



RSM/COAI/2013/216

December 9, 2013

Dr. Rahul Khullar
Chairman
The Telecom Regulatory Authority of India
Mahanagar Door Sanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
New Delhi-110002

Dear Sir,

Sub: COAI Response to the TRAI Consultation Paper on "Revenue Sharing Arrangements for Calling Card Services"

This is with reference to the TRAI's consultation paper on "Revenue Sharing Arrangements for Calling Card Services" issued on 14.11.2013.

In this regard, please find enclosed COAI's submission to the said consultation paper as **Annexure – 1**.

We believe that our submission will merit your kind consideration.

Kind regards,

Sincerely yours,

Rajan S. Mathews
Director General

CC : Shri. R.K. Arnold, Member, TRAI
: Dr. Vijayalakshmy K Gupta, Member, TRAI
: Shri. Rajeev Agrawal, Secretary, TRAI
: Shri. Sudhir Gupta, Pr. Advisor (NSL), TRAI
: Shri. Arvind Kumar, Advisor (NSL- 1), TRAI



COAI Response to the TRAI Consultation Paper on "Revenue Sharing Arrangements for Calling Card Services"

I. PREAMBLE:

- 1) At the outset, we would like to submit that, for the proposed revenue sharing arrangement for calling cards, it should to be kept in mind that at NLD/ILD service provider is not an access service provider and is seeking to access the customers of the access service provider for providing the calling cards service. Hence, we believe that NLD/ILD should pay for this. A similar situation arises when connectivity has to be established between access providers and pure play IN service providers.
- 2) Provision of Calling cards requires connectivity at IN level. The same is governed by the TRAI Regulation on Intelligent Services Network in Multi Operators and Multi Network Scenario Regulations, 2006 and the amendment made in the Regulation in 2012. However the connectivity at the IN level cannot be construed as interconnection. Accordingly, prescribing Revenue Sharing Arrangement for calling card services does not come under the ambit of Interconnection and hence it is not within the purview of TRAI to mandate the same.
- 3) Therefore, we are of the view that the revenue share arrangement between the access providers and the NLD/ILD providers should be based only on mutual negotiations. We do not agree that if mutual negotiations fail, TRAI should prescribe the origination access charge.
- 4) Further, we would like to reiterate that all the access providers have spent crores in acquiring the spectrum for the providing the access to its subscriber's and it is against all principles of fairness and natural justice to allow NLDO/ ILDOs to jump the queue and preferentially start offering direct access services to consumers through sale of calling cards. This would tantamount to a backdoor entry into access services.
- 5) We would like to place on record that the views expressed in this paper represent the views of the majority of our members. A minority of our members have a dissenting view and believe that regulatory intervention is required in the matter. These members will be submitting their views independently.

Without prejudice to the above, we would like to make following submission on the issues raised in the Consultation Paper:

- 6) **Objective for allowing calling cards by NLD/ILD segment:** It is submitted that the predominant rationale for allowing calling cards by the NLD/ILD operators was to provide competition in the long distance segment and to provide affordable domestic and international long distance tariffs to subscribers.
- 7) **Competition already exists in the NLDO and ILDO segment:**
 - a) In this regard, we would like to submit that the telecom sector has seen a significant growth in the recent years. The sector has evolved and the dynamics of the telecom sector have changed considerably.

- b) The competition in the national & international long distance segment has increased significantly with many more players entering the segment. The same has resulted in a significant decline in the national & international long distance tariffs.

