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To,

Chairman,
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawaharlal Nehru Marg,
New Delhi - 110002

Subject: Comments on TRAI's Consultation Paper on 'Interconnection Usage Charges' (Consultation Paper No. 13/2014) dated 19.11.2014.

Sir,

Today the Indian Telecom sector is second largest in the world, after China. This major process of transformation of Indian telecom sector is the outcome of significant policy and timely regulatory initiatives taken by the Government and the Regulator. Telecom Regulatory Authority of India (TRAI), the independent regulator, has carried out the job of increasing competition and easing entry of competitive service providers in all seriousness and has earned a reputation for transparency and competence not only in the region but around the world.

2. World over it is general phenomena that competing networks mainly in access segment have the tendency of strategic and opportunistic behavior, which forces them to transfer network cost, realize as much revenue as possible, impede competition, maintain or increase their market share as best possible. It is the duty of regulator to curb these tendencies and ensure that competition flourishes.

3. In the initial days, tariffs in India were regulated but subsequently after emergence of competition these were brought under forbearance except roaming, domestic leased circuits and rural fixed line, so that they can be decided by the market forces. The TRAI has therefore followed its mission of nurturing conditions for growth and protecting consumer interest by taking timely action on matters of contemporary and prospective importance.

4. One of the major regulatory reforms is the introduction of Interconnection Usage Charges regime, which was put in place by the Authority in 2003. With the implementation of the 29.10.2003 regulation since 1st May 2004, the identical termination charges @ Re. 0.30/min for the mobile as well as fixed services were prescribed by the Authority. In addition to simplifying the implementation of the regime, the decision of specifying common termination charge for fixed and mobile facilitated moving towards similar tariff levels for calls from/to different access providers and reduced imposition of cost items on certain types of calls merely on account of regulatory policy. However, at that time Access Deficit charge regime was there, which is the per minute charge on different types of calls, needs to be paid by mobile service providers to fixed service providers.

5. In its 23rd February 2006 review, the Authority noted that due to increased volume of traffic the termination charges especially for mobile services may be lower than specified charges. The Authority had also estimated and found that mobile termination charges as well as fixed termination charges could be lower than the specified level of Rs.0.30 per minute. In spite of this, the Authority decided to keep the fixed and mobile termination charges unchanged.

6. Subsequently, the last review of IUC was done by the Authority in the year 2009 and w.e.f. 01.04.2009 the domestic termination @0.20/min is applicable. There is a strong case for further reduction in these charges for following reasons for ensuring level playing field among all operators:

- Since 2009, cost of network elements has come down significantly. At the same time, due to unprecedented growth of subscribers, there has been significant growth in network usage in terms of number of minutes. Most of the operators are opting for active/ passive infrastructure sharing. The cost of bandwidth has come down more than 90%. This implies significant reduction in cost per minute as compared with cost prevalent at the time of last review.

- Lower termination charges are likely to benefit consumers overall because operators will have greater retail pricing flexibility & would be able to offer value based varied retail packages & tariff structure. Over the years, we have witnessed how reduction in IUC/ ADC charges has benefited telecom industry in terms of subscribers and overall revenue growth.

- The reduction in cost per minute has been reflected in tariff reduction which happened over these years, where we have witnessed path breaking tariff innovations such as introduction of per second billing charging and life time validity plans, uniform call charges for local and long distance calls etc. However, over this time span, termination charges and other IUC elements have remained practically at the same level. Instead of any reduction, cost plus SMS termination charges of Re 0.02/ SMS have been specified by way of separate regulation. In addition to this SMS termination charges of Re 0.02/ SMS, cost plus deterrent charge on transactional and promotional SMSs @ Re 0.05/SMS, have also been applied.

- If the prevalent tariffs of leading operators are analyzed one can see significant difference between on-net tariff and off-net tariff. Such disparity in tariff also signifies difference between actual cost of termination vis-à-vis present termination charges.

