



Response to the Consultation Paper on ‘Review of Per Port Transaction Charge and Other Related Charges for Mobile Number Portability’ released on February 22, 2019 and updated on April 01, 2019

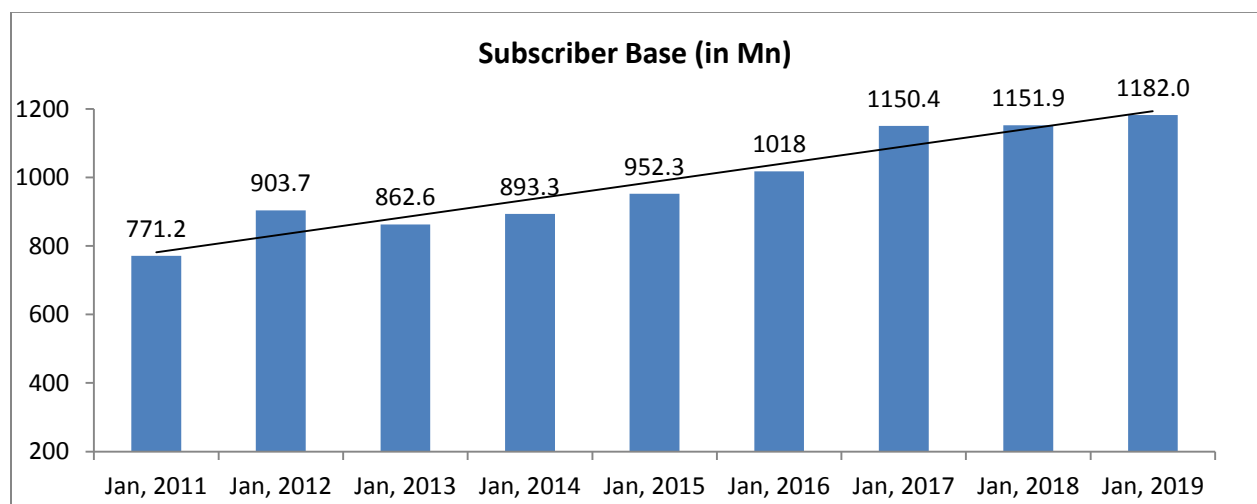
COAI welcomes the opportunity to comment on the TRAI consultation paper on Review of Per Port Transaction Charge (PPTC) and Other Related Charges for Mobile Number Portability (MNP).

1. Preamble:

The Intra-service area Mobile number portability (MNP) was implemented first in Haryana service area w.e.f. 25.11.2010 and in the rest of the country w.e.f. 20.01.2011. Inter-Service Area MNP has been implemented in the country w.e.f. 03.07.2015.

Since the inception of the MNP till end of January, 2018, the Per Port Transaction Charge (PPTC) remained at rupees nineteen. Though, while issuing the Principal Regulations in 2009, TRAI had stated that they may review and modify the PPTC at the end of one year from the date of regulations coming into force, however, the review was initiated after seven years of implementation of the MNP and the PPTC was set at rupees four for each successful porting w.e.f. 31st January, 2018. The amendment regulation has recently been quashed by Hon’ble Delhi High Court. Therefore, the Authority must take immediate steps to implement the correct cost based PPTC.

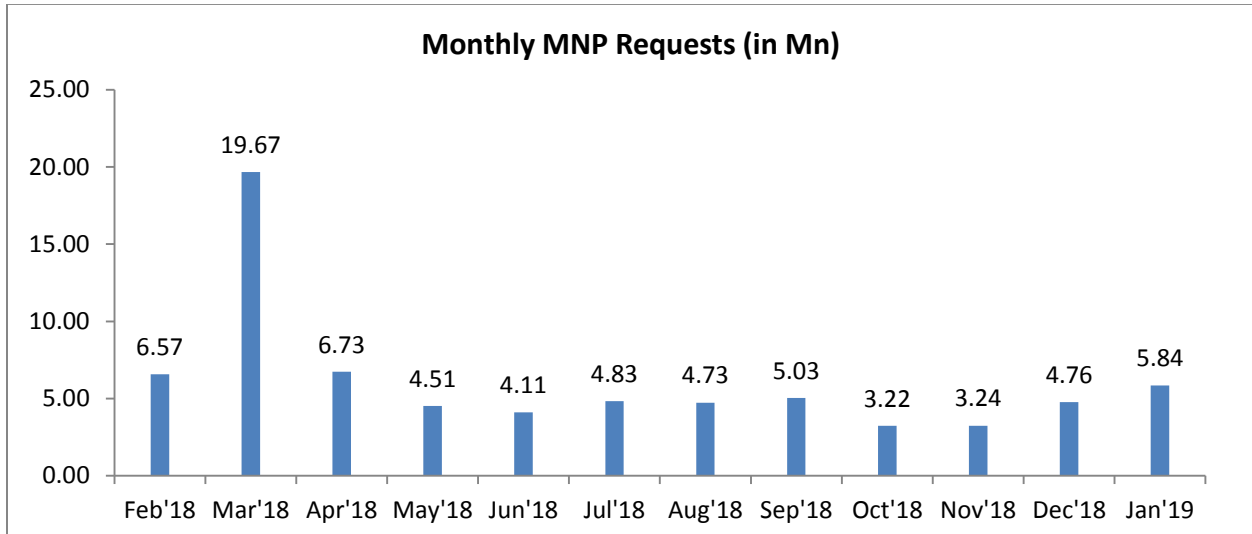
The wireless subscriber base, which was at 771.2 million at the time when the MNP was launched in the country, has now reached to 1182 million as of January, 2019. This is a 53% increase in the subscriber base since the commencement of the MNP facility and PPTC coming into effect. Below chart depicts the increase in the wireless subscriber base:



