

**Comments received from  
stakeholders**

**on Consultation Paper**

**“On Issues relating to the  
introduction of CPP for Cellular  
Mobile Services”**

**Dated 23<sup>rd</sup> May 2001**



## Association of Basic Telecom Operators

ABTO/TECH-20/09/2001

12<sup>th</sup> June 2001

**Shri M.S. Verma**  
Chairperson  
Telecom Regulatory Authority of India  
Jawahar Vyapar Bhawan  
1, Tolstoy Marg  
New Delhi - 110 001.

**Sub : ABTO's Response to TRAI Consultation Paper No. 2001/1 on issues relating to Introduction of CPP for Cellular Mobile Services.**

Dear Sir,

We congratulate TRAI for bringing out a comprehensive consultation paper on the issues relating to Introduction for CPP for Cellular Mobile Services. This paper contains very useful information pertaining to CPP scenario in other countries and the issues raised in this paper for discussions are very pertinent. The members of this Association have deliberated the issues raised in this paper at length and our issue-wise comments are given at Annexure.

ABTO strongly feels that for introduction of CPP for Mobile Services which are already priced on Cost Plus Basis, it is imperative that the tariff of basic services is also fixed on Cost Plus Basis, otherwise a common man will be paying for the services being enjoyed by the affluent section of society. ABTO, therefore, feels that this is not the right time to introduce Calling Party Pays (CPP) regime for Mobile Services. Our detailed reasons for above recommendations are given in the Annexure.

We request TRAI to kindly take our above views into account before finalizing recommendations on the subject.

We assure you of our full co-operation in all issues relating to telecom sector especially Basic Telecom Sector.

Thanking you,

Yours faithfully,

  
**S.C.KHANNA**  
**SECRETARY GENERAL**



CC : MR. R.R.N. PRASAD, MEMBER, TRAI  
MR. RAVI KANT, MEMBER, TRAI  
DR. HARSHA VARDHANA SINGH, SECRETARY, TRAI

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*ABTO Response to TRAI Consultation Paper No. 2001/1  
On Issues Relating to Introduction of CPP for Cellular Mobile Service*

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ANNEXURE

ABTO'S RESPONSE TO TRAI CONSULTATION PAPER NO. 2001/1 ON ISSUES  
RELATING TO INTRODUCTION OF CPP FOR CELLULAR MOBILE SERVICES

**A) GENERAL ISSUES**

- a) Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?**

The members of ABTO have deliberated at length the various issues relating to introduction of CPP in our country especially with regard to the socio-economic situations existing in our country, the existing status of telecom services and growth of telecom service keeping in mind the objectives of NTP 99. We find that the main objective of introduction of CPP is to make the mobile services less costlier and thus increase the teledensity of cellular mobile subscribers. We feel that growth of cellular mobile subscribers can not be seen in isolation. We have to consider most importantly the basic requirements of telecom services for a common man in our country. The main argument being given in favour of introduction of CPP is that it has given impetus to the growth of cellular subscribers in Europe and some of the countries in Latin America.

ABTO feels that this argument does not hold good in our context as GDP of these countries are many times more than that of India and the teledensity of basic telecom services is already very high. The charging pattern in these countries are different from the charging pattern existing as in many of the countries where CPP is introduced and local calls are not metered. Therefore, drawing a conclusion from the experience of introduction of CPP in European and other countries is not relevant in the Indian context. **ABTO therefore is of the view that introduction of CPP is neither desirable nor required in the Indian context especially when mobile services are showing such an impressive growth even without CPP as explained in the following paragraphs:**

1. Tariff for Basic Services is still fixed based on the principle of affordability and not on cost based. The local services are still heavily subsidised by long distance calls and TRAI is in the process of rebalancing the tariff based on cost of unbundled network



elements. Presently, the tariff of basic services are being fixed purely on the basis of affordability level of the common man.

On the other hand, tariff for Cellular Service even today is fixed on cost plus basis with a healthy rate of return.

2. In such a situation when two types of services namely basic service and cellular mobile service are not following a similar tariff structure and Cellular mobile services have already been growing at a fast rate (over 100% per year) the introduction of CPP concept does not appear to be logical.
3. Introduction of CPP will necessitate upgradation of the basic service network infrastructure requiring huge investment without any benefit to the basic service operators and its subscribers. The Basic Service Subscribers will have to pay supplementary charge for making calls to mobile phone subscribers, which would be an additional burden on him. Introduction of CPP thus will require unnecessary investment by Basic Service operators and unnecessary additional burden on the basic service subscribers. Common subscribers will thus be burdened with having to pay for the enrichment of the cellular operators.
4. CPP is not the way of increasing cellular mobile tele density. There are countries like China which have shown phenomenal growth even without CPP. China had a growth rate of 79% in 98 and 74% in 99 whereas Argentina which has CPP showed corresponding growth of 59% and 58% respectively. Japan, a CPP country showed a growth rate of 24% in 98. Similarly, Cyprus showed a growth rate of 26% in 98 and 28 % in 99. In India, even without CPP, the corresponding growth rate was 37% and 47% (Between 1999 and 2000 the cellular growth in India jumped more than 100%. As such, it is only competition, lower prices and innovative services that are required to grow the market and not CPP) which is very much comparable with the growth rate of country having CPP regime.

It is thus clear that CPP will not actually contribute to high growth rate for cellular mobile subscribers. In some of the Asian countries like China, Singapore and Sri Lanka who had earlier decided to introduce CPP are now having second thoughts. TRAI Consultation Paper has clearly indicated the reasons for their not doing so.

5. There is also the fact that in most countries including USA (in 1996) when CPP was planned to be introduced, the ratio of incoming calls to



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outgoing calls was 30:70. It was felt that this needed to be increased. In India, the incoming calls account for upwards of 65% of all calls in Cellular. As such, the need to introduce CPP for increasing incoming calls is redundant. In fact, what cellular operators do not seem to realise is that they could end up losing revenue in the process.

In China, the policy to introduce CPP was announced, but subsequently it was decided to defer its implementation.

The Singapore regulator after due consideration, has argued against recommendation of CPP. The reason for this decision mainly are as follows:

- I. The Singapore Regulator has assessed that CPP is neither necessary nor sufficient to boost the take up of mobile phone and paging services. In one of the comments by Singtel, the operator remarked that the growth experienced in countries which implemented CPP was not only due to CPP but also due to the other factors like introduction of competition and value added services like prepaid cards etc.
- II. Consumers of fixed line services could get confused as in the CPP regime, the charges he will have to pay vary depending upon the cellular operator.
- III. High costs involved in bringing about changes in the networks and systems.

In the final decision of the Singapore Regulator, given on May 3, 2000, it is stated:

"The Singapore Regulator's assessment is that the costs of any change would likely outweigh any potential benefits for both consumers and industry for now. As such, the present FMI regime and MPP retail charge system will continue for the time being". **ABTO fully supports this view.**

Similarly, in Sri Lanka also CPP Regime has not been implemented so far due to the following reasons:

- I. Requirement to have itemised bills for the customers at all originating networks;

- SS
- II. The need to create consumer awareness about CPP before it is introduced;
  - III. The commission was concerned about the adverse impact on the affordability of the basic telephone customers.

ABTO feels that the reasons in China, Singapore and Sri Lanka for introducing CPP are equally valid for India. Furthermore, USA and Canada who have longest experience in mobile service have not introduced CPP. They have kept CPP as optional service.

***In view of the above, ABTO feels that CPP is not desirable at this point of time. The only beneficiary of CPP will be the Cellular operator. Introduction of CPP can be considered when tariff for basic service is fixed on cost plus basis as in the case of cellular mobile service and also cost of unbundled elements of basic service for local calls, domestic long distance calls and international long distance calls are fully determined and the tariff for all types of services are fully balanced.***

- b) **What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?**

ABTO does not believe that any benefit accrues to the PSTN subscribers. On the other hand PSTN subscribers will have to pay for the call to mobile subscriber, and thereby hamper the growth of basic services. It may not even help PLMN subscribers and basic subscribers will be confused as they would not know exactly what each call to a different network will cost subscribers due to varying cellular mobile service tariff of different operators. The mobile penetration and growth has been impressive and on an increasing rate as has been brought out in TRAI's consultation paper. Does it then make regulatory sense to further aid cellular growth at the cost of basic services (which is bound to decrease because of high call charges to the cellular mobile subscribers). In effect because of this decreased calling from PSTN-PLMN, Mobile take up would also be affected adversely to a certain extent. It thus defeats the National Telecom Policy objectives of increasing teledensity and penetration.

- c) **Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?**



As and when the decision to introduce CPP is made, we feel that CPP should be based on market forces.

- d) **If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake holders e.g. subscribers & operators of Basic and Cellular Mobile Services?**

ABTO feels that if at any time CPP is introduced, the subscribers of PSTN should not be unnecessarily burdened by extra charges and the revenue of the Private Basic Service Operators should not be adversely affected.

- e) **Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen.**

In ABTO's view, introduction of CPP will not result in an accelerated growth of mobile subscribers. Most of the cellular operators have considerably slashed the incoming call rates and some operators do not even charge. Market forces and other business dynamics at work have already prompted the cellular operators to give incoming calls free on their own (i.e. no perceived effect on the viability of the business case), why it all should there be a regulation on making incoming calls free.

The introduction / non-introduction of CPP would not affect the prepaid business, the basis for this assumption is that those who are willing to spend a particular amount on prepaid cards would continue to do so even when the service becomes cheaper on the same amount allows them greater usage.

As already explained in response to point (a) above the growth of cellular subscriber base is not attributable to the introduction of CPP but to other factors like competition, lower prices, value addition etc.

- f) **Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?**

ABTO feels that if and when CPP is implemented, it should be in phases. International calls, calls from PCOs and roaming should definitely be



excluded. We should also learn from the experience of other countries where CPP has been introduced.

- g) **Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system that gives an option to the subscriber to choose either CPP or MPP, as in USA?**

ABTO feels that CPP should be optional as in the case of USA. The basic service subscribers know the various options available to him under CPP regime and also the charges which he will have to pay for making the call under CPP. The subscribers should be informed of the implications in a transparent manner.

- h) **What is the type of customer education & its cost that will be required to be incurred for implementing CPP?**

The customers are to be fully made aware at the beginning of the call itself about the charges that will have to be paid and also customers should be informed at the beginning of the call that this is on CPP regime and he is liable to pay a much higher charge. This function will have to be performed by the exchange by distinguishing the calls being made to CPP type of service and MPP type of services. This will require upgradation of local exchanges. Further, the billing system also has to be upgraded to take care of charges for CPP calls. All this will add to the cost of the Basic Operators.

**B) TARIFF ISSUES**

- a) **What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.**

ABTO feels that the tariff for CPP should be fixed on the DAIC of the unbundled elements of the cellular network. Methodology used for determining cost should be such that it imposes no cost to the basic operators and the minimum cost to customers.

- b) **Whether the above costs should be historical costs or forward looking costs?**

ABTO feels that forward looking cost should be the basis for calculation of MTC.

- c) **Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?**

ABTO feels that the cost of the elements involved in completion of call from PSTN to PLMN should be taken into account for determining termination charge.

- a) **What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?**

Any methodology adopted for allocation of these costs to MTC will be arbitrary. However, suitable methodology may be adopted which results in no cost to the operator and minimum cost to the customer.

- b) **What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?**

ABTO feels that it should be determined on the unbundled cost of network involved for each type of calls. The MTC should be lower than the originating carriage charge.

- c) **Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?**

ABTO feels that the termination charge should fully recover the DAIC of network elements involved in call termination and there should not be any subsidisation.

- d) **Should MTC be differentiated between peak and off peak hours? If so, how?**



ABTO feels that MTC can be different between peak and off-peak hours to encourage market network utilisation.

**C) TECHNICAL ISSUES**

- a) **Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.**

ABTO feels that a transparent methodology should be adopted so that subscribers are fully aware as to what charges he is liable to pay. As per the amended cellular license (clause 5.7) only methodology permissible is the surcharge on PSTN calls on account of MTC.

- (a) **Whether the provision of CCS 7 and CLI in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?**

ABTO feels that provision of CCS7 and CLI in the exchanges is a pre requisite for implementing CPP.

- (b) **Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network? Can both MPP and CPP co-exist in the same network, so that subscribers have a choice of either CPP or MPP, as in the USA?**

ABTO feels that the existing network may not support CPP. The cellular operators will have to upgrade their network which will facilitate co-existence of MPP and CPP. Further ABTO feels that subscribers should have option of CPP and MPP.

- (c) **Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announcement?**



CPP can not be implemented for all types of calls as already explained above. Though it is technically feasible to forewarn the calling subscriber through the recorded announcement but it would result in wastage of the network without generation of revenue to any party thus leading to national wastage and customer dissatisfaction. The only solution is that for such call the MPP regime should continue as is the practice in most of the countries where CPP is introduced.

- (d) **Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS 7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.**

The existing billing system in the PSTN network is not capable generating bills based on CLI and hence can not be used for carrying out accurate and appropriate revenue sharing between PSTN and PLMN operators. It would be better to ensure availability of CCS 7 throughout the network and then implement the CPP scheme instead of looking for any interim measures of bulk billing because such measures will lead to more legal complications and disputes.

- (e) **What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?**

ABTO feels that CPP should be implemented only at a time when the technical issues raised in this chapter are sorted and the tariff for basic services is fixed based on cost plus basis as in the case for cellular mobile services. As and when CPP is implemented, it should be on optional basis and subscribers and basic service operators are not unnecessarily burdened to hamper their growth.

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**tra**

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**From:** Y.V. Aswathanarayana <yvaswatha@yahoo.com>  
**To:** <tra@del2.vsnl.net.in>  
**Cc:** <gundurao@vsnl.com>  
**Sent:** Sunday, June 10, 2001 7:05 PM  
**Attach:** Consultation Paper.doc  
**Subject:** Consultation Paper (From Consumer Care Society)

TO WHOMSOEVER IT MAY CONCERN:

Dear Sir/Madam,

Attached herewith are the comments of Consumer Care Society, Bangalore, on the Consultation Paper, No. 2001/1 on issues relating to the introduction of CPP for Cellular Mobile Service.

We hope that this will be of use to you in finalizing the paper. If you have any further questions, you are welcome to email me.

Sincerely,  
Y.V. Aswathanarayana

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*Abi*  
*11/6/2001*  
*SOC(MND)*

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Telecom Regulatory Authority of India  
New Delhi  
Email: trai@del2.vsnl.net.in

Dear Sir,

Subject: Consultation Paper No. 2001/1 on issues relating to the  
introduction of CPP for Cellular Mobile Service.

This has reference to your above Consultation Paper (CP) and following are our views: ( The paragraph reference numbers below are those in the CP).

Paragraph 2.17:(a) Yes. CPP would be desirable. It is natural and logical that the party wanting to contact somebody else needs to pay for this facility and not the other was around. In contrast, if it is MPP, in all likelihood the called party using the cellular phone will ignore the incoming call when he sees the incoming calling telephone number, if it is not to his advantage. Hence there will be repeated attempts by the caller which will only add to the network congestion and inefficiency. This seems to be a main reason for the reluctance of the PLMN subscribers to give their contact PLMN numbers freely as they do with PSTN numbers.

Paragraph 2.17:(b): Establishing a quick connection between the caller and called parties will assist transact their business with efficiency all round resulting in greater and improved time and network application. It should result in rapid expansion of service, thus contributing to greater profits and better/competitive service offering to the public.

Paragraph 2.17:(c) and (d): Practical experience of TRAI should be helpful in deciding this matter. If the network providers are amenable to reasoning and logic and willing to appreciate others viewpoints, they should be able to come to a mutually agreeable position, with a moderating influence of a fair intermediary like TRAI. However if this does not happen, there should be no hesitation and TRAI should intervene and decide. Leaving it to market forces may be detrimental both to the public and to network owner if any one resorts to predatory tactics. Further, TRAI can also put a cap on prices and leave the actual tariff to the individual operator.

Paragraph 2.17:(e): If the prices are right and adequate marketing efforts go into it there is no reason why there should be no excellent growth resulting in gain- gain advantage all round.

Paragraph 2.17:(f): If there are very many difficulties at the ground level ie cost, time to implement and technical limitation, then only such types of calls which cannot be passed on to PLMN, may be kept out for now.

Paragraph 2.17:(g) It is difficult to imagine any body willing to pay for an incoming call which may turn out to be of no value at all, and hence providing the option



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of MPP, except toll free variety, is of little use. CPP is adequate and no need to complicate matters.

Paragraph 2.17: (h): As both PSTN and PLMN providers will gain by network expansion, they should decide on a mutually acceptable marketing strategy for expanding their reach and public awareness.

Paragraph 3.14. (a): Both DAIC and FAC should be worked out, and in order to encourage expanding user base in the initial stages, ultimate decision on tariff should be based on pragmatism.

Paragraph 3.14. (b): It is known that the costs of Telecom equipment has been progressively coming down due to technology upgradation. However, here also pragmatic should be the guide.

Paragraph 3.14. (c), (d), and (e) As these require highly professional people, teams of cost accountants having previous experience in telecom services nominated by the network providers and working with TRAI will be able to come up with correct and acceptable answers.

Paragraph 3.14 (f) and (g): Again, pragmatism is preferable in the interest of developing a vibrant and robust PLMN. No harm in cross subsidising at all as we have to see it as a whole set rather than as subsets of a whole.

Paragraph 4.15 (a) to (e): No comments, This is a highly technical issue. However as far as the user is concerned, effort should go to see that he gets only one telephone bill to cover all his local, STD, ISD and cellular calls usage and the facility providers should make inter-administration arrangements for settlements and sharing. If the customer gets multiple bills, and he pays only one or the other there could be problems.

Paragraph 4.15 (f): The ideal is as soon as possible. Taking into consideration realities, a committed fixed schedule has to be worked out. Each network owner should bear the cost and responsibility for carrying out the mutually agreed set of modifications and adhere to the agreed time frames.

We hope you will find our observations/ comments useful in your deliberations.

Yours sincerely,

Y.V.Aswathanarayana.  
Secretary,  
CONSUMER CARE SOCIETY,  
Bangalore 560 070

SD/



# VOLUNTARY ORGANISATION IN INTEREST OF CONSUMER EDUCATION (VOICE)

F-71, LAJPAT NAGAR-II, NEW DELHI- 110024, INDIA

TEL. : (011) 6918969, 6315375 FAX : (011) 4626189

E-MAIL : srkhanna@giasdl01.vsnl.net.in

Ombudsman :  
JUSTICE P. N. BHAGWATI

Founder :  
JUSTICE V. M. TARKUNDE

Hony. Chairman & Editor :  
PROF. P. K. GHOSH

Hony. Managing Trustee :  
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COUNCIL, (CCC) INDIA

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Date :  
07.06.2001

Secretary  
Telecom Regulatory Authority of India  
16<sup>th</sup> Floor, Jawahar Vyapar Bhawan  
Tolstoy Marg  
New Delhi -110 001

*Kuldeep Aggarwal, Sr. Rajinder Singh*

Sir,

**Sub:- Consultation Paper issues relating to the introduction of CPP for Cellular Mobile Service.**

Our Comments on the above papers are enclosed. At this juncture, the consumers are not ready to accept introduction of CPP. Moreover, it will adversely affects the basic services and growth in tele density.

With regards,

*(Signature)*  
(S.N Aggarwal)  
Telecom Consultant



*Dy. Adv (M)*  
*14/6*  
*Sofam*

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**Comments on Consultation Paper on Issues relating to the introduction  
of CPP for Cellular Mobile Services.**

The issue of consultation paper on the subject is ill-timed, uncalled for and ill conceived for the following reasons:

- Country has very low tele -density. Let us not have misplaced priorities by indulging in such confusion / controversy.
- Private basic service providers have yet to roll out their network. Upgradation of PSTN network infrastructure for CPP will entail additional financial burden and have adverse impact on their plans and consequently on the NTP 99.
- Numbering Plan for multi operator environment is not yet ready. The CPP will further complicate and delay its implementation.
- Cellular operators in circles are providing ` free incoming calls ` as business incentive. CPP will eliminate this factor .
- Added burden on the fixed subscriber. He may be forced to pay exorbitant bills for calling mobile subscriber- ignorant about his location and the extent of charges for routing his call through different networks.
- Only beneficiary will be METRO CELLULAR operators , whose airtime charges are much higher than circle operators. They have gained enormously by migrating to revenue share regime. Leave aside reduction in tariff, refunds to subscribers, ordered by TRAI have not been made so far.



- Launch of DOLPHIN introduced competition and forced reduction in rentals and air time by metro operators . Why additional favour to a select service provider at the cost of consumers.
- Reduce airtime charges / rentals and educate the fixed subscriber before considering CPP.
- Complicated collection mechanism will only effect the calling party. ✓
- While picking up lessons from the experience of other countries , identify those which help us.

A] Most of the countries [ Australia, Canada etc ] have unmetered local PSTN calls. We must wait till achieving this .

B] Identify with Singapore. High cost involved in changing infrastructure, confusion amongst consumers of fixed line and the TRUTH about growth factors- prepaid cards, low rental and air time charges and not CPP , made IDA decide against CPP.

Our fixed line subscriber will be the most confused and exploited. Need protection from such schemes.

C] Sri Lanka experience is valid in our environment . CPP regime was not implemented to avoid `` unfair burden on fixed access customers `` and to provide time for ` publicity to educate customers `.

D] Even USA and China have not implemented CPP.

- Urgency to create confusion?
- Open houses packed by operators and high decibel should not be deciding factor.

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Regulator must use technical and financial know-how at hand in the interest of country and consumer, as is its function.

Precondition for CPP :

A] Reduction in tariff

B] Achieve unmetered local PSTN

C] Announcement of national NUMBERING PLAN

D] Consumer awareness

E] Achieve teledensity of 7

F] To be optional initially.

G] Let private basic network start i.e multi-operator environment

2.17 In the light of the background (discussed in Chapter 1) and the experience of other countries (discussed above), the following emerge as the key issues which need to be examined during the consultation process.

Issues brought out for public consultation:

(a) Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction? NO

(b) What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP? ONLY

CONFUSION

(c) Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?

MARKET FORCES

(d) If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake holders e.g. subscribers & operators of Basic and Cellular Mobile Services? **NOT TO BE INTRODUCED**

(e) Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen. **NO. Preconditions: REDUCTION IN CELLULAR TARIFF, unmetered local PSTN,, placement of national numbering plan and Consumer awareness and tele density of 7 is reached.**

(f) Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement? **NO .**

(g) Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system which gives an option to the subscriber to choose either CPP or MPP, as in USA? **Tecnically not possible- hence no CPP.**

(h) What is the type of customer education & its cost that will be required to be incurred for implementing CPP? Financial implications , cost-benefit information.



3.14 In the light of the discussions in previous sections, the following tariff issues are brought out for public consultation:

- (a) What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption. Not to be considered till private basic network is in place.
- (b) Whether the above costs should be historical costs or forward looking costs? Not to be considered .
- (c) Which cost elements of PLMN should be taken into account for fixing the mobile termination charge? NO COMMENT
- (d) What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs? NO COMMENT
- (e) What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg? NO COMMENT
- (f) Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a

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kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified? NO COMMENT

(g) Should MTC be differentiated between peak and off peak hours? If so, how? NO COMMENT

4.15 In the light of the discussions in this chapter, the following issues come up for public consultation and for seeking inputs from stakeholders.

Issues brought out for public consultation

a) Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.

Hold introduction of CPP

b) Whether the provision of CCS 7 and CLI in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?

Hold introduction of CPP

c) Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network? Can both MPP and CPP co-exist in the same



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network, so that subscribers have a choice of either CPP or MPP, as in the USA?

Hold introduction of CPP

d) Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announcement?

Hold introduction of CPP

e) Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS 7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.

Hold introduction of CPP

f) What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes

Hold introduction of CPP

A.W (MN)  
A.W (TUG)

# Telecom Users Group of India

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TUG  
TELECOM  
USERS GROUP INDIA

June 11, 2001

The Secretary  
Telecom Regulatory Authority of India  
Jawahar Vypar Bhawan  
Tolstoy Marg  
New Delhi 110 001



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Dear Sir,

**Consultation Paper No. 2000 / 1: TRAI Paper on CPP**

We write with reference to your subject paper and give below our considerate comments on the issue of introduction of CPP:.

*TRAI: The growth of Cellular Mobile Telephone Service (CMTS) during the last decade has been phenomenal ...In some of the countries, the significant growth rate has been attributed to the introduction of so called 'Calling Party Pays' (CPP) regime.*

**In China where the cellular growth has been truly stupendous there is no CPP, neither is there any CPP in Hong Kong, Singapore or even Sri Lanka. As such, growth of cellular is not dependent on a concept like CPP today, especially in a competitive market. Any financial burden on telecom users will adversely affect the spread of teledensity due to affordability problems. CMTS is meant for elite & they can afford to pay the air time charges.**

*TRAI: The erstwhile TRAI had taken steps to introduce CPP in India in 1999. After conducting open house discussions*

**The erstwhile TRAI had conducted JUST ONE open house discussion in Delhi and rushed through its recommendations. None the less, TUGI are opposed to changes in the existing pattern.**

*TRAI: The Order and Regulation, however, were challenged in Honorable High Court of Delhi, inter alia, on the grounds that TRAI did not have the legal authority to implement CPP in a framework where the DOT (now "BSNL") would have to pay cellular mobile service providers for calls originating in DOT network and terminating in the cellular mobile network.*

**The CPP order was primarily challenged for being anti consumer. The Chief Justice of Delhi High Court asked "why should the common subscriber be burdened with paying for a premium service like cellular?" And there was no answer. Also, the court case was a direct outcome of the then TRAI Chairman's action in hauling up a company that offered free incoming calls on its own. Free incoming calls is a business decision and should not be subjected to forced regulatory orders especially due to free marketing forces working in the fields.**

Secretariat Address : A-98, Malviya Nagar, New Delhi-110017 (India)

1 Tel. : +91 11 668 8287, 668 2088 Fax : +91 11 668 9325 Email : tugi@vsnl.com

Regd. Office : 14, Golf Apt. Sujan Singh Park, New Delhi - 110 003  
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Comments on Chapter - 1

*Background*

TRAI: 1.1 *Although initially, the cost of installing a PLMN was much higher than that of a PSTN, & mobile telephony was considered to be a premium service with much higher tariffs compared to basic fixed telephony*

**Premium services are not just on account of higher costs, which are falling all the time anyway. It is the inherent value, the benefits that a user gets, like being able to ALWAYS receive calls, which are vital to his/her business or personal interests. The burden therefore, should fall on CMTS as he is holding a mobile phone, which is denied to a poor man due to non-affordability.**

TRAI 1.2 *At present, .....the mobile subscriber is charged an airtime for receiving the call on the mobile network, i.e., he pays for the resources used on the mobile network*

**This is not strictly true, what the mobile subscriber also pays for is the privilege of being mobile and for receiving calls as s/he feels it important to receive them and should be willing to pay a premium for the same.**

TRAI 1.4 *Points in favour of CPP*

- i) *CPP transfers the responsibility to pay for both the fixed leg as well as the mobile leg to the fixed subscriber who makes the call. It could be argued with some force that the caller should pay for the call, being the party that needs to communicate with a mobile subscriber, so as to transact his business*

**In fact, it can be argued with even more force that it is the mobile party who always wants and expects to be contacted far more urgently which is why s/he became a cellular subscriber in the first place. The mobile party fully understands that this is a premium service and higher payments would have to be made for thus being always available to other callers.**

- ii) *It may be easier to contact a mobile subscriber as he is less likely to switch off his phone for fear of receiving unwanted calls, and paying for incoming airtime.*

**This is already being availed of by mobile subscribers through their Caller Line Identity Presentation (CLIP) feature that allows them to identify the caller and decide whether to accept the call or reject it.**

- iii) *The mobile subscriber can control his expenditure on telephone bills as he is no longer required to pay for his incoming calls, over which he has no control.*

**The CLIP facility mentioned above and the "off" button are already available for control. As for payment, operators are already offering free**



**incoming calls without any CPP regime. So why does the regulator feel the need to mandate a regime that has the potential of harming the consumer is quite inexplicable.**

- iii) *Under MPP also called RPP (receiving party pays), the mobile subscribers are generally reluctant to give their mobile phone numbers, so as to avoid payment of airtime charge for incoming calls. This is cited as one of the reasons for directory not being published by the cellular operators, which is required as per License Agreement.*

**Unfortunately, this too is completely inaccurate. The real reason for directory not being published is that over 75% of cellular subscribers are pre-paid users. In numbers, this translates to 2.7 million of the total 3.7 million users in the country. Of the remaining 1 million at least 25% are VIPs and another 25% are industrialists/businessmen, who give their numbers to select people. These people do not list even their fixed line numbers in the ordinary directory. That leaves barely half a million users who can be classified as "normal" subscribers. This miniscule number of users may or may not want their cell phone numbers published. But the operators themselves are unwilling to publish a directory for such a small user base.**

- iv) *In order to avoid costly airtime (incoming), mobile phone subscribers have a tendency to use the phone as a pager to get incoming message / caller identity, prompting him to make a 'call back' from a fixed line, which he owns in addition to a mobile number. CPP will hopefully make it possible to avoid the 'call back' phenomenon thus creating more symmetric traffic flows between PSTN & PLMN, resulting in better dimensioning and improved QoS.*

**By introducing CPP, the probability is high that land line to land line calls will increase rather than any dramatic increase in the cellular revenue as land line users will not wait for the cell user to pick up the phone. Most land line users budget their use. Further, today most cellular operators have more incoming traffic than outgoing (over 60% incoming). This proves that people do not keep their mobiles off even without CPP. In other countries the ratio of incoming is less, e.g. in US this is 26-30% (source: [www.coleago.co.uk/download/download\\_folder/ CPP\\_Conference\\_Paper\\_Dec\\_98](http://www.coleago.co.uk/download/download_folder/ CPP_Conference_Paper_Dec_98)). Hence CPP will be of more use in such places but it is still left to market forces rather than being mandated. And operators have not found any compelling reason to introduce it.**

- v) *An important objective of a telecom tariff regime is to encourage usage, thus ensuring better utilization of the costly network infrastructure. In some countries increased call volumes were observed after CPP was introduced in lieu of MPP or as an alternative. However, for a developing country like India, whether such a growth in total call volumes will actually materialize is not quite certain and needs to be debated.*



It would be relevant to explain the above point in more detail. It is not a necessary nor sufficient condition that cell phone usage will increase with incoming calls becoming free. In fact, the probability is that there will be a drastic reduction in calls from fixed lines to cellular mobile. While zero incoming airtime will ensure lower revenues for cellular operators, the lower calling from fixed lines will ensure that there is no compensation through the CPP route either. Net effect, is actually going to be a decline in cellular revenues and also a drop in overall usage.

#### *1.5 Points in Favour of MPP*

*TRAI comment: If CPP is made an option for the subscriber in addition to MPP then it becomes necessary to install a sub system to inform a caller making a call to cellular mobile, that he would have to pay an additional charge for such a call. This is generally done through an IN node, which involves considerable investment to be made by the network operator.*

Both the points are valid. If for any reason CPP is allowed, it cannot but be an optional feature left to the two operators to mutually agree and implement. And furthermore, it is absolutely vital to inform the consumers whenever they dial a mobile number of the higher charges that will be applicable. In order to implement this feature, fixed line operators will have to invest a lot of money, and it stands to reason that it will be the cellular operators who will have to bear the burden of upgrading systems thus.

*TRAI comment: CPP may discourage fixed line subscribers from making calls to mobile phone subscribers, as they may have to pay a supplementary charge. They may find it too costly to make a call to PLMN.*

In fact even today traffic flow is already asymmetrical (more incoming than outgoing). Introducing CPP will increase the asymmetry. Over 60% of calls to mobile are from land line and this will drop dramatically leading to loss of revenue to the cell operator rather than any increase.