7. Now the need of hour is convergence of networks, services and regulations. The objectives of NTP'2012 and PM's vision of Digital India also gives direction towards convergence. To ensure efficient, seamless and ubiquitous connectivity between various networks, it is essential to introduce a progressive interconnect regime which fosters healthy competition and provides an impetus to the growth of newer innovative services benefiting the consumers. Termination charges acts as hindrance in the way of convergence. In Internet networks which are IP based networks, there are no interconnection charges and networks can connect globally without any need for interconnection charges.

8. Globally, policy makers & industry associations are backing the case for zero or negligible termination rates. Even, Regulator's in most of the countries are inclined or are working towards lowering MTC, thus reducing the input cost, translating in fall in retail tariffs lead to greater consumption of mobile services in terms of minutes of use per subscription.

9. Now to provide further impetus to the telecom sector to improve rural tele-density and to achieve the objectives of NTP'2012 and PM's vision of Digital India, it is essential to rationalize subscriber tariffs by way of elimination of the termination charges which are stifling competition and acting as an artificial barrier for introduction of innovative tariff packages. Moving towards Bill and Keep (B&K)

regime will encourage the faster deployment of IP-based telecom networks, which is the prerequisite towards convergence.

10. The opponents of Bill and Keep regime propagates that it is similar to mobile party pays regime and if bill and keep regime is implemented, people have to pay for incoming calls. In this regard it is stated that this contention is not at all true. The countries where Mobile Party Pays regime is in existence, due to competition operators have done away with the charges on incoming calls and therefore the Bill and Keep regime is natural outcome of competition. In India, since we have adopted Calling Party Pays regime, it is necessary that mandated Bill and Keep regime should be adopted to protected consumer's interest.

11. By way of Bill and keep regime, the cost recovery is moved from monopoly to competitive market. The competition problems related to termination result from what is called the "termination bottleneck". An operator completely controls the access for traffic that is destined for his subscribers. However, the calling user and originating network have no control over which network the called user is connected to. This gives the receiving operator a monopoly position and that's why the termination is known as monopoly. Bill and Keep regime prevents excessive pricing of termination rates by effectively setting a zero wholesale tariff for termination, which means operators may cover the net cost of providing termination from their own retail users. In this way the cost recovery is moved from a market with termination monopoly, wherein setting the right price depends on regulation, to a retail service that is generally offered in a competitive market. If a provider has to bill termination cost to its own end-users in a competitive market he has no incentive to charge excessive prices to his customers, because he may risk losing them. It is likely to increase incentives for cost minimization as more cost is subjected to competitive cost recovery. Therefore the adoption of Bill and Keep will be in larger interest of consumers.

12. In line with its regulatory reforms, the Authority is also fully convinced with the advantages and necessity of introduction of Bill and Keep regime in India during its last review of IUC regime in 2011. TRAI, after following an elaborate consultation process of about a year which started from issue of pre-consultation paper on 24.12.10 and culminated into filing a report on 29th October 2011 to Hon'ble Supreme Court, opined that there should be a progressive reduction in termination

charges finally converging to zero termination charges i.e. Bill and Keep at the end of 2 years from 2012.

13. In the present circumstances, the Bill and keep regime is the most suitable methodology to determine termination charges for both Mobile and fixed line services in India. It will ensure level playing field among established operators and new/ upcoming operators in terms of IUC due to traffic imbalances and avoid vertical price squeeze / anti-competitive behavior in the market place. TRAI in its submissions made to Hon'ble Supreme Court has advocated for progressive reduction in termination charges in a phased manner leading to zero termination charges (i.e. B&K regime) in 2 years from 2012. Thus, now in 2014, **Bill and Keep regime should be adopted with immediate effect in line with TRAI recommendations given in its report submitted to Hon'ble Supreme Court.**

Yours Sincerely,

Research Pvt. Ltd. New Delhi Micro Market

Pravin Kumar Jha
Director

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