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Subject: COAI Response to the draft Telecommunication Mobile Number Portability Per Port Transaction Charge and Dipping Charge (Amendment) Regulations, 2017

Dear Sir,

This is with reference to the TRAI draft Telecommunication Mobile Number Portability Per Port Transaction Charge and Dipping Charge (Amendment) Regulations, 2017, released on December 18, 2017.

In this regard, please find enclosed COAI response to the draft Regulation.

We hope that our submission will merit your kind consideration and support.

With Regards,

Yours faithfully,

Rajan S. Mathews
Director General



Response to the draft Telecommunication Mobile Number Portability Per Port Transaction Charge and Dipping Charge (Amendment) Regulations, 2017 released on December 18, 2017

At the outset, COAI welcomes the opportunity to comment on the draft amendment to the Telecommunication Mobile Number Portability Per Port Transaction Charge and Dipping Charge (Amendment) Regulations, 2017.

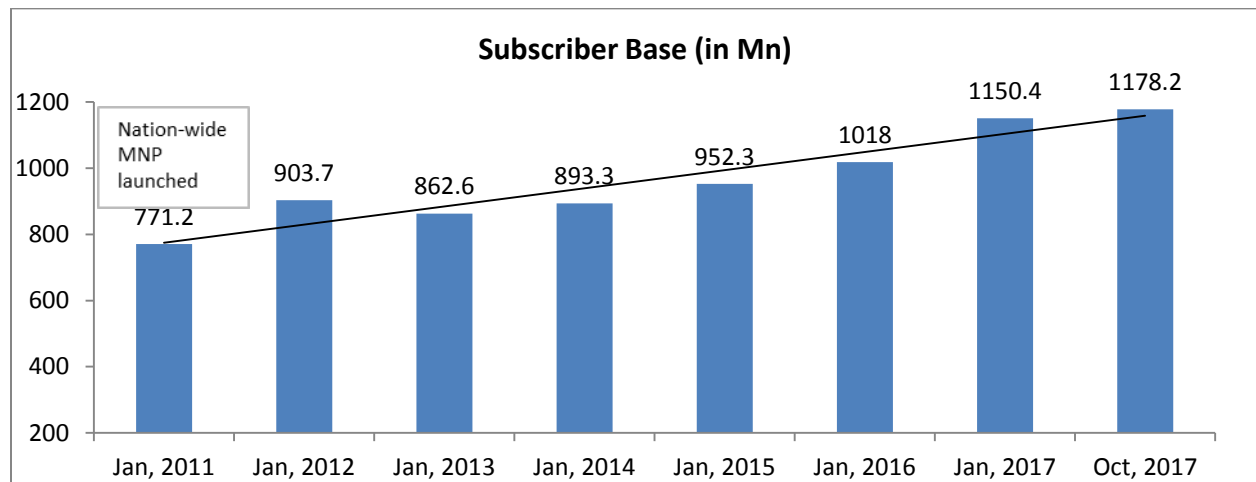
A. Draft Mobile Number Portability Per Port Transaction Charge (Amendment) Regulations, 2017:

