs and administrative costs which can be considered relatively modest, primarily involving modifications to the billing and administrative system of the service provider.

The admissibility of any expenses should be examined on the basic and critical costing principles like cost causation so that only direct cost incurred for implementation of MNP are considered. Any cost or overheads which are not directly related for implementation of MNP should not be allowed. MNP charges should be devised in a manner such that greatest level of efficiency in the allocation of resources is achieved. Consideration of all costs without linking it to efficiency would encourage non efficient expenditure by MNP operator.

Following Cost allocation principles can be adopted :

Cost allocation may vary from one technical solution to another. The costs should be allocated according to principles that maximize net benefit for society as a whole. Below, the six principles which are also supported by Oftel in the United Kingdom can be considered :

- *Cost causation*

In general, cost allocation should have strong regard to whose actions cause additional costs to be incurred. When parties cause costs then they should also bear at least some of the costs in order to encourage economically efficient behavior from them. In the absence of externalities this principle suggests allocating the incremental costs of MNP to the porting customers or, as a substitute, to the recipient operators. However, assuming that the costs are caused by a national policy decision, all parties should bear their own costs. According to that view, the provision of MNP is an essential feature of a competitive market and should be regarded as a normal part of a telecommunications service.

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- *Cost minimization*

Those who are in a position to affect the level of the costs should face strong incentives to minimize costs. This might involve limiting the proportion of an operator's costs which can be passed to others or regulating charges and only allowing an operator to pass on the costs which an efficient operator, using the most effective technical solution, would incur.

- *Distribution of benefits*

Cost allocation should recognize that ported customers are not the only beneficiaries of MNP. Benefits from MNP also accrue to callers and to users in general.

- *Effective competition*

Cost allocation should promote competition and not weaken the benefits which MNP would bring to the mobile market. Maximizing the benefits which are external to the porting customers could be done by limiting the costs which the donor operator can pass to the recipient operator or by limiting the price which can be charged to the porting customer to a proportion of the costs.

- *Reciprocity and symmetry*

Cost allocation should as far as possible be symmetrical and reciprocal, given that MNP is required to be offered in both directions. The main difference in most countries between fixed NP and MNP is in terms of symmetry. For fixed NP the costs are markedly higher for the incumbent operator than for the other operators. In contrast, there is a considerable degree of symmetry in the mobile market.

- *Practicability*

Cost allocation should be easy to implement. This includes minimizing

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opportunities for cheating. This might involve each operator bearing its own costs or treating MNP costs in exactly the same way as other interconnect charges, perhaps just negotiating a lower interconnect charge for calls delivered to ported numbers (assuming that the NP costs are likely to form a small proportion of total interconnect charges and precise allocation of NP costs is of relatively minor importance).

Q4. Whether the Dipping charge, which is presently under forbearance, needs to be reviewed? If yes, suggest the methodology to determine the rate of dipping charge. Support your response with justification.

Comments :

No comments.

Q5. Whether the porting charge payable by the subscriber to the recipient operator should continue to be prescribed as a ceiling charge as per the current practice. If no, please suggest methodology and various consideration for calculating porting charge payable by subscribers.

Comments :

There should be no porting charge payable by the subscriber.

Because :

1. Simple porting process, no exit barriers, High customer awareness and Zero cost implication of MNP on consumer leads successful implementation of MNP and had very strong effect on the competition in the market.

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2. Low or nil MNP cost encourage operators to absorb MNP cost or pass on bare minimum amount of charges to the customers.
3. Low or no MNP cost on subscribers would shatter major barrier for migration and encourage healthy competition in the market.
4. Following countries are having no retail prices for MNP.

Bulgaria	Croatia	Cyprus	Czech Republic
Denmark	Finland	France	Greece
Poland	Romania	Sweden	Hungary
Ireland	Italy	Latvia	Lithuania
Luxembourg	Malta	Netherlands	Norway
Portugal	Spain	Switzerland	Brazil
Columbia	Dominic Republic	Japan	Chile
Ecuador	Malaysia	Canada	Paraguay
Pakistan	Peru	United States	Thailand
Honduras	El Salvador	Cyprus	Australia
Republic of Kazakhstan	Azerbaijan	United Kingdom	Belgium
France	Georgia	Iceland	Moldova
Slovakia	Ukraine	Ghana	Belarus
Iran	Israel	Kenya	Kuwait
Nigeria	Bahrain	Saudi Arabia	Tanzania
Turkey	Senegal		

5. If considered, the porting charge payable by the subscriber to the recipient operator should continue to be prescribed as a ceiling charge as per the current practice. Of com has also adopted current practice.

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6. Any porting charges levied must, without any profit, subject to the requirement for reasonableness, be cost oriented and based on the incremental costs of providing portability.
7. It should be based on a relevant benchmark of the costs of an efficient technology incurred in providing portability.
8. We propose that all porting charge should be calculated using long run incremental cost. Because the technologies used in communication network evolve over time.
9. Porting charges should be reflective of an efficient technology choice and we feel that TRAI should consider what technologies could reasonably be used to calculate porting charge.

Q6. Any other relevant issue that you would like to highlight on the MNP related charges.

Comments :

SIM Locking Practice :

The presence of network effects and switching costs in the mobile telecommunication industry can favor larger firms, causing distortions that are absent in conventional market. Switching costs include time, money and the psychological impact on consumers of switching mobile operators. Now a days, compatibility, size of discount and transaction cost are the three main sources of switching costs in the context of mobile communications. First, there are compability costs cost, which are related to operators' SIM-locking practice, as well as to standards compability. The adoption of common European standards can eliminate compability costs by forcing operators to choose a unique type of network technology, but SIM-locking practices still exists as a way of protecting handset subsidies. If consumer wish to switch operator, they need to buy another handset or unlock their current mobile phone in order to use the new

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company's services. Second, mobile operators usually offer customer discounts, such as handset subsidies and lower prices for on-net calls to raise customer switching cost and lock consumers into their networks.