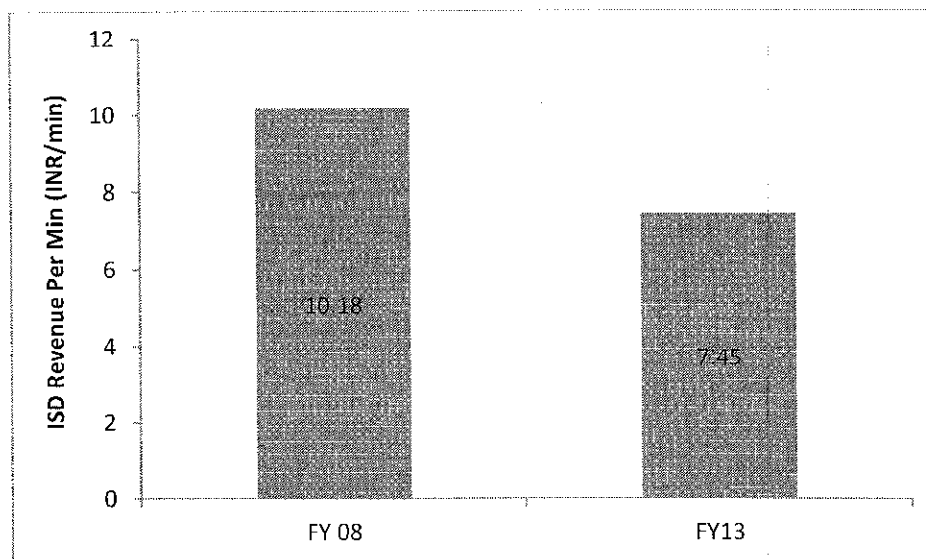
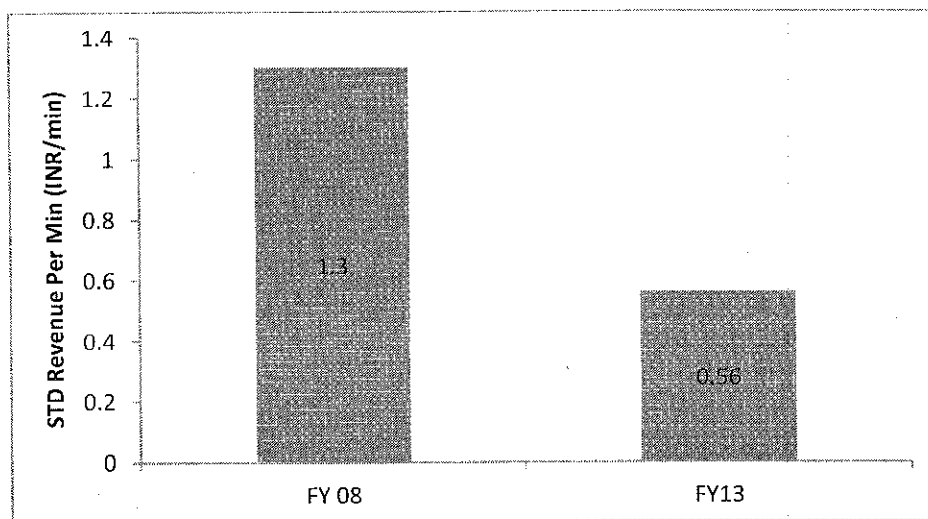
Number of NLD & ILD players in the market

S.No	Service Provider	NLD	ILD
1	Reliance Communication	Yes	Yes
2	Aircel	Yes	Yes
3	Bharti Airtel	Yes	Yes
4	Vodafone	Yes	Yes
5	IDEA Cellular	Yes	No
6	TTSL	Yes	No
7	TTML	Yes	Yes
8	Spice Communications	Yes	Yes
9	AT&T	Yes	Yes
10	Cable & Wireless	Yes	Yes
11	BSNL	Yes	Yes
12	RailTel	Yes	No
13	Equant	Yes	Yes
14	Sify Communication	Yes	Yes
15	Power Grid	Yes	No
16	Verizon Communication	Yes	Yes
17	i2i enterprises	Yes	Yes
18	Tulip	Yes	Yes
19	P3 Technologies	No	Yes
20	MTNL	Yes	Yes
21	Citicom networks	Yes	Yes
22	Singtel	Yes	Yes
23	Videocon	Yes	Yes
24	Unitech	Yes	Yes
25	Pacific Internet	Yes	Yes
26	Telstra	Yes	Yes
27	Infotel	Yes	Yes
28	Tikona	Yes	No
29	Loop Telecom	Yes	No
30	Oil India	Yes	No
31	Hughes	Yes	No
32	BBNL	Yes	No
	Total number of operators	31	24

c) Further, except one operator no access provider is without its own STD and ISD capabilities. Also switching barriers between operators are low: the vast majority of customers are not tied to any form of contract and they can port their number between operators within a week. Contrary to the view expressed in the consultation paper, customers do “have a real choice by picking an ILD carrier which offers the most competitive tariff for ILD calls”.

8) Affordability to the consumers: Long distance tariffs are coming down consistently:

a) STD and ISD Tariffs have reduced considerably over the last five years.



