



Interconnection TRAI <interconnection.trai@gmail.com>

Consultation Paper on Review of Interconnection Usage Charges

1 message

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Dear Sirs,

Please find my comments regarding Consultation Paper on Review of Interconnection Usage Charges.

Best Regards
Sandeep Mirakhur

 **letter to TRAI.pdf**
140K

Dear Sirs,

I write to you with reference to the consultation document released by you with respect to the implementation of Zero IUC charge with effect from 1st January 2020.

I would like to share my perspective but before that, I would also like to share the background.

Background

Indian wireless Industry implemented calling party pays and hence the IUC charges also got implemented. Earlier to that, since the incoming was chargeable, no one need any money from the other operator to terminate the call on their network.

This was done since the operator had to recover the cost of serving a call on which the terminating call operator was not making any revenue.

I do appreciate TRAI order reducing the charge for terminating the call from 14p/min to 6 p/min a few years back since the cost of terminating a call on packet switched network would be very low.

TRAI also planned to abolish this as TRAI thought that most customers would move to handsets, which could be serviced via the packet switched network and hence there was no need of any IUC and BAK could be implemented.

I have a few issues with abolishing the IUC even if all customers move to handsets and can be serviced by packet switched calls. The reasons are as follows:

1. IUC is charged on a net-off basis. This means, you pay your competitor only if your customers make higher number of seconds to your competition than your competitors customers call your customers.
2. Outgoing to incoming ratios, traditionally have always been around 50% on an overall basis irrespective of the size of the operator.
3. The outgoing ratio of high- end users is more to a low-end user for calls between them since its an affordability issue.
4. The customers of a network which only has unlimited plans, have higher outgoing calls compared to customers of networks which have unlimited and pay per minute plans
5. IUC is globally considered a deterrent to predatory pricing despite it not being serious revenue stream for operators.

I would now like to talk about the pressure tactics by JIO.

JIO, during their launch, announced that none of their customers will ever have to pay extra for making calls to any Indian number irrespective of the operator they belong. This was done at a time when IUC was still 14p/second. Were they sure that the IUC will be abolished? If not, why have they now started to charge 6p/min for off-net calls made by their customers.

I have a few questions

1. Why did Reliance JIO promise that their customers that they would never have to pay for calling any Indian number, be it on-net or off-net. They would have built in the IUC in their business model. Or did they believe that they could push the regulator to making it free.
2. Why is JIO not crediting customers @ 6p/min for incoming calls received by them from other operators.
3. If IUC is net-off clearing settlements, they do not end up paying 6p/min but pay net-off incoming calls from their competitor.
4. Why is there a misinformation campaign by JIO? They have been lying on social media as well as television.

I would like you to know that it has been globally accepted that even though IUC is considered a revenue stream but a clearing between operators for calls made or received from each other's customers, it is a deterrent for predatory pricing.

The calculations show that JIO pays out at an average of Rs.5.91 per customer per month to other operators. This is less than 5% of their revenue and a total of about Rs.200 crores a month for them. By removing the IUC charge, JIO, for sure, will further reduce the plan price for unlimited plans (Voice is unlimited) by a significant amount.

Even if they reduce this by 10%, the ARPU per user per month will go down by Rs.15. For 110 crores customer, the Telecom operators will lose Rs.1650 crores/month. About Rs.251 crores per month will be the GST loss.

Even if you do not care about Rs.1399 crores/month of loss to the telecom industry, which will result in really bad investment climate for the Telecom sector, are you sure that JIO's Rs.200/ month is worth more than Rs.251 crores a month of GST for the ex-chequer. Add to this the govt.'s share of the telecom revenues.

Why would you allow a single entity to kill the Telecom market? If done, this will be hara-kiri.

JIO has recently said that reopening of the consultations on IUC is retrograde and the extending the date is rewarding the defaulters. As per JIO, the operators whose customer still use phone that support packet switched based calls are defaulters. Are they also suggesting that subscribers who have retained or bought phone that don't support VoLTE are defaulters? How does TRAI allow such statements?

MISINFORMATION BEING SPREAD

I saw a tweet from JIO on 15th Oct 2019 wherein they shared the data (referring to TRAI reports of June 2019).

Key output from the two tables shared by JIO

1. Outgoing calls per subscriber per month are 352 minutes
2. 56.5% of the outgoing calls are to other networks
3. Total outgoing minute/subscriber/month to other networks is 200 minutes

What JIO doesn't tell.

