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To,

Advisor (Broadband and Policy Analysis), TRAI
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
(Old Minto Road), New Delhi-110002

Kind attention: Shri Arvind Kumar, Advisor (Broadband and Policy Analysis)

No. Regln/1-4/2011-13/ 1853

Dated 23-09-2016

Sir,

Sub:- TRAI's Consultation Paper on Review of Interconnection Usage Charges

Kindly refer to the TRAI Consultation paper No.17/2016 dated 05-08-2016 on Review of Interconnection Usage Charges. The point wise comments of BSNL are as follows.

Q. 1: 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.

BSNL Reply: Cost based termination charge is the best way to factor the cost of service in the tariff.

Q.2: 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

BSNL Reply: LRIC+, because LRIC+ model not only allows recovery of direct costs of providing the termination service but also a reasonable portion of the common costs is allocated to the termination service. However, BSNL is always in favor of extending benefits to subscribers, and hence IUC for wireline to wireless and wireline to wireline as "Zero" paise should be continued.

Q.3: 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 year 2015 in the present exercise?

BSNL Reply: Yes

Q.4: 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 cost for F.Y. 2015-16 for estimation of mobile termination cost?

BSNL Reply: Not Applicable in view of reply of question no.3

Q.5: 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.

BSNL Reply: It is impacting in positive manner mostly. Wireline is a labour & capital oriented industry. Wireline Network has a technical disadvantage over other Mobile Network. As part of social obligation, wireline technology should be promoted. Even in other countries of the world, wireline network is again getting popularity and customers are shifting from mobile to wireline for data access.

As per the Present IUC regime, the following termination charges are in force:

S. No.	Type of Call	Termination Charge (per minute)
1	Wireline to Wireless	Zero paise
2	Wireless to Wireline	Zero paise
3	Wireline to Wireline	Zero paise
4	Wireless to Wireless	0.14 paise
5	Incoming International Calls	0.53 paise

BSNL is of the view that the prevailing Termination charge as zero paise for all national calls originating/ terminating in wireline network is having a positive impact by way of arresting disconnection of wireline connections and generating demand of wireline connections. BSNL has been amongst the first ones to pass on the benefits of reduced termination charges to wireline customers. BSNL has schemes offering free calling to its wireline customers presently in night hours and on Sundays.

BSNL has observed that even as some other access service providers are providing wireline services, their area of operation is limited to lucrative metros, big cities and commercially viable areas whereas small towns, rural areas, remote areas and all other commercially unviable areas are being taken care of by BSNL.

Though BSNL is passing the benefits of zero IUC to its wireline customers; yet BSNL has to incur huge expenditure on administrative, operative, manpower and maintenance costs of such network. In this regard, BSNL shall request the Authority for providing financial compensation by way of USO Fund etc to BSNL for its wireline services – in all such areas where it is the sole/ having more than 50 % of the total wireline customer base. BSNL shall need the support to withstand the continually rising expenditure involved for providing wireline services in these areas.

Unlike private TSPs, BSNL has social obligations and it is a Government PSU guided by Government policies irrespective of profit or loss.

Q.6: Whether termination charges between different networks (e.g. fixed-line network and wireless network) should be symmetric?

BSNL Reply: No. In addition to the financial compensation that BSNL seeks at para 5 above for its wireline customers in small towns, rural areas, remote areas and all other commercially unviable areas as well as social obligations; in order to have level playing between wireless and wireline networks, BSNL proposes that the Termination charges should be asymmetric on wireline and wireless network to compensate for the non-symmetric expenditure incurred for administrative, operative, manpower and maintenance costs. Accordingly, the following IUC termination charges