Source: COAI Estimates

- b) In addition to the reduction in overall STD and ISD tariffs, the service providers are also offering numerous add-on packs which allow subscribers to make long distance calls at substantially reduced tariffs. **Most operators offer STD and ISD Special Tariff Vouchers (STVs); these provide cheaper calling rates without the need for a cumbersome call initiation process typical of calling cards.**
 - c) Clearly there is enough competition in the market and customers already have ample choice and affordability in respect of their long distance calls.
 - d) We believe that Regulatory intervention would reduce competitive advantage and will reduce the ability of service providers to differentiate their offerings to the subscribers in the market place.
- 9) **Relevance of calling cards for the NLD:**
- a) We are of the view that the market dynamics were different at the time the calling card was visualized 2 years back. Now the customer has a choice and most affordable rates for the long distance calls. STD tariffs are part of 'headline tariffs' offered by the service provider and the subscriber makes a considered choice when selecting a tariff plan. The subscriber also has the choice of porting its number in case its service provider is not offering attractive tariffs.
 - b) Thus, we are of the view that there is no need to prescribe originating access charges for NLD calls as there is no business case for calling cards in India as tariffs for NLD calls are already quite low.
- 10) **Originating Access Charge for the NLD/ILD equal to the termination charge:**
- a) TRAI in its consultation paper have submitted that the as far as work done by the network of an Access Provider for handing over the call to NLDO/ILDO switch is concerned, it is equal to the work done by the network of terminating Access Provider hence the originating access Charge to be paid by NLD/ILD operators could be prescribed equal to termination charge.
 - b) In this regard , we would like to submit that in case the origination charge is treated as similar to termination charge or the origination sold to NLD/ILD is termed as access charge **then it would tantamount to unbundling which is not the intention of the license and nor was this ever discussed with the industry.**
 - c) Further, It cannot simply "**prescribe equal to termination charge**" because the **Mobile Termination Charge (MTC) does not include capital costs and therefore it does not capture the cost of the 'work done'**. Any fee levied by a TSP for access to its customers must allow it to recover its capital costs, common costs and retail costs. The latter are recovered from outbound call charges, they are not 'saved' under this kind of access arrangement, and **therefore they must be recovered from calls that are passed to calling card providers.** If TSPs cannot earn a fair return of the activity of their customers they will be less inclined to acquire them and invest in the networks which support them.

11) **Incoming and Outgoing call ratio:**

- a) In its consultation paper TRAI has highlighted that the ratio of incoming calls to outgoing calls has increased from three times to sixteen times over the last 7 years, hence it is necessary that the calling cards are facilitated so that the consumers have a choice by picking an ILD carrier which offers the most competitive tariff for ILD calls.
- b) In this regard, we would like to submit that the major reason for the imbalance between the ratio of the incoming and outgoing calls is that the termination charges for the incoming ILD calls are prescribed by TRAI at 40 p/min.
- c) On an average, the blended termination rate paid by Indian operators is estimated at approx. Rs 3.50/min for outgoing international calls, in contrast to the 40 p/min termination rate received by them on international incoming calls. This incongruity in termination rates has created a pricing arbitrage of Rs 3.10 /min in favour of international operators thereby leading to an increasing imbalance.
- d) Since growth in Indian termination traffic has displaced the origination traffic by 16 times, it has reduced the negotiation power of Indian operators to cut down the cost, with the operators of various countries.
- e) We are of the view that the increased termination rates will help to reduce the pricing arbitrage currently existing in favour of foreign operators which have built up over the years and thus reduce the tariffs of the ILD calls.
- f) Further, calling cards will not reverse the trend of outbound international calls routed through VOIP: The number of outgoing ISD minutes has declined due to the substitution of metered voice services with VoIP calling, which offers a more economical way of calling. Allowing STD/ISD operators with calling cards to access the customers of local service providers at regulated charges will not reverse the trend of outbound international calls. Indeed, we expect the volume of metered international calls to fall further year-on-year as the penetration of smartphones increases in India.

12) **Revenue Impact on the operators:**

- a) TRAI has not considered the potential revenue impact of its proposed intervention. However, if the price of calling is reduced—as it appears to intend—the loss of revenue could be crores of rupees across the industry. **In response, operators will try to make up for this by rebalancing prices and increasing the cost of local calls; if unsuccessful, they will be less inclined to invest in customers, or sites, because the profitability of doing both will fall.**

COAI Submission:

In light of the above, we are of the view that the revenue arrangements between TSP's and NLO's/ILDO's should be left for mutual negotiation between the Access providers and NLD/ILDO's.

II. RESPONSE TO QUESTIONS:

Q1: Whether the access charges to be paid by NLDOs/ ILDOs to access provider for calling cards should be prescribed both for NLD and ILD calls or for ILD calls only?

&

Q2: As the work done by the Access Provider is the same for NLD and ILD calls, should the originating access charges for NLD and ILD calls be the same or different?

&

Q3: What method should be applied for prescribing originating access charge to the Access Provider? Please provide all details including data and calculation sheets, if any.

&

Q4: Whether the access charges should be same for mobile and fixed line?

COAI Comments:

a) As highlighted in the preamble, we are of the view that there is no need to prescribe access charges for both the NLD and ILD calls and the same should be left on the mutual agreement between the parties.

Q5: What are the issues that need to be addressed to ensure calling cards are also used when a subscriber is roaming?

COAI Comments:

No Comments

Q6: What are the prevalent regulatory practices in other countries regarding access charges in case of calling cards?

COAI Comments:

a) We can find no current example of this type of mandated access to mobile operators. Only, OfTel considered the matter in 1999 and adopted a retail-minus approach to the access charges.

Q7: Any other relevant information related to subject along with all necessary detail?

COAI Comments:

1) Higher Termination Charge for the ILD incoming calls:

COAI letter to the TRAI requesting for the higher termination charge for the incoming ILD calls is enclosed as Annexure 2.



