

Reliance Comments on Carrier Selection

Preliminary Comments

Market Liberalization in Indian Telecom sector has led to greater investments and development of infrastructure by public and private sector. The NLD and ILD license fee has already been reduced by Government to introduce greater competition in the NLD and ILD sector and there are 20 NLD & 14 ILD licensees. The Carrier Selection (CS) generally has potential to enhance the competition but in the Indian context it is not likely to deliver the expected results.

Relevance of Carrier Selection in new environment

2. CS implementation in India will involve cost of the order of Rs. 2700 Crores for upgrading BSNL's and MTNL's fixed network. Additional cost shall have to be incurred by mobile operators for implementation of complex solution for pre-paid and roaming subscribers.

3. The apportionment of the up gradation cost amongst the existing Service providers/NLDOs/ILDs having full/partial coverage and issue of later entrants is a complicated matter. The Authority's earlier direction for CS implementation was held in abeyance mainly for high cost of implementation and related issues of cost recovery.

3. Since issuance of Authority's direction on CS, there has been a marked reduction of STD charges which are now as low as Rs.1 per minute. Many operators have launched innovative tariffs like unlimited on-net STD calls. Such offerings are increasing clearly indicating enhanced level of competition in the STD market. Now India is having the world's lowest NLD tariffs. The ILD tariffs are also low. A move to deploy NGN based network by some operators is already in progress and with enhanced economies of scale, it is likely the long distance costs would further come down.

4. Considering the prevailing termination and origination charges and the STD tariffs, we believe it would not be easy to run a viable stand alone NLD voice business and therefore corresponding benefit of CS implementation are questionable.

5. In the scenario discussed above, we do not see any incentive in CS implementation to the customer as well as to the operators. All these are potent indicators that there is no case presently to implement CS.

Carrier Selection Models

6. 'Call by call selection' is an easier but not a customer friendly solution as subscriber would have to dial additional numbers. The Carrier Pre Selection is more difficult. Both solutions will increase up gradation cost and may increase the tariff instead of decreasing.

Billing Issues and inconvenience to customers

7. The CS implementation shall require major changes in the billing systems. Additionally, many switches in BSNL and MTNL networks do not support CDR billing systems and that would require NLDOs to do separate billing for NLD calls. The subscriber will be issued two separate bills i.e one for the local calls and other for long distance calls. This will cause unnecessary inconvenience to the subscriber and make system of inter-operator adjustment more cumbersome.

8. Authority has discussed the issue of NLD-NLD interconnect to ensure call completion. Such an arrangement can exist by making necessary changes in Interconnect and Licensing Regime. However, this would make inter operator billing and settlement a complex issue.

Carriage of Intra-Circle Long Distance Calls

9. TRAI has also discussed the issue of intra circle long distance calls and the routing by NLD. As far as NLD license is concerned, presently DOT has indicated that intra circle calls can only be carried by NLD by mutual consent between originating service provider and terminating service provider. We feel intra circle calls are right of access provider and consequently routing of such calls should left to them.

Calling Cards

10. The Authority has also discussed the issue of calling cards by NLDO's & allowing NLDOs direct access to customer. On the issue of issuance of calling card by NLDOs, TDSAT had opined that NLDOs cannot issue calling cards on their own. Moreover, by enabling direct access of NLDO to subscribers (by making changes in Interconnect Agreement), there will be non level playing field created for access provider.

11. The Authority had notified regulation of IN services on 27th November 2006, subsequently operators have signed IN agreements whereby presently only toll free access has been agreed between operators. It will be in the fitness of

things if Authority comes out with a definitive regulation where in the other services including NLD services can be offered through calling card by using co-branding strategies. This will also ensure that the billing systems are simpler and various call scenarios can be easily handled. Authority must come out with enabling interconnect & revenue share regimes to ensure IN based solutions are available across the board, TRAI must ensure and facilitate them.

The way forward

12. In view of our submissions above, we believe that the time is not right to implement CS in India. It may be easier and better to implement CS when all the operators have convergent billing systems and maximum portion of N/W becomes IP based. Thus CS implementation may be deferred till that time.

13. The competition in the Long Distance Service can be enhanced through IN based calling cards. Proper regulations on revenue share & interconnect regime would facilitate quick rollout.

