

CONSUMER PROTECTION ASSOCIATION
HIMMATNAGAR
DIST. : SABARKANTHA
GUJARAT



**Consultation Paper
on
Access Facilitation Charges and Co-location Charges
at Cable Landing Stations**

Development in optical fiber technology have reduced the unit cost of undersea cable system. The periodic upgrading of the equipment on the ends of the cables greatly increases the transmission capacity.

Conditions in one country are never identical to those in another. While it is vital to learn from the experiences of other countries, it is never appropriate to copy without very careful consideration of local circumstances.

The objectives of regulating access to undersea cables and landing stations should be to reduce the costs of international voice and data communications. In turn, this can be shown to benefit national competitiveness, to boost economic growth and to create jobs. It also helps

to reduce the digital divide, to make services more affordable and thus to improve social cohesion.

Price benchmarking is a vital first step in determining the position of a country vis-à-vis its neighbors and its economic competitors. It can be effective both in policy analysis and also as a " first cut " at a potential price reduction.

Q1: Which of the following method of regulating Access Facilitation Charges and Co-location charges (AFC & CLC) should be used in India?

Ans.(a) The prevalent method i.e. submission of AFC & CLC by owner of the cable landing station (OCLS) and approval by the TRAI after scrutiny.

This method will ensure nondiscriminatory, transparency, fairness and reasonability for the benefit of consumers.

Q 2: In case AFC & CLC are regulated using method (a) or method (b) above, is there a need to issue guidelines containing algorithm and network elements to be considered for calculating AFC & CLC to the OCLSs? If yes, what should be these guidelines?

Ans. : Yes,

The guidelines should be :

- Gathering information from operators
- Setting prices for services and elements
- Enforcing collocation for equipment in and around the landing station

The charges should be on the basis of cost oriented principles taking into account the cost involved in. Following items can be considered :

1. Access facilitation .
2. Annual operation and maintenance charges.
3. Cancellation charges.
4. Termination charges or discontinuance of access facilities.
4. Restoration charges.
5. Co-location charges for alternate co-location space per unit capacity.
6. Access facilitation charges for virtual collocation.
7. Operation and maintenance charge for virtual co-location.
9. Execution charges of access facilitation.
10. Additional collocation space and co-location equipments.
11. Allocation of alternative co-location space.
12. up-gradation and payment of charges.
13. Resell spare capacity.
14. Purchase of leased line to the cable landing station.
Etc.

Keeping in mind the consumer benefit.

Q 3: In case, AFC & CLC are regulated using method (a), (b) or (c) above, please suggest the value of pre-tax WACC, method of depreciation and useful life of each network element? Please provide justification in support of your answer.

Ans. : The most commonly used methods to charge depreciation on the useful life of assets are Straight Line Method (SLM).

Cable landing points should be chosen carefully to be in areas:

1. That have little marine traffic to minimize the risk of cables being damaged by ship anchors and trawler operations;
2. With gently sloping, sandy or salty sea-floors so that the cable can be buried to minimize the chance of damage;
3. Without strong currents that would uncover buried cables and potentially move cables.

Q 4: Which cost heads/ network elements should be included/ excluded while calculating Access Facilitation and Co-location charges? Please enumerate the items with specific reasons.

Ans. : As above

Q5: What should be periodicity of revision of AFC & CLC? Support your view with reasons.

Ans. : Six Monthly
More information becomes available.

Q 6: In case, cost based AFC & CLC are fixed by TRAI, which costing methodology should be applied to determine these charges? Please support your view with a fully developed cost model along with methodology, calculation sheets and justification thereof.

Ans. : Fully Allocated Cost (FAC) Method

Apart from this :

Price cap should be used extensively to drive down the charges. These usually fix an initial price level and then use a formula that allow for any increases in the inflation and a factor for the expected efficiency gains. By imposing an efficiency gain that is greater than any increase in price.

It can be cost based accounting approach and an annual recurring model. One can also made extensive comparisons with other countries.

It is necessary to gather a considerable volume of information from the operator in order to arrive at an actual cost. Authorities also requires the skills to ensure that the information provided is accurate and complete.

Q 7: Whether Access Facilitation charges and O&M charges should be dependent on capacity (i.e. STM-1, STM-4 or STM-16) activated? Support your view with reasons.

Ans. : No.

Q 8: If Access Facilitation charges and O&M charges are fixed on the basis of capacity activated; (a) Should the charges be linearly proportionate to the capacity activated; or (b) Should the interface capacity as provided by the submarine cable system at the cable landing station be charged as a base charge while higher or lower bandwidth be charged as the base charge plus charges for multiplexing/ de-multiplexing?

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Q 9: Whether there is a need to fix Access Facilitation charges for all types of submarine cables? If no, which kind of submarine cables may be exempted and why?

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Q 10: Is there a need to introduce any new provision or to modify/delete any of the clauses of the 'International Telecommunication Access to Essential Facilities at Cable Landing Stations Regulation 2007', in order to facilitate access to essential facilities at cable landing station?

Ans. : Yes

Reduced prices for international services will cause a substantial increase in demand. The TRAI should also amended the relevant clauses in International Long Distance (ILD) Service license to bring out regulations to ensure efficient, transparent and non discriminatory "Access to Essential Facilities including landing facilities for

Submarine Cables at Cable Landing Stations (CLS)" for the growth of telecom sector.