Saraswati Educational Welfare Awareness (SEWA) Society (Regd.)

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No. SSD/TRAI/2014/1

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

Subject: Reforming Interconnection Termination Charge Regime

Dear Sir,
This is in reference to the pending issue of reforming (read removing) the present interconnection termination charge regime. Interconnect Termination Charges are the whole charges payable by the service provider on whose network the call originates, to the 'destination' service provider on whose network the call terminates. Under this arrangement, the net revenue realization to an operator depends on the difference in minutes exchanged between the two networks which in real world are heavily skewed in favour of the incumbent operators. Moreover, a termination charge becomes an effective floor for retail tariffs. Also, the process of identifying and imposing an optimal termination charge is cumbersome and complex. Even if a regulator is able to make any concrete conclusion in this regard, it could be disputed by any or a set of operators which may perceive it to be against them. The variables that go into the estimation of termination charges like determination of overall costs, method of allocation, traffic volumes, etc. always remain contentious. Moreover, these charges necessitates for the terminating operator to have accounting and billing systems to monitor flow of traffic, thus imposing extra costs.

On the other hand, removing such charges would free the market from such obstacles. This can be done by adopting the Bill and Keep (BAK) regime. This model was also endorsed by TRAI in its report to the Supreme Court (2011) and concluded that there should be a progressive reduction in termination charges finally converging to zero termination charges at the end of 2 years from November 2011. After these two years, the Bill and Keep (BAK) regime was slated to be adopted.

This model mandates the removal of termination charges which unnecessarily jack-up the retail tariffs offered to the end consumers. Bill and Keep can spur the next round of growth in the telecom sector by encouraging measures that enable consumers to change their service providers and ensure transparency in tariffs in turn empowering the consumers. Moreover, the BAK method can also escalate the competitive pressure on the overall market by permitting more firms to enter the market, including virtual mobile network operators.

Essentially, BAK is an extremely simple and low cost mechanism well suited to the calling arrangements in the country. It requires no billing and related costs. It imposes minimal upfront and ongoing direct and indirect regulatory costs. It is pro-competitive, being unlikely to distort efficient entry or competitive expansion. Rather, it promotes efficient entry and competitive expansion, and hence competition. It is considered likely to result in outcomes that would be similar to those that would arise under more complex pricing approaches, but be substantially less costly and would be more efficient overall.

On the other hand, there are substantial costs of even attempting to identify, set and maintain theoretically optimal termination rates. Further, identifying these rates by international benchmarking, given the wide variation in approaches, prices and the use of glide paths, is essentially a meaningless exercise. At the same time, the costs of BAK are minimal, both in

Saraswati Educational Welfare Awareness (S.E.W.A.) Society (Regd.) New Delhi INDIA terms of direct and indirect costs, including efficiency losses. Consequently, BAK, as compared with seeking to identify and set an "optimal" termination rate, will promote competition for the long-term benefit of end-users.

Apart from the above listed broad-based benefits, the removal of termination fee would give a significant boost to Shri Narendra Modi's grand vision of Digital India. The increasing adoption of smartphones (made possible by technological advancements and receding costs) coupled with the prospective leaps in affordability levels (by removing the termination fee) would spark a digital revolution even in the rural areas and interiors of the country. Besides facilitating much of the government-sponsored welfare schemes (including direct benefit transfer among many others), this combination would also boost the initiative of 'e-governance' in the country. A recent example in this regard is of the enlargement of Karnataka's digital footprint. The state recently launched 'KarnatakaMobileOne' mobile-governance tool which provides citizens access to over 4,000 services - both public and private - through handheld devices.

Moreover, apart from stimulating the 'development' side of the country, the implementation of BAK would facilitate the much needed higher economic growth for the economy. A recent study by the consultation firm Deloitte concluded that a 10% increase in a country's total mobile penetration would lead to an increase in the average annual growth rate of GDP per capita by 0.65 percentage points.

All of the above prospective benefits can be triggered by a mere nodding by the regulator in favour of the bill and keep (BAK) regime. We would like to remind the authority that the same has been installed to serve the purposes of consumers while regulating the industry players. However, it seems that the regulator has been operating in a diametrically opposite direction. Towards this end, we would like to emphasize that the regulator hasn't really worked for the betterment of consumer's interest especially since May, 2012, raising tangible doubts over the TRAI's Honorable Chairman' intention of working, which seems to be steeply inclined towards that of the industry rather than that of the consumers. Hence, we sincerely request you to kindly steer the entire framework away from serving industry's expectations and towards enhancing consumer welfare, the first step towards this end being the implementation of BAK at the earliest.

Thanking you.

Warm Regards,

Saraswati Educational Welfare Awareness (S.E.W.A.) Society (Regd.)
New Delhi
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Dhurender Rai
Secretary

Copy to:

1). Hon'ble Prime Minister, Government of India

2). Hon'ble Minister, Telecommunications and Information Technologies, Government of India