Cellular Operators Association of India

RSM/COAI/2013/180

October 4, 2013

Dr. Rahul Khullar
Chairman
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi 110002

Subject: Request to increase the Termination Charge on Incoming International Calls to India

- Ref: 1. COAI letter bearing no. TVR/COAI/037-A dated 3rd March 2009
2. COAI letter bearing no. TVR/COAI/060 dated 9th April 2009
3. COAI letter bearing no. RSM/COAI/158 dated 3rd December 2010
4. COAI letter bearing no. RSM/COAI/137 dated 11th July 2012
(Copy of the letters enclosed)

Dear Sir,

We write in reference to various submissions made by COAI on the above mentioned subject. We seek your kind and immediate attention to review the existing termination charges on the incoming international calls to India. We recommend an increase of the extant termination charge of 40 paisa (fixed by TRAI in the Tenth Amendment to the IUC Regulations dated March 9, 2009) to Rs. 1:00 per minute. We substantiate our request as below:

- 1) The termination charge on Incoming ILD calls to India is amongst the lowest in the world. In the table below we compare the India international termination rate with that prevailing in the countries that together account for more than 50% of the outbound international calls from India.

Termination rates (TR) for international incoming calls in various countries:

	US\$ per min	INR per min		US\$ per min	INR per min
India	0.0064	0.40	Oman	0.21	12.98
Pakistan	0.0885	5.47	Qatar	0.15	9.27
US	0.01	0.62	UAE	0.13	8.04
Australia	0.055	3.40	Germany	0.0251	1.55
Nepal	0.095	5.87	UK	0.0151	0.93

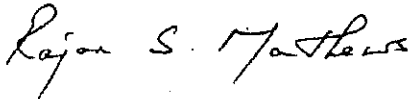
- 2) The termination rates charged to India by the UAE have increased from Rs.6.18 to Rs.8.04 during the period 2009 to 2012. The last six months also witnessed an increase in Pakistan termination rates from Rs.0.62 to Rs.5.47 (800% increase) and in Bangladesh from Rs.1.24 to Rs.2.13.

- 3) The number of international incoming minutes to India is estimated to be ~68 billion per annum, with outbound close to about 4.5 billion minutes per annum. The effect of 1) and 2) above is that the blended termination rate paid by Indian operators is around Rs 3.50/min for outgoing international calls compared with the 40 p/min termination rate received by them on international incoming calls. The difference in the marginal cost of calling, in part, explains the 15:1 imbalance in international calling. Permitting an increase in the international termination rates would:
- a. Improve the profitability of domestic operators at a time when profitability is declining (although, given the competitiveness of the market we would expect some of this benefit to be passed back to customers);
 - b. Increase India's foreign exchange flows; if the termination rates are increased to Rs 1/min (+ Rs 0.60/min) India should earn an additional \$ 700 million p.a (we do not believe that an increase of this magnitude will have a material effect on the volume of inbound calls).

The Authority is therefore asked to consider the long pending request of the operators for an increase in termination charges on incoming international calls.

Thanking you,

Yours faithfully,



Rajan S. Mathews
Director General

Cc: **Shri. R.K Arnold, Member, TRAI**
Smt. Vijayalakshmy K. Gupta, Member, TRAI
Shri. Rajeev Agrawal, Secretary, TRAI

Encl: As above



Cellular Operators Association of India

RSM/COAI/137
11th July 2012

Dr. Rahul Khullar
Chairman
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi-110 002

Ref : COAI letters bearing no: RSM/COAI/158 dated 03.12.2010
Subject : Increase in Termination Charge on Incoming International Calls

Dear Sir,

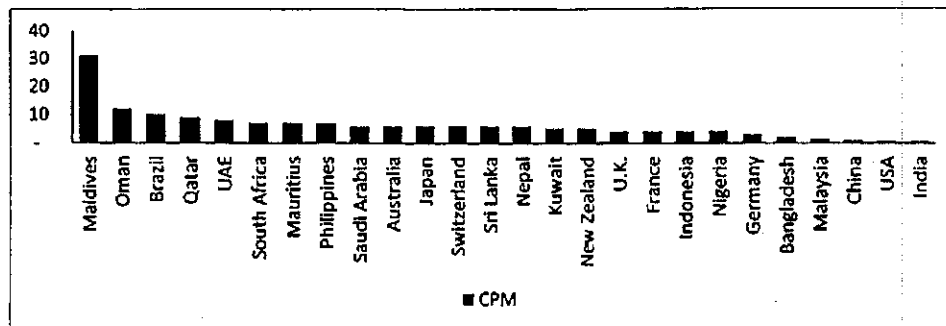
This is with reference to the captioned subject.

Further, to the representations made in the past by the industry, we would once again like to bring to your notice the existing incongruity in the termination charges payable by the Indian operators for calls terminating outside India versus the termination charges receivable in respect of international incoming calls terminating in India.

