DUA Consulting

August 5, 2009

Shri J. S. Sarma
Chairman
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhavan
Jawahar Lal Nehru Marg
New Delhi 110 002

Sub: Comments for consideration of TRAI on Determination of Port Transaction Charge, Dipping Charge and Porting Charge for Mobile Number Portability.

Dear Sir,

Please see enclosed a copy of our comments on the various issues mentioned in the consultation paper on "Determination of Port Transaction charge, Dipping Charge and Porting Charge for Mobile Number Portability".

Yours Sincerely,

Ravi Oberoi
Senior Principal

Encl: as above

Cc: Shri Sudhir Gupta, Advisor (MN), TRAI

Dua Consulting view on Mobile Number Portability

- Mobile Number Portability (MNP) allows subscribers to retain their existing mobile telephone number when they switch from one service provider to another or from one technology to another of the same service provider, ostensibly MNP involves moving of subscribers either to a better technology or a better service provider. The argument is very subjective. The experience worldwide has not been that overwhelming. At best MNP could be considered as use of a flavor of the month.

- In our view prime benefit of MNP will be retaining of existing mobile number by subscribers, in particular professionals while giving them flexibility to shift to a different service provider. The same purpose can also be achieved elegantly, efficiently and more ubiquitously by either call forwarding or by a roaming arrangement. Therefore, we believe that if it has to be implemented charges should be kept at those prevalent for one of the two methods.

- This service is more prevalent in countries where handsets come bundled with sim, which is clearly not the case in India. Reviewing the data in the document it is clearly manifest that porting has been a minuscule percentage. 134 million in a customer base of around 3 to 4 billion. The reason that MNP will encourage the incumbents to provide better service is flawed with competition as fierce as in India.

- With approximately 94% of pan-India subscriber base being made up of pre-paid subscriber, it can clearly be inferred that India is primarily a pre-paid market as far as wireless telecom services are concerned, where customers are looking for cheap deals. Sims are at disposal as any other commodity.

- TRAI in its consultation paper has itself admitted that pre-paid customers are more likeable **to opt for change in service provider rather than opting for porting.**

- While deliberating over the costing of porting in India, we have discounted pre-paid subscribers to be target of porting. The MNP service providers should have done better analysis than just picking linear percentages.

- In our opinion only post-paid subscribers will form the basis for MNP. With present churn rate of 3.39%, this brings target porting volume close to 1 mn subscribers. Such 1 mn post-paid subscribers will be more amenable for porting. It would be worth considering whether this number would hold? Has anybody carried out any dip stick study to arrive at intelligent percentage?

- Out of 14mn pre-paid subscriber (considering a churn rate of 3.4% in consultation paper for pre-paid subscribers) likely to change their service provider, a large percentage will in our opinion simply opt for directly changing service provider instead of opting for porting. These set of clients are looking for cheap deals, not for a jazzy bouquet of services.

- With above in mind, we are of the view that MNP service providers have painted a very grossly rosy picture.

- Reproducing table – 5 of consultation paper:

MNP Service Licensee-I

Year ending	Estimated subscriber base (in Mn)	Assumed porting rate (%)	No. of ported subscribers (in Mn)
Mar 2010	250.00	2	5.00
Mar 2011	255.92	2	5.12
Mar 2012	261.63	2	5.23
Mar 2013	267.45	2	5.35
Mar 2014	273.65	2	5.47

Table 5

MNP Service Licensee -II

Year ending	Estimated subscriber base (in Mn)	Assumed porting rate (%)	No. of ported subscriber (in Mn)
Dec 2009	249.5	0.56	1.4
Dec 2010	314.0	2.1	6.9
Dec 2011	375.8	2.84	10.6
Dec 2012	436.7	3.54	15.5
Dec 2013	493.3	4.3	21.2

Table 6

- We are of the view that total porting volume of 6.4 mn in one year is highly inflated specifically with India being a pre-paid market.

- While calculating per port transaction charge we have extrapolated Capex and Opex figures based on revised submission submitted of MNP Service Licensee I.

