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Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg,
New Delhi-110002

Kind Attention: **Shri S.K. Singhal, Advisor (BB&PA)**
Subject: **Consultation Paper on "Review of Interconnection Usage Charges"**

Dear Sir,

This is with reference to the consultation paper issued by the Authority on 08 November 2019 on the captioned subject.

We are pleased to submit our comments and views on the Consultation paper on "Review of Interconnection Usage Charges"

We hope our submissions will merit your kind consideration.

Thanking you

Yours faithfully,
For **Vodafone Idea Limited**

P. Balaji
Chief Regulatory & Corporate Affairs Officer

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Response to the Consultation Paper on Review of Interconnection Usage Charges dated8 November 2019

Q1. Keeping in view the changes happening in the international telephony market structure, is there a need for change in the regulatory regime for International Termination Charge (ITC) i.e. change the existing regulatory regime from fixing uniform rate of ITC to an alternate approach? Kindly justify your comments with supporting arguments.

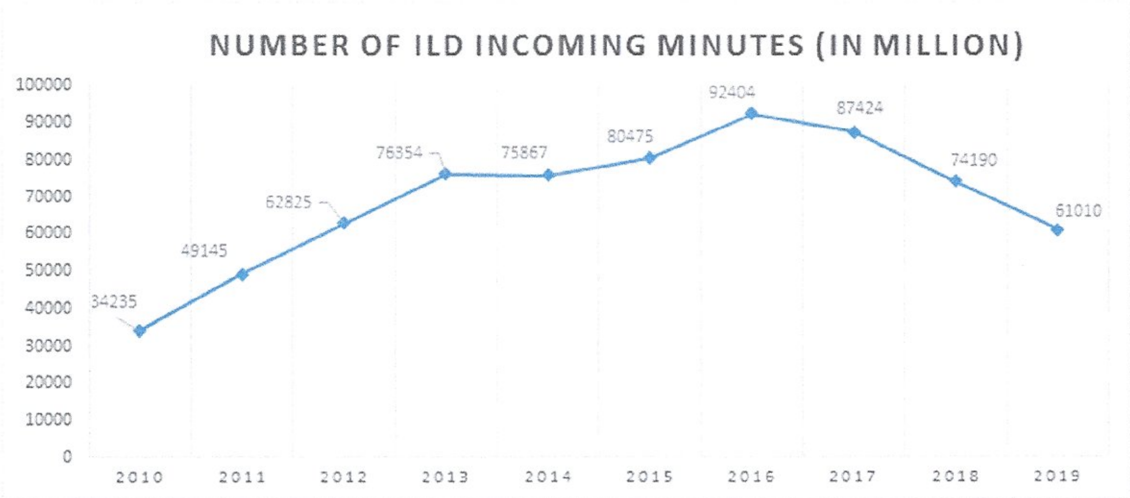
The Authority had issued Telecommunication Interconnection Usage Charges (Fourteenth Amendment) Regulations, 2018 ("Regulations") dated 12.01.2018, which reduced the International Termination Charge ("ITC") from 53p/minute to 30p/minute w-e-f 01.02.2018.

The Authority had while determining this reduced charge opined that the carrier route for international incoming traffic would witness a legitimate growth and would ensure that India continues to earn precious Forex from the International incoming voice traffic business.

However, as noted by the Authority in this Consultation, the inbound international traffic through ILD route has decreased. With reduction in rate from 53P to 30P and with further reduction in the volumes of respective traffic, the access providers have suffered an adverse revenue impact.

It is clear from the trends that 'reduction in the respective termination charge' has not achieved desired objectives of 'growth in respective inbound traffic on carrier route' and Forex from international incoming voice traffic business has gone down.

The trend of carrier inbound international traffic is as follows:



It is clear from the above table that decline in traffic has no co-relation with the corresponding termination rate in India and the decline had started even before 1.2.2018.

The uptake of data services may be a reason the traffic shifting away from carrier route to OTT route. Major chunk of traffic is from Middle East Countries (UAE, Saudi Qatar etc.) where traffic continues to be on carrier ILDO route. There may be more uptake of OTT traffic from countries like USA and UK. The grey market route, even considering that it is carrier initiated and not subscriber initiated, should be reducing since there is a shift towards OTT.