*TRAI Comment CPP may cause confusion amongst fixed line users, in case different mobile operators have different termination rates to complete calls in their respective mobile networks.*

There is a very real problem of not just confusion but of consumers being misled. Recently, Argentinean government had to step in on May 04 2001 to stop the CPP misuse, by mobile operators to the disadvantage of both land line and mobile subscribers.

**Further, CPP is also going to increase the expenditure of basic operators who**

Secretariat Address : A-98, Malviya Nagar, New Delhi-110017 (India)  
Tel. : +91 11 668 8287, 668 2088 Fax : +91 11 668 9325 Email : tug@vsnl.com

**Further, CPP is also going to increase the expenditure of basic operators who will have to invest in upgrading their network, in order to implement CPP.**

This issue of re-inventing the CPP would reflect the TRAI policy as under

**"Consumer get a raw deal, ego issues rule the roost and the entire telecom sector losses".**

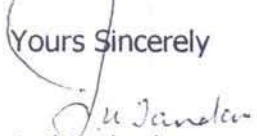
Telecom Users Group of India are of the firm view that endeavor must be made to meet the target of teledensity as envisaged in NTP'99. This is entirely based on the affordability criteria. Our belief is the introduction of CPP may adversely affect the teledensity, as the benefit of the CPP will go to the mobile users. This will entitle the cellular customer.

- a) To get free incoming calls, however most of them are rich and the rest have their bills paid by their offices or employees.
- b) Extra revenue simply passed in to the cellular operators.
- c) The land line operators gets a bad instead, and receive even the less money than what a normal 3 minute call would have fetched.
- d) Ordinary subscriber will have to pay almost five times more for 3 minutes call to a cellular customer.

Our conclusion, which we humbly place before the Chairperson TRAI is cellular service are premium only for the cellular subscriber who want to be reached any where, any time in the world and so he should be willing to pay a premium for being available on call at all times. We have entered a highly technological advanced atmosphere where market forces should be allowed to play and let operator decide for themselves what is beneficial to them rather than the regulator interface on the subject.

Thanking you

Yours Sincerely

  
Anil Prakash  
Secretary General

CC: TUGI Committee Members

Secretariat Address : A-98, Malviya Nagar, New Delhi-110017 (India)  
Tel. : +91 11 668 8287, 668 2088 Fax : +91 11 668 9325 Email : tugi@vsnl.com

Regd. Office : 14, Golf Apt. Sujan Singh Park, New Delhi - 110 003  
(Donations are exempted from Income Tax under Sec. 80 G)



11:15 AM

बुलेट प्रान्त हुवा

प्रति

12.6.2001



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June 11, 2001

Mr. M. S. Verma

Chairman

Telecom Regulatory Authority of India

Jawahar Vyapar Bhawan

1, Tolstoy Marg

New Delhi - 110 001

Dear Sir,

TRA I Consultation Process on Calling Party Pays Regime

We welcome the initiation of the consultation process for considering the introduction of a Calling Party Pays regime for cellular mobile services in India.

Our detailed comments on the Consultation Paper as well as our responses to the specific issues posed for discussion by the Authority are enclosed.

We believe that, introduction of CPP with the right tariff structure and taking into consideration the interests of all the stakeholders, would not only increase the Mobile Subscriber Base and the Mobile Call Traffic, it will in the long run also increase the traffic in the Fixed Line Networks. CPP would also address the issue of the person who controls the call can be asked to pay for the call.

We hope that our suggestions and views will merit your kind consideration and look forward to the introduction of a fair and viable CPP regime.

Kind regards,

Yours Sincerely

For Tata Teleservices Ltd.

  
**S. Kesavan**

Senior Manager-Corporate

Encl : a/a



Adw (MN)

**TATA TELESERVICES LIMITED**

K.L.K. Estate Fateh Maidan Road Hyderabad - 500 001

Phone (040) 610 1010 Fax (040) 610 3339

Registered Office 10th Floor Tower 1 Jeevan Bharati 124 Connaught Circus New Delhi - 1



**TATA TELESERVICES LTD.'S RESPONSE TO TRAI CONSULTATION PAPER NO. 2001/1  
ON ISSUE RELATING TO INTRODUCTION OF CPP FOR CELLULAR MOBILE SERVICES**

**ISSUES BROUGHT OUT FOR PUBLIC CONSULTATION**

**A) GENERAL ISSUES**

- a) Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?

**We feel that CPP could be considered in our context keeping in mind the following:**

- At present, there is a tendency amongst mobile subscribers to use their mobile phone as a pager and take 'call back' in most of the cases and in some cases the phones are kept switched off thereby not allowing access to the mobile subscriber which creates trouble in emergency times.
- The Fixed Line subscriber will almost always have the option to reach the mobile subscriber on his fixed line number since the mobile phone is usually in addition to a fixed phone. In times of emergency or in case the mobile subscriber is not available on his fixed line number, the PSTN caller will still have the option of reaching him by paying a premium for instant accessibility.
- It will lead to a growth of the mobile market as introduction of CPP will lift one of the biggest barriers to adoption of mobile services by more customers :
  - CPP will increase usage by marginal customers.
  - CPP will expand the cellular market by making cellular more affordable for potential customers.

The above would have two fold effect (a) Expanded Telecom Market (b) Higher Call Volumes. This would increase the potential of higher revenue for all the telecom operators inclusive of Basic Service Operators.

However, CPP, in whatever form it is introduced, must be :

- Fair, viable and economically sustainable and acceptable to all stake-holders – The CPP regime introduced by the TRAI must be such that it finds acceptance with all concerned - the service providers as well as consumers.
- The Regime must be easy to understand and simple to administer.
- The Authority must take a holistic view of CPP forming a part of the larger picture of finalization of an interconnection regime and the application of cost based tariffs for origination, carriage & termination of a call.

- b) What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?

- (85)
- The introduction of CPP will benefit both the mobile and fixed subscribers. Further fixed to mobile calls can be broadly categorized into Personal & Business calls.
    - In the case of personal calls, there is a strong community of interest and more often than not it is the same person / entity that will be paying for both the fixed and mobile calls. In these cases, it is important to look at the total cost of a call, and this will come down significantly with the introduction of CPP.
    - In the case of business calls – introduction of CPP will lead to freer access to the entire mobile subscriber base as the mobile subscriber will not be averse to giving out his mobile number.

- c) Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?

**As and when the decision to introduce CPP is made, we feel that initially CPP should be made by the intervention of the regulator and subsequently the market forces may take over once stability is achieved.**

- d) If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake holders e.g. subscribers & operators of Basic and Cellular Mobile Services?

**Since CPP would benefit both the Mobile subscriber ( reduced costs ) Fixed Subscriber accessibility of mobile subscriber) TRAI should use such conditions for the implementation of CPP that it keeps the interests of both the fixed as well as mobile subscriber in mind. As for as the basic operators interests are concerned, the same should be protected by allowing them to retain a portion of the MTC towards the collection / admin charges and bad debts.**

- e) Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen.

**As stated in (a) above, we believe that introduction of CPP in India would result in an accelerated growth of not only mobile subscribers it will also increase the overall telecom call volumes ( incl Basic ).**

- f) Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?

**We feel that CPP should be implemented in phases. We should however learn from the experience of other countries where CPP have introduced.**

- g) Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system that gives an option to the subscriber to choose either CPP or MPP, as in USA?



**We feel that at this stage CPP should not be made optional as it is likely to call for huge investment on the part of the operators as well as it will confuse the customer.**

- h) What is the type of customer education & its cost that will be required to be incurred for implementing CPP?

**The customers should be made fully aware at the beginning itself that that he is on CPP regime and he is liable to pay a particular charge. Further, the billing system also has to be upgraded to take care of charges for CPP calls. However, this will add to cost of the operators.**

**B) TARIFF ISSUES**

- a) What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.

**We feel that the regulator should fix the costs in consultation with the mobile operators. However, it should be made sure that the costs should be reasonable to keep it attractive for the callers.**

- b) Whether the above costs should be historical costs or forward looking costs?

**Same as "a" above.**

- c) Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?

**Same as "a" above.**

- d) What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?

**Suitable methodology may be adopted which results in minimum cost to the operator and customer.**

- e) What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?

**Same as "a" above.**

- f) Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?



Same as "a" above.

- g) Should MTC be differentiated between peak and off peak hours? If so, how?

**We feel that initially there should be one uniform rate for the CPP calls. This would avoid confusion for the customers.**

**C) TECHNICAL ISSUES**

- (a) Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.

**We feel that a transparent methodology should be adopted so that subscribers are fully aware as to what charges he is liable to pay. We prefer CDR methodology.**

- (b) Whether the provision of CCS 7 and CLI in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?

**For providing full reconciliation, it may be necessary to have CC7 and CLI in all exchanges.**

- (c) Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network? Can both MPP and CPP co-exist in the same network, so that subscribers have a choice of either CPP or MPP, as in the USA?

**We feel that CPP and MPP can not co-exist in the Indian Context, as this would cause fair amount confusion in the minds of the people as well as would involve huge investment on the network.**

- (d) Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announcement?

**We feel that CPP should not be implemented for the calls like international calls and PCO calls as the settlement issues would crop up in the case of international calls and the individual billing issues would crop up in the case of PCO calls.**

- (e) Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS 7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.

**We feel that billing on the basis of CLI can be introduced as an interim solution and subsequently sophisticated billing can be implemented once CCS 7 is implemented fully in the network.**

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- (f) What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?

**We feel that CPP can be implemented as and when the details of the implementation are finalised by TRAI inclusive of Tariff issues.**



**TERI**

D. S. Seth Block  
 Habitat Place  
 Lodhi Road  
 New Delhi - 110 003

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 19.6.2001

Adv (MN)  
 Adv (Eco)  
 Adv (Eco)  
 Adv (Eco)  
 Adv (Eco)

June 19, 2001

**North-Eastern Regional Centre**

503 Orion Tower  
 Christian Basti, G S Road  
 Guwahati - 781 005

Tel. (361) 26 5395 or 26 4363

E-mail terine@gw1.vsnl.net.in

Fax (361) 26 5395

**Southern Regional Centre**

LN Complex (2nd floor)  
 10/1 Palace Road  
 Bangalore - 560 052

Tel. (80) 225 7009 or 228 3801

E-mail teriblrg@iasbg01.vsnl.net.in

Fax (80) 225 5760

**Western Regional Centre**

G 6 Block 7  
 Models Residency  
 (near St. Inez Church)  
 Panaji - 403 001

Tel. (832) 42 1264 or 42 5290

E-mail terigoa@goatelecom.com

Fax (832) 42 5290

**TERI worldwide**
**TERI CIS and Central Asia**

Apartment 1088, Block 6  
 Building 55  
 Kashirskoe Avenue  
 Moscow 115 211

Tel. (+7 095) 344 8469

E-mail firina@com2com.ru

**TERI Japan**
**c/o IGES**

Nippon Press Centre Bldg (8th floor)  
 2-2-1 Uchisaiwai-cho  
 Chiyoda-ku, Tokyo, Japan

Tel. (+81 3) 3519 8979

E-mail teri@iges.or.jp

Fax (+81 3) 3519 8978

**TERI Europe**

27 Albert Grove  
 London SW20 8PZ

Tel. (+44 20) 7747 6212

E-mail ritukumar@aol.com

Fax (+44 20) 7839 6174

**Affiliate Institute**
**TERI North America**

1600 Wilson Boulevard  
 Suite 710  
 Arlington, VA 22209

Tel. (+1 703) 841 1136

E-mail teri@igc.org

Fax (+1 703) 243 1865

Dr. Harsha Vardhana Singh, Secretary  
 Telecom Regulatory Authority of India  
 Jawahar Vyapar Bhavan, 16<sup>th</sup> Floor  
 Tolstoy Marg  
 New Delhi 110 001

Dear Dr. Singh:

Enclosed are TERI's comments on the Consultation Paper titled *Issues relating to the introduction of CPP for cellular mobile services*. If you have any questions about these comments, please do not hesitate to call me at 468-2100, Extn. 2204.

Sincerely,

*Daljit Singh*

Daljit Singh  
 Fellow



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**Comments of TERI on TRAI's Consultation Paper on  
Issues Relating to the Introduction of CPP for Cellular Mobile Services**

**Introduction**

In 1999, the former TRAI initiated a consultative process to determine whether or not to introduce a calling party pays (CPP) regime in India. Based on comments received in open house discussions, it issued an order requiring CPP for mobile phone services. However, that order was challenged by DOT (now BSNL) in the Delhi High Court, and the court found that TRAI did not have the legal authority to implement CPP because it would require DOT to pay cellular mobile telephone operators (CMTOs) for calls originating in the DOT network and terminating in the network of CMTOs. Subsequently, the Government of India amended the TRAI Act giving TRAI the jurisdiction over issues related to interconnections between service providers.

TRAI has decided to reconsider the issue of whether to introduce CPP, and has issued a Consultation Paper dated May 23, 2001 seeking comments on this issue. TERI is pleased to present its comments in response to this solicitation. We first discuss the issues involved in implementing CPP and give our recommendations. Then we provide answers to the specific questions raised by TRAI in its Consultation Paper.

**Summary of Recommendations**

In principle, TERI supports the introduction of CPP where the subscriber has the option to use MPP (Mobile Party Pays) if he so desires. The first reason for supporting CPP is that we believe it will be more fair than a MPP regime. One of the requirements for a tariff regime is that it be fair; i.e. each party should pay for the costs that it causes. Based on the principle of cost causation and fairness, we assert that the calling party should pay because it is the entity that is responsible for initiating the call and thus causing the costs of the call to be incurred. We acknowledge that several measures are available to avoid unwanted calls such as caller identification and the unavailability of a published directory listing mobile phone



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numbers. However, all these measures reduce the volume of calls and thus slow down the growth of the telecommunications sector. Further, in the case of caller identification, in many cases the called party may not be able to identify the number from which he is receiving a call and would be forced to answer the call under such circumstances. MPP charges the called party for costs over which the called party has little or no control, and is unfair. As TRAI has stated in the Consultation Paper, the calling party is the one that needs to communicate with the mobile subscriber to transact some business and should thus pay for the call.

CPP is likely to reduce distortions in the tariff. While the benefits of a call go primarily to the calling party, MPP, the alternative to CPP charges the called party to pay for those benefits. This effectively results in a cross-subsidy of the calling party by the called party. This imbalance in costs and benefits results in the calling party wanting to make more calls than the optimum number and for the called party wanting to receive fewer calls than the optimum number. This effect is demonstrated by the reluctance of many mobile phone subscribers to give out their mobile phone numbers, as noted by TRAI in its Consultation Paper. Removing the distorting effect of MPP will result in a balance of costs and benefits with the number of calls between parties being closer to the economically optimum number.

The most important reason for recommending CPP is that it is likely to result in greater growth in the cellular phone business in India. Consequently, as the volume of traffic over the phone networks increases, prices for phone service are likely to decrease leading to a greater accessibility of phone service for all. As TRAI has correctly described, under MPP mobile phone subscribers are often reluctant to give their mobile phone numbers to others in order to avoid paying charges for incoming calls. This is particularly true of non-business users of mobile phones who give their numbers out to a very small group of family-members or friends. The imposition of CPP is also likely to result in mobile phone subscribers giving their mobile phone numbers as freely as they give their fixed phone numbers. This, in turn, will increase the value that subscribers perceive in their mobile phones. Consequently both call volume and the number of subscribers are likely to increase, resulting in faster growth of the telecommunications sector. The international experience cited in the Consultation Paper supports this expectation



In the Consultation Paper, TRAI states that CPP may discourage fixed line subscribers from making phone calls to mobile phone subscribers because of the additional expense for them. TERI believes that this will happen to a very limited extent for two reasons. First, because there are far more fixed line subscribers than mobile phone subscribers, we expect a larger number of fixed service providers calling a smaller number of cellular subscribers. Therefore, we expect the number of calling parties for PSTN-PLMN calls to be much greater than the number of called parties. Therefore, if CPP is implemented the cost increase *per fixed line service subscriber that calls a mobile phone* will be much less than the cost *per mobile service subscriber* under MPP. Therefore, the effect of the mobile termination charge (MTC) per subscriber under CPP will be diluted. The extent of this dilution will depend on the distribution of fixed service subscribers calling mobile phone subscribers. Modeling may be necessary to estimate this effect on fixed line service subscribers.

The second reason that we believe that the effect of CPP on fixed line subscribers is overstated is that there is anecdotal evidence that suggests that the willingness of customers to pay for phone service may be significantly greater than is generally believed. This is particularly true if the number of such expensive calls is few. We also note that the MTC will decrease as the PSTN-PLMN call volume increases and thus the financial burden of CPP on fixed line subscribers will be mitigated.

While in principle we believe that CPP should be implemented, our support for CPP is not unconditional. First, we suggest that TRAI evaluate the costs and benefits of this change before its introduction. The costs of introducing CPP are mainly the cost of the upgradation of the PSTN network and the installation of an IN node. The benefits are those that would result from an increased subscriber base and call volume and from the consequent growth in the telecommunications sector. We expect that the benefits greatly exceed the costs. However, because the Consultation Paper does not give any quantitative estimates of costs and benefits, we cannot be absolutely certain that the benefits exceed the costs. Therefore, we recommend that TRAI estimate the expected growth in the telecommunications sector and the equipment costs required to shift to a CPP regime. The CPP regime



should only be implemented after this evaluation is completed and TRAI has determined that the benefits of CPP exceed the costs.

The costs of cellular phone service, as of other telecommunications services, has been decreasing. Because the imposition of CPP will shift costs between mobile and fixed line subscribers, we think that this would be an opportune time to review the costs and tariffs for cellular phone service in order to ensure that the "correct" amount of costs are shifted. At the same time, it would be appropriate to review the costs and tariffs for fixed line services. Therefore, we recommend that TRAI carry out a tariff review for both mobile phone service and fixed phone service in parallel with the consultation process on CPP. In that case, the MTC paid by the calling party will be reasonably accurate and will not result in an unfair burden on the fixed line subscribers.

Another issue that needs to be addressed is whether regulatory intervention is necessary to implement CPP or if market forces themselves would produce satisfactory results. We note that one mobile service provider, Bharti Telenet is providing free incoming calls in Himachal Pradesh<sup>1</sup> without any increase in other costs that the subscriber has to pay. However, we do not know if this is an isolated case or the beginning of a trend. Generally, market forces are preferable to regulatory intervention. We recommend that TRAI determine through consultations with mobile service providers or through independent studies, if service providers are likely to provide free incoming calls to their subscribers without increasing other costs. If after such an investigation, TRAI determines that free incoming calls are unlikely to be offered extensively, then it should introduce CPP.

In summary, we recommend, in principle, the introduction of CPP with the option to the subscriber to use MPP if he so desires. However, due to the lack of quantitative information in the Consultation Paper, our support for CPP is not unconditional. Several detailed quantitative analyses need to be performed before a firm decision can be taken to implement CPP. In particular, we recommend that TRAI carry out the following quantitative analyses to assist in the determination of whether or not to

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<sup>1</sup> Tele.net, Vol. No.2, Issue No. 4, April 2001, page 39.

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introduce CPP: (1) Estimation of the expected growth in cellular phone service if CPP is introduced. This estimation would require an assessment of the fixed line subscribers who now call mobile phone subscribers under MPP, and those who are likely to call mobile phone subscribers when CPP is introduced. An estimation of the increase in volume of traffic would also be required. (2) Estimation of the costs of introducing CPP. This would mainly involve an estimation of the costs of upgrading the PSTN network and the installation of an IN node. (3) Determination of the likelihood of market forces producing free incoming calls. (4) Costs and tariff review of both fixed line and mobile phone service.

### Answers to Questions

In numbering the questions, we have included the number of the respective chapter from the Consultation Paper. For example, Question 3(b) refers to Question (b) in Chapter 3 of the Consultation Paper. Further, we have not answered all the questions and have only answered those questions where we have an opinion.

*Question 2(a) Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction.*

As we have stated in our recommendations, we believe that CPP is desirable. The main objectives should be (1) fairness to consumers; and (2) growth of the telecommunications sector with a consequent increase in accessibility of phone service at affordable prices.

*Question 2(b) What benefits accrue to the subscribers of PSTN/PLMN and to the telecommunications industry in the country as a whole, consequent upon the introduction of CPP?*

The benefits are fair tariffs and growth of the telecommunications sector. The growth of the sector will in turn result in reduced prices for customers particularly for mobile phone services.



*Question 2(c) Should CPP be introduced for fixed to mobile calls by regulatory intervention, or should it be left to market forces?*

Generally, market forces are preferable to regulatory intervention. As we stated in our recommendations earlier, one mobile phone service provider is offering free incoming calls without raising other charges to customers. However, we do not know if this is an isolated case or the beginning of a trend. We recommend that TRAI determine through consultations with mobile service providers or through independent studies, whether service providers are likely to provide free incoming calls to their subscribers without increasing other costs. If after such an investigation, TRAI determines that free incoming calls are unlikely to be offered extensively, then it should introduce CPP.

*Question 2(d) If CPP is introduced for PSTN-PLMN calls, what is the best way of balancing the interests of various stakeholders, e.g. subscribers and operators of Basic and Cellular Mobile Services?*

Some stakeholders have argued that some poor fixed line subscribers will be forced to call mobile phone subscribers and pay the additional charges. A poor subscriber is likely to have to call a relatively more affluent mobile phone subscriber mainly when the mobile phone subscriber runs a business and is available only on his mobile phone number. Examples are travel agents or business people who are constantly on the move. Such situations can be rectified by allowing the mobile phone subscriber the choice of using either CPP or MPP. In order to avoid having his poor customers pay the MTC, the mobile phone subscriber can choose to pay the charges himself. Thus we recommend that the regulations allow the mobile phone subscriber the choice of CPP or MPP.

*Question 2(e) Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there any preconditions/pre-requisites for it to happen?*

We expect that the introduction of CPP will lead to a wider use of mobile phones because people will no longer restrict their PSTN-PMLN calls to a small select group

*Question 3(a) What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the method for fixation of tariff? Or any other methodology will be most suited for the purpose, which could be considered for adoption.*

Tariffs for implementing CPP should be determined using DAIC. In order to promote economic efficiency, the price for calling a mobile subscriber should equal the incremental cost to the mobile service provider of that call. If the price is higher (or lower) than the incremental cost, then the equilibrium number of calls will be too low (or too high) from an economic perspective.

Another reason for using DAIC and not using fully allocated costs (FAC) is that FAC will be different for different service providers resulting in variations in the CPP charge even within the same circle. Furthermore, using FAC will compensate a service provider for all its costs whether or not they are reasonable. In this way FAC could reward a service provider for any inefficiencies in its operations.

*Question 3(b) Whether the above costs should be historical or forward looking costs?*

The above costs should be forward looking costs to ensure that the expansion of the mobile phone network occurs at the economically efficient level.

*Question 3(d) What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network from joint and common costs?*

A markup can be used to account for joint and common costs that may be difficult to include in the estimate of DAIC.

*Question 3(e) What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?*



- The termination charges for incoming calls and the charges for outgoing calls should both reflect costs involved in carrying the calls. Therefore, assuming that the costs of originating and terminating a call for a mobile service provider are the same, the MTC for incoming calls should be the same as the airtime charge for an outgoing call. Of course, if there are certain additional costs that are incurred in terminating a call in the mobile network that are not incurred in originating a call in the mobile network, then the MTC should contain that additional amount.

*Question 3(f) Should the termination charge be such that it fully recovers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?*

Outgoing calls should not be used to subsidize incoming calls of a mobile subscriber for two reasons. First, such a subsidy is economically inefficient and will in the end hurt the telecom sector and ultimately reduce the benefits of phone service for customers. Second, such subsidies will be difficult to sustain as greater convergence takes place between the various technologies such as fixed line and mobile phone service. If for public policy reasons TRAI decides to provide such a subsidy, we recommend that it be for a limited period only, and be decreased gradually and be eliminated at the end of a reasonable period.

*Question 3(g) Should MTC be differentiated between peak and off-peak hours? If so, how?*

Because MTC should be cost based, it should vary to account for variations in the traffic in different time periods. Therefore, MTC should be differentiated between peak and off-peak hours.

*Question 4(f) What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?*

TERI is unable to provide an estimate of the time required to implement CPP because we do not know how long the technical changes to the network will take to accomplish. However, on the issue of who should bear the cost of the network changes, we believe that the costs should be shared between fixed line and mobile phone service providers in proportion to the number of subscribers for each provider. The reason for our recommendation is that CPP will benefit all telephone subscribers as the network expands through greater use. While the direct beneficiaries of CPP may be mobile phone subscribers and the cellular network may see greater expansion, ultimately, because mobile phone subscribers will talk to fixed line service subscribers, the benefits of the expansion of the cellular network will be experienced by all users of telephony.



# TELECOM WATCHDOG

(A Society registered under the Societies Registration Act, 1860)

305, Lotus Chamber, 2079/38, Nalwa Street, Karol Bagh, New Delhi-110 005. Tel/Fax:- 575 2005

Ph. 5711550



The Secretary  
Telecom Regulatory Authority of India  
New Delhi-110 001

3.15 PM  
yefi  
4.6.2001  
Dt : 4<sup>th</sup> June 2001

**Sub : Notice for Re-fixing tariff for Cellular Services in view of Chairman TRAI's statement before the Parliament Standing Committee on IT**

Dear Sir,

Please refer to our letters expressing our concern for the review of the Cellular Mobile tariff in view of TRAI's own admission at various forums about the drastic reduction in the cost of setting up mobile network. In a recent statement by TRAI's Chairman, before the Parliament Standing Committee on Information & Technology, the Chairman has reported to have stated the followings which is published in its 17<sup>th</sup> Report (March 2001):

*"Even if the same (as basic) tariff is implemented for Cellular, the Cellular Operators will not be in losses"*

The TRAI earlier intended to drastically reduce the tariff when it invited suggestions vide its letter dated 7<sup>th</sup> Feb 2000. The TRAI owes explanation to the consumers why it has failed to implement the revised tariff once the intention of reducing the tariff was clearly reflected in its said consultation paper using statements such as follows:

*"The cost estimates that were provided for the second consultation paper on tariff dated 9<sup>th</sup> Sep 1999 are now out dated". Since that time there has been a reduction in capital cost".*

It is submitted that TRAI must give preference or pre-dominant consideration to the interest of the consumers over that of the Operators as it is for the consumers only that the tariff fixation is resorted to.

We hereby call upon TRAI to review the cellular mobile tariff within two weeks of receiving this notice, failing which we shall be constrained to take legal action in this regard.

Thanking you,

Yours Sincerely,  
For Telecom Watchdog

  
Anil Kumar  
Secretary



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(A Society registered under the Societies Registration Act, 1860)

305, Lotus Chamber, 2079/38, Nalwa Street, Karol Bagh, New Delhi-110 005.

Ph. 5711550

Tel/Fax:- 575 2005

✓ The Secretary  
Telecom Regulatory Authority of India  
Jawahar Vyapar Bhawan  
New Delhi-110 001

WITHOUT I

Date : 1<sup>st</sup>

Sub : Calling Party Pay (CPP) or Calling Party Pay More (CPPM)

Dear Sir

1. Through newspaper reports we have come to know that TRAI has once again started the exercise of inviting suggestions on the highly controversial issue of CPPM. We obtained a copy of the consultation paper on CPPM. The title of the consultation paper dated 23<sup>rd</sup> May 2001 issued by TRAI reads as follows:-

*"Consultation Paper on issues relating to the introduction of CPP for Cellular Mobile Services".*

The above misleading title of the consultation paper can be understood by the concerned industry only for and whose behest this Consultation paper is meant. The "CPP" and "CPP for Cellular Mobile Services", used by TRAI in the title of the consultation paper, is also an attempt by TRAI to mislead the general public. **Is it really "Calling Party Pay (CPP)" or "Calling Party Pay More (CPPM)"?** Naturally the Calling Party should pay limited to its cost only. The PSTN subscriber is already paying for the call it is making to mobile subscriber. But under the garb of CPP, TRAI in association with mobile industry wants the PSTN subscriber shall pay more. Therefore, it would be more appropriate if it is termed as CPPM instead of CPP.

2. Before embarking upon CPPM, we would at first like to refresh our memories on the objectives & targets of NTP 1999, and then decide whether CPPM aims to achieve them or not. Both NTP 1994 as well as NTP 1999 had categorically recognized the affordability as common and one of the most important factors. The telecom market in our country is very cost-sensitive and

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with the present economic level if the targets of NTP 1999 for the basic services are to be achieved then the **cost of basic access should not escalate further.**

3. The objectives & targets as defined under NTP 1999 are as follows:-

***Objectives and targets of the NTP 1999***

- *Access to telecommunications is of utmost importance for achievement of the country's social and economic goals. Availability of affordable and effective communications for the citizens is at the core of the vision and goal of the telecom policy.*
- *Strive to provide a balance between the provision of universal service to all uncovered areas, including the rural areas, and the provision of high-level services capable of meeting the needs of the country's economy;*
- *Encourage development of telecommunication facilities in remote, hilly and tribal areas of the country;*
- *Create a modern and efficient telecommunications infrastructure taking into account the convergence of IT, media, telecom and consumer electronics and thereby propel India into becoming an IT superpower;*
- *Convert PCOs, wherever justified, into Public Teleinfo centers having multimedia capability like ISDN services, remote database access, government and community information systems etc.*
- *Transform in a time bound manner, the telecommunications sector to a greater competitive environment in both urban and rural areas providing equal opportunities and level playing field for all players;*
- *Strengthen research and development efforts in the country and provide an impetus to build world-class manufacturing capabilities.*
- *Achieve efficiency and transparency in spectrum management.*
- *Protect defence and security interests of the country.*



- *Enable Indian Telecom Companies to become truly global players.*

4. In line with the above objectives, the specific **targets** that the NTP1999 seeks to achieve would be:-

- *Make available telephone on demand by the year 2002 and sustain it thereafter so as to achieve a teledensity of 7 by the year 2005 and 15 by the year 2010.*
- *Encourage development of telecom in rural areas making it more affordable by suitable tariff structure and making rural communication mandatory for all fixed service providers.*
- *Increase rural teledensity from the current level of 0.4 to 4 by the year 2010 and provide reliable transmission media in all rural areas.*
- *Achieve telecom coverage of all villages in the country and provide reliable media to all exchanges by the year 2002.*
- *Provide Internet access to all district head quarters by the year 2000*
- *Provide high-speed data and multi-media capability-using technologies, including ISDN, to all towns with a population greater than 2 lac by the year 2002.*

5. The common objective of both NTP 1994 and NTP 1999 is, **affordability**. As on date, there are about 3.3 crore subscribers of telecom services in this country. The minimum telecom need of any consumer is for the basic telephone services. A more affluent consumer may additionally subscribe for other services such as Cellular Mobile Telephone Service, Internet Service and other Value Added Services. From the view point of affordability of telecom services, the classification of various income groups in urban and rural areas in the country are given in the following table:





**Proportion of Households in Urban & Rural Areas in Different  
Income Groups (1998-99)**

Monthly income levels (Rs estimated 1998-99 prices)	Proportion of <b>urban households</b> in the income levels (%)	Proportion of <b>rural households</b> in the income level (%)
Upto Rs 2,600	27.9%	57.2%
Rs 2,600 to Rs 5,200	34.9%	29.0%
Rs 5,200 to Rs 8,000	20.3%	8.6%
Rs 8,000 to Rs 11,000	9.6%	3.1%
Rs 11,000 ~	7.3%	2.0%

[Source: Telecom Tariff Order, 1999 of TRAI page 14, table 6]

The above table shows that the economic distribution of the society for affording the telecom services is not evenly distributed.

