ASSOCHAM Response to TRAI Consultation Paper on Review Interconnection Usage Charges (IUC)

Q1: In view of the recent technological developments in the telecommunication services sector, which of the following approaches is appropriate for prescribing domestic termination charge (viz. mobile termination charge and fixed termination charge) for maximization of consumer welfare (i.e. adequate choice, affordable tariff and good quality of service), adoption of more efficient technologies and overall growth of the telecommunication services sector in the country?

(i) Cost oriented or cost based termination charges; or

(ii) Bill and Keep (BAK)?

Please provide justification in support of your response.

We are not aware that any telecom regulator has changed its wholesale charging approach because of any technological developments in the telecommunication services sector; rather the technological developments get incorporated into the costing model of IUC by the respective regulator. Therefore, we believe that under the present charging regime i.e. Calling Party Pays (CPP), only cost oriented or cost based approach can be implemented.

It is therefore submitted that domestic termination charges should be determined on cost based and work done principle.

Q2: In case your response to the Q1 is 'Cost oriented or cost based termination charges', which of the following methods is appropriate for estimating mobile termination cost?

(i) LRIC+

(ii) LRIC

(iii) Pure LRIC

(iv)Any other method (please specify)

Please provide justification in support of your response.

Under the present competitive environment in the industry, we believe that the adoption of **an Accounting Separation Reports (ASR) based FAC model** would be most appropriate approach which may also considered the future cost of spectrum paid by the operators, for the determination of the termination charge.

We further note that TRAI has not used LRIC or its variants for any other telecom pricing of other network services/ products i.e. IPLC (half Circuits). Port Charges, Cable Landing Station (CLS) Access Charges and ILD Calling Card Access Charges etc.; therefore, we strongly recommend for similarity in the costing approach for termination charges.

Adoption of LRIC method for calculation of termination rates is not the right methodology under current market mix of operators. There is huge imbalance of traffic between the operators and their investments in network. However, if TRAI believes that there is a need to change in the costing approach from FAC to LRIC then we suggest that TRAI should discuss the model and agree with the assumptions in a transparent manner with all the stakeholders.

Q3: In view of the fact that the estimates of mobile termination cost using LRIC method and LRIC+ method yielded nearly the same results in year 2011 (as filed in the Hon'ble Supreme Court on 29.10.2011) and in year 2015 (as estimated for the Telecommunication Interconnection Usage Charges (Eleventh Amendment)Regulations, 2015 dated 23.02.2016), would it be appropriate to put to use the estimates of mobile termination cost arrived in the exercises of year 2011 and year2015 in the present exercise?

And

Q4: If your response to the Q3 is in the negative, whether there is a requirement of running the various LRIC methods afresh using the information on subscriber, usage and network

Since costing models (2011 and 2014) are not available in public domain, therefore, we are not in position to offer our comments.

However, we note that cost structure of the industry has changed substantially due to auction of spectrum, increase in network cost, change in customer behaviors and change in business models etc., therefore, the same cost or cost models cannot be considered for present termination exercise.

In view of above observations, it may be concluded that the previous both models cannot be used for present domestic termination exercise.

Q5: In what manner, the prescription of fixed termination charge as well as the mobile termination charge from wire-line networks as 'zero' through the Telecommunication Interconnection Usage Charges (Eleventh Amendment) Regulations, 2015 is likely to impact the growth of the Indian telecommunication services sector as a whole? Please support your viewpoint with justifications.

It is submitted that the prescription of fixed termination charge (FTC) should be cost based and work dome approach. We have not observed any growth in the wire line segment due to ZERO termination charge. In fact, it is against the TRAI's own costing approach and regulation i.e. The Telecommunication Interconnection (Charges and Revenue Sharing) Regulation 2001.

It is important to mention that we have not come across the world that any ITU member state has prescribed 'ZERO Termination Rate' for calls to/from fixed line network whereas in the case of mobile-to-mobile network there is a termination rate under CPP regime. Therefore, we suggest that both termination rates (Fixed Termination Rate and Mobile termination rates) should be cost based and work done approach.

Q6: Whether termination charges between different networks (e.g. fixed-line network and wireless network) should be symmetric?

It is submitted that Termination charges should be determined on cost based and work done principle. We believe that the termination charges should be the same for substitutable services.

Q7: Which approach should be used for prescribing International Termination Charge in the country? Should it be kept uniform for all terminating networks?

There is a huge imbalance between the no. of incoming international calls to no. of outgoing international calls, with a ratio of 20:1. This is more attributable to low termination cost in India compared with other countries. This skewed ratio is unjust with the Indian customers, which in turn are subsidizing foreign customers.

Furtehr, we are of the view that the ILD termination charge should be on uniform for all terminating networks in India and it will avoid any kind of potential disputes because of the types of networks i.e. Wireless, Wireline and Internet etc.

It is therefore requested, that the International termination rates should be reciprocatory with the country and hence the current 53 paisa should be increased to Rs. 3 -3.5 in a phased manner

Q8: Whether, in your opinion, in the present regulatory regime in the country, the standalone ILDOs are not able to provide effective competition owing to the presence of integrated service providers (having both ILDO and access service licenses) and, therefore, there are apprehensions regarding sustainability of the stand-alone ILDOs in the long-run?

And

Q9: If your response to the Q8 is in the affirmative, which of the following approach should be used as a counter-measure?

(i) Prescription of revenue share between Indian ILDO and access provider in the International Termination Charge; or

(ii) Prescription of a floor for international settlement rate (levied by ILDO upon the foreign carrier) for international incoming calls; or

(iii) Any other approach (please specify)

Please provide justification in support of your response.

We note that TRAI has not provided any kind of market/regulatory analysis which may demonstrate that the standalone ILDOs are facing regulatory challenges /disadvantages because of the present regulatory regime in the country. Therefore, we are of the opinion that there is no apprehension regarding sustainability of the stand-alone ILDOs in the long run.

We do not suggest any regulatory intervention for revenue share between access provider and ILDOs in view of high competition in both the categories and thus it best be left to be decided by market forces on mutual agreement basis.

Q10: Is there any other relevant issue which should be considered in the present consultation on the review of Interconnection Usage Charges?

We note that the timing of present review is in violation of IUC Regulations, 2015[1]. We note that in 2015 IUC regulations , TRAI has very clearly decided that it shall review the termination charges regime two years after it has been in force , the relevant portion is reproduced below for ready reference

"The Authority is of the view that setting a specific timeline for undertaking such a review would impart a modicum of certainty which is in the interest of all stakeholders. ***Hence, the Authority has decided that it shall review the termination charges regime two years after it has been in force, i.e., the review will be undertaken and concluded in financial year 2017-18.****" (Emphasis added)*

In view of the above IUC notification we believe that the present IUC review can be started only during the financial year 2017-18, therefore, this review should be postponed till 31st March 2017.

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[1] Para 88 of IUC Regulations, 2015 (1 of 2015) dated 23rd Feb 2015.