Consultation Paper on Review of Interconnection Usage Charges; dated 5th August 2016

1. **In view of the recent technological developments in the telecommunication services sector, which of the following approaches is appropriate for prescribing domestic termination charge (viz. mobile termination charge and fixed termination charge) for maximization of consumer welfare (i.e. adequate choice, affordable tariff and good quality of service), adoption of more efficient technologies and overall growth of the telecommunication services sector in the country?**
   (i) Cost oriented or cost based termination charges; or
   (ii) Bill and Keep (BAK)?
   Please provide justification in support of your response.

Response:

Realistic Cost Based approach based on the relevant costs covering the work done including all activities and international business development costs without any arbitrage or artificial loading or differentiating the traffic on origination basis, etc. should be applied.

For calls on fixed-line networks Bill and Keep should be maintained as at present.

2. **In case your response to the Q1 is 'Cost oriented or cost based termination charges', which of the following methods is appropriate for estimating mobile termination cost?**
   (i) LRIC+
   (ii) LRIC
   (iii) Pure LRIC
   (iv) Any other method (please specify)
   Please provide justification in support of your response.

Response:

The most suitable method for determining the termination cost may be LRIC+ as it takes care of some portion of common cost also along with termination as per LRIC model. This will be actual representation of all relevant logical costs.

The proportionate cost based on the time spent by the concerned employees of the Corporate office may be one of the common costs. Other common costs inter alia may be proportionate administrative cost of Corporate office.

3. In view of the fact that the estimates of mobile termination cost using LRIC method and LRIC+ method yielded nearly the same results in year 2011 (as filed in the Hon'ble Supreme Court on 29.10.2011) and in year 2015 (as estimated for the Telecommunication Interconnection Usage Charges (Eleventh Amendment) Regulations, 2015 dated 23.02.2016), would it be appropriate to put to use the estimates of mobile termination cost arrived in the exercises of year 2011 and year 2015 in the present exercise?

Response:

No Comments.

4. If your response to the Q3 is in the negative, whether there is a requirement of running the various LRIC methods afresh using the information on subscriber, usage and network cost for F.Y. 2015-16 for estimation of mobile termination cost?

Response:

No Comments.

5. In what manner, the prescription of fixed termination charge as well as the mobile termination charge from wire-line networks as 'zero' through the Telecommunication Interconnection Usage Charges (Eleventh Amendment) Regulations, 2015 is likely to impact the growth of the Indian telecommunication services sector as a whole? Please support your viewpoint with justifications.

Response:

It is very necessary to grow fixed line services and usage while at fixed location home and office so that spectrum which is a scarce and costly natural resource is put to optimal use in the larger national interest and to provide higher quality of service with no blocking/call drops and higher speed broadband services. The person, who is using mobile, has no other option and suffers. With fixed line increase usage, both category of subscribers, fixed and mobile, would benefit. On fixed line, there should be no distinction on source of call, whether traditional Circuit switching or packet switching based VoIP call.

The step taken by Authority in respect of fixed line termination charges has given a fillip to the growth of wireline services both for Voice as well as Data. It is our view that wireline services are hugely complementary to the wireless services with the advent of fixed mobile convergence and this regime needs to be continued in order to ensure the orderly growth of telecommunications services sector as a whole in the long run.

6. **Whether termination charges between different networks (e.g. fixed-line network and wireless network) should be symmetric?**

Response:

Present termination charge is adequate for National Calls. For calls on fixed-line networks Bill and Keep should be maintained as at present.

7. **Which approach should be used for prescribing International Termination Charge in the country? Should it be kept uniform for all terminating networks?**

Response:

Yes, the International Termination Charges in the Country should be kept uniform for all terminating networks.

8. Whether, in your opinion, in the present regulatory regime in the country, the standalone ILDOs are not able to provide effective competition owing to the presence of integrated service providers (having both ILDO and access service licenses) and, therefore, there are apprehensions regarding sustainability of the stand-alone ILDOs in the long-run?

Response:

We fully agree that the present regulatory regime administering termination charges for international calls is skewed in favor of vertically integrated ILDOs (ILDOs having Access services license also) vis-à-vis stand-alone ILDOs. It is due to this reason that the stand-alone ILDOs are not able to provide effective competition and are being subjected to vertical squeeze by the integrated players resulting in stand-alone ILDOs becoming unsustainable. The integrated service providers (having both ILD and Access Service Licenses) have an unfair and undue advantage due to their ownership of both ILD and Access Services. Having the two licenses enables the integrated service providers to cross subsidize international call termination charge to the extent that they are offering predatory India international price to foreign service providers which the stand-alone ILDOs are not able to match due to obvious reasons. The integrated service providers manage to offer predatory pricing by discounting the international carriage charges to, sometimes, below cost levels. This is possible since the integrated service providers have an additional 39 paise per minutes, over the domestic termination charges of 14 paise minutes for the same work done.

The above fact can be verified from the data, of independent ILDOs and integrated service providers, available with the TRAI. The independent ILDOs are unable to transact business for most of the year.

9. If your response to the Q8 is in the affirmative, which of the following approach should be used as a counter-measure?
(i) Prescription of revenue share between Indian ILDO and access provider in the International Termination Charge; or
(ii) Prescription of a floor for international settlement rate (levied by ILDO upon the foreign carrier) for international incoming calls; or
(iii) Any other approach (please specify)
Please provide justification in support of your response.