6. According to the Telecom Tariff Order 1999 issued by TRAI the affordability of telecom tariffs depends on income levels, the proportion of income normally spent on telecom (i.e. income "available" for spending on telecom), and the amount of monthly charges in comparison with the income "available" for spending on telecom. The International Telecommunication Union (ITU) has estimated that an average household spends 5% of its income on telecom in developing country. The distribution of households with capacity to pay various levels of telecom bills is given below:-

**Estimated distribution of households with capacity to pay  
various levels of monthly telecom bills**

Monthly Telecom Bills (Rs 1999-2000 estimates)	Share of <b>urban households</b> with estimated capacity to pay the monthly bill (%)	Share of <b>rural households</b> with estimated capacity to pay the monthly bill (%)
Upto Rs.130	27.9%	57.2%
Rs.130 to Rs.260	34.9%	29.0%



Rs.260 to Rs.400	20.3%	8.6%
Rs.400 to Rs.550	9.6%	3.1%
Rs.550 ~	7.3%	2.0%

[Source: TRAI Telecommunication Tariff Order, 1999 of TRAI page 15, table 7]

The paying capacity of the various categories of households is shown in the above table in percentage of the households.

7. If it is assumed that:-

- (i) the population of the country is 100 crore
- (ii) average household size is 4 persons per household for total number of 25 crore households
- (iii) 30% of the population is urban, living in 7.5 crore households and
- (iv) 70% of the population is rural, living in 17.5 crore households (villages), then the above table get translated into the following figures:

Monthly Telecom Bills (1999-2000 estimates) (in Rupees)	Number of <b>urban</b> <b>households</b> with estimated capacity to pay the monthly bill	Number of <b>rural</b> <b>households</b> with estimated capacity to pay the monthly bill
Upto Rs.130	2.10 crore	10.1 crore
Rs.130 to Rs.260	2.61 crore	5.08 crore
Rs.260 to Rs.400	1.52 crore	1.51 crore
Rs.400 to Rs.550	0.72 crore	0.55 crore
Rs.550 ~	0.55 crore	0.35 crore

8. The affordability of telecom tariff is the main concern of the consumers of the telecom services and any increase in the tariff would hit the affordability of telecom service for a large number of households. The classification of the subscribers as per the number of metered calls made by them and their





percentage contribution to the total revenues of BSNL is as given in the Table below:-

Number of metered calls made every two months	Income Group	Total DELs (in %)	Contribution to revenue (in %)
More than 10,000	Higher-High	2.7	46.1
5,001 to 10,000	Higher-Middle	2.5	9.8
2,001 to 5,000	Higher-Low	7.9	13.4
1,001 to 2,000	Middle-High	14	11.6
500 to 1,000	Middle-Middle	21.3	10
Less than 500	Middle-Lower	51.7	8.1
	Lower-Lower, Middle-Lower	Prospective Subscribers to be provided service under the provisions of NTP1999	

[Source : TRAI Telecom Tariff Order 1999]

The pattern of revenue generation and its correlation with the percentage of subscribers in the tables above clearly establishes the nature of telecom market and its price sensitivity. It is amply clear from the table that majority of the consumers (51.7%) make less than 500 metered calls every two months. The affordability of telecom services for these consumers will be badly affected by the implementation of CPPM. Also for most of the prospective users the prospect of an increased tariff will be highly discouraging.

9. It is submitted that MTNL, in most parts of Delhi, is providing telephone connection on demand, while still a majority of households in these very areas remain unconnected as the tariff is beyond their reach. The CPPM will lead to substantial increase in tariff thus, widening the digital divide undermining the objectives of NTP 1999. The affordability of telecom services shall be the first casualty in the event of corporatisation of DTS/DTO.



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10. **"CPP for Cellular Mobile Services" or "CPPM for Cellular Industry";**

We submit as follows:-

- Is it not at the cost of the PSTN subscribers?
- Is it not correct to say that PSTN subscribers will be the most affected party in this whole deal? ✓
- Does TRAI intend to please mobile industry at the cost of 3.3 crore existing PSTN subscribers, and the prospective subscribers? ✓
- Is it not correct to say that TRAI is falling in the trap laid by the mobile industry with small base of subscribers to enjoy revenue share from a large base of PSTN subscribers which has been created out of public money? In view of this, is it not correct to call it CPPM Scam? ✓
- Why the Mobile Operators be allowed to charge its subscribers the airtime at all for the incoming calls? ✓
- Is it not correct to say that the cost to provide mobile services is much lower than that of PSTN services? ✓
- Has the TRAI worked out the revised tariff of mobile services using the latest cost of CAPEX & OPEX of MTNL till date? ✓
- Is it not correct to say that MTNL's cost based tariff for its Dolphin Mobile services works out to be Rs.0.96 and Rs. 0.68 per minute for outgoing calls on cost estimates of one year and two years basis, respectively, with incoming call as free and rental as Rs. 400, and with 5% profit in the first year itself? ✓
- Is it not correct to say that the gestation period in such infrastructure projects is 6 to 7 years? ✓
- Is it not correct to safely assume that if the profitability is to be targeted in the 7<sup>th</sup> year instead of 1<sup>st</sup> year, the mobile tariff of MTNL would have been much lower than that of PSTN tariff? ✓
- Under the circumstances, is it not correct to assume that MTNL has cartelized with other private mobile operators and thus deliberately fixed a higher tariff? ✓





- Is it not correct to estimate the per line cost of setting up a mobile network is Rs. 2,000 (for tender invited by BSNL)?
- Is it not correct to say that introduction of CPPM in our country is not in the interest of the nation?
- Why certain countries like Singapore, after careful consideration, rejected its implementation?
- Will CPPM not add to avoidable cost which will again be passed on to poor consumers in the form of higher tariff?

Is it not an attempt to please Mobile Operators?

CPPM is directly in contravention to the objectives of NTP 1999. The CPPM is not a facility as is being projected in the media but it is an exercise of a tariff revision for both PSTN and mobile subscribers that will adversely affect the PSTN subscribers. Thus, the commercial implication of CPPM will impact more than 3.3 crore PSTN subscribers. Apart from PSTN subscribers being affected most, the CPP in the mobile market will drive the last nail in the coffin of paging industry. The consultation paper is devoid of all details of commercial implications, which the CPPM regime may have on the PSTN consumers of this country. Even the erstwhile TRAI had given all the details in their earlier consultation paper dated 31<sup>st</sup> Aug 1999 on CPPM about commercial implications on all the parties including consumers. The new TRAI is hiding all the basic information apparently with malafide intention. It has deliberately fixed the deadline as 12<sup>th</sup> June 2001 of inviting suggestions knowing very well that during this period, all the Courts will be closed for summer holidays and in case of implementation of CPPM, the consumers shall have very limited options of legal remedy available with them.

It is submitted that the PSTN consumers who will be worst affected by implementation of CPPM cannot be consulted unless they are properly educated about the issues involved. The headlines in leading newspapers reflect that even the journalists have not understood the real issue behind CPPM. Some of the headlines in the leading newspapers read as follows:-



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- *TRAI revives process for free incoming cellphone calls (Hindustan Times)*
- *To pay or not to pay, that is the CPP (Times of India)*
- *Calling Party Pays; Finally TRAI addresses the issue (Financial Express)*
- *TRAI sets the ball rolling for CPP regime (Business Standard)*
- *TRAI seeks suggestions from industry on CPP (The Pioneer)*
- *TRAI seeks suggestions on CPP regime (The Statesman)*

13. The general public cannot be educated by misleading media coverage. Mere issuance of a consultation paper and subsequent holding of one or two open house sessions is a mockery of the system, which the TRAI should desist from adopting. Instead, it is desirable that the seminars on the implications of CPPM and connecting issues should be held in all parts of the country by TRAI by clearly indicating the commercial implications of the same on telecom consumers. Articles/Advertisement regarding commercial implications and repercussions should be placed in the prominent national and regional press, electronic and visual media, and urban, semi-urban and urban areas. Member of Parliament, MLAs especially of remote area, and PSTN consumers should be adequately informed through insertions in their bills in the local language. Seminar should be organized at tehsil and block-levels. Examples of net effect of CPPM should be brought to every individual before fixing the target date for completing the consultation process. Then and only then, one can expect feedback from the PSTN subscribers. This consultation is a sham and farce exercise.

14. We have failed to understand the urgency behind the consultation on CPPM which is pro-mobile industry, anti-consumers, and deterrent to the objectives of NTP 1999. The most important thing, which could have benefited the Mobile Subscribers without affecting the PSTN subscribers, is the review of the Mobile tariff, which TRAI has declined by "leaving it open to market forces to bring the tariff down". The TRAI has admitted time and again that there has been a sharp fall in the cost of the Mobile network elements both in terms of





CAPEX and OPEX coupled with the phenomenal and unprecedented benefit which the mobile operators have reaped/accrued in the form of migration package. It is our consistent stand that the costs data provided by the Mobile Operators earlier based on which the erstwhile TRAI had fixed the tariff, were highly inflated to get the benefit of fixation of higher tariff. Before working out the arrangements or even issuing consultation paper, TRAI should have at least taken some steps for reducing the tariff in the following direction:-

- (i) Reduction in rental to Rs. 156 per month (with free airtime)
- (ii) Pulse rate to be based on actual usage
- (iii) Ceiling in all rental and airtime should be restored
- (iv) Fixation of Roaming charges which are exorbitantly high
- (v) For CLIP & detailed billing facility there should not be any extra charges
- (vi) Incoming calls for mobile consumers should not be charged at all.

15. The only reason for keeping the tariff of mobile services higher than PSTN services was that it was considered as a premium service because of the reason that it (mobile service) offers value addition in comparison to ordinary telephone, and not for any other reasons whatsoever including its cost (CAPEX/OPEX). The TRAI in its letter dated 7<sup>th</sup> Feb 2000 had admitted that the cost estimates provided earlier by the mobile operators were outdated. The relevant part of this letter is reproduced below:-

*The cost estimates that were provided for the second consultation paper on tariff dated 9<sup>th</sup> Sep 1999 are now outdated. Since that time there has been a reduction in capital cost.*

Even the present consultation paper dated 23<sup>rd</sup> May 2001 reads as follows:-

*"..... this tariff profile is no more valid, because of the sharp fall in the costs of the network elements constituting a PLMN (Mobile network)..."*



16. The TRAI had intended to rework the tariff downward to a realistic level. In this direction, statements were also given by the counsels of TRAI and that of Mobile Operators during hearing on our Civil Writ Petition on CPPM. The Hon'ble Court had also acknowledged the need for reducing the rental to Rs.156 per month at that point of time. The relevant parts of the judgement are given below:-

***Quote from the Judgement/Order of CWP No. 6483 of 1999  
Telecom Watchdog & others V/s. TRAI & another***

***Order dated 17<sup>th</sup> January 2000***

*"...Mr. Mehra now submits that .... the Court will still have to look into the aspect whether the monthly rentals charged by Cellular Operators should be brought down to Rs. 156/- per month and certain other prayers. There appears to be substance in this submission..."*

***Order dated 21<sup>st</sup> Jan 2000***

*"....Mr. Subramaniam states that in deference to the observations made by this Court... COAI has on its own voluntarily decided that all the Cellular Operators would reduce the monthly rental to Rs.475/- per month for Metro and Rs. 500/- per month for Circle ..... Mr. Subramaniam states that this will be by way of an interim measure till such time as there is final determination of tariff by the (TRAI)....."*

*"....Mr. Arun Kathpalia submits that the Cellular Operators should be directed to continue the present pulse rate of 20 seconds....."*

*"..... in case any Cellular Operators wants to also introduce a system of free incoming calls, they should be free to do so....."*

***Order dated 7<sup>th</sup> Feb 2000***





*"..... Mr. Kathpalia learned counsel for TRAI states that TRAI will consider all suggestions and will then decide what matters it wants to review...."*

17. The TRAI even till date, has miserably failed to review the tariff despite voluntary statement made by their own counsels before the Hon'ble Court recorded in the order sheets of the Hon'ble High Court. It is pertinent to mention that during the entire proceedings the present Secretary and the then Advisor (Economic), was present in the Hon'ble Court. Our repeated reminders have failed to yield any result. It is pertinent to mention here that the Hon'ble High Court has given us liberty to reagitate the issues which remained unresolved by TRAI. The relevant para of the Order dated 7<sup>th</sup> Feb 2000, is reproduced below:-

*"....In view of the above statements these Petitions no longer survive and stands disposed off with a liberty to re-agitate points not decided at a later date...."*

18. The TRAI, for reasons best known to it, has given a go by to its letter No.303-1/2000 TRAI (econ.) dated 7<sup>th</sup> February 2000 where it had intended to reduce the tariff drastically down. The TRAI has failed to act as a custodian of the consumer interest, and is allowing the mobile operators to charge whatever they want. The TRAI cannot cite even a single example where it can claim to have taken consumer friendly steps. On the contrary, it has always acted in favour of the mobile operators compromising consumer interests, the latest being fixing of "floor tariff" for WLL limited mobility services. The TRAI has always been reluctant to take any action against the erring operators despite various consumer organisations having pointed out several irregularities committed by the Mobile Operators.

19. We have studied the data of all the countries referred in the consultation paper by TRAI where the CPPM is claimed to have been introduced. The data of the study is given in the enclosed table. It is evident from the said table that



a good number of mobile operators are providing a certain number of minutes free in the rent (refer to column 'N') practically resulting into "rent free mobile service (i.e. refer to ' - ' figures at column 'O')". Further, if one looks at the column 'P', one will find that the mobile rent being charged in our country is the highest (with the exception of Madagascar and Cambodia). Similarly, if one looks at column 'R' & 'T', one will find that "per minute charges" is also the highest in our country (excepting three countries). If one looks at column 'L' for countries like Finland and Zimbabwe where one will find that the rent being charged in those countries is as low as 1.37 and 4.22 US dollar, respectively. It is also evident from the said table that only five countries amongst the "Low Income Group" countries have opted for CPPM regime.

20. Proponents of CPPM often refer to international experience, particularly in South America and Western Europe where CPPM is often credited with increasing mobile subscribers. It would be false to attribute such growth solely to the adoption of CPPM. For example in Belgium, the introduction of a competitor in 1996 saw the existing incumbent mobile operator immediately reducing its charges by about 30%. In France, the introduction of new innovative services, as well as the entry of two new mobile operators, have produced lower prices which have in turn stimulated mobile growth. The European mobile operators even provide subsidy for mobile handsets. In Peru (South America), the implementation of CPPM in 1996 coincided with the introduction of pre-paid mobile services and award of an additional license to another mobile operator. In Mexico, the implementation of CPPM occurred in May 1999 amidst heavy promotion of new pre-paid services and a reduction in the price to mobile phones. In Chile, the entry of a new mobile operator coincided with the introduction of CPPM in Feb 1999. In Chile, CPPM was introduced only for Fixed-Mobile calls, whereas, Mobile-Mobile remained under MPP. Thus the introduction of competition has contributed significantly to the growth rates and CPPM should not be given the credit for this success.

21. There is no justification for the introduction of CPPM. Both Hong Kong and Singapore practice Mobile Party Pay (MPP) and yet both the markets rank





among the highest mobile penetration. During Jan 1997 to 2000, in Singapore alone, there has been a growth of 222.9% in mobile subscribers and penetration increased from 13.6 to 42.9, and the same is significantly higher than markets in South America, Europe and United States where the CPPM has been implemented. The key driver of mobile penetration and usage is the overall affordability in terms of pricing of handsets, rental with free calls, air-time rates and other services at reasonable price, and not just CPPM. Entry of new operators and competition in Mobile services is sufficient to increase mobile penetration.

22. It is submitted that unless TRAI decides the actual cost based tariff which should be based on the most efficient operators, the actual cost based tariff cannot be known. It is our considered opinion that this consultation paper is pre-mature without having done any ground work and is far from reality. If TRAI announces the revised tariff which is based on actual prevailing cost, then the issue of CPPM will become irrelevant and there will not be any occasion for the Mobile Operators to claim any charge for incoming calls. With the revision in tariff, the Mobile subscribers can be given real free incoming calls without burdening the consumers of PSTN services. Moreover, before seeking any suggestion on CPPM, the most effected party i.e. consumers of PSTN services should be properly educated.

23. The PSTN subscribers are price sensitive. The CPPM will result in additional cost in terms of network and system changes and customer education. Given that the mobile operators, and ultimately consumers, would be required to bear such costs, we see no compelling reason to introduce CPPM system in our country. If PSTN subscribers are required to bear additional charge for calls to Mobile phone subscribers, it is reasonable to expect a fall in the volume of PSTN to mobile traffic. There is no quantifiable benefit that would outweigh the cost of doing so. Moreover, implementation of even optional CPPM will add to confusion for the consumers, especially in the rural area where the consumers are not so educated to use such optional system.



24. The Infocomm Development Authority of Singapore (IDA), telecom regulatory Authority of Singapore, while rejecting such move of implementation of CPPM, has given the following important judgement:-

*"IDA's assessment is that CPP is neither necessary nor sufficient to boost the take-up of mobile phone and paging services. Consumers would benefit more if the overall affordability and competitiveness of subscription and usage costs, including handset costs, allowed them to take up subscription and communicate via their mobile phones. Further, while a CPP system may increase the subscriber base for operators, an increase in the number of registered subscribers does not automatically translate into more calls being made as fixed line users and other mobile phone subscribers may likely refrain from calling mobile phone subscribers unless necessary.*

*IDA notes the concern here that fixed-line users would possibly have to pay more, depending upon the mobile networks that the subscribers they are calling are connected to. IDA also recognises that this could likely discourage fixed-line subscribers from making calls to mobile phone subscribers.*

*The IDA's assessment is that the costs of any change would likely outweigh any potential benefits for both consumers and industry for now. As such the present MPP retail charge system will continue."*

25. In view of the above, we earnestly request you to do the followings so that the benefits of the lower cost is passed on to the consumers:-

- (i) withdraw the consultation paper dated 23<sup>rd</sup> may 2001
- (ii) Reduction in rental to Rs. 156 per month (with free airtime)
- (i) Ceiling in all rental and airtime should be restored
- (ii) Pulse rate to be based on actual usage (i.e. per second basis)
- (iii) Fixation of Roaming charges which are exorbitantly high



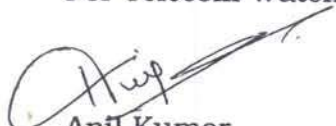


- (iv) For CLIP & detailed billing facility there should not be any extra charges
- (v) Incoming calls for mobile consumers should not be charged at all (i.e. real free incoming call).
- (vi) Educate the consumers of PSTN services on the commercial implications on them.

26. The above are preliminary objections to the Consultation paper dated 23<sup>rd</sup> May 2001. We reserve our rights to give point wise reply to the issues raised in the consultation paper. This is without prejudice to our rights, remedies and contentions whatsoever are available to us in Law. This correspondence in no way would be our expression of any admission or otherwise towards the contents of the consultation paper dated 23<sup>rd</sup> May 2001.

Thanking you

Yours sincerely  
For Telecom Watchdog

  
Anil Kumar  
Secretary

- CC : (i) Hon'ble Prime Minister of India  
(**Kind attn. Sh. Atal Bihari Vajpayee**)
- (ii) Hon'ble Minister of Communication, Govt. of India  
(**Kind attn. Sh. Ram Vilas Paswan**)
- (iii) Hon'ble Leader of Opposition  
**Smt. Sonia Gandhi**
- (iv) The Chairman, Parliamentary Standing Committee on IT  
(**Kind Attn. Sh. Somnath Chatterji**)
- (v) The Chairman, Telecom Commission, New Delhi  
(**Kind Attn. Sh. Shyamal Ghosh**)
- (vii) The CMD, BSNL, New Delhi  
(**Kind Attn. Sh. D. P. S. Seth**)



**SURYA FOUNDATION**

B-3/330, Paschim Vihar, New Delhi-110063  
PH.: 5262994, 5253681, Fax : 091-11-5254962  
Email : suryafnd@del2.vsnl.net.in

**Telecom Regulatory Authority of India**  
Jawahar Vyapar Bhawan  
Tolstoy Marg,  
New Delhi - 110 001.

**Sub.: CPP for Cellular Mobile Services**

*Registration number - TRAI/CO/NGO/06/2001-Nodt23401*

Sirs,

With reference to your note dated 23.05.01, on the above mentioned subject, a paper reflecting the views of Surya Foundation is enclosed.



*Adw (MN)*

Faithfully yours,

*M.P. Agarwala*  
(M.P. Agarwala) 086661



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### CPP for Cellular Mobile Services

In its paper, TRAI has given status of Calling Party Pays (CPP) for 38 countries; 35 of these have CPP regime and for the remaining three, proposal for introduction is under consideration. The list is not exhaustive; there would be many countries under Mobile Party Pays (MPP) regime. Some countries give both the options.

2. The expansion of cellular services in India is desirable and important since it helps improve the teledensity and can take communication to rural and remote areas faster. This has the added attraction of the costs coming down - the cellular network costs are comparable to conventional fixed service network.

3. It is a fact that in the present MPP regime, cellular subscribers are reluctant to give their mobile number to others freely, to avoid getting loaded with the liability for charges for incoming calls. This is an impediment in the growth of cellular service. Many times, the service is used only as a pager and the caller is called back on a fixed line. Tariff based on MPP has a tendency to restrict the market growth and usage of mobile phones. In cases, where PSTN subscriber finds mobile number switched off or his call not accepted, the utilisation of fixed service network remains unproductive.

4. CPP should be prescribed not only for PSTN to mobile calls but also for mobile to mobile calls. With the increasing number of mobile telephones, the traffic pattern is changing and more and more calls are between mobile telephones and within a few years traffic from PSTN to mobile phones may become insignificant. Airtime charges in addition to the call charges were prescribed because of then high cost of the wireless access equipment employed in the mobile system. As stated above, cost of this equipment has come down and the per line cost of a mobile system is comparable to that in PSTN. Under the circumstances it will not be proper to burden PSTN subscribers with extra charge for their calls to the mobile phones, which cost almost the same as the fixed phone lines. Some mobile operators have abolished incoming airtime charge from some of their tariff packages, which supports above point.

C/11

5. In the ideal condition, the caller in CPP regime should pay on the same basis as for fixed service viz. one pulse for 180 seconds. However to meet the cost of the cellular network, Mobile Termination Charge (MTC) may have to be added. With the cost of cellular service coming down, the MTC component should not be unduly large. PSTN subscriber would normally ring up a mobile number, after having tried the PSTN number. To this extent, he is getting additional service and may not mind the additional cost in calling the mobile number. The basic question is the determination of MTC. Essentially, the tariff should be related to costs although this has not been achieved so far. A detailed exercise would be necessary, taking the costs into consideration, to fix MTC. TRAI may take the initiative in this regard, the cost figures can be obtained from operating companies.

6. CPP will be useful for rural connectivity. The callers to rural areas are likely to be economically stronger than the receiver at the rural end. For development of communication to rural areas, the burden of the cost of the calls should be on the caller. It is learnt that in many countries, portion of the revenue that accrues to the calling party operator for calls to rural areas goes to the called party operator.

7. CPP regime may present difficulties in respect of calls made from PCO to a mobile subscriber. To avoid adoption of a complex system under which this may be feasible, a practical approach would be to exclude PCOs from this, at least for the time being.

8. The mobile subscriber may be in roaming mode. In such cases, the PSTN caller may not be aware of his liability. It will be desirable to build in a programme so that an indication becomes available to the caller, before he proceeds to make the call. In CPP regime, barring access to mobile subscriber, when desired, (similar to dynamic STD) should be provided.

9. Some mobile subscribers may welcome receiving the calls and pay for it, largely for conducting business. This would be similar to the facility of toll free access, which can be provided.

10. As stated above, the situation is dynamic. The pattern of calling and traffic will be changing with passage of time. It is necessary that the position is reviewed, say every two years.



4.12.8PM बज प्राप्त हुआ

12.6.2001

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**Reliance**  
**Telecom Limited**

1<sup>st</sup> Floor, Gopal Das Bhawan, 28, Barakhamba Road, New Delhi 110 001 • Phones : 3704077/79 Fax : 91-11-3704068

New Delhi  
June 12, 2001

Shri M.S. Verma,  
Chairman, Telecom Regulatory Authority of India  
20<sup>th</sup> Floor, Jawahar Vyapar Bhawan,  
1, Tolstoy Marg  
New Delhi – 110001

Tg  
13/6

50 (mm)

Dear Sir,

**Subject: Comments on the CPP Consultation Paper of TRAI**

With reference to the above subject, we enclose herein our comments on the consultation paper issued by the TRAI.

The TRAI's consultative paper is detailed and has made a good effort to bring out most of the relevant issues relating to CPP.

However, we wish to point out that the social and economic circumstances in India are unique and a system like CPP, while being quite damaging to the ordinary telephone subscriber will also serve to quite substantially erode the revenues of cellular operators in "C" category circles. These circles are economically backward and the objective of spreading teledensity in these circles is most important if only to improve these conditions.

Imposition of CPP will be a setback to objectives of the NTP '99 where rural and remote regions have been given special emphasis for connectivity.

We place for your records our views and hope you will take into account the same while finalising your recommendations on CPP.

Thanking You.  
Sincerely,  
For Reliance Telecom,

*W. Padiyar*  
Authorised Signatory



(70)

## **Consultative Paper on Calling Party Pays (CPP) – Responses from Reliance Infocom Limited**

### **BACKGROUND**

The value of a communications system lies in the inherent benefits its use has for the end consumer. In the case of a cellular mobile service, the subscriber's need to constantly be in touch is paramount. For an overwhelming majority of cellular subscribers, time is crucial and for this the consumer is willing to pay a premium.

This is the crux of the cellular phone business. Subscribers to cellular phones are aware of the privilege of being in touch anywhere, anytime, whether mobile or stationary and for this, s/he is willing to pay an extra cost.

In discussing the possibility of introducing Calling Party Pays (CPP) the assumption is that an ordinary telephone subscriber has to pay extra in order that the privileged mobile subscriber may pay lower and enjoy the benefits of a premium service. This is the fundamental flaw of the CPP logic, which makes it anti-consumer.

### **WHAT IS CPP EXPECTED TO ACHIEVE**

The main argument in favour of CPP is greater use of cellular phones. But ground level data indicates that CPP is not really necessary for this.

Across the world, whenever the concept of CPP was sought to be introduced, it was because of a drastically lower rate of calling from land line to cellular phones. In India, the situation is just reverse even in the absence of CPP..

For example, in US in the mid 90s, the incoming calls to cellular comprised less than 30% of total calls. As such, it was argued that CPP regime may improve the incoming calls percentage. In India, the ratio of incoming calls to a cellular is upwards of 60%. As such, the introduction of CPP is very unlikely to boost this any further.

### **CELLULAR OPERATORS UNLIKELY TO BENEFIT MUCH**

Today revenues from incoming calls account for a substantial chunk of cash flow for most cellular operators. There are two components to incoming call revenues:

- a) revenues due to incoming calls from a land line phone
- b) revenues due to incoming calls from a mobile phone.

The two are roughly equal in percentage terms.



[ 21 ]

In case of CPP, this eliminates (b) immediately reducing 30% of incoming call revenues for the cellular operator.

The hope is that the other 30% of incoming calls from land-line to mobile, will compensate for the revenues through CPP. But this is an extremely hypothetical assumption. In reality, most fixed phone-users will immediately rein their telephone usage and as in the case of long distance calling, mobile phone call barring will become as widespread as STD-barring.

Further, most offices, hotels and other public places will place some kind of restriction on calling of mobile phones. This is going to reduce calls to cellular phones quite substantially. A lot of calls to cellular phones occur during peak hours. This is also the time when tariffs are highest and as such, they generate substantial revenues incoming calls. This will reduce.

In the case of Reliance Telecom, with operations in most of the "C" category circles, the impact will be maximum. In these circles, teledensity is among the lowest in the country, and users are extremely cost conscious.

As such, introduction of CPP will only harm the cellular operators rather than bring any benefits.

**With the above background in mind – that CPP inherently is not just anti-consumer but also harmful to the cellular operator's revenues – we would like to place for your consideration our views on the CPP paper as below.**

*(TRAI queries in italics, our comments in BOLD)*

#### **PREFACE**

*TRAI: The growth of Cellular Mobile Telephone Service (CMTS) during the last decade has been phenomenal ...In some of the countries, the significant growth rate has been attributed to the introduction of so called 'Calling Party Pays' (CPP) regime.*

**This is inaccurate and not based in facts. In India itself, despite the high tariffs, the cellular market grew by over 100% last year. China is the most amazing example of cellular market growth without CPP. Other Asian examples, where cellular usage and penetration is among the highest in the**

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world like Hong Kong, Singapore and Sri Lanka do not have CPP. The only determinants of cell phone growth is competition and lower prices.

## Comments on Chapter - 1

### *Background*

TRAI: 1.1 *Although initially, the cost of installing a PLMN was much higher than that of a PSTN, & mobile telephony was considered to be a premium service with much higher tariffs compared to basic fixed telephony*

**Mobile telephony is still a premium service. It is the inherent value that a user gets that defines premium: like being able to ALWAYS receive calls. For this privilege, users are willing to pay a premium.**

TRAI 1.4 *Points in favour of CPP*

i) .... *It could be argued with some force that the caller should pay for the call, being the party that needs to communicate with a mobile subscriber, so as to transact his business*

**In fact, it is the mobile party that WANTS to be always contacted. The mobile party fully understands that this is a premium service. In fact, if cellular tariffs were to be based on cost, the prices would be far lower. The extra charges are only for the notion of using a premium service.**

ii) *It may be easier to contact a mobile subscriber as he is less likely to switch off his phone for fear of receiving unwanted calls, and paying for incoming airtime.*



This is already available today through the Caller Line Identity Presentation (CLIP) feature that allows cellular user to identify a caller and decide whether to accept the call or reject it.

- iii) *Under MPP also called RPP (receiving party pays), the mobile subscribers are generally reluctant to give their mobile phone numbers, so as to avoid payment of airtime charge for incoming calls. This is cited as one of the reasons for directory not being published by the cellular operators, which is required as per License Agreement.*

Unfortunately, this is completely wrong. The real reason for directories not being published is that over 75% of cellular subscribers are pre-paid users. In numbers, this translates to 2.7 million of the total 3.7 million users in the country (as of May 2001). Of the remaining 1 million at least 25% are VIPs and another 25% are industrialists/businessmen, who give their numbers to select people only and would never want their numbers published. Most of these people do not list even their fixed line numbers. The rest 500,000 or so are "ordinary" users.

Also, there are no cellular phone directories in any country in the world.