Comments of specific Issues raised in the Consultation Paper

Q 1. Is there a case for implementation of carrier selection in today's environment

At present customer does not have flexibility to select carrier for his long distance calls. Through Carrier Selection (CS) the customer gets the choice of national and international carrier and its implementation is likely to increase the competition in the long distance calls market. There is a strong case for CS implementation. However, the prevailing tariffs, present level of competition and cost of implementing CS does not make a best case for CS implementation. Most of these issues have been discussed at length in the consultation paper and discussed again herein below to prove this point.

(i) Networks Not ready for CAC implementation

Number of switching systems in BSNL's and MTNL's existing fixed and mobile networks cannot support CS. Additionally, many switches do not support CDR billing systems and that would require NLDOs to do separate billing for NLD calls. The subscriber will be issued two separate bills i.e. one for the local calls and other for long distance calls. This will cause unnecessary inconvenience to the subscriber and make system of inter-operator adjustment more cumbersome.

(ii) Fixed Network Up gradation Cost

The BSNL and MTNL have estimated an expense of around Rs 2700 crores for upgrading their switches to offer CS. They have sought compensation for the cost incurred on CS. The additional burden of this enormous cost will have negative impact on NLD rates.

(iii) Competition in the NLD Market

The NLD rates which were 3 to 4 times the local rates earlier have now considerable reduced and STD calls are now available nearly at local call rates. Almost every operator has a One India like plan which offers STD calls @ Re 1 per minute. Operators are also offering STD packs with call rates even less than Rs 1. Unlimited STD on-net calls are also available on new innovative tariffs. Increasingly such offerings are being introduced in the market reflecting enhanced level of competition in the long distance market. NLD rates are among

lowest in the world and hence we do not see any incentive in CS to the customer as well as to the operators

For a stand alone NLDO it would be very difficult to match STD rate of Rs.1 per minute or less. Therefore, little purpose will be served if CS is implemented.

(iv) Limited Scope of CAC Implementation on Mobile Networks

Pre-paid Mobile Subscribers

CS implementation is complex for pre-paid subscribers and would require significant amount of work to be carried out. The charging mechanism requires creation of huge and complex database of all tariffs offered by NLDOs on an IN platform. Whenever NLDO changes tariff, subscriber selects new carrier or tariffs, then corresponding changes will have to be made in the IN platform. This will involve huge burden on access provider.

The CS implementation also requires capability in MSC for sending CAC digits to IN platform. This will involve up gradation cost and will have to be taken into account for cost benefit analysis of CS implementation. This up gradation cost would be attributable to the NLDOs in case CS is to be implemented.

CAC for roaming subscribers

The CS arrangement for roaming subscribers would be complex. It can be implemented for incoming calls but for outgoing calls, the solution would not be viable. The CS would not be available to a roaming subscriber even for incoming calls if selected carrier is not present in that service area.

The roaming rates are already regulated and roaming services are now available at affordable rates. Operators have also launched number of tariff plans where roaming rates are much below the ceiling tariff specified by the Authority. In view of it, we do not feel a complex solution for implementing CS for roaming subscribers would be worth while.

(v) Rollout by NLDOs

Most NLDOs have not rolled out services in all SDCAs. Therefore CS in many circle/SDCAs would be available amongst only few large NLDOs. We suggest, the Authority may also carryout POPs analysis to decide the extent of benefit that shall be available to the consumers.

(vi) NLDO to NLDO Handover

NLDO to NLDO handover would increase coverage and call completion for many NLDOs. However, as per the licensing condition, the traffic handover from one NLDO to another NLDO is not permitted. This condition was imposed to promote the network rollout and increase the 'facility based' competition. In case NLDO to NLDO handover is permitted then there will not be any incentive for the NLDO operator to extend its network coverage. The proposal may prove to be counter productive and does not merit consideration.

(vii) Razor thin margins available for NLDOs

In case CS is implemented, NLDO shall be completing calls with the help of originating and terminating access providers. The NLDO will pay regulated termination charge to the terminating service provider and negotiated origination charge to the originating service provider. The origination charges would definitely be more than the termination charges because it involves additional cost on account of billing, bad debts etc.

The Authority has recently decided origination rates of Rs 0.52 for all IN based free phone call from any network. Assuming, the same rates are decided for origination, and then the total outgo for NLDO will be Rs 0.82 paisa. In case we assume the STD rate of Rs 1, the NLDO will be left with only Rs 0.18 which is not sufficient to run a viable business. This margin does not justify huge investments needed for CS implementation.

