

Draft Submission to WSIS

Usage Based Charges - QoS and Affordability

In several countries of the region, the charges for telecom services – in particular local calls and internet services are usage based. Under such charging scheme, end user will be charged based on the total duration required for transmission of information. Thus, the cost of a voice call/internet session to the end user is significantly influenced by the end to end QoS.

The error free transmission of information is influenced by the end to end QoS offered by the transmission path of the logical connections. The technological feasibility will thus be a concern. The increase in the actual duration/volume required by any user to transact a given quantum of information results in the degradation of quality of service will be degraded with. For instance, a poor quality line or VoIP call will require repetition or retransmission of the information. This would cost the user very much than that. The repeated transmissions in the case of internet based services worsen packet losses and latency of the connection. Such significant technological problem leads to more pronounced increase in the cost. The cost to the user of a given service thus tends to increase with decrease of QoS.

This practice rewards services of poor quality with high revenues to the service provider, i.e. the lower the quality, the higher is the revenue. Evidence shows that these lucrative revenues are deterring operators/service providers to improve the quality of services commensurate with expectations of the end user.

The regulators should therefore define and enforce compliance of minimal requirements of end to end QoS applicable by types of services which are levied usage based tariffs, in particular those served by the internet. Involving the participation of the end user in the process of enforcement is of paramount importance.

Tariff Rebalancing – Raising Tariffs

Raising tariff for telecom service currently and in the past is and has been inmost instance justified by the claim to rebalance tariff to compensate for loss of revenue from termination of incoming calls. The outcome of tariff rebalance, though not articulated, is to sustain the per line revenue. This practice ignores the pace of

decline of per line asset value of the network, the per line operating cost and above all the increasing per line diurnal usage. The improvements in per minute cost resulting from these gains mentioned above often outweighs the loss of revenues from international terminations.

This practice is continuing to yield very high return on capital typically reported to be of 20% order of magnitude – in some instances, exceeding 30% - whereas, the internationally accepted norm is 12-15%. The return on capital was one of the issues raised by the representatives of the Regional Consumer Society at the Global Regulator Symposium (GRS) convened in Dec 02 in Hong Kong China, but Symposium could not respond specifically to issues focused by the question. These factors should be hence considered in future tariff revision and to enable their accountability in tariff determinations, the per line diurnal usage and the per minute revenue earned by operators should be declared recognized indicators to evaluate performance of operators.

Trend of Convergence and New Service – SMS

Convergence of technology creates many opportunities in the provision of user friendly and affordable new services. One such service that is gaining recognition at an accelerated pace is SMS. Regional cellular statistics reports that SMS sent in 2002 was 366 billion and these messages sent in 4Q 2002 was 95 billion. Despite this phenomenal growth, consumers are not guaranteed delivery of SMS which is charged on a per message basis. This issue was raised by the representatives of the Regional Consumer Meeting at the GRS convened in Hong Kong. The GRS did note the concerns of the consumer. A paper on “Overcoming global barriers in messaging” by “David Lennon” published in Asian Communication May 2002 issue, focuses several critical short comings that need to be addressed to assure delivery of SMS. These need to be addressed by the regulator and additionally it is essential to stipulate regulations on mandatory acknowledgment of SMS delivery as per SLA and preventing levy of charges for deliveries not conforming to requirements of the SLA.

The regulator needs to address these issues in consultation with the end user.