

**Business
Services**

Date: 25th April 2014

Sub: OBSINPL/TRAI/FY14-15/005

**To,
Shri Manish Sinha
Advisor (F & EA)
Telecom Regulatory Authority of India
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg, New Delhi – 110 002**

Subject: TRAI Consultation Paper No.01/2014 on Review of Tariff for Domestic Leased Circuits.

Dear Sir,

We are pleased to enclose our thoughts and suggestions on the captioned Consultation Paper.

A brief background on Orange Business Services: -

Orange Business Services, is one of the world's leading telecommunications carriers (telecom service provider and telecoms network operator) with customers in 220 plus countries and territories. Orange Business Service India provide enterprise services to multi-sited corporations, Indian BPO outsourcing and ITES sector operating global networks and holds NLD, ILD & ISP license issued by Department of Telecommunications.

Please find enclosed our views in the enclosed annexure and we shall be glad to provide any clarifications and further details on our thoughts and hope our views would be useful in arriving at meaningful conclusions.

Thanking you,

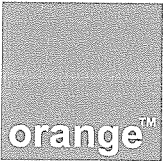
Yours sincerely,

For Orange Business Services India Network Pvt. Ltd.

(Erstwhile Equant Network Services India Pvt. Ltd.)
Corporate Identity Number : U72900HR2007PTC037029

**Rajesh Ballal
Regulatory Counsel (South Asia)**





Annex

**Response on TRAI's Consultation Paper on Review of Tariff for DLC
including VPN.**

Response on review of tariff for DLC:

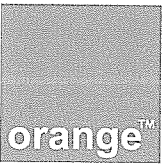
1. Current the Domestic Leased Circuit (DLC) market in India is highly competitive with many operators in the NLD space many of whom have laid down their infrastructure across India. The prices of DLC are on a down trend in general and competitive market is hugely responsible for this self-correction.

The liberalization regime introduced in 2006 with reduction of entry fees along with reduced license fees have resulted in making the market more competitive, affordable resulting in benefiting the end users. As a thumb rule the Regulator intervenes when there is lack of competition resulting in high tariff thereby impacting affordability. In view of prevalent competition already existent, it may be best left to market forces to regulate price of DLC. Regulator may consider recommending free resell of bandwidth by NLD operator to enhance further competition and optimum utilisation of bandwidth Similar to the license of Resale of IPLC, which unfortunately has not taken off, due to it being limited to IPLC and not other layer 2 and layer 3 services.

2. We are not sure if the per unit based Tariff fixation on input costs is a fair representation where different technologies are available, involving different costs which are not just comparable in nature. The different variants of services in offering to best suit the need of the customer define the services and technology. In addition to the different entry time of operators define the technology in use. While many customer are still being served under legacy based offering like X28, X.25, Frame relay, while new operators servicing customer based on MPLS thereby having different cost parameters.

In routes where traffic volumes are high operators have deployed high capacities where per unit cost may be different when comparing with less populated routes. In a single route an operator may have deployed STM 16 capacity while another operator may have deployed STM 64 and higher capacity thereby changing the unit cost drastically and incomparable.

3. In case of NER & J&K, there is a limited infrastructure by operators. The key reason for the same being lesser demand in these geographies with a major trunk route the TSPs equipped for lower capacity and tariff being high. Similarly the



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CAPEX & OPEX in these regions are very high as observed by the Hon able Authority in their study report on NER dated 26th September 2013.

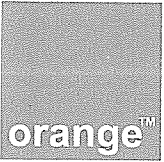
4. It is also pertinent to mention here about the high cost of RoW in laying underground cables to create access networks. Even small municipalities are demanding INR 5-10 Lac per KM as RoW charge while the same is in the range of Rs 25-Rs 40 Lac per km in major cities. In addition to the high cost there is no universal policy on ROW, which results in every municipal authority defining its own process of getting the requisite permission for ROW and any subsequent maintenance requirement, the operator has to undergo the same ordeal again. This not only delays the deployment but also is a huge element of cost, which needs to be addressed by the relevant authorities jointly.

Proliferation of high bandwidth with new data services like 3G/LTE/VoD etc, necessitates for further investment in deployment of OFC, new equipment/ expansion and new technologies resulting in redeployment of funds for the basic infrastructure, thereby increasing the cost of operators, not to mention the reduced life span of the telecom equipment's due to fast change in technology.

