Regulation Cell,
5th Floor, Bharat Sanchar Bhawan,
JanpathNew Delhi –01
Tel.: 011 – 2373 9295, Fax: 2373 4081
e-mail : agmregln@gmail.com.

भारत संचार निगम लिमिटेड
(भारत सरकार का उपक्रम)
BHARAT SANCHAR NIGAM LIMITED
(A Govt. of India Enterprise)

WITHOUT PREJUDICE

To,

Advisor (Network, Spectrum & Licensing), TRAI
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
(Old Minto Road), New Delhi-110002

Kind attention: Shri Arvind Kumar, Advisor (NSL)

No. Regln/1-4/2011-13/ 54 Dated: 8th Jan, 2015

Sir,

Sub:- Comments of BSNL as regard to TRAI's consultation paper on "Interconnection usage Charges"

Kindly refer to the Consultation paper No.13/2014 dated 19-11-2014 on the above mentioned subject. Response/ Comments of BSNL to this consultation paper and participation in consultation is without prejudice to its stand that the issuance of the consultation paper is in teeth of pendency of the Civil Appeal No. 271-281 of 2011 in the Hon'ble Supreme Court of India.

It is pointed that TRAI had earlier sought permission from Hon'ble Supreme Court of India for notifying the regulation, the same was declined by Hon'ble Supreme Court of India. The issue of IUC charges is sub-judice before the Hon'ble Supreme Court of India. Therefore, any action from TRAI, without seeking permission from Hon'ble Supreme Court of India would amount to overreaching the orders/ directions of the Hon'ble Supreme Court of India. The action of TRAI in issuing consultation paper on IUC dated 19-11-2014 or any IUC Regulation is in contravention of the Hon'ble Supreme Court of India's orders/ Directions.

BSNL therefore reserves its right to take appropriate legal remedies on the subject matter including on this consultation paper:-

Q. N.	BSNL's comments:-
1	Bill and Keep approach for Mobile Termination Charge and Cost oriented or cost based approach for Fixed Termination Charge.
2	Cost based termination charge is the best way to factor the cost of service in the tariff. However, there a need to give a glide path towards Bill and Keep for Mobile Termination Charge.
3	Written Down Value (WDV) method of depreciation should be used for the network elements.
4	Yes, we agree that existing rate of return of around 15% in the form of pre tax WACC as adopted in other Regulations by TRAI should be continued.
5	Fully Allocated Cost (FAC) method would be appropriate for prescribing Mobile Termination Charge and Fixed Termination Charge.
6	Yes. Historical cost data submitted by service providers in Accounting Separation Reports (ASRs), Annual Reports/published documents or other reports submitted to TRAI would be appropriate to calculate IUC.
7	The IUC charges may be considered separately for both Mobile and Landline services. Presently, BSNL is maintaining around 18 million working DELs in its wire-line network The OPEX incurred on maintaining landline service is considerably higher in comparison to other network viz GSM, CDMA etc. The OPEX for the landline network is mainly due to expenditure on maintenance of switching equipment, transmission equipment & media, power, fuel, infrastructure, subscriber's lines (u/g cable & overhead lines) and subscriber instrument including the salary of the

	maintenance staff. BSNL land-line network is spread over the rural areas with lower connection density which requires higher maintenance expenditure for maintaining of long haul u/g cables and over head subscriber line. Keeping in view of these points, IUC for calls terminating at wire-line network should be higher than those of terminating at mobile network
8	Yes, CAPEX should be included for calculating termination cost. All Fixed asset used to provide the service as available in the ASRs depending upon its relevance may be used. Costs incurred by service providers for acquiring usage rights for spectrum needs to be amortized over the period of its usage rights i.e. 20 years for GSM service.
9	It would not be relevant to take an average life of 10 years for all network elements without any salvage value for the purpose of depreciation in the FAC method, because different network equipments have their different life and salvage value.
10	For calculating IUC for voice calls, the network elements used exclusively used for SMS services may be adjusted for the purpose of computing termination cost using the FAC method.
11	Yes, the methodologies explained for various variants of LRIC are agreeable.
12	In case it is decided to go for an LRIC model for determining termination cost, the LRIC+ model which includes the common cost as mark up is the most suitable variant of LRIC for the telecom service sector in the country in the present circumstances considering the high common cost.
13	Cost incurred in corporate office, different maintenance circles, project circles etc may be considered for computation of termination costs.
14	The fixed terminal charges should be more than mobile termination charges, because of legacy networks and high maintenance cost including replacement of copper cable and cutting of cable by various agencies.
15	BSNL will have to review its ISD tariff after launching the International Calling Card service of other operators from its network so that the ISD tariff may be made competitive with tariff of International Calling Card.
16	Yes, BSNL as ILDO and access provider feels that the authority's intervention is necessary in the matter of International settlement rates. Necessity for Authority's intervention- At present the international settlement rates are under forbearance. Many ILDOs are bringing international calls for very few access providers where the calls are being terminated. Obviously, there is massive competition among ILDOs. This has resulted in some ILDOs currently offering International settlement rates below cost in order of US$ 0.0072 that is equivalent to Rs. 0.43. It defies all logic and anti-competitive. Needless to add here that this results in significant loss of revenue to licensor. ILDOs too incur some cost in the form of international call carriage and gateway transit in carrying ISD traffic which is not been adequately compensated due to low international settlement rates. Moreover, offering of low settlement rates also leads to reduction in foreign exchange earned by the country. The only way forward is TRAI's intervention and fixing up a floor price for all international calls landing in India. It has already been done in all the neighboring countries where the volumes of traffic to and from India are very high. For example, Middle East operators charge very high termination rates in the range of 13 cents as regulated by their Governments. It is pertinent to mention that the Regulating bodies in Pakistan and Srilanka have also fixed termination rates around 10 cents and 9 cents respectively. Majority of countries have fixed termination rates for calls terminating there in. To address this issue, it is suggested that **the authority may fix a minimum floor price for international settlement rates.** This can be done either on uniform or differential reciprocal basis. However it is felt that fixing differential settlement rates for calls originating from different countries would lead to hubbing /re-filing of international traffic from a country that has low settlement rate with India. This will also