1. Preamble:

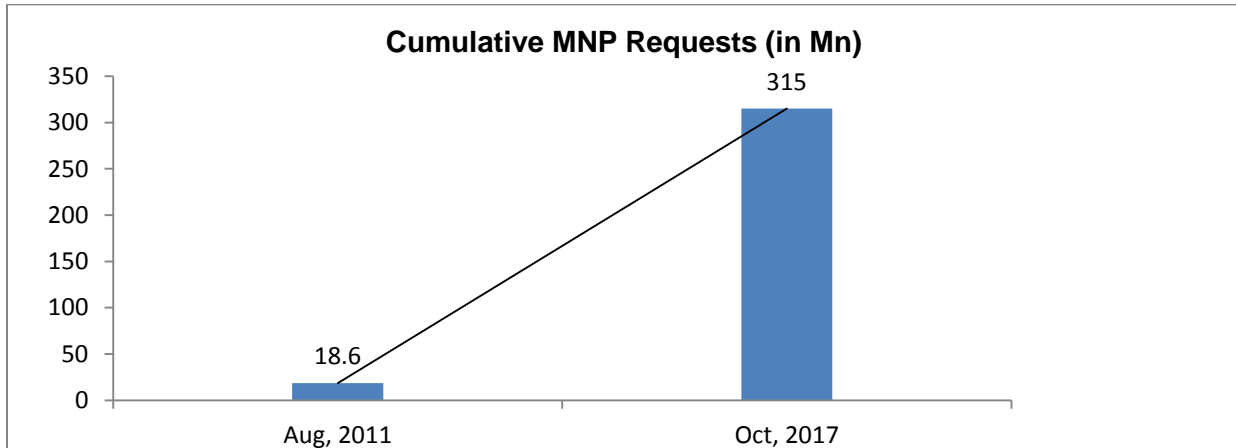
The Intra-service area Mobile number portability (MNP) was implemented first in Haryana service area w.e.f. 25.11.2010 and in the rest of the country w.e.f. 20.01.2011. Inter-Service Area MNP has been implemented in the country w.e.f. 03.07.2015.

Since the inception of the MNP, the Per Port Transaction Charge (PPTC) remained at rupees nineteen. Though, while issuing the Principal Regulations in 2009, TRAI had stated that they may review and modify the PPTC at the end of one year from the date of regulations coming into force, however, the review of the same has been initiated after seven years of implementation of the MNP.

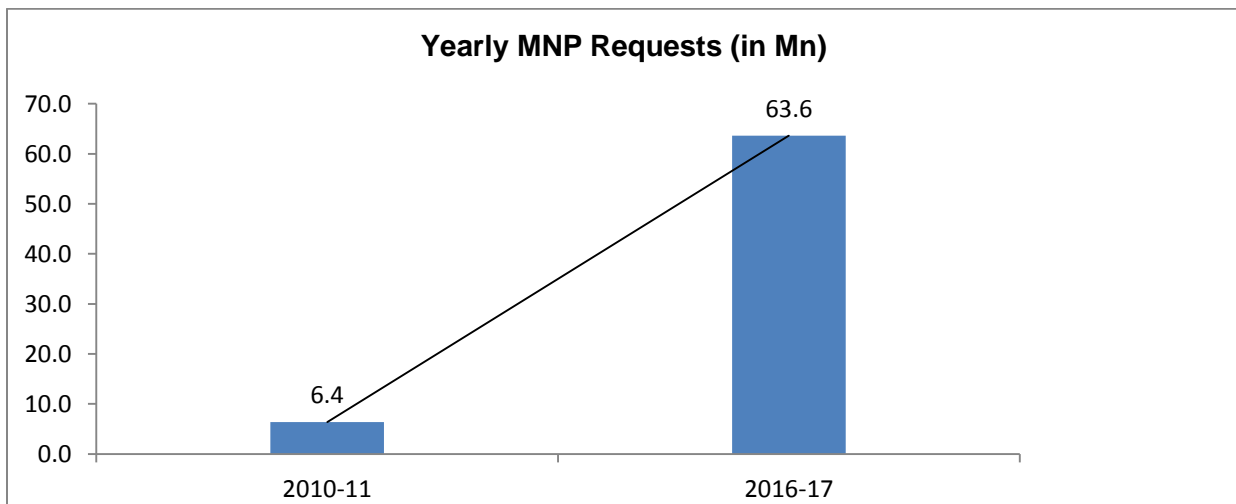
The wireless subscriber base, which was at 771.2 million at the time when the MNP was launched in the country, has now increased to 1178.2 million as of October, 2017. This is a 53% increase in the subscriber base since the commencement of the MNP facility and PPTC coming into effect. Below chart depicts the increase in the wireless subscriber base:



Thus, with the increase in the wireless subscriber base the potential users of the MNP facility has been increased manifold which led to the increase in the number of MNP requests. Below graph depicts the increase in the cumulative MNP requests from August, 2011 (six months from the launch of MNP) till October, 2017. This is almost 1600% increase in the MNP requests in the said period.



