Uninor

Consultation Paper

On

Revenue Sharing Arrangement for Intelligent Network Services

15 Dec 2010

The issue of Universal Access to the IN services, by every mobile subscriber irrespective of the hosting network IN platform, has been hanging since long; and agreements could not be concluded amongst operators for want of clarity and regulatory enforcements. In the meantime the mobile industry is moving towards OMPD (one person, multiple devices) era, giving rise to multi SIM culture. Industry needs to change its mindset and collaborate to provide seamless services to meet diverse customer needs. In that respect this Consultation Paper is very timely and welcome.

The Authority may kindly note that the line of approach UNINOR is suggesting is at variance to the COAI response of attempting to preserve status quo ante.

The TRAI attempts since 2006 in broad basing the usage of IN platforms by making them accessible to the subscribers of all networks irrespective of who is hosting the IN service, has not yielded any satisfactory results except to the extent of pushing through FPH services. FPH is only 1 out of 9 IN services listed in the TEC-GR.

Hence, the issue of a multi-service, multi-network environment as envisaged in the Regulation of 2006 have not been satisfactorily addressed. Therefore there is a need to look at the enforcement aspects of the Regulation more closely.

Question wise comments of Uninor are as follows –

1. Assuming that the first preference in deciding revenue share among service providers involved in IN calls would be to mutual negotiations, what would be the most suitable method in case mutual negotiations fail to conclude within the stipulated time frame:

(a) A predetermined percentage of revenue share out of the total accruals to the service providers involved in completion of IN calls.

(b) Fixed origination, termination, carriage and other charges like usage of IN platform.

We fully support the concept of industry efforts of arriving at suitable revenue share arrangements under mutual negotiations. However, in case mutual negotiations fail to conclude within the stipulated timeframe; in that event the parties must enter into an agreement at the TRAI determined settlement terms. (as contained in Authorities' Regulation of Nov 2006 – Para 16 (xi) of explanatory notes and as acknowledged by TRAI in its present Consultation Paper).

Mandating the interconnection of IN platforms in 90 days time frame can be to the customer advantage only if agreements amongst the operators are signed with implementable terms of revenue sharing. Therefore TRAI must intervene to fix **the floor rates and floor percentages** for revenue sharing amongst different network resources / efforts in the IN call completion. **The end objective being that every type of IN service should be accessible by every mobile subscriber in LSA at a non-discriminatory rate.**

In the IN call maturity process, the following constituents are involved:

A	Originating network of the originating operator
	Carriage network of NLD operator
	Termination network of the terminating operator
	IN services platform usage

B	Content provider, IN service host and customer owner

Today an IN platform is owned by almost every network operator. In future there could be even IN service providers having their own hosting facilities, provided Regulation explicitly permits it.

The cost elements of components of the call flow mentioned at (A) above are all independent of tariffs and type of IN call and therefore should be fixed by TRAI which inter-alia include on cost basis IN call setup charges, carriage charge, termination charge and IN hosting charge.

Over and above the aforementioned costs (to be shared amongst 4 components to the call maturity), the balance amount is to be shared amongst the IN services host and the customer owner on percentage revenue sharing arrangement, again as a floor price to be fixed by TRAI, in a way that both the parties are reasonably incentivized to make maximal use of the services and contribute to IN service business promotion and development.

In case of non-agreements, the seeker can either sign the agreement with the floor rates OR can enter into a separate agreement and become content host. In any case he has to ensure service to its customers.

In case of any premium rate or value added service, the content host and the content developer should be at liberty to negotiate the terms of a **NON-EXCLUSIVE** agreement and fix the customer tariffs depending upon the actual or perceived value of the contents.

Therefore the specific answers to (a) & (b) could be as follows:

(a). Costs for origination, termination, carriage and IN platform usage are static. Therefore TRAI should regulate as **floor fixed usage charges** as they are doing in respect of IUC charges.

(b). TRAI determined **floor percentages of revenue share** out of the total accruals minus the fixed usage charges should be distributed amongst IN services host and customer owner. These elements are dynamic in nature being linked to IP rights, creativity, promotional efforts and also vary in time frames and as per business volumes.