The termination charge on incoming international calls fixed at Rs. 0.40 per minute set by TRAI is very low compared to other countries.

The termination charges levied by India on incoming international traffic are among the lowest in the world as is evident from the prevailing termination charges stated below:

Prevalent International Mobile Termination Rates (In Rs.):



The international termination charge in India is below any reasonable level. In addition the Indian operators' costs towards termination charges are much higher in comparison to the revenue earned by them in the form of termination charges paid by foreign operators. This has resulted in Indian telecom operators subsidizing the calling costs for international operators which ultimately

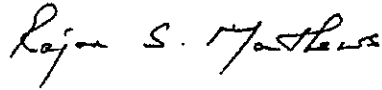
impact the Indian consumers. There is no good reason why Indian consumers should be making such contributions – and in many cases above average contributions – to the fixed and common costs of networks in other countries, if the consumers in other countries are not making similar contributions to the fixed and common costs of Indian networks in return.

For these reasons, we submit that the termination charge for International incoming traffic, therefore, needs to be increased. TRAI may conduct study on market and other related aspects in this regard. However, the 40p rate continues to be a case of Indian operators subsidizing the calling costs for international operators which ultimately is impacting the Indian consumers. In the meantime and as an interim measure, a rate of Re.1 per minute on average basis across countries does not appear unreasonable within the context of an international benchmark of termination rates.

We, therefore, request the Authority to take cognizance of the above facts and consider the industry demand for the increased termination charges on incoming international calls at the earliest.

Kind Regards

Yours Sincerely,



Rajan S. Mathews
Director General
COAI

Distribution : Shri R. Ashok, Member, TRAI
: Shri R. K Arnold, Member, TRAI
: Shri Rajeev Agrawal, Secretary, TRAI



Cellular Operators Association of India

RSM/COAI/158
December 3, 2010

The Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
Next to Zakir Hussain College
New Delhi – 110 002

Re: Views sought by TRAI on setting floor price for settlement in India of ILD minutes

Dear Sirs,

This is with reference to the above mentioned subject, wherein the Authority has sought comments on setting floor price for settlement in India of incoming ILD minutes originating from the Middle East.

In this regard our submission is as follows:

- a) We firmly believe that this is an area of concern which requires urgent attention and intervention of the Authority and hence this entire issue should be examined in a more holistic manner.
- b) While the issue with regard to incoming traffic from Middle East has been brought to the notice of the Authority, we believe that this is a much larger issue and what holds true for Middle East holds true for the entire ILD traffic terminating in India.
- c) As per estimates provided by our member companies, international voice traffic terminating into India is over 4 times the outgoing international traffic. A similar trend has been brought to the notice of the Authority with regard to Middle East, wherein inbound traffic is almost 4X outbound traffic.
- d) As per estimates provided by our member companies for financial year ending 2010, India received about 28 billion minutes of International incoming traffic on which Indian ILDOs earned revenue, while it sent out approximately 6.2 billion minutes of outgoing international traffic on which they paid termination cost to foreign operators. Of the total ILD traffic estimates, India-in traffic from Middle East is 8.5 billion minutes and India-out traffic to Middle East is around 2.2 billion minutes.

S.No.	Detail	In-bound ILD traffic (billion minutes)	Out-bound ILD traffic (billion minutes)
1	Middle East	8.5	2.2
2.	India (approx.)	28.0	6.2

- e) In spite of the much higher number of incoming ILD calls; India becomes a net payer of foreign exchange because of the high termination charge levied by the foreign operators on the outbound ILD traffic from India. As per the estimates available with us, in FY 2009-10 the average termination rate for incoming ILD calls was around 1.4 cents per minute as compared to an average termination rate of around 8.3 cents per minute for ILD calls originating from Indian and terminating abroad.

S.No.	Detail	In-bound ILD traffic Rate (Cents/Min)	Out-bound ILD traffic Rate (Cents/Min)
1	Middle East	1.2	13
2	India (approx.)	1.4	8.3

- f) The skew is much higher when we look at the specific case of Middle East since there exists a monopoly and, in the absence of enough competition, the foreign operators have unilaterally pushed up international call settlement charges payable by the Indian Operators. There exists a clear case of 'market failure' as the termination rate paid by the Indian operators for ILD calls terminating in Middle East is 10 times more than the rate paid by the operators in Middle East for call terminating in India.
- g) Contrary to the scenario in Middle East where there is limited competition in the ILD segment; there is presence of high competition in the ILD space in India, with up to 13 operators. This has led to a steep fall in India incoming rates. The imbalance which exists at present is a result of the high level of competition in the Indian ILDO market and the low level of competition in the international markets.
- h) Thus, despite the fact that much higher ILD traffic terminates in India, we end up being net payers of foreign exchange; there is outflow of valuable foreign exchange whereas given the ILD traffic ratio, India should be a net gainer of foreign exchange. It has been brought to the notice of the Authority that the outflow in the case of Middle East alone is USD 180 mn (Rs 825 crs). This figure of outflow would be much higher when we look at the complete ILD traffic.
- i) We believe that the core issue is the comparatively extremely low level of the termination rates in India on incoming ILD calls prescribed by the TRAI, which results in a distortion in the market place and interferes with the fair-play of market forces.
- j) We therefore submit that the termination charge for international incoming calls should be left to market forces. This will drive the international settlement rates towards the market determined levels.
- k) A higher termination charge on incoming ILD calls will make more funds available for all service providers, for expansion of service, without increasing the burden on service providers or the Indian consumers. The same will enable the much needed expansion of service to rural and far flung areas of the country.

