

VTL/Reg/TRAI/1404/4021  
April 25, 2014

**The Advisor (F&EA),**  
Telecom Regulatory Authority of India  
Mahanagar Doorsanchar Bhawan,  
Jawahar Lal Nehru Marg (Old Minto Road)  
New Delhi — 110 002

**Subject: VTL Response on Consultation Paper on “Review of Tariff for Domestic Leased Circuits”**

**Ref: TRAI Consultation Paper No. 01/2014 dated 24<sup>th</sup> March, 2014**

Respected Sir:

Videocon Telecommunications Limited thanks the Authority to provide an opportunity to respond to TRAI's consultation Paper “**Review of Tariff for Domestic Leased Circuits**”. Please find attached herewith our comments on the same.

Kind Regards



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## Response to the TRAI Consultation Paper on “Review of Tariff for Domestic Leased Circuits”

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At the outset, Videocon Telecommunications Limited welcomes the opportunity provided by the Authority to respond to the issues related to review of tariff for Domestic leased circuit.

We are pleased to submit our response on the queries raised by the Authority in the Consultation Paper.

### VTL Response to the queries raised by TRAI in this consultation paper

Q1: Should TRAI continue to use the bottom-up fully allocated cost method for computation of the cost-based ceiling tariffs for point-to-point DLCs (P2P-DLCs)?

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Q2: In case your response to the Q1 is in the affirmative, what values of the following items should be used for estimation of ceiling tariffs for P2P-DLCs:

- (i) Return on Capital Employed (ROCE)
- (ii) Useful lives of transmission equipment and Optical Fiber Cable (OFC) separately
- (iii) Average no. of fiber pairs lit in OFC in trunk segment and local lead segment separately
- (iv) Utilization factor of the OFC system in trunk segment and local lead segment separately?

**Ans.** Technological developments in transmission techniques has lead to development of efficient, cost effective and state of an art transmission links leading to significant reduction CAPEX. Thus in our opinion the bottom-up fully allocated cost method which was majorly based on the CAPEX model should not be considered for computation of the cost-based ceiling tariffs for point-to-point DLCs.

Q3: In case your response to the Q1 is in the negative, what should be the alternative approach for determining tariffs for P2P-DLCs of various bandwidth capacities? Please support your view with a detailed methodology along with supporting data and assumptions, if any.

**Ans.** Wavelength-Division Multiplexing (WDM) technology has enabled bidirectional communications over one strand of fiber, as well as multiplication of capacity resulting in reduction of per bit of transport cost. Fibre-optic communications are capable of carrying multiple Terabits of data per second over thousands of kilometers – at cost points unimaginably less than a decade ago. State-of-the-art DWDM systems support up to 192  $\lambda$  on a single pair of fiber, with each wavelength transporting up to 100 Gbit/s capacity – 400Gbit/s and ONE Terabit/s on the horizon.

**Major cost in an optical fibre link goes into labor component and ROW charges which vary widely from region to region. TRAI has already obtained the information from the TSPs on Transmission infrastructure and its architecture used for providing DLCs including VPNs. Typical cost of OFC systems is as follows:**

- 1. Cost of OFC in ducts ranges from Rs. 350 per meter in plain terrain to Rs. 550 per meter in hilly terrain;**
- 2. DWDM system of 12  $\lambda$  (each  $\lambda$  being of 10 GB) costs nearly to Rs. 120 per meter.**

**Based on above, total cost of a fully equipped (120 GB OFC system including cables) varies between Rs. 5 lack per km for plain terrain to Rs. 7 lack per km for hilly terrain.**

**Therefore, we are of the opinion that average of rates prevalent in market for different capacities should be used as a benchmark for prescribing the ceiling tariff.**

**Q4: In your opinion, what are the bandwidth capacities of P2P-DLCs for which ceiling tariffs need to be prescribed?**

**Ans. In our opinion bandwidth capacities of 2 Mbit/s, 4 Mbit/s, 8 Mbit/s, 16 Mbit/s, 45 Mbit/s, STM-1, STM-4, STM-16, STM-64, 10 Gbit/s should be governed by the ceiling tariffs.**

**Q5: In your opinion, is there a need for prescribing separate ceiling tariffs for local lead and trunk segment?**

**Ans. We are of the opinion that there is no need to prescribe separate ceiling tariffs for local lead and trunk segment.**

**Q6: In your opinion, is there a need for prescribing separate ceiling tariffs for remote and hilly areas?**

**Ans. No separate ceiling tariffs should be prescribed for remote and hilly areas. However the TSPs providing DLCs in remote and hilly areas may be financially incentivized by introducing scheme under Universal Service Obligation Fund (USOF).**

**Q7: In your opinion, what are the distances of**  
**(i) Trunk segment and**  
**(ii) Local lead segment (separately)**  
**of P2P-DLCs for which ceiling tariffs need to be prescribed?**

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**Q8: In your opinion, is the distance interval of 5 km still relevant for prescribing distance-based ceiling tariffs for P2P-DLCs?**

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## Videocon Telecommunications Ltd

Q9: In case your response to the Q8 is in the negative, what distance interval should be used for prescribing distance-based ceiling tariffs for P2P-DLCs?

**Ans. We are of the opinion that distance based charging mechanism may be done away with. The charging mechanism should be Capacity based irrespective of trunk segment or local lead segment.**

Q10: What equipped capacities of trunk segment and local lead of P2P-DLC should be used for computation of ceiling tariffs of various bandwidth capacities?

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Q11: Should VPNs such as MPLS-VPNs also be brought under tariff regulations for DLC?

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Q12: In case your response to Q11 is in the affirmative, what method should be used for computation of cost based ceiling tariffs for VPNs?

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Q13: In your opinion, is there still a need for prescribing separate ceiling tariffs for DLCs which are provided on the Managed Leased Line Network (MLLN) Technology?

**Ans. TRAI in consultation paper has provided the discounts being offered by various service providers offering DLCs and MPLS-VPNs. The average of tariffs being offered (after discount) should be prescribed as ceiling tariff of DLCs, MPLS-VPNs and MLLN.**

Q14: 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?

**Ans. No.**