

**Telecom Regulatory Authority of India
New Delhi**

**Recommendations
On
“Provision of Calling Cards by Long Distance Operators”**

20th August 2008

**Mahanagar Door Sanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi**

Preface

Long Distance has always been a lucrative segment of business in Telecommunications. When this segment was thrown open to competition it was envisaged that this would be in the larger benefit of the consumers. As anticipated new entrants came into the arena. The new entrants take time to establish network and give a viable competition to the incumbent. This is the time when mechanisms need to be put in place to enable the long distance operators to get a share of the market so that they earn and develop their networks.

In such a scenario Carrier Selection assumes importance. It provides competitive players with the opportunity to grow and consumers to get benefit of innovative tariff plans. If the access providers alone continue to bundle long distance services with their services, as is the case even today, then once the consumer has chosen the access provider then the consumer cannot exercise the choice of long distance provider and has to put up with the tariffs and quality offered by the access provider. Carrier selection allows consumers to choose on either on call by call basis or by pre-selection their preferred carrier for National/International calls while retaining the same access provider for local calls and other services. This way they get the benefit of making choice according to their requirements. Realizing this opportunity TRAI carried out a consultation process in 2001 and gave Directions in July 2002 to all Access, National Long Distance and International Long Distance Service Providers to implement carrier selection in their networks. The incumbents viz. BSNL and MTNL faced problems due to high upgradation cost of their legacy network and non availability of CDR billing systems. Carrier Selection therefore could not be implemented and the Indian consumers were deprived of this benefit.

Meanwhile, development in the telecom sector continued unabated. With the reduction in the applicable fees and entry of larger number of long distance operators, tariffs came down to a level but have not shown much downward trend in the last three years. They have continued at a higher level than what the competition would justify. In view of these developments it was felt that a renewed consultation would be in order to take a decisive call on the need and relevance of Carrier Selection.

From these consultations it emerged that Carrier Selection in the traditional sense as envisaged in the earlier direction would not be practicable. Implementation of advanced IN platforms in the access providers' networks has thrown up a similar possibility in long distance network and with it opportunity of providing choice of carriers to consumers through calling cards. This option was widely favoured by the stakeholders. Hence these recommendations

These recommendations would pave way for introduction of calling cards by NLD/ILD operators. TRAI has suggested suitable modifications in the relevant clauses of the license conditions of long distance operators to enable them to access customers for these services. The Access Providers would continue to provide all the services including national and international voice telephony as envisaged in their licence conditions. It is believed that with this true competition would set in and the consumers should get benefit of innovative services and lower tariffs.

(Nripendra Misra)
Chairman, TRAI

**Recommendations
on
Provision of Calling Cards by Long Distance Operators**

1. Background

1.1 On 24th July, 2002 the Telecom Regulatory Authority of India (TRAI) had issued the Direction No.404-1/2000-FN dated 24th July 2002, to Access Providers, National and International Long Distance Operators to implement Call-by-Call Carrier Selection and Carrier-Pre Selection in their respective networks, in a time frame spread over a period of 3 to 18 months depending upon types of Carrier Selection (CS) and long distance services. Due to various reasons implementation of this direction has been held up.

2. Renewed Consultation

- 2.1 In order to have a fresh look at and to take a decisive view of implementation of carrier selection in the country, the Authority issued a consultation paper No. 10/2008 dated 7th May 2008. In this paper, past efforts of TRAI for implementation of Carrier Selection in the country and issues in implementation of Carrier selection were discussed in detail. Along with the carrier selection another method of giving choice of the carrier to the consumer i.e through national and international long distance calling cards, was also explored.
- 2.2 Comments of the stakeholders were solicited on Carrier selection, Carrier Pre selection and Calling Cards through 27 questions. These questions related mainly to the relevance of carrier selection in the present scenario; implementation, billing, licensing and

interconnection issues with carrier selection and how these issues can be addressed, and the relevant licensing, commercial issues associated with introduction of calling cards by long distance operators(NLDOs/ILDOs).

- 2.3 The Consultation Paper and the written comments received from the stakeholders were hosted on TRAI's website www.trai.gov.in. Open house discussions were held at New Delhi on 27th June 2008.
- 2.4 The focal point of discussion in the consultation process under the reference was to examine the potential of carrier selection in accelerating competition in the long distance market and to provide required catalyst for sustained growth. The main economic benefit of implementing carrier selection accrues to the end users who would be able to choose their preferred carrier for national and international long distance calls. The availability of alternative service providers gives rise to increased level of competition in the market. As a result of the competition the end user should be able to enjoy lower prices, innovative service offering as well as higher level of quality of service.

