

Sify's response to the TRAI consultation paper, 2008

Q1. Is there a case for implementation of carrier selection in today's environment?

Yes, countries like US,UK,Germany,France and more than 13 OECD countries have already successfully implemented and embraced CS and CPS because of the benefits it brings to consumers in terms of choice, quality of service and price. Australian Competition and Consumer Commission (ACCC) determined that between 1996-2000, the price of national long distance calls decreased by 23.5% and the price of international calls fell by 53% (with just 5 players in the CPS implementation).

CS and CPS have ensured liberalization of the telecom industry as they induce competition which makes this industry more innovative & operationally efficient.

Calling Cards have also played a major role in liberalization and it is a solution which can be implemented immediately in India without any hardware upgradation or any major costs to the incumbents or new operators. India should **allow calling cards to be implemented immediately** and then follow this up with implementation of CS and then CPS.

Q2. Should carrier selected be implemented only in fixed, only in mobile or both?

As of 31st March 2007, there were 40.75 million registered wireline connections and 165.11 million wireleses (GSM and CDMA) registered users in India (TRAI annual report, 2007). In either case, it is impossible to ignore any one section. From the technology point of view, there is not much difference in implementing CS/CPS in both fixed and mobile service. All wireline and wireless operators have now evolved CDR based billing largely and that should facilitate CS/CPS transition. Worldwide mostly, both Wireline & Wireless operators have moved together for CS/CPS implementation.

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?

: Keeping in mind customer convenience & drawing from learning's of economies that liberalized, CPS with overriding CS is the desired & successful platform. In addition, CPS has to be multi basket that allows for carrier preselection for each type of call – Long distance , International etc.

As CPS needs time to upgrade networks & establish administrative processes, it is advisable to start with CS. World over this path has been taken successfully & has significantly reduced the time to liberalize the industry.

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.

CS should be implemented first & within 30 days of the policy being cleared. CPS implementation would need more detailed work & should be initiated within 6 months of CS implementation. Both CS & CPS should initially be deployed for only long distance calls – National & International.

Success in implementation would need very active role by the regulator.

- Regulator will have to get involve & approve the interconnect draft create the administrative process & overall framework for introducing CS/CPS.
- Enforcement of timelines & agreements & associated penalties by the regulator would be critical to speedy implementation.
- An industry working group if created would help resolve disputes & bring fairness to the new entrant in this process.
- Regulator would have to bring in transparency in cost of CPS & establish the principles of cost sharing so as to ensure fairness to the new entrants.

Introduction of Calling cards for national and international calls should be enabled immediately. This can be done in a very short time as there is no hardware up-gradation required, nor there exist any customer billing issues. The customer would also have a feel of services from various new entrants & is a precursor to CS implementation. TRAI needs to facilitate interconnect agreements, timelines & stipulate penalties for delay in signing contracts & implementation. DID/Toll-free numbers allocation & pricing to facilitate calling cards & complete IN platform deployment are critical for success.

Q5. For what type of calls described in Chapter 1 section 3 should carrier selection be implemented?

We should allow calling cards and implement Carrier selection in the **national and international** circuit to provide users with maximum benefit and also allow the service providers to make optimal use of their resources.

In most countries, CS was introduced in the national and international market & has been extremely successful.

Due to large volumes of local calls, customers prefer to work with incumbent operator & the cost benefit of doing CS does not justify the implementation for local calls. Globally CS/CPS for local calls have not yielded customer preferences & they have continued to use the incumbent operator.

Q6. In case of CS what should be the policy for default carrier considering the cost and benefits to the customer.

The default carrier would have to enable CS with minimal upgrade of network & hence no upfront investment is required by the incumbent. The default carrier would largely provide service for billing & collections in addition to routing basis the CAC. Hence for every call to the new entrant, there has to be a small charge paid to the default carrier for the above services

The default carrier has to be regulated by TRAI for the following

- a) TRAI to approve the Interconnect agreement
- b) TRAI to form a working group of the industry to ensure implementation of the agreement
- c) The regulator to specify timeline for implementation – 30 days
- d) Penalties for non implementation, non contract signing or slamming be decided upon & communicated by the regulator to all operators
- e) Dispute resolution framework & process be overseen by the regulator initially for a period of 6 months.
- f) The IVR should be random in terms of sequence to announce CS to customers thereby giving a fair chance to all new entrants