(viii) IN Regulation and competition promotion of VCC cards

IN regulation mandates access provider to allow IN services of all the operators. This will allow all subscribers to access IN based calling card for long distance services offered by any operator. This will offer choice to the customer to select a carrier and thus enhance the competition in the Long Distance Service market.

In view of our submissions above, we believe there is no case for implementation of CS in today's environment

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

We do not favor CS implementation for any network for the following reasons:

Fixed Networks

BSNL's and MTNL's fixed networks are not ready for CS implementation and would involve substantial up gradation cost. This does not justify CAS implementation.

Mobile Networks

The CS implementation for pre-paid subscribers is complex and involves substantial costs. The CS implementation for roaming subscribers is also difficult. Considering the prevalent tariff, the CS implementation cannot be justified.

Implementation of Billing System

With 80% of subscribers being prepaid and many having roaming facility, the implementation cost and billing matrix become very complex.

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?

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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.

Call by call selection is an easier solution but still requires some resources for digit storage and analysis in addition to some hardware. It is inconvenient for the subscriber as he/she has to dial large number of digits. Moreover, as admitted by TRAI in section 3/para 5/page 35 that the earlier direction wherein subscriber does not dial CAC, the call should route to an announcement needs to be looked in present context as it is not customer friendly & need modification to allow call to go through default route. Further CPS requires major changes in the hardware and software for wire line and wireless networks.

However, we strongly believe CS in the existing environment should not be implemented. The cost for up grading fixed networks and mobile networks makes CS an unviable proposition. The long distance market is competitive and

for reasons explained in Q1 it would not be ideal to implement CS. The switches of MTNL & BSNL which need to be upgraded at huge costs might have only a few more years of useful life. So spending huge money on this may not make an economic sense for these operators.

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

In the existing environment, CS is not justified. In case the Authority decides otherwise, then it should be implemented for national and international calls only. The local calls & intra circle calls do not fall within the scope of NLD and ILD license and therefore should not be part of CS. However, an originating access provider may use the services of NLD to carry these intra circle calls as per licensing norms of DOT.

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

It is reiterated that in the existing environment, CS is not justified. In case CS is implemented; default carrier for simplicity should be as per the arrangement of Access provider with the desired NLDO and ILDO. Making calls fail, in case customer does not choose its Long Distance operator, would not be customer friendly and would tantamount to significant paperwork for CS.

No access provider would want to loose subscriber by being uncompetitive for NLD and ILD tariff. The access provider would try to get the benefit of lowest carriage from NLDOs and ILDOs using bulk or volume discounts. Therefore, default carrier as per the arrangement of access provider would largely be in the customer interest.

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

CS implementation is complex for pre-paid subscribers and would require significant amount of work to be carried out. The charging mechanism requires creation of huge and complex database of all tariffs offered by NLDOs on an IN platform. Whenever NLDO changes tariff or a subscriber selects new carrier or tariff, then corresponding changes will have to be made in the IN platform. This will involve huge burden on access provider. The cost and work involved would not justify CS implementation for pre-paid subscribers.

In the post paid subscriber segment, the switch can support CS and CDRs can be generated and processed at the billing server.

Considering the prevalent tariffs and complexities involved in the CS implementation for pre-paid subscribers, we do not suggest CS should be implemented for both post paid and pre-paid subscribers.

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

The CS arrangement for roaming subscribers would be complex. It can be implemented for incoming calls but for outgoing calls, the solution would not be viable. The CS would not be available to a roaming subscriber for incoming calls also if selected carrier is not present in that service area.

In the changed environment where the roaming rates are already regulated and roaming services are now available at affordable rates, we feel that the implementation of CS will not bring any added advantage. Operators have also launched number of tariff plans where roaming rates are much below the ceiling tariff specified by the Authority. In view of it, we do not feel a complex solution for implementing CS for roaming subscribers would be worth while.

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

We feel that CS in present form may not be implemented. However, if at all implemented then we believe that the consumer education is important before any option is given for CS. The consumer would be able to take an informed decision if he is aware of benefit available for choosing a particular carrier. Therefore marketing is a better option to the ballot.

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?

There can an announcement after making a call e.g. “thanks for choosing RCOM’s network”. Further regular vigilance & audits can help. Worldwide 3rd party agencies are deployed who randomly make samples calls to customers who have balloted. Also there are penalties for non-compliance.

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

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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?

The up gradation costs will largely be incurred by Fixed line network operators. This investment will be part of their assets and reflected in their balance sheets. The costs should be borne by the concerned operators and not passed on to other operators.

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?