- l) Flexibility granted to the Indian operators to negotiate for higher incoming IL D termination rates on a reciprocal basis, will also ensure that there is a balance in the tariffs for terminating as well as originating IL D calls
- m) Additionally, Indian IL D operators incur cost of international connectivity (cross-connect with foreign operators and international bandwidth), Gateway/switching, LIMS (Legal Intercept Monitoring System), Bad Debt and Settlement variances etc. The flexibility to charge higher termination charge for incoming IL D calls will help recover the cost incurred.

Our Summary Submissions

In light of the above we would like to submit as follows:

- Termination charge for incoming IL D calls should be left market forces. This will drive the international settlement rates towards the market determined levels.
- The same will make more funds available for expansion of service, especially to rural areas, at no additional cost to the Indian consumers.
- The same will also ensure that there is a balance in the tariffs for terminating as well as originating IL D calls.
- Most importantly, increase in termination charge for incoming IL D calls will stop the outflow of valuable foreign exchange on account of the imbalance in the IL D termination charge which exists as of now.

We hope that our submissions will merit your kind consideration and we seek your kind support in the matter.

Kind regards,

Sincerely yours,


Rajan S. Mathews
Director General

Encl: as above

Distribution : Dr J.S. Sarma, Chairman, TRAI
: Shri R. Ashok, Member, TRAI
: Shri R. K. Arnold, Secretary, TRAI
: Shri N. Parameswaran, Pr. Advisor (RE), TRAI
: Shri Sudhir Gupta, Advisor (MN), TRAI
: Shri S. K. Gupta, Advisor (QoS), TRAI



Cellular Operators Association of India

**FOR YOUR MOST URGENT KIND ATTENTION, PLEASE
WITHOUT PREJUDICE**

TVR/COAI/060
April 09, 2009

The Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
Next to Zakir Hussain College
New Delhi 110002

Dear Sirs,

**TRAI'S TELECOMMUNICATION INTERCONNECTION USAGE CHARGES
(TENTH AMENDMENT) REGULATIONS, 2009 (2 of 2009)**

This is with reference to the revised IUC Regime notified by the Authority on March 9, 2009.

Further to our submissions vide our letter No. TVR/COAI/051 dated March 30, 2009, we would like to make some additional submissions regarding certain other elements of the revised IUC regime. These include, inter alia, the termination charge for incoming international calls and the Tax/Transit carriage charges.

1. Revision of Termination Charge for incoming ILD calls

1. While we appreciate that the Authority has taken note of our submissions regarding the huge inequity in the termination charges paid and those received by Indian operators for international long distance calls, it is most respectfully submitted that raising the termination charges for incoming international calls by 10 paise per minute, from 30 paise per minute to 40 paise per minute is a negligible increment and does not in any manner address the huge imbalance in the ILD termination charges.
2. The Authority is aware that the termination rates paid by Indian operators are 10 times higher than what they receive from the foreign operators. The Authority in its Consultation Paper on Review of IUC regime had noted that the Indian operators are paying weighted average cost of Rs 3 per minute for termination of their calls in other countries and receive just Rs 0.30 (30 paise) per minute as termination charge for ILD calls terminating in India.
3. It is pertinent to point out that India is a net importer of international traffic, with a nearly 3 to 1 ratio, that is, for every minute that we send out, we receive 3 minutes. With such a high ratio of incoming minutes in the favor of India, the Authority is surely aware that a reciprocal regime in respect of ILD termination rates would bring in precious foreign exchange from other countries for incoming ILD traffic.
4. It is expected that next year the mobile service providers of India will be sending out about 9 billion minutes and at an average rate of INR 3 per minute, India will pay out about INR 27 billion.

On the other hand, India will receive 25 billion minutes and at the increased termination rate of Rs 0.40 per minute, the same will translate into revenues of about INR 10 billion. Thus, on the whole we will end up paying INR 17 billion to International Carriers even though we will be receiving 16 billion minutes more than what we send out.