3.0 Decision on Carrier Selection

- 3.1 The predominant response that the Authority received was that in the situation prevailing today the carrier selection has lost its relevance. Submissions received indicate that the stakeholders are generally not supportive of the move to implement carrier selection in India. In their view the high upgradation cost of old switches, technical and operational issues, eventual migration to NGN and availability of alternate methods like calling cards tilt the balance

against implementation of carrier selection. A small section of the stakeholders continued to believe that carrier selection must be implemented. However, this section has not provided any substantive basis to indicate that the industry and consumers will benefit as a result of implementation of carrier selection.

- 3.2 In the light of stakeholders comments and further qualitative analysis of various implementation issues associated with Carrier Selection, particularly the estimation and sharing of set up/upgradation cost by NLDO/ILDO, billing issues between access providers and NLDOs/ILDOs and considerations of cost-benefit, the Authority concluded that implementation of Carrier Selection may not be justified in present scenario on need and cost-benefit basis. The Authority believes that consumers will be better served if the cost of implementing carrier selection is spent on other regulatory initiatives and development of next generation telecom infrastructure. The Authority has therefore decided to amend its earlier Direction on carrier selection dated 24th July 2002. The decision of the Authority in this regard, as Direction, with detailed reasoning, has also been issued simultaneously with these recommendations.

4.0 Issue of Calling Cards by long distance operators

- 4.1 The prime purpose behind Carrier Selection i.e that of providing choice of Long Distance operator, and the main economic benefits mentioned in the above para may also be addressed by allowing NLDOs/ ILDOs to issue calling card. The advantage of providing choice through calling card over the traditional approach of carrier selection includes no obligation on the part of long distance service providers of sharing the huge upgradtion/set up cost in access

- service providers' network and at the same time the interested long distance operator who wants to be selected as carrier, itself has to make expenditure.
- 4.2 The Authority received a large number of comments from stakeholders in favour and a few against the issuance of calling cards by NLDOs/ ILDOs. The main arguments against permitting the long distance operators to access consumers for selling calling cards for long distance calls were based on issues such as level playing field, non-availability of point of presence, allowing them access service at low entry fee, and constraints in their licence conditions making them ineligible to directly access the subscriber as per their licence conditions.
- 4.3 The views submitted by the stakeholders in favour of permitting the long distance operators to issue Calling Cards include the need to provide choice to the consumer, enhancing competition, and innovative tariff plans. They suggested amendment in the licensing conditions of the long distance operators so that they may be able to directly access the subscriber for providing long distance services through calling cards. The comments in favour of calling cards by NLDOs/ILDOs also covered the suggestions regarding terms and conditions for issue of calling cards. The main comments relating to terms and conditions of calling cards inter-alia include the suggestions on proposing minimum roll out obligation for NLDO to be eligible to issue calling cards, allowing NLD to NLD interconnection, allowing services like televoting/toll free/voice VPN etc, provision of stiff penalties for providing non permitted services, mandating access provider to give connectivity, issue the guideline on revenue share, reporting requirement for filing tariffs and the jurisdiction of long distance operators in

respect of coverage of geographical area and provision of different services e.g. NLDO be allowed to provide both national and international calling cards while ILDO only international calling cards, both NLD/ILDO should provide both type of cards etc.

- 4.4 During a review of long distance markets the Authority found that the competition is not effective despite intense play of market forces in the access segment. It emerged that, because the long distance minutes are bundled by the access providers and sold along with the access and local minutes, competition in the long distance market was not visible. Evidence available with the Authority suggests that unless long distance minutes are unbundled and a choice is facilitated to consumers in the matter of long distance carrier selection, through the proposed model of long distance calling cards, effective competition is unlikely to occur in this space. The Authority further noted that despite a slew of policy measures implemented by the Government in the year 2005 in the form of reduction in entry fee and annual licence fee for long distance operators and despite various other factors that led to reduction of cost in the long distance market, the tariffs rule uniformly high across access service providers for the last 3 years or so.
- 4.5 To accelerate competition in the long distance sector and also keeping in the view that in the absence of carrier selection the choice of selecting long distance carrier may be provided through calling cards. In the larger interest of telecom consumers the Authority decided to recommend amendment in the licensing conditions of the NLD and ILD license to allow them direct access to consumer specifically for provision of respective voice telephony service through calling cards. Keeping in view the concerns of

access providers, difference between license fee of access and long distance service providers and the scope of license the Authority has also decided that Access to the subscribers for provision NLD/ILD services through Calling Cards is restricted within the scope of their respective license i.e. NLDOs may be allowed to issue calling cards for national long distance voice calls and ILDOs may be allowed to issue calling cards for international long distance voice calls. NLDOs/ILDOs shall not be allowed to provide other Intelligent Network or value added services like televoting, freephone service and content-based services.