(c). In the case of premium rate or any other value added service, content developer is free to enter into commercial agreement with any or all TSPs for extension of his VAS to the end customers, ensuring, customers across the board pay non-discriminatory rates for that service.

Uninor

2. Should TRAI only prescribe charges for virtual calling card and free phone services or for other IN based services as well?

Each of the 9 type of IN services presently listed in the TEC GR can be broken down into various constituents of the call flow. These constituents can be further clubbed under **Fixed Usage Charge namely A** (4 constituents) and **Percentage Revenue Share namely B** (3 constituents). This shall form the basis of suggested fixed usage charge for network elements and percentage revenue share for content, hosting and customer ownership.

The 9 type of IN services has been further rearranged based on who pays whom, to facilitate illustrations.

Sl. No.	**IN Service**	**Paying Party**	**Originating N/w**	**Carriage N/w**	**Terminating N/w**	**IN service platform**	**Content developer**	**IN Content hosting**	**Customer owner**
			A (Fixed Usage Charge)				**B (Percentage Revenue Share)**		
1	Freephone (National)	Called	Yes	Yes	Yes	Yes			Yes
2	Tele-voting (not chargeable to caller)	Called	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Universal Access (Local)	Calling	Yes		Yes	Yes			Yes
4	Virtual Private Networks (VPN)	Group ID	Yes	Yes	Yes	Yes			Yes
5	Tele-voting (Chargeable to caller)	Calling	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6	Premium Rate	Calling	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Prepaid calling (VCC, ACC, CCC)	Card	Yes	Yes	Yes	Yes			Yes
8	Universal Access (Long Distance)	Calling & Called	Yes	Yes	Yes	Yes			Yes
9	Universal Personal Telecommunication	Calling & Called	Yes	Yes	Yes	Yes			Yes

Further it will be seen that the revenues arising of all the services listed at Sl No 1, 3, 4, 7, 8, and 9 are to be shared amongst 5 constituents irrespective of who provide those; and the revenues arising of all the services listed at Sl No 2, 5 and 6 are to be shared amongst 7 constituents irrespective of who provide those.

It is envisaged that in cases at Sl No 2, 5 and 6 the content host fixes the IN service charge for the end customer and may share with other entities in the chain. This will ensure uniform customer experience.

4 illustrations below will further clarify the above approach.

ILLUSTRATION -- 1

Uninor

IN Service	Paying Party	Originating N/w	Carriage N/w	Terminating N/w	IN service platform		Content developer	IN Content hosting	Customer owner
		A1	**A2**	**A3**	**A4**		**B1**	**B2**	**B3**
Freephone (National)	Called	Yes	Yes	Yes	Yes				Yes
Tele-voting (not chargeable to caller)	Called	Yes	Yes	Yes	Yes		Yes	Yes	Yes

Customer pays to Originating network : 0:00
IN customer pays to Terminating Network : **A1** + A2 + A3 + A4 + B1 + B2 + **B3**
Originating n/w receives from Terminating network : **A1 + B3**

In the case of Freephone, the Freephone service belongs to the IN platform of the terminating network and the call is picked up in the originating service area. Threfore, while called party receives the payment as per the tariff set by him, presently he is required to pay Rs 0.52 to the originating network which covers the cost of network elements at his end and premium for customer ownership.

For Tele-voting (not chargeable to caller) the process is same as Freephone but the premium for customer ownership is not fixed by TRAI, and therefore the present agreements do not cover.

ILLUSTRATION -- 2

IN Service	Paying Party	Originating N/w	Carriage N/w	Terminating N/w	IN service platform		Content developer	IN Content hosting	Customer owner
		A1	**A2**	**A3**	**A4**		**B1**	**B2**	**B3**
Universal Access (Local)	Calling	Yes		Yes	Yes				Yes
Virtual Private Networks (VPN)	Group ID	Yes	Yes	Yes	Yes				Yes
Tele-voting (Chargeable to caller)	Calling	Yes	Yes	Yes	Yes		Yes	Yes	Yes
Premium Rate	Calling	Yes	Yes	Yes	Yes		Yes	Yes	Yes

