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PART I : SECTION (I) — GENERAL

Government Notifications

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

Public hearing on the implementation of a change from the current mobile Party Pays (MPP) System to a calling Party Pays (CPP) System

Decision issued by the Committee of Inquiry appointed under Section 12 of the Sri Lanka Telecommunications Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996

1.0 The Telecommunications Regulatory Commission of Sri Lanka (herein after referred to as the Commission) ordered a public hearing under Section 12 of the Sri Lanka Telecommunications Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 (hereinafter referred to as the Act) to address, inter alia, the following issues relating to the proposed implementation of a change from the current mobile party pays (MPP) system to a calling party pays (CPP) system.

- (i) Whether there will be serious affordability issues raised for fixed-access subscribers with the introduction of a higher payment for calls to mobiles.
- (ii) Whether the fixed-access subscribers will be confused by the fact that calls to mobile numbers will cost more than calls to fixed numbers.
- (iii) The impact of the progress of the numbering change on CPP.
- (iv) Whether the itemization provisions set out in the order of the public hearing on improvement of subscriber bills and billing related disputes adequately address the issues of transparency of charging and the co-ordination of the introduction of CPP with the implementation schedule of the billing order.
- (v) The appropriate compensation arrangements and mechanisms for incoming international calls.
- (vi) The appropriate compensation arrangements and mechanisms for calls originating in payphones and hotels.
- (vii) How should CPP work when a mobile user is roaming outside the country.
- (viii) What technical and billing changes are required to accommodate CPP.
- (ix) What key messages must be communicated in the publicity campaign preceding the introduction of CPP.

Accordingly written submissions were invited from the public, to the Committee of Inquiry appointed, by the Chairman of the Commission, under Section 12 (3) of the Act, for this purpose, through public notices placed in national newspapers in all three languages on 27th June and 18th July, 1999. The public was provided on request copies of the Commission's draft

decision on CPP which contained amongst other details a list of issues to be addressed at the public hearing. The public were initially granted time till 06th August, 1999 to forward written submissions. However the Commission decided to extend this deadline till 03rd September, 1999 in order to encourage more written submissions. Public notices to this effect were placed in the national newspapers of 10th, 11th and 12th August, 1999 whilst the Committee of Inquiry also proceeded to increase exposure to this issue through the news media in a bid to draw the widest possible attention.

At the close of written submissions on 03rd September, 1999 over 170 submissions were received from over 17 administrative districts of this country. These submissions covered a wide cross section of views. Having considered these submissions the Committee of Inquiry (hereinafter referred to as the Committee) decided to invite over 60 members of the public whose submissions were considered to be representative of the public concern to elaborate upon their written submissions in person before the Committee. Public Hearings were held in Colombo on 05th and 06th October, in Kandy on 08th October, in Kurunegala on 18th October and in Matara on 21st October, 1999. The operators were invited to present their submissions on 03rd November, 1999 in Colombo. Accordingly the Committee considered written submissions, oral submissions and documents place before it during the course of the public hearing process.

2.0 The Committee is of the view that issues (i) through (iv) can be distinguished from issues (v) through (ix). The latter set of issues only become material contingent to a decision to implement CPP based on reasoning in respect of the former set of issues and observations thereof. Accordingly issues (i) through (iv) are considered hereof.

3.0 The Committee's views in respect of the issues (i) through (iv) given above are as follows :—

3.1 One of the primary concerns of the Commission in ordering a public hearing on the implementation of CPP was the adverse impact CPP may have on the affordability of basic telephone services for fixed access subscribers. This was further elaborated and supported in both the written and oral submissions received by the Committee. Further the fixed access subscribers are currently subject to a tariff rebalancing process whereby they are called upon to bear increased tariffs, annually, on domestic services. This has raised affordability concerns and forced the Commission to order a tariff revision for Sri Lanka Telecom Limited in 1999 which froze tariffs for low and medium user residential subscribers who constitute a majority of the fixed access subscribers. These categories of subscribers are likely to be the worst affected by an increase in charges of calls made to mobile users.

3.2 The government is committed to encouraging the expeditious roll out of the fixed access networks to the rural areas to facilitate the provision of access to telecommunications to all its people. This is enshrined in its National Policy on Telecommunications. The Committee notes that despite the rapid expansion of the fixed access networks a majority of fixed access telephones are concentrated in the Western Province. The Committee is concerned that CPP will confound in particular affordability concerns of fixed access subscribers in rural areas leading to a dampening demand for basic telecommunications services particularly in such areas. Such dampened demand could deter roll out of fixed access services in rural areas thus inhibiting government policy.

3.3 The Committee is persuaded that implementation of the CPP system under the present circumstances will lead to the confounding of the affordability concerns of the fixed access subscribers.

3.4 The identifying access digits (code) for the cellular networks are similar to those of the fixed wireless networks. Hence even at present most subscribers are confused. This is likely to have a further negative effect if the fixed wireline subscribers are confused through mistaken identity into believing that calls to fixed wireless networks will also cost significantly more in a CPP regime. In view of such circumstances it is imperative that the new 8 - digit closed numbering plan be implemented prior to considering the more to CPP. This numbering plan clearly identifies the cellular networks from the fixed wireline and wireless networks.