5. Recommendations on Calling Cards

5.1 After due consideration and careful examination of all the comments and internal analysis of available information, the Authority makes the following recommendations:

- (a) License conditions of the NLD and ILD license may be amended to allow NLDOs/ILDOs direct access to consumers for provision of national and international voice telephony services, respectively, through calling cards.**
- (b) Access to the consumer for provision of NLD/ILD services may be allowed through Calling Cards subject to the scope of the respective licenses of NLDOs/ILDOs i.e. NLDOs may be allowed to issue calling cards for NLD calls and ILDOs may be allowed to issue calling cards for ILD calls.**
- (c) NLDOs and ILDOs shall not be allowed to provide local calls and other Intelligent network based and value added**

services like televoting, toll free number, SMS/MMS and content services through their calling cards.

- (d) The terms and conditions of interconnection for such access including standard interfaces, points of interconnection and technical aspects as per the framework of orders, directions or regulations as may be issued from time to time by TRAI, under TRAI Act 1997.**
- (e) The charges for such access provision shall be governed by the regulations/ orders as may be made by the TRAI from time to time.**
- (f) The NLDOs/ILDOs would charge the tariff for calling card service as per the TRAI's tariff orders / Regulations / Directions issued in this regard from time to time. NLDOs/ILDOs should also fulfill all requirements (including publication of tariff notification and provision of information) as may be directed by TRAI through its orders / Regulations / Directions issued from time to time under TRAI Act 1997 as amended from time to time.**
- (g) NLDOs/ILDOs shall clearly indicate the specifications of the service to the subscriber at the time of entering into contract with such subscriber.**
- (h) Licensor or TRAI may conduct an inquiry either suo-moto or on complaint to determine whether there has been any breach in compliance of terms and conditions of the Licence and for such inquiry the long distance operators shall extend all facilities and co-operation.**

- (i) NLDOs/ILDOs shall draw, keep and furnish account for the Calling Card service and shall fully comply with the orders, directions or regulations as may be issued from time to time by the Licensor / TRAI, as the case may be.
 - (j) The Licensor or the TRAI, as the case may be, shall have a right to call for and the NLDOs/ILDOs shall be obliged at any time to supply and provide for examination, any books of accounts that the NLDOs/ILDOs may maintain in respect of the business carried on to provide the Calling Card service under their respective Licence.
 - (k) In case of national long distance and international long distance call through the calling card, issued by NLDO/ILDO, the information regarding called party may not be available at access provider's switch. NLDO/ILDO shall make arrangement and set up a system as required by security agencies so that it can provide all the required information including called party number etc to security agencies as and when required.
6. Amendment in the licence agreement for National and International Long Distance Operators
- 6.1 The draft amendment required in the NLD licence conditions is enclosed as Annexure-I and the amendment required in ILD licence conditions is enclosed as Annexure-II. Any other clauses of Access/NLD/ILD operators affected by these changes may also be amended suitably.

- 6.2 Apart from the amendment in Clause 2.2 of NLD and ILD license, DOT may like to amend the Access, NLD and ILD service licence conditions to ensure that access provider and long distance operator, selected by subscriber through Calling Cards would be responsible to provide the necessary information including the call data records of all the calls handled by them as and when demanded by security agencies. Further the quarterly ‘Statement of revenue and license fee’ in respect of both NLD and ILD may be suitably amended to reflect separately the revenues from calling cards.**
- 6.3 Access Providers would continue to offer long distance services along with local access and other services as per their existing licence conditions. It is only this type of arrangement that would ensure effective competition in the market.**