Similarly, the graph below shows the yearly increase in the porting requests between 2010-11 and 2016-17. From the graph, it is evident that the porting requests on annual basis have also increased manifold.



Given the drastic increase in the cumulative MNP requests, it is inevitable that the per unit cost would have come down significantly due to Economies of Scale enjoyed by the MNPSPs.

2. Per port transaction charge:

The said draft amendment Regulation stipulates the reduction in the per port transaction charge to rupees four from the existing rupees nineteen.

While arriving at the proposed PPTC, TRAI has considered the Full Allocated Cost (FAC) model and has determined the PPTC based on the Audited Annual Accounts of the MNPSPs for the FY 2016-17. TRAI has considered the porting request for the same period to derive the PPTC.

It is pertinent to mention that the MNPSPs are providing their services in the market where there is no other provider of the same services. In such a scenario, it is imperative to determine the cost of service provisioning by ascertaining the transfer price from the subsidiary company to the parent company to ensure that the parent company should not earn a supernormal profits.

After analyzing the cost sheet of one of the MNPSP submitted with the ROC shows Rs. 3.09 Cr has been paid as Royalty though the company is not providing any such service which requires payment of royalty amounts. **The service rendered by the MNPSP is the software, support and maintenance which have been charged separately. Thus, the royalty fee should not be considered under the item 'Total Cost' while calculating the PPTC.**

We would like to draw your attention to the total estimated revenue earned from April, 2015 till March, 2018 by the MNPSPs @ Rs. 19 would be Rs. 406 Cr. Considering the cost as Rs. 74 Cr. (assuming the same cost for all three financial years is equal to the cost taken by TRAI for one year 2016-17), MNPSPs would have recovered almost Rs. 332 Cr. excess amount in these three years. The calculation has been enclosed as **Annexure-I**.

From the above, it is clear that the MNPSPs have earned supernormal profits due to the fact that TRAI did not review the PPTC even once during the last 6-7 years while the regulations envisaged review of PPTC charges every year as per the provision 6(2) of the said regulation. The same has been reproduced below:

"...(2) The Authority may review and modify the Per Port Transaction charge and Dipping charge at the end of one year from the date of these regulations coming into force."

Since the MNPSPs have already earned huge excess amount after covering their all the costs, it is desirable therefore, that going forward, no capex should be recovered under the cost items. Also, if it is assumed that the MNPSPs would have paid dividends from the excess recovery made by them for previous years, at least the estimated excess recovery of Rs 155 Cr by them for the current financial year (FY18) should be used to facilitate the future porting requests free of cost.

It is well understood fact that MNP service is essentially an activity involving data based entry and process flow. Unlike TSPs, it does not include huge rollout of BTS, auction based acquisition of spectrum, creation of core network comprising of BSC, BTS, HLR, IN,VLR, routers, servers and other network elements, OFC / MW network for providing backhaul. Despite the substantial difference in deployment of network elements and investments by TSP, on one side TRAI is fixing the interconnection cost at 6 Paise per minute, on the other hand, for a mere data base maintenance and managing process flow deployed on a centralized server, TRAI is fixing a cost of Rs 4 (400 Paise) per PPTC.

3. Calculation of PPTC:

In this regard, we would like to submit that TRAI should consider the porting transactions in the FY 2017-18 while calculating the PPTC. Further, we reiterate that going forward; the royalty fee should not be considered in the cost while calculating the PPTC. Accordingly the PPTC calculation is as below:

Particulars	Unit	Amount
Total cost	Rs. in Lacs	920.57
No. of porting requests received*	In Lacs	473
Per Port Transaction Cost	In Rs.	1.95
License Fee @ 1%	In Rs.	0.02
Per Port Transaction Charge	In Rs.	1.97
Round Off	In Rs.	2.00
Note: From the cost of Rs. 1229.57 lacs, the royalty charges of Rs. 309 Lacs (from the FY 16-17 report of one of the MNPSP), which should not be part of the total cost for calculation of MNP, has been deducted.		

