Issues for Consultation

It may please be noted that answers/ comments to the issues given below should be supported with justification. The stakeholders may also comment on any other issues related to interconnection usage charges, along with all necessary details:

Q1: Which of the following approaches would be the most appropriate for Mobile Termination Charge and Fixed Termination Charge:
(i) Cost oriented or cost based;
(ii) Bill and Keep
Please provide justification in support of your response.

Comment: Cost oriented or cost based approach may be appropriate for Mobile Termination charges as well as Fixed Termination Charges. Bill and Keep approach even through it is more simplified but there will not be proper distribution of revenue among operators based on incoming/outgoing traffic of other operator and the resources consumes. Moreover there will be no incentive for the operator to terminate other operator's subscribers during peak/congestion period and even the skewed traffic pattern due to targeted tariff plan to take advantage or situation.

Q2: In case cost-oriented or cost-based approach is used for determining Mobile Termination Charge and Fixed Termination Charge, is there a need to give a glide path towards Bill and Keep and what will be the appropriate time frame to migrate to Bill and Keep regime?
Comment: No comment

3: Which method of depreciation for the network elements should be used and what should be the average life of various network elements?
Comment: Straight Line method of depreciation for network element may be used for equal distribution of capital cost over the life of assets. Life of the assets should be taken as 7 years considering high obsolescence and change in technology.

Q4: Should TRAI continue with a pre-tax WACC of 15% as used in framing other regulations, tariff orders, and regulatory exercises? If not, please state what pre-tax WACC would be appropriate for the present exercise, along with justification and computations.
Comment: Yes, WACC may be taken as 15%.

Q5: In case a cost-oriented or cost-based approach is used for prescribing Mobile Termination Charge and Fixed Termination Charge, which method would be the most

appropriate for estimating these costs?
Comment: FAC (Fully allocated cost method may be most appropriate.)

Q6: In case your response to the Q5 is fully allocated cost (FAC) method, would it be appropriate to calculate IUC using historical cost data submitted by service providers in Accounting Separation Reports (ASRs), Annual Reports/published documents or other reports submitted to TRAI?
Comment: Yes, the data may be used from ASR,s, Annual Reports or other reports as these reports are certified by auditors.

Q7: In the FAC method, what items/nature of OPEX should be considered as relevant for the termination cost? Please provide justification in support of your opinion.
Comment: only relevant charges related to maintenance and operation, manpower, energy, rental, insurance, security etc. should be considered.

Q8: Should CAPEX be included in calculating termination cost? If yes, what items of fixed assets from the ASRs ought to be considered relevant for termination cost? How should costs incurred by service providers for acquiring usage rights for spectrum be treated?
Comment: Depreciation of network cost and amortization of Spectrum and WACC may be considered. Spectrum cost may be considered as capital with life equal to period for which it is granted and WACC 15%.

Q9: Would it be appropriate to take an average life of 10 years for all network elements without any salvage value for the purpose of depreciation in the FAC method? If not, please suggest an alternative method keeping in view the categorization of network elements prescribed in Accounting Separation Regulations, 2012, along with justification.
Comment: 7 years to be the appropriate life considering the fast technological development in the sector.

Q10: Is there any need to adjust costs associated (as reported in ASRs) with products other than voice calls, for the purpose of computing termination cost using the FAC method? If yes, please suggest the appropriate cost driver along with justification.
Comment: No comment.

Q11: Do you agree with the methodologies explained for various variants of LRIC, including the detailed description of computation of the termination cost using LRIC model in the Annexure? If not, please give your answer with justification.
Comment: Yes,

Q12: In case it is decided to go for an LRIC model for determining termination cost, which is the most suitable variant of LRIC for the telecom service sector in the country in the present circumstances and why?
(i) LRIC
(ii) LRIC+

(iii) Pure LRIC

Comment: LRIC+, however MTNL is in favor of FAC model.

Q13: In case your response to the Q12 is LRIC+, what are the common costs that should be considered for computation of termination costs?

Comment: MTNL is of the view that considering the investment requirement in sector to support the further growth

FAC model may be followed.

Q14: In case there is a significant difference in the mobile termination cost and fixed termination cost, will it be appropriate to prescribe different mobile termination charge and fixed termination charge?

Comment: No, it will skew the tariffs and traffic adversely to one segment. However MTNL is of the view that SMS termination charges are required to be revisited specifically in respect of promotional and transactional SMS in which higher termination charges are creating entry barriers for competition and give undue favour to operators with large network and market share which is leading to entranchment of market share.

Q15: The Authority has already prescribed access charges to facilitate the introduction of calling cards. Is there any other issue which needs to be addressed so that the consumer gets the most competitive tariff for ISD calls?

Comment: No comment

Q16: Do you feel that the Authority's intervention is necessary in the matter of International Settlement Rates? If so, what should be the basis to determine International Settlement Rates?

Comment: No comment

Q17: Is there a need to fix a floor for international carriage charge for incoming international traffic or prescribe some revenue share between access service provider and the ILDO to safeguard the interest of ILDOs?

Comment: The present structure is already well in place. Further restricting the revenue share between access provider and ILDos will actually hamper the revenue of Access service provider, while ILDO will continue to enjoy higher margins. because the international market is on forbearance.

Q18: What is the most appropriate level for International Termination Charge? Should it be uniform or should it depend on the originating country/region? Please provide full justification for your answer.

Comment: Should be uniform.

Q19: What should be the methodology for determining the domestic carriage charge? Is there a need to specify separate carriage charges for some specific geographic regions? If yes, on what basis should such geographic regions be identified? How should the carriage

charges be determined separately for such geographic regions?
Comment: Should be uniform.

Q20: Is there a need to regulate the TAX transit charges or should this be left to mutual negotiations? In the event, the transit charge is to be regulated, please provide complete data and methodology to calculate TAX transit charges.
Comment: TAX transit charges may be left to mutual negotiations; however a ceiling may be fixed for such charges.

Q21: How can the cost of providing transit carriage be segregated from the cost data in the ASR? Please provide a method and costing details to separately calculate this charge.
Comment: Certain percentage of OPEX & CAPEX of relevant network elements may be considered.

Q22: If the costs of all relevant network elements are taken into account in the calculation of the fixed line termination charge, is there any further justification to have a separate transit carriage charge? Please give reasons for your answer.
Comment: ***Yes, when two telecommunication networks are not directly connected, an intermediate network is used through which the calls are transmitted to the terminating network and there may be need for separate transit carriage charge in that case.***

GM (RA)	GM (F) MTNL	GM (plg)	DGM (A/c)	DGM (B&IT)
MTNL CO	Delhi Unit	MTNL Mumbai	MTNL CO	WS Unit.