SANJAY SMRUTI SIKHYA SANSKRUTIK PARISAD
SASSIPA(ସସିପା)

AT/ PO- ADHANGA SHASAN, VIA-ANAKHIA, DIST –JAGATSINGHPUR , PIN-754102, ODISHA

A Non-Govt. Non Profit making Social Organisation registered under Societies registration Act and FCRA Rule

Ref. No: J.S.P/102/14-5/14 Date: 7.12.14

Letter No. __/TRAI/12/2014 **Dated (Date) (Month), 2014**

To
The Chairman,
Telecom Regulatory Authority of India,
Government of India,
New Delhi - 110002.

Subject: Reviewing country's Interconnection Termination Charges

Dear Sir,

The issue pertaining to the selection of an optimal Interconnection Usage Charges (IUC) regime for the country has remained one of the most under-addressed issues, especially in light of the burgeoning telecom sector of the country. In its report submitted to the Honourable Supreme Court (October, 2011), the Telecom Regulatory Authority of India (TRAI) sought opinion of various stakeholders and based on responses, calculated IUC by employing four different methodologies. On such basis, the resultant IUCs ranged from Rs. 0.1 per minute to Rs. 0.19 per minute. However, the regulator concluded in favour of adopting the Bill and Keep regime in the third year following the submission of this report. It recommended a gestation period of two years so that the market could adapt necessary settings before the full implementation of the B&K system. For these two years, the regulator recommended adoption of Pure Long Run Incremental Cost (LRIC) method in order to provide a 'glide path' towards a full-blown B&K regime in the third year.

The B&K or sender-keeps-all is a model of interconnection pricing in which the originating service provider keeps the revenue billed, i.e. there remains no room for termination charges. 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 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. In today's scenario, B&K along with the highly successful MNP (mobile number portability) scheme, would further ensure the maintenance of this equilibrium position.

This makes the B&K system the best available fit as per the criterion defined by the TRAI: *"the design of the IUC regime needs to balance disparate interests so that investments in network expansion and upgradation are incentivized while at the same time enhancing competition and consumer interest."*[1] Further, we would like to emphasise that this system has also gained wider recognition from various multilateral institutions from across the world. For instance, the European Commission (2008) made a case for implementing the B&K regime emphasising the 'pro-competitive' nature of the regime. It stated that *"Bill and Keep obviates the need for regulatory intervention and resolves the termination bottleneck. Moreover ... Bill and Keep leads to lower retail prices for call origination and appears to increase usage due to the price elasticity of demand."* The Commission also added that *"it (the B&K system) facilitates development of innovative offers. It also brings immediate benefits by decreasing transaction and measurement costs. Finally, Bill and Keep takes account of the call externality"*[2].

Niranjan Hota
Secretary
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[1] *"Consultation Paper on Interconnection Usage Charges"*, TRAI (November, 2014)
[2] *"Explanatory Note for the Draft Recommendation on the regulatory treatment of fixed and mobile termination rates"*, The European Commission, 2008.

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Similar idea was also endorsed by the Organisation for Economic Co-operation and Development (OECD) which highlighted the restrictive nature of the termination charges citing the case of the US and stated that *"regulators in the OECD are looking into a future where there may possibly not be a charge for interconnection anymore. The FCC (Federal Communications Commission) in its National Broadband Plan warns that interconnection rates are keeping fixed networks in the United States from moving to Voice over IP."*

Experience from other countries further serves as testimony to the matter. A large number of countries including Malta, the UK, Denmark, Ireland and the Netherlands have already envisaged a 'glide-path' towards the B&K regime. Further, mobile termination rates in Europe have fallen rapidly over the last decade at a CAGR of 30.6% overhauling the domestic market environment while entailing more choices and even more benefits for the end consumers.

Under such context, we would like to remind you that the "third year" from which the Bill and Keep system was to be implemented is already in its last months and no direction, let alone action, has been provided by TRAI. Meanwhile, the regulator has also failed to introduce the Pure LRIC system which would have served as a precursor to the B&K regime. Such a lax approach by the regulator holds no merit in light of the above stated untapped benefits that the B&K would materialize for the mainstay of the market, i.e. consumers. Hence, we strongly urge you to kindly intervene and help in releasing the long-awaited gains for the market.

Thanking you.

Warm Regards,

Niranjan Hota

Secretary
Sanjay Smruti Sikhya
Sanskrutik Parisad