- v) *An important objective of a telecom tariff regime is to encourage usage, thus ensuring better utilization of the costly network infrastructure. In some countries increased call volumes were observed after CPP was introduced in lieu of MPP or as an alternative. However, for a developing country like India,*

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*whether such a growth in total call volumes will actually materialize is not quite certain and needs to be debated.*

**It is relevant to repeat that cell phone usage even in the absence of CPP has been excellent.**

*TRAI comment: CPP may discourage fixed line subscribers from making calls to mobile phone subscribers, as they may have to pay supplementary charge. They may find it too costly to make a call to PLMN.*

**In fact, today traffic flow is already asymmetrical (more incoming than outgoing). Introducing CPP will only lead to a drop in incoming calls and a loss of revenue to the cell operator.**

*TRAI Comment CPP may cause confusion amongst fixed line users, in case different mobile operators have different termination rates to complete calls in their respective mobile networks.*

**It is not just confusion but consumers can be easily misled. Recently, Argentinian government had to step in on May 04 2001 to stop CPP misuse by mobile operators to the disadvantage of both land line and mobile subscribers.**

**Further, CPP is also going to increase the expenditure of basic operators who will have to invest in upgrading their network, in order to implement CPP.**

## **Comments on Chapter 2:**

*2.1 Since 1995, several countries including Austria, Cambodia, Chile, Costa Rica, Mexico and Romania, where mobile systems were launched with*



*MPP have changed over to the CPP regime. Experience in some of these countries has shown that CPP contributes to the growth of Cellular services, both in terms of subscriber base as well as minutes of use, particularly for low paying subscribers, as well as pre paid card holders.*

**It is not entirely accurate to attribute growth of cellular subscribers to CPP alone. In India the subscriber growth has been as follows: In December 1998 there were 1070603 subscribers; By Dec 99 the number was 1599364 subscribers (more than 50% growth); in Dec 2000, there were 3107449 subscribers (a whopping 100% growth). By end of May 2001, the number of subscribers in India stand at 3694493. Between Jan 2001 and May 2001, India has added 420,654 subscribers. None of this owes to CPP. Just innovative marketing and lower prices.**

**In the case of other countries where CPP exists, growth has been primarily on account of increased competition, dropping prices, innovative basket of services and better customer service.**

2.11 *Countries like Argentina, Chile and Mexico, switched from an MPP to a CPP regime in April '97, February '99 and May '99, respectively. In these countries, the subscriber had the option of switching back to MPP by calling the operators to change his number to one without CPP area code.*

**This is a crucial aspect of a regime like CPP. Preferably it should not be introduced at all. However, if it is felt necessary to introduce CPP it should be left as an option to the subscriber.**

*Issues brought out for public consultation:*

- (a) *Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?*

**CPP is not desirable from even a cellular operator's point of view as it is going to erode drastically revenues of those operating in the "C" category circles. This will be a big blow to all plans of greater telecom penetration and achieving teledensity targets etc.**

- (b) *What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?*

**Cellular subscribers, who avail of a premium service are likely to be the only beneficiary. However, the chances are very high that nobody else will benefit from the regime at all.**

- i) Fixed Line subscribers will have to pay exorbitant prices, which will be used to subsidise the premium cellular subscriber. This is grossly unfair on the fixed line subscriber**
- ii) Fixed Line OPERATORS will have to act as billing and collecting agents for cellular operators. They will also have to ensure that their networks are upgraded to support CPP and announcements that a higher charge will be applicable etc.**



- [27]
- iii) **Mobile operators THINK that they will have a greater payback since their incoming revenue will now be borne by the fixed line subscriber and they will be reimbursed. But the reality is nearly 60% of all calls are incoming calls and nearly half of these are from landlines. Landline callers are going to drastically cut their calling to mobiles and this will lead to quite a significant drop in revenues for the cellular operators. Further, there will be offices, hotels, PCOs and such public places which will ban use of their land lines to call mobile phones.**

(c) *Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?*

**As mentioned above, left to market forces and mutual discussions between operators.**

(f) *Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?*

**Roaming, International and other similar calls should be excluded from the purview of the CPP regime.**

(h) *What is the type of customer education & its cost that will be required to be incurred for implementing CPP?*

**The costs for introducing CPP will be a huge burden on the fixed line operator.**

*Comments on Chapter 3*

*Tariff issues*

- (a) *What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.*

**MTC should be calculated based on Directly Attributable Incremental Cost (DAIC) of the unbundled elements of the cellular network, which may be charged over and above the normal PSTN charge**

- (b) *Whether the above costs should be historical costs or forward looking costs?*

**Only forward looking costs should be considered because historical costs are not representative of the existing or the future costs.**

- (c) *Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?*

**Cost of the unbundled network elements of the PLMN involved in completion of the call should only be considered.**

**Comments on Chapter 4**

*TECHNICAL ISSUES*

- a) The only method possible for adoption is the surcharge on PSTN calls on account of MTC. In fact as per the amended license condition of the cellular licence any other method relating to pulses would be arbitrary and untenable. **This surcharge can be calculated only through an off line billing process which is not implementable by the basic service operator. However a bill for MTC can be generated by cellular operator which can directly be collected by the cellular operator from the basic service subscriber or**



**through the basic service operator on a mutually agreed revenue sharing arrangement.**

- b) Provision of CCS7 and CLIP in all exchanges are an essential prerequisite for implementation of CPP regime and no other interim solution will be workable for accurate billing, settlement and reconciliation.
- c) No it is not feasible. The cellular operator will need to upgrade their network, which can facilitate coexistence of MPP and CPP in the same network to give the subscriber and operators a choice of either CPP or MPP.
- d) **CPP can not be implemented for all types of calls as already explained above.** Though it is technically feasible to forewarn the calling subscriber through a recorded announcement, it would result in wastage of network resources without generation of revenue to any party. The only solution is that for such calls the MPP regime should continue, as is the practice in most of the countries where CPP is introduced.
- e) **The existing billing system in the PSTN network is not capable generating bills based on CLI and hence can not be used for carrying out accurate and appropriate revenue sharing between PSTN and PLMN operators.** It would be better to ensure availability of CCS 7 throughout the network and then implement the CPP scheme instead of looking for any interim measures of bulk billing because such measures will lead to more legal complications and disputes.
- f) The CPP regime should not be implemented at all in the existing network till the technical issues given below are fully resolved.
  - **Charging and billing.** The different methods suggested by TRAI in the paper itself have doubtful implementation status. The technical feasibility of metering '98' calls differently than other calls in all the local exchanges is yet to be examined.
  - **The operational and technical feasibility of multiple pulses on answer back is required to be examined by the operators.**
  - The TRAI has discussed various methods for charging and billing under the CPP regime in Chapter 4, whereas as per the licence condition of the cellular licensee recorded by the TRAI under para 1.11 in Chapter 1 **permits only collection of Mobile Termination Charge (MTC) over and above the normal PSTN call charge by the fixed service operators from their subscribers.** The Authority itself recognizes that the existing charging and billing system needs to be changed, and has not examined the financial and technical implications of such changes.
  - **Charging issues are more complex in case of long distance calls and TRAI is yet to consider whether to have similar or different methods of charging for local and long distance calls under the CPP regime.**
  - **The acceptable implementation of CPP may be the optional regime i.e., option to consumers and option to the operators,** for which no study has been done and TRAI has stated that the operators and other stake holders may

trai

**From:** S. Ramamoorthy <ramamoorthy@vsnl.com>  
**To:** <trai@del2.vsnl.net.in>  
**Sent:** Tuesday, May 29, 2001 5:13 PM  
**Subject:** Imposing tariff for called party

Dear Sir / Madam,

I strongly oppose for imposing higher tariff if a person calls to a cell phone from a DOT line. Already the tariff charged by DOT to a 3 minute local call is too high. If I call from DOT to DOT then from start to finish all DOT resources are used to connect the call whereas if I call from a DOT line to cell then DOT merely routs the call to the cellular service provider and the rest is done by cellular service provider. So in this case only half the work is done by DOT and for that why should DOT be given the full tariff? A percentage of what DOT collects from the caller can be given to the cellular service provider without increasing the present tariff. Same procedure can be implemented in cell to DOT calls also.

For cell phone users a flat incoming call charge can be imposed. This may be between Rs. 50 to Rs. 100. If a cellular service provider has 1,00,000 lines then if the service provider charges Rs. 50 flat for incoming calls then he earns a mammoth Rs. 50,00,000 per month. As a cell phone can be called just like other local phone then there is no need to increase the tariff for callers from DOT.

World wide communications rates are falling but here in India there is no protection for consumers. Always there is a very steep hike which hits common man severely. So I request the good office of TRAI to not to impose additional tariff for customers. I am also ready to explain any queries raised by the service providers who are in favor of raising the tariff for DOT to cell phone callers.

With Regards,  
Ramamoorthy.

*Comments*



more for local call.

Hence I request TRAI to intervene and restore time un-limited local calls from DOT which will be very helpful to the development of our nation. (Many fear to touch telephone even for important things. E-g, educational institutions cannot give Internet access to their students fearing local call charges eventhough internet charges has dropped from Rs. 3.00 / 3 min to Rs. 0.375 / 3 min or almost nil whereas local call charges are still at Rs. 0.80 to 1.20 / 3 min. This I am 100% sure BSNL blocks our younger generation to learn and serve the country) If any further clarifications needed I am ready to provide from my side.

With Regards,  
Ramamoorthy.

C/65

Secretary TRAI

My response to the Consultation Paper No. 2001/1 is attached. Please note that the response against item 2 f is not complete and I may add to this later.

Yours faithfully

  
P.K. Roychoudhury  
Sr. Consultant  
11 June 2001

Number	Issue	Response
2 a	Is CPP desirable ?. What should be the main objectives	CPP is necessary. The main objectives are to increase traffic flow, reduce ineffective calls and increase availability of subscribers, in short, to remove all artificial barriers to telephony
2 b	What benefits will accrue to subscribers and the industry	1. Reduction of ineffective calls will reduce network costs and improve revenues. Formulas are available for calculating the effects. 2. Due to increased availability, additional traffic will be generated increasing revenues
2 c	Should CPP be introduced by Regulatory intervention	Yes, the subject is too complicated for market forces to determine all its aspects.
2 d	What is the best way of balancing interests of various stake holders	If outgoing tariff caps are not changed, there is already a margin for operators to absorb the effects of CPP. I understand packages are available with CPP and originating calls set at the cap level. An additional revenue stream will be available if the PSTN-Mobile Tariff is increased.
2 e	Would its introduction result in accelerated growth of mobile subscribers	Yes, not only an increase in subscribers, but also in the total network traffic
2 f	Should CPP be introduced for all calls or should certain classes of calls be excluded	In principle, CPP should apply to all calls, however, certain changes in the revenue sharing principles will have to be made to compensate the mobile operator for delivery of a call, in cases where this factor cannot be easily built-in to the outgoing tariff.
2 g	Should CPP be made optional, is it technically possible	I do not think that it is practical to provide a choice if enhanced tariffs from PSTN-Mobile are applied, how will the PSTN know what choice was made by a mobile subscriber.
2 h	What customer education is necessary and costs	If a simple solution is chosen for the CPP model, general advertisements would be sufficient. These can be built into a normal marketing plan and need not be costed separately.



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Number	Issue	Response
3 a	Should DAIC or FAC be adopted or some other method	I feel that DAIC/FAC may not be appropriate when <b>price caps</b> are being set for basic tariffs. Caps have to be set at a slightly higher figure to allow market forces to operate. In the case of PSTN-Mobile tariffs, the simplicity of the solution is a major factor. The simplest way is to apply a tariff as an integral multiple of the PSTN Unit Fee.
3 b	Whether the above costs should be historical or forward looking	This will depend on the structure of the network. In networks where the sunk costs are large and growth rates relatively small, historical costs are more important. In new and rapidly growing networks forward looking costs are more significant.
3 c	Which cost elements of PLMN should be taken for the MTC	The full network cost including handset costs should be taken into account.
3 d	What is the method for deriving the DAIC	No comments
3 e	What should be the principle for determining MTC	There are certain functions that relate to only outgoing calls and therefore the costs are not identical. In the future when a proper accounting system is set up, these can be determined in detail (See ITU Guideline on Tariff and Accounting). I had suggested a 80% ratio for TC/OC.
3 f	Should MTC fully cover costs or does it merit a lower pricing.	I feel that TRAI should not apply the cost based factor for all sub-sectors of services. Premium services should be treated on a separate basis and a certain amount of cross subsidy must be accepted, at least until we achieve 10% penetration. The MTC will largely be paid by PSTN subscribers and should be set at a lower rate.
3 g	Concession	MTC is related to the local call PSTN function, for which there is no concession rate. Mobile operators have made a mockery of the Mob-Mob concession rates and no account need be taken of that.

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Number	Issue	Response
4 a	Which charging methodology should be adopted.	It is important that a simple charging system should be adopted. Adding a surcharge will require detailed billing procedures. As the number of calls increases, this process will become impracticable. The best way is to add a second initial pulse. Since average holding times in the PSTN are 100 seconds and calls to mobile are currently shorter, not much purpose is served by additional pulses. If some protection is required, the 3 minute pulse can also be doubled.
4 b	Interim solution	CCS 7 and CLI are not required for implementing the simplest solution of a second initial pulse. All that is required is to count the number of calls from PSTN to PLMN. This counting may be done at the transit centre or in the local exchange. In the latter case the route counters may have to be actuated based on analysis of the MSC codes. This can be a permanent solution.
4 c	Co-existence of MPP and CPP	Simple charging arrangements must be followed otherwise the network will be unmanageable. As explained earlier, the PSTN is unable to determine whether the PLMN subscriber is on CPP or MPP. If this is sought to be implemented by a backward category signal many complications will arise.
4 d	Whether CPP should be implemented for all types of calls	This has already been dealt with under 2 f
4 e	Separate interconnect billing system	In the near future the PLMN will approach the size of the PSTN. A vast number of calls will pass from one network to the other. It will be impracticable to introduce detailed billing for such a large number of calls amounting to billions of calls in each billing cycle.
4 f	Time frame	If we accept a phased approach then 95% of subscribers can be covered in a short time of 30-45 days with 99% in 90 days



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**महानगर टेलीफोन निगम लिमिटेड**  
(भारत सरकार का उद्यम)  
**MAHANAGAR TELEPHONE NIGAM LIMITED**  
(A GOVERNMENT OF INDIA ENTERPRISE)

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**MTNL/JV/CPP/ Con.Paper/99**  
**Dated 12<sup>th</sup> June.2001**

To  
The Secretary  
TRAI  
16<sup>th</sup> floor, Jawahar Vyapar Bhawan  
Tolstoy Marg  
Connaught Place  
New Delhi. 110001

**Sub:** Comments on Consultation Paper on Introduction of CPP

**Ref:** Consultation Paper NO 2001-01 Dated 23<sup>rd</sup> May, 2001

Kindly find enclosed herewith the comments of MTNL on the consultation paper on issues relating to the introduction of CPP for Cellular Mobile Services

*(Signature)*  
12/6/2001  
(RAJEEV AGRAWAL)  
General Manager (IT)

*Adv (MN)*  
*(Signature)*  
12/6/2001

CPP comments file.  
pr. consolidate the  
comments  
13/6  
*(Signature)*  
SRO(MN)



## Chapter 2

Sl.No.	ISSUES	COMMENTS
(a)	Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?	<p>It is understood that some cellular operators are already offering free incoming calls. The question of who should pay is therefore more related to the business case of the operators. The paper brings out that there had been growth in cellular network subsequent to implementation of CPP. It however does not provide any evidence that CPP was the causal factor for such growth. Also not replying to call by several customers may be because of their unwillingness to talk to the calling party at that point in time. There is no evidence/survey report which indicates otherwise. Regarding Call back after seeing the calling number, there is hardly any reason why this will not take place even after implementation of CPP.</p> <p>The cellular customers have subscribed to a relatively more expensive services which provides for additional features. A basic customer who has not opted for cellular service for making a call essentially belongs to a class of relatively handicapped person in terms of paying capacity. The merits of intervention of CPP need to be viewed in this reference also. The CPP regime will cause a flow of revenue from basic to cellular services. Considering that even now the basic rentals are partially cross-subsidised, there is a need for flow of revenue from other</p>

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		<p>relatively elite services to basic services and not vice-versa. In view of the above it may be seen that in case CPP is to be introduced, there should be an additional revenue stream for basic operators also to ensure the growth of basic telecom services in accordance with its importance as is enunciated in NTP-99. In addition the roaming environment and international calls to mobile would also have to be resolved in the case of CPP. While setting the priority for high growth in the cellular sector using CPP, the low teledensity prevailing in the country may also be kept in view.</p>
(b)	<p>What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?</p>	<p>By the introduction of CPP, a revenue stream from PSTN to PLMN would be generated. As a consequence PLMN operators may get benefitted. Considering that an individual customer may have a total budget limitations on telecom expenditure, it will have an adverse impact on PSTN revenues. Only in case of customers who make calls on expense account, this may not be applicable. In this case however, there will be increase in the overheads of the organisations including Central and State Governments. CPP may in Indian context put both PSTN or PLMN subscribers to disadvantage since the PSTN customers who are able to call PLMN customers freely presently may have inhibition in doing so which may</p>



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		<p>further reduce benefit to mobile subscribers. Based on the information provided by the Consultation paper, the gain to telecom industry by introduction of CPP cannot be ascertained. On the other hand in case of diversion of revenue from PSTN there may be a adverse impact on the growth of Tele-density which will also have an adverse impact on the overall economic development of the country.</p>
(c)	<p>Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?</p>	<p>The Consultation Paper does not provide any details facilitating making of any opinion except that various countries world over are still undecided on this. The CPP involves commercial exchange of revenue between two operators because of their direct/indirect interconnection. The exchange of such interconnection revenue in principle should be left to the mutual agreement between two operators.</p>
(d)	<p>If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake holders e.g. subscribers &amp; operators of Basic and Cellular Mobile Services?</p>	<p>The Consultation Paper does not provide for detailed information to form the view in this regard in such a short time. While more time is required to respond to this issue, it may be observed that unless there is an additional revenue scheme for PSTN, it is only the PLMN operators who will benefit from CPP regime. In our opinion CPP if at all implemented should be an optional regime.</p>

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(e)	<p>Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen.</p>	<p>From the available information it is not clear if the introduction of CPP in India will result in an accelerated growth of mobile subscribers, including prepaid subscribers. While the Consultation Paper cite the growth in some countries as subsequent to CPP, it does not establish if such growth was on account of CPP. Demonopolisation and open competition in Telecom Sector had been other important factors in such countries which might have contributed significantly to such growth. Even in India there have been a significant growth of cellular customers in recent past even without CPP. Apparently, the growth in cellular customer base on account of CPP is connected to reduction in their bills. The same can also be achieved by suitable tariff review for cellular services.</p>
(f)	<p>Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?</p>	<p>Under the present circumstances, introduction of CPP for all calls terminated to mobile network would not be feasible either because of technicality or because of modality of the systems involved.</p>



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(g)	<b>Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system which gives an option to the subscriber to choose either CPP or MPP, as in USA?</b>	<p>As indicated the benefits of CPP to the stake holders other than PLMN are not established. In any case there will an additional revenue stream from PSTN to PLMN to the detriment of the PSTN users. In case CPP has to be introduced, it should be implemented only as optional basis. The technical feasibility will require further detailed study and some upgradation. The onus of such upgradations etc. should primarily lie on PLMN operators as they would be the prime beneficiary out of the expected growth in the cellular network out of implementation of CPP as is envisaged in this paper.</p>
(h)	<b>What is the type of customer education &amp; its cost that will be required to be incurred for implementing CPP?</b>	<p>A barring facility needs to be considered for the PSTN subscribers. In addition to educating them, in order to avoid future excess billing complaints, the customers will have to be informed on a call by call basis about the regime prevailing for the called subscribers in case of an optional CPP regime. The cost of this including that of related advertisement etc. should be borne by PLMN operators as they would be the prime beneficiary out of the expected growth in the cellular network out of implementation of CPP as is envisaged in this paper.</p>

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## Chapter 3

Sl.No.	Question	Answer
(a)	<b>What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.</b>	The Cellular tariffs were already made cost based and their expenses both on capital and operation had been made recoverable through the rental and air-time charges. For fixing the MIC, only the DIAC (on unbundled network elements involved) should be involved to fix the ceiling for CPP charges on PSTN. Any charges over and above these should accrue to PSTN network which needs to expand rapidly in accordance with the target set in NTP-99. The revenue stream for PSTN is already reeling under the influence of falling long distance tariffs which was the source of cross-subsidy. Any additional revenue generated out of CPP over and above the directly attributed incremental cost of cellular network should therefore be allowed to be accrued to PSTN.
(b)	<b>Whether the above costs should be historical costs or forward looking costs?</b>	Considering that the cellular network is expected to expand substantially because of CPP as is envisaged in the Consultation Paper, the forward looking cost only should be allowed for the cellular network. The high historical cost should not be burdened



		on PSTN customers since the same has already been offset in the tariff of cellular systems from a long time.
(c)	Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?	Same as (a) above.
(d)	What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?	CPP should not be treated as a means to finance the rental on air-time for PLMN customers. Joint and common cost of PLMN should be recovered through rental and airtime charges for the outgoing calls in addition to other revenues like charges for value added services etc. MTC should be kept minimum possible so as not to make it an inhibiting factor to a PSTN caller.
(e)	What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?	The termination charges for a PSTN to cellular call should be substantially lower than the originating charges. In fact terminating charges being low should be the only criteria. Some PLMN operators had already been favouring free incoming calls. The originating charges are purely subject matter of business plan of the PLMN operators and should not be co-related with MTC.
(f)	Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing	Same as (e) above

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	could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?	
(g)	Should MTC be differentiated between peak and off peak hours? If so, how?	It should be left to the market forces to decide.

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## Chapter 4

SL.No.	ISSUES	COMMENTS
(a)	<p>Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.</p>	<p>This has to be covered in accordance with the provisions in the amended cellular license. However, technically, the lower pulse interval method can be considered for implementation for MTNL network. As regards multiple pulses and a combination of lower pulse interval and multiple pulses, this may not be a conventional charging practice and also may lead to implementation difficulties. Adding a surcharge will need both changes in charging and billing system as well as separation of mobile calls from PSTN calls. The charges for any modifications/ upgradations related to CPP should be borne by PLMN operators.</p>
(b)	<p>Whether the provision of CCS 7 and CLI in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?</p>	<p>In the absence of CCS-7 and CLI, a system based on bulk billing at the point of interconnection may be necessary. In this case there will be difficulty in accounting for calls that are not originating in the network of the operator where the point of interconnection with the cellular operator exists. This will lead to a difficulty in case of calls originating in other networks as well as international</p>



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		calls which transit through the network where POI is located. In these cases, the network operator in whose network the POI is located will have to bear the charges to be paid to the cellular operator although no such charges can be realized from the PSTN subscribers by this network.
(c)	Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network? Can both MPP and CPP co-exist in the same network, so that subscribers have a choice of either CPP or MPP, as in the USA?	Implementation of CPP as an alternative to MPP while technically feasible in MTNL network, will lead to the problems of settlement of revenue and reconciliation between the various operators due to the reasons given in para b) above. The choice of CPP or MPP to subscribers will require further studies with regard to the numbering plan, IN capability of switches etc.
(d)	Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announcement?	For international calls, calls from PCOs and calls originating in networks other than where the POI is located, there will be difficulty to recover the charges from the PSTN subscribers by the network operator in whose network the POI is located. It should be possible however, to give an announcement to the calling subscriber in such cases. But this will lead to wastage of network resources.

(e)	<p>Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS 7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.</p>	<p>The system based on bulk billing will have problems as indicated in the forgoing paras. The alternative could be where CLI is taken by PLMN operator who raises a separate bill for PSTN subscribers. Such a bill may be collected by the PSTN operator on payment of suitable collection charges. This will also prevent cases of payment by PSTN operator to PLMN operator where due to bad debts the PSTN operator is not able to recover the charges. The arrangements should be allowed to be worked out with mutual consent of concerned operators.</p>
(f)	<p>What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?</p>	<p>Due to various reasons given in the comments in response to various chapters of the consultation paper, the implementation of CPP regime will need detailed study for which a suitable Study Group may be required. It is difficult to comment on the implementation time frame off hand. The desirability of CPP regime also need to be examined in view of the comments given above. In case the regime is to be introduced, the cost of network changes should be borne by the cellular operators since these changes are executed to benefit these operators primarily and it is only fair that they bear the cost for the same.</p>



भारतीय प्रबंध संस्थान वस्त्रपुर, अहमदाबाद 380 015

INDIAN INSTITUTE OF MANAGEMENT Vastrapur, Ahmedabad 380 015

1:30 PM 7/6/2001

June 6, 2001

Dr. Harsha Vardhana Singh  
Secretary  
TRAI  
16<sup>th</sup> Floor, Jawahar Vyapar Bhavan,  
Tolstoy Marg  
New Delhi 110 001

Dear Harsha,

I am enclosing my comments on the CPP consultation paper.

Best wishes

Sincerely

*Sidharth Sinha*  
Sidharth Sinha



A good paper.  
A copy may be given to me.  
sey  
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**Comments on  
TRAI's Consultation Paper On  
Issues relating to the introduction of CPP For Cellular Mobile services**

*Sidharth Sinha<sup>1</sup>*

In response to the TRAI's consultation paper on CPP this note argues that while the benefits of introducing CPP are uncertain at best the regulatory costs are likely to be significant. TRAI should not, therefore, go ahead with the introduction of CPP. The main arguments are the following:

- Both parties to a call benefit from a call. Hence both parties should pay as in the current arrangement. CPP would require the fixed line subscriber to bear the total cost of a fixed-to-mobile-call.
- It is not clear if increase in network usage in other countries can be attributed to CPP. There are several other confounding factors which may have contributed to the increase in network usage.
- CPP increases the regulatory burden because of the 'bottleneck facility' characteristic of mobile termination.

**Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?**

The main (almost 'moral') argument for switching to CPP is that the '*caller should pay for the call, being the party that needs to communicate with a mobile subscriber, so as to transact his business*'. (Consultation Paper 1.4 (i) )

This argument is incorrect. Communication is a two-way process and is carried out because both parties acquiesce to the process. The receiving party always has the option to hang-up and terminate the communication process. It is also more reasonable to assume that both parties benefit from the communication process. The relative benefits can vary, with the calling party benefiting more in some cases and the receiving party benefiting more in others. Overall, it is reasonable to assume that both parties benefit from the communication process. In the context of fixed-mobile interconnection it is often argued that the fixed line subscriber should pay for the higher cost of contacting a mobile subscriber. However, it is equally, if not more, plausible to argue that a mobile subscriber should pay for the higher cost of being reached while mobile. In this view it is the mobile subscriber who has chosen to be mobile and 'contactable'.

A recent paper from the FCC<sup>2</sup> argues for a receiving party (also) pays kind of interconnection arrangement based on the assumption of both parties benefiting from a call:

As discussed in greater detail below, the COBAK (Central Office Bill and Keep) proposal is premised in large part on three observations. First, both parties to a call – i.e., the calling party and the called party – generally benefit from a call, and therefore should share the cost of the call. By requiring interconnecting networks to recover most, if not all, of the cost of the call from their own customers, COBAK provides an efficient means by which the parties to a call can share the total cost of a call. The second observation is that competition operates more effectively when carriers recover their costs from their own end users, who can choose among competing carriers, rather than from interconnecting networks for whom the terminating carrier is a *de facto* monopolist.

<sup>1</sup> Professor, Center for Telecom Policy Studies, Indian Institute of Management, Ahmedabad.

<sup>2</sup> "Bill and Keep at the Central Office as the Efficient Interconnection Regime" Patrick DeGraba, OPP Working Paper Series (33), FCC, December 2000. Another paper making similar arguments but using a different methodology is "A Competitively Neutral approach to Network Interconnection", Jay M. Atkinson and Christopher C. Barnekov, OPP Working Paper Series (34), FCC, December 2000.



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Given that both parties to a fixed-to-mobile call derive benefits from the call it is a more equitable arrangement to let each party bear the cost of her own network than to force the fixed line subscriber to bear the much higher cost of the mobile network.<sup>3</sup>

**What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?**

It is claimed that the main problem with the Mobile Party Pays regime is that mobile subscribers switch off their phones '*for fear of receiving unwanted calls, and paying for incoming airtime.*' (Consultation Paper 1.4 (ii) ). It is then argued that CPP will remove this problem. However, mobile subscribers switch off their phones not only because of, 'fear of receiving unwanted calls' but also because of not wanting to be disturbed or disturbing others. The problem of receiving unwanted calls can be resolved by making the first minute of incoming airtime free in case the call is terminated by the end of the first minute. In fact this is one of the reasons why the FCC decided to decline to adopt any specific rules to govern CPP: (Consultation Paper 2.5 iii )

We decline to adopt any specific rules to govern calling party pays at this juncture. We note that our existing rules do not prevent a carrier that wishes to offer calling party pays from doing so. Also, the market now offers commercial mobile radio service subscribers pricing options generally unavailable when we started this proceeding, such as flat-rate pricing plans *and service plans under which the first minute of an incoming call is free.* (italics added). Along with the continued reduction of commercial mobile radio service prices, these plans appear to offer consumers many of the same benefits we identified as potential benefits of calling party pays.

It is often argued that CPP results in increase in network usage. However, in many cases the introduction of CPP has been accompanied by other events so that it is not possible to attribute increased network usage exclusively to the transition to CPP. Singtel Mobile of Singapore made this point in its response to the Singapore regulator's Consultation Paper on CPP<sup>4</sup>

Whilst it is also correct that a number of European markets have experienced significant growth in the number of mobile subscribers, it would be false to attribute such growth solely to the adoption of CPP. The introduction of competition and new innovative services such as pre-paid must be recognised as significant factors influencing mobile growth. For example, in Belgium, the introduction of a competitive mobile network in 1996 saw the incumbent mobile operator immediately reducing its charges by approximately 30%. Similarly, in France, the introduction of new innovative services, as well as the presence of two new entrants in the mobile market, have produced lower prices which have in turn stimulated mobile growth. Another factor, which should also be considered when viewing the performance of European mobile markets, is the practice of operators providing subsidies for mobile handsets which has had a stimulative effect on demand. Thus, the introduction of competition in Europe has contributed significantly to the growth rates and CPP should not be given the credit for this success.

With regard to the often quoted experiences in South American countries, there is a danger in attributing rapid growth in mobile subscriber levels to the introduction of CPP. For example, in Peru, the implementation of CPP in 1996 coincided with the introduction of pre-paid mobile services and the award of a licence to an additional mobile operator. In Mexico, the implementation of CPP occurred amidst heavy promotion of new pre-paid services and a reduction in the price to mobile phones. Similarly, in Chile the entry of a new operator

<sup>3</sup> It can be argued that this principal should also be applied to mobile-to-fixed calls. In principal this is correct. However, the inequity is much greater in the case of fixed-to-mobile than mobile-to-fixed calls since the fixed call charges are significantly lower.

<sup>4</sup> [http://www.ida.gov.sg/website/IDACContent.nsf/14899db7846d2bcc482568360017c696/31ceede477751afc825695a002c0d5f/\\$FILE/ATTYZKB5/FMI\\_SingTel+Mobile.PDF](http://www.ida.gov.sg/website/IDACContent.nsf/14899db7846d2bcc482568360017c696/31ceede477751afc825695a002c0d5f/$FILE/ATTYZKB5/FMI_SingTel+Mobile.PDF) Singtel Mobile opposed the introduction of CPP.



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coincided with the introduction of CPP. In other words, new services/products, new operators, all brought about by competition, could have led to the rapid growth of the market.

It is worth pointing out that the mobile operators could have easily introduced CPP for mobile-to-mobile calls merely by not charging for incoming minutes from another mobile subscriber. This would not have required TRAI intervention. Presumably it would have enabled the operators to benefit from the increased usage at least among mobile subscribers. That the mobile operators have not chosen to do this may indicate that they do not perceive this benefit to be significant.

**Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?**

From the perspective of regulation, the main implication of moving to the CPP regime is that mobile call termination is no longer competitive even if there are a sufficient number of mobile operators for the mobile sector to be considered competitive. Under a MPP regime there is no need to separately regulate the charge for terminating a fixed to mobile call. If the mobile sector is deemed to be competitive then the charges for *both* incoming and outgoing calls are likely to be unregulated. If, however, competition is considered to be inadequate in the mobile sector then charges for both incoming and outgoing calls will be regulated.

Under CPP the mobile termination charge is paid by the fixed line subscriber and is, therefore, not relevant when mobile operators compete for mobile subscribers. This assumes that under CPP mobile subscribers do not take into account mobile termination charges while making their choice of mobile operators. If this is true, then there may be an incentive for the mobile operator to increase mobile termination charges and possibly reduce subscription charges paid by mobile subscribers. This would amount to cross-subsidising the competitive segment with higher tariffs from the monopolistic mobile termination segment paid by fixed-line subscribers. Fixed line operators would also have little incentive to negotiate low mobile termination charges. This would be especially true if the fixed line sector is not competitive. That this is actually happening is borne out by the general concern among regulators in Europe that fixed-to-mobile tariffs and mobile termination charges are too high.

