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To,

**Advisor - MN
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi - 110002**

Kind Attn:- Shri Sudhir Gupta

Subject: Comments for TRAI Consultation Paper No. 5 on Determination of Port Transaction Charge, Dipping Charge and Porting Charge for Mobile Number Portability.

Dear Sir,

Please find enclosed comments of MNP Interconnection Telecom Solutions India Pvt. Ltd. (MITS) on the above subjected Consultation Paper from TRAI.

You are requested to take these on record.

Please let us know in case you require any further information/ clarification from us.

**Thanking you,
Yours sincerely,
For and on behalf of MNP Interconnection Telecom Solutions India Pvt. Ltd.**

Kshitij Lal
Director



MNP Interconnection Telecom Solution (MITS)

Response to TRAI Consultation Paper On Determination of Port Transaction Charge, Dipping Charge and Porting Charge for Mobile Number Portability

August 4, 2009

General Considerations:

MITS appreciates the complexity of the issues raised by TRAI in the consultation paper, and acknowledges that there are many variables to be taken into account in projecting port rates and setting the appropriate tariff structure for MNP in India. Based on our extensive international experience with implementing MNP, a few very important general principles should be taken into account in evaluating the issues raised in the consultation paper.

In order for portability to be successful in India, it is critical that the following four conditions are carefully considered:

- **Simplicity.** The cost structure for both operators and end-subscribers needs to be simple and easy to understand, with clear rules for how and when charges are incurred.
- **Subscriber-friendly:** Subscribers fees should be as low as possible -- high subscriber charges typically discourage porting and lead to higher levels of disputes
- **Equitable.** Fees should be equitably applied to not only MNOs, but other participants of the ecosystem.
- **Stability:** The system should be put into place with the goal of maximizing the success of the NP implementation, and the structure should be kept in place long enough to gather firm data points. Excessive modifications to the rules and procedures will confuse all participants and introduce risk.

MITS believes it is very important to keep these general goals in mind when evaluating the economic and commercial components of number portability, and that the wealth of previous international experience in NP can provide important guidelines on best-practices for a successful implementation.

Answers to Selected Questions in the Consultation Paper

Q.4 Based on the cost details, what is your estimation of per port transaction charge?

MITS reiterates that an initial Per Port Transaction Fee of at least INR75 is required in order to sufficiently cover the risks associated with deployment of MNP. This recommended fee is based on an average port rate of approximately 3.5% over the next 10 years. If the port rate is higher than our projections for a sustained period of time (more than two-three years), it may be possible to go to a long-term per port transaction charge of INR65, but any transaction charges below this level will introduce serious risk into the project and jeopardize the long-term viability of our business plan.

Q.5 What should be the time period for review of per port transaction charge?

While periodic reviews of the overall performance of number portability in India are advisable and fully expected, MITS would like to stress that it is imperative that the industry ensure we have a viable sample size to analyze port rates and other trends once portability is introduced. In most markets, the launch of portability creates a “bubble” effect where large port volumes are observed for the first several months, which then taper off into more predictable long-term rates. In other markets, port rates start slow due to low customer awareness and build up steadily over time. In virtually all markets, steady long-term port rates are not observed until 30-36 months into the port process. As such, it would be extremely risky to the ecosystem to change commercial terms until the end of the third year after portability is fully launched – in other words, three years after the completion of phase two. MITS recommends review of the Per Port Transaction charge, as well as other elements of the regulatory framework, after completing *the third year* of implementation. After review, an adjustment to a higher per port transaction charge if port rates are below 2%, or to a lower per port transaction charge if port rates are above 8%, may be advisable, but never below the threshold per port transaction charge of INR65.

