Consumer Care Society

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Letter No. 1602/TRAI/12/2014 7/12/14

To

The Chairman,

Telecom Regulatory Authority of India,

Government of India,

New Delhi - 110002.

Subject: Interconnection Termination Charges needs urgent attention

Dear Sir,

India presently follows the regime of Calling Party Pays (CPP) as governed by the Telecom Regulatory Authority of India's (TRAI) regulation on Interconnection Usage Charges in 2003. Under this regime, interconnection termination charges are paid by the mobile operator on whose network the call originates to the operator on whose network the call terminates. The regulation governing these charges was last amended in the year 2009 when TRAI reduced the termination charges to a blanket 20 paisa per minute.

As was widely expected, this reduction faced widespread criticism from the network operators since these charges act as an 'additional' source of revenue, especially for the incumbent service providers. 'Additional' since the operators incur almost 'nil' costs in setting up infrastructure and related price to cater to calls originating on other networks and terminating on their own. The regulator itself is very much aware of the same since it noted that these revenues form *"a partial compensation of the total costs incurred for creating and operating the network"*[1] since *"additionality of costs for receiving calls, in the strictest sense, is close to zero"*[1].

Nevertheless, the operators carried on with their attack on the regulation which further intensified when the regulator in 2011 recommended total abortion of such charges under the name of switching to Bill and Keep regime by 2014. The incumbents presented a slew of arguments in support of their response. Prominent among them were the high spectrum prices, lower per unit returns, over-regulation and excessive competition, among others. This scathing attack continues today also with the Vodafone India's chief Marten Pieters recently calling India's telecom sector a "mess".

Nonetheless, these comments should be of no surprise to anyone. However, we would like to stress the importance of bringing B&K regime in the country. The B&K system conduits an environment where an operator 'bill' its customer(s) and 'keep' the amount instead of transferring the same to other operator where the call terminates. Under current settings, with asymmetries in the on-net and off-net traffic flows among players, the termination charges curtails smaller player's potential revenues while allowing larger players to exercise their market dominance. Removal of termination charges benefits consumers and competition and reduces the imbalance in traffic flows. This system encourages flat-rate billing and time differentiated charges, both of which helps in improving capacity

[1] Affidavit, as submitted by the Telecom Regulatory Authority of India to the Honourable Supreme Court, (October, 2011)

CONSUMER CARE SOCIETY BANGALORE (KARNATAKA) utilization and lie in direct interest of consumers. It also reduces the inter-operator off-net traffic imbalance, and thus helps in convergence to an equilibrium situation. Further, such a system lies perfectly in line with the Central Government's broader objective of lesser government, greater governance. Moreover, by increasing affordability, the B&K regime encourages penetration of telecom (read cellular) services, thereby facilitating the grand Digital India vision of Shri Narendra Modi.

Under this light, we would also like to bring to your kind notice that three years have already passed and the TRAI seems to be holding its decision under some pretext which is affecting the pockets of the consumers. We request your good-self to intervene in the matter and guide the regulator (TRAI) to come out with a pro-consumer plan for a progressive reduction in termination charges finally converging to zero termination charges.

Thanking you.

Warm Regards,

CONSUMER CARE SOCIETY BANGALORE (KARNATAKA)