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**Subject: TRAI Consultation Paper No.01/2014 dated March 24, 2014 on Review of Tariff
for Domestic Leased Circuits.**

Dear Sir,

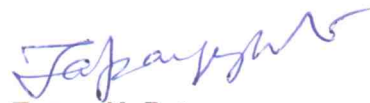
Association of Competitive Telecom Operators (ACTO) is pleased to submit its comments on TRAI Consultation Paper No.01/2014 relating to Review of Tariff for Domestic Leased Circuits.

We hope that our comments (enclosed as Annexure - I) will merit consideration of the Hon'ble Authority.

Thanking you,

Respectfully submitted

Yours sincerely,
for Association of Competitive Telecom Operators



Tapan K. Patra
Director
9899242273

Annexure - I

Response from ACTO on TRAI's Consultation Paper No. 01/2014

on Review of Tariff for Domestic Leased Circuits

1. Current Domestic Leased Circuit (DLC) market in India is competitive with presence of 30+ NLD operators offering services to the customers. Over a period of time, prices/tariffs have been reviewed and as a result of market forces tariff determination has and is being done by way of self-correction.
2. Liberal and pro-competitive regulatory policies such as opening up the NLD sector for private players in 2002, licensing simplification measures taken in November 2005 and other interventions by the regulator ensured that there is sufficient competition and maturity in the NLD segment.
3. We believe that regulatory intervention to correct tariffs in a market is required when there are high tariffs due to lack of adequate competition, impacting the affordability w.r.t a particular product/ service that adversely to the end customers. Given the fact that NLD segment is highly competitive, regulating tariffs may not have much relevance /desired impact in such a scenario as customers are comparatively in a stronger bargaining position due to strong market forces that correct price aberrations in the market.
4. However we believe that there is scope for regulatory intervention in the area of resale of DLC which has remained unaddressed in the past. The Hon'ble Authority may consider reviewing opening up the DLC resale segment by licensed NLD/ILDO's to further enhance competition and optimal utilisation of the bandwidth/capacity (with or without any value addition). From an NLDO perspective, the input bandwidth cost should be allowed to be deducted from the revenue share definition to make the business viable and overall market more affordable for the end user. This will certainly help in further bringing down tariffs in the segment.
5. One of the major problems being faced by the TSPs today is the high cost of RoW in laying underground cables to create access networks. We understand that even small municipalities are demanding approx. Rs 5-10 Lac per KM as RoW cost while the same is in the range of Rs 25-Rs 40 Lac per km in major cities. Thus without bringing down the cost of RoW the ultimate aim of the regulatory to reduce the cost to consumer may not be practically achieved.
6. While most of the telecom tariffs are left to forbearance and to be governed by free play of the market forces, it will be unfair to further regulate the tariff for DLC more so when this segment is already highly competitive in view of reasons explained in preceding paragraphs.

It is important to mention that over a period of time, life span of the telecom equipments in these segments have also reduced to almost half due to rapidly evolving technology and this result in direct impact on Return on Investment (RoI). In addition to this, reduction of tariff as a result of this review will have impact on further investment on new equipment/technologies in this segment.

ACTO suggests that the sufficient level of competition has now reached making it no longer necessary for TRAI to regulate prices. This can now be left to market forces. We can already see significant competitive pressure to lower prices and a lighter touch regulation should encourage further investment in this segment.

ACTO's response on bringing VPN under tariff regulation:

VPN market is already highly competitive as it uses the technology/equipment those are open standard, interoperable and many operators are providing this service. This consultation paper indicates that market dynamics have set VPN cost on lower side as compared to DLC in lower bandwidth segment. VPN services uses lease line, public network which is shared in nature and thus tariff revision in DLC will have automatic impact on the segment of VPN market too.

VPN does not fall in the same service category as DLC. DLC is a dedicated, highly reliable, distance sensitive point to point link to provide services to customers with relatively high bandwidth requirement. VPN is a shared, bandwidth sensitive, secured, scalable service to cater multi location based multi users with best effort quality, not necessarily limited to any national geography/boundary. Regulating its tariffs will lead to a very complex situation for compliance, investment and deployment of any new technology. It may impede the level of innovation in terms of service offerings.

VPN based services are a preferred choice for enterprise segments as a partly alternative to dedicated lease line due to the inherent features like scalability, multi location, efficient bandwidth utilization and lower cost. VPN market in India is growing on an average 10-12 % for last couple of years.

ACTO's comments on the specific questions of the consultation paper are given below:

Question No. 1-5:

ACTO has no comments.

Question No. 6

In your opinion, is there a need for prescribing separate ceiling tariff for remote and hilly areas?