Particulars	Revised Submission of MNP Service Licensee I	Our Estimation (By extrapolating estimations of MNP Service Licensee to 10% of original value)
Porting Rate	2%	0.2%
Estimated Capex for 5	729	72.9

years (Rs. in mn)		
Estimated Opex for 5 years (Rs. in mn)	1638	163.8
Total Cost (Rs. in mn)	2368	236.7
Avg. Cost per year (Rs. in mn)	473	47.34

Finally we have carried out estimation of per port transaction charge, based on calculation as per table 11:

Particulars	Period	Unit	Amount
Estimated porting during 5 years	5 years	In mn	2.66
Porting rate per year		%	0.2
Estimated Costs for 5 years			
Depreciation	5 years	Rs. in mn	72.9
RoCE (@ 15%)	5 years	Rs. in mn	24.57
Opex	5 years	Rs. in mn	163.8
Total Cost	**5 years**	**Rs. in mn**	**261.27**
Average cost per year		Rs. in mn	52.254
Average porting per year		In mn	0.532237
Average Porting Charges per subscriber		**In Rs.**	**98.17811**

- We are also of the view that, Capex and Opex estimates as well as porting requests quoted by MNP Service Licensee are too high.
- In our view, mechanism involved in porting is very similar to roaming of subscriber.
- When a Delhi based subscriber (X) serviced by a service provider (SP1) travels to Mumbai, he may or may not be on the network of SP1 in Mumbai. Incase X shifts to network of SP2 while in Mumbai; any call to X will be traced to X on SP2 while updating VLR of SP1 and SP2 in Mumbai.
- This is very similar to porting of numbers. Any call routed to X is forwarded to its new operator.
- Hence in our opinion dipping charges at any time should not be more than roaming charges and moving forward should be regulated by regulator as roaming charges have been regulated.

Summary of Issues for the Consultation

1. Whether the network elements, cost details and the cost structure considered for estimating the port transaction charges are appropriate? If not, give reasons.

We agree with regulator's initial view of considering following factors for the purpose of arriving at port transaction charge:

a. Number of porting requests
b. Hardware cost, maintenance and upgradation
c. Software cost, maintenance and upgradation
d. Roll-out cost

However, we are of the opinion that base value for calculating porting requests is highly inflated by MNP service providers. We are of the view that only post-paid subscriber base should be taken into consideration while calculating portability targets.

This will also result in lowering of hardware, software and maintenance cost thereby bringing down Opex and Capex involved in MNPs roll-out, thus reducing costs.

2. Do you agree with the factors affecting the number of porting as discussed in chapter-4? Please indicate if any additional factors are required to be taken into account.

Regulator has considered the following factors affecting the number of porting:

a. Mobile subscriber base
b. Churn rate
c. Number of Access service providers in a service area
d. Life time plans
e. Increase competition, quality of service by creating fear that a high end customer may move

We are of the view that mainly post-paid subscribers are more likely to opt for porting. Pre-paid subscribers already have option of shifting to another service provider, when they are looking at deals inside of Rupees 100; why would they pay around same 100 Rupees as porting charge? Thus in our view regulator must consider only post-paid subscriber's volume while determining number of porting.

3. Whether the projection of the subscriber base and annual rate of porting as explained in the paper for the next 5 years is reasonable? If not, give your estimation of annual porting rate along with the reasons.

In our view, subscriber base projections by MNP Service Licensees are highly bloated. With a prime target of post-paid subscriber base, we are of the view that porting rate will lie in the range of present churn rate of the post paid customers only.

4. Based on the cost details, what is your estimation of per port transaction charge? Justify your estimation and supplement it with the worksheets.

We hereby give our estimation based on a uniform porting rate for next 5 years.