We would thus request the same be left to market dynamics by allowing forbearance.

Response on bringing VPN under tariff regulation:

The market for VPN are already quite competitive as it uses the technology/equipment those are open standard, interoperable and many operators are already providing these services. This consultation paper too has indicated that market dynamics have set VPN cost on lower side as compare to DLC in lower bandwidth segment. VPN services uses the lease line, public network shared in nature and thus tariff revision in DLC will have automatic impact on the segment of VPN market too. The tariff for VPN services are very dynamics and there are multiple variants of them based on which the tariff too varies. The service level (SLA) to an customer also defines the cost. Thus, unlike the conventional broadband service for which tariffs are fixed purely based on capacity requirement, the VPN tariff's have many facets based on which the tariffs are derived



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and also taking into account the overall utilization factor of the customer across the global networks.

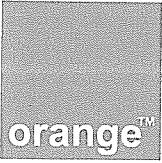
VPN Technology perspective:

1. MPLS VPN has evolved as a by-product of leased circuit. MPLS protocol has made it possible to create a connection oriented like services using shared network devices in packet (connection less) network and made it efficient in terms of resource utilization (band width) and cost effective. Thus, the services should be technology agnostics and regulation be built for free play of the same.
2. Lease Line service are derived from layer-1, while MPLS VPN are provided from layer -2 and IP VPN from layer-3. Service cost is more for layer-1 and is less for layer-3, while QoS/reliability is far high for layer-1 as compare to layer-3. Thus fixing tariff at lowest layer will automatically have impact for services provided from layer-2/3.
3. Also fixing tariff for same type of services provided from different layers of technology maybe more perplexing. MPLS VPN or IP VPN works using shared network elements and public network, that's why it provides services with lower bandwidth requirement at a lesser cost compare to equivalent leased line, which is dedicated. Regulating tariff for VPN, will deprived the benefits offered by new technology like MPLS/Career Ethernet which saves network resources (bandwidth, port, power) by optimum resource utilization.
4. There are also technologies like Career Ethernet is under deployment in various parts of the world which are also offering VPN/MPLS and host of other services having capability to meet on the fly demands from customers with improved QoS and enhanced reliability. Thus, maintaining a regime of forbearance best suited for the Industry.

Economy

5. **The AGR definition for data service should address the issue of multi stage assessment** of license fee which is currently not in line with that of voice services where reduction of interconnection charge paid to other operators are allowed while





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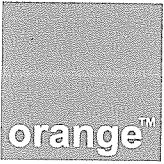
calculating the license fees. This severely impedes competition in the enterprise services offering data services. Therefore input cost (i.e. interconnection / IUC and bandwidth cost for voice and data respectively) should be allowed for deduction while calculating AGR. In addition introduction of a wholesale price regime in India may further boost competition amongst the facility based operator.

6. Post amendments in NLD/ILD license in 2005, many operators entered in this market segment and created a very competitive market for end users.
7. In order to ensure cost effective usage of band width and to enhance the competition level further, resale of bandwidth may be recommended. This will help to ensure the same level playing conditions among the competitors in this segment.
8. VPN services are being a preferred choice for enterprise segments as an alternative to dedicated lease line due to the inherent features like scalability, multi location, efficient bandwidth utilization and lower cost. VPN market in India is growing on an average 10-12 % for last couple of years.

Regulatory perspective

9. VPN technology allows it to have multi location based users across the globe. This consultation paper indicates both ends of the leased circuit / VPN needs to be in India for tariff regulation. VPN service is no longer restricted to local or at national level.
10. We believe VPN has been kept outside of tariff ceiling as distance was not a provisioning parameter. The same condition prevails now as well.
11. We also believe that there is enough competition in the VPN segment and Hon'ble Authority has also not noted any adverse impact of VNP segment on the consumers/ subscribers *per se*, therefore, we submit that forbearance policy on VPN may be continued





Comments on the specific questions of the consultation paper are given below:

Question 1: Should TRAI continue to use the bottom-up fully allocated cost method for computation of cost-based ceiling tariffs for point-to-point DLCs (P2P-DLCs)?

