

For Your Urgent Kind Attention, Please

TVR/COAI/138
August 29, 2005

The Telecom Regulatory Authority of India
A-2/14, Safdarjung Enclave
New Delhi – 110 029

Dear Sirs,

Introduction of Mobile Number Portability

This is with reference to the Authority's recent Consultation Paper No. 7/2005 dated July 22, 2005 on the issue of Mobile Number Portability.

At the outset, we believe that **number portability is a complex and costly exercise** and it is **vital that the matter be fully examined from all aspects** before any recommendation is made or any decision is taken in the matter.

In this regard, we would thus **like to propose that the Authority may like to commission and expert agency to carry out a detailed study on the Issue of Number Portability and its relevance in the present Indian scenario**. We believe that the **Authority has often used the services of overseas expert consultants** in matters of consumer interest, and we believe that **this practice should be followed in the present instance as well**.

It is further submitted that **COAI too, is looking at commissioning an expert agency** to carry out a study of international practices in number portability and the lessons for India.

In the light of the above, we would like to **refrain from responding on the various issues that have been raised by the Authority in its Consultation Paper, till such time as we are able to obtain a clear understanding on this important issue**.

We believe that **such an exercise will take at least around 4 months**. We would thus like to **request the Authority to grant us an extension of least 4 months** so that we can **carry out the necessary study and examine this issue carefully and make our considered submissions in the matter**.

Notwithstanding the above, we would nonetheless like to make **a few preliminary submissions** for the kind consideration of the Authority.

A. One-Sided Approach of Consultation Paper

1. We note that the **Consultation Paper does not seek to determine whether mobile number portability should be introduced at the present juncture, but rather approaches this issue from the view that its introduction is a foregone conclusion**. While the **Consultation Paper** lists the perceived benefits of number portability, it **does not table any assessments of the costs, complexities and implications** of introducing this facility, which makes for a one-sided consultative approach.

2. We believe that the **consultation process must include an evaluation of the costs, impact and implications vis-à-vis the benefits of introducing this facility** in order to conclude on the desirability of introducing MNP at the present juncture.
3. In this regard, we would like submit the following for the kind consideration of the Authority:
 - a. Despite the **cost structure of the Indian telecom sector being amongst the highest in the world**, we are **offering the lowest mobile tariffs** to our consumers.
 - b. The **commendable growth** of the industry in recent years can be **attributed primarily to the ever increasing affordability** of service that we are offering to the price sensitive Indian consumers.
 - c. **Given the efforts of the industry to reduce the cost structure**, we believe that **introduction of number portability at this stage** would be an **undesirable step** as it would **entail substantial investments** in setting up the systems and databases for number portability. This would **add significantly to the costs** of operators and **consequently the end-user tariffs**.
 - d. It has been estimated that mobile number portability will add to infrastructure costs significantly. We believe that the **costs of introduction of MNP would be at least around a few thousand crores**.
 - e. **In an environment where the service providers are making all efforts to further improve affordability** of service in order to reach out to the marginal and low end users, **such a step which takes mobile tariffs in the upward direction is undesirable** and would **have an adverse impact on the growth of tele density** in India.
 - f. It may also be submitted that **most regimes introduce number portability with the objective of promoting competition**. It is submitted that **India**, which has between six to eight mobile operators in every service area, **already has an intensely competitive environment** featuring the world's lowest tariffs and **does not need mobile number portability to promote competition**.
 - g. We sincerely believe that the **efforts of all stakeholders should be focused on** more important issues such as **reducing costs and improving the ability of operators to expand the coverage and reach of their service** to more and more consumers in order to **achieve the Government's target of 250 million subscribers by 2007**.
 - h. Lastly, we would like to submit that **in respect of any facility that is proposed to be introduced in consumer interest**, the **Authority must balance the advantages that the facility will bring vis-à-vis the cost burden that it will entail**. We believe that if **mobile number portability is assessed on these parameters**, it will be **evident that introduction of this facility is not desirable at this stage** of telecom development of the country **as the potential costs of the same far outweigh the perceived benefits**. Most importantly, it is a consumer-unfriendly proposal as it would actually increase the end-user prices.

B. Why Only Mobile Number Portability

1. Further, we note with extreme concern that **despite recording that 89% of the fixed line subscribers are with the incumbent operator the Consultation Paper has discarded the option of introducing fixed number portability** on the grounds that "for

implementation of fixed number portability, the status of fixed networks needs detailed consideration and its suitability for the implementation of FNP will also need to be examined in detail.”