Annexure-I**Amendment required in the NLD Licence conditions**

Clause No.	Existing Clause	Amended Clause
2.2(a)	The NLD Service refers to the carriage of switched bearer telecommunications service over a long distance and NLD Service Licensee will have a right to carry inter circle traffic excluding intra - circle traffic except where such carriage is with mutual agreement with originating service provider.	No Change
2.2(b)	The LICENCEE can also make mutually agreed arrangements with Basic Service Providers for picking up, carriage and delivery of the traffic from different legs between Long Distance Charging Center (LDCC) and Short Distance Charging Centers (SDCCs).	No Change
2.2(c)	In the case of Cellular Mobile Telephone Service traffic, the inter-circle traffic shall be handed/taken over at the Point of Presence (POP) situated in LDCA at the location of Level I TAX in originating/terminating service area. For West Bengal, Himachal Pradesh and Jammu & Kashmir such locations shall be Asansol, Shimla & Jammu respectively.	No Change
2.2(d)	NLD service Licensee shall be required to make own suitable arrangements / agreements for leased lines with the Access Providers for last mile. Further, NLD Service Providers can access the subscribers directly only for provision of Leased Circuits/Close User Groups (CUGs). Leased circuit is defined as virtual private network (VPN) using circuit or packet switched (IP Protocol)	NLD service Licensee shall be required to make own suitable arrangements / agreements for leased lines with the Access Providers for last mile. Further, NLD Service Providers can access the subscribers directly only for provision of Leased Circuits/Close User Groups (CUGs) and also for provision of national long distance voice service only through Calling Cards, falling within the scope of, and, in accordance with clauses

	<p>technology apart from point to point non-switched physical connections/transmission bandwidth. Public network is not to be connected with leased circuits/CUGs. It is clarified that NLD service Licensee can provide bandwidth to other telecom service licensee also.</p>	2.2(a) and 2.2(b) above. Leased circuit is defined as virtual private network (VPN) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/ transmission bandwidth. Public network is not to be connected with leased circuits/CUGs. It is clarified that NLD service Licensee can provide bandwidth to other telecom service licensee also.
2.2(e)	<p>The NLD Licensees who wish to provide only Layer 2 and Layer 3 VPN services, the following security monitoring conditions shall be applicable in place of security monitoring conditions applicable for NLD licensees provided the licensee obtains connectivity/ bandwidth from other access service licensees/NLD licensees/ILD licensees/International gateway of ISPs :</p> <p>“Necessary arrangements for enabling security monitoring shall be made available by the licensee including its maintenance as and when required by the designated security agencies. The cost of monitoring equipment shall be borne by the licensee. Sharing of monitoring capabilities with existing licensees, from whom Bandwidth/connectivity has been taken, shall be permitted on mutually agreed arrangement. Surveillance and monitoring of traffic relating to existing layer 2 and layer 3 VPN licensees who obtain NLD/ILD licence shall continue as per the current procedure at the international gateway of ILDO from whom Layer 1 service or international private line circuits have been</p>	No Change

	leased. Existing and future licensees of layer 2 and layer 3 VPN services shall be treated at par with regard to all the terms and conditions of the license.”	
2.2(f)	-	<p><i>Access to the subscribers for provision of National Long Distance voice services (excluding message services) through Calling Cards shall be strictly within the scope of, and in accordance with clauses 2.2(a) and 2.2(b) above. Provision of other Intelligent Network based service (except Intelligent Network service for operation of Calling Cards) such as televoting and toll-free service are not allowed to NLD service providers. Provision of Value Added Services such as SMS/MMS, ringtones etc. through are also not allowed to NLD service providers Calling Cards.</i></p> <p><i>The terms and conditions of interconnection for such access including points of interconnection and technical aspects shall be such as mutually agreed between the service providers within the framework of, and in accordance with regulations, directions, orders or instructions as may be issued from time to time by TRAI, under TRAI Act 1997 and directions, orders or instructions as may be issued from time to time by the Licenser.</i></p> <p><i>The charges and sharing of revenues for the service features, network architecture and resources used for providing NLD voice services through calling cards shall be such as mutually</i></p>

	<p><i>agreed between the service providers within the framework of, and in accordance with regulations, directions, orders or instructions as may be issued from time to time by TRAI, under TRAI Act 1997 and directions, orders or instructions as may be issued from time to time by the Licenser.</i></p> <p><i>The provisions of clause 2.2(f) of the license are in addition to other terms and conditions of the licence, and, not in derogation of other terms and conditions of licence.</i></p>
--	---