In case of NER & J&K, there are limited TSPs who have invested in creating infrastructure in these areas. Since there is less demand for connectivity services there as compared to a major trunk route the TSPs have equipped infrastructure for lower capacity and the discounts offered by the TSPs may be marginally lower when comparing with high traffic routes. Similarly the CAPEX & OPEX in these regions are very high as pointed out by TRAI themselves in a study report on NER.

Presently, TRAI is following the “death of distance concept” in the other segments/products i.e. carriage charges, IPLC Tariff and others segments, therefore it is submitted that the same methodology may be applied in this case also.

Question No. 7-10:

ACTO has no comments.

Question No. 11

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

ACTO humbly submits that VPN such as MPLS-VPNs should not be brought under tariff regulations for DLC.

Technology perspective of VPN

1. MPLS VPN has evolved as a by product of leased circuit. MPLS protocol has made it possible to create a connection oriented like service using shared network devices in packet (connection less) network and made it efficient in terms of resource utilization(band width) and cost effective. ACTO's view is services should be agnostic both from technology and tariff regulation perspective.
2. Lease Line service is given from layer-1, MPLS VPN is provided from layer -2 and IP VPN from layer-3. Service cost is more for layer-1 and is less for layer-3. But QoS/reliability is high for layer-1 as compare to layer-3. Thus fixing tariff at lowest layer will automatically have impact for services provided from layer-2/3.
3. It is also very complex to fix tariff for same type of services provided from different layers for each technology. MPLS VPN or IP VPN works using shared network elements and public network. That's why it provides services with lower bandwidth

requirement at a lesser cost compare to equivalent leased line, which is dedicated. As for analogy to Taxi service for road transport, it's tariff is regulated by considering distance, time and quality of taxi. But if it is used in shared mode like pooling, a new technique then it makes cost effective for both user and service provider. It involves pick /drop at multiple points with different cost for different customers. Being usage dynamic in nature, it's not regulated. Similarly, regulating tariff for VPN, will deprive the benefits offered by new technology like MPLS/Career Ethernet which saves network resources (bandwidth, port, power) by optimum resource utilization.

4. New technology Career Ethernet is under deployment in various parts of the world which also offers VPN/VPLS and host of other services having capability to meet on the fly demands from customers with improved QoS and enhanced reliability. Tariff ceiling on VPN services will not help to create friendly environment for deploying new technology like Career Ethernet and thereby effecting further investment in this sector. It is not in the interest of users as well as service provider to impose technology based regulation.

Regulatory perspective

5. VPN technology allows it to have multi location based users across the globe. This consultation paper indicates both ends of the leased circuit / VPN needs to be in India for tariff regulation. VPN service is no longer restricted to local or at national level.
6. Earlier VPN was kept outside of tariff ceiling as distance was not a provisioning parameter. The same condition prevails now as well.
7. We believe that there is enough competition in the VPN segment and Hon'ble Authority has also not noted any adverse impact of lack of regulation of VPN tariff segment on the consumers/ subscribers *per se*, therefore, we submit that current forbearance policy on VPN may be continued.
8. Post amendments in NLD/ILD license in 2005, many operators entered in this market segment and created a very competitive market for end users. Bringing VPN tariff under regulation will create a scenario for some operators to opt out and thus bringing down the level of competition. This is because most of the NLDOs provide VPN service after leasing bandwidth from other operators having necessary infrastructure to

provide DLC. Any measure to regulate VPN tariff will impinge on the ability of such NLDOs to competitively price its service

Moreover, ACTO believes that since there are no regulatory failures in terms of competition and affordability etc therefore VPN/MPLS-VPN products should not be brought under the tariff regulations for DLC.

Question No. 12-13

ACTO has no comments.

Question No. 14

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?

In order to infuse affordability to the end user and ensure business viability for TSPs, we would like to suggest that Hon'ble Authority may kindly consider reviewing the current definition of Gross Revenue (GR) / Adjusted Gross Revenue (AGR) to correct some of the anomalies. This exercise will go a long way in improving the financial viability of the sector as a whole. Specifically we would like to identify an issue:

1. The current AGR definition should eliminate the issue of multi stage assessment of license fee which is currently in vogue and severely impedes competition in the enterprise services and data sector. The input cost (i.e. bandwidth cost for data should be allowed as deduction while calculating AGR.
2. In order to ensure cost effective usage of band width and to enhance the competition level further, resale of bandwidth on retail basis with or without value addition by licensed NLDO's may kindly be allowed. NTP-2012 also provides direction (vide clause no.3.8) to facilitate resale at the service level – both wholesale and retail, in tune with the need for robust competition at consumer end.

In light of the above, ACTO would like to sincerely request the Hon'ble Authority to consider reviewing and issuing suitable recommendations related to

- The issue of multi stage assessment of licence fee while arriving at AGR for license fee payment purposes and consider definition and in line with objectives of NTP 2012, consider recommending opening up of resale in the DLC segment (with or without value addition).