At VIL-ILDO level, we have observed corresponding reduction in International Settlement Rate (ISR) of Inbound Traffic post Jan 2018 when ITC was reduced to 30P from 53P. The revenue per minute to VIL-ILDO from foreign operators for inbound calls dipped from 56-58P before Jan 18 to 35P. Considering that the overall carrier route inbound traffic has reduced, the revenues of ILDOs have also decreased. There would be reduction in overall revenues of even those ILDOs where due to volume based slab rates there may be higher realization on per minute basis as volumes have decreased. Therefore, it is the foreign operators who have gained due to reduction in Indian ITC.

On comparison of Indian Access Providers (IAPs) with Foreign Access Providers (FAPs), it is seen that in many countries FAPs have commercially negotiated rates with International Carriers. The cost of outbound call from India to Indian ILDOs is very high and majority of which is attributable to charging by FAPs for call termination on their networks. We have attached a comparison of Cost to VIL as ILDO and corresponding Revenue to FAPs in top15 countries (which account for 95% of Outbound International Traffic from India) – Refer Table A.

Table A

Outbound Traffic from India - Foreign Access Provider (FAP) earn much higher ITR

		(actual)	(in USD)	(in USD)	(in INR)	(in INR)
S.No.	Country	Outbound minutes by VIL (ILDO)	Cost to VIL (ILDO)	CPM (Cost per min) of VIL (ILDO)	CPM (VIL as ILDO)	ITR to FAP
1	UAE	11647862	1514223	0.13	9.29	CN
2	BANGLADESH	9919759	276378	0.03	1.99	1.25
3	*USA**	*8658459*	*39344*	0.00	*0.32*	*RPP*
4	NEPAL	3783341	505720	0.13	9.55	CN
5	SAUDI ARABIA	2933637	289914	0.10	7.06	CN
6	UNITED KINGDOM	2267019	20932	0.01	0.66	0.42
7	*SINGAPORE**	*1057921*	*28506*	0.03	*1.93*	*RPP*
8	AUSTRALIA	1035886	26649	0.03	1.84	CN
9	CHINA	939102	13192	0.01	1.00	CN
10	*CANADA**	*918535*	*1727*	0.00	*0.13*	*RPP*
11	THAILAND	790790	39129	0.05	3.54	CN
12	SRI LANKA	621552	81723	0.13	9.39	4.3
13	GERMANY	598845	6727	0.01	0.80	CN
14	MALAYSIA	493511	4680	0.01	0.68	CN
15	QATAR	378368	54316	0.14	10.26	CN

CN – means Commercially Negotiated
These 15 Countries constitute 95% of Outbound Traffic
*USA, Singapore and Canada have RPP Regime where rate can be RPP+CN

In case of countries having CN rates, the revenue of FAPs will be higher, e.g. in Qatar in 2 player market it is almost 100% Foreign FAPs have higher ITRs, no leverage to Indian Access Providers to reciprocate. The FAPs have control in negotiation considering the traffic is terminating on their networks. **The consultation paper also highlights this aspect and mentions the FAPs as 'Price –makers'. Further, in the past, we have not seen any reduction in retail rates for international calls to India by FAPs due to reduction in ITC in India.**

Further, FAPs are earning many times more than Indian Access Operators for both Origination and Termination. A comparison of retail ISD standard rates in those countries vs ITC of 30 P to Indian Access Providers is shown below in Table B:

Table B:

Country	ISD Standard Retail Rate of FAP (in INR)	MTR of Indian Access Provider (in INR)
UAE	49	0.3
USA*	142	0.3
Saudi Arabia	10	0.3
UK	3	0.3
Australia	71	0.3
Canada*	3	0.3
Malaysia	41	0.3
China	4	0.3
Singapore*	92	0.3
Bangladesh	10	0.3
Qatar	19	0.3
Thailand	28	0.3

**RPP countries*

The Indian ILDOs are earning lower revenue per minute from Foreign Operators compared to Cost per minute paid by the Indian ILDOs to the Foreign Operators. Respective comparison of Cost Per Minute (For Outbound Call) and Revenue Per Minute (For Inbound Call) of VIL ILDO with respect to top 4 countries having high volume of calls to/from India is given below:

VIL (as ILDO)						
Top 4 countries with high call volume to/from India						
Country Name	in USD			in INR		
	CPM	RPM	Difference	CPM	RPM	Difference
UAE	0.127	0.0059	-0.1211	8.84	0.35	-8.49
Saudi Arabia	0.096	0.0059	-0.0901	6.68	0.35	-6.33
UK	0.036	0.0059	-0.0301	2.50	0.35	-2.15
Australia	0.023	0.0059	-0.0171	1.60	0.35	-1.25

There is corresponding adverse impact on Foreign Exchange Earning.

