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TRAI Corres/2/2012/076

8th June 2012

**Advisor (I & FN)**,
**Telecom Regulatory Authority of India**,
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg, Old Minto Road
New Delhi – 110 002.

**Subject: Response to Consultation Paper on "Review of the Telecommunication Interconnection (Port Charges)".**

Dear Sir,

This is in reference to your consultation paper dated 9th May 2012 on the above-mentioned subject.

At the outset, we thank the Authority for initiating this consultation paper. We believe that a fair and equitable interconnection regime is instrumental in catalyzing sustained growth and ensuing fair competition in any telecommunication market.

It is imperative that the regulatory regime is also continuously reviewed and necessary changes are made from time to time to reflect the change in market dynamics. We have been requesting the Authority through various forums and for quite some time that a review of the present port-charges are long overdue as there has been substantial changes in CAPEX and OPEX of hardware and network equipments and new charges should be notified taking in to consideration the new costs of equipment.

Before we furnish our observations relating to the cost data and costing methodology, we would like to highlight some key points as enumerated below:

1. Presently, we are having separate POIs for GSM and CDMA technology even though technically it is very much possible to have POIs which carry both CDMA and GSM traffic. Hence, merging of CDMA & GSM UASL POIs should be allowed immediately as having separate POIs for GSM and CDMA does not allow optimal utilization of network resources.

2. Presently, BSNL demand for setup charges for doing AT if any rearrangements are required to be made. We feel such set-up charges are anti-competitive and should be done away with is no change in equipments is required.

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3. BSNL Cell one TGs are not allowed as both way TGs. They give 50% POIs for incoming & 50% for outgoing even though port charges are not shared by them. This gives unequal occupancy and wastage of resources in case the incoming traffic from cell one is very less and outgoing from our side is very high. In another words, as the complete port charges are payable by interconnection seeker, the port charges should be decided on the basis of outgoing traffic of interconnection seeker and provider i.e. the port charges should be decided on the same principal as IUC.

4. We strongly feel that port charges should be restricted to 2 years only. After 2 years, both the seeker and the provider are equally benefitted from the POIs. Principally, this two years period should only be considered as a period to establish service. After 2 years, traffic is almost equal and both parties are benefited by that POIs.

We would also like to re-iterate our following comments furnished to TRAI vide our earlier letter dated 10th October 2011:

i) The Regulator may adopt the Bill and Keep methodology for setting of the interconnection port charges.

ii) The Regulator may allow the cessation of any further payments for ports wherein over-recovery has already taken place.

A fair rate of return should be applied on the depreciated value of the assets employed by the interconnection provider. Straight line depreciation with 10% depreciation rate has been employed by the Regulator in the past regulations and should be continued with in this exercise.

Further, to account for expenses incurred during installation an overhead of 10% over and above the capital expenditure may be incorporated.

The total costs to be recovered should take cognizance of the cost of capital (WACC), assumed as 12.5%.

The cost per E1 (allocated cost) is calculated by dividing the cost of the individual element by its capacity. The summation of these costs provides the allocated cost per E1. This cost is increased by 10% to account for any overhead expenditure to arrive at the total cost which the interconnection provider needs to recover.

Further, the incremental costs to develop additional capacity can be determined by adding costs for only those elements which need to be upgraded. For this purpose, two scenarios have been considered wherein capacity is upgraded by 64 and 128 E1s. The costs under these scenarios are found to be lower by around 5%.

In view of the above, we request the Authority that the port charges should be on Bill and Keep basis. However, if the Authority while finalizing the port charges regulation feels that port charges should be levied them those should not be more than the following charges:

(a) Tax exchange - @ 7000/- Per E1 may be levied for 2 years
(b) GMSC - @ 1500/- Per E1 may be levied for 2 years
(c) Or alternatively @ 4500/- Per E1 for both type of connectivity ie TAX and GMSC

We sincerely hope that our views expressed herein will be given due cognizance.

Thanking you and assuring you of our best attention always.

Yours sincerely,

**Anand Dalal**
**Senior Vice President – Corporate Regulatory Affairs**
**For Tata Teleservices Limited**
**And**
**Authorized Signatory**
**Tata Teleservices (Maharashtra) Limited**