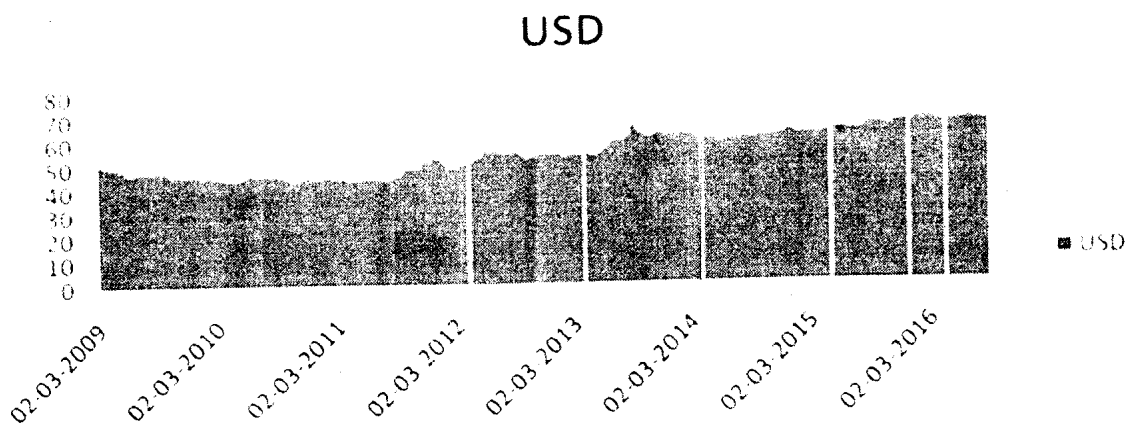
are proposed (keeping TRAI's current 0.14 paise IUC Termination Charge for calls between wireless to wireless as the base)

S. No.	Type of Call	Termination Charge (per minute)
1	Wireline to Wireless	Zero paise
2	Wireline to Wireline	Zero paise
3	Wireless to Wireline	0.14 paise
4	Wireless to Wireless	0.14 paise
5	Incoming International Calls on Wireless N/W	0.53 paise
6	Incoming International Calls on Wireline N/W	0.67 paise

Q.7: Which approach should be used for prescribing International Termination Charge in the country? Should it be kept uniform for all terminating networks?

BSNL Reply: The prevalent termination charge for international incoming calls is Rs 0.53 per minute while the termination charge is Rs 0.14 per minute for domestic calls. In the consultation paper TRAI has cited that *"during various discussions, TSPs have submitted that the international termination charge for international calls fixed by the Authority puts the Indian access providers in a hugely disadvantageous situation vis-à-vis Foreign Service operators, as termination charges in some other countries are 8 to 10 times higher than International termination charges in India. On the other hand, some TSPs are of the view that there is a no extra cost involved in terminating the international call, and, therefore, termination charges for domestic and international calls should be same."*

TRAI had fixed International Termination Charge Rs 0.40 in March 2009 and same was revised in March 2015 to Rs 0.53. The dollar exchange rate variation from 2009 to 2016 is Rs 44 to Rs 67. Dollar variation details as available on RBI website are as follows:



BSNL is of the opinion that the termination charges in some other countries are 8 to 10 times higher than International termination charges applicable in India. Moreover, Indian ILDO's pay the settlement charges in USD to Foreign Carriers for settlement of traffic Accounts. Hence the Incoming termination rate which has been fixed to be Rs 0.53 may be fixed in terms of US Cents as 1 Cents/Min which will give relief regarding FOREX variation in deciding the Incoming IUC. However settlements among Indian ILDO's will be in Indian Rupee only.

In view of above, BSNL suggests that we may modify the prevalent termination charges for International Incoming Calls. It may be fixed as Rs 0.53 per minute for termination on wireless network and increased to Rs 0.67 per minute for termination on wireline network.

Q.8: 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?

BSNL Reply: With regard to TRAI concern regarding sustainability of the stand-alone ILDOs in presence of integrated service providers (having both ILDO and access service licenses) it is submitted that in completing a call, the TSPs belong to two separate legal-cum-geographical jurisdictions. In effect, for an outgoing call the domestic access service provider is a price-taker; it cannot materially affect the international settlement rate/ international termination charge set by the foreign carrier. Similarly, for an incoming call, the foreign access provider has to be a price-taker; the international settlement rate/ international termination charge to be paid to the Indian access provider is decided domestically.

Standalone ILDO.s aggregate the ILD traffic from world-wide to India and hand over to Access Service Licensee of their choice to keep their profit margin intact. Further, this causes termination rate variation in India. As Investment by Standalone ILDO being small, cannot be compared with access-service licensees as it is mandatory for Access Service Licensee to keep the service interest of its customer and their business is oriented towards its customers. Hence TRAI's apprehensions regarding sustainability of the stand-alone ILDOs in the long-run is immaterial to Access Service Licensee.

As on date there are more no's of ILD Licensee than Access Service Providers – which substantiates that the issue of standalone ILDOs not able to sustain is unfounded and without any base. Moreover an ILDO earning is much more from Foreign TSPs at international rates for incoming ISD calls, and for outgoing calls, from NLDOs through which an access service provider routes for its outgoing ISD calls for further carriage by the ILDO to Foreign countries.

Q.9: 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.

BSNL Reply: Not Applicable in view of reply of question no.8.