Annexure-II**Amendment required in the ILD Licence conditions**

Clause No.	Existing Clause	Amended Clause
2.2(a)	<p>The ILD Service is basically a network carriage service (also called Bearer) providing International connectivity to the Network operated by foreign carriers. The ILD service provider is permitted full flexibility to offer all types of bearer services from an integrated platform. ILD service providers will provide bearer services so that end-to-end tele-services such as voice, data, fax, video and multi-media etc. can be provided by Access Providers to the customers. Except "Global Mobile Personal Communication Service (GMPCS) including through INMARSAT" for which a separate licence is required, other listed services at Appendix are permitted to the LICENSEE. ILD service providers are permitted to offer international bandwidth on lease to other operators. ILD service provider shall not access the subscribers directly (except for Leased Circuits/CUG) which should be through NLD service provider or Access Provider. Resellers are not permitted.</p>	<p>The ILD Service is basically a network carriage service (also called Bearer) providing International connectivity to the Network operated by foreign carriers. The ILD service provider is permitted full flexibility to offer all types of bearer services from an integrated platform. ILD service providers will provide bearer services so that end-to-end tele-services such as voice, data, fax, video and multi-media etc. can be provided by Access Providers to the customers. Except "Global Mobile Personal Communication Service (GMPCS) including through INMARSAT" for which a separate licence is required, other listed services at Appendix are permitted to the LICENSEE. ILD service providers are permitted to offer international bandwidth on lease to other operators. ILD service provider shall not access the subscribers directly (except for Leased Circuits/CUG) which should be through NLD service provider or Access Provider. <i>However, the ILD service provider may access the subscribers directly only for provision of International Long Distance voice service through Calling Cards only.</i></p> <p>Resellers are not permitted.</p>
2.2(b)	<p>ILD service provider can enter into an arrangement for leased lines with the Access Providers/NLD service provider.</p> <p>Further, ILD Service Providers can</p>	<p>ILD service provider can enter into an arrangement for leased lines with the Access Providers/NLD service provider.</p> <p>Further, ILD Service Providers can</p>

	<p>access the subscribers directly only for provision of international Leased Circuits/Close User Groups (CUGs). Leased circuit is defined as virtual private network (VPN) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/transmission bandwidth. Public network is not to be connected with leased circuits/CUGs.</p>	<p>access the subscribers directly only for provision of international Leased Circuits/Close User Groups (CUGs) <i>and also for international long distance voice service only through Calling Cards only.</i> Leased circuit is defined as virtual private network (VPN) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/ transmission bandwidth. Public network is not to be connected with leased circuits/CUGs.</p>
2.2(c)	<p>Equal access to bottleneck facilities at the Cable Landing Stations (CLS) including landing facilities for submarine cables for licensed operators on the basis of non discrimination shall be mandatory. The terms and conditions for such access provisions shall be published with prior approval of the TRAI, by the Licensee owning the cable landing station. The charges for such access provision shall be governed by the regulations/ orders as may be made by the TRAI/DoT from time to time.</p>	No Change
2.2(d)	<p>The ILD Licensees who wish to provide only Layer 2 and Layer 3 VPN services, the following security monitoring conditions shall be applicable in place of security monitoring conditions applicable for ILD licensees provided the licensee obtains connectivity/ bandwidth from other access service licensees/NLD licesees/ILD licensees/International gateway of ISPs :</p> <p>“Necessary arrangements for enabling security monitoring shall be made available by the licensee</p>	No Change

	<p>including its maintenance as and when required by the designated security agencies. The cost of monitoring equipment shall be borne by the licensee. Sharing of monitoring capabilities with existing licensees, from whom Bandwidth/connectivity has been taken, shall be permitted on mutually agreed arrangement. Surveillance and monitoring of traffic relating to existing layer 2 and layer 3 VPN licensees who obtain NLD/ILD licence shall continue as per the current procedure at the international gateway of ILDO from whom Layer 1 service or international private line circuits have been leased. Existing and future licensees of layer 2 and layer 3 VPN services shall be treated at par with regard to all the terms and conditions of the license.”</p>	
2.2(e)	-	<p><i>Provision of other Intelligent Network based service (except Intelligent Network service for operation of Calling Cards) such as televoting and toll-free service are not allowed to ILD service providers. Provision of Value Added Services such as SMS/MMS, ringtones etc. through are also not allowed to ILD service providers Calling Cards.</i></p> <p><i>The terms and conditions of interconnection for providing international long distance voice services through calling cards including points of interconnection and technical aspects shall be such as mutually agreed between the service providers within the framework of, and in accordance</i></p>

	<p><i>with regulations, directions, orders or instructions as may be issued from time to time by TRAI, under TRAI Act 1997 and directions, orders or instructions as may be issued from time to time by the Licenser.</i></p> <p><i>The charges and sharing of revenues for the service features, network architecture and resources used for providing ILD voice services through calling cards shall be such as mutually agreed between the service providers within the framework of, and in accordance with regulations, directions, orders or instructions as may be issued from time to time by TRAI, under TRAI Act 1997 and directions, orders or instructions as may be issued from time to time by the Licensor.</i></p> <p><i>The provisions of clause 2.2(e) of the license are in addition to other terms and conditions of the licence, and, not in derogation of other terms and conditions of licence.</i></p>
--	---