



6 June 2008

Mr. Nripendra Mishra
Chairperson
The Telecommunications Regulatory Authority of India
Mahanagar Doorsanchar Bhavan
Jawaharlal Nehru Marg
(Old Minto Road)
New Dehli – 110 002
India

Dear Mr Mishra

Submission by Pacnet in response to TRAI Consultation Paper
on Carrier Selection (No 10/2008) 7 May 2008

Pacnet is pleased to be able to respond to the TRAI's consultation paper on the topic of Carrier Selection in India. Pacnet does not currently have an ILD or NLD licence but is attentive to developments in India's telecommunications market and might in future seek an ILD or NLD licence.

As Pacnet's business is oriented more towards data services than voice services, the only question we wish to comment on is Question 12:

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?

Pacnet respectfully submits that the question as to which NLDs/ILDs should bear the costs associated with upgrading networks to implement Carrier Select (CS) or Carrier Pre-select (CPS) is not whether or not they carry voice traffic but, rather, whether or not they intend to take advantage of either of the above mentioned techniques. If an operator is not taking advantage of Carrier Selection or Carrier Pre-selection then, Pacnet submits, it should not be required to contribute to the costs of implementation of either technology.



In section 6.2 of the Consultation Paper, the TRAI sets down some guiding principles as to cost apportionment that have been established by Ofcom in the UK. These are:-

1. Cost causation
2. Distribution of benefits
3. Effective competition
4. Cost minimization
5. Reciprocity
6. Practicability

None of these principles would justify levying costs for CS and CPS against licensees that have no intention of entering into this market. Quite to the contrary, the first two principles argue directly against costs being apportioned in this way. An NLD/ILD licensee not entering the voice market through CS or CPS does not benefit from traffic derived from these methods so should not impose any costs on the incumbent operators.

If all ILDs/NLDs were obliged to pay for CS and CPS, this would amount to a subsidy by one group of licensees, and therefore their customers, to another group. Although there may be some economic justification for subsidies in the case of Universal Service Provision, Pacnet respectfully submits that this is not the case here. Those companies seeking to take advantage of CS and CPS will be doing so on the basis of generating significant levels of traffic and therefore enjoying a substantial economic benefit. To impose on all operators generally a liability to contribute to the costs would amount to a transfer that is not supported by the cost apportionment principles the TRAI has previously endorsed.

Yours Sincerely

A handwritten signature in black ink, appearing to read "S. Smith", written over the typed name.

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