It is on account of these factors that regulatory intervention is generally considered necessary for setting mobile termination charges. One well documented instance of such intervention is from the UK.<sup>5</sup> In March 1998, the Monopolies and Merger Commission (MMC) was asked by OFTEL to investigate the termination charges levied by Vodafone and Cellnet, as well as BT's retention charge for originating a fixed to mobile call. While the MMC disagreed with OFTEL's view that mobile termination was a bottleneck, it concluded that there were *insufficient* competitive constraints on termination charges, and this situation was likely to remain so far the next three to four years. The MMC agreed with OFTEL that termination charges were too high. These charges were to be regulated by a price cap for the next three years.

The ACCC reached a similar conclusion in its report, "Pricing Methodology for GSM Termination services".<sup>6</sup>

<sup>5</sup> For an analysis of the UK experience see "Pricing calls to mobiles: Analysis of the UK Monopolies and Mergers Commission Reports on mobile termination charges", Pietro Crocioni and Cento Veljanovski, "Telecommunications Policy 23 (1999), 539-555.

<sup>6</sup> [http://www.accc.gov.au/telco/accsdef/GSM\\_Pricing\\_Principles\\_final.pdf](http://www.accc.gov.au/telco/accsdef/GSM_Pricing_Principles_final.pdf)



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It is the Commission's view that control over access to GSM termination and consumer ignorance results in mobile carriers sustaining high access prices for GSM termination. The Commission considers that the competitive forces on GSM termination will remain relatively weak, now, and in the foreseeable future. The Commission recognises that 'closed' user groups and the possibility of fixed-line callers requesting mobile subscribers to call them back may increasingly place a competitive focus on access prices for GSM termination. However, at this point in time, the Commission considers that the competitive forces on GSM termination are relatively weak.

The implications of this are that end-users consuming fixed-to-mobile calls may pay higher retail prices for such calls. There may also be allocative inefficiencies caused by sustained higher prices, as greater termination revenues may encourage inefficient investment in mobile networks. Furthermore, to the extent that an integrated mobile carrier notionally faces a lower internal access price than fixed line carriers seeking access to the GSM termination service, there is the potential for anti-competitive pricing conduct.

The Information Society directorate of the EU Commission in its consultative document on the 1999 Communications Review says that, *"under the current tariff regime of calling party pays, it is anticipated that the market for call termination will remain essentially uncompetitive"*<sup>7</sup>

Therefore, in case CPP is introduced it will have to be accompanied by regulation of termination charges and fixed-to-mobile tariffs. Regulation of tariffs and termination charges is likely to be fraught with serious difficulties. The TRAI's own earlier experience in this matter is quite instructive. The UK experience provides some idea of the costing and tariff structure issues that will need to be resolved.

The main problem is allocation of joint and common costs. In its reference to the MMC, OFTEL proposed that costs should be allocated over access, conveyance of outgoing calls and conveyance of incoming calls. "Access" was defined as the 'capability to make or receive calls'. The allocation of costs to 'access' had the impact of lowering the costs allocated to incoming conveyance, thereby producing a lower termination charge. However, the MMC rejected OFTEL's notion of access and allocated costs only between incoming and outgoing calls.

In setting the termination charge there are several problems:

- Reconciling cost variation across operators in setting tariffs, especially accounting for differences in costs because of economies of scale and because of efficiencies in operations.
- Allowing variation in termination charges across operators. While this is desirable in order to take into account cost and quality differences, it is likely to be confusing for the fixed line subscriber
- Fixing time of day termination charges as against average price regulation.

Apart from this there all the other issues raised in the Consultation paper (para 3.13) to which there are no easy or correct answers. Given the information limitations the regulatory decisions are likely to have an element of arbitrariness and induce inefficiency. Overall, they are likely to introduce rigidity and inflexibility.

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<sup>7</sup> Cited in "Should Telecom Liberalization stop at call termination", Pietro Crocioni, Telecommunications Policy 25 (2001) 39-58.

June 11, 2001

Secretary  
Telecom Regulatory Authority of India,  
16<sup>th</sup> Floor, Jawahar Vyapar Bhawan,  
Tolstoy Marg, New Delhi - 110001.

**Sub: Comments on TRAI Consultation Paper No. 2001/1 on issues relating to the introduction of CPP for Cellular Mobile Service**

Dear Sir,

Reference is invited to your above consultation paper dated May 23, 2001.

Our comments on this paper are enclosed for your kind consideration.

Thanking you,

Yours faithfully,  
For **Escotel Mobile Communications Ltd.**



**A.C. Khandpur**  
**Chief General Manager &**  
**Head Regulatory**

Encl.: a/a



Adv (MN)



## **COMMENTS - TRAI CONSULTATION PAPER ON CPP**

### **GLOBAL SCENARIO**

- (a) Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?

**Answer:** CPP is desirable as far as cellular mobile service is concerned. In the medium to long term the full potential of wireless mobile telephony can only be realised with CPP tariffing.

#### **Objective**

- (1) relieving the cellular subscriber from the fear of receiving unwanted calls
  - (2) boost to market and usage of Cellular Mobile Service
  - (3) Exponentially increase the tele-density for mobile to 10% by 2010
  - (4) Win-win situation for fixed & mobile operator and also for the Government
- (b) What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?

**Answer:**

<b>Beneficiary</b>	<b>Benefit</b>
<b>The Economy</b>	More efficient use of spectrum through higher mobile traffic. Higher tele-density through faster growth in mobile lines
<b>Fixed Network</b>	Higher traffic volume fixed to mobile and mobile to fixed. High margin earnings on fixed to mobile traffic
<b>Mobile Network</b>	Higher traffic volume mobile to fixed Better utilisation of voice mail Interconnect revenue earnings Customer retention of price sensitive mobile users Faster subscriber growth
<b>Mobile users</b>	Lower costs, no payment for incoming calls Can publish mobile number widely, better contactability
<b>Fixed Users</b>	Can reach mobile numbers, which were previously unavailable because phone was switched off or number not given out



- (c) Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?

**Answer:** The market is still in its infancy and free competition is not yet built in. Therefore, the intervention of Regulator is necessary to regulate dominant players (BSNL/MTNL) so that they do not abuse its market position to the disadvantage of the private operators.

- (d) If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake holders e.g. subscribers & operators of Basic and Cellular Mobile Services?

**Answer:** Introduction of CPP in a balanced way for all the 3 players could be possible in this way:

- 1) **Basic Service Operators:** They should get a proper return on the incremental fixed and operational investment made by them for introduction of this service
- 2) **PLMN operators** should get fair compensation for the airtime charges, which they are going to lose.
- 3) **Subscribers:** For PSTN subscribers the tariff should not be so high as to inhibit traffic as it will be self defeating

- (e) Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen.

**Answer:** No preconditions are required for India

- (f) Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?

**Answer:** It should be introduced for all calls terminated on mobile network. A prominent notice should be affixed on the Coin Boxes that for making calls to Mobile subscribers will be more expensive vis-à-vis making calls to fixed line subscriber. In the case of calls to Mobile Roaming subscriber the standard Terminating Charge should only be applicable and the roaming amount should be debitable to the PLMN subscribers.

For incoming international calls terminating on mobile customers, the mobile customers will continue to pay the airtime charges. Therefore, Mobile operators should not loose this amount and there should be some arrangement for compensation for these charges. Best way is to allow mobile operators to have direct interconnection with international operators (presently VSNL) and allow them to negotiate revenue sharing agreement bilaterally for international traffic.

(g) Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system which gives an option to the subscriber to choose either CPP or MPP, as in USA?

**Answer:** No, this option will not be desirable for our market since the market is still not matured.

(h) What is the type of customer education & its cost that will be required to be incurred for implementing CPP?

**Answer:** The change in tariffs will have to be intimated to PSTN as well as PLMN subscribers and the cost should be borne by each operator for educating its own customers. Both service providers i.e. mobile & fixed can commence education to their customers at least one month in advance of CPP implementation

## **TARIFF ISSUES**

(a) What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.

**Answer:** The tariff should be fixed on the basis of fully allocated cost of the operators involved i.e. both PSTN & Mobile

(b) Whether the above costs should be historical costs or forward looking costs?

**Answer:** The cost should be the proper mix of both historical and forward looking cost so as to take care of the high investment made in the project period initially and decreasing trend in costs. However, it should be reviewed periodically

(c) Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?

**Answer:** The direct and indirect cost of all elements of the network for terminating the calls in the mobile network should be considered.

(d) What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?

**Answer:** Not applicable

(e) What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?

**Answer:** The MTC has no relevance towards the outgoing calls. MTC has to be determined on the basis of cost of network elements, which come into picture for terminating the calls from PSTN subscribers on a Mobile phone. Therefore, the direct and indirect cost of these elements should be used. Equating it to originating calls is not of any relevance.



(f) Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?

**Answer:** This has already been answered against para (a) & (e) that the tariff should be based on fully allocated cost, therefore there is no question of any kind of subsidization for the incoming leg of mobile operation.

(g) Should MTC be differentiated between peak and off peak hours? If so, how?

**Answer:** MTC should be a single flat rate for 24 hours

## **TECHNICAL ISSUES**

a) Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.

**Answer:** Though it is the responsibility of PSTN operator, which is the only party involved in this process, we suggest that a combination of lower pulse interval and multiple pulses might be used for implementation of CPP Regime.

b) Whether the provision of CCS 7 and CLI in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?

**Answer:** CCS#7 and CLI in all exchanges are not essential pre-requisite for CPP. However, if above signaling is available, it will be easier to reconcile & settle the bills.

c) Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network? Can both MPP and CPP co-exist in the same network, so that subscribers have a choice of either CPP or MPP, as in the USA?

**Answer:** Yes, CPP is technically feasible for existing networks. Co-existence of CPP & MPP in the same network is not desirable

d) Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announcement?

**Answer:** This has been answered against Para (f) of Global Scenario chapter

e) Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS 7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.

**Answer:** Fixed operators should be mandated to provide CCS7 for CPP implementation. It is desirable towards proper reconciliation and accurate billing.

f) What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?

**Answer:** As far as mobile operators are concerned, they have been ready since launching their service for CPP introduction. As it is a national change, the respective operators to bear the cost of their respective network changes/modifications.



give their views on the technical feasibility of this option. They have referred to the USA model and have desired the operators to collect more details about the applicability of the system in the Indian environment.

- Even for the international calls under the CPP regime the Authority has not explained how to implement the settlement between the international carriers and the cellular operators. When and how it will be done is not yet indicated in the paper.
  - **TRAI has also not determined as yet how to charge the calls made from local PCOs.**
  - In case CPP is not made applicable to calls made from PCOs and international calls then whether or not the cellular operators will charge their customers for the airtime for such calls? This issue has not been addressed by TRAI. It only states that the technical feasibility of these issues needs to be examined by both fixed and mobile operators and a solution evolved through mutual consultation. No time frame has been fixed for the same.
  - **TRAI acknowledges that calls to mobile will become significantly more expensive and there would be a demand for a dynamic locking facility for calls made to mobile subscribers. TRAI has not addressed this issue and has instead stated that this may again require mutual discussions between the operators with a view to finding the solution.**
  - The TRAI has itself stated that the fixed and cellular operators will need to finalise the technical arrangement to implement the necessary revenue sharing arrangement for passing on the MTC by the fixed operator to cellular operator.
  - The TRAI has itself stated that the widespread customer education campaign needs to be carried out in order to implement the scheme and make the consumer aware of the new scheme before being charged.
  - **The important and technically most complex issue is the charging in case of roaming calls. The TRAI has not brought out any solution to the issues involved.**
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**DR. PARIKH**

From: DR. PARIKH <drbrparikh@vsnl.com>  
 To: <trai@del2.vsnl.net.in>  
 Sent: Monday, May 28, 2001 1:40 AM  
 Subject: Caller Pays

: OM SHREE GANESHAYA NAMAHA :

Dr B R Parikh,  
 B.Sc, MBBS, DA(DCP)  
 28, South Mada Street, Triplicane,  
 Chennai 600 005

To

TRAI,  
 18th Floor, Jawahar Vyapar Bhavan,  
 1, Tolstoy Marg,  
 New Delhi - 110 055.

Sir,  
 This has reference to news release asking for consumers Suggestion for Call Party Pays.

Sir, I would like to state that by asking caller to pay there may be problems which are not in the interest of society. This will facilitate antisocial elements to have a field day. If they are asked to pay for calls made to them then there will be proof of person having called him.

Second problem that would be again to people who likes to call some one on Cellular phone that they will not be allowed to phone from Ordinary shops or Hotel and they would have to go in search of PCO allowing them to use it for calling one on Cellular phone.

Third if caller has to pay and if it is high then they would not call some one on Cellular phone or would talk to them as if he is talking on STD or ISD. By being too brief one would not be able to give full message or there are chances of not getting full message when signals are weak.

If TRAI still has desire to have caller pay may I humbly suggest to begin with let charges be equal to local Land line charges, i.e 1.20 per minute.

Sir, I would also like to inform you regarding directive of TRAI regarding information on talk value available on pre paid card, amount towards rental and validity of card, and carry forward of talk value in case one does not use up the air time charge - talk value during the validity period. The directive is not adhered to by the Cellular operators in Chennai. This is for your information.



File 13/6

Solmes

28/05/2001

12:50 PM  
13-6-2001  
151

# DELHI SCIENCE

President: Dr Arun Ghosh  
Secretary: Prabir Purkayastha

13<sup>th</sup> June 2001

The Chairman,  
Telecom Regulatory Authority of India,  
20<sup>th</sup> floor, Jawahar Vyapar Bhawan,  
1 Tolstoy Marg,  
New Delhi.

Dear Sir,

Please find enclosed our submission regarding the "Issues relating to the introduction of CPP for Cellular Mobile Services".

With regards,

*Prabir Purkayastha*

(Prabir Purkayastha)  
Delhi Science Forum

CC : Dr. Harsh Vardhen Singh, Secretary, TRAI

*Adv (MN)*



Add: B-1, 2<sup>nd</sup> Floor, Local Shopping Complex, J Block, Saket New Delhi -110017  
Ph: 6524324, Telefax : 6862716  
e-mail: ctddsf@vsnl.com



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The Telecom Regulatory Authority of India (TRAI) has issued its Consultation Paper No. 2001/1 on "Issues relating to the introduction of CPP for Cellular Mobile Services". We give below our response to the TRAI Consultation Paper on the Calling Party Pay (CPP) regime.

1. The current regime in place mandates if a subscriber calls from a landline to a mobile phone, the airtime charges are to be paid by the owner of the mobile phone while the party calling from the landline only pays the local call charges. The important issue here is that the average local call charge is Rs.1.20 for 3 minutes while the airtime charges are of the order of Rs.8.00 for the same three minutes. This means that the airtime charges/cellular rates in India, particularly in Delhi and Mumbai, are 6-8 times that of the landline local call rates.
2. The above differential means that the airtime charges that the landline subscribers will have to pay for calling a mobile phone is of the order of STD charges and not local call charges; the CPP regime has a different meaning if the landline local charges are so dissimilar to cellular rates.
3. The world over, the local cellular rates have come down drastically and are almost comparable to local call charges. The premium today -- in terms higher rates for mobile services -- is of the order of 20%; for certain service plans, the cellular rates are even lower than the landline charges. If it is desired, Delhi Science Forum will be happy to furnish more details of comparative landline and cellular rates in different countries. However, we are sure that TRAI already has these details with them.
4. The TRAI has observed in their consultation paper that most countries are going in for a CPP regime. This assumes that the CPP regime is itself desirable and therefore there is a move towards CPP regimes in various countries. It can be argued, with perhaps more justification that the move towards a CPP regime is due to lowering of cellular rates and near parity with the landline rates. As cellular rates drop, there is a justification to switching to a CPP regime. However, if airtime had continued to be very expensive, it is very doubtful there would have been moves towards CPP regimes in various countries.
5. The drastic fall in cellular rates has been due to the expansion of cellular services with the attendant economies of scale. As per the current tender prices of GSM switches, the cost per line is of the order of Rs.4,000 per line for cellular services as against the cost of Rs.23,000 or so for landlines.
6. The original tariff computations on which TRAI issued its tariff order are based on cost per line of Rs.40,000 i.e., **10 times the current costs**. When these tariffs were computed, Delhi Science Forum had questioned the figures furnished by the cellular operators. Even if we accept the earlier figures as correct, it is clear that they have no bearing on current capital costs. The major expansion of the network has taken place after the cellular operators submitted the figures used by TRAI in its tariff

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computations, when the costs incurred have been far lower. There is therefore a fit case for re-examining the cellular tariffs.

7. If the cellular rates are reworked, we believe that they will become comparable to that of landlines. Not only are the capital costs much lower than that of landlines, the license fees of the cellular operators have also been waived. In any case, the metro cellular operators paid very low license fees and therefore cannot use license fees (treated now as entry fees) as an argument for high cellular rates.
8. If the cellular rates come down to levels comparable to landline rates, as they have in various countries, the CPP regime will not be unduly onerous for landline subscribers. Otherwise, all the problems with STD – misuse, high bills, etc., will plague the landline subscriber.
9. Delhi Science Forum believes that the rapid growth of mobile phone subscribers has been due to the advantage of mobility. Even with the high cellular rates, there is no stagnation in terms of the subscriber base. Certainly, there will be a further expansion of the cellular subscriber base if the rates are brought down. The right way of expanding the subscriber base is bringing down the exorbitant cellular rates and not by passing a portion of this on to landline subscribers. Passing part of the exorbitant airtime charges on to the landline subscribers as is being argued by the cellular operators, is using the principle of “Robbing Peter to pay Paul”. This is a faulty regulatory principle and would penalise both the mobile and the landline subscribers while unduly benefiting the cellular operators.
10. TRAI should seriously examine why competition is not working in bringing down cellular rates, particularly for Delhi and Mumbai, the two metros.
11. There are serious grounds to believe that the cellular operators in Delhi and Mumbai have been acting on collusion in announcing their tariff plans. We itemise below some of the salient features of “strange” coincidences in timing and the tariff plans of the Delhi and Mumbai cellular operators.
  - January 18, 2001: Hutchison Essar cuts cellular tariff in Delhi – Rs.2.80 for outgoing and Rs.1.60 for incoming calls. The next day, Airtel follows suit with Rs.2.85 tariff for outgoing and Rs.1.60 for incoming calls.
  - February 14: BPL and Orange reduce tariff to Rs.2.80 per minute for outgoing and Rs.1.60 for incoming calls.
  - May 30: BPL, Orange announced fresh rate cuts in Mumbai – Rs.1.49 per minute for both outgoing and incoming calls.
  - Both the operators — Hutchison Max and BPL — announced an airtime rate of Rs.1.49 per minute for both incoming and outgoing calls, at the lowest end of the tariff spectrum, on May 30.

*(Financial Express 5<sup>th</sup> June 2001)*
  - The response of Mr. P.K. Sandell, President of Telecom Industry Service Association (TISA) in the same report virtually confirms that cartels exist



amongst cellular companies: he has termed fixing of rates "business agreements" instead of formation of cartels.

- The same pattern of timing and rates can be seen in that not only did Hutchison Max and BPL Mobile offer similar rates on May 31, they also changed the pulse rate from the earlier figure of 30 seconds to 60 seconds on the same day.
- The same coincidence exists in Delhi in terms of timings and tariff rates announced. Essar and Airtel have announced very similar tariff plans on 9<sup>th</sup> June and 11<sup>th</sup> June respectively in Delhi.

12. Till the recent tariff announcements, the tariff rates in Delhi were unconscionably high – it was the highest in the country. This is despite a huge installed base, negligible license fees and a compact area.
13. Even after the latest round of rate reductions, the cellular tariffs remain much higher than the landline rates. It is clear that collusion and cartels between operators are defeating competition and therefore needs regulatory action. We are enclosing herewith newspaper reports indicating that collusion – or "business agreements" exist between cellular operators regarding tariff rates. Delhi Science Forum will be happy to submit a detailed analysis of the tariffs plans showing how similar they are.
14. If the cellular rates continue to remain 6-8 times that of landline rates, any CPP regime will have to provide safeguards to the landline subscribers. This includes the ability to lock any outgoing cellular calls from landlines to prevent misuse. Further, whenever a call is put to a cellular phone, a message indicating that the airtime rates will have to be borne by the caller should be played to make him/her fully aware of the calling costs.
15. If the above scheme is found to be too expensive, as a minimum, all calls to cellular phones should be treated as STD calls. It may be noted that in most offices, STD facilities have been found to be prone to misuse and have to be strictly controlled. Unless proper safeguards are put in place, a CPP regime in which airtime charges are so high will invite serious problems for government as well as private offices.
16. We find the argument that mobile telephone directories are not possible without a CPP regime difficult to accept. Most mobile phone subscribers do not want mobile directories where their phone numbers are publicly known. Cellular phones are an invasion of privacy – the users are on call all the time. Currently, this is manageable as mobile numbers are given to close family members, relations and a few business associates. A mobile directory will have serious consequences for all mobile phone subscribers, as they will be always on call for any person who has an access to such a directory. Due to this reason, most cellular companies in the world, with or without CPP, do not publish such directories.
17. We once again urge the TRAI to take up the issue of revision of cellular tariffs, before the CPP regime is discussed. We feel that unless the cellular rates are reduced drastically, the CPP regime is both inappropriate and premature.





12:30 PM  
बजे प्राप्त हुआ  
13.6.2001

CTSA

**Chandigarh Telecom Distt.  
Telephone Subscribers Association (Regd.)**

Registered with Telecom Regulatory Authority of India  
as a Consumer Organisation/Advocacy Group in the Telecom Sector

HOUSE NO. 401, SECTOR 43-A, CHANDIGARH. PH. : 0172-606487

**PRESIDENT**

R.K. Verma



**GENERAL SECRETARY**

D. K. Khera, M.A., LL.M., M.P.M.

REF.NO.CTSA:TRAI:COMMENTS:2005

DATE: 10.6.2001  
12

THE CHAIRPERSON,  
TELECOM REGULATORY AUTHORITY OF INDIA,  
NEW DELHI.

Respected Sir,

**OUR COMMENTS REGARDING CONSULTATION  
PAPER NO.2001/1 ON  
ISSUES RELATING TO THE INTRODUCTION OF  
CPP FOR CELLULAR MOBILE SERVICES  
DOCUMENT DATED: 23.05.2001**

This is with reference to the above document. We have read the document and our views page wise as per document are as under:

1. We are of the view that if CPP is to be implemented then there should be reduction in rent of Fixed phones as well as cellular phones so as to make it i.e. mobile phone more affordable which we think the fixed phone providers will not agree.
2. We think the billing schedule will be totally disturbed hence frustration among the fixed phone subscribers if CPP is implemented. After going through the document it is found that the PSTN subscriber will be at the receiving end hence it will

....2....

P.S we have already sent the comments on email on 12-6-2001 evening.  
Please change our address as



not be poor man's telephone. We are of the view that a person who can presently afford a mobile can afford the incoming airtime also. If CPP is implemented then there are chances of bulk growth at the moment but there will be traffic congestion both at the PSTN and PLMN end also. Further it will be a complex situation if different mobile operators have different termination rates. We are of the view that if implemented the fixed phone subscribers will pay more than the mobile phone holders e.g. the fixed phone subscribers will pay rent+CPP charges+their own calls+services charges on whole of the bill which is at present 5% of the total bill amount+more charges if he call a roaming or PCD No. of which he will not be aware of. In a present scene when the Government implemented 50 Kms. pulse, 100 Km pulse and 200 Kms. pulse the 200 Kms. pulse is 30 seconds about which the people are not aware of and complained to the authorities regarding overbilling. Further when BSNL implemented a scheme regarding concession in registration amount to be paid on application and later on when the first bill came the people write to the authorities to disconnect their phone because they cannot afford to pay such huge amounts, it was all because BSNL charged one year advance rent as security in the first bill. We are of the view that if the bills of fixed phones shoots up their may be chances of people not paying the bills. In Chandigarh a Private company giving fixed telephones is facing such a situation apart from BSNL, where most of the people are not paying their bills and their telephones have been disconnected by the authorities. We are a developing country and are not as rich as USA, DENMARK, CANADA where telephones density wise are higher than in India and are cheaper and as such CPP will be a burden on the common man. It will also hamper the targets fixed by the telecom ministry because people will be afraid of overbilling. The Chinese example in regard is appropriate in India also wherein it was mentioned that "the chinese Government had invested heavily and the return is less". We appreciate the idea of INFOCOMM DEVELOPMENT AUTHORITY (IDA) OF SINGAPORE THAT THE COSTS OF ANY CHANGE WOULD LIKELY TO OUTWEIGH ANY POTENTIAL BENEFITS FOR BOTH CONSUMERS AND INDUSTRY". We further appreciate the Sri Lankan experience that "CPP regime is complex to implement and would

require large lead time to implement technically apart from heavy investment. We agree with the point 3.12 wherein it is mentioned that in case of tariff (Fixed to mobile) is too high, it will be counterproductive, as due to high prices, the fixed subscriber may be inhibited to make a call to a mobile subscriber.

OUR VIEWS REGARDING ISSUES BROUGHT OUT FOR PUBLIC CONSULTATION AS ON PAGE 22 OF THE DOCUMENT.

A) IS CPP DESIRABLE IN OUR CONTEXT? IF IT IS CONSIDERED DESIRABLE, WHAT SHOULD BE THE MAIN OBJECTIVE(S) BEHIND ITS INTRODUCTION?

AFTER GOING THROUGH THE DOCUMENT IT IS OBSERVED THAT CPP IS NOT DESIRABLE AT ALL. IF CONSIDERED DESIRABLE IT WILL BYPASS ALL THE MAIN OBJECTIVES IN INDIAN CONTEXT.

B) WHAT BENEFITS WILL ACCRUE TO THE SUBSCRIBERS OF PSTN/PLMN AND TO THE TELECOMMUNICATIONS INDUSTRY IN THE COUNTRY AS A WHOLE, CONSEQUENT UPON THE INTRODUCTION OF CPP?

SINCE CPP IS NOT DESIRABLE, THEREFORE, NO COMMENTS.

C) SHOULD CPP BE INTRODUCED FOR FIXED TO MOBILE CALLS, BY REGULATORY INTERVENTION OR SHOULD IT BE LEFT TO MARKET FORCES?

SINCE WE ARE IN DEVELOPING STAGE THE CONTROL IF ANY SHOULD REMAIN WITH THE REGULATORY BODY.

D) IF CPP IS INTRODUCED FOR PSTN-PLMN CALLS, WHAT IS THE BEST WAY OF BALANCING THE INTERESTS OF VARIOUS STAKE HOLDERS E.G. SUBSCRIBERS AND OPERATORS OF BASIC AND CELLULAR MOBILE SERVICES.

THE RENT OF THE FIXED SERVICES I.E. PSTN SHOULD BE REDUCED TO HALF AND THEY SHOULD NOT BE BILLED FOR THEIR OWN CALLS APART FROM CPP CHARGES



E) WOULD THE INTRODUCTION OF CPP IN INDIA RESULT IN AN ACCELERATED GROWTH OF MOBILE SUBSCRIBERS, INCLUDING PREPAID CUSTOMERS, AS WITNESSED IN SOME COUNTRIES OF LATIN AMERICA? WOULD THERE BE ANY PRECONDITIONS/PRE-REQUISITES FOR IT TO HAPPEN.

NO, NOT AT ALL IT WILL BE A TEMPORARY PHASE ONLY.

F) SHOULD CPP BE INTRODUCED FOR ALL CALLS TERMINATED ON MOBILE NETWORKS OR SHOULD CALLS LIKE INTERNATIONAL, CALLS FROM PCOs, ROAMING ETC. BE EXCLUDED FROM ITS SCOPE AS IS DONE IN A NUMBER OF COUNTRIES DUE TO TECHNICAL DIFFICULTIES, ENCOUNTERED IN INCLUDING SUCH CALLS IN THE CPP ARRANGEMENT?

CPP SHOULD BE ON INTERNATIONAL, CALL FROM PCOs AND ROAMING ONLY.

G) SHOULD CPP BE MADE OPTIONAL AS IN USA? IS IT TECHNICALLY POSSIBLE TO IMPLEMENT IN OUR NETWORK, A SYSTEM WHICH GIVEN AN OPTION TO THE SUBSCRIBER TO CHOOSE EITHER CPP OR MPP, AS IN USA?

IT CAN BE MADE OPTIONAL BUT FIXED PHONE SUBSCRIBER SHOULD NOT BE BILLED TILL THEY EXERCISE THEIR OPTION AS "YES". WE ARE OF THE VIEW WHY THE PSTN SUBSCRIBER SUFFERS WHEN IT WANTS TO CONTACT A MOBILE SUBSCRIBER APART FROM ITS OWN BILLING.

H) WHAT IS THE TYPE OF CUSTOMER EDUCATION AND ITS COST THAT WILL BE REQUIRED TO BE INCURRED FOR IMPLEMENTING CPP?

INDIA IS A POOR COUNTRY AT DEVELOPING STAGE SO WHEN SUCH AN ISSUE IS DISASTROUS FOR THE POOR, CUSTOMER EDUCATION IS THE LAST THING REQUIRED. CUSTOMERS ARE EDUCATED WHEN THEY ARE FINANCIALLY VERY SOUND. THE PRESENT SCENERIO IS VERY BAD AS FAR AS COMMON MAN CONCERNED

OUR COMMENTS AS PER QUESTIONS BROUGHT OUT AT PAGE 30 OF DOCUMENT

A) WHAT SHOULD BE THE BASIS FOR FIXATION OF TARIFFS FOR CPP? WHETHER DIRECTLY ATTRIBUTABLE INCREMENTAL COST (DAIC) OR FULLY ALLOCATED COST SHOULD BE ADOPTED AS THE METHODOLOGY FOR FIXATION OF TARIFF? OR, ANY OTHER METHODOLOGY WILL BE MOST SUITED FOR THE PURPOSE, WHICH COULD BE CONSIDERED FOR ADOPTION.

IF ADOPTED CPP THE BEST METHOD TO WORK OUT TARIFF IS DIRECTLY ATTRIBUTABLE INCREMENTAL COST (DAIC). THE BEST METHOD TO WORK OUT AND WHICH WILL BE COST EFFECTIVE IS CHANGE IN PULSE AS IS THE CASE OF 50-100-200 KMS CHANGE IN PULSE ADOPTED A FEW MONTHS BACK.

B) WHETHER THE ABOVE COST SHOULD BE HISTORICAL COSTS OR FOWARD LOOKING COSTS?

IT SHOULD BE HISTORICAL COSTS

C) WHICH COST ELEMENTS OF PLMN SHOULD BE TAKEN INTO ACCOUNT FOR FIXING THE MOBILE TERMINATION CHARGE?

THE PRESENT INCOMING CHARGES SHOULD BE APPROPRIATED AND THEIR SHOULD BE NO SURCHARGE AND THERE SHOULD BE NO ADMINISTRATIVE EXPENSES ON THE PART OF FIXED SERVICE PROVIDER TO TRANSFER THE AMOUNT TO THE CELLULAR OPERATOR.

D) WHAT SHOULD BE THE METHOD TO DERIVE THE DIRECTLY ATTRIBUTABLE INCREMENTAL COSTS(DAIC) OF TERMINATING A CALL IN THE MOBILE NETWORK, FROM JOINT AND COMMON COSTS?

AS ABOVE  
(C)



TECHNICAL ISSUES

E) WHAT SHOULD BE THE PRINCIPLE FOLLOWED IN DETERMINING THE TERMINATION CHARGE FOR INCOMING CALLS TO CELLULAR MOBILE, VIS-A-VIS FOR OUTGOING CALLS FROM A CELLULAR NETWORK. SHOULD ORIGINATING CARRIAGE (I.E. AIRTIME) BE THE SAME AS TERMINATING CARRIAGE(MTC), BECAUSE BOTH USE THE SAME MOBILE LEG?