Additional Comments on the Consultation Paper

Section 4.7 – The Cost Plus Model is Not Appropriate for Setting the Per Port Transaction Charge

MITS does not believe the “cost plus” approach to setting MNP pricing is appropriate given the complexity of the environment in India and the huge variability in projected port rates, subscriber growth, and number of ports. Given the large upfront investments incurred by all members of the ecosystem and the substantial financial risks incurred by the MCH operators, we believe that in addition to “cost plus” we should also consider Value-Based pricing models as well as carefully consider international comparable rates.

A value-based approach considers the benefits to the industry of a centralized portability administration and values number portability in the context of general customer acquisition costs. In most markets, the cost of acquiring a new customer can range from INR300-INR1200. In India, subscriber acquisition costs typically range in the INR300-INR500 range.

Taken in this context, the value of using number portability to acquire new customers would typically be placed at 30-40% of net customer acquisition cost.

MITS also believes the industry should more carefully consider comparable international examples, which typically will range in the INR100-INR200 range.

Section 4.8 – Per Dip Charges for QRS Should be Left to Market Forces and Should be Opened to Include Authorized Non-Porting Operators and Content Providers

MITS would like to stress that there is a severe lack of market information on the QRS service and the associated dipping fees. MITS has repeatedly asked for industry feedback on the demand for QRS dipping services, and has not received any input that the network-based dipping service is desirable. Of 13 carriers contacted, 9 informed MITS they are not interested in the QRS service, and the remaining operators stated they were unable to conclude if the service would be viable.

Given the fact that we cannot evaluate market demand (and hence cannot properly size our systems), it is nearly impossible to correctly determine the cost of operating QRS. Note also that MITS entire business model was based heavily on the assumption that most of the users of the service are content providers and Non-Porting operators. If the service is going to be at all viable, it is critical that Non-porting operators be allowed to access data directly from the MCH QRS system, under license from DoT/TRAI. If the QRS service is restricted to only MNOs (of which none have indicated they want the service), the business case provided by MITS is no longer valid and should be rescinded.

Based on these considerations, MITS agrees that the Per Dip charges for QRS not be regulated by TRAI and instead left to market forces – as they are in virtually every other country in the world (as pointed out in the Consultation Paper). Leaving the pricing to be negotiated between potential suppliers of QRS (both the MCH operators and potential ILD operators) ensures maximum competition and market efficiency while also ensuring that the pricing is based on actual demand for the service.

Section 4.3 – More Granularity Should Be Provided in the Tariff Structure and Non-Porting Operators Should be Charged for Their Use of the Data

While the simplicity of a single per port charge is desirable, MITS believes that a more granular structure should be put into a place to allow for different type of ports to be treated according to their cost and complexity, and also to help discourage “anti-competitive” use of the system by excessively Rejecting port requests without valid reason.

Based on structures in place in several other countries, MITS suggests the following:

- Port Request – standard baseline rate
- Number Return/Disconnect (using Port Reversal) – 50% of standard baseline rate
- Port Reject Validation – 400% percent of standard baseline rate*

Port reject validation means that if a port reject is found to be unwarranted, the donor operator pays the reject fee. This structure has been successfully used in other markets to discourage excessive rejects and ensure that rejects are for valid reasons. This structure is also valid because the cost of manually validating rejected ports is high, and should be charged accordingly.

Secondly, MITS strongly believes that a Charging structure should be put into place for Non-Porting operators and other members of the ecosystem that benefit from use of the Port Data. Specifically, TRAI should introduce a NP Data Download Fee for operators that use the data but do not participate directly in the port process. For example, ILD operators, content providers, aggregators/hubs and other companies that require a data feed should pay a fixed annual fee for access to the NP data.

There is a cost associated with setting up and maintaining each data feed and Provider account, and under the current structure this cost is paid for by the MNOs. MITS feels this is unfair to the Mobile Operators, and as such the users of the data should pay a fee to recover the costs of providing them the data.

A per download fee is employed in virtually every other country around the world to cover the costs of non-porting operators. For example, in the U.S. access to the data is approx \$80,000. MITS suggests a charge of INR400,000 per year (or INR 200,000 per MCH feed).