Q.1 What components of Interconnect Usage Charge (IUC) should be reviewed?

IUC charges were fixed in 2003 where in the total cost of call had IUC, ADC and margins for the operators. With ADC being completely withdrawn, IUC has become the prime cost component to telecommunication cost and hence comprises bulk of the cost. In the interest of providing benefits to customers and bring in overall competitiveness in the economy, a comprehensive review of all components of IUC must be done

While Origination charge is under forbearance, Origination Charge with respect to services like calling cards must be mandated to enable interconnects. This should be a uniform charge across all operators for keeping the roll out simple and minimizing disputes in settlement. It should be at a significant discount compared to the retail STD charges l

Q2. In view of the details provided in the paper, please give your opinion whether TRAI should continue with the existing methodology of fully allocated cost with appropriate assignments for termination charge or changeover to LRIC or its variant. Please provide full justification.

The current regime is based on fixed IUC charges rather then revenue sharing principle. During 2003, the total cost of telecom had a significant component of ADC for both Domestic and International Long distance (Up to Rs 1.60/min) and termination was a smaller % of the total cost. With ADC completely removed, Termination charge has become the principle component of the cost and in some cases as much as 50% of the total cost. This is significantly high and should be aligned to bring down the overall cost of Telecommunication and cost competitiveness of the economy.

We propose a revenue share model for Termination charge at reasonable levels to support investments and returns to all stake holders

In a volatile market and reducing prices, a revenue share based model is more appropriate for all players.

Q3. Should termination charge be strictly 'cost-based' or should the principle of 'cost-oriented' be applied taking into account other affecting factors? Give reasons in support of your answer.

Same as above

Q4. In the absence of cost data for value added services, how should the revenue of such services is taken into account for determination of termination charge?

NA

Q5. Are asymmetric termination charges justified? If yes, which of the following should be the basis

(i) Existing service providers vs. new entrant
(ii) Urban lines vs. rural lines
(iii) Mobile termination charge vs. fixed termination charge

Give justifications for your answer.

The Global practice is to have uniform termination charge and we would strongly recommend the same to keep pricing/settlements simple. It will be extremely complex to price each route /breakout when dealing with International call termination for an ILDO if termination charges are asymmetric .It is likely to lead to more disputes in settlement and extremely complex billing. Similar challenge would be for NLD termination and billing and settlement would become extremely complex and disputes could increase.

Q6. Should the existing practice of applying the same principles and methodology for calculation of fixed and mobile termination be continued? If not then what should be the methodology for fixed and mobile termination charges? Give full justification.

We propose revenue share model, hence no cost based solution is required.

Q7. Explain in detail the impact of the proposals being submitted by you for mobile and fixed termination charge on tariff and why?

Q8. Are asymmetric domestic and international termination charges justified? If yes, then whether international termination charge should be fixed higher/lower than domestic, should be on reciprocal basis with other countries or left under forbearance? Give justifications.

Revenue share model will address this effectively.

In the event revenue share model is not adopted and we work on existing cost based model, we recommend uniform charges for domestic and international termination due to following reasons:

a) Few UASL operators have suggested that Termination charges for International calls should be higher. This would lead to strong pricing power by those incumbent for ILD traffic and leave standalone ILDO's completely out priced. We have already seen discounted On net pricing by some UASL operators who are also ILDO's leading to huge downward pressure on pricing for Inbound India traffic. This will get significantly increased if any move to have asymmetric termination charge is accepted and would kill the opening up of ILD sector to multiple operators.

b) As each country might have its own value of termination charge, it will become very complicated to have a variable termination charge by country. Also while the origination carrier is known, the originating traffic could be from any part of the world and hence for each call, we would have to have a unique termination charge. This in unviable and is not seen as a global practice.

c) Currently the India termination charge is market driven and we suggest continuing the same and moving to the principle of revenue share.

Q9. What should be the ceiling of carriage charge for long distance calls?

(i) Maintain at the same level
(ii) Increased/ decreased on the basis of current data
(iii) Higher ceiling for remote/ rural areas and one ceiling for rest

Please give sufficient reasons with data in support of your answer.

The long distance carriage charges were fixed in line with Bandwidth pricing for Domestic leased lines. While there has been a significant downward reduction in domestic leased line charges, carriage charge ceiling has not been adjusted downwards. The actual cost of carriage is significantly lower (between 10p to 20p/min) and the upper ceiling on carriage charges be accordingly reduced in line with reduction of Domestic leased line charges.

Q10. Which of the following options should be the TAX transit charges for intra SDCA transiting?

(i) Maintained at the same level
(ii) Left to forbearance
(iii) Increase/ decrease on the basis of current data

Please give sufficient reasons with data in support of your answer.

We suggest be maintained at same level

Q11. What should be the transit/ carriage charge from LDCA to SDCA?

(a) No need to specify separately
(b) Under forbearance
(c) Increase/ decrease on the basis of current data

Please give sufficient reasons with data in support of your answer.

This should be reduced as costs are significantly lower due to reduction in Bandwidth pricing

Q12 India is preparing for launch of 3G mobile services. Which of the following option would you consider best? Give reasons, practicality and method of implementation of your choice.

(i) 3G termination charge same as 2G termination charge
(ii) Forbearance of 3G termination charge
(iii) Higher or lower 3G termination charge?
(iv) Should be considered at a later stage?

We propose same termination charge for both 2G and 3G.

Q13. New developments like WiMax, HSPA, FMC, NGN and further advancements in access technologies are expected to complicate the termination scenario further. What should be done in the current review to take care of these future developments?

IUC is for Voice termination and should remain for Voice only. Data is not billed on usage and hence must be kept out of the purview of IUC December 2008