Q.10: Is there any other relevant issue which should be considered in the present consultation on the review of Interconnection Usage Charges?

BSNL Reply: Additional IUC Issues which needs consideration of TRAI:

- (a) Interconnection Charges as Fixed Charges
- (b) Carriage Charges
- (c) Transit Charges
- (d) IUC for Video Calls/ MMS

Interconnection Charges as Fixed Charges: Service Tax is applicable and payable to the Government for various IUC and interconnection charges paid by one TSP to other TSP. Having flexible charges shall always cause direct loss to the Government in all the ways.

Moreover, as TRAI itself puts it - *the service provider needs to be fairly compensated for its investments and operational expenses through appropriate components of IUC.* – Hence, interconnection charges defined by TRAI cannot be a basis for earning business and revenue by the TSP.

If TRAI prescribes flexible IUC charges, those TSPs who have low expenditure takes away the business and earns profit while TSPs actually having higher expenses lose out in business and revenue, in additions to causing loss to Government as noted above.

Hence, instead of having flexible (ceiling/ floor) charges, we need to have fixed charges for all such charges, which are being defined by TRAI.

Carriage Charges: Over the years, the Authority has lowered the Carriage Charges – the last one vide TRAI 12th Amendment, where the carriage charge Ceiling was lowered to 0.35 p from the earlier 0.65 p

Here it may also be noted that even though all major Telecom Operators have Access Service as well as NLD License, however, most of these have not taken interconnectivity with BSNL at SDCAs level. Rather theirs NLD Licenses are meant for their own use as commercially viable and profitable to them. BSNL still has to carry their calls for termination into its Wireline networks located in Small Cities, towns, rural areas and remote Areas, which entails great investment by BSNL – manpower, as well as operational and administrative expenses.

Hence BSNL requests for increase in carriage charge, both at L-II location and at L-1 location and re-introduction of distance based Carriage Charges – fixed, as existed in the TRAI 2003 IUC Regulation, i.e.

(Amount in Rupees per minute)

Carriage charges per minute for Long Distance calls within India	Distance slab			
	Below 50 Kms	50 – 200 Kms	200 –500 Kms	Above 500 Kms
	0.20	0.65	0.90	1.10

Transit Charges: TRAI Regulations provides for provider (existing TSP) and seeker (new TSP) amongst all service providers. A TSP is a seeker who is granted license subsequently and who launches services at a later date than the existing TSPs. And the same TSP is a provider to other TSPs who have been granted license and who launched services at a later date. Transit facility must be allowed by a provider TSP only, between its seeker TSPs, and that too only through a GMSC/Transit/ TAX Switch.

A new Access Service TSP should be encouraged to have direct connectivity with other existing access service TSPs in the LSA. And for the same, transit charge must be increased, so that direct interconnectivity is ensured at the earliest. The present cap of transit charge at 15p must be increased and fixed to 35p which is at par with the present applicable max carriage charge.

IUC for MMS: Even as TRAI has defined SMS termination charges; however, TRAI has not defined IUC for MMS termination.

The Authority is kindly requested to define IUC for MMS termination also

IUC for Video Calls: With the advent of 3G in GSM Network, a new type of inter-network call was introduced – i.e. Video Call. However, TRAI has not defined IUC for such calls. The Authority is kindly requested to define IUC for Video Calls.

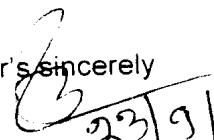
Incoming International and Roaming Calls: This issue has been raised by BSNL in past and the Authority is aware of this matter. It is not possible for a terminating network to know the location of origination of such calls. This often results in disputes. Hence to make it simple and easy and uniform across all TSP and Network, it is proposed that IUC billing be done as per CLI of the call.

In additions to above, it may further be acknowledged by TRAI that being a State PSU, BSNL cannot be compared with private operators.

TRAI must also acknowledge the contribution of BSNL in spread and growth of Telecom Services in India. While an established private TSP will seldom welcome a new TSP and rather put all type of obstruction, BSNL has not only welcomed private TSPs but also provided its expensive infrastructure for their spread and growth.

TRAI must also acknowledge BSNL for its contribution in keeping and maintaining low tariffs across various telecom services for reach and affordability by all segments of customers – the crux being that BSNL's prime concern is Government policy to make services available to even lowest strata of society where as a Private TSPs core concern is always revenue and profitability.

Your's sincerely


23/9/16
Raghuvir Singh
AGM (Regln-II)