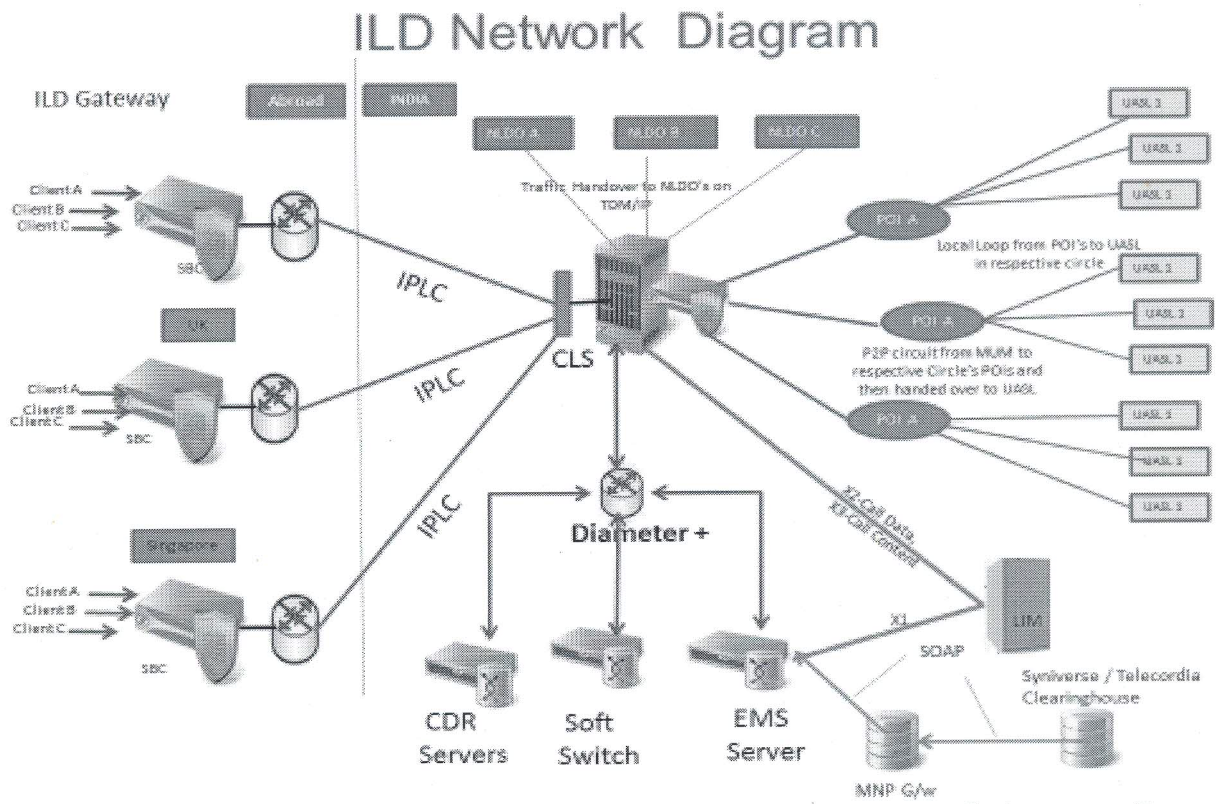
Response:

We support option no. (ii) above according to which there would be a prescription of a floor price for international settlement rate which would be levied by ILDO upon the foreign carrier subject to the conditions that the charges payable to access providers should also be clearly defined as a spot value and the international termination charge floor price should be monitored for compliance on the floor level by the Regulator. We propose a floor of One rupee, that includes present Access Termination Charge (53 paisa), NLD Carriage Charge (35 paisa) and ILDOs retention.

The basis to determine the International Termination Rates should be the work done by all the concerned Parties. ILDOs perform major part of the work-done in handling of international calls:

- Bandwidth charges for carriage of call from international sources to ILDOs Indian POP (ILD Gateway).
- Switching function at ILD Gateway in Indian and abroad.
- Ensuring international traffic Quality of Service (QOS).
- LIM and monitoring function in India.
- Billing domestic and billing international to handle multiple billing timeframes and currencies
- Reconciliation of minutes and Revenue Assurance.
- Management of managing multiple carriers for billing reconciliations.
- Bad debt and legal costs to settle and recover the receivable amount.
- Sales & Marketing in India and abroad.
- International travel and promotion of India as a destination.
- Network Operations Center 24 x 7 in India and abroad.
- Meeting various Regulatory Compliances including detailed Call Detail Records.
- Attending to demands from various Law Enforcement Agencies.
- Handing over traffic to NLDOs and Access Providers.
- Mobile Number Portability interconnect and compliance.

- Employee and office costs in India and abroad.
- Maintenance of accounts and audit thereof.
- Managing risks of foreign exchange rate variation



benefits of competition to the end consumers. This will also enable ILDOs to increase their presence worldwide for effective and high quality calling services for Indian business and Indian diaspora.

10. Is there any other relevant issue which should be considered in the present consultation on the review of Interconnection Usage Charges?

Response:

1. There is also a need for timely and economical interconnection to be achieved. For this there should be an interconnect exchange in each circle for Voice as well as VoIP services such that a single common point of presence should enable exchange of traffic among all Service Providers.

2. For Bill and keep regime fixed line services, this should be applicable only for service delivery by service providers directly to subscribers over wireline (including over non licensed public band or administrated point to point spectrum frequency).

3. Presently the termination charges for international SMS are under forbearance which is resulting in distorted market in respect of termination charges for international transactional SMS charges vis-à-vis domestic transactional SMS charges. In fact the termination charges for SMS viz domestic peer to peer SMS, domestic A2P SMS needs to be reviewed and made cost based and the international SMS termination charges should be mandated to the same as domestic SMS on the principles of work done being the same in both the cases.

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