



Aim Research & Promotion Services

Letter No. _16_/TRAI/12/2014

10/12/14

To
The Chairman,
Telecom Regulatory Authority of India,
Government of India,
New Delhi - 110002.

Subject: Interconnection Termination Charges needs revision

Dear Sir,

Interconnection Usage Charges (IUCs) were introduced by the Telecom Regulatory Authority of India (TRAI) in 2003 as a mechanism for compensating usage of 'other' service operator's network for terminating a call. The same has been reviewed a number of times since then with the last alteration taking place in 2009. In these set of recommendations, the regulator fixed the mobile termination charge at 20 paise per minute for all local and national long distance charges. It had also raised the mobile termination charge for incoming international calls to 40 paise per minute from 30 paise, while putting a ceiling on carriage fee of 65 paise per minute for domestic long distance calls.

After the Honourable Supreme Court's intervention, the mechanism was again reviewed (October, 2011) wherein the TRAI explicitly mentioned its reservations against termination charges. Also, the Authority recommended the adoption of a new regime, called the Bill and Keep (B&K) model, pressing the removal of termination charges in totality. In doing so, TRAI also admitted prevalence of asymmetries in the domestic calling traffic flows among new and incumbent operators and concluded to provide a two-year period for ironing out such asymmetries.

The Bill and Keep regime eliminates charges levied for terminating a call on other network and allows an operator to 'bill' its customers and 'keep' all the revenue proceedings instead of transferring a part of the same to the operator on whose network the call ends. This system benefits the consumers in terms of lower retail tariffs while also reduce the entry barriers for newer firms to enter the market. In essence, the system would effectively push the market dynamics towards that of a competitive market from the current pseudo-oligopolistic structure.

Experience from other countries serves as testimony to the matter. A large number of countries including Malta, the UK, Denmark, Ireland and the Netherlands have already envisaged a 'glide-path' towards the B&K regime. Further, mobile termination rates in Europe have fallen rapidly over the last decade at a CAGR of 30.6% overhauling the domestic market environment while entailing more choices and even more benefits for the end consumers.

However, the aforementioned 3-year period has already ended but there doesn't seem any action forthcoming from the regulator in this regard. We, therefore, request the Authority to take necessary action(s) on termination charges so that the untapped benefits can be made available to all the stakeholders (including the operators and the consumers) at the earliest.

Apart from benefitting the overall market, implanting the B&K system falls in line with the present government's broader policy prescription of Lesser Government, Greater Governance. Otherwise, the present system burdens the policy framework with a slew of policy parameters required to support the same.

Thanking you.

Warm Regards,

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