*Explanation of the above calculation: The number of porting request received during FY 2017-18 is estimated figure considering the monthly growth rate of 3% (calculated from the available data from TRAI/Operators and considering the closure of services by some of the operators) to arrive at the monthly cumulative porting request of March 2018 and thereafter deducting the monthly cumulative request of March, 2017 from the estimated cumulative porting request for March, 2018. (Calculation sheet is attached as **Annexure-II**)

In view of the above, considering the surge in the MNP requests and reduction in the cost of serving such requests, we submit that the PPTC should be brought down to Rs. 2.00.

B. Additional Points:

Further to the above, we would like to highlight some of the requests made by COAI for the consideration of the Authority vide its various representations:

- 1. No Per Port Transaction Charge in case of Forced Porting due to Closure of the Services:**
 - a. The entire telecom industry is going through financial stress which has forced some of the TSPs to close their certain services. Due to the closure of the services, the subscribers of such TSPs are forced to do porting to the other service providers of their choice.
 - b. TRAI has also been facilitating such forced porting by allocating additional operator codes to the respective TSP along with relaxing certain rejection reasons and increasing the validity of the UPC.
 - c. **Thus, considering the forced porting of the subscribers in bulk due to the closure of the services by some TSPs, we recommend that the PPTC for such porting requests should be waived off.**

2. MNP per Port Transaction Charge as Pass through Charge:

- a. The per port transaction charge received by the RO is payable to the MNPO and since nothing is retained by RO; it is not justifiable to levy license fee on the same.
- b. Further, the MNPO pays the license fee on the per port transaction charge which it receives from the RO. The levy of license fee on the per port transaction charge on the both service providers RO and as well as MNPO amounts to a dual levy of license fee and the same is not justified.
- c. Industry has taken up this issue several times with DoT in the past; however this request has not been accepted.
- d. **In light of the above, we again request TRAI to kindly consider our submissions and Recommend to DoT to allow the Per Port Transaction charge paid by the RO to MNPO as a deduction from the Gross Revenue for calculating the AGR for the purpose of the payment of license fee.**

Our Recommendations:

- i. **Per Port Transaction Charge should be revised to Rs. 2.00 per transaction.**
- ii. **The excess recovery of Rs. 155 Cr for the current financial year (FY18) should be used to facilitate the future porting requests free of cost.**
- iii. **In case of closure of services where the subscribers of a TSP are forced to opt for MNP, the PPTC should be waived off.**
- iv. **To allow the Per Port Transaction charge paid by the RO to MNPO as a deduction from the Gross Revenue for calculating the AGR for the purpose of the payment of license fee.**

Annexure-I

Financial Year	MNP counts-cumulative	Number of porting per Financial year	Revenue received @Rs 19 (Rs Cr)	Total cost (Rs Cr) (for both MNPSP) (considering the cost taken by TRAI to calculate the PPTC)	Excess Recovery (D-E) by the MNPSPs (Rs Cr)
A	B	C	D	E	F
2015-16	209,129,813	55,284,491	105.0	24.6	80.5
2016-17	272,762,887	63,633,074	120.9	24.6	96.3
2017-18 (Estimated)	367,425,312	94,662,425*	179.9	24.6	155.3
Total=			405.8	73.7	332.1

* Explained in the Annexure-II

Annexure-II

Month	Number of porting request	Growth (in %)
Mar-17 (A)	272,762,887	
Apr-17 (A)	277,721,814	2%
May-17 (A)	283,088,928	2%
Jun-17 (A)	288,965,515	2%
Jul-17 (A)	294,871,630	2%
Aug-17 (A)	299,900,278	2%
Sep-17 (A)	305,393,566	2%
Oct- 17 (A)	314,993,707	3%
Nov-17 (A)	329,367,274	5%
Dec-17 (A)	336,246,210	2%
Jan- 18 (E)	346,333,596	3%
Feb- 18 (E)	356,723,604	3%
Mar-18 (E)	367,425,312	3%
Total Porting request for FY 2017-18 (E)	94,662,425	
Total Porting request for one MNPSP	47,331,213	
The estimation has been done taking monthly growth rate at 3% for the rest of the months due to closure of services by some of the operators.		

A- Actual; E- Estimated

Source: TRAI, Operators