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Subject: TRAI Consultation Paper No.01/2014 dated March 24, 2014 on Review of Tariff for Domestic Leased Circuits.

Sir,

Thank you for providing an opportunity to submit comments on TRAI Consultation Paper No.01/2014 relating to Review of Tariff for Domestic Leased Circuits. We hope you find our comments helpful.

Thanking you,

Respectfully submitted

Yours sincerely,
For Verizon Communications India Private Limited

Priya Mahajan
Chief Counsel- Public Policy & Regulatory Affairs

<u>Annexure - I</u>

Response from Verizon on TRAI's Consultation Paper No. 01/2014

on Review of Tariff for Domestic Leased Circuits

1. Current Domestic Leased Circuit (DLC) market in India is competitive with presence of 30+ NLD operators offering services to the customers. Over a period of time, prices/tariffs in DLC segment have been reviewed as a result of free play market forces.

2. Liberal and pro-competitive regulatory policies such as opening up the NLD sector for private players in 2002, licensing simplification measures taken in November 2005 and other interventions by the regulator ensured that there is sufficient competition and maturity in the NLD segment.

3. We believe that regulatory intervention to correct higher tariffs in the market is required only when there are higher tariffs due to lack of adequate competition, impacting the affordability w.r.t a particular product/ service that adversely to the end customers. Given the fact that NLD segment is highly competitive, regulating tariffs may not have much relevance /desired impact in such a scenario as customers are comparatively in a stronger bargaining position due to strong market forces that correct price aberrations in the market.

4. However we believe that there is scope for regulatory intervention in the area of resale of DLC which has remained unaddressed in the past. The Hon'ble Authority may consider reviewing opening up the DLC resale segment by licensed NLD/ILDO's to further enhance competition and optimal utilisation of the bandwidth/capacity (with or without any value addition). From an NLDO perspective, the input bandwidth cost should be allowed to be deducted from the revenue share definition to make the business viable and overall market more affordable for the end user. This will certainly help in further bringing down tariffs in the segment.

5. While most of the telecom tariffs are left to forbearance and to be governed by free play of the market forces, it will be unfair to further regulate the tariff for DLC more so when this segment is already highly competitive in view of reasons explained in preceding paragraphs.

Thus there is sufficient level of competition in the DLC segment making it no longer necessary for TRAI to regulate prices. This can now be left to market forces. The approach should be for a light touch regulation that attracts further investment in this segment.

<u>Verizon's response on bringing VPN under tariff regulation:</u>

VPN market is already highly competitive as it uses the technology/equipment those are open standard, interoperable and many operators are providing this service. This consultation paper indicates that market dynamics have set VPN cost on lower side as compared to DLC in lower bandwidth segment. VPN services uses lease line, public network which is shared in nature and thus tariff revision in DLC will have automatic impact on the segment of VPN market too.

VPN does not fall in the same service category as DLC. DLC is a dedicated, highly reliable, distance sensitive point to point link to provide services to customers with relatively high bandwidth requirement. VPN is a shared, bandwidth sensitive, secured, scalable service to cater multi location based multi users with best effort quality, not necessarily limited to any national geography/boundary. Regulating its tariffs will lead to a very complex situation for compliance, investment and deployment of any new technology. It may impede the level of innovation in terms of service offerings.

VPN based services are a preferred choice for enterprise segments as a partly alternative to dedicated lease line due to the inherent features like scalability, multi location, efficient bandwidth utilization and lower cost. VPN market in India is growing on an average 10-12 % for last couple of years.

<u>Verizon's comments on the specific questions of the consultation paper are given below:</u>

Question No. 1-10:

We have no comments.

Question No. 11

<u>Should VPN such as MPLS-VPNs also be brought under tariff regulations for DLC ?</u>

Verizon humbly submits that VPN such as MPLS-VPNs should not be brought under tariff regulations for DLC in view of reasons mentioned in preceding paras.

1. VPN technology allows it to have multi location based users across the globe. This consultation paper indicates both ends of the leased circuit / VPN needs to be in India for tariff regulation. VPN service is no longer restricted to local or at national level.

2. Earlier VPN was kept outside of tariff ceiling as distance was not a provisioning parameter. The same condition prevails now as well.

3. We believe that there is enough competition in the VPN segment and Hon'ble Authority has also not noted any adverse impact of lack of regulation of VPN tariff segment on the consumers/ subscribers *per se*, therefore, we submit that current forbearance policy on VPN may be continued.

4. Post amendments in NLD/ILD license in 2005, many operators entered in this market segment and created a very competitive market for end users. Bringing VPN tariff under regulation will create a scenario for some operators to opt out and thus bringing down the level of competition. This is because most of the NLDOs provide VPN service after leasing bandwidth from other operators having necessary infrastructure to provide DLC. Any measure to regulate VPN tariff will impinge on the ability of such NLDOs to competitively price its service

Question No. 12-13

Verizon has no comments.

Question No. 14

Is there any other relevant issue related to tariff for DLCs which the Authority should keep in mind while carrying out the present review exercise?

In order to infuse affordability to the end user and ensure business viability for TSPs, we would like to suggest that Hon'ble Authority may kindly consider reviewing the current definition of Gross Revenue (GR) / Adjusted Gross Revenue (AGR) to correct some of the anomalies in the existing license. This exercise will go a long way in improving the financial viability of the sector as a whole. Specifically we would like to identify the following issue :

1. The current AGR definition should eliminate the issue of multi stage assessment of license fee which is currently in vogue and severely impedes competition in the enterprise services and data sector. The input cost (i.e. bandwidth cost for data should be allowed as deduction while calculating AGR.
2. In order to ensure cost effective usage of band width and to enhance the competition level further, resale of bandwidth on retail basis with or without value addition by licensed NLDO’s may kindly be allowed. NTP-2012 also provides direction (vide clause no.3.8) to facilitate resale at the service level – both wholesale and retail, in tune with the need for robust competition at consumer end.

In light of the above, Verizon would like to sincerely request the Hon’ble Authority to consider reviewing and issuing suitable recommendations related to

- the issue of multi stage assessment of licence fee while arriving at AGR for license fee -payment purposes and consider reviewing the definition and .
- In line with objectives of NTP 2012, consider recommending opening up of resale both wholesale and retail in the DLC segment (with or without value addition) by Licensed NLDO’s.
