S Tel

S Tel/LT/2011/894
December 20, 2011

The Secretary,
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg (Old Minto Road),
New Delhi 110 002

Kind Attn: Sh. Arvind Kumar Advisor (I & FN)

Subject: Response to Pre consultation paper on review of Interconnection Usage Charges
Ref: TRAI Letter No. 409-9/2010/-I&FN dated 24th December, 2010

Dear Sir,

Our responses on the questions raised by Authority in the aforesaid Consultation Paper are enclosed herewith.

This is for your consideration please.

Thanking you

Yours faithfully,
For S Tel Private Limited

D.K.Gupta
VP (Legal & Regulatory) & Company Secretary

Encl: a/a

S Tel RESPONSE TO THE TRAI PRE CONSULTATION PAPER ON REVIEW OF INTERCONNECTION USAGE CHARGES

The review of IUC is a comprehensive exercise and it shall be undertaken after due cognizance of the following facts:

a) The cost of provision of mobile telecom service has gone up significantly in the recent times. This has happened because of the increase in levies and Regulatory Costs due to:

- Implementation of Mobile Number Portability (MNP)
- Implementation of TRAI Regulations on UCC
- Security related issues
- Subscriber verification
- Increase in spectrum charge
- Increase in levies on towers and
- EMF related issues; Self-Certification for each BTS to be complaint with radiation levels

b) Besides the above, S Tel and many other operators have invested significant amount for acquiring the 3G spectrum and for network deployment & roll out of 3G service.

c) The level of competition in the mobile space has become even more intense. Price wars in the recent months have led to a significant decline in tariffs/ ARPU over the last two years.

Therefore TRAI shall ensure that a ***level playing field is provided*** to all operators. A standard principle which is cost based for all IUC charges, be derived at

S Tel response to the questions raised by the Authority in the Pre-consultation paper on IUC is as follows:

Issue (i) - What should be the framework of Interconnection Usage Charges that meets the requirement of today as well as takes care of future developments like deployment of Wi-Max, High Speed Packet Access (HSPA), Fixed Mobile Convergence (FMC) and Next Generation Network (NGN)?

S Tel response: At present only circuit based access networks shall be taken into account for arriving at an IUC regime only. With regards to the new technologies like Wi-Max, High Speed Packet Access (HSPA), Fixed Mobile Convergence (FMC) and Next Generation Network (NGN), ***it would be prudent to wait and see the implementation of these technologies before arriving at pre-determined IUC principles,*** though basic principles like Cost base and Work done base can be defined as the general underlying principles.

Issue (ii) - What components of IUC for voice, SMS and any other Value Added Services should be reviewed? What should be the level of charge for each component that requires review? Please give detailed justification / reasons to support your view point.

S Tel response: As per TRAI letter No. 409-9/2010-I&FN, dated 24th December, 2010, the present IUC Regulation covers the following:

Origination Charge

At present the origination charge is under forbearance and all the other components listed above are governed by the IUC regime. **We are of the view that there is no need of regulating the Origination charge.**

Termination Charge

i. We would like to submit that all components of IUC for **Voice**, which include transit charge, transit carriage charge, termination charge and carriage charge, should be reviewed by the Authority on Cost-based pricing methodologies.

ii. Termination charges for **SMS** should on Bill and Keep Principle and if at all this is to be reviewed it shall be purely on cost based principles as the cost is extremely low for SMS.

Carriage Charge

The prevailing Carriage Charge rates in the market are below the ceiling of Rs 0.65 per minute. **We are of the view that by using cost based methodologies it is strongly recommended for downward revision of the ceiling.**

TAX Transit Charge

There may be case wherein a new entrant may not be in a position to establish direct interconnection in one go with all service providers and therefore there may be a need to allow transit connectivity in the interim. It must however be emphasized that such facility should be time bound and should be cost based so that burden of the transit charge does not get transferred in the form of higher tariff to the consumers. Hence there is a sufficient case for a review of the TAX Transit charge and making it cost based.

Transit carriage charge

With regard to the Transit Carriage Charge we would like to submit that though the licenses on the NLD operators have been amended to permit them to carry intra circle long distance calls, the private cellular operators have not yet been able to take advantage of this facility and are constrained to continue to handover their traffic to PSU Operator at Level-II TAX. Consequently the private operators have to pay a high transit charge for the same even though the private NLDOs are willing to carry the same at a fraction of the price. This is not only making this segment non - competitive but is also against consumer interest.It is thus recommended that the Authority may either ensure increased competition in this segment by allowing the access providers to use private NLDOs for their intra circle long distance calls or review the cost downwards.

Issue (iii) - Which of the following approach / methodology should be used for estimating Interconnection Usage Charges:
Existing Fully Allocated Cost Methodology used by TRAI or any variation in it.
FLRIC or any other variant
Bill and Keep
Left to forbearance all components of Interconnection Usage Charges
Any other methodology

AND

Issue (iv) - Explain the approach / costing methodology adopted, provide the model, if any, developed for estimating the level of each component of IUC for voice, SMS & any other Value Added Services with all calculation sheets. Give justification for adopting the proposed approach / methodology. Also provide details of revenue, minutes of usage (off-net / on-net), CAPEX & OPEX corresponding to each network elements, cables, etc., separately for your network.

S Tel response: We believe that a judicious mix of Cost Based methodologies and Bill and Keep principle shall be employed.

Issue (v) - Provide cost and revenue corresponding to each service like voice service, SMS, GPRS, EDGE, Roaming Services and any other Value Added Services. Also provide cost and revenue for interconnecting services like terminating call, originating call, terminating SMS & originating SMS. All cost and revenue data may be cross referenced with the Accounting Separation Report submitted to TRAI.

S Tel response: The Accounting Separation Reports including annual financials & quarterly revenue reports are already filed with the Authority and accordingly the data may be collated from it.

Issue (vi) - Justification as to why the model proposed by you should be used for determination of Interconnect Usage Charges for voice calls, SMSs and any other value added services.

S Tel response: Our proposal is based on the International best practices, protecting interest of the Service providers as envisaged under the TRAI Act, TDSAT Judgment, prevailing practices in the Indian market and the principle of Level playing field.

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