Answer for CPS implementation

There are 6 universally accepted principles which serve as guidelines for optimal CPS cost appropriation and allocation and we base our recommendation on the same: -

- a) Cost causation: the party responsible for causing costs should help to bear the costs.
- b) Distribution of benefits: the party(ies) benefiting from the process should help to bear the costs.
- c) Effective competition: the cost allocation mechanism should inherently encourage competition.
- d) Cost minimisation: the cost incurrence itself should encourage operators to minimise costs and in particular to adopt technically efficient solutions.
- e) Reciprocity: Charges between operators should be same for the same service offered (in a particular circle).
- f) Practicability: the allocation mechanism should be practical to implement.

After sufficient research, we feel that there will be the following costs associated with the provision of CPS:

- a) **General system provisioning costs:** These are once-off costs in modifying network and creating support systems to enable CPS. System provisioning costs are independent of operator demand.
This cost must be borne by all carriers including the incumbent & must be on per call basis reimbursed to the incumbent. The **cost minimization principle** would apply here and it would provide the incumbents incentive to provide most efficient solutions at the least cost
- b) **Operator-specific enabling costs:** These are the costs of enabling CPS for any individual operator, including the setting up of commercial arrangements for the processing of customer orders.
- c) **Per-line enabling costs:** These are the mainly administrative costs of implementing CPS for individual customer lines.

Both b) & c) above have to be one time cost/subscriber per CPS selection & paid to the incumbent by the new entrants. The new entrants would levy this charge to the customer as he would get sufficient benefits/cost savings on account of CPS. The **cost**

minimization principle would apply here and it would provide the incumbents incentive to provide most efficient solutions at the least cost. Since the costs are being equally borne by them it will pressurize the incumbent to optimize their services and minimize the costs which ultimately benefits the customer and the telecom industry on the whole.

The '**distribution of benefits' principle** also supports the argument that reductions in call costs are ultimately spread across all customers, including the incumbent's and therefore a supplement should apply to all originating relevant call minutes, rather than just *CPS call minutes*. Also consider the fact that it is nearly impossible to predict the actual amount of future CPS usage in minutes and hence the use of actual or projected relevant originating call minutes would allow a more robust calculation of the charges.

Q7. If it is to be implemented in mobile network, should CS and CPS be implemented for both prepaid and post paid customers?

Answer: Out of the 165+ million customers in the mobile market in India, over 80% of them are prepaid users. At the same time, post paid users have higher ARPU's & would benefit immensely from CPS. Thus it's imperative that the service be available to both prepaid & postpaid customers & that is also the global practice observed.

The consultation paper mentioned that there might be some reservations amongst incumbents regarding billing and sharing of data in case of postpaid/prepaid customers.

Sify would like to point out that in case of 80% of the mobile customers (who are prepaid customers), there need NOT be any sharing of customer related data as the cost of CPS minutes will be deducted from the prepaid card and hence there are NO billing issues too. There can be an agreement between the incumbent and NLD/ILD operator for the collection of the operator's revenue from the incumbent and to ensure transparency which allows the operator to validate the billing by the incumbent.

In case of only 20% of the mobile customers (postpaid), TRAI needs to ensure sharing of relevant customer data (such as credit history,usage details,etc) to ensure that a new operator can make an educated decision before offering a customer their services. This data will also be needed in case of post paid customers **to ensure collection and bad debt settlement.**

Q8. In what way should carrier selection be implemented for roaming customers?

Answer: In case a user is using CPS while roaming, the over-ride facility can be used in case the default carrier is not available in the area of use. In this case the user should be given an IVR message and be asked to choose the over-ride facility rather than using the service of the default service provider (as his pre-selected choice is absent).

The IVR must also prompt the customer to choose the alternate carrier with whom the CS/CPS carrier has already tied up for Roaming as is done currently among incumbents.

Q9. With reference to section 4 of Chapter 1, how do you think the customer should exercise the initial choice?

Answer: **CS being the starting phase, balloting is not needed and marketing should be the enabler as customers would get to experience all alternatives both in terms of quality & price before committing for CPS.** It would be upto the new entrants to educate the customer about the benefits of CS and their service in particular.