NO. THE INCOMING ON MOBILE SHOULD BE THE SAME AS THREE MINUTES PULSE ON THE FIXED PHONE OR IT MAY BE ONE AND A HALF MINUTES PULSE AND TWO MINUTES OUTGOING PULSE FOR ONE CALL ON MOBILE SO THAT MOBILE ALSO BECOME AFFORDABLE.

F) SHOULD THE TERMINATION CHARGE BE SUCH THAT IT FULLY COVERS THE NETWORK ELEMENTS INVOLVED IN CALL TERMINATION OR DOES IT MERIT A LOWER PRICING AS COMPARED TO OUTGOING CALLS. SUCH DISTINCTION IN PRICING COULD BE SEEN AS A KIND OF SUBSIDIZATION OF THIS(INCOMING) LEG OF MOBILE OPERATORS PROVIDED FROM RENTAL AND/OR OUTGOING CALLS OF CELLULAR MOBILE? WOULD SUCH AN APPROACH BE JUSTIFIED?

YES THIS APPROACH IS JUSTIFIED. SHOULD MTC BE DIFFERENTIATED BETWEEN PEAK AND OFF PEAK HOURS? IF SO HOW? YES IT SHOULD BE DIFFERENTIATED AND IT SHOULD BE THE SAME AS PER THE PRESENT SYSTEM ADOPTED BY THE FIXED SERVICE PROVIDERS SO AS TO MATCH THE SAME HENCE LESS CHANGES IN THE SOFTWARE AND HARDWARE AND LESS COST INCURRED TO CHANGE THE SYSTEM. THE PRESENT SYSTEM OF HALF RATE, ONE THIRD RATE AND ONE FOURTH RATE IS PROPER TO MATCH THE SYSTEM IF CPP IS IMPLEMENTED.

At many stations the rate of circulation is not giving advertisement to the leading newspapers. Increasing competition service apart from "LOOK ADVERTISERS" in the leading newspaper because the newspapers are publishing their advertisements at DAVE rates.



## TECHNICAL ISSUES

### ISSUES RELATING TO CHARGING AND BILLING

Regarding this matter we have already discussed in the earlier part of the reply that the best way to bill a subscriber in case of CPP will be lower pulse interval which will be cost-effective also. We concur with the multiple pulse suggestion and combined pulse system in this regard apart from adding surcharge which will be burden on the fixed phone subscriber. It is mentioned in the paper that~ a PSTN subscriber will have to be charged based on the option exercised by the mobile subscriber and one way of doing it is by inserting a code in the mobile subscriber numbering scheme that would distinguish the two types of mobile subscribers i.e. one under CPP regime and another under the MPP regime~. It is not out of place to mention here that while calling a mobile number the call is metered even if the calling party received a recorded message ~such as the telephone you are dialling is out of range or the mobile holder has switched off the mobile because of one or the other reason~ hence again a burden on the fixed telephone subscriber. We are of the view that there should be a separate numbering plan to reach a mobile so that customer is not billed for no fault at its end while calling someone who may carry a mobile or a roaming mobile or customer carries international mobile. We are of the view that each and every customer of fixed phone should have a dynamic code facility so that nobody other than the subscriber could misuse the phone. At present only persons having STD/ISD facility can lock their local calls apart from STD and ISD. After introduction of 200 Kms. calls which carries a pulse of 30 second there are complaints of overbilling because of non-education of the subscribers at the end of fixed service providers including the BSNL. At many stations the major operator is not giving advertisement in the leading newspapers regarding customer services apart from ~LOK ADALATS~ in the leading newspaper because the newspapers are publishing their advertisements at DAVP rates.

NO IT IS NOT POSSIBLE AND WE ARE OF THE VIEW THAT CPP AND CPP CAN SO-EXACTLY IF CUSTOMER IS NOT CALLED TILL THE PART 8 OF THE CALL AT CPP OR MPP LEVEL BECAUSE A RECORDED MESSAGE CONVEY THAT WHAT TYPE OF CALL IS GOING TO BE.



What is the fault of the customers if DAVP rates are not negotiated by the BSNL or any other operator. We are of the view that meters compatible to the exchange meters should be installed at the customer premises so that customer should know how much he is metered. Important issues of confidentiality are also involved, as the mobile subscriber may not like the caller to know his roaming location.

REPLY TO ISSUES BROUGHT OUT FOR PUBLIC CONSULTATION AT PAGE 40  
STALLED

A) WHICH CHARGING METHODOLOGY BE ADOPTED FOR IMPLEMENTATION OF CPP REGIME IN INDIA SO THAT MINIMUM CHANGES ARE REQUIRED TO BE CARRIED OUT BY THE SERVICE PROVIDERS IN THEIR EXISTING NETWORK INFRASTRUCTURE? WHETHER THERE IS A POSSIBILITY OF IMPLEMENTING CPP THROUGH METHODS OTHER THAN THE FOUR MENTIONED IN THIS CHAPTER NAMELY, LOWER PULSE INTERVAL, MULTIPLE PULSES, COMBINATION OF THE TWO, AND ADDING A CHARGE TO MOBILE TERMINATED CALLS THROUGH AN OFF-LINE BILLING.

THE BEST METHOD TO IMPLEMENT THIS POLICY IS LOWER PULSE INTERVAL WHICH WILL BE REPLY TO EVERY PROBLEM AND WILL BE COST EFFECTIVE ALSO

B) WHETHER THE PROVISION OF CCS7 AND CLI IN ALL THE EXCHANGES ARE AN ESSENTIAL PRE-REQUISITE FOR IMPLEMENTATION OF CPP REGIME OR CAN SOME INTERIM SOLUTION BE FOUND FOR ACCURATE BILLING, SETTLEMENT AND RECONCILIATION?

YES, PROVISION OF CCS7 AND CLI IN ALL THE EXCHANGES ARE AN ESSENTIAL PRE-REQUISITE FOR IMPLEMENTATION OF CPP

C) WHETHER IMPLEMENTATION OF CPP AS AN ALTERNATIVE TO MPP IS TECHNICALLY FEASIBLE IN THE EXISTING NETWORK? CAN BOTH MPP AND CPP CO-EXIST IN THE SAME NETWORK, SO THAT SUBSCRIBERS HAVE A CHOICE OF EITHER CPP OR MPP AS IN USA?

NO IT IS NOT POSSIBLE AND WE ARE OF THE VIEW THAT MPP AND CPP CAN CO-EXIST IF CUSTOMER IS NOT BILLED TILL THE START OF THE CALL AT CPP OR MPP LEVEL BEFORE A RECORDED MESSAGE CONVEY THAT WHAT TYPE OF CALL IS GOING TO START



Chandigarh Telecom Distt.

Telephone Subscribers Association (Regd.)

Registered with Telecom Regulatory Authority of India

Recognized Organisation/Advocacy Group in the Telecom Sector

D. K. Khara, M.A., LL.M., M.P.M.

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D) WHETHER CPP SHOULD BE IMPLEMENTED FOR ALL TYPES OF CALLS OR SHOULD THERE BE CERTAIN EXCEPTIONS LIKE INTERNATIONAL CALLS AND CALLS FROM PCOs? IF THERE HAVE TO BE EXCEPTIONS, THAN WHETHER IT IS TECHNICAL FEASIBLE TO FORWARN THE CALLING SUBSCRIBER THROUGH A RECORDED ANNOUNCEMENT?

THERE SHOULD BE EXCEPTION TO INTERNATIONAL CALLS AND PCOs. WE ARE OF THE VIEW THAT THAT IT IS TECHNICALLY NOT FEASIBLE TO FORWARN THE CALLING SUBSCRIBER TILL A FULL COSTLY SYSTEM IS INSTALLED

E) IS IT FEASIBLE TO HAVE A SEPARATE INTERCONNECT BILLING SYSTEM BASED ON CLI FOR CARRYING OUT ACCURATE SHARING BETWEEN THE PSTN AND PLMN OPERATORS? WHETHER A SYSTEM BASED ON BULK BILLING CAN BE IMPLEMENTED AS AN INTERIM MEASURE, TILL CCS7 IS AVAILABLE THROUGHOUT THE NETWORK, TO ENABLE A MORE SOPHISTICATED OFF LINE BILLING SYSTEM FOR ACCURATE RECONCILIATION AND SETTLEMENT BETWEEN OPERATORS.

IT IS A COMPLICATED PROCESS APART FROM INSTALLING COSTLY EQUIPMENT AND INTERCONNECTIVITY AT ALL LEVELS HENCE WE ARE OF THE VIEW THAT CPP CAN NOT BE IMPLEMENTED BY INSTALLING COSTLY EQUIPMENT THE RETURN OF WHICH WILL BE LESS AND COMPLICATIONS WILL BE MORE

F) WHAT SHOULD BE A REASONABLE TIME FRAME FOR IMPLEMENTATION OF THE CPP REGIME IN THE EXISTING NETWORKS? WHO SHOULD BEAR THE COST OF NETWORK CHANGES?

THOUGH REASONABLE TIME CAN BE ABOUT SIX MONTHS YET IF COST OF NETWORK CHANGES WILL BE BORNE BY THE OPERATORS THERE MAY BE AN INCREASE IN RENT AND CALL CHARGES WHICH WILL BE ANTI CONSUMER

Thanking you for seeking our comments,

Yours faithfully,  
FOR CTSA

(R. K. VERMA)  
PRESIDENT





# **Cellular Operators Association of India**

TVR/COAI/235  
June 8, 2001

**Shri M. S. Verma**  
Chairman  
Telecom Regulatory Authority of India  
Jawahar Vyapar Bhawan  
1, Tolstoy Marg  
New Delhi – 110 001

Dear Sir,

## **TRAI Consultation Process on Calling Party Pays Regime**

COAI welcomes the initiation of the consultation process for considering the introduction of a Calling Party Pays regime for cellular mobile services in India.

Our detailed comments on the Consultation Paper as well as our responses to the specific issues posed for discussion by the Authority are enclosed as Annexure 1. We have also taken the liberty of commenting upon and clarifying our position on some supplementary critical issues pertaining to this important subject.

Please also find enclosed as Annexure 2, Section II of COAI's response to the TRAI Consultation Paper No 99/4 on CPP, which may be read as part of our current submission.

The key points of COAI's submission are given below for your ready reference :

### **1. Benefits of a CPP Regime**

- a) Introduction of a Calling Party Pays regime is **in the overall interests of the public as the total cost of a call comes down significantly under CPP.**
- b) **Over 90% of the world's telecom regimes are on CPP.**
- c) **CPP is not anti-consumer, as the PSTN caller will invariably have the option of calling the mobile subscriber on his fixed line number.** In addition the PSTN caller will also have the option of calling on the mobile by paying a small premium.
- d) It is **extremely unfair to ask the mobile subscriber to pay for calls that he may not be desirous of receiving but over which, he has no control.**

- e) Introduction of CPP will lift once of the biggest barriers to growth of the mobile sector – leading to **increased usage and greater acceptability amongst price conscious consumers.**
- f) CPP will also result in wider usage of mobile phones and **greater productivity & efficiency amongst service segments like carpenter, plumbers, electricians, etc** who are always on the move, but for business purposes, need to be accessible to their customers. Such segments
- g) CPP will lead to **better utilization of network capacity of both PSTN and mobile operators, as more calls will be completed leading to better revenue ratios.**
- h) CPP will also result in **optimal use of scarce resources like spectrum, faster subscriber growth, improved tele density and higher revenues for the Government.**

## 2. Pre-requisites for the Success of CPP

CPP, in whatever form it is introduced, must be :

- a) **Fair, viable and economically sustainable for both the PSTN and mobile service providers.** In this context, it must be noted that TRAI has in its latest tariff determination for CMSPs (Telecom Tariff- Twelfth Amendment) has prescribed the cost-based airtime charges at Rs. 4.65 per minute.
- b) **Acceptable to all stake-holders** – The CPP regime introduced by the TRAI must be such that it finds acceptance with all concerned - the service providers as well as consumers.
- c) The Regime must be **easy to understand and simple to administer.**
- d) The Authority must take a **holistic view of CPP** forming a part of the larger picture of **finalization of an interconnection regime and the application of cost based tariffs for origination, carriage & termination of a call.**
- e) CPP must be **accompanied with the assurance of equitable interconnection arrangements and clear accounting separation** for SMP and vertically integrated operators.

## 3. Determination of a Mobile Termination Charge

- a) The **Mobile Termination charge must be a fixed rate determined by the TRAI** to prevent anti-competitive practices by the incumbent and other vertically integrated operators.

- (3)
- b) The MTC must be linked to the costs of terminating a call on the mobile network and must represent the first step in the move towards cost based interconnection.
  - c) The MTC must be payable on all types of calls including international calls and inter-network mobile to mobile calls.

We hope that our suggestions and views will merit your kind consideration and look forward to the early introduction of a fair and viable CPP regime.

Kind regards,

Sincerely



**T V Ramachandran**  
Director General

Encl :

Copies to : Members, TRAI  
Secretary, TRAI



**COAI RESPONSE TO TRAI CONSULTATION PAPER NO. 2000/1  
ON  
ISSUES RELATING TO THE INTRODUCTION OF CPP FOR CELLULAR  
MOBILE SERVICES**

**INTRODUCTION**

**1. CPP will bring down the Total Cost of a Call & Serve overall Public Interest**

It is a well-established fact that with the introduction of a Calling Party Pays (CPP) Regime, the total cost of a call (i.e. cost to a calling party as well as to the receiving party) comes down significantly. In the light of this, COAI believes that introduction of a CPP regime would be particularly appropriate / desirable as not only is India a low-income country with a very low purchasing power but also because the Indian consumer is particularly price sensitive.

The pattern of fixed to mobile calls in the present scenario represents a community of interest, which broadly resembles the profile / characteristics of a Closed User Group. This community of interest could be a wife calling her husband, or say a sales / service manager calling his field representatives, where the total cost of a call is usually borne by either the same entity - the household unit or the corporate unit respectively or closely connected entities - friends, business associates, etc. And any regime that brings down the total cost of a call is desirable from the point of view of Indian consumers.

**2. CPP will benefit both Mobile & Fixed Subscribers**

**Benefits to PSTN Subscribers**

At the outset, we would like to emphasize that the apprehension that a higher tariff for fixed to mobile calls is anti-consumer is completely misplaced.

The PSTN customer will always have the choice to call on a fixed line number, since invariably, the mobile phone is used as a second phone in addition to a normal fixed line phone.

However, in times of emergencies or in case the person is not available on his fixed line number, the PSTN caller will still be able to access the mobile subscriber. However, this access will be at a reasonable premium. People must be willing to pay for the choices they make and if they choose to call a mobile customer, they must be willing to pay the marginal extra cost for the ease, convenience and benefit of reaching exactly the right person, anytime, anywhere.

The introduction of CPP will also be beneficial for the PSTN subscribers who will now be able to access / contact any mobile customer whenever they want since the receiving party would now be willing to accept incoming calls more readily. This

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would lead to **all round improved business productivity** – especially for persons in the service segment of society.

**Mobile users who wish to pay for calls to their mobiles could introduce mobile toll free numbers** or a number which means that callers only pay a normal local call charge. Such tariff options can be made available on mobile and fixed networks thus increasing customer choice.

### **Benefits to Mobile Subscribers**

A key benefit of CPP to the mobile subscriber is that it removes the cost barrier to **receiving incoming calls**. Mobile subscribers **no longer pay for calls they may receive and over which they have no control**. Once this is done, mobile users start to circulate their mobile number widely, e.g. print it on business cards. This increases the number of calls from the fixed network to mobiles, as the mobile number will be freely available to the entire segment of PSTN subscribers, which at present, is a much larger community than mobile users.

CPP also means that mobile **subscribers gain predictability and control over their bills**. Mobile subscribers **no longer have to switch off their phones or be reluctant to give out their mobile numbers**. To prevent inbound calls runs contrary to the whole idea of modern communications, which focus on contactability.

### **3. CPP will improve Productivity & Efficiency**

Introduction of a CPP regime would also tremendously **improve the productivity and efficiency of certain service segments of society, for example, carpenters, plumbers, electricians, mechanics, etc.** all of whom are always on the move, but for business purpose, need to be accessible to their customers at all times. Such segments of society are not financially comfortable with paying for incoming calls and therefore, at present, cannot even think of having a mobile phone. Introduction of CPP will be a great boon for such service segments.

Further, In an MPP environment, there is a tendency amongst mobile subscribers to use their mobile phone as a pager, resulting in lower call completion rate and a loss of revenue on these calls. Introduction of CPP would result in a more efficient use of both the PSTN and mobile network and consequently better revenue ratios for both the fixed and mobile service providers. This in turn, will result in **lower costs of service for end-users**.

### **4. CPP will lead to Optimal use of Scarce Resources**

It is widely accepted that radio spectrum is a scarce resource from which the best economic benefit should be extracted. When more telephony traffic passes through a given amount of spectrum, this amount of spectrum is used more efficiently. **Calling Party Pays delivers higher usage and therefore a more economic use of spectrum**. This in turn, will lead to **improved quality of service**.

## 5. CPP will also benefit the Fixed Service Providers

A CPP Regime will also benefit the fixed network operators. Cellular Mobile forms part of the whole telecoms network of the country. Larger networks can generate more calls due to the network effect.

*why?* In a CPP environment, the traffic from fixed to mobile will be substantially higher than in a Mobile Party Pays (MPP) environment. This means that fixed network operators will benefit from higher call volumes and thus increased revenues.

The fact that the fixed network operators derive a very high benefit can be demonstrated by an analysis of the UK telecom services market revenues, comparing fixed network operators' local call revenue with revenues from calls to mobile phones. (see Table)

**UK Fixed Network Operator Local and Mobile Call Revenues**

Revenues \$ Millions	1992/3	1993/4	1994/5	1995/6
Local Calls	3,598	3,744	3,632	3,602
Calls to Mobiles	452	575	747	993
Total	4,051	4,319	4,379	4,595
Local Calls %	89%	87%	83%	78%
Calls to Mobiles %	11%	13%	17%	22%

*What about comm. net?* The UK fixed operators earn substantial revenues from calls originating in their networks and terminating on mobile networks. In addition, the margin on calls from fixed networks to mobile networks is very high as compared to the revenues on local calls. This means that the fixed operators earn far more on calls, which they do not terminate themselves but hand over to mobile networks. In other words, the costs are lower, but the revenues are higher.

Further, introduction of CPP will also lead to better call completion rates and better utilization of network capacity for fixed operators, since the mobile subscriber will no longer be reluctant to receive a call on his mobile phone. This in turn will improve the quality of service and the revenue ratios for the fixed operators.

## 6. CPP will lead to a growth of the Cellular Mobile Market

CPP reduces the cost of mobile ownership. The introduction of CPP will lift one of the biggest barriers to the growth of the mobile sector.

Research carried out by independent agencies in many countries worldwide indicates that telecom subscribers work towards a budget as far as their average monthly bill is concerned. Existing users know their average monthly bill and ration usage in order not to exceed the amount they can afford or wish to spend on mobile telephony. New subscribers also assess affordability in terms of the average monthly bill.



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COAI believes that AT&T conducted extensive CPP market trials in 1994, which showed that over time inbound calls minutes for customers who converted to CPP increased from 26% of total minutes to 32% within approximately six months. It was believed that over time the increase would be likely to be substantially higher. The trials, which carried out / undertook a direct comparison of an MPP and CPP regime in the same market, showed that :

- CPP will increase inbound call minutes.
- CPP will increase revenue per subscriber.
- CPP will expand cellular market by making cellular more affordable to potential customers.
- CPP will increase usage of marginal customers.
- CPP will retain customers who are sensitive to the cost of cellular service.
- CPP and voice mail will increase inbound and outbound usage.

**Not having to pay for incoming calls means that existing mobile users can afford to spend more on making calls. To potential new subscribers the average monthly cost of ownership decreases, thus helping subscriber growth.**

Thus, CPP will not only **expand the mobile market by attracting the marginal customers**, but will also result in **increased mobile usage by the low-end subscribers**. This would be a **desirable end-objective / achievement for a country characterized by low tele density and low tele propensity**.

## **7. Improved Revenues to the Government**

Global trends have established that the introduction of a CPP regime has usually lead to a tremendous growth in mobile services – both through increased usage of existing subscribers as also increased take up of the service by marginal customers. **This growth in the mobile sector will also have a positive impact on Government revenues – which are now directly linked to mobile revenues through revenue share license fee and other levies – service tax, etc.**

## **8. CPP will usher in PSTN like environment resulting in improved tele density & increased economic growth**

The TRAI has rightly recognized that the perception that mobile telephony as a premium service is no longer valid and that in many countries, the Regulators and Policy makers are creating conditions so as to make mobile services even more popular and affordable and to increase tele density. TRAI has pointed out that one such endeavour could be to bring the mobile network under a tariff regime similar to that of a PSTN where, while making a call to another fixed phone, only the calling party pays.

COAI fully agrees with the TRAI view that **mobile services can only make a significant contribution to increasing the tele density if they are used in a way, which**

approaches fixed network use over time. A Mobile Party Pays system of tariffing hinders this development, because mobile users do not give out their number widely in order to limit incoming call charges.

Given the fact that the growth of mobile phones over the last decade has been higher than that of fixed phones, **introduction of a CPP regime would give the mobile sector its biggest fillip leading to an all round growth of the sector.**

**Mobile telephone networks can thus play a major role in increasing the tele density in countries where fixed line penetration is low.** The economic benefits associated with a higher tele density are well documented in a **World Bank Study, which concluded that for every 1% increase in tele density, there is a 3% increase in GDP growth.** Introduction of CPP would lead to growth of the cellular mobile sector, contributing to increased tele density and in turn have a positive impact on economic growth.

#### **9. Summarised Benefits of Calling Party Pays Regime**

<b>Beneficiary</b>	<b>Benefit</b>
Fixed Users	<ul style="list-style-type: none"> <li>Always have the option of calling on a fixed number</li> <li>Can reach a mobile subscriber at all times, by paying a small premium.</li> <li>Can reach a greater number of mobile subscribers, who were previously unavailable because phone was switched off or number not given out.</li> </ul>
Mobile Users	<ul style="list-style-type: none"> <li>Lower costs, no payment for incoming calls.</li> <li>Better control &amp; predictability of bills.</li> <li>Higher usage, due to savings on incoming calls.</li> <li>Freer access - Better contactability - as can freely circulate mobile number.</li> </ul>
Fixed Network	<ul style="list-style-type: none"> <li>Higher traffic volume fixed to mobile and mobile to fixed.</li> <li>Better call completion rate.</li> <li>Better utilization of fixed network capacity.</li> <li>Resultant higher margin earnings on fixed to mobile traffic.</li> <li>Improved quality of service.</li> </ul>
Mobile Network	<ul style="list-style-type: none"> <li>More efficient utilization of network capacity.</li> <li>Retention of marginal customers.</li> <li>Greater take up of service by price sensitive customers.</li> </ul>
The Government & The Economy	<ul style="list-style-type: none"> <li>Faster subscriber growth.</li> <li>Cater to wider segment of society –carpenters, etc.</li> <li>More efficient use of spectrum through.</li> <li>Increased earnings through growth of telecom sector &amp; service revenues.</li> <li>Higher tele density through faster growth in mobile lines.</li> <li>Improved Efficiency and Productivity.</li> </ul>

## Chapter 2 Global Scenario

### I. ISSUES POSED BY TRAI FOR DISCUSSION

- a) **Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?**

Yes, particularly in our context, the introduction of a fair & viable Calling Party Pays regime is desirable for the following reasons :

- **It will bring down the total cost of a call, thereby serving the larger public interest.** At present, the total cost of a two minute call from a fixed to mobile phone is as below :

#### COST OF A TWO-MINUTE PSTN TO MOBILE CALL

	<b>Current Scenario MPP</b>	<b>Proposed Scenario # CPP - 99</b>
Fixed Line Caller Pays	1.20	3.60
Mobile Receiving Party Pays	4.00*	-
Total Cost of a Call	5.20	3.60
<b>TOTAL COST OF A CALL COMES DOWN BY 30%</b>		

\* Average mobile tariff is presently around Rs. 2 per minute

# As per earlier TRAI Order in the matter which was to have been implemented on November 1, 1999

- **It is not fair to ask / require the Receiving Party to pay for a call that he did not initiate and over which he has no control.**
- **As mentioned earlier, the PSTN subscriber will almost always have the option to reach the mobile subscriber** on his fixed line number since the mobile phone is usually in addition to a fixed phone. **In times of emergency or in case the mobile subscriber is not available on his fixed line number, the PSTN caller will still have the option of reaching him by paying a premium for instant accessibility.**
- **It will lead to a growth of the mobile market as introduction of CPP will lift one of the biggest barriers to adoption of mobile services** by more customers :



- (10)
- CPP will increase usage by marginal customers.
  - CPP will expand the cellular market by making cellular more affordable for potential customers.
  - It would be in line with global telecom practices, as over 90% of the world's telecom regimes are on CPP
  - At present, there is a tendency amongst mobile subscribers to use their mobile phone as a pager, resulting in lower call completion rate and a loss of revenue on these calls. Introduction of CPP would result in a more efficient use of the cellular network and better revenue ratios for both the fixed and mobile service providers. This in turn, will result in lower costs of service for end-users.

However, CPP, in whatever form it is introduced, must be :

- Fair, viable and economically sustainable for both the PSTN and mobile service providers. In this context, it must be noted that TRAI has in its latest tariff determination for CMSPs (Telecom Tariff- Twelfth Amendment) has prescribed the cost-based airtime charges at Rs. 4.65 per minute.
  - **Acceptable to all stake-holders** – The CPP regime introduced by the TRAI must be such that it finds acceptance with all concerned - the service providers as well as consumers.
  - The Regime must be **easy to understand and simple to administer.**
  - The Authority must take a **holistic view of CPP forming a part of the larger picture of finalization of an interconnection regime and the application of cost based tariffs for origination, carriage & termination of a call.**
- b) **What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?**
- **The introduction of a fair, viable and acceptable CPP regime will be beneficial to both the PSTN as well as PLMN subscribers as demonstrated below.**
  - Fixed to Mobile calls can be broadly categorized into Personal & Business calls.
    - **In the case of personal calls, there is a strong community of interest and more often than not it is the same person / entity that will be paying for both the fixed and mobile calls. In these cases, it is important to look at the total cost of a call, and this will come down significantly with the introduction of CPP.**

- (11)
- In the case of business calls – introduction of CPP will lead to freer access to the entire mobile subscriber base as the mobile subscriber will not be averse to giving out his mobile number.
  - It will also lead to improved business productivity for the services sector, from whom it is important that their clients can freely reach them anytime, anywhere. As stated earlier, this could include service segments like plumbers, electricians, carpenters, mechanics, who for business reasons, need to be accessible at all times to their customers, but cannot afford to pay for incoming calls.

▪ **The Result : Improved Personal and Business Productivity.**

c) **Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?**

- In a newly liberalizing telecom economy, where the dominant incumbent operator, offers integrated telecom services and has monopolistic control over vital bottleneck facilities, the new private entrant has little or no chance of undertaking negotiations on an equal footing and arriving at a mutually acceptable Mobile Termination Charge.
- Under these circumstances, COAI believes that the Regulator has to play a critical role in prescribing a fair, equitable and cost based Mobile Termination Charge (MTC) to ensure a level playing field.
- In fact, TRAI must lay down a fixed price for the MTC to prevent anti-competitive practices by the incumbent operators with significant market power and monopolistic control over bottleneck facilities.

d) **If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake-holders e.g. subscribers & operators of Basic and Cellular Mobile Services?**

- At the outset, we would like to reiterate that there is absolutely no compulsion for a PSTN subscriber to call a mobile number as the PSTN subscriber will invariably have the option of calling the mobile subscriber on his landline number.
- In addition to the above, the PSTN subscriber will also retain the option of reaching the mobile subscriber on his mobile phone by paying a small premium.

- (12)
- **CPP will also be beneficial to the PSTN subscribers, as it will give them access to the entire gamut of mobile subscribers who were earlier averse to giving out their mobile numbers.**
  - **In fact it is the interests of the mobile users that the TRAI needs to consider, who have till date been asked to pay for calls which they may not even be desirous of receiving, but over which they have no control.**
  - **As mentioned earlier, introduction of CPP will serve larger public interest, as the total cost of a call will come down under CPP.**
  - **Further, we sincerely believe that CPP must be introduced in a manner and form that is acceptable all stake-holders. A fair & economically viable CPP regime will encourage greater take up of the mobile service leading to an all round growth of the mobile sector.**
- e) **Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen.**
- **Yes, definitely the introduction of a CPP regime will result in an all round increase in both number of mobile users as well as mobile usage as paying for an incoming call in one of the biggest barriers to taking up this service and using it freely.**
  - **Further, it will lead to freer use of the mobile phone and increased access to mobile subscribers who will no longer hesitate to give out their mobile numbers.**
  - **It is also expected that the introduction of CPP will lead to a large increase in the number of pre-paid subscribers, who are the most price conscious segment of mobile users. In this context, there is also an apprehension that the prepaid customers would tend to use their mobiles predominantly for receiving calls, thus skewing the revenues of the CMSPs. The TRAI must keep this aspect in mind whilst determining the terms and conditions for the introduction of CPP.**
  - **"Global experiences suggest that introducing CPP could expand the telecom market in India exponentially. In Argentina, the mobile market grew 233% in less than a year after CPP was introduced; Mexico and Chile also reported stunning growth rates in the cellular market in remarkably short periods. For the last six months or so, the government has scared global telecom investors with its controversial limited mobility policy. To undo the damage and expand India's telecom markets, it should bring in a CPP regime immediately." [Economic Times, June 4, 2001]**



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- We believe that for a CPP regime to be successful, it must address the minimum viability requirements, which would include a fair MTC and must necessarily be accompanied with the assurance of equitable interconnection arrangements and accounting separation for SMP operators.
- f) Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?
- It is of utmost importance that CPP regime is introduced in a form that is easy to understand and simple to administer. This had also been stressed by TRAI in CPP-99 wherein they had stated that "in the initial stages of CPP, a simple scheme of MTC needs to be implemented."
  - It may at the outset be pointed out that the earlier TRAI Order for introduction of CPP had stated that "the cellular service provider in a particular service area has to be paid MTC for all calls terminating in its network (including international calls), except those made from its own network (i.e. except for intra-network calls). The MTC for international calls would be paid by the network that hands over the call to the terminating network. This is in effect a charge paid for terminating the call on the cellular mobile network out of the proceeds received from the foreign network for carrying and terminating a call in the domestic territory."
  - As regards PCOs, most of them are now attended PCOs where there is no problem in billing a caller for a PSTN to Mobile call. The problem arises only in the case of the old-fashioned coin boxes, which are very few in number and can be excluded from the purview of CPP in the interests of providing a greater benefit to a larger number.
  - Roaming calls anyways cannot be on CPP as the roaming subscriber chooses to be contactable outside his home network and must therefore necessarily pay for the extra long distance leg. This is the practice the world over.
  - We would also like to clarify that it is extremely important that the MTC should also be payable in the case of inter-network mobile-to-mobile calls even if there is direct connectivity between the CMSPs..
- g) Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system which gives an option to the subscriber to choose either CPP or MPP, as in USA?

- It must be understood that **USA and Canada are on a MPP regime for the predominant reason that the numbering plan / scheme of PSTN and Mobile Phones is identical, thus making it impossible for the system to distinguish between the two and bill them accordingly.**
- In the case of India however, **the numbering scheme for cellular services is clearly and identifiably different from the PSTN numbering scheme.** The PSTN subscriber will thus be well aware of the fact that he is calling a mobile number which will be charged differently from a PSTN-PSTN call. There thus appears to be **no justification from making CPP optional. In fact there could be undue confusion amongst consumers as well as complications in administering the regime if CPP is made optional.**

h) **What is the type of customer education & its cost that will be required to be incurred for implementing CPP?**

- **Introduction of a CPP regime should be preceded by a suitable customer education program through both print and electronic media to ensure adequate awareness of this scheme prior to its implementation.**
- **Consumers anyways know that they are calling a mobile number when they dial the '98' prefix. All that is additionally required is to enlighten them that such calls will henceforth carry a differential charge.**

## **II. ADDITIONAL COMMENTS / CLARIFICATIONS**

- b) In addition to the above submissions, we would also like to comment on the prevalence of an MPP regime in China. The Authority in this Consultation paper has cited the case of China as one of the countries which is still on MPP and where, even though the policy to introduce CPP was announced, its implementation was deferred due to :
- (i) the likely shrinkage of the paging branch of China Unicom in which the government had invested heavily and
  - (ii) because introduction of CPP would increase the overhead budget of the government departments and state owned enterprises still dominating the Chinese economy.

