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Re. Counter-Comments to Telecom Regulatory Authority of India (TRAI)'s Consultation Paper dated 8th November 2019 on "Review of Interconnection Usage Charges"

1 message

Dua Consulting <dua@duaconsulting.com>   Mon, Dec 23, 2019 at 2:47 PM
To: "sksinghal@trai.gov.in" <sksinghal@trai.gov.in>, "interconnection.trai@gmail.com" <interconnection.trai@gmail.com>
Cc: "B. K. Syngal" <syngal@duaconsulting.com>

Shri S.K. Singhal

Advisor (BB&PA)

Telecom Regulatory Authority of India

Mahanagar Door Sanchar Bhawan

J.L. Nehru Marg, (Old Minto Road)

New Delhi

Dear Shri Singhal,

This has reference to the Consultation Paper on Review of Interconnection Usage Charges (IUC) dated 8th November 2019 issued by the Regulator for incoming International Traffic. Dua Consulting is pleased to provide counter comments in support of the specific issues where some of the stakeholders have contrary views.

Briefly:

Our low IUC is harming consumer here and benefitting consumers and service providers at the other (Foreign Originating End) end,

OTT traffic is weaning away switched traffic by about 50%, is that loss in switched traffic balanced by Data Packages, and

Paranoia about grey market, rerouting traffic from lower termination charges regime. Both these issues are creation of some our own carriers as well, when they act as aggregators outside of Indian shores.

Please find enclosed our counter-comments both in Word and PDF formats.

We hope that our comments will merit the kind consideration of the Authority and will assist the Regulator in formulating its Recommendations on this issue.

With best personal regards,

B.K. Syngal

Senior Principal

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2 attachments

TRAI - Counter Comments - Review of Interconnection Usage Charges - 23 Dec. 2019.pdf
249K

TRAI - Counter Comments - Review of Interconnection Usage Charges - 23 Dec. 2019.docx
23K

Re: **Counter-Comments by Dua Consulting on the Consultation Paper dated 8th November 2019 on "Review of Interconnection Usage Charges".**

From: **Dua Consulting**
Date: **23rd December 2019**

1. **Introduction**

TRAI's consultation paper dated 8th November 2019 on "Review of Interconnection Usage Charges" ("**Consultation Paper**") provides a background on the current framework of Interconnection Usage Charges ("**IUC**") for international calls in India and the practices followed internationally.

Section 2 provides a timeline for the changes in the framework for International Termination Charge under the Interconnection Usage Charges, and Section 3 provides our key consideration points on the highlighted issues as given in the Consultation Paper.

2. **Timeline on framework for International Termination Charges**

2.1 The timeline on the framework for International Termination Charges is given below:

- The Telecommunication Interconnection Usage charges (IUC Regulations) **2003** laid down uniform termination charge of 0.30 per minute irrespective of distances in all types of calls
- Subsequently, International Long Distance ("**ILD**") Termination charges were revised to INR 0.40 per minute in **2008-09** and then to Rs 0.53 Per minute in **2015**.
- Presently, after the Interconnection Usage charges (14th Amendment) 2018, the charges have been revised to INR 0.30 Rupees per minute effective from **February 1, 2018**.
- The TRAI, while revising these charges was of the view that after a downward revision, the arbitrage opportunity between interconnection charges and domestic call tariffs would become so insignificant that illegal VOIP Gateway business in India would become unviable; in turn, the grey market for ILD incoming traffic would eventually cease to exist.
- The 2018 amendment has been challenged by various stakeholders and the matter is pending before the Bombay High court and is Sub-judice. We would say for good reasons.

2.2 The last amendment to the termination charge for international incoming calls was carried out in 2018, which brought down the termination charge for international incoming call to wireline and wireless networks to 30 paise per minute with effect from February 1, 2018. Such reduction had brought about a 43 per cent reduction in international termination charge (paid by international operators to local networks that receive calls) which had previously been charged at 53 paise a minute.

3. Key consideration points on the revision of IUC charges:

3.1 In many countries across the world, where there is significant volume of ILD traffic, the termination charges are kept under forbearance and are either fixed by their regulator, or by such TSPs themselves as per negotiations. However, since the termination charges in India are fixed at a uniform rate and are regulated, the foreign access providers have taken advantage of the situation with their comparatively higher rates and have practically become the price makers in their markets.

3.2 This argument has been substantiated by various stakeholders. Reliance Jio has shared the termination rates of foreign TSPs in UAE, Saudi Arabia, USA, UK, Nepal and Australia, The statistics reveal that in countries like US, the charges for IUC are prices at over INR 20, giving them a pure profit of over INR 19 per minute.

3.3 Another stakeholder, Vodafone Idea, shared a report of its top 4 countries with a high volume of calls to/ from India. It can be seen that Indian ILDOs are earning lower revenue per minute from Foreign Operators compared to cost per minute paid by the Indian ILDs to the Foreign Operators.

3.4 Other Telecom service providers have also suggested that the ITC has been charged at a low rate and the assumption that the reduction of ITC would result in an increase in the incoming ILD minutes could not be proved. One stakeholder (Airtel) also shared data of global ITR trends and a decline in incoming traffic by over 60 per cent in its customers from FY 2016-17 to FY 18-19.

3.5 In our opinion, the Indian markets should continue to keep a uniform rate, which could possibly reduce or eliminate re-routing of calls via low settlement rate countries, and increase the termination charges while keeping the following in mind:

(1) <u>High ratio of incoming calls to the outgoing calls</u>- As has been seen in reports shared by various TSPs, India receives more incoming calls than outgoing calls from most countries, except the Middle East.

(2) <u>Collection charge</u>- Termination charge is one of the significant costs incurred by the calling party and is paid to the TSP of the called party. An increase in termination charges may help Indian TSPs earn more revenue which may in turn reduce tariffs for outgoing international calls for Indian consumers, thereby possible reducing the imbalance. However, a low termination charge only benefits the foreign end consumer without providing any benefit to Indian end users or TSPs.

(3) Foreign Exchange fluctuation: Since settlement rates are fixed in USD, the termination charges may vary due to exchange rate fluctuations.

(4) OTT: An increased termination charge in India may also compensate for the decline in traffic by about 50 % as a result of increase in the OTT traffic and VOIP based calls.

3.6 It is important to consider the above-mentioned factors in order to create a sustainable international telecommunication market. Charging higher fixed termination charges shall ensure a simple and standardised regulation for all stakeholders, in line with the rates in the international telephony market.

3.7 Internationally, an approximate amount of $ 0.5 is paid. The current rate followed in India is INR 0.30 per minute. We suggest an increase to INR 0.60 or INR 0.70 per minute at least. By keeping the termination charges low, an attempt can be made to subsidise the applicable rates for countries outside India. Even at the present collection charges, there is enough margin for the Indian telecom market.

3.8 Our view is that it is not only necessary to introduce a scientifically developed high termination charge, but also to evolve a mechanism of fixing the data packages which provide OTT based services.

4. **Other considerations:**

Over the last two years, the ILD traffic has reduced by 8 billon minutes due to the fierce competition faced from OTT route. At 30 paise per minute the amount is a staggering Rupees 2.4 to 2.5 billion. The security concerns and loss of revenue caused due to this shift will also have to be addressed the earliest. The skew in incoming to outgoing calls has to reduce. Foreign carriers are benefitting at the cost and expense of our consumers.