Thus, with the increase in the wireless subscriber base, the potential users of the MNP facility has increased manifold which led to the increase in the number of MNP requests.



Further, from the time TRAI prescribed PPTC at rupees four (i.e. in last 12 months), the total number of MNP requests were 73.24 million. Below table shows the monthly MNP requests in last 12 months.



Given the fact that the number of porting requests remains substantial, even after some of the TSPs have closed their services, it is expected that the per unit cost for MNPSPs remains the same, if not reduced, and the PPTC should not be further increased from the previous calculation of Rupees Four. Also, TRAI should immediately determine price for the existing process (till the newly prescribed MNP process comes into effect) so that TSPs can pay as per the same to the MNPSP. Customers or operators bearing such cost for customers, cannot be paying Rs.19/- henceforth, as we understand that the recalculated PPTC will be in the range of Rs. 4 only. Thus immediate re-determination of PPTC is required.

We would also like to submit that the calculation of the PPTC should be cost based exercise, since the cost of porting is to be borne by the customers. We would also like to submit that the cost of MNP as per new process will not be much higher and will only be a fraction of addition on the existing cost. To ensure that the actual relevant cost are considered by TRAI, all the elements of costs /modules should be reviewed in order to arrive at the optimal cost so that the consumers are not overcharged.

Our question-wise responses are as below:

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.

And

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



and

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.

COAI Response:

1. Since the inception of MNP in Jan 2011, the number of MNP requests has increased significantly and the costs have declined. The porting charges of Rs. 19 continued even beyond initial 5 years. As a result, the two MNPSPs have earned revenues in excess over the estimated cost plus recovery envisaged by TRAI. Considering the decrease in cost and increase in porting requests, it is evident that the per port transaction charge needs to be reduced considerably.
2. It is known fact that both MNP service providers are providing their services in a monopolistic market, as there is no other supplier of MNP services in their respective zones. In such a scenario, it is essential that the charges are fixed on cost basis so that no undue advantage is bestowed to the MNPSPs. Further, the components of the cost considered by TRAI while calculating the PPTC should be relooked and only those cost components e.g. software, support and maintenance, which are required (relevant) to render the services to the TSPs by the MNPSPs should be considered. Any other cost item should be excluded from the total cost while calculating the PPTC.
3. Vide the 2018 Amendment, the per port transaction charge was made applicable w.r.t only successful porting. The amendment has been quashed by Hon'ble High Court of Delhi. However, the basis / rationale for the reduction in the per port charge – viz. decline in costs of the MNPSPs and a tremendous upsurge in the volume of porting requests, are still valid. It is submitted that the success of a porting request depends upon several factors, which may not be within the control of an MNP service provider, such as the eligibility of the subscriber, and the fulfillment of statutory obligations by both the subscriber and the concerned TSP under the MNP Regulations. **In view of the same, it is recommended that the per port transaction charge should be applicable on per request basis.** Further, as stated in para 1 above, any revision in the per port charge should necessarily consider the fact that with the increased number of porting, the MNPSPs have made supernormal profits for several years owing to an exorbitant per port charges.

