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IAMAI Submission on TRAI Consultation Paper on Review of Interconnection Usage Charges

1 message

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To
Shri S. K. Singhal
Advisor (BB&PA)
TRAI
New Delhi

Sub: IMAI Submission to TRAI Consultation Paper on the Review of Interconnection Usage Charges

Dear Sir,

The Internet and Mobile Association of India on behalf of its members would like to thank you for the opportunity to share our views on the issue of review of Interconnection Usage Charges.

We hereby share our submission as a pdf attachment. We hope our submission is given due consideration. IMAI extends all co-operation to TRAI on this matter, and is open for further conversation on the matter.

Warm Regards,
Bhanu

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 **IAMAI Submission_TRAI Consultation Paper on IUC.pdf**
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IAMAI Submission on TRAI Consultation Paper on Review of Interconnection Usage Charges

Background to the Submission

The Interconnection Usage Charge (IUC) is the amount paid by one telecom operator to another when a call from its network connects/lands to the other operator's network. In 2017, TRAI issued the Telecommunication Interconnection Usage Charges (Thirteenth Amendment) Regulations, 2017 (dated 19.09.2017) which brought down wireless to wireless domestic call termination charge to 0.06 paise per minute, effective from 01.10.2017. It further prescribed Bill and Keep (BAK) regime i.e. zero termination charge, effective from 01.01.2020 for domestic call termination.

The 2017 Amendments follow in principle the stance TRAI affirmed in 2011 that the IUC should be brought down to Zero. As per the Affidavit dated 29th October 2011 submitted by TRAI in the Hon'ble Supreme Court:

"8.12 TRAI is of the opinion that there should be progressive reduction in termination charges finally converging to zero termination charge ... at the end of 2 years from the present."

After a comprehensive review of the IUC regime through a transparent and elaborate consultation process in 2016, TRAI issued the Telecommunication Interconnection Usage Charges (Thirteenth Amendment) Regulations, 2017 ("Regulations") as follows:

"2. (a) Re. 0.06 (paise six only) per minute with effect from the 1st October, 2017 to the 31st December, 2019; and (b) 0 (Zero) with effect from the 1st January, 2020"...."

The present consultation initiated by the Telecom Regulatory Authority of India is to discuss the possibility of revising the applicable date for scrapping IUC, which at present is 01.01.2020.

The Internet and Mobile Association of India [IAMAI] would like to thank the office of TRAI for allowing us to make this submission on the review of Interconnection Usage Charges.

IAMAI, as a representative of the digital services sector in India, is keenly interested in the promotion of new telecommunication technologies that enables affordable digital services to the wider Indian population. Our submission on the consultation is to be read in this context.

Question: Is there a need to revise the applicable date for Bill and Keep (BAK) regime i.e. zero mobile termination charge from 01.01.2020? If yes, then what parameters should be adopted to decide the alternate date? Give your suggestions with justification.

IAMAI Submission:

TRAI should continue with zero mobile termination charges from 01.01.2020 in view of the fact that IUC charges are acting as a deterrent for rolling out of 4G technology in several telecom circles in India.

Reasons for Submission:

Adoption of new technologies: The 2017 regulations that mandated the Bill and Keep (BAK) regime, (i.e. zero termination charges) from 01.01.2020 was based on certain assumptions of shifting traffic, adoption of new technology, etc. However, as the consultation paper itself recognises, traffic shifts have not occurred, certainly at the level initially envisaged. It is perhaps this observation that has initiated the review of IUC termination date.

At a time when India is looking at an opportunity to become a trillion-dollar digital economy, the growth of all digital players/start-ups/OTTs/application developers etc are hinged on high speed 4G broadband connectivity to foster.

In such a context, any policy decision by TRAI should be judged in terms of what possible impact such a decision could have on adoption and proliferation of newer technologies. In this regard, we would like to highlight the following factors:

- i. **From TSPs Point of view:** Future spread of Internet connections in India depends on the deployment of 4G and 5G networks by Private Telecom Service Providers (TSPs) which can be achieved with the extension of the current capacity of 4G networks and augmentation of 5G networks when it is introduced to the Indian market. While the footprint of 4G networks is increasing, all operators are not expanding their 4G Radio Access Networks (RANs) at the same pace. The statistics of NEP BTS numbers¹ shows that 4G BTS is below 50% for some TSPs.