5. And this imbalance is only increasing with time. It may be noted that recently, a leading operator in UAE, Etisalat has increased the termination from 10cents/minute to 13cents/minute w.e.f 1st April 2009.
6. There thus exists a high degree of imbalance, which needs to be corrected on a priority basis.
7. In light of the above, we would like to once again submit that termination charge for international calls should be higher than that for domestic calls and more in line with the international termination rates paid by us to our counterparts abroad.
8. We verily believe that from April 2007, when IUC on incoming ILD call was Rs.1.30 (which constituted ADC of Rs 1/- and termination of Rs.0.30/-), till the time when IUC was reduced to only Rs.0.30/-, no abnormal growth trends in incoming ILD traffic have been observed.
9. In this regard the Authority has also observed in the current regulation that:

"It would however also be important to appreciate that the arbitrage opportunity arises if the cost of the call on the illegal route is less than that on the legal route. The termination charge is not the complete cost of the calls. Since the grey market operations are not free of cost and may present ILD calls as local calls, therefore if the arbitrage were higher than prevailing domestic local call rates only then there would be enough financial incentive to bypass the legitimate route."

- TRAI Explanatory Memorandum to IUC (Tenth Amendment) Regulations, 2009".

Accordingly, it is submitted that in light of the above view taken by the Authority, and the fact that an IUC of Rs 1.3/ minute did not incentivise grey market activities, the MTC on incoming ILD may be prescribed at Rs 1 to Rs 1.3/ minute.

10. This will not only restore some balance in the termination rates between Indian and foreign operators, but will also lead to increased forex inflows. A higher termination on incoming ILD calls will also result in higher revenues for the Government. It is estimated that at an ILD termination charge of Rs. 1/- to Rs 1.3/- per minute, Indian operators will receive Rs.15,000 to Rs 22,500 million extra in the year (@60 to 90paise; INR 1/- to 1.3 minus 40 paise prescribed by TRAI). Also, assuming a licence fee of 10%, the Government will be receiving an extra amount of Rs. 1,500 million to Rs 2,250 million apart from other taxes / levies.
11. Further, increasing the termination charge on incoming ILD calls will also, in one stroke, make more funds available for all service providers for expansion of service into rural and remote areas without increasing the burden on the Indian consumers.
12. This step would thus also be in line with the policy objective of increasing the expansion of affordable service to rural areas.

II. Transit/ Carriage charge between LDCA to SDCA

1. In respect of the reduction in the Carriage charge between LDCA to SDCA from 20 paise to 15 paise per minute, it is first submitted that while the Carriage Charge for Long Distance Calls within India was revised downwards by the Authority from a maximum of Rs. 1.10 per minute corresponding to the above 500 Km in 2003, to a flat ceiling based Carriage Charge of Rs. 0.65 per minute in 2006, there was no corresponding reduction in the TAX carriage charge between LDCA to SDCA at that time and these charges were allowed to remain unchanged for a period of six years.
2. It is submitted that given that distance based charges, were reduced by 60%, three years ago, a reduction of only 25% in the TAX carriage charge and that too, after a period of six years is very inadequate.
3. It is also noted that the cost calculations and basis for derivation of this value of 15 paise per minute has not been shared with the industry by the Authority.
4. We verily believe that if the TAX Carriage charge between LDCA to SDCA were to be calculated on a cost basis, it would be much lower than 15 paise per minute that has been prescribed by the Authority. We thus believe that there is still ample scope of reduction in the TAX carriage charge.
5. Further, as the Authority is aware, that despite the fact that licenses of the NLD operators have been amended to permit them to carry intra circle long distance calls, the private cellular operators have not been able to take advantage of this facility and are constrained to continue to handover their traffic to BSNL at Level-II TAX. In these circumstances we are distressed to note that the IUC review has not addressed this ambiguity and clarified that access providers are free to choose their NLDO for carrying intra circle long distance traffic and hand over the calls to BSNL at the SDCA level.
6. It is apprehended that by not addressing the above, the Authority is allowing BSNL to preserve its monopoly over intra circle long distance traffic.
7. Consequently, the private operators are constrained to pay a higher TAX carriage charge to BSNL for intra circle long distance traffic even though the private NLDOs are willing to carry the same at a fraction of the price. This is not only making this segment non-competitive but is also against consumer interest. Increased competition in the intra circle carriage segment would lead to lower cost for access providers and hence more affordable tariffs for consumers.
8. We are also distressed that the Authority has also disregarded our alternative proposal that all interconnection be prescribed at a common level, viz. LDCA, and that SDCA connectivity be done away with altogether. As already pointed out, LDCA connectivity is already applicable to UAS/CMS. Further, the license of NLDO also prescribes connectivity at LDCA level despite which, BSNL insists on connectivity at SDCA level. With connectivity at LDCA level, it would be the responsibility of the terminating operator to carry the call between LDCA and SDCA at its own cost.

