



Cellular Operators Association of India

RSM/COAI/113
8th June 2012

The Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Old Minto Road,
New Delhi 110002

Subject: COAI Response to TRAI Consultation Paper on Review of the Telecommunication Interconnection (Port Charges)

Dear Sir,

This is with reference to the Authority's Consultation Paper on Review of the Telecommunication Interconnection (Port Charges).

In this regard, please find enclosed COAI's submission to the said Consultation Paper as **Annexure – 1**.

We hope that our submission will merit your kind consideration.

A handwritten signature in black ink, reading 'Rajan S. Mathews', is positioned above the typed name.

Rajan S. Mathews
Director General

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COAI Response to the TRAI Consultation Paper on Review of the Telecommunication Interconnection (Port Charges)

The port charges were last revised in 2007, and in the last five years the industry has witnessed a number of changes including increased penetration and coverage of services, drop in call tariffs, increased call volumes and better and more efficient equipment. Thus the new market dynamic requires the port charges to be adjusted accordingly to reflect the present market reality. COAI has been requesting this review/ downward revision of port charges in the past; hence we welcome the Authority's initiative to review the port charges.

In its consultation paper the Authority has posed the following question to the stakeholders:

Question: The stakeholders are requested to send their comments on the cost data and costing methodology used for estimating the port charges in this consultation paper. The stakeholders may also send their comments on the period for which these charges should remain operative.

In the consultation paper, TRAI has proposed the following ceiling for the port charges:

Sr. No.	Type of Switch	Port Charges (Ceiling of INR. Per Port)
1.	MSC	4,000
2.	Tandem/ TAX Exchange	10,000

In this regard we would like to submit the following:

1. Differential charging for MSC and Tandem/TAX Exchange

- a. Historically there has been a common port charge for both MSC and Tandem/ TAX Exchange
- b. The Authority, in its consultation paper, has not given any justification/explanation for considering different CAPEX for these two switches, though it is a shift from the past precedence of a uniform ceiling on port charges for both MSC and Tandem/ TAX Exchange
- c. We are of the view that prescribing different ceilings for MSC and Tandem/ TAX Exchange switch is discriminatory as it will lead to higher payment to BSNL/MTNL and lower payment to other operators for the same equipment.
- d. We would like to highlight that the **UASL license permits the use of the a single switch for providing most licensed services** (such as Fixed, NLD, ILD etc.); thus the

operators typically **DO NOT deploy additional switches in their networks** in order to save on the capital costs.

2. Using highest listed CAPEX for Determining Charges

- a. The Authority has used the highest submitted CAPEX number for calculation of port charges.
- b. However we believe that the lower CAPEX is a more appropriate number/parameter to be used and the lower numbers should be treated as a benchmark.
- c. In light of the above, using TRAI methodology and data, COAI has worked out the following uniform port charge for both MSC and Tandem/TAX Exchange switches:

Item	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
CAPEX cost of an E1 port (Rs.) = Gross Block	17,996									
Depreciation @ 10% per annum based on straight line method of depreciation (Rs.) = 10% of Gross Block	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Reasonable Return (Pre-tax weighted average cost of capital) @15% on Net Block (Rs.)	2,699	2,429	2,160	1,890	1,620	1,350	1,080	810	540	270
CAPEX Recovery (Rs.)= Depreciation + Reasonable Return	4,499	4,229	3,959	3,689	3,419	3,149	2,879	2,609	2,339	2,070
Overhead @10% on CAPEX Recovery (Rs.) =10% of CAPEX Recovery	450	423	396	369	342	315	288	261	234	207
Cost per E1 (Rs.) = CAPEX Recovery + Overhead	4,949	4,652	4,355	4,058	3,761	3,464	3,167	2,870	2,573	2,276
Average annual cost (averaged over ten years) (Rs.)	3,613									

In light of the above, COAI would like to submit that the ceiling for port charges should be fixed at a uniform rate of INR 3,613 per year for both MSC and Tandem/TAX Exchange. Given the dynamic nature of the telecom industry, TRAI may like to review the port charges after a period of two years

3. **New Generation Networks:** It should be noted that the industry is moving towards NGN, and as an act of preparing themselves for this packet based network, they have embarked on establishing IPTAXs. Even BSNL and MTNL have started deployment of IPTAXs for all Level 1 and Level 2 exchanges and this aspect should also be kept in mind by the Authority.

4. **Port charges to be borne by Seeker for initial two years:** We would further like to submit that for the first two years of establishment of the connectivity:
 - a. The provision and augmentation of transmission links (including terminating equipment) interconnecting seeker's network with interconnection provider network at the POI's, **should be the responsibility of interconnection seeker and at the cost of interconnection seeker.** This shall include charges for port, set up cost, lease lines, radio links, end links.
 - b. For any new POI or future augmentation in the existing POI after the initial period of two years, the cost should be borne by both the parties.
5. **Review after every two years:** The port charges should be reviewed after every two years.
