CONNECT
BROADBAND

QTL/TRAI/F&EA/F01/
APRIL 25th, 2014

The Advisor (F&EA)
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi – 110002

Attn : Sh Manish Sinha.

Sub : **Consultation Paper on 'Review of Tariff for Domestic Leased Circuits' dtd. 24.3.14**

Sir,

This is in reference to your Consultation Paper on 'Review of Tariff for Domestic Leased Circuits; dtd. 24.3.14.

Please find herewith our response to the Consultation Paper, attached herewith.

Kindly acknowledge.

For Quadrant Televentures Ltd

QUADRANT TELEVENTURES LTD. Formerly HFCL Infotel Ltd.

R.K. MEHTA
Head – Regulatory
9899006599

Encls : As above.

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Chapter-V

Issues for Consultation

Quadrant Televentures Limited Response to TRAI Consultation Paper on Review of Tariff for Domestic Leased Circuit (DLC)

In response to the TRAI Consultation Paper issued by TRAI on ....we welcome the opportunity provided by TRAI for giving our comments on the various question mentioned in the consultation paper. All the answers being given in the below response from our company is based upon the facts and the business scenario in the DLC market. It has matured to such an extent that in spite of various factors which have reduced the provisioning costs in some of the terrains or in some of the sectors or corridors in the country. But some levies/taxes by the local municipal authorities on the laying of cables and ROW costs are increasing day by day which are already becoming impediments on the new roll outs thus offsetting the reduced electronics costs. In such circumstances if some artificial ceiling on the pricing structure is prescribed it will not be in favour of further growth the DLC market in the country.

Thus any artificial barrier being put by ceiling the tariffs of such a competitive market will be a deterrent to further growth of the DLC provisioning market as we know the data usage is going to increase many folds in the next 5 years or more as new technologies and new opportunities are expected to be there for data usage growth in India.

Q1: 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)?

Reply 1: Yes – Because it covers the Costs while determining the pricing of the product. However we believe that DLC business for bandwidth below 2 mbps has declined over the years and the market above multiples of 2MB is already highly competitive and market forces are taking care of its pricing which driven by the business proposition or expected business potential in particular sector and it varies from operator to operator..

Q2: 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)

Reply (i): It is 13% to 14% approximately on fund based and non fund based financing from Banks and Financial Institutions.

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(ii) Useful lives of transmission equipment and Optical Fiber Cable (OFC) separately

Reply (ii): Transmission equipment - Electronics – 8 Years, OFC – 16 Years

(iii) Average no. of fiber pairs lit in OFC in trunk segment and local lead segment Separately

Reply (iii): Trunk Segment upto 90 %, of the fibres are loaded and in Local Lead upto 90 percent of the fiber pairs are loaded and it varies from city to city depends the topology of the fiber laid .

(iv) Utilization factor of OFC system in trunk segment and local lead segment Separately?

Reply (iv): Trunk Segment upto 70% – 85%, Local Lead upto 70% - 80%

Q3: 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 supporting data and assumptions, if any.

Reply 3: Not Applicable.

Q4: In your opinion, what are the bandwidth capacities of P2P-DLCs for which ceiling tariffs need to be prescribed?

Reply 4: We believe that the market is matured enough for DLC and forbearance of prices from 2 Mbps and above is the need of hour. The bandwidth below 2 Mbps is not in demand these days since data usage of all the end users has increased tremendously. The demand for higher bandwidth is more and availability of higher bandwidth is also abundant. This is due to the large number of DLC- Band Width providers in the private and public sector between the Metro cities. Due to the large number of bandwidth providers in DLC it has created stiff competition in the market thus resulting in the availability of competitive & affordable pricing to the end user.

We therefore, believe that there is no need of prescribing any ceiling of tariff as market forces are taking care of the price structure based on business opportunity/demand and due to abundant and surplus availability of bandwidth.

Q5: In your opinion, is there a need for prescribing separate ceiling tariffs for local lead and trunk segment?

Reply 5: As in DLC the provisioning is done from end to end, therefore there is no need of prescribing any separate pricing for the Local leads and Trunk segments.

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Let the local lead tarrifs be on the cost basis depending upon the last mile laying cost which varies from place to place and terrain to terrain. Therefore in prescribing any ceiling in the local lead tariffs it will be counterproductive. It may be left to the service provider if it can absorb the last mile cost within the DLC pricing based upon the business opportunity then it will be automatically inbuilt.

Q6: **In your opinion, is there a need for prescribing separate ceiling tariffs for remote and hilly areas?**

Reply 6; As demand in hilly and difficult terrains is low & roll out cost is very high, therefore ceiling in the current scenario due to the high cost of laying and maintenance in the difficult and hilly terrain is already a challenge. Therefore, if some cost ceiling is done then it may become totally unviable and no service provider will be in a position to offer any DLC connectivity in such places.

On the other hand we suggest TRAI to recommend some incentive or subsidy for providing DLC connectivity in Hilly and difficult inhospitable terrains in the country

Q7: **In your opinion, what are the distances of**

(i) trunk segment and

Reply (i): More than 5 Km

(ii) local lead segment (separately) of P2P-DLCs for which ceiling tariffs need to be Prescribed?

Reply (ii): Upto 5 Kms without any ceiling on the tariffs as explained at point number 4.

Q8: **In your opinion, is the distance interval of 5 km still relevant for prescribing distance-based ceiling tariffs for P2P-DLCs?**

Reply 8; No, it is not relevant for prescribing ceiling limits for 5 KMs as most of the demands are for long distances for end to end provisioning of large band widths. For short distances, local leads of 5 KMs demands is limited therefore it should be left to the service providers to arrange exclusively bundled with the DLC or not.

Therefore we strongly recommend it shall be under forbearance and its cost will be taken care by the business requirement and the market forces.

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Q9: **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?**

Reply 9: Not Applicable as explained at point 8.

Q10: **What equipped capacities of trunk segment and local lead of P2P-DLC should be used for computation of ceiling tariffs of various bandwidth capacities?**

Reply 10: The equipped capacity depends upon the required demand for the particular business forecast or expected growth of bandwidth demand in the particular business segment or in certain sectors of the country. For example there is high demand on between the metro cities routes comparable to other Tier 2 and Tier 3 cities. Therefore, in such a market the capacities are scaled based upon the demands and the business potential in the particular route..Although the availability of bandwidth is abundant in High density routes between Metros as comparable to other Tier-2 and Tier-3 cities.In these high density routes there in abundant availability of bandwidth and also the large number of service providers are also present resulting in stiff competition and lowest price offered to the end customers

Thus prescribing any equipped capacity for prescribing any form of ceiling or tariffs in such a situation is not desirable and not needed.

Q11: **Should VPNs such as MPLS-VPNs also be brought under tariff regulations for DLC?**

Reply 11: No.

Q12: **In case your response to Q11 is in the affirmative, what method should used for computation of cost based ceiling tariffs for VPNs?**

Reply 12: Not Applicable.

Q13: **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?**

Reply 13: No need for Separate ceiling tariffs

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Q14: **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?**

Reply 14: No Additional Points.

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