ACTO Response to TRAI Consultation paper No 09/2010, 10th June, 2010 on "National Broadband Plan" (NBP)

SUMMARY

The Association of Competitive Telecommunications Operators (ACTO) is thankful to TRAI for bringing out the much needed paper on NBP and we are pleased to submit the collective comments of its members. The members of ACTO are AT&T Global Network Services India Private Limited (AT&T), BT Global Communications India Pvt. Ltd. (BTGC), Cable & Wireless Network India Private Limited, Orange Business Services, Verizon Communication India Private Limited (Verizon Business) and Pacific Internet India Pvt. Ltd. (Pacnet), all of which provide telecommunications services to enterprise and multinational customers in India under their respective International Long Distance (ILD), National Long Distance (NLD), and Internet Service Provider (ISP) licenses.

ACTO's members provide high quality Information Communications and Technology (ICT) services that are relied upon to an ever-increasing degree by their enterprise and multinational customers in India to improve production, manage supply chains and compete in global markets. It is vitally important for the continued growth of India's ICT based economy that these ICT services may continue to be provided on a cost-effective basis to the end customers,

ACTO compliments TRAI for taking this vital initiative. India has the potential to become the hub of new technology. The late eighties and early nineties came with the big boom in communication and information technology. India quickly moved in at the high end. The development of the industrial corridor will bring about a revolution in the use of National & International Broadband.

ACTO's comments are limited to the proposal to establish a National Broadband Plan (NBP) for the telecom sector set forth in Chapter 4 of the Consultation Paper, and which is the subject of Questions 26 &27.

How can competition be enhanced in the International bandwidth sector?

Competition in International Bandwidth sector can be enhanced by employing various measures like making the entry conditions easier, removal of restrictions on licencees etc. However the most important measure which needs to be considered is to institutionalise the pricing mechanism of international internet bandwidth. One of the ways is to encourage a whole sale pricing framework which is utilised as the most effective tools by regulators in the developing and developed markets for enhancing the effective competition in the International bandwidth sector. TRAI can also consider releasing regulations governing the international internet bandwidth similar to the one's issued in the IPLC and DLC sector.

The international internet bandwidth segment is controlled by very few operators and there is a need to bring in competition by incentive the sector in order to reduce the cost.

This concept of Whole Pricing Framework is described below in detail;

Wholesale pricing Framework: Competition in IPLC segment is not growing because of absence of whole sale pricing wherein the new entrant in the bandwidth market are entitled to a Retail minus price from the incumbent operators., The newly licensed Non facility based ILDOs and resellers who will be approaching the incumbent ILDO's to procure IPLC on retail price can't compete in the ILD space with their input cost going higher and therefore there is no business case for these resellers/ILDOs. Therefore there is an urgent need for a review of the pricing and moving towards wholesale pricing framework which should be retail minus and avoid any opportunity for vertical price squeeze by incumbents.

This move is expected to promote competition and affordability in the IPLC / international internet bandwidth segment. Resale would mean retail sale or lease of telecom services to an end consumer, after leasing IPLC / international internet bandwidth or (wholesale bandwidth) in bulk from an incumbent at a retail minus price. In the IPLC segment, it works like an MVNO (mobile virtual network operator) model, where a player without owning spectrum can offer mobile services to subscribers. There is a need to encourage resale of such bandwidth without any mark up restrictions.

This methodology of adopting whole sale pricing framework is being followed globally, however unfortunately in India it has not yet got due attention from the regulator and therefore needs to be considered in order to facilitate competition in this segment. If appropriate, TRAI can consider holding a separate consultation on the matter of Wholesale Pricing and to measures to enhance competition in the international internet bandwidth segment.

What steps should be taken to bring down the cost of international internet bandwidth in India?

We have already requested the Authority to institutionalise the pricing framework. One of the way to achieve this will be through the wholesale pricing. **Benefit of Wholesale Pricing Regime taken to bring down the cost of international internet bandwidth in India**

- Promote non-facility / minimum facility based competition
- Provide an effective entry vehicle for new entrants which may result in the reduction in price of international leased circuits
- Improve customer services to end consumers and business entities
- Stimulate usage of existing network through innovative means and thus benefit the facility based provider as well as the growth of the economy
- Expand the availability of innovative services such as new billing terms and innovative tariff packages
- Easier access to ILDOs at the cable landing station
- USO funds to be considered to be utilized for building capacity in areas which are not sufficiently coved as yet or lacks competition in order to reduce cost.

India's high international bandwidth prices - Leased line is the most preferred mode of internet connectivity due to its permanent "Always on" connectivity, reliability and speed. Unfortunately, India's international bandwidth prices are the highest in the world, the main reason being predominance by few incumbent players. In contrast, in highly competitive Western and East Asian markets (e.g. 14 in Korea and 32 in Germany and U.S.), a large number of players in the market , ensure that prices are low and keep bandwidth charges minimal.

ILDO/NLDOs here cannot reduce their cost because international bandwidth is costly for them too, which restricts them to reduce bandwidth cost beyond a limit. That is the principle reason why the prices are high. In addition the requirement to set up separate monitoring capabilities for ISP and ILD results in unnecessary higher infrastructure capacity building cost.

We would also like to highlight a point which if approved will significantly reduce the infrastructure cost as well

Clause 17.2 of the ILD license states – "The licensees (who are International Long Distance, National Long Distance, Basic or Cellular Mobile Telephone service operators) can have only one Switch to perform the functions of ILD/ NLD/Cellular/ Basic services provided that the switch is located at the same station and

separate accounts of all the operations are maintained by duly apportioning the costs between various service. Separate TAX and Gateway switch is not mandatory."

The above flexibility is not provided to ISPs. We request if the authority can consider recommending inclusion of ISPs on sharing of same infrastructure amongst other class of operators also. This will help in significantly reducing the overall cost which will provide further impetus to internet and broadband service providers due to cost reduction.

The telcos (ISPs) today do not get the advantage of deduction in the input cost of bandwidth from AGR purposes and also cannot share the same infrastructure / switch. These impact their cost significantly on the higher side. As a result of which cost effective services remains a challenge if not an impossibility.

A favourable recommendation in this regard will go a long way in the development of the broadband sector.

India's world broadband ranking

India is currently 121st in the world with regards to Broadband speed rankings.

Here is a list of countries which are higher ranked than India

S.No	Country Name	Rank
1.	Ghana	44
2.	Maldives	49
3.	Kyrgyzstan	51
4.	Trinidad and Tobago	56
5.	Kazakhstan	62
6.	Rwanda	65
7.	Saudi Arabia	66
8.	Grenada	71
9.	Jamaica	72
10.	Guam	74
11.	Kenya	79
12.	Azerbaijan	86
13.	Martinique	87
14.	New Caledonia	88
15.	Uganda	91
16.	Libya	96
17.	Mozambique	99
18.	Albania	100
19.	Armenia	111
20.	Tanzania	113
21.	Pakistan	117
22.	Botswana	118

Lastly we would like to submit our suggestions on improving the quality of service. Our members provide enterprise data services to MNC customers, BPOs and ITES. The services are bound by strict SLAs on delivery. The services are often disrupted due to frequent cable cuts experienced in the network of the underlying service providers. As a result of which our members have to pay charges for not meeting the SLAs due to no fault of them. We would request TRAI to initiate a dialogue on creating some guidelines which can address this factor which is one of the reason at times effecting quality.

The above is the limited submission of members who will like to contribute further on this during the open house discussion on the subject.