On the issue of applicability of PPTC, one of our member, RJIO, has a slightly different view. RJIO is of the view that the justification for making the PPTC applicable only on successful requests remains valid as the RO is being unnecessarily made to bear the cost of an unsuccessful porting, where it gains nothing in return. Therefore, the PPTC should be applicable for only successful porting and the MNPSP should be compensated for work done in unsuccessful porting by adding a mark-up on PPTC. The Authority can observe the average number of rejections under the revised process and may add a mark-up to the porting charges derived basis the cost analysis. Going by the available statistics, as also noted in the Explanatory Memorandum of 7th Amendment, this mark-up cannot be more than 4-5% of PPTC.



4. Vide MNP (seventh amendment) Regulations, 2018, the entire MNP process has been changed and now the responsibility of checking the eligibility criteria lies with the MNPSPs through the query-response mechanism with the TSPs. Thus, the charges for generating the UPC by the MNPSP should be calculated considering the relevant cost component w.r.t. UPC generation and the total number of MNP requests for that period. This entails some additional investment for procuring servers and software for the intended purpose. As per our estimates, this cost will not be more than 1-3% of the MNPSP's present cost.
5. Further, TRAI has envisaged other ancillary charges e.g. number return charge, data base download charge, port cancellation charge, subscriber reconnection charge and non-payment disconnect (NPD) charge which the TSPs may be required to pay to the MNPSPs. In this regard, it is submitted that the process of number return, port cancellation and NPD are more or less similar to the provision which exist since the inception of the MNP, i.e. the activities required to be done by the TSPs (as RO/DO) and MNPSPs have not changed substantially. These provisions are in the regulations since the start of the MNP in the country and both class of service providers (TSPs and MNPSPs) are carrying out the activities to comply with the provisions. Hence, it is not justifiable that one class of service providers (TSPs) should compensate other class of service providers (MNPSPs) to carry out the activities which they are liable to according to the MNP regulations. Thus, we submit that there should not be any charges for number return, port cancellation and NPD requests which is to be paid by the TSPs to MNPSPs. In any case, these costs will be nominal and if calculated separately, the cost being ascertained for these services be deducted from the overall costs being used for determination of PPTC.
6. In case of data base download charge, the same is not a regular activity and hence should be kept out of the purview of ancillary charges.
7. Since, the MNPSP is being fully compensated for all the charges via per port transaction charge, we believe that any such exercise to determine separate charges for ancillary services will only increase the complexity.

Our submission:

- Methodology adopted by TRAI to calculate the PPTC should be continued. The additional cost of 1-3% of the overall costs, on account of changes in MNP process, be included in the overall costs.
- The PPTC to be prescribed for each MNP requests. However, as per one of our member, RJIO, PPTC to be prescribed for each Successful MNP request and the respective count should be considered for calculation of PPTC with marginal mark up for unsuccessful attempts.
- There should not be any charges for number return, port cancellation and NPD requests which is to be paid by the TSPs to MNPSPs as the activities pertaining to these charges are required to be carried out by the service providers to comply with the Regulations.



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.

COAI Response:

1. Currently, the dipping is carried out offline by TSPs (users), based on the ad hoc requests. The process simply involves dipping into MNPSP database for operator validation of certain fields, which is just a GUI (Graphical User Interface) and no resources are diverted by MNPSPs for the same.
2. It is submitted that though calculation of any charge should be cost based, however, considering the fact that operators are not using the dipping services of MNPSPs, the Dipping Charges should continue to be under forbearance. Further, any service provider who would require the dipping services from the MNPSPs can avail the same on mutually agreed terms with the MNPSPs.

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.

COAI Response:

Currently, the PPTC has been prescribed as a ceiling of the porting charge payable by the subscribers to the recipient operator and we submit that the same should be continued.

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

COAI Response:

1. It is submitted that there will not be any significant cost addition for the MNPSPs in order to implement the new process as prescribed by TRAI vide the seventh amendment to the MNP Regulations. Hence in our view the PPTC should not change and it should be in range of Rs. 4 and even less. TRAI should remove the non-relevant costs while calculating the PPTC.
2. Further, Per Port Transaction charges are paid by recipient TSP to MNPSP. These charges should be allowed to be deducted from Gross revenue of the TSP, since the MNPSP pays the license fee on the per port transaction charge, which it receives from the Recipient Operator. The levy of license fee on per port transaction charge for both the service providers i.e. TSP and MNPSP amounts to a dual levy of license fee and the same is not justified.
3. We request TRAI to issue recommendation to DoT to allow the deduction of Per Port Transaction Charge paid by the Recipient Operator from its Gross Revenue for calculating AGR for the purpose of payment of license fee and SUC.