Year Ending	Estimated subscriber base (in mn)[1]	Postpaid Subscribers	Prepaid Subscribers	Postpaid churn rate[2]	Prepaid churn rate[3]	No. of ported subscribers (in mn)[4]
Mar-10	250	6%	94%	3.39%	3.40%	0.5085
Mar-11	255.92	6%	94%	3.39%	3.40%	0.520541
Mar-12	261.63	6%	94%	3.39%	3.40%	0.532155
Mar-13	267.45	6%	94%	3.39%	3.40%	0.543993
Mar-14	273.35	6%	94%	3.39%	3.40%	0.555994

[1] From table 5 of TRAI Consultation paper

[2] From para 4.6.2 of TRAI Consultation paper

[3] From para 4.6.2 of TRAI Consultation paper

[4] We are considering only post-paid subscribers for MNP

Hence total number of subscribers ported over 5 years is 2.66mn and porting rate is 0.2%. This porting rate is 10% of the estimated porting rate of MNP Service licensee I.

Cost summary by extrapolating estimations of MNP Service Licensee I as per table 7:

Particulars	**Revised Submission of MNP Service Licensee I**	**Our Estimation (By extrapolating estimations of MNP Service Licensee to 10% of original value**
Porting Rate	2%	0.2%
Estimated Capex for 5 years (Rs. in mn)	729	72.9
Estimated Opex for 5 years (Rs. in mn)	1638	163.8
Total Cost (Rs. in mn)	2368	236.7
Avg. Cost per year (Rs. in mn)	473	47.34

Estimation of per port transaction charge, based on calculation of table 11:

Particulars	**Period**	**Unit**	**Amount**
Estimated porting during 5 years	5 years	In mn	2.66
Porting rate per year		%	0.2
Estimated Costs for 5 years			
Depreciation	5 years	Rs. in mn	72.9
RoCE (@ 15%)	5 years	Rs. in mn	24.57
Opex	5 years	Rs. in mn	163.8
Total Cost	**5 years**	**Rs. in mn**	**261.27**
Average cost per year		Rs. in mn	52.254
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Average Porting Charges per subscriber		**In Rs.**	**98.17811**

In our view, therefore, the annual porting charge would be less than Rs. 100/- as estimated above as opposed to approx Rs. 100/- as estimated in table 11 of the Consultation paper.

5. What should be the time period for review of per port transaction charge?

Review of port transaction charge must take place only when there is a substantial change in the number of porting or when MNP service providers have witnessed a doubling in number of porting.

In case porting requests curve is flat, no capacity increase will be required and as such no upward change in per port transaction charge must be encouraged.

6. What is your estimation about the number of voice/SMS/MMS dipping which may take place in the MNP service provider's Query Response System?

There is no fixed answer for estimation of how many times a ported number will be called. We do not believe this number to be a significant contributer. This data can be nest estimated from the number of queries from the VLR.

7. What should be the factors which may be considered for the estimation of the Dipping charges?

Logically speaking dipping is similar to locating a subscriber while roaming on network of subscriber other than original service provider.

When a subscriber (X) registered with service provider (SP1) utilizes the services of any other service provider (SP2) while on roaming he is charged a roaming fee. This consists of charges for obtaining location of subscriber for correct routine of the number and in return X pays to SP2 for utilizing its network.

This mechanism in our opinion is very similar to that of query mechanism being followed to obtain location routing number and for correct routing of the called number.

Hence in our view, dipping charges should not exceed that of roaming charges and should similarly be regulated by regulator.

8. (a) Whether the recipient operator should be allowed to charge the porting charge from the porting subscriber?

(b) If yes, should porting charge be equal to or less than or more than the per port transaction charge? Give reasons to justify your view?

(c) If no, give reasons to justify your view.

In our view, recipient operator should not be allowed to charge any porting charge from the porting subscriber as he has already gained a new subscriber and will be receiving revenue from him without spending any money on cost of acquisition of subscriber.

9. Whether the porting charge, if any, paid by the subscriber to the recipient operator, should be shared with the donor operator? Give reasons to justify your view.

In MNP, main tasks are being taken care of by MNP service provider and recipient operators. Donor operator does not have any active say in the matter and none after subscriber has ported to new service provider. As such, in our view recipient operator need not share porting charge with the donor operator. In any case we do not believe that the recipient operator should charge the porting customer either.