We have already stated that present industry environment is not conducive to CAC. However, if decided to implement it at any cost, can be implemented within 6 months for CAC and 1 year for CPS.

Authority must put efforts to ensure that IN based solution are implemented by all operators & co-branded cards are introduced. The Authority should take lead to fix the revenue share regime in such scenario.

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

The billing issue should be allowed to be negotiated between NLDO/ILDO and access provider. We feel only one bill should go to subscriber & Authority should put in place a regime for the same

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

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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?

In case a selected NLDO/ILDO is not present in a SDCA, then access provider should make arrangement for carriage of call through default route.

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

NLDO to NLDO handover would increase coverage and improve call completion for many NLDOs but as per the licensing condition, the traffic handover from one NLDO to another NLDO is not permitted. This condition

was imposed to promote the network rollout and increase the 'facility based' competition. In case NLDO to NLDO is permitted then there will be no incentive for the operators to extend their network coverage. The proposal may prove to be counter productive.

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.?

We reiterate our contention that CS should not be implemented. In the event the Authority decides otherwise then following submissions may be considered:

(i) The origination charges should continue to be under forbearance. The origination charges should be allowed to be negotiated between NLDO/ILDO and access providers.

(ii) The carriage market is largely competitive barring few remote and inaccessible areas. Since competition is still emerging in few markets, it is proposed the carriage should be regulated for 2 more years and the situation may be reviewed after that.

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.

Only such NLDOs who have presence in 50% of SDCAs or more should be considered for CS.

Those ILDOs who are having presence & Interconnect in 50% of level one TAXs need to be considered.

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

The scope of the NLDO license does not allow direct access to customer. The scope of NLD license cannot be widened as it would be discriminatory against UAS Licensees. Looking at the commercial terms of NLD and UAS licenses below it would evident that the proposal will skew the market.

	NLD License	UAS License
Entry Fee	Rs 2.5 Crores	Rs.1658.57 Crores
License Fee	6%	Circle A- 10% Circle B- 8% Circle C- 6%
Rollout Obligation	No obligation	10% in 1 st year 50% in 3 years
BGs	FBG NLD/ILD – 20 Cr. For 1 st year & later equivalent to two quarter AGR. PBG NLD - NIL ILD – 2.5 Crores	FBG -Circle A - 50 Crores Circle B - 25 Crores Circle C - 5 Crores PBG – Circle A - 20 Crores Circle B - 10 Crores Circle C - 2 Crores
Net worth	Rs 2.50 Crores	Circle A – 100 Crores Circle B – 50 Crores Circle C – 30 Crores

The NLDO can be allowed to directly access subscribers for voice services only if they are subject to all the terms and obligations of the UAS License. The non-level playing field between NLDOs and UASLs will result in unsustainable competition and may create number of legal complications.

We would also like to submit that Hon'ble TDSAT in its Appeal No 6 of 2005 also held that NLDOs cannot directly access customers through calling cards for making national/international long distance calls due to different financial conditions like license fee and ADC on UAS and NLD Licenses.

In view of the above it is submitted that NLDOs/ILDOs should not be allowed direct access to customers through calling cards for making national/international calls.

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

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

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

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

The scope of the NLDO license does not allow direct access to customer. The scope of NLD license cannot be widened at existing licensing terms and conditions as that may lead to number of legal complications and unsustainable competition between UAS Licensee and NLD Licensee & skew the market.

IN based services may also be introduced by making appropriate changes to installation. The necessary Revenue Share arrangement must be finalized by TRAI.

Co-branded Cards of NLDO/ILDO with Access Provider may be introduced for which TRAI may bring out Regulations and set revenue share & Interconnect arrangements.

NLDO/ILDO's should not be allowed to directly sell Calling Cards except as mentioned above.

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

The local calls are those which are provided within same SDCA. The long distance operator cannot provide such service else it would become a UAS Licensee. Further, the scope of NLD License does not allow direct access to a customer and offer either local or long distance service. The scope of NLD license cannot be widened to cover these services.

Therefore the question is not relevant.

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

NLDO/ ILDOs should be allowed to offer permitted services which include carriage of long distance calls, leased lines and VPN. The long distance calls cannot be offered through calling cards directly to the customer. For checking that services offered are within scope or not, VTM cells & TRAI are adequate to check & regulate the sector. Additionally competition pressure will also ensure that services thus offered are as per licensing regime.

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

No change in the interconnection regime is needed as the calling card service is not covered under the scope of NLD License.