To summarize, the following trend is observed:

- Increasing decline in ITC Revenues
- ISR for Indian ILDO Reduced after Jan 18
- FAPs profited by ITC Reduction
- FAPs have high margins at both ends
- Loss of Foreign Exchange Earnings

We submit that carrier route traffic, though decreasing, is still substantial and with above trends being observed, it is reasonable to increase the rate of ITC which will help in meeting the prime objectives as set out in the consultations, including the one prior to the current consultation paper.

Further, with the international telephony structure shifting towards OTT some flexibility is required with Indian Access Providers to have better say in the rates. Thus, there may be a need also for shifting from fixed uniform approach to an alternate approach.

Q2. If your response to the Q1 is affirmative, then what should be the alternate approach? Kindly elucidate the alternate approach and benefits of the same vis-à-vis the present approach.

In light of submissions made in answer to Question No. 1, in our view there are following options available:

a) to increase the ITR from the current level of 30P to a fixed amount; or
b) to have forbearance regime in ITR, where Indian Access Providers can negotiate with ILDOs based on traffic volumes etc. and in this respect issue RIO; or
c) to have forbearance regime in ITR with ceiling at higher rate, where Indian Access Providers can negotiate with ILDOs based on traffic volumes etc. and in this respect issue RIO; or
d) to have forbearance within a range of ITR (lower limit too higher than current ITR rate of 30P), where Indian Access Providers can negotiate ILDOs, which will provide consistency as well as flexibility while to large extent addressing issue of non-discrimination and ensuring foreign exchange earnings to the exchequer.

We submit that in current situation, a right option will be the one which empowers Indian Access Providers to at least get Re.1.25 for ITR for calls terminating on its network while maintaining some flexibility considering OTT traffic.

Various Pros and Cons of the options of these options are tabled below:

Option	Pros	Cons
Fixed ITR	Non-discriminatory Call completion ensured through any ILDO Foreign Exchange Earnings Increase ensured	Will require continuous analysis to assess impact on traffic flows Volume wise flexibility absent
Forbearance in ITR	RIO by Access Provider of ITR with rates	Foreign Exchange Earnings increase not necessarily ensured

	Addresses changes in international telephony structure	Call completion may not be ensured due to rates
Forbearance in ITR within prescribed celling	RIO by Access Provider of ITR with rates Addresses changes in international telephony structure Call completion ensured	Foreign Exchange Earnings increase not necessarily ensured
Forbearance in ITR with in a prescribed range	RIO by Access Provider of ITR for non-discrimination Addresses changes in international telephony structure Call completion ensured Foreign Exchange Earnings Increase ensured	

Thus, fixed higher ITR regime, though provides a simple and consistent regulation for all stakeholders, and may require review after some time keeping in view the changes happening in the international telephony market structure.

Keeping in view the changes happening in the international telephony market structure and overall objectives of revenue increase of Indian Access Providers and ensuring foreign exchange increase, there may be a need for change in the regulatory regime for International Termination Charge (ITC) i.e. change the existing regulatory regime from fixing uniform rate of ITC to an alternate approach. In our view such approach should be **forbearance in ITR with in a prescribed range. In our view such prescribed range, at minimum should be Re.0.75 to Re.1.25 and we see all the objectives being met with this approach.**

Q3. If your response to the Q1 is negative, then in the changing international telephony market structure, what other regulatory measures are required to be taken by the regulator for protecting the interests of Indian consumers and service providers? Kindly justify your comments with supporting arguments.

Not applicable

Q4. Your comments on any other issue related with the international termination charges may also be given.

Not at this stage.