	lead to fudging of CLI by operators. In view of the above, we should have minimum uniform floor price for international settlement rates. Operators would be allowed to enter into bilateral agreements /arrangements for international settlement rates equal to or above this floor price. In no condition calls landing in India should be charged less than the floor price. <u>Basis of determining settlement rates</u>- Since it is difficult to do cost analysis for the international calls collection, carriage and switching, it is observed that prevailing settlement rate on majority of the routes is not cost based and primarily driven by current IUC rate for terminating international calls which stands at Rs 0.40 as of now. It also can be seen that when termination rate was fixed as Rs.0.40, the value of one US Cent was around Rs.0.40. Now, the INR has depreciated and one cent is approximately equal to Rs.0.60. Keeping this in view, it is suggested to fix the minimum floor price of uniform international settlement rate anything between US$ 0.01 to US $ 0.02 (i.e. 1 to 2 Cents) and at the least as US $ 0.01 (ie., 1 Cent). This will give following advantages to all stake holders, It will end illogical cut-throat competition. It will increase significant foreign exchange to the country. It will increase the license fee revenue to the government. It has no financial implication for inland customers. Increased revenue to operators will give some relief to them that will be passed on to the customers in form of better network and services. Alternatively, if it is not possible to regulate International rates, authority may continue to keep international settlement rate under forbearance, and increase the IUC for international termination which will automatically lead to increase in settlement rates.
17	As it has been proposed to keep the minimum floor price for international settlement rates, we can keep the international carriage charge under forbearance as is the current practice.
18	BSNL feels that termination rates in India (40 paisa) on incoming ILD calls fixed by TRAI is ridiculously low compared to termination rates of several Middle East and SAARC Countries and has definite scope for further substantial increase. There are two options for this, <u>Option 1</u>- If TRAI decides to fix the minimum floor price for International settlement rates , then the **international termination rate should also be increased and kept as 90% of the international settlement rates (i.e., If settlement rate is US $0.01 then, termination rate should be Rs.0.54 and If settlement rate is US $0.02 then, it should be Rs. 1.08).** It would be better if Fixed /Wired line termination rate is kept 25% higher than the Mobile termination in view of more expenditure being incurred in maintaining Fixed /Wired line System. Creating and maintaining network for end customers is a costly affair for Access providers. This increase in termination charge would give some relief to Access providers in the form of increased revenue which will be used for maintenance of network. <u>Option 2</u>- In case, as suggested by BSNL, the minimum floor price for international settlement rates is not fixed by TRAI and is kept under forbearance as at present, then, it is suggested **to increase the international termination rates and keep it anything between Rs.0.50 to Rs.1.00 to be reviewed periodically i.e. every 2 to 3 years.** It would be better if Fixed /Wired line termination rate is kept 25% higher than the Mobile termination in view of more expenditure being incurred in maintaining Fixed /Wired line System. The current termination rate of Rs.0.40 was fixed by TRAI when the dollar rate was around Rs 0.40/dollar. Due to stiff competition between many ILD operators and low termination rates, operators are forced to fix very low floor price close to Rs.0.40 for International settlement rates.

	Hence, India termination rates as suggested above may be decided uniformly for all calls originating countries/regions. Fixing of rates based on Originating country/region or based on geographical location will force the foreign operators to re-file the traffic through other routes or hub through other carriers or to adopt unfair/cheap means to carry the traffic for India termination which may end up in compromising quality of service and ending up in growing of grey market.
19	There is no need for introduction of asymmetric carrier charges for different geographical regions.
20	No comments
21	No comments
22	No comments

Your's sincerely

08/1/15

Raghuvir Singh
AGM(Regln-II)