Comment to Consultation Paper on Revenue Sharing Arrangements for Calling Card Services

RELIANCE

Response of Reliance Communications Ltd to the Consultation Paper on Revenue Sharing Arrangements for Calling Card Services

Preface:

1. Reliance Communications Ltd. appreciates TRAI's initiative of launching Long Distance Calling Card services. This shall empower the subscribers to choose the best tariff and Long Distance Carrier for making long distance calls. The Authority's intention to create fair competition amongst NLD / ILD operators with the ultimate aim of creating a buyers' market, that shall benefit the subscribers, is indeed commendable.

2. As rightly brought out in the consultation paper, introduction of tariff competition in Long Distance Segment shall lead to cheaper STD / ISD call rates for the consumers, thereby increasing the demand for Long Distance Calls which will consequently lead to rise in revenues for the access providers, NLDO and ILDO.

3. TRAIs recommendations and their acceptance by the DoT, in August 2009, for amending the license conditions of the NLDO and ILDO for allowing them to have direct access to consumers through calling cards, for provisioning national and International Voice Telephony Services, enabled creation of a suitable platform for introduction of these services. The competitive regime created by the said license amendment shall contribute towards generation of competition and it is expected that the Long distance charges, especially for International calls will be lower/decreased further.

4. However, till date TRAI's objective of provisioning competitive prices on long distance calls to the subscribers has not been effective as the requisite agreements between the TSPs were either still not in place or there were large variations in the rates at which they had been concluded. The exorbitant access rates, at which some of the large TSPs had concluded their **agreements, vis-à-vis the rates at which the incumbent operator was providing its own long distance services, ensured that the calling card services scheme was a non starter from the beginning itself**. Such an action on part of these Access providers clearly brings out their intention of exploiting their monopolistic position.

5. Moreover, the origination charges (Re 1 for NLD & Rs 5 for ILD) offered by the aforesaid TSPs is in gross violation of TTO 33rd Amendment dated 8th December 2004 as these rates are even higher than the retail prices. These TSPs are clearly resorting to vertical price squeeze so that viable calling card services could not be launched.

6. It is our firm opinion that the Long Distance Calling Card cannot be provided unless origination access service is available at reasonable rates from the Access Providers. **We believe that fixed origination charges is the most appropriate basis for compensating the access providers which should be based on the quantum of work done in completing a call.**

7. **In order to maintain access charges at competitive market levels and to allow timely interconnection with access providers, the Authority prescriptive of work done principle based access rate has become critical. In the current regime, access provider's offer only bundled access and long distance services which are seriously undermining competition in the long distance service market especially ILD calls. The delay in calling card service is ultimately reducing consumer choice and welfare and competition.**

8. We are therefore thankful to TRAI for their timely intervention by issuing this Consultation Paper to decide the charges to be paid by the Long Distance Operators to the Access Providers. We are confident that the Authority shall create the right balance between making NLD / ILD services available to the subscribers at the best prices by bringing in fair competition amongst the NLD / ILD service providers and providing adequate and uniform compensation to the access providers for being the intermediary for origination and termination of such calls.

9. **In view of the above, we request Authority to :**

   - **Specify origination charges to facilitate calling card services**.
   - **Origination charges should be based on work done principle and should be equal to termination charges i.e. Re 0.20.**

RCOM Comments on Specific issues raised in the Consultation Paper are as follows:-

Issue No 1: Whether the access charges to be paid by NLDOs/ ILDOs to the access provider for calling cards should be prescribed for NLD and ILD calls or for ILD call only?

Our View**:** We submit that the access charges to be paid by NLDOs/ILDOs to the access provider for calling cards services should be prescribed for both NLD and ILD calls. The reason thereof is as below:

The key objective of the Calling Card is to bring competition in the long distance carrier market, the end beneficiary of which will be the subscriber having choice of selecting NLD / ILD carrier for completing long distance calls at cheaper/market determined price..

Once competition is introduced, it is envisaged that the volume of traffic shall increase resulting in higher revenues for the NLD / ILD Operators. **Since both NLD as well as ILD calls lead to revenue generation for the respective NLDO / ILDO**, **it is therefore submitted that the access charges should be paid**, **by the NLDOs / ILDOs to the access provider**, for facilitating the calling card services (Origination) through their network.

Issue No 2: ***As the work done by the Access Provider is the same for NLD and ILD calls, should the originating access charges for NLD and ILD calls be the same or different?***

***Our View*:** We concur with the Authority view that the work done by the network of an Access provider for handing over the calls to NLDO / ILDO is same and therefore the origination access charges for NLD and ILD calls should be equal. The Authority has also rightly pointed out that the resources used for providing access for origination of the long distance call (NLD / ILD) till the NLDOs / ILDOs network is the same. Therefore, based on the '**Work Done Principle'** charges for origination of both NLD and ILD calls should be same

Issue No 3: ***What method should be applied for prescribing originating access charge to the Access Provider? Please provide all details including data and calculation sheets, if any.***

***Our View**:* We believe that the fixed origination charges is the most appropriate basis for compensating the access providers which should be based on the quantum of work done in completing a call. This is evident from the fact that TRAI IUC regime has been successfully for last more than seven –eight years. The IUC principle of charging on work done basis is well established, easy to understand and easy to implement. The IUC charges specified by the Authority practically resolves most commercial issues involved in the interconnection.

It is further submitted that the origination access charge should be prescribed equal to termination charges i.e. Re 0.20 and the same should be the very method of determining the origination access charges to be paid by NLDO/ILDO. In this regard, it may be noted that as per the work done principle the origination charge for NLD / ILD Calling Card services should not be more than Re 0.20 in any case as the equivalent amount of work is done in originating and terminating the call at each end.