**Since China is often looked cited as a role model for Indian telecom, we would like to clarify that the two telecom regimes cannot be compared. The absence of a CPP regime in China is not an example relevant for India on account of the following :**

- **China has only two mobile operators – both with a national footprint, which gives them huge economies of scale.**

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- In addition, both operators are public operators & have significant incumbency advantages.
  - Further, there are no license fees or interconnection costs, which results in far lower costs of operation and resultant lower tariffs.
  - The GDP per capita in China is almost double that of India's (USD 768 for China vis-à-vis USD 444 for India in 1998), giving the former a far higher purchasing power.

**With nation-wide services, incumbency advantages, lower mobile tariffs and higher purchasing power, there is no compelling advantage for China to move over to a CPP regime.**



## Chapter 3      **Tariff Issues**

### **I.      GENERAL COMMENTS**

In addition to the issues specifically raised for discussion by the Authority on Tariffing, the TRAI also expressed the need to address the following issues:

- i) **Whether the mobile termination charge (MTC) could be mutually negotiated and determined by the operators under the broad framework of the Telecommunication Interconnection (Charges and Revenue Sharing) Regulation, 1999 (hereinafter "Interconnect Regulation of May 1999")**
  - In a scenario, where the dominant incumbent operator, offers integrated telecom services and has monopolistic control over vital bottleneck facilities, the cellular operators have little or no chance of undertaking negotiations on an equal footing to arrive at an mutually acceptable Mobile Termination Charge.
  - This has been amply proved by our complete failure to arrive at any kind of mutual agreement in the matter of interconnection access charges.
  - It is therefore **essential for the Regulator to play a key role in prescribing a fair Mobile Termination Charge (MTC) acceptable to all parties.** In fact, as mentioned earlier, it would be desirable for Regulator to actually prescribe a fixed rate for MTC to prevent anti-competitive practices by the incumbent.
- ii) **If the answer to the above is in the affirmative, then who determines the tariffs taking into account a mutually determined termination charge, namely, the regulator or the service providers themselves.**
  - Based on our response to one above, we submit **that the retail ceiling tariff for PSTN to Mobile calls should also be prescribed by the Regulator.**
  - **TRAI itself has always advocated the principles of cost based tariffs** as has also been clearly outlined in the Telecommunication Interconnection (Charges and Revenue Sharing) Regulation 1999.
  - The above Regulation clearly states that :
    - "Interconnection shall be cost based, unless as may be specified otherwise.
    - For determining cost based interconnection charges, the main basis shall be 'incremental or additional' costs directly attributable to the provision of interconnection by the interconnection provider.

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- No service provider shall discriminate between service providers in the matter of levying charges for interconnection."
  - We submit that TRAI must stick to this approach for the cellular mobile sector. We admit that given the legacy of a below cost PSTN to Mobile tariff, it will not be easy for the Regulator to immediately achieve its objective of cost based tariffs especially with respect to PSTN to Mobile calls. Nevertheless, we believe that the process should be initiated with this end objective in mind
  - We also believe that **introduction of a CPP regime must necessarily be accompanied with the assurance of equitable interconnection arrangements and accounting separation for SMP operators as it is apprehended that without clear & separate accounting arrangements, the incumbent PTT and the vertically integrated telecom operators would have a significant advantage over the cellular operators by virtue of their potential ability to cross-subsidize their services.**
- iii) Also, if the termination charge is determined by the service providers, how to ensure that the charge is not fixed at such a high level that it imposes a substantial burden on the customer. Such a burden may mean a reduced call volume due to the negative effect of price on call volumes.
- As mentioned by us in Para 1 above, **COAI recommend that MTC be determined by the Regulator, which can be based on the cost information of the operators already available with TRAI.**
  - We strongly believe that such determination of MTC by the Regulator cannot be but equitable. However, it needs to be recognized that **the tariff for local PSTN calls in India are amongst the lowest in the world arising from our social objective and the ability of the incumbent to subsidize local call tariff from long distance call tariff.** Consequently, when TRAI in its move towards cost based interconnection, determines a cost - linked / oriented MTC and prescribes a ceiling PSTN to Mobile tariff this would naturally be higher than the prevalent PSTN to mobile tariff as the **cost-based airtime charge determined by TRAI itself in its 12<sup>th</sup> Amendment on Tariffs is Rs. 4.65 per minute.**
  - However, We would once again to point out that the **total cost of a call comes down significantly with the introduction of CPP.** And given the community of interest and the fact that usually it is the same entity paying for both legs of the call, **reduction of the overall burden is in the interests of the consumers.**
  - It may further be noted that **while the PSTN mobile tariff will be higher, the PSTN customer is not forced to incur this additional expenditure as he has the option of reaching the mobile customer on his fixed line connection as in almost all cases the mobile is a second phone in addition to the fixed line.**

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- Further, it may not be inappropriate to point out that **communication is more likely to happen within "like economic strata"** and going by the present general understanding that the mobile customer belongs to a higher economic strata, he is more likely to be receiving incoming PSTN calls from a similar economic strata. **In this strata, it is also very probable that every PSTN caller is either already a mobile user or is a potential cellular subscriber, who has possibly refrained from taking up a mobile service on the very grounds that he would have to pay for incoming calls.**
  - Accordingly, the MTC cannot result in a "substantial" burden on the PSTN customer as via CPP TRAI is seeking to ensure that the present burden on the mobile customer for incoming calls is spread equitably between him and the PSTN customer.
  - In most countries where CPP has been introduced, there has been a significant increase in volumes / traffic. This increase can be attributed both to increased mobile usage by marginal customers plus increase in the number of mobile subscribers, many of whom were not adopting the service for the fear of having to pay for incoming calls over which they have no control.

iv) **Is it feasible to determine the quantum of MTC by the regulator, based on the unbundled network elemental cost data furnished by the operators.**

- We believe that there is adequate cost data available with the TRAI to be able to arrive at the unbundled network element costs for MTC.
- In any event it is nobody's case that we have to start off with a high level of sophistication in our assessment of costs. As has been the case the world over the move towards cost based tariffing takes place over a period of time with regular reviews and fine tuning of costing arrangements.
- TRAI itself has acknowledged the importance of ongoing review of tariffs keeping in mind recent developments on competition, cost of network elements, etc.

## **II. ISSUES POSED BY TRAI FOR DISCUSSION**

- a) **What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.**



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- **COAI recommends the full absorption costing approach be adopted as has been proposed in our response to the TRAI Consultation Paper on Accounting Separation.**
  - **However, if the Authority decides to adopt the DAIC approach it must be pointed out that the joint and common costs of a service offering of a provider are not included in this approach. In this event, the Authority needs to examine the basis and extent of joint and common costs that will be allowed to be charged.**
- b) **Whether the above costs should be historical costs or forward looking costs?**
- Same response as in Point a) above.
- c) **Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?**
- As stated by TRAI in its Telecom Tariff Order (12th Amendment), 50% of the license fee has been apportioned to airtime charges. COAI proposes that in line with the above, 50% of the fixed costs and 100% of the variable costs should be considered for determining the MTC. The balance 50% of the fixed costs could be allocated towards the rentals.
  - As mentioned in our earlier response relating to the TRAI Consultation Paper on Accounting Separation, a BFCC on a current cost basis should be used for cost based pricing for existing services. Thus, the principle of enabling the operator to recover the cost of providing service from its tariff could continue to be followed.
  - Unlike in a PSTN, the cost of an incoming call is the same as the outgoing call in a PLMN. Therefore, as mentioned earlier, the operator needs to be allowed to recover the cost of the call from the customer.
- d) **What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?**
- Not applicable in view of our response above.
- e) **What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?**
- As per its practice, TRAI should continue to work towards cost based charges for interconnection.

- International precedents show that the interconnection rate charged for Fixed to mobile calls are higher than for mobile to fixed calls. According to the ITU Trends 2000 Report, which focuses on interconnection, in Europe, where CPP arrangements prevail, the average fixed-to-mobile interconnection rates are \$0.21 per minute for a 3 minute call. This contrasts with mobile-to-fixed interconnection rates of \$0.01 per minute for local interconnection.
- f) Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?
- We would again like to reiterate that although it would be desirable to fully recover cost of termination through the MTC, this would not be an acceptable to the PSTN consumer who is used to paying a heavily subsidized tariff. The charge / tariff for a PSTN to mobile call will initially have to be lower than its cost. But we submit that it must be linked to the cost of call termination and that this be reviewed intermittently by the Authority to achieve its desired goal of cost based interconnection.
- (g) Should MTC be differentiated between peak and off peak hours? If so, how?
- TRAI in CPP-99 had stated that the MTC specified would "remain the same for the entire 24 hour period of the day." TRAI further went on to state that "once detailed billing and calling line identification facility is available in general, and local calls could be easily separated from STD and other calls, a change in this system of constant MTC would be considered by the Authority."
  - COAI submits that in line with TRAI's earlier determination, the Regulator should refrain from specifying an off-peak MTC.

### **III. ADDITIONAL COMMENTS / CLARIFICATIONS**

In addition to the above comments / submissions, we would also like to provide additional comments as also clarifications on some statements made by the Authority with respect to cellular mobile operators.

- a) **Earlier Submission of COAI in response to TRAI Consultation Paper No. 99/4 on CPP**
- We are also attaching with this submission, a copy of Section II of our earlier submission to TRAI in the same matter. The issues raised therein, still hold

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true and we would appreciate if the Authority could consider this Annexure as a part of our current submission in the matter.

b) TRAI has stated in Para 3.3 that free incoming calls may be allowed on cellular mobile, without any termination charge paid to the cellular operators" as "a number of cellular operators have on their own started offering free incoming calls without expecting a termination charge, from the originating fixed network.

- We would like to submit that in the first instance, free incoming calls were offered by some operators as a marketing gambit in anticipation of the introduction of CPP from November 1, 1999 as per the TRAI Order to this effect. Sadly, their hopes were belied as CPP could not be introduced due to certain ambiguities / lacunae in the TRAI Act.
- In recent months some operators have started offering alternate packages, which give free incoming calls to mobile subscribers. But it must be noted by the Authority that such packages are accompanied by a imposing a higher commitment fee or a fixed charge from the customers.

c) **Mobile to PSTN Calls**

- We would also like to add that in a CPP regime, the duration of the pulse for mobile to PSTN calls is increased from 30 seconds to 60 seconds, so that there is uniformity in the cost of the calls.

d) We would also like to quote an example of CPP implementation closer to home in which the following steps were recommended by the PTA (Pakistan Telecommunications Authority) to arrive at a rate of tariff for fixed-mobile calls that PTA considered would be affordable for the fixed-phone customer and would reduce the cost of the mobile operators. The steps were:

- Reduced rent of leased lines that the mobile operators had leased from PTCL (incumbent) for handling traffic on their own respective networks.
- Increasing the PSTN discounts that PTCL was extending at that moment.
- The 2/3:1/3 revenue share between the mobile operators and the fixed operator.



**I. GENERAL COMMENTS**

- All the technical issues that have been raised in this Consultation Paper were also raised in the earlier TRAI Consultation Paper No. 99/4 and decisions on all the issues were taken after obtaining compliance from all stakeholders namely BSNL, Private Fixed Operators and Cellular Operators. It was only after such compliance was ensured that CPP was to be introduced from November 1, 1999. In fact implementation of CPP was deferred by three months from August 1999 to November 1999 because BSNL wanted more time for modifying their exchanges to make them capable of implementing CPP.
- In some cases, where the local exchanges had Points of Interconnect (POI) to the mobile networks which were not capable of carrying out the charging functions, new CDOT exchanges were installed and the POIs of Cellular Operators shifted to these new exchanges in preparation for the introduction of CPP. Thus, as mentioned earlier, **all the stakeholders were technically ready for implementing CPP and all major issues had been sorted out.**
- Subsequently, there have been no major changes in the interconnect regime except that after NTP 99, direct inter-connectivity between different service providers in the same service area has been permitted. This development will only further facilitate the implementation of CPP leading to reduced costs and better network utilization.

**II. ISSUES POSED BY TRAI FOR DISCUSSION**

- a) Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.
  - COAI believes that a charging methodology as outlined as Option 3 of Consultation Paper, will be a good method. This would be a **mixture of lower pulse intervals and multiple pulses i.e. multiple pulses (say two pulses) are generated on answer and subsequently; a single pulse is generated for every one minute.**
  - **Any other method such as adding a surcharge will be more complicated and difficult to administer** in the present Indian network. As mentioned earlier, the technical feasibility of this method has already been examined by all stake holders and difficulties have been sorted out.

*✓ Adw (MN)*  
*6/6*  
**Cellular Phone Users Association of India (regd.)**  
 D 144 LGF New Rajinder Nagar New Delhi 110 060.

**Dr. Bipin Batra.**  
**President.**

**Dated: June 5, 2001.**

*96-11(MN) 07*  
*6/6*  
 To  
 The Secretary,  
 Telecom Regulatory Authority of India,  
 16<sup>th</sup> floor, Jawahar Vyapar Bhawan,  
 Tolstoy Marg,  
 New Delhi.

Subject: Introduction of Calling Party Pays (more) regime.



Sir,

Without prejudice to our rights and contentions we are sending you this communication which shall demonstrate that the consultation paper no. 1/2001 dated 23<sup>rd</sup> May 2001 issued by the TRAI is incompetent and premature. The same suffers from various illegalities, serious irregularities, has a preset and motivated bent of bind to regulate the tariffs unilaterally. The one and only stakeholder that stands to benefit is the Cellular Operator, at the same time the cause of over 3.3 crore telecom subscribers of this country is neglected. While initiating the proceedings for implementation of CPP(M) regime, TRAI has not taken into consideration the fate of the users of telecom services in this country and the regime if implemented makes a mockery of the objectives defined in the National Telecom Policy 1999.

We further reserve our right submit a detailed overview and factual position to the issues raised in the said consultation paper which is an incompetent and illegal exercise.

We request you to withdraw this consultation paper and issue a new consultation paper after going through and incorporated the salient points and objections mentioned herein below.

We shall be submitting a review of this paper and our comments only after receiving a feedback from your end to the effect of the points raised below.

1. At the outset, we would like to clarify that the notion Calling Party Pays - CPP is misconceived and is a misnomer, it is still in practice. What exactly the Cellular

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Operators want to achieve through very obvious means is that the **"Calling Party Pays More"—CPP-M**. The calling party (if it happens to be a basic telephone subscriber) pays for the mobile leg or the premium leg of the call also. The premium facility of being able to receive a call while being on the move shall be availed by the mobile subscriber while the charges shall be paid by the basic subscriber

2. The commercial impact of this Calling Party Pays More Regime affects 3.3 crore-telecom subscribers. The number of mobile subscribers is 10%( approx.)that of the basic subscribers. Why does the TRAI wants to affect the larger set of telecom subscribers i.e. the basic subscribers for the flimsy reasons of comfort, baseless and illogical reasons as non publication of a Telephone directory, mobile subscriber not answering a call and giving a call back instead etc. for the mobile subscribers.
3. The consultation paper is devoid of all details of commercial implications that the CPP regime may have on the telecom consumers of this country. The absence of any education for CPP at mass level, with the greater majority of the telecom subscribers approximating near total of the subscribers of telecom services, being unaware and uninformed about the complex economy of the telecom sector, the timing of the consultation paper (which is ill conceived) is pre-mature. These factors point the effort of the exercise to be a motivated one.
4. The question of consultation does not arise at all at this stage when no element of education to the consumers about the possible fallouts and effects of the questionable CPP regime are there. Issuance of a consultation paper which itself is devoid of important information does not make a ground for the CPP regime. The authority must act in a responsible manner and at the first instance educate the telecom subscribers in this country as to what CPP is, what are the possible implications of this move. As against the convention of holding an open house or two at select metros, the authority must take the matter down to the sub divisional level, the arguments of shortage of manpower and limited resources posed by TRAI do not hold good here as it is a statutory body and it must discharge its duties to serve the best of public interest.
5. The tariffs for the Cellular Mobile Telecom Services have not been calculated for a long time. The last tariff review undertaken by the TRAI was in March 1999 when the TTD-99/3 was issued. The said order itself had many lacunae that have already been brought to the notice of the TRAI on occasions more than one. The approach adopted by TRAI to this effect is disgusting and inconsistent with the statutory responsibilities vested upon it by the TRAI act of 1997 as amended in 2000.



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6. Our various complaints have not been addressed to completely till date TRAI had pursued some of the matters raised by us but half heartedly and till date it has not released a single follow up or action taken report. A recent example in this regards is the The Telecommunication Tariff (Thirteenth Amendment) Order 2001(3 of 2001), whereas the TRAI under took the entire exercise of market study and that of analysis of various operators with respect to their pre paid product and we have been repeatedly conveyed by the TRAI officials that is a lengthy and elaborative exercise. Whereas the TRAI could have taken into consideration of the following issues while making the said amendment, for reasons best known to TRAI it chose not to; the following issues have been brought to the notice of the TRAI on occasions more than one.
- Non registration of the subscribers – the prepaid product is promoted as an over the counter product by all the cellular operators, whereas none of the cellular operators have bothered to collect and verify user details and user identification thereby posing a great threat to the security of the nation and that of society, as there is a possible misuse of this facility by anti social elements. This is the ground reality and time gain numerous incidents are brought to light where the prepaid or cash card is being used for illegal, anti-social and anti-national activities. TRAI has not done anything in this regard.
  - Refusal to issue a statement of account or an itemized statement of calls—this is clear violation of the terms of license conditions by the Cellular Operators. The matter is being clearly mentioned on the product brochure of the pre paid products and the same intimated to TRAI with proofs many a times, despite that TRAI has taken no action.
  - Refusal to issue a sim card against a lost one. This is a standard practice adapted by all the private operators with respect to the private operators and TRAI has done nothing in this regard.
  - Non-refund of the balance amount by the operators to the subscribers in the event of the loss or expiry of the card.
  - Revenue leakage – whereas the pre paid product or the cash card as it is known the payment is received in advance by the operator, many subscribers do not use the full amount, but the operators are paying service tax only on actual usage of the subscriber. Thus the operators are siphoning off a lot of revenue illegally.
7. Whereas the private operators had been overcharging the subscribers on account of the levy of Supplementary Service fee and plan conversion fee. The TRAI after a long time and lots of persuasion from our end notified rectifications but the

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issue of refunds to the subscribers who had already been overcharged on these accounts has not been taken to its logical end. The operators have not refunded the charges illegally collected on these account and neither has TRAI bothered to issue a follow up for the same.

8. Whereas the operators have been given concessions to drastically alter the license conditions and tariff plans to their favor and to the disadvantage of the subscribers:

- **Pulse rate of 30 seconds and higher**— Examined globally this pulse is the highest, While most of the operators worldwide are working towards the actual usage i.e. 1 seconds pulse, the TRAI has been consistently revising the pulse rate upwards from the 10 seconds as defined in the license agreement to 30 secs and now even some operators are charging 60 seconds. Our first complaint to this effect was filed in January 2000. More than 18 months later TRAI has not taken any action, it is illogical to assume that TRAI is not aware of this fact. It can only be attributable to the fact that TRAI wants to oblige the operators.
- **Removal of ceiling on airtime rates:** This has resulted in the situation that despite of the best of market scenario for the operators Airtime Rates as high as Rs12 per minute are still there.
- **Forbearance**—The timing of the Standard and Concessional hours has been left to the mercy of the operators to decide upon, the results simple to make out an airtime of Rs 4 per minute in standard hrs and an airtime of Rs3.90 per minute for concessional hours that too in such market which has subscribers as the Chairperson and Members of the TRAI besides the executive officers of TRAI. Needless to say that TRAI had not been unaware of such a happening. It can only be attributed to a direct connivance with the cellular operators.
- **Connivance of operators and Cartelization of Markets:** Time again TRAI has been advocating that competition shall derive the consumer interests, Hats off to TRAI for its noble and divine opinion but what is TRAI willing to covey?? It is not competent to act to safeguard the interests of the consumer and the nation as a whole or it does not want to under the guise of this noble thought?? The single largest example of the cartel playing a role is the levy of Rs 99 as CLIP charges. By attributing the responsibility of consumer interest to competition TRAI is trying to vest its functions attributable by statutory powers to a non-existing entity as competition. TRAI is well aware of this fact and has in fact done



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nothing to promote competition in the market. Instead its actions till date have been to curb competition. When it came to recommending new operators for Mobile telephony TRAI recommended only FOUR operators contrary to unlimited competition in all other sectors of telecom. The theory of spectrum limitation to this effect does not hold good if the example of Singapore and European markets are analyzed along with the strategic inputs from the International Telecom Union.

- The biggest blow to competition and consumer interests has come from nonetheless but TRAI itself that is supposed to be a custodian of consumer rights. By introducing a floor pricing in the rentals of the WLL services TRAI has shown what it really stands for, This association sincerely condemns this action of TRAI and further, attributes this move of TRAI as anti national and aimed at protecting motivated interests.
- **Roaming** – Why has TRAI taken no action till date to bring down the Airtime rates for Roaming currently charged at Rs10 per minute, International experience with respect to roaming is the tariffs in roaming circles are merely 5-10% higher than that of the home circle. Whereas in the Indian context the charges are 515% that of the home circle.
- **Provision for detailed billing:** The cellular operators have been charging a charge to the tune of Rs99 per month for the detailed billing a clear violation of the license agreement, matter being to the notice of TRAI and no action been taken by TRAI.
- **Refunds to the subscribers due on account of reduction in License fee:** The matter has already been brought to the notice of the TRAI. The serious irregularities with respect to the same have already been submitted to the TRAI, pertinent to note that the operators have been given a period of six months to refund this sum to the subscribers. Whereas the operators collected these charges in August 99- Feb 2000 the TRAI is still helping the operators for the refund procedure by giving a long time as six months, the liability of the operators on account of the interest on this sum alone is Rs.6 crores. We have documented evidence to refute the refund order of the TRAI, the calculations of which are incorrect and refund only a sum amounting to 40-50% of the actual.
- **The costs of the CAPEX and OPEX** has fallen drastically over the years and this fact has been repeatedly acknowledged by the TRAI. The same is reflected with the cellular operators offering free incoming calls in some



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circles and affordable tariffs. Even the calculations of tariff by MTNL for its mobile service with free incoming calls and Rs1 per minute for three years bring in profitability from the first year itself. The TRAI has been deliberately avoiding a review of tariffs and attributing further tariff reduction to competition, whereas the markets are cartelized and TRAI itself has done nothing to promote competition.

9. The TRAI must address the issues raised above as it has time again attributed its inefficiency to the point of limited resources, if that is the case why is it bypassing the pending issues raised above and wanting to implement CPP-M with the sole aim to benefit the cellular operators.
10. For the purpose of introducing free incoming calls and various other inappropriate and unjustifiable reasons TRAI wants to play havoc with the telecom services and telecom subscribers of the country.
11. If TRAI feels that the reasons for free incoming calls to the mobile subscribers are justified then TRAI is the only wall between the Free Incoming calls, without any CPP-M kind of regime as free incoming calls can be introduced even otherwise and TRAI is on record to prove the same.
12. The introduction of CPP-M is constitutional and shall violate the article 14 of the constitution
13. TRAI is incompetent to affect such a move and any further proceedings to the effect of introducing CPP-M shall be illegal and exemplify TRAI exceeding its powers to favor cellular operators.
14. The introduction of CPP-M is against the spirits of the NTP-99.
15. The introduction of CPP-M will cause revenue loss from the unmanned PCO's and if the PCO's are devoid of mobile calling facility the same would be a compromise of the NTP-99 and fundamental rights of the people of this country.
16. That the growth of the telecom sector shall suffer to a great extent if this policy is implemented. The telecom services in the country shall be costlier if the regime is allowed to be implemented.
17. The cellular industry is achieving a tremendous growth 80-90% compared to the overall telecom sector which is growing at 20% and the economy that is growing at 5% (approx), much more growth of Cellular Telephony can only be achieved if the tariffs are rationalized, the interests of the consumer are taken care of and the market is regulated by the regulator in its true sense till it is mature enough to be driven by competition
18. The claim of the industry that CPP-M shall boost the growth of cellular industry is unfounded and baseless CPP-M shall only cause hurdles to increasing tele-

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density. India is a price sensitive market; any increase in the tariffs has adverse effect on the number of subscribers. By an increase in the pricing of basic services there shall be a great setback to the growth of telecom subscriber base.

19. CPP-M violates the principles of affordability. As per the NTP-99 the services must be affordable, CPP unnecessarily burdens the basic subscriber with the costs associated with the mobile network also. The exercise of CPP solves no purpose.
20. The planning of the entire exercise for CPP-M is with mala fide intentions. The timing of the consultation process has been deliberately chosen as to when the Hon'ble High Court as well as the TDSAT is on Vacation.
21. TRAI has failed in its prima facie duty of regulating the telecom sector and as a custodian of public interest, as can be concluded from many points cited above. The growth of tele density in the country cannot be solely attributed to the growth of cellular mobile services. If the Cellular Industry's claim that CPP-M shall lead to a rapid and exponential growth in the subscriber base is to be acknowledged then, TRAI must also see the corresponding decline and detrimental effect this draconian move is going to have on the growth of the basic services, Village public telephones and the entire telecom network as such??
22. Our association asks TRAI to bring out the truth on the following ten points:
  - i) Is it really not possible to offer free incoming calls without CPP-M being there? Why the tariff review for cellular mobile services is not been undertaken? When the cellular operators can offer the services for free, why the people of this country are being made a scapegoat to benefit the cellular operators??
  - ii) Is it not possible to reduce the pulse rate of the calls in the mobile networks to that of actual usage, as is the practice in leading GSM networks of the world?
  - iii) Why has no action is being taken till date against the cellular operators who have flouted the terms of the license conditions till date as non publication of the telephone subscribers directory, overcharging security deposit for STD/ISD, non provision of detailed bill, charging for even such calls that are terminated in the first five seconds of their origin etc. etc.
  - iv) Why TRAI has not notified any tariffs for the cellular services after the TTO-99/3, despite of the fact that the major reasons like fixed license fees etc. for which the rentals were revised from the original Rs156 to Rs 600 per month, cease to exist and an all favorable terms as low revenue share and supportive market conditions are there? Why TRAI till date has initiated no move to down grade the tariffs?
  - v) What has TRAI done to promote competition amongst various service providers? What is the role of the TRAI to promote cartels or to break them??



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- vi) Why TRAI did not take an action against the MTNL for effecting a change in its CDMA based mobile service to that of a limited mobile service? Is TRAI a party to the same? Is it an attempt to achieve indirectly what the vested interests could not take up directly i.e. to prevent MTNL from launching FREE INCOMING CALLS ON MOBILE PHONE? The move has been affected by MTNL to put an end to the Mobile service that offers incoming calls to be free in the real sense. The matter needs to be taken up seriously as it may involve the role of vested interests playing once again to prevent MTNL from launching a new CDMA mobile network with genuinely free incoming calls.
- vii) Why TRAI has not taken adequate steps to regulate the Pre Paid product of the cellular operators? The thirteenth amendment to TTO-99/3 is a halfhearted attempt in this direction; much more could have been done.
- viii) Why the TRAI till date has not defined the value added services and notified their tariffs and instead vested the operators with the option to exercise their own tariffs and thereby monopolizing the entire markets. Example CLIP charges, Roaming charges etc.
- ix) What has TRAI done to ensure a reasonable quality of services to the consumers and to ensure meeting out of the roll out targets by the Cellular Operators??
- x) Why the TRAI wants to use its "little capacity of manpower and small organization" ("a reason cited by the worthy Chairman of TRAI as to why the complaints have a slow progress at TRAI -- at an open house conducted by TRAI), for implementing CPP-M when other burning issues as revision of Cellular Tariffs, Lowering of access charges for the internet by the basic operators, license condition violation by various cellular and basic operators are pending??

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The points raised in this communication prove that the TRAI has no moral authority to play with the Telecom economy of the country. TRAI must initiate proceedings to ensure that the anomalies raised herein and otherwise are rectified.

It is requested that consultation paper on CPP, be withdrawn with immediate effect and the long overdue exercise for tariff review for the mobile services be undertaken. Once this exercise is genuinely under taken it will not only bring order to the industry that is cartelized but shall also restore confidence in the subscribers about the regulatory process and the statutory body.

Thanking you,

Yours truly,

**Dr. Bipin Batra.**



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No. 208-7/2001-Regln.  
BHARAT SANCHAR NIGAM LIMITED  
( Government of India Enterprises )  
Ministry of Communication  
Sanchar Bhawan, 20, Ashoka Road, New Delhi - 110 001.

Date : 11.06.2001.

To

**The Secretary,  
Telecom Regulatory Authority of India,  
16<sup>th</sup> Floor, Jawahar Vyapar Bhawan,  
1, Tolstoy Marg, New Delhi - 110 001.**



**Subject : Comments on the Consultation Paper ( No. 2001/1 ) on issues relating to the introduction of CPP.**

Sir,

Your kind reference is invited to the Consultation Paper dated 23<sup>rd</sup> May, 2001 as mentioned above. Issue-wise comments of BSNL are given in the Annexure. However, we would also like to highlight some important issues and respond to some of the observations made in the Consultation Paper.

2. BSNL is of the opinion that introduction of CPP in India in the present scenario is not desirable due to the reasons given below :

- a) Cost of service to the PSTN customers shall substantially increase due to levy of MTC and the costs involved in upgradation of the telecom network. The subscribers can ill-afford the same at this juncture. Even in the optional regime, there are various technical complications in implementation of the scheme. The low calling PSTN customers will still suffer as they will have to pay higher charges and there is no technical arrangement to selectively bar access to mobile network from their telephones.

This will also result into increase in the bills of the Government departments, PSUs and other corporate entities due to the misuse of their telephones by their employees. As a result, they may request for barring of access to cellular network from their telephones for which there is no technical arrangement as explained above. This is one of the reasons that BSNL decided against introduction of CPP.

- b) Due to the current interconnection regime in the country, the call charges have become dependent on routing, resulting into an unpredictable charge for inter-network (PSTN to cellular and vice versa) calls. This is also resulting into bypass

*Sanjeev Kumar*  
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of the legitimate long distance revenues of BSOs. CPP may be successful only when call charges in both directions are independent of routing and also equivalent in value; and the revenues earned are shared in proportion to the network costs involved taking due care of the access deficit compensation for the PSTN leg of the call ( originating and terminating ). Without correcting the anomalies in the present interconnection regime, introduction of CPP will further complicate the matters and tilt the level playing field further in favour of the Cellular Operators.