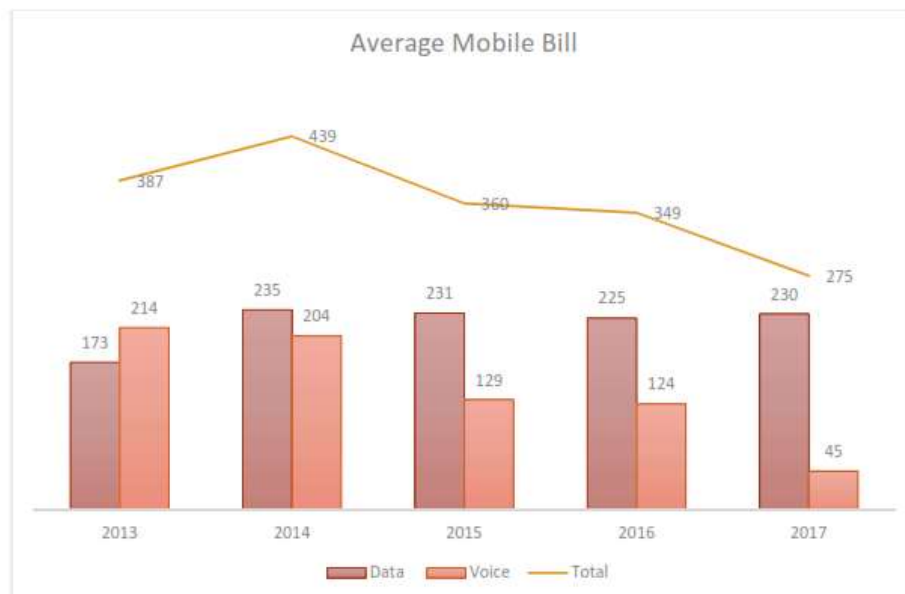
It is noted that some incumbent TSPs are operating on 2G/3G even while they have 4G spectrum to the level they are entitled to and are capable of providing it. The pace at which they are deploying 4G base stations is slower than expected. In this regard, the telecom operators will have to make adequate investment to implement newer technology on the ground.

¹ Dated 15th September, 2019.

ii. From Consumer's Point of view:

The mobile tariffs have a critical role in driving adoption levels for mobile services. As TRAI has seen, the fall in tariffs has always corresponded with the increase in penetration levels. The increasing proportion of 4G capable smartphones and feature phones in the Indian telecommunication market shows that the Indian telecommunication services consumers are moving towards adoption of latest technologies. However, most of the subscribers are still not using the 4G network from their 4G capable devices, often because of unavailability of such services. In such a scenario, continuation of IUC will be an incentive to TSPs to continue on 2G or 3G spectrum, which is ultimately detrimental for the Indian customers.

iii. Commercial interest of Telecom Service Providers (TSPs): Access to internet connections with mobile has increased at a faster pace than with broadband connections. As per Census 2011, merely 4% of the households use only landline phone and merely 6% households use both landline and mobile while 53% of the households use mobile phones only. Due to cheaper data plans, access to the internet for majority of the population has largely been through the mobile phone rather than the conventional, fixed broadband route.



Source: Kantar-IMRB All India Mobile Internet Users Estimates, October 2017

Over time, average mobile expenditure has been decreasing continuously from 2014. This decrease is reflected in greater affordability of mobile data, which decreased from 2014 to 2016. Expenditure on Voice has been steadily decreasing from 2013; and with the popularity of VOIP and video chatting, the expenditure on voice services has decreased drastically in recent times. This in turn means that there is a rise in



proportion of Data expenditure in comparison to voice expenditures for most users. In just 5 years from 2013 to 2017, the ratio of Data:Voice went from 45:55 to 84:16².

Given this shift in customer preferences, TSPs too have changed their business models, with unlimited voice calling being bundled with data packs on offer. However, for certain circles where 4G roll-out is limited (due to any possible factors) the predominant source of revenues for the TSPs are still from voice services. These customers largely use plans having charges on per call basis and pay for their outgoing calls.

Thus, IUC charges continues to be a revenue source for TSPs and acts as an incentive to for such TSPs to continue services on 2G and 3G networks, which in turn hinders roll out of 4G technology.

² Mobile Internet Report 2017, IAMAI-IMRB