

Bharti Airtel’s Counter Response to TRAI’s Consultation Paper on Access facilitation charges and Co-location charges at CLS.

Pursuant to the Consultation paper on “Access facilitation charges and Co-location charges at CLS”, Bharti Airtel submitted its comments to TRAI on 20-04-2012, post that TRAI has published the comments received from all the stakeholders. In reference to the comments made by various stakeholders, our submissions are as under:

1. AFC charges are 45-50% of the IPLC charges (Reliance, Idea, BSNL submission):

In this regard, we totally disagree with the stakeholders’ claim of high RIO charges and would like to quote some of the recently concluded IPLC deals wherein the RIO charges are approx. 5-13% (max) of the total charges

Sr. No.	Type	Capacity	Destination	Monthly recurring charges	RIO as a %age of total price
1	RIO* on	STM-1	India to London	13000 USD	5-6%
2	Lease	STM-16	India to Singapore	90000 USD	13%
3	RIO* on	STM-1	India to London	13000 USD	3-4%
4	IRU	STM-16	India to Singapore	90000 USD	8-9%

* Including O&M charges.

2. Cost reimbursed by consortium should be excluded while determining AFC and CLC

The cost of network elements or other elements, which are not involved in providing the service at CLS, should be ignored. For e.g. with 10G interface and above the connections can be delivered with fiber optic cross connects within the CLS facility or short distances. Therefore other equipment like cross connect, Multiplexers should not be part of AFC..... (Reliance, ACTO, IDEA Submission)

We have already submitted in our response to the Consultation Paper the key elements of CAPEX & OPEX that should be considered while determining the access facilitation charges/collocations charges. It is submitted that network elements that are not provided by the consortium but are necessary to provide international levels of service should be considered while computing the RIO charges.

3. **Pre-Tax WACC:**

Pre-tax WACC of 13-15% may be used for determining AFC and CLC... (Reliance Submission)

The present WACC for operators is in the range of 15-20% (In Rs term) however, we suggest a WACC of at least 20% because:

- With hardening of interest rates in recent past and rising inflationary pressures, we expect the WACC to go up significantly in the next 3 years.
- Cost in USD and other value increase/ decrease in rupee value at 10% in recent times.

4. **AFC and O & M charges cannot be linearly applied at all as the incremental costs for higher capacities are very low..... (Idea, ACTO, BSNL)**

We have submitted in our response to the consultation paper that the overall cost for providing the required access is spread/distributed across the overall capacity utilized through a CLS. Any uniform charge independent of capacity tends to subsidize the operator requiring larger capacities, at the cost of the operators requiring smaller capacities.

We therefore propose that Access Facilitation charges and O&M charges should be dependent on capacity (i.e. STM-1, STM-4 or STM-16) activated and linearly proportionate to the capacity for the sake of simplicity. However, the CLS owner shall be allowed to provide discounts on higher capacities.