Customer pays to Originating network : **A1** + A2 + A3 + A4 + B1 + B2 + **B3** = Total
IN customer pays to Terminating Network : 0:00
Originating n/w pays to Terminating n/w : Total – (**A1 + B3**)

The services are hosted on the IN platform of the terminating network and he fixes the tariff and asks the originating network to collect from the customer on his behalf. The originating network retains the origination charge and the premium for customer ownership and passes on the balance to the IN service provider who inturn distributes to the carrier and the content developer. The basis of sharing has been proposed in the response and actual values need to be worked out by TRAI appointed expert group.

ILLUSTRATION -- 3

IN Service	Paying Party	Originating N/w	Carriage N/w	Terminating N/w	IN service platform		Content developer	IN Content hosting	Customer owner
		A1	**A2**	**A3**	**A4**		**B1**	**B2**	**B3**
Prepaid calling (VCC, ACC, CCC)	Card	Yes	Yes	Yes	Yes				Yes

Customer pays to Originating network : 0:00
IN customer pays to Terminating Network : 0:00
Customer pays through the card : A1 + A2 + A3 + A4 + B3
Originating n/w receives from Terminating network : **A1 + B3**

In this case tariff is fixed by IN service provider (who could be NLDO or ILDO) and collected through pre-paid card. The originating network only facilitates the call through and is paid by NLDO / ILDO. Presently cost of using network elements of originating network is recognized (equal to termination charge), but premium for the customer ownership is not finalized with the result this service is not taking off.

ILLUSTRATION -- 4

IN Service	Paying Party	Originating N/w	Carriage N/w	Terminating N/w	IN service platform		Content developer	IN Content hosting	Customer owner
		A1	**A2**	**A3**	**A4**		**B1**	**B2**	**B3**
Universal Access (Long Distance)	Calling & Called	Yes	Yes	Yes	Yes				Yes
Universal Personal Telecommunication	Calling & Called	Yes	Yes	Yes	Yes				Yes

Customer pays to Originating network : **A1**
IN customer pays to Terminating Network : A2 + A3 + A4 + B3
Originating n/w receives from Terminating network : **B3**
The service is hosted by terminating network and the tariff is fixed by him. The charges for origination are collected from the calling party and the premium for customer ownership is collected from the called party.

NOTE : In the illustration above in all the 4 cases following emerge

a. IN service platform is always used of the terminating network.
b. The IN services platform owner enters into a commercial agreement with the content developer, fixes the tariff and hosts the service.
c. Originating network gets paid only for usage of its network elements and customer ownership premium **(A1 + B3).**

From the illustration above one may conclude that one who host the IN services is the provider and others are seekers. Basically the revenue share in case to case basis is between the **customer ownership premium** and **content hosting premium**, the subscriber tariff having being fixed in accordance to the perceived value of the contents. Therefore the perceived value and the **revenue share** should be left to the market forces with a fall back **floor percentages** to be fixed by TRAI.

3. If the revenue share option is considered better then what should be the share of each interconnecting operator? Please support your answer with detailed explanation and calculations. AND

4. If fixed interconnection usage charges are considered better for IN services then what methodology should be followed to estimate these charges?

3&4 : The suggested approach assumes that, for successful completion of any type of IN call, apart from interconnection of fixed network elements of TSPs, the other elements depending upon the specificity of a service are also involved such as content development, content hosting and customer ownership. Compensation for the last 2 elements should be determined on the floor percentage revenue share basis in proportion to the perceived importance and efforts needed in each case. While compensation for 4 elements which are mostly common in every category of IN call and involves only usage of network elements, a fixed usage charge should be prescribed by TRAI.

In case the above approach is acceptable to the Authority, an expert group on the subject can be engaged to work out the exact modalities and the cost basis to be applied.

5. In case of the free phone services should the originating access provider handover the call at the destination service area or the IN service provider should be required to pick up this call from the originating service area.

IN Service Provider should pick up the call from the Originating Service Area. Originating service provider should facilitate local interconnection to the IN Service Provider (and vice versa).

***********UNINOR***********