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Tel.No.011-23216930

Fax:011-23235270

E-mail: [pradvfn@traf.gov.in](mailto:pradvfn@traf.gov.in)

[jafn@traf.gov.in](mailto:jafn@traf.gov.in)

Website:www.traf.gov.in

**TRAI issues Consultation paper on “Review of Interconnection Usage Charges(IUC)”**

**New Delhi, 31<sup>st</sup> December 2008** – TRAI has today issued a consultation paper on “Review of Interconnect Usage Charges (IUC). The paper explains elaborately the related information and solicits views from a wide range of stakeholders on the important issues of various charges payable by operators to one another for carriage and termination of domestic and international calls. It also seeks comments on how the new developments like 3G, WiMax, VoIP and NGN should dealt with in the context of IUC.

2. A number of factors had gone into fixing of IUC charges that are currently prevailing. It would be now necessary to consider the effects on IUC of increasing competition, growth of subscribers, reduction in tariff, total traffic and its dispersion and also the cost of providing services. A number of policy and regulatory changes have also happened since the last review of IUC that could have a bearing on one or more of these charges. Passive infrastructure sharing has brought about a change in the CAPEX/OPEX structure of the service providers. Issue of fresh licences and allocation of spectrum to new companies would see infusion of capital in the sector based on their perception of viability of operations. Competition is bringing in compulsion of handling traffic more efficiently. More and more service providers are embracing Internet Protocol (IP) networks in a bid to reduce their network CAPEX and OPEX and perhaps preparing for eventual migration to NGN. Auction of relevant spectrum and subsequent deployment of 3G services being round the corner it would necessary to understand the views of the service providers on whether both 2G and 3G voice termination should be treated similarly.

3. IUC are payable by one telecom operator to the others for use of their networks either for origination, termination or carriage of a call. Inter operator calls constitute a major part of the total calls handled by the telecommunications network. These charges are important as they can transfer network costs between operators and thus affect their relative scale and prosperity. A cost based IUC promotes competition among operators and reduces wastage of economic resources. The regulator has to ensure that the adopted methodology should not provide regulatory hurdle and there should be ease and flexibility of introduction of innovative tariff plans by service providers.

**4. The main issues for consultation are:**

- o Which of the following components of IUC should be reviewed?
  - Origination charge
  - Termination charge
  - Carriage charge
  - Transit charge
- o What should be the methodology for calculation of mobile termination charge?
- o Should fixed and mobile termination cost calculations use the same methodology?
- o Should mobile termination charge be same for all existing and new service providers and for fixed and mobile services?
- o How should the termination charge on international incoming calls be fixed?
- o What would be the effect of service providers' suggestions on tariff?
- o How would new networks and services like 3G, WiMax and NGN affect the IUC?

5. To help the stakeholders in their assessment and feedback, TRAI has provided in the Consultation Paper details of the calculation exercise for IUC with the data of the financial year 2007-08. These estimates have been carried out on the basis of costing data of different service providers using the same methodology as used in the prevailing IUC regulation dated 29<sup>th</sup> October, 2003. Estimates of these calculations are as follows:

- Mobile termination charge ranges from Rs 0.13 to Rs 0.30 per minute
- Fixed termination charge varies from Rs 0.19 to Rs 0.28 minute
- Average Carriage Charges per minute after considering the cost in respect of all NLDOs ranges from Rs 0.16 to Rs 0.72 per minute

The preliminary estimates of ranges in termination and carriage charges are only indicative as the Authority would make appropriate analysis after the methodology and various inputs going into the methodology are firmed up.

It may be recalled that at present both the mobile termination charge and fixed termination charge are Rs 0.30, carriage charge has a ceiling of Rs 0.65, Origination charge is under forbearance, transit charge is lower than Rs 0.20 subject to mutual negotiations.

6. The issue of interconnection is extremely important for both service providers and the consumers. Telecommunications users cannot communicate with each other or connect with services they demand unless necessary interconnection arrangements are in place. They need end-to-end seamless service within the country and beyond and the regulators and service providers have the joint responsibility to make this happen. Service Providers cannot realize full potential of their network without interconnection. Interconnection is therefore one of the most important issues facing regulators, incumbents and new entrants alike. Insufficient interconnection arrangements lead to inferior service and uneconomic use of resources. It imposes additional costs on business, consumers and national economies. While public interest motive for interconnection is strong, service providers may have conflicting objectives. Intervention by regulator in terms of facilitation of interconnection and determination of interconnection pricing is therefore important.

7. Establishment of IUC is therefore an activity of far reaching consequences for the telecommunications sector. It enables competition, welfare of customers and sustained growth of telecom and development of the country. It determines revenue accruals and its dispersal among networks and services and promotes their development in correct measure. The prevailing IUC regulation was notified on 29<sup>th</sup> October 2003 and came into effect from 1<sup>st</sup> February 2004. This was well accepted by the industry and has been instrumental in growth of the industry and reduction in tariff. A review was conducted through a consultation paper of 17<sup>th</sup> March 2005 and a revised IUC regime on 23<sup>rd</sup> February 2006, which has been implemented from 1<sup>st</sup> March 2006. In this regulation, the Authority decided to put a ceiling on carriage charges

8. To assess the possible impact of telecommunications growth, evolving market conditions, changes in technologies etc. on interconnect usage charges TRAI decided to carry out detailed consultations. In view of the importance of IUC to the telecommunications sector and its direct impact on service providers as well as consumers, it was decided to carry out the consultation process in two stages. A pre-consultation with the service providers and their associations as the first stage and a wider public consultation thereafter. The preconsultation was carried out during the period September 2008 to December 2008. The general pre-consultation response was in favour of reviewing all the components of the IUC. However the opinion on methodology and correct level of charges is divided. The information received from stakeholders during pre-consultation has been analyzed and used in preparing the present comprehensive consultation paper, which has been issued today to all the stakeholders for comments.

9. Full text of the Consultation Paper is available on TRAI's website ([www.trai.gov.in](http://www.trai.gov.in)). Written comments on the issues raised may please be furnished to Pr Advisor(FN), TRAI and also through email to [pradvfn@trai.gov.in](mailto:pradvfn@trai.gov.in) or [arvindtrai@gmail.com](mailto:arvindtrai@gmail.com) . The last date for sending comments is January 30<sup>th</sup>, 2009. For any further clarifications please contact Sh Lav Gupta, Pr Advisor(FN) on 011-23216930 or Sh Arvind Kumar, Jt Advisor(FN) on 011-23220209

Authorised to issue.

(Lav Gupta)  
Pr Advisor(FN)