In case of CPS, we recommend that **both balloting and marketing should be used** to help a customer make his choice. Providers should be mandated to use marketing to educate the customer about the CPS service (and about their service in particular). Balloting should then be carried out. We can follow the approach used by FCC in USA, wherein balloting was carried out in 2 rounds. In the first round, ballots were asked to be returned with the monthly bills (70% failed to do so). In the second round, notices were sent along with the ballot forms stating that in case these were not returned then the customer would be assigned to a service provider for CPS randomly and this had a success rate of 75%.

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?

Answer: There can be multiple solutions to this issue:

- There can be external audit of operators' order records to ensure that slamming does not occur.
- Users can be asked to make phone confirmation to incumbent and/or the selected carrier (initiated by either party).
- Separate written confirmation to incumbent and the other service provider from the customer of the change of service, using a standard reply card/slip. The card will include the customer's signature, as well as other information that should identify the card as genuinely completed by the customer rather than a 'slammer'. This solution was applied in UK and to further protect customers, there was also a 14-day "cooling-off" period within which they can change their minds.
- In US, FCC enforced that if a consumer has been slammed, he or she does not need to pay any company including the authorized one for any service up to 30 days after the slamming. The consumer must pay the charges for services beyond the 30 days to his or her authorized company at that company's rate. If a consumer fails to notice slamming and has paid the bill before discovering it, then, a) the slamming company must pay his or her authorized company 150% of the charges it received, b) the authorized company reimburses the customer 50% of what he or she paid to the slamming company.

Q11. What should be the mechanism for determination of up-gradation costs? Please suggest the cost recovery method in the present environment?

Answer: For CPS implementation, the incumbents should be asked to submit a detailed break-up of estimated costs and timeframe needed to upgrade systems. This should be done within a period of 60 days. After that all interested parties should

be allowed to view the same and contest the claims if needed. TRAI should hire external consultants who have successfully implemented CS/CPS earlier to audit the estimates.

The costs should be finalized within a 4 month period.

The incumbent should not estimate for day-day operational costs and should only include the set-up and hardware changes costs in the estimate.

Please refer to Q6 for the recovery mechanism.

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?

Answer: Only operators carrying voice traffic should be eligible to offer CS/CPS service. Certain operators may avoid entering the market in the initial stages to avoid sharing set up costs and then would benefit from entering the market at a later stage. TRAI should offer licenses valid for a 5 year period. In case a new operator decides to enter the market later then he should be asked to pay a pre-decided amount which can be reimbursed to all the parties who bore the set-up costs in the initial stages.

Please refer to Q6 for cost recovery mechanism.

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?

Answer: In the fixed and mobile markets, CS should be introduced within 30 days and CPS within 12 months of CS implementation. In case of any delays, auto dialers or other such facilities should be used as a temporary solution.

Q14. Should the billing be necessarily done separately by NLDO/ILDO or left for mutual agreement between access and long distance service providers?

Answer: World over, the industry practice has been to only supply the customer with a consolidated bill for the default and other operators used by customer. This is extremely convenient for the customer as he only has to pay one bill and he gets all the relevant information in one bill itself.

In case of Prepaid customers, the cost of CPS minutes will be deducted from the prepaid card and the incumbent needs to reimburse this amount to the NLD/ILD operators.

In case of postpaid customers and fixed lines, there should be a common bill generated by the incumbent which also contains the details of the new operator's charges. The incumbent should collect the payments from the customer and then reimburse the new operator with the correct amount.

The incumbent can charge the new operator an appropriate fee for CDR testing, bill generation and collection.

In case of bad debts, the new operator should be allowed to bar the customer from using his NLD/ILD services. TRAI should mandate that the customer should

not be allowed to use another NLD/ILD service provider's service without clearing all outstanding dues with the previous operator.

The mechanism for recovery of the costs from the incumbents by new operators needs to be transparent and speedy and should be regulated by TRAI.

Collection of bad debts (pertaining to use of the respective operator's service) and persecution of customers (in case of any issues) would be the responsibility of the NLD/ILD operator.

Q15. Should access provider make arrangement for selection of the NLDO/ILDO who is not present in SDCA.

Answer: No, refer to question 8

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?