1. The incoming calls from other networks will also be 200 minutes since and outgoing calls results in called subscriber's incoming minutes.
2. Their customers may have much higher percentage of their outgoing calls to other networks.
3. They don't tell you that they earn 6 paise/ min (Actually 0.1 paise/second) when their customers receive calls from other networks.
4. For JIO, the off-net outgoing is 64% and since incoming and outgoing are almost same, they have to pay for $64-36 = 28\%$ of outgoing calls. If Outgoing is 352 minutes, they pay the other operator for about 98 minutes, which is 2.92 paise per minute (less than Rs.6 per month per customer) and not 6 paise per minute (This is post earning for incoming calls).
5. This figure, for a base of 33 crores customer works out to less than Rs.200 crores a month. This figure is not quoted. The figure quoted by them is Rs.13,500 crores paid of last 3 years (which included the past free trial offer, when Tsunami of calls were made from their network to the competitors).
6. Rs.200 crores/ month is probably 5% of their monthly revenue. There can't be such a U-turn by such a large company to avoid 5% of its revenue. The story is larger.

Let's call the bluff

If JIO wants to charge 6p/min till TRAI makes IUC zero, why don't they

1. Credit customer 6 paise per minute for calls received by them from other operators and allow customer to use the same for making IUC applicable calls.
2. If JIO agrees to credit, will they credit 6 paise per minute based on per minute pulse (whether the call is 60 seconds or 5 seconds).
3. If JIO says yes to both, they will get some credibility.
4. If JIO say yes to crediting customer for calls received from other operators but credit only 0.1 paise per second, shouldn't they charge 0.1 paise /second for calls to other networks (Provided JIO stays on course to staying non-committal to the promise of never charging for any call by their customer to any Indian number).
5. If they stick to crediting to pay 0.1 p /second to their customers for incoming calls from other networks, why do they charge 6p/min

I would also like to bring about another point into this letter. Your consultation paper talks about reducing imbalances in off-net calls.

Why is TRAI bothered by this imbalance. How does it make life difficult for a subscribers.

Let's study what this means and how it happens:

Let's assume there are two mobile operators and they have two subscriber each.

Subscriber 1 & 2 of Operator A makes 400 outgoing calls each, 150 minutes to same network subscriber (each other) and 250 minutes to Subscribers 3 & 4 of Operator B.

And

Subscriber 3 & 4 of Operator B makes 400 outgoing calls each, 250 minutes to same network subscriber (each other) and 150 minutes to Subscribers 3 & 4 of Operator B.

This means Operators A has 500 minutes of outgoing to Operator B and Operator B has 300 minutes of Outgoing to Operator A.

After netting off, the Operator A will have to pay IUC for 200 minutes to operator B.

This 200 minutes i.e. 500 of Operator A minus 300 of Operator B is the off-net traffic imbalance.

Why should it bother anyone? This, so called, off-net traffic imbalance also happens for On-Net subscribers. Some customer make more calls to other subscribers of the same network as well.

So, What's the big deals? How does balancing this help.

Why does Off-net traffic imbalance happen

If an operator's Unlimited plan monthly charges are lower, more bargain subscribers will use that operator and make outgoing calls, irrespective of which operator's subscriber they are calling.

JIO had run a 6-month free trial period, which ensured that JIO subscribers would call other operators and not vice versa. This will of course result in traffic imbalance.

I remember the years 2009, when TATA DOCOMO was launched, and it offered 1 paise per second outgoing call charges. They had huge outgoing to the other operator's subscriber. That too was off-net traffic imbalance. It was a conscious call taken by them.

Similarly, when JIO launched, they IUC was 14 paise per minute and they too would have known that. They lobbied to abolish the same and were partially successful in getting the same reduced to 6 paise per minute.

JIO had also committed to always being 20% cheaper compared to other competition. That's a strategy to play on price. Well, if that's their strategy, so be it. This is the very reason they have garnered the highest revenue share.

The only people who are worried of having higher share of outgoing to other operator are the ones lobbying for IUC to become ZERO.

But I am worried as to why is the “Inter operator off-net traffic” a concern for the regulator.

The only people who should have it at the top of their agenda are the operators who shell out money to their rivals since their subscribers make more calls to their competition’s subscribers and not the regulator.

My sincere, unsolicited advice to TRAI: You don’t just need to be impartial but also seen to be impartial.

My final recommendation:

JIO wants IUC to be made ZERO so that they can further launch their predatory plans and further dent the telecom sector, wipe off more players and then be a monopoly or at best a duopoly.

Do not abolish the interconnect usage charge. It is not a revenue stream and a deterrent for predatory. Indian telecom market will be dead if TRAI makes IUC ZERO. The consumers will suffer since operators will neither invest in new technologies, nor in customer care and India will go back by decades.

Yours sincerely

Sandeep Mirakhur