Response: Irrespective of the method adopted by the Authority for fixing/reviewing the ceiling tariff of DLCs, we feel that an aerial overview of the tariffs be carried out at a periodic interval (say 12 -24 months) by the Authority may be best suited, while letting the market forces to fix the price in this competitive market

Question 2: In case your response to the Q1 is in the affirmative, what values of the following items should be used for estimation of ceiling tariffs for P2P-DLCs:

- (i) Return on Capital Employed (ROCE)**
- (ii) Useful lives of transmission equipment and Optical Fiber Cable separately**
- (iii) Average no. of fiber pairs lit in OFC in trunk segment and local lead segment separately**
- (iv) Utilization factor of OFC system in trunk segment and local lead segment separately.**

Response: we feel all the above mentioned elements are to be considered for estimation of ceiling tariffs.

Question 3: In case your response to the Q1 is in the negative, what should be the alternative approach for determining tariffs for P2P-DLCs of various bandwidth capacities? Please support your view with a detailed methodology along with data and assumptions, if any.

Response: Already covered in response to Question No. 1.

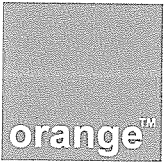
Question 4: In your opinion, what are the bandwidth capacities of P2P-DLCs for which ceiling tariffs need to be prescribed?

Response : Bandwidth of 2 MB and onwards

Question 5: In your opinion, is there a need for prescribing separate ceiling tariffs for local lead and trunk segment?

Response : We have no comments on the same





Question No. 6 : In your opinion, is there a need for prescribing separate ceiling tariff for remote and hilly areas?

Response : Cost to build infrastructure for lease line service in the remote/hilly area is more as compare to other places. Further investment in these areas is essential to uplift the economy and demand. Thus, depending on the geographically difficulty/terrain, ROW permission/cost etc., accordingly different “Factor” could be standardized (fixed) by the Regulator. For example for hilly area could be factored at ceiling rate of 1.1 of that of Urban Area.

Question 7: In your opinion, what are the distances of
(i) trunk segment and
(ii) local lead segment (separately)

of P2P-DLCs for which ceiling tariffs need to be prescribed?

Response : We have no comment on the same.

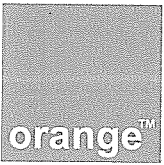
Question No. 8: In your opinion, is the distance interval of 5 km still relevant for prescribing distance-based ceiling tariffs for P2P-DLCs?

Response:: The slabs can be incremented of 5 KM - 20 KM, with incremental of 20KM upto 100KM and then 100 to 500 in increment of 100 KM and beyond 500 in increment of 250 KM. Alternatively they can be classified in various category depending on city limits, municipality limits, intra state etc.

Question 9: In case your response to the Q8 is in the negative, what distance interval should be used for prescribing distance-based ceiling tariffs for P2P-DLCs?

Response: Already covered in response No. 8

Question10: What equipped capacities of trunk segment and local lead of P2P-DLC should be used for computation of ceiling tariffs of various bandwidth capacities?



Response: Bandwidth benchmarking should start with 2 Mbps and followed by DS3, STM-1, STM-4, STM-16, STM-64 and 10G WL (unprotected) since these are more relevant today than sub-E1 bandwidth.

Question No. 11: Should VPN such as MPLS-VPNs also be brought under tariff regulations for DLC ?.

Response :: VPN does not fall in the same service category as DLC. DLC is a dedicated, highly reliable, distance sensitive point to point link to provide services to customers with relatively high bandwidth requirement. VPN is a shared, bandwidth sensitive, secured, scalable service to cater multi location based multi users with best effort quality, not necessarily limited to any national geography/boundary. VPN service are provided using different networks and across the globe, country specific tariff regulation will applicable only when both ends of the VPN circuit are in the same country and that will limit the scope of tariff regulation.

It would be pertinent to mention here that since there is no regulatory failures in terms of competition and affordability etc., we feel that VPN/MPLS-VPN services should not brought under the tariff regulations for DLC.

We are not in favor to bring MPLS VPNs under tariff regulations for DLC.

Question 12: In case your response to Q11 is in the affirmative, what method should be used for computation of cost based ceiling tariffs for VPNs?

Response : Not applicable

Question 13: In your opinion, is there still a need for prescribing separate ceiling tariffs for DLCs which are provided on Managed Leased Line Network (MLLN) Technology?

Response : Bandwidth ceiling should be the same irrespective of technology.

Question 14: Is there any other relevant issue related to tariff for DLCs which the Authority should keep in mind while carrying out the present review exercise?

Response : No further comment on this question.

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