Answer: NA

Q17. Should NLDO to NLDO interconnection/handover of traffic be mandated in the event of carrier selection being implemented?

Answer: NLDO to NLDO interconnection needs to be allowed as NLDOs who do not have point of presence in an access area should be allowed to participate in carrier selection process for that access area to ensure fair competition.

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.?

Answer: Yes, as pointed out in Q6, the following modifications would be needed:

- Introduction of origination charges
- Reduction of the IUC maximum carriage charge from 65 paisa to 50 paisa for inter-circle calls.
- IUC maximum carriage charges for fixed line calls within a state should be fixed at 20 paisa which is currently levied for distance upto 50 kms only.

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.

Answer: Any operator who holds a NLD/ILD license and has a presence in at least 15 different circles in India & who has an ILD gateway of his own be allowed to apply for CS/CPS for long distance calls.

In addition to this, there should be a CPS code of practice (which should deal with issues such as billing, operating procedures, etc) and an obligation to comply with the same should be mandatory in order to get the license.

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

Answer: Yes, countries like UK and USA have implemented CS, CPS and also calling card facilities to ensure total liberalization of the telecom industry. Calling cards is an option which has no hardware changes or costs associated with them and can be implemented immediately. These cards allow customers who do not own a telephone to access the facilities via pay-phones, etc. The service providers can come up with innovative solutions like online recharge and pin-less dialing to make this service as convenient as the CPS service. These cards will also help mobile phone customers when they are on roaming.

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

Answer: No, calling cards should be available everywhere the operator wishes to make them available. It's possible to have a national access number which would ensure that it does not matter if the operator has a local presence in all areas or not.

Q22. Should NLDOs be allowed to sell calling cards only for national long distance and ILDOs for international long distance calls?

Answer: Yes. It is imperative for the success of the calling card service. However , carriers with both license can have a common calling card for both National Long distance & International calls.

Q23. Should access providers be mandated to give connectivity to NLDO/ILDOs for accessing customers through calling cards

Answer: Yes, calling cards need a local/national access number to enable the customer to use the service. It is imperative that TRAI lay down guidelines which ensure that access providers provide NLDO/ILDO'S with the needed national/local access numbers.

The origination charges levied by the incumbents for toll free numbers need to be sufficiently reduced to make calling cards feasible for the new operators. The entire implementation must have timelines & penalties for not meeting the schedule for the incumbents as in case of CS/CPS.

Q24. Should NLDOs/ILDOs be allowed to market national/ international calling cards to promote competition in these segments to the benefit of the consumers?

Answer: Yes. It is imperative for the success of the calling card service.

Q25. Should there be restriction on making local calls using these cards in the service area for which they are sold?

Answer: These cards can again be introduced in phases similar to CS/CPS.

In the first stage, the cards should only be applicable for national and international calls.

Customer feedback should be taken after a 1 year period and after analyzing usage statistics and the feedback, a decision can be taken to introduce the same for local calls in the second phase.

Q26. How should it be ensured that only permitted services are offered in the market?

Answer: TRAI should set guidelines and the default service providers as well as customers should be made aware of the services permitted.

There can be third party audits and it should be mandated by TRAI for the service provider to provide all records of usage by users which can be analyzed to check for illegal services.

Users/Competitors should also be given a forum like a website/toll free number to report and illegal services being offered by any service provider.

Q27. Would this require any change in the interconnection regime?

Yes, the implementation of CS/CPS would involve the following changes in the interconnection regime:

- There will be introduction of Origination charges at the point of interconnection of the originating provider to the pre-selected provider.
- There would be the need for an interconnection agreement which would deal with the billing & dispute resolution issues, namely if the operators offering CS and CPS should be required to bill for national and international calls for both CPS and CS and also collection of the bills by the incumbent & associated charges.
- There would be regulations /penalties needed to check for delays in the delivery of pre-selection interconnections by incumbent operators to ensure fair competition.
- Where a call is routed by CS/CPS, the originating operator will need to prefix the customer's dialed digits with the 'CPS access code' before passing the call across the Point of Interconnection.
- The upper limit of Carriage charges under IUC would have to also undergo a change where in for fixed line, charges would have to be Intra State & Interstate rather than by distance. The overall carriage upper limit of carriage charge under IUC be advisable to be lowered