- c) It is technically not feasible in many cases of local PCOs to collect mobile termination charge from the user e.g. CCB PCOs, handicapped PCOs etc. Same is the case for international incoming calls and roaming calls.
- d) It is also technically not feasible to account for and transfer the MTC in a transparent manner when basic operator(s) and NLDO(s) are involved in carrying call up to the destination cellular network. There are different revenue sharing arrangements between basic operators, basic operators and NLDOs, between two or more NLDOs ( to be mutually agreed ) and NLDOs and the cellular operators. Passage of MTC from the originating basic operator to the terminating cellular operator in a transparent manner is not feasible in the current technical capability of the networks. Any ad-hoc arrangement will create disputes. The complication will get further multiplied in respect of calls made to roaming subscribers.
- e) Due to the present interconnection and tariff regime, CPP would impact the BSOs adversely as it would shift the PSTN Long Distance traffic to cellular network resulting in substantial loss to the BSOs. Besides, the PSTN-Mobile local calls shall become costlier leading to reduction in overall volumes. Naturally, there will be no alternative but to increase the tariffs for basic services which will affect their growth adversely. This will make the basic services further unaffordable and the country will not be able to achieve the teledensity targets as envisaged in NTP-99.
- f) The cellular industry on the contrary, in the present regime also has shown healthy growth over the last few years and currently is growing at the rate of 100% per annum beating all estimates. With larger volumes, the cellular business generates huge profits which is reflected in the valuations of the cellular companies. With switch over to the CPP they would further benefit at the expense of the BSOs. It is worth mentioning here that even without CPP, China has seen one of the highest growth rates of cellular services in the world.

However, it is submitted that the cellular operators are concentrating only in the urban areas selectively and are not serving the interest of the common man. In future also, it is highly unlikely that their rollout will cover the non-remunerative rural, semi urban and urban areas. Thus, stimulation of the growth of the cellular

*Sanjeev Kumar*  
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services, in any manner, will not help in dispersion of the telecom services and increase in teledensity in the real terms.

- g) The subscribers of PSTN come from various strata of society and majority of them can hardly afford higher rates. BSOs will have to incur extra-expenditure on customer education for the benefit of the Cellular Operators. PSTN Customer education would be expensive, and with reducing revenues BSNL is not in a position to support additional expenditure on this account. Detailed billing cost to satisfy the customer of the authenticity of the usage charges will also add to the cost of service to the PSTN customers. This will also make basic services less affordable and adversely affect the teledensity targets set in NTP-99 and the objectives therein.
- h) The capacity of the cellular operators to provide alternate tariff packages would be substantially reduced due to a fixed amount of MTC after introduction of CPP. This will throttle the competition amongst mobile operators.

3. The Consultation Paper justifies the payment of higher charges by PSTN subscribers for PSTN - Mobile calls, as it is his need that prompts him to call a mobile subscriber. This is not true in all the cases. The mobile subscribers, while on move, also desire to remain connected.


4. The Consultation paper has dealt with the rationale and need to increase numbers of mobile subscribers only which are, even otherwise, growing at a fast pace. Changes, if any, in the current arrangements should be made keeping the interest of entire telecom industry in mind and not just that of the cellular operators.

5. The Consultation Paper does not provide a study of tariff structure vis-à-vis interconnect regime prevailing internationally. The tariff issues in the context of CPP need to be understood and explained in much greater details due to the financial implications and burden on the most vulnerable stakeholder, i.e., the basic service subscriber.

6. Various issues, thrown up as a result of this consultation, will influence decision on CPP. BSNL is of the opinion that the Authority may kindly bring out another consultation paper, with detailed analysis of the results of the first round of consultation and available options as well as tariff proposals with revenue sharing arrangements, before taking any decision in favour of the introduction of CPP regime.

Thanking you,

Yours faithfully,

  
11-06-01

( SANJEEV KUMAR )

JT. DDG (REGULATION-I)



## Chapter 2

SL.No.	ISSUES	COMMENTS
(a)	Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?	<p>The CPP is not desirable in the Indian context due to variety of reasons explained in the comments and our covering letter. The scheme can be deferred till solutions to the problems are found and corrective action taken. The CPP will put an extra burden on the basic service subscribers, as the cost to the basic service subscribers will increase by about 4 to 5 times for making calls to the cellular subscribers in the same local area. This scheme will only cause undue enrichment of the few cellular operators who, otherwise, also are in a position to offer free incoming calls to the cellular subscribers without putting any extra burden on the basic service subscribers</p> <p>CPP may be desirable only when India's per capita income reaches to the level of atleast middle income group nations from low income group nation in ITU classification. Thus, in the given circumstances, CPP will only remain a regime <b>without any objectives in larger public interests.</b></p>
(b)	What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunications industry in the country as a whole, consequent upon the introduction of CPP?	<p>No benefits shall accrue either to the PSTN or the PLMN subscribers or to the basic telephone service providers. Similarly, the growth of the cellular industry is also not linked with the introduction of CPP as seen from the international experiences. <b>The only beneficiaries will be the cellular operators who will be ensured a guaranteed and uninterrupted fixed revenue on incoming calls in the form of MTC which will be paid by the subscribers of the basic service.</b> On the contrary, the basic service operators and their subscribers will suffer on account of additional costs involved for implementing the CPP. This will make the basic services less affordable and will retard its growth and achievement of the desired teledensity targets.</p>
(c)	Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?	<p>Without prejudice to our comments as above, the scheme should not be considered for introduction through the regulatory intervention. Many of the regulators world over in far better developed economies like USA, Canada, Singapore, China etc. have already decided not</p>

  
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		to issue any regulation in this regard.
(d)	If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interests of various stake holders e.g. subscribers & operators of Basic and Cellular Mobile Services?	Without prejudice to our comments above, the only way of balancing the interest of the various stakeholders is to implement CPP as an optional regime i.e. option to the calling and called consumer as well as option to the operator. Even in the optional regime, there may be lot of complications in implementation of the scheme. This will also result into wastage of the network resources due to increased holding time of the network, consequent poor CCR, overloading of exchange processors. There is no technical arrangement possible to selectively bar the access to cellular network. Low calling subscribers will still suffer.
(e)	Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions / pre-requisites for it to happen.	<p>Introduction of CPP may not result in accelerated growth of mobile subscribers as borne by the facts. Singtel mobile, in response to the consultation paper on the issue of CPP in Singapore has said, "..... with regard to the often-quoted experiences in south American countries, there is danger in attributing rapid growth in mobile subscriber levels to the introduction of CPP.... New services/ products, new operators, all brought about by competition, could have led to the rapid growth of the market." Singtel has further stated that " whilst it is also correct that a number of European markets have experienced significant growth in the number of mobile subscribers, it would be false to attribute such growth solely to the adoption of CPP. The introduction of competition and new innovative services such as prepaid card must be recognized as significant factors influencing mobile growth. .... The introduction of competition in Europe has contributed significantly to the growth rates and CPP should not be given the credit for this success."</p> <p>China has seen one of the highest growth rates in the cellular services in the world even without CPP.</p> <p>In India also the growth rate of cellular subscribers has been to the extent of more than 100% in the recent months even without the introduction of CPP. This growth is attributed</p>

*Pooja Kumar*  
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		to the innovative schemes like prepaid cards, flexibility in tariff to introduce alternate packages and introduction of competition. <b>Thus the only precondition / prerequisite for an accelerated growth of the mobile subscribers is the introduction of free and open competition in the cellular market.</b> This open and free competition will bring in new competitors with new and innovative schemes at competitive prices, which will stimulate the growth of the cellular subscribers. Already there are various schemes under which the cellular subscribers are not paying any charge for the incoming calls
(f)	<b>Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?</b>	In the Consultation Paper, in para 1.11, it has been explained that according to the amendment in the licence of cellular services the MTC is to be collected by the basic service operator over and above the normal PSTN call charges from their subscribers for the calls originating in the fixed network and terminating in the mobile network as a part of mutually agreed revenue sharing arrangement. <b>For international calls or calls from PCOs and roaming etc. there is no mechanism in place which will enable the basic service operator to collect the MTC from the calling subscriber and PCOs, like those operated by handicapped persons.</b>
(g)	<b>Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system which gives an option to the subscriber to choose either CPP or MPP, as in USA?</b>	As submitted above, if the CPP is to be introduced despite its benefits only to the few cellular operators and substantial loss to all other stake holders, <b>it should be introduced only as an optional measure though BSNL is not in favour of this scheme also.</b> As far as its technical feasibility is concerned, it is possible to do so provided the cellular operators upgrade their MSCs and their billing systems. This way it will give full options to the cellular customers as to whether they want CPP or they want to pay for the bills of their incoming calls and also an option to the PSTN customer to call or not a mobile subscriber who has opted for CPP. This will also give option and greater flexibility to the cellular operators to offer various alternate combinations of the tariffs. The bills for MTC in

*Sanjiv Kumar*  
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		<p>case of a CPP call can be generated by the cellular operators based upon the CLI of the calling subscriber and collected through basic service providers in a mutually agreed revenue sharing arrangement. This will be technically implementable as only a few cellular operators will have to upgrade their networks and billing systems and they will do so voluntarily because they are the only beneficiary of this scheme. Any other solution will require upgradation of the 32000 exchanges and the billing systems of BSNL across the country which will not only cause huge expenditure but is also technically not feasible to implement in most of its exchanges.</p>
(h)	<p><b>What is the type of customer education &amp; its cost that will be required to be incurred for implementing CPP?</b></p>	<p>Consumers of the basic services who will be worst affected by implementation of CPP must be made aware of the exact financial impact of this scheme. It is, therefore, desirable that first the amount of the MTC to be charged from the PSTN customers should be calculated in a transparent manner based on the most efficient costs of the unbundled network elements used for termination of the call into the mobile network. <b>Without prejudice to our comments about the undesirability of introduction of CPP</b>, the arrangement in which CPP is proposed to be implemented should be worked out bringing out clearly the financial impact on the basic service customers and the basic service operators and the potential gains to the cellular operators. Thereafter, articles and advertisements indicating the financial implications on the various stake holders should be brought out in all the prominent national and regional newspapers and journals. Electronic Media should also be used to educate the customers regarding impending impacts of CPP and the related costs involved. Hon'ble Member of Parliaments and MLAs should also be informed. Thereafter, TRAI may organize seminars and Open House Sessions in such a way that the subscribers of all hues become fully aware and are able to contribute their informed views. This will give a clearer picture of the views of cross sections of the society on the issue.</p>

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Chapter 3

Sl.No.	Question	Answer
(a)	<b>What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.</b>	The amended licence condition clearly envisages collection of the MTC, in the alternate scenario, over and above the normal PSTN call charge by the fixed service operator from their subscribers for calls originating in the fixed network and terminating in mobile network, as a part of mutually agreed revenue sharing arrangement between the two operators. Without prejudice to our stand against the introduction of CPP, fixation of MTC should be based on the fully allocated cost of the unbundled network elements.
(b)	<b>Whether the above costs should be historical costs or forward looking costs?</b>	The historical costs of the cellular networks relate to the period when the service was just introduced in the country and the cellular industry was in a nascent stage. The cellular operators have already been compensated for these costs through cost based tariffs and many other relaxations. Therefore, burdening the basic service subscriber with a MTC calculated on the basis of historical costs of the cellular operators will be unjustifiable and untenable. Therefore, forward looking costs should only be considered for fixation of the MTC in case CPP is decided to be introduced though BSNL is not in favour of the introduction of CPP regime itself.
(c)	<b>Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?</b>	Without prejudice to our comments above, the cost of the unbundled network elements of the PLMN involved in completion of the call should only be considered for fixing the mobile termination charge.
(d)	<b>What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?</b>	Without prejudice to our comments above, only fully allocated forward looking costs should be taken into account for determination of the MTC. However, the issue requires detailed deliberations with respect to the

*Sanjay Kumar*  
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		overall regime selected for implementation.
(e)	What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?	<p>The incoming and outgoing call charges including PSTN components within a service area, should have equivalent value independent of the routing of the call. Accordingly, the airtime charges for termination should be decided. However, the long distance network cost element of the cellular network should also be unbundled to arrive at the right values of call charges in respect of local and long distance calls to and from the cellular networks. There are certain other costs elements e.g. billing cost, customer acquisition cost, churning cost, advertisement and publicity cost, bill collection and bad debts etc. which have no relevance for the incoming calls into the mobile network. The MTC, therefore, has to be lower than the originating airtime charge while maintaining the equivalent charge for end to end call in both directions.</p> <p>It is also worth mentioning here that even in the present regime, the cellular operators are able to offer very low incoming call rates to the extent of free incoming call in some cases.</p>
(f)	Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls. Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?	Without prejudice to our comments earlier, the mobile termination charge should take into account the fully allocated forward looking costs of the network elements involved in call termination and there should not be any kind of subsidization.
(g)	Should MTC be differentiated between peak and off peak hours? If so, how?	As already submitted above, the CPP scheme should not be introduced at all or if introduced, it should be only as an optional measure and the differentiation between peak and off peak hours should be left to the market forces to decide.

*Sanjeer Kumar*  
11/06/09



Chapter 4

Sl.No.	ISSUES	COMMENTS
(a)	Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure? Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter namely, lower pulse interval, multiple pulses, combination of the two, and adding a surcharge to Mobile terminated calls through an off-line billing.	As per the amended licence condition of the cellular licence, the only method possible for adoption is the surcharge on PSTN calls on account of MTC. Any other method of charging based upon the pulses as given in para 4.3 of the Consultation Paper, would lead to arbitrary, charging. This surcharge on account of MTC can be calculated only through <b>off line billing system</b> which is not implementable as BSNL does not have this facility at present and is not likely to introduce the same in the near future due to the huge financial implication involved. However, without prejudice to our comments earlier regarding <b>undesirability of the CPP regime</b> , the cellular operators who are going to be the only beneficiary of this scheme may be asked to upgrade their MSCs and the billing systems to generate bills based upon the CLI for the purpose of collecting MTC from the calling PSTN customers. This charge on account of MTC can be collected by the cellular operators through the basic service operators on mutually agreed terms and conditions of revenue sharing arrangements.
(b)	Whether the provision of CCS 7 and CLI in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?	Provision of CCS7 and CLI in the exchanges of basic service operators and inter operator charge billing systems <b>are an essential prerequisite for implementation of the CPP regime in the forthcoming multi operator scenario</b> . No other interim solution will be workable for accurate billing, settlement and reconciliation and will result into legal complications and disputes.
(c)	Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network? Can both MPP and CPP co-exist in the same network, so that subscribers have a choice of either CPP or MPP, as in the USA?	It is technically not feasible to implement CPP in the existing network in a transparent and judicious manner. Without prejudice to the above, MPP and CPP can co-exist. However, for this the cellular operator will have to upgrade their networks and billing systems. This will also facilitate a choice to the subscribers of either CPP or MPP as in the USA.

*Sanjiv Kumar*  
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(d)	<b>Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announcement?</b>	CPP can not be implemented for all types of calls as already explained above. Though it is technically feasible to forewarn the calling subscriber through the recorded announcement from the MSC of the cellular operators but it would result in wastage of the network resources without generation of any revenue for either party thus leading to national wastage, poor call completion rate, customer inconvenience and other technical complications.
(e)	<b>Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS 7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.</b>	The existing billing system of BSNL is not capable of generating bills based on the CLI and hence, can not be used for carrying out accurate and appropriate revenue sharing between BSNL and the PLMN operators. It is also not feasible to generate detailed bills on calls without '0' prefix. It would be better to ensure availability of CCS 7 throughout the network and implement inter carrier charge billing system before introducing the CPP scheme instead of looking for any interim measures based on bulk billing etc. Any such measure lead to legal complications and disputes.
(f)	<b>What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?</b>	<p>The CPP regime in India should be considered for implementation only after the teledensity targets as envisaged in NTP-99 are achieved. The related technical, commercial and other issues of larger interests are also required to be fully resolved. It is also stated here that the cost involved for resolving these technical issues should be borne by the cellular operators who are the only beneficiaries of this scheme. Some of these issues are as below :</p> <p>i) The technical feasibility of metering '98' calls differently than other calls in all the local exchanges is yet to be examined.</p> <p>ii) The operational and technical feasibility of multiple pulses on answer back is also required to be examined.</p> <p>iii) The TRAI has discussed various methods for charging and billing under the</p>

*Sanjay Kumar*  
11/06/01



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	<p>CPP regime in Chapter 4, whereas, the amended licence condition of the cellular licensee recorded by TRAI under para 1.11 in Chapter 1 permits only collection of the Mobile Termination Charge (MTC) over and above the normal PSTN call charge by the fixed service operators from their subscribers. The Authority itself have recognized that the existing charging and billing system needs to be changed. The financial and technical implications of such changes are yet to be examined. It has also not been decided as to who will bear the cost for such massive changes and the huge expenditure involved in the process.</p>
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iv) Charging issues are more complex in case of long distance calls and TRAI may consider and decide whether to have similar or different methods of charging for local and long distance calls before introducing the CPP regime.

v) Even in the optional CPP regime, there are a number of complex technical issues to be resolved as mentioned earlier.

vi) For the international calls under the CPP regime, issue of settlement between the international carriers, NLDOs and the cellular operators will have to be discussed.

vii) TRAI has also not determined as yet how to charge the calls made from local PCOs. In case CPP is not made applicable to the calls made from PCOs and also to the international calls, then whether or not the cellular operators will charge their customers for the airtime for such calls?

viii) It has been acknowledged in the Consultation Paper that calls to mobile will become significantly more expensive and there would be a demand for a dynamic blocking facility for calls made to mobile subscribers. The technical arrangements for this are not available across the network.

ix) The TRAI has itself stated that the fixed and cellular operators will need to finalise

*Rajeev Kumar*  
11/06/07



	<p>the technical arrangement to implement the necessary revenue sharing arrangement for passing on the MTC by the fixed operator to cellular operator. Such arrangements are normally time consuming and should be finalized well in advance before any decision is taken to introduce CPP.</p> <p>8) The Consultation Paper states that widespread customer education campaign needs to be carried out in order to implement the scheme and make the consumer aware of the new scheme before being charged. This is a massive exercise and can be undertaken only after the financial implications of CPP on the PSTN customers and basic service operators are brought out clearly and this can be done only when all the technical and other issues involved in implementation of the CPP are resolved and MTCs is calculated based on the cost of unbundled network elements.</p> <p>9) The important and technically most complex issue is the charging incase of calls completed using multiple operators and call for roaming subscribers. This issues also needs be addressed in advance.</p>
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Sanjay Kumar  
11/06/01

**BPL Mobile Communications Limited**

127, Manmala Tank Road, Taikawadi  
Mahim West, Mumbai 400 016, India.  
Phone : 91 - 022 - 4323777 / 4371777  
Fax : 91 - 022 - 4312255  
MobileAssist : 800 on your BPL Mobilephone  
MobileAssist Fax : 91 - 22 - 4312242 / 4310331.

11<sup>th</sup> June 2001

BMCL/CK/TRAI/2001-02

**The Secretary**  
**Telecom Regulatory Authority of India (TRAI)**  
**Jawahar, Vyapar Bhawan**  
**16<sup>TH</sup> Floor, 1 Tolstoy Marg**  
**New Delhi 110 001**

Dear Sir,

Sub : Consultation Paper on Introduction of Calling Party Pays (CPP)


BPL Mobile thank the Authority for bringing out a Consultation Paper on 'Introduction of CPP'. Worldover, CPP has found favour with customers and introduction of CPP will definitely make mobiles affordable to the Indian public. CPP will increase penetration of mobile phones and thereby, increase teledensity.

TRAI had addressed all issues on CPP and issued Orders in 1999. Only the tariff and revenue share between operators needs to be re-looked.

Response to the various issues raised in the Consultation Paper are enclosed parawise.

Thanking you,

Yours faithfully,  
For **BPL Mobile Communications Ltd**



**C Karunakaran**  
**Vice President**



Encl : a.a.



## Chapter 2 Global Scenario:

<b>TRAI's QUESTION</b>	<b>OUR REPLY</b>
1. Is CPP desirable in our context? If it is considered desirable, what should be the main objective(s) behind its introduction?	<p>Yes, CPP is desirable in the present context. Advantages are:</p> <ul style="list-style-type: none"><li>♦ As it will bring down cost of call and hence useful to customers.</li><li>♦ Increase mobile penetration and stimulate growth.</li><li>♦ Accessibility of mobile customers shall increase.</li><li>♦ Affordability in the service segment like taxi drivers, carpenters etc. shall increase.</li><li>♦ 90% of the world's telecom regime are on CPP.</li></ul> <p><b>However, the CPP to be introduced should be Fair, viable and economically sustainable for all stakeholders viz. Service providers and consumers and must be very simple to administer.</b></p>
2. What benefits will accrue to the subscribers of PSTN/PLMN and to the Telecommunication Industry in the country as a whole, consequent upon the introduction of CPP?	<ul style="list-style-type: none"><li>♦ Free access to the mobile subscriber by an PSTN subscriber.</li><li>♦ Total cost of a call will come down significantly.</li><li>♦ Improved productivity in the business segment and in the service sector of the society.</li></ul>
3. Should CPP be introduced for fixed to mobile calls, by regulatory intervention or should it be left to market forces?	<ul style="list-style-type: none"><li>♦ In the new liberalized economy with the existence of an dominant incumbent operator, any new operator does not have any chance of reaching mutually acceptable Mobile Termination Charge (MTC), as the negotiations power of the new entrant shall be almost negligible.</li><li>♦ In this scenario the role of a regulator is in prescribing a reasonable tariff to subscriber and to a fair, equitable and cost based MTC ensuring a level playing field.</li><li>♦ The regulator must prevent anti-competitive practices by the incumbent operator by laying down floor and ceiling price for the MTC.</li></ul>
4. If CPP is introduced for PSTN - PLMN calls, what is the best way of balancing the interest of various stake-holders e.g. subscribers & operators of Basic and Cellular Mobile Services?	<ul style="list-style-type: none"><li>♦ The best way will be a cost based tariff to subscribers and cost based originating and terminating charges to the service providers.</li></ul>



<p>5. Would the introduction of CPP in India result in an accelerated growth of mobile subscribers, including prepaid customers, as witnessed in some countries of Latin America? Would there be any preconditions/pre-requisites for it to happen?</p>	<ul style="list-style-type: none"> <li>◆ Introduction of the CPP regime will definitely result in an all round increase in the mobile usage as well as in the increase in numbers.</li> <li>◆ Global experience indicate the expansion of the telecom market on the introduction of CPP.</li> <li>◆ The regulator must ensure a fair MTC accompanied with the assurance of equitable interconnection arrangements and accounting separations for operators having multiple services in order to ensure anti competitive behavior on account of cross subsidization's.</li> </ul>
<p>6. Should CPP be introduced for all calls terminated on mobile networks or should calls like international, calls from PCOs, roaming etc. be excluded from its scope as is done in a number of countries due to technical difficulties, encountered in including such calls in the CPP arrangement?</p>	<ul style="list-style-type: none"> <li>◆ The CPP regime to be introduced should be simple and easy to administer.</li> <li>◆ International calls and the PCO calls from attended PCOs should be included in.</li> <li>◆ Only roaming calls need be excluded and airtime will be charged for these calls.</li> </ul>
<p>7. Should CPP be made optional as in USA? Is it technically possible to implement in our network, a system which gives an option to the subscriber to choose either CPP or MPP, as in USA?</p>	<ul style="list-style-type: none"> <li>◆ As the numbering scheme in India for cellular services is different from the PSTN numbering, the PSTN caller is well aware of the fact that he is dialing mobile subscriber and would be charged differently. Hence, we feel that no option should be given.</li> </ul>
<p>8. What is the type of customer education and its cost that will be required to the incurred for implementing CPP?</p>	<ul style="list-style-type: none"> <li>◆ The Indian customer is aware of difference of a mobile number vis-à-vis a PSTN number and the concept of differential charge for the same has to communicated. This communication should be done in the Print and in the Electronic media prior to the implementation of the CPP regime.</li> </ul>

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### Chapter 3: Tariff issues:

<b><u>TRAI's QUESTION</u></b>	<b><u>OUR REPLY</u></b>
1. What should be the basis for fixation of tariffs for CPP? Whether Directly Attributable Incremental Cost (DAIC) or Fully Allocated Cost should be adopted as the methodology for fixation of tariff? Or, any other methodology will be most suited for the purpose, which could be considered for adoption.	♦ COAI had proposed in the consultation paper on 'accounting separation' that full absorption costing approach is followed. We feel that the same would be appropriate.
2. Whether the above costs should be historical costs or forward looking costs?	Refer point above
3. Which cost elements of PLMN should be taken into account for fixing the mobile termination charge?	<ul style="list-style-type: none"><li>♦ 50% of fixed costs and 100% of the variable costs should be considered for determining the MTC. The balance 50% of the fixed cost could be allocated towards the rentals.</li><li>♦ In the case of PLMN, cost of an incoming and an outgoing calls are same. The operator needs to recover the cost of the call from the consumer.</li></ul>
4. What should be the method to derive the directly attributable incremental costs (DAIC) of terminating a call in the mobile network, from joint and common costs?	♦ Not applicable
5. What should be the principle followed in determining the termination charge for incoming calls to cellular mobile, vis-à-vis for outgoing calls from a cellular network? Should originating carriage (i.e. airtime) be the same as terminating carriage (MTC), because both use the same mobile leg?	<ul style="list-style-type: none"><li>♦ The authority should continue to work towards cost based charges for interconnection.</li><li>♦ Internationally a PSTN to mobile call is always costlier than a mobile to PSTN call. In PLMN the cost of originating and terminating a call is more or less same.</li></ul>



<p>6. Should the termination charge be such that it fully covers the network elements involved in call termination or does it merit a lower pricing as compared to outgoing calls? Such distinction in pricing could be seen as a kind of subsidization of this (incoming) leg of mobile operators provided from rental and/or outgoing calls of cellular mobile? Would such an approach be justified?</p>	<p>♦ We should work towards a full recovery of cost of termination through the MTC. However, at the present scenario the same may not be acceptable to the PSTN customers. Due to which we feel that initially there should be a lower cost which must be linked to the cost of call termination and can be reviewed intermittently by the authority/regulator to achieve the desired goal of cost based interconnection.</p>
<p>7. Should MTC be differentiated between peak and off peak hours? If so, how?</p>	<p>♦ An off peak MTC should not be prescribed by regulator.</p>



#### Chapter 4: Technical Issues

<b>TRAI's QUESTIONS</b>	<b>OUR REPLY</b>
1. Which charging methodology be adopted for implementation of CPP regime in India so that minimum changes are required to be carried out by the service providers in their existing network infrastructure?	♦ The third alternative, as indicated in the consultation paper of generating two pulses on answering and subsequently a single pulse at definite intervals, is the best charging methodology as on time.
2. Whether there is a possibility of implementing CPP through methods other than the four mentioned in this chapter, namely lower pulse interval, multiple pulses, combination of the two and adding a surcharge to Mobile terminated calls through an off-line billing?	♦ Any other method other than what has been stated above shall only lead to complications and difficult to administer.
3. Whether the provision of CCS 7 and CL1 in all the exchanges are an essential pre-requisite for implementation of CPP regime or can some interim solution be found for accurate billing, settlement and reconciliation?	♦ As it is understood the CCS 7 and CLI are not available in all the exchanges. The interim solution/arrangement as considered during CPP'99 would be adequate for providing accurate billing and settlement and should be adopted.
4. Whether implementation of CPP as an alternative to MPP is technically feasible in the existing network?	♦ Implementation of CPP as an alternate to MPP has been found to be technically feasible in the existing network.
5. Can both MPP and CPP co-exist in the same network, so that subscribers have a choice of either CPP or MPP, as in the USA?	<ul style="list-style-type: none"><li>♦ Co-existence of both MPP &amp; CPP will only create more confusion and complications which would be difficult to implement in the present network.</li><li>♦ As few of the operators are giving an option for free in-coming calls to their mobile subscribers by charging them fixed charges.</li></ul>

<p>6. Whether CPP should be implemented for all types of calls or should there be certain exceptions like international calls and calls from PCOs? If there have to be exceptions, then whether it is technically feasible to forewarn the calling subscriber through a recorded announce-ment?</p>	<ul style="list-style-type: none"> <li>◆ CPP should be implemented for all types of calls except roaming calls for which Airtime will continue to be charged.</li> <li>◆ In case of international calls, TRAI has addressed this issue in 1999 and the same procedure is recommended.</li> <li>◆ All manned PCOs can implement CPP. Calls from out-model single fee coin-boxes can be barred. Multiffee Coin-Boxes also can handle CPP calls.</li> </ul>
<p>7. Is it feasible to have a separate interconnect billing system based on CLI for carrying out accurate revenue sharing between the PSTN and PLMN operators? Whether a system based on bulk billing can be implemented as an interim measure, till CCS7 is available throughout the network, to enable a more sophisticated off line billing system for accurate reconciliation and settlement between operators.</p>	<ul style="list-style-type: none"> <li>◆ It is desirable to have a separate interconnect billing system for carrying out accurate revenue sharing and especially reconciliation between PSTN &amp; PMLN operators.</li> <li>◆ A system based on bulk billing could be implemented as done for mobile to PSTN calls can be implemented as an interim measure.</li> </ul>
<p>8. What should be a reasonable time frame for implementation of the CPP regime in the existing networks? Who should bear the cost of network changes?</p>	<ul style="list-style-type: none"> <li>◆ We feel that after the decision is taken by TRAI, it will take 3-4 months' time for implementation of the CPP regime.</li> <li>◆ The cost of network and upgradation should be borne by the respective operators.</li> </ul>



June 19, 2001

Mr. M.S. Verma,  
Chairman,  
Telecom Regulatory Authority of India,  
20<sup>th</sup> Floor, Jawahar Vyapar Bhawan  
Tolstoy Marg,  
New Delhi.

Dear Sir,

I would like to bring your attention to some reports that we have noticed in the last few days stating that basic service operators are against CPP since 'basic service operators will require huge investments to enable their networks for CPP'.

While the issues in favour of CPP or against CPP are being put forth & discussed on a larger industry level, as a leading basic services operator, we would like to submit that the above mentioned statement is factually incorrect and grossly misleading.

Hence, we would like to bring your attention to the facts of the matter.

CPP can be introduced in the network of an FSP without incurring any additional costs. The calls originated by the FSP customers meant for termination at the cellular customers end are like any local or STD calls being originated by the FSP customer. In each and every case, at the end of the call - a Call Data Record (CDR) is generated giving details of the calling number, called number (in this case mobile number), time of the day and duration of the call. These CDRs are stored in the memory of the billing system.

At the end of the month the billing system prepares a monthly bill for each customer based on the information on the CDRs gathered in his individual account.



In case of calls meant for cellular customers, charges of calls are computed based on the CPP tariff relating to the time of origin of the call and the duration of the call. The revenue share between the FSP and the cellular operator is worked out on the basis of the prescribed sharing rates.

Therefore, no additional investment in up-gradation or adding new elements of the network is required and hence, there is no extra cost involved on the network side for the basic services operator to introduce CPP.

In the light of the above, we would strongly urge you to kindly take cognizance of the true facts of the matter to ensure that the issues on CPP are addressed in the right perspective.

Thanking you,

Yours sincerely,



**Badri Agarwal**  
President - Basic Services

Cc : Mr. Shyamal Ghosh,  
Chairman - Telecom Commission  
Department of Telecom

Mr. D.P.S. Seth,  
Chairman & Managing Director  
Bharat Sanchar Nigam Ltd.

**tra**

**From:** Ashok Bhandarkar <asb@iname.com>  
**To:** <tra@del2.vsnl.net.in>  
**Sent:** Thursday, May 24, 2001 3:41 PM  
**Subject:** Re: CPP Regime

The Chairperson  
 TRAI  
 New Delhi

Dear Sir,

This has reference to the news item in the Economic Times today, which mentioned that the TRAI is seeking views on the issue of introduction of Calling Party Pays (CPP) regime.

I think it is important that the CPP regime should be introduced immediately primarily because the cellphone user will not have to keep paying for all incoming calls as well. The introduction of CPP will reflect in an exponential growth of cellphone usage - particularly in the service industry/sector. Whether it is a home delivery service person or a taxi driver, it will be worth his while to buy/use a cellphone - which would also have a multiplier effect on the quality of service offered in various business sectors to improve phenomenally.

I am giving these views from a cellphone subscribers point of view and we would greatly appreciate your initiating this service as soon as possible.

Regards

Ashok Bhandarkar  
 Mumbai