III. Tax Transit Charge

1. In respect of transit carriage charges, the Authority has rightly noted that Hon'ble TDSAT has determined the principle of applicability of transit charges and has directed that on consideration of level playing field, BSNL should stop charging 19 paise from cellular

operators by way of transit charges for accessing BSNL CellOne subscribers, wherever the MSCs of both BSNL CellOne and Private CSMOs are connected to the same BSNL switch.

2. The Authority has further rightly noted that the principle of applicability of the charge would keep governing through Hon'ble TDSAT's order and TRAI's Regulation on transit charges for Bharat Sanchar Nigam Ltd.'s CellOne terminating traffic Regulation 2005 dated 08.06.2005.
3. However, in respect of transit charges applicable to operators other than BSNL, we note that the Authority has also reduced these charges along the same lines as charges for TAX carriage, on the basis that "in both the cases whether it is intra SDCA transiting or it is transiting through TAX work done is same effectively both are transiting of call from one network to another network."
4. In this regard we would like to reiterate our submission that these charges must be calculated separately on a cost basis and we believe that, if a cost based calculation is done, these charges would be lower than the 15 paise per minute that has been prescribed by the Authority.

We hope that our above submissions will merit the kind consideration and support of the Authority.

Sincerely,



TV Ramachandran
Director General

Encl:

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Cellular Operators Association of India

TVR/ COAI/037-A
3 March 2009

Shri Vinod Vaish
Chairman
Telecom Equipment & Services Export
Promotion Council (TEPC)
New Delhi

Re: Termination Charge on Incoming ILD calls

Dear Sir,

It is a well recognized fact that telecom is a major contributor to economic growth. Mobile telecom service has played a major role in enhancing tele-density in India and taking the benefits of communication to the masses.

However we would like to draw your kind attention towards an anomaly or imbalance which exists as a result of which the service providers are loosing precious foreign exchange.

We wish to state that the mobile telecom industry, can actually earn precious foreign exchange for the country.

In this regard we wish to make the following submissions:

1. You would be aware that the TRAI has recently initiated the review of the IUC regime. With regard to international calls, the Authority in its consultation paper has observed that, the Indian operators are paying weighted average cost of Rs 3 per minute for termination of their calls in other countries and receive just Rs 0.30 (30 psise) per minute as termination charge for ILD calls terminating in India.
2. It is pertinent to point out that India is a net importer of international traffic, with a nearly 3 to 1 ratio i.e. for every minute that we send out, we receive 3 minutes. With such a high ratio in the favor of India, our country should earn precious foreign exchange from other countries for incoming ILD traffic.
3. However, on the contrary the mobile service providers in India are net payees of foreign exchange. This is because while the average cost of sending the traffic ranges between 8 – 10 cents, our termination charge for incoming ILD calls is only 0.75 cents. As a result, India is a net out-payer in term of actual flow of money even though we receive more traffic.
4. It is expected that next year the mobile service providers of India will be sending out about 9 billion minutes, at an average rate of 8.8 cents per minute and India will pay out \$ 792 million. On the other hand, India will receive 25 billion minutes and at the current termination rate of 0.75 cents, the same will translate into a revenues of about \$ 188 million. Thus on the whole we will end up paying about \$ 604 million to International Carriers even though we will be receiving 16 billion minutes more than what we send out.

5. There thus exists an imbalance which needs to be corrected. And this imbalance is only increasing with time. It may be noted that recently, a leading operator in UAE, Etisalat has increased the termination from 10cents/minute to 13cents/minute w.e.f 1st April 2009.
6. In light of the above we would like to submit that termination charge for international calls should be higher than that for domestic calls and more in line with the international termination rates paid by us to our counterparts abroad. We are of the view that the termination charge for international incoming calls be prescribed at a ceiling of Rs 3 per minute.
7. A higher termination on incoming ILD calls will also result in higher revenues for the Government. It is estimated that an increase of Rs. 1.50 per minute in the international termination charge, Indian operators will receive about Rs.37,500 million extra in the year. Also, assuming a licence fee of 10%, the Government will be receiving an extra Rs. 3,750 million apart from other taxes / levies.
8. Further, increasing the termination charge on incoming ILD calls will make more funds available for all service providers for expansion of service without increasing the burden on the Indian consumers.
9. This step would thus also be in line with the policy objective of increasing the expansion of affordable service to rural areas.
10. We would like to place on record our appreciation of the work done by the TERM cells in the area of vigilance and monitoring. We believe that the issue of grey market can be addressed through stricter monitoring and control. DoT also has a network of Telecom Enforcement Resource & Monitoring (TERM) cells in place which is already carrying out monitoring and vigilance functions. These resources can be used for stricter monitoring and control of the grey market.

We therefore request for you urgent and kind support in the matter so that the present imbalance can be removed. The same will also enable faster spread of affordable service to rural areas, which is the need of the hour.

Kind regards.

Sincerely yours.



T. V. Ramachandran
Director General

Cc : Shri R. K. Pathak, DDG(IP), DoT