2. It is thus apprehended that **introduction of mobile number portability is being considered, not because it is necessary, but merely because, it is easier to implement/introduce.**
3. This approach **is also contrary to the international practices tabled** in the Consultation Paper. **Of the 8 country examples** cited in the Paper, **6 countries introduced fixed number portability 3-5 years before introducing mobile number portability**, one country (Netherlands) introduced both simultaneously.
4. **Some of the countries that introduced Fixed number portability before MNP include Hong Kong, US, UK, Finland, Australia, Germany, France, Austria, Denmark, Belgium, and Spain.**
5. We believe that **if at all number portability is ‘needed’ in the Indian market, it is in the fixed service sector, where even after 10 years of privatization, 89% of the subscribers are still with the incumbent operator.**

C. International Practices

1. We note that the **Consultation Paper has tabled instances of several regimes that have introduced number portability.** However the **details given in this regard are at best sketchy and do not give adequate information** about a number of factors that may need to be considered before considering introduction of this facility in the India context.
2. For example, we verily believe that :
 - a. In **Netherlands**, the introduction of **porting has generally been regarded as unsuccessful.** In fact, we believe that **although churn is high at around 35-40% p.a. only 5% of customers** who change networks **actually choose to port their number** when churning.

Also that **in Netherlands, number portability was introduced when there were only two operators** in the market and was **essentially used as a tool to facilitate competition** especially for the new entrants. Thus, it cannot be conclusively inferred that the increase in tele density was due to introduction of number portability. In fact it is more likely that the increased tele density was a result of the increased competition created by the new entrants.

It may also be noted that Netherlands introduced complete number portability, fixed, mobile & geographic.

- b. In the **United Kingdom**, we believe that **although porting has been available since 1999, only 3% subscribers have ported their numbers.** One reason for this is believed to be the **very high porting charges** which in case of one operator, **was as much as £30.**
- c. In **USA**, the **decision to introduce number portability was taken in 1996.** That in 1998, the FCC determined what types of costs companies would be allowed to recover through separate charges for offering this facility. That FCC permitted that this charge could be recovered by the service providers for a period of 5 years from all customers wherever this facility was available.

Fixed Number Portability was introduced in 1998 and Mobile porting was introduced only in November 2003. We believe that despite more than eighteen months after its introduction, mobile number portability has been more of a lumbering elephant and less of a roaring lion. **Mobile porting has not picked up** as was expected by the industry and **only a minority of the churn is opting to port their numbers.** It is also pertinent to note that in the US, **most of the porting happened from Fixed- to-Mobile.** Therefore if only Mobile Number portability is considered in isolation, the percentage of churn opting for porting would be significantly lower.

3. It may also be noted that **all the examples given in the Consultation Paper are of highly developed and mature telecom markets with high tele density.** It may be noted that **UK introduced number portability when its tele density was 45%, Germany at 72%, France at 70%, USA at 55%, Hong Kong at 64%.**
4. **India on the other hand is still a developing telecom market** with a tele density of barely 11 and **with completely different priorities.** In fact the **most important objective** before the country is **to rapidly increase tele density especially in rural and remote areas** as is evident from the Government's target to reach 250 million subscribers by 2007. Under these circumstances, the fundamental question that must first be answered is - **does India need number portability now?**
5. That an **assessment of the success of number portability in various countries** reveals that **this facility has been most successful in regimes with over 100% tele density** (Denmark, Netherlands, Finland, Hong Kong) and that many of the country examples cited by the Authority have the worst practices in number portability (France Germany, Switzerland, Netherlands, UK, etc) as even after 2-6 years of number portability, the number of ported numbers in these countries is less than 6%.
6. It is thus our **humble submission that the issue of introduction of number portability should depend on the country's market environment, telecom objectives and telecom priorities.**

Our Submissions

1. We thus believe that any **consultation on the issue of number portability should inter alia deal with the following fundamental issues :**
 - i. **Should number portability at all be introduced in India at this stage?**
 - ii. **Should fixed number portability be introduced before mobile number portability?**
This appears to be the practice in almost all other countries. Why should India deviate from international practice, especially when the 'need' for number portability is far higher in the fixed service segment?
 - iii. **What are the costs associated with introducing this facility. Who bears the initial costs? What is the impact of these costs on the tariffs for end-users?**
 - iv. **How successful has number portability been in the regimes where it has been introduced?**
2. As mentioned above, **to answer the above issues in a holistic manner we believe that it is necessary for us to undertake / commission a detailed study on the Issue of number Portability and its relevance in the present Indian scenario.** We believe that the **Authority has often used the services of overseas expert consultants** in matters of consumer interest, and we believe that **this practice should be followed in the present instance as well.** We from **COAI too, are looking at commissioning an expert agency**

to carry out a study of international practices in number portability and the lessons for India.

- 3. We believe that such an expert report will give us valuable inputs on how to proceed forward in this matter.**
- 4. We believe that such exercise will take at least around 4 months. It is therefore kindly requested that the Authority may keep this issue pending till such time we are able to get an expert report on this important matter.**

We do hope that our submissions will merit your kind consideration.

Kind regards,

Sincerely yours,



TV Ramachandran
Director General

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