3.5 If implemented CPP is very likely to result in relatively high value calls. In the absence of itemization of such calls there is likely to be a significant rise in billing disputes. The Committee notes that the order made by a previous Committee on improvement of subscriber bills and resolution of billing related disputes has not yet been implemented. The Committee is of the view that this is an imperative prerequisite for the successful implementation of CPP.

4.0 In addition to the issues addressed above the Committee makes in the following observations :-

- 4.1 The Committee notes that the government had not made any commitment to CPP at the time of licensing each of the cellular operators. Further each of the cellular operators invested in Sri Lanka on the basis of unsolicited bids and relatively low license and frequency fees. The traffic flows between fixed access and cellular networks is not significantly out of balance as was the case in most other countries which have changed over from MPP to CPP. The cellular subscriber base has been growing at a rapid pace during the last few years. These contrast with conditions in most countries which opted for transition to CPP. The Committee also notes that according to International Telecommunications Union (ITU) statistics provided by the cellular operators that countries operating in MPP environment have achieved high mobile penetration. In view of the above and differing economic conditions the Committee is not persuaded that international examples quoted are entirely relevant.
- 4.2 The Committee notes that the MPP environment has not hindered vigorous competition amongst the cellular operators. Such competition has led to rapidly declining and innovative tariffs. Some members of the public drew the Committee's attention to the effect of such innovative tariffs on incoming traffic to cellular telephones. These tariffs varies from free airtime for the first few minutes to a flat rate irrespective of duration, and free off - peak incoming calls. Hence there has been a defacto shift towards CPP. The submission by the cellular operators that their tariffs are amongst those at the lower end globally is essentially due to their reaction to competition. The Committee notes that tariffs are proposed by the operators and are not unilaterally determined by the Commission. The Committee recalls that the cellular operators were not able to submit to the Committee acceptable cost data with regard to their networks. The Committee notes that internationally with advances in technology and the resultant automation, cost of installation and operation of telecommunications networks are declining in terms of cost per line. Further two fixed wireless operators operate on relatively lower tariffs whilst it is operationally running a similar wireless network to that of the cellular operators. Labour productivity in terms of subscribers per employee is many times higher for mobile operators than for fixed line operators. Telecommunications entails relatively large capital investments and relatively long payback periods. The cellular sector in Sri Lanka is about a decade old with three of the operators being operational for 5 to 7 years. The Committee notes that at least two of the cellular operators have generated profits. Hence the Committee is not persuaded that the lack of CPP has caused such losses.
- 4.3 The Committee notes that as much as a fixed access subscriber has the option of calling or not calling a cellular subscriber. The cellular subscriber has the option of either receiving or not receiving (by turning the telephone off) the call. This facility is not available to the fixed access subscriber. Also the cellular number are not publicly available unlike the fixed access telephone numbers. Whilst some subscribers use the cellular telephone as their only telephone the majority of the cellular subscribers have opted to be so to take advantage of being contactable whilst being mobile. Even when the cellular is out of range by choice (ie turning off) or due to lack of signal the call completion rate could be increased through the voice mail facility. The fact that mobility is sought from cellular telephones is further evidenced by the significant waiting list figures in the Greater Colombo area even today despite the wide spread availability of cellular telephones. Hence majority of the cellular users benefit from mobility which is an additional service element for which they incur a justifiable price premium. The mobile user was aware of this price premium when he/she joined the network.

5.0 Decision of the Committee

The Committee issues the following decisions as provided for under Section 12 of the Act :-

- 5.1 The Committee recommends to the Commission that the implementation of the CPP system by the Commission be deferred until the completion of the tariff rebalancing process for the fixed access subscribers of SLTL. This process is presently scheduled for completion by September 2002.
- 5.2 The Committee recommends to the Commission that a formal process be initiated after the completion of the tariff rebalancing process to decide on the implementation of the CPP system and determine the terms and conditions thereof subject to cellular operators submitting cost data for their networks on the basis of efficient operations.

- 5.3 The Committee recommends to the Commission that steps be initiated towards ensuring the full implementation of itemised billing in accordance with order issued by the Committee of Inquiry for the public hearing on improvement of subscriber bills and resolution of billing related disputes, prior to the formal process indicated in 5.2 above.
- 5.4 The Committee recommends to the Commission that steps be initiated towards ensuring the full implementation of the proposed new 8 – digit closed numbering plan, prior to the formal process indicated in 5.2 above.
- 6.0 The Committee is of the view that the reasons adduced in 3.1 to 3.5 above, warrant the retention of the status quo for the present, through the postponement of the implementation of CPP. Hence reasoning in respect of the latter set of issues and observation thereof considered during the public hearing process are not necessary to be listed hereof.

PALITHA SILVA GUNAWARDENA,
Chairman,
Committee of Inquiry.

RADLEY CLAUDE RANJIT DISSANAYAKE,
Member,
Committee of Inquiry.

RUWANI SAUMYA DE SILVA,
Member,
Committee of Inquiry.

07th February, 2000.

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