For e.g. Assume a subscriber of service provider 'A' uses the calling card of Service provider 'B' to make a long distance call to a subscriber of Service provider 'C'. In this scenario, 'B' collects the call in the originating circle from A's switch where B has its PoI (directly or through NLDO). The call uses the same network elements like BTS, BSC, MSC/MGW etc. of 'A' in the originating circle. Thus the work done in this case by A is similar/same to the work done by C and B pays termination charge of Re 0.20/minute, the origination charge should also be nowhere more than Re. 0.20 to be paid by NLDO/ILDO service provider to A.

In addition to above, on a "Work Done principle", the Access operator's role is limited to origination of the call and all other interconnection requirements, costs, carriage of calls and IN platform related costs are borne by the NLD/ILD Service Provider. In support of argument for cost based interconnection charges, we would also like to recapitulate the comments given in para1 of the Explanatory Memorandum of the TRAI IUC Regulation dated 24-01-2003 where-in cost based interconnection usage charges were introduced as under:

"In a Multi-Operator environment, it is important to specify an IUC regime which gives greater certainty to the Inter-operator settlements and facilitates interconnection agreements. Thus, there is a need for specifying ***cost based Interconnection Usage Charges (IUC) for origination, transit and termination in a Multi-Operator environment. Origination and Termination usage charges*** *include Access Deficit Charge (ADC) payable to the Basic Service Operators which they must get in order to keep the rental as well as local calls affordable. The exercise to determine IUCs involved an assessment of the various cost items attributable to the different network elements involved in setting up of a call in a Multi- Operator environment. Every effort has been made to accurately assess the network element costs.*

In view of the above, it is amply clear that the 'Work Done', in origination / termination of the call, by the access provider, is similar and an Access Provider is only the intermediary facilitating the Origination / Termination of the NLD / ILD call which is ultimately carried over the NLDOs / ILDOs network.

We reiterate that the access charges for origination of long distance calls, using calling cards, should be the same as that of termination charges. Also, the termination charges of Re 0.20 per minute, prescribed by TRAI vide their Telecommunication Interconnection Usage Charges (Tenth Amendment) Regulations 2009, are adequate and should be the benchmark for the origination charges as well.

Issue No 4: Whether the access charges should be same for mobile and fixed line?

Our view**:** As brought out in our view on issue no. 3, an Access Provider, irrespective of the mobile or the fixed network, is only the intermediary facilitating the Origination / Termination of the NLD / ILD call which is ultimately carried over the NLDOs / ILDOs network. It is also amply clear that the 'Work Done', in origination of the call, by the access provider, irrespective of the mobile or the fixed network, is same while using long distance calling cards. Hence, **it is submitted that the access charges for origination of the NLD / ILD call using calling cards, from the mobile or the fixed network, should be the same. It is also submitted that the termination charges of Re 0.20 per minute, prescribed by TRAI, are adequate and should be the benchmark for the origination charges, from the mobile or the fixed network, for calls originated using calling cards.**

Issue No 5: What are the issues that need to be addressed to ensure calling cards are also used when a subscriber is roaming?

Our View**:** When a call is originated by a subscriber in a visited network, other than initial authentication and call record generation (Note, this is a toll free call for the subscriber), no network resources of the home network provider are utilized. Network resources of the visited network only are utilized in materializing the call and the work done or overall call costs are significantly same as in case of a call originated by any of the local subscriber belonging to the visited network.

Also, the Long Distance Calling Card provider (NLDO / ILDO) is transparent to the fact that the calling card utilizing subscriber is making the call while roaming in another TSPs network or from his home network. Additionally, for an access service prepaid subscribe, the requirement of knowing the subscribed prepaid plan, the available access service amount balance as well as debiting the call charges as per that access service prepaid plan that too, on a real-time basis, shall add to the complexity of network configurations and providing this service. The work done for debiting differential access charges, in such scenarios, shall not only add on to the costs of the call but the subsequent billing and settlement issues can be a cause of dispute between operators and (or) the consumers.

In view of the foregoing**, it is submitted that prescribing uniform access charges, irrespective of the call origination location status (Roaming or otherwise), shall enable NLD / ILD Calling Card service provisioning from across the entire country.** The Access Charges shall be payable by the Calling Card provider directly to the Access provider (home or visited network), as the access for the call is supposed to be toll-free for the Subscriber.

Issue No 6: What are the prevalent regulatory practices in other countries regarding access charges in case of calling cards?

Our View**:** The termination charges in most of the countries are based on market practices and vary based on the carrier and the destination, for e.g. UK has different termination for landline, Mobile, special codes etc. The table below shows that the average termination charge in most of the developed countries is higher than the Access charges and based on this principle the access charges should be lower than the termination charges.

Country	Termination Cost Slab	Average Termination Cost in $	Access Cost in $	Access Cost as % of Termination cost
Australia	1 to 5 cents	0.03	0.001	4.7
EU 6	1 to 5 cents	0.03	0.004	12.3
Canada	1 to 5 cents	0.03	0.001	4.7
NZ	1 to 5 cents	0.03	0.001	4.7
Singapore	1 to 5 cents	0.03	0.001	4.7
UK	1 to 5 cents	0.03	0.002	7.8
USA	1 to 5 cents	0.03	0.002	8.0

However, as said earlier and following the work done principle we reiterate our view that the origination access charges should be equal to termination charges.