Tata Communications Ltd.'s response to TRAI Consultation Paper on Review of Interconnection Usage Charges dated 5th August 2016

1. **In view of the recent technological developments in the telecommunication services sector, which of the following approaches is appropriate for prescribing domestic termination charge (viz. mobile termination charge and fixed termination charge) for maximization of consumer welfare (i.e. adequate choice, affordable tariff and good quality of service), adoption of more efficient technologies and overall growth of the telecommunication services sector in the country?**
   (i) Cost oriented or cost based termination charges; or
   (ii) Bill and Keep (BAK)?
   Please provide justification in support of your response.

   TCL Response:

   While we do not have any views on the appropriate approach for prescribing domestic termination charges, however in our view, the adopted approach should be mindful of the technological changes and the domestic termination charge which may get prescribed should be independent of the underlying technology used for providing domestic voice services. In other words we are advocating for a uniform and harmonized domestic termination charge regime which is technology neutral and same across various networks.

2. **In case your response to the Q1 is 'Cost oriented or cost based termination charges', which of the following methods is appropriate for estimating mobile termination cost?**
   (i) LRIC+
   (ii) LRIC
   (iii) Pure LRIC
   (iv) Any other method (please specify)
   Please provide justification in support of your response.

   TCL Response:

   While we do not have any views on the appropriate approach for prescribing domestic termination charges however in the event the authority determines Cost Oriented or Cost based termination charges the model adopted should consider the cost base of most efficient operator for computation of termination charges.

3. **In view of the fact that the estimates of mobile termination cost using LRIC method and LRIC+ method yielded nearly the same results in year 2011 (as filed in the Hon’ble Supreme Court on 29.10.2011) and in year 2015 (as estimated for the Telecommunication Interconnection Usage Charges (Eleventh Amendment) Regulations, 2015 dated 23.02.2016), would it be appropriate to put to use the estimates of mobile termination cost arrived in the exercises of year 2011 and year 2015 in the present exercise?**

   TCL Response:

   No comments

4. **If your response to the Q3 is in the negative, whether there is a requirement of running the various LRIC methods afresh using the information on subscriber, usage and network cost for F.Y. 2015-16 for estimation of mobile termination cost?**

   TCL Response:

   No comments.

5. **In what manner, the prescription of fixed termination charge as well as the mobile termination charge from wire-line networks as ‘zero’ through the Telecommunication Interconnection Usage Charges (Eleventh Amendment) Regulations, 2015 is likely to impact the growth of the Indian telecommunication services sector as a whole? Please support your viewpoint with justifications.**

   TCL Response:

   It is very necessary to grow fixed line services and usage while at fixed location home and office so that spectrum which is a scarce and costly natural resource is put to optimal use in the larger national interest and to provide higher quality of service with no blocking/call drops and higher speed broadband services. With increase in fixed line usage, both category of subscribers, fixed and mobile, would benefit. The step taken by Authority in respect of fixed line termination charges has given a fillip to the growth of wireline services both for Voice as well as Data. It is our view that wireline services are hugely complementary to the wireless services with the advent of fixed mobile convergence and this regime needs to be continued in order to ensure the orderly growth of telecommunications services sector as a whole in the long run.

6. **Whether termination charges between different networks (e.g. fixed-line network and wireless network) should be symmetric?**

   TCL Response:

While we do not have any views on the appropriate approach for prescribing domestic termination charges, however in our view, the adopted approach should be mindful of the technological changes and the domestic termination charge which may get prescribed should be independent of the underlying technology used for providing domestic voice services. In other words we are advocating for a uniform and harmonized domestic termination charge regime which is technology neutral and same across various networks.

7. **Which approach should be used for prescribing International Termination Charge in the country? Should it be kept uniform for all terminating networks?**

TCL Response:

Yes, the International Termination Charges in the Country should be kept uniform for all terminating networks. As regards the approach, it has been our submission which we would once again reiterate that international call termination charge payable to Access Providers should be the same as that for domestic calls on the basis of well-established work done principles.

8. **Whether, in your opinion, in the present regulatory regime in the country, the standalone ILDOs are not able to provide effective competition owing to the presence of integrated service providers (having both ILDO and access service licenses) and, therefore, there are apprehensions regarding sustainability of the stand-alone ILDOs in the long-run?**

TCL Response:

We fully agree that the present regulatory regime administering termination charges for international calls is skewed in favor of vertically integrated ILDOs (ILDOs having Access services license also) vis-à-vis stand-alone ILDOs. It is due to this reason that the stand-alone ILDOs are not able to provide effective competition and are being subjected to vertical squeeze by the integrated players resulting in stand-alone ILDOs becoming unsustainable. The integrated service providers (having both ILD and Access Service Licenses) have an unfair and undue advantage due to their ownership of both ILD and Access Services. Having the two licenses enables the integrated service providers to cross subsidize international call termination charge to the extent that they are offering predatory India international price to foreign service providers which the stand-alone ILDOs are not able to match due to obvious reasons. The integrated service providers manage to offer predatory pricing by discounting the international carriage charges to, sometimes, below cost levels. This is possible since the integrated service providers have an additional 39 paise per minutes, over the domestic termination charges of 14 paise minutes for the same work done.

The above fact can be verified from the data, of independent ILDOs and integrated service providers, available with the TRAI.

9. **If your response to the Q8 is in the affirmative, which of the following approach should be used as a counter-measure?**
(i) Prescription of revenue share between Indian ILDO and access provider in the International Termination Charge; or
(ii) Prescription of a floor for international settlement rate (levied by ILDO upon the foreign carrier) for international incoming calls; or
(iii) Any other approach (please specify)
Please provide justification in support of your response.

TCL Response:

In case the unrestricted Internet Telephony is permitted to the ISPs and also gets to be employed by the Access providers in their network we would like to suggest the formulation given in our response to the recent ongoing TRAI consultation paper on Internet Telephony, the relevant extract of the response are reproduced here with a submission that these extracts from our earlier response should be read in conjunction with our overall response to the said consultation paper on Internet Telephony:

"Since its technically difficult to interpret the geographic nature of origination of Internet telephony calls directly from the origination CLI or other mechanism it may be difficult to devise a mechanism to segregate International origination calls from domestically originated calls.

Its pertinent to note that the International inbound call Termination Charges currently determined as Rs. 0.53 per minute are not based on the work done principle and have been determined to be differential against the cost based termination charges determined for domestic calls' fixed line and mobile termination (Fixed line being Nil while Mobile to Mobile being Rs. 0.14 per minute).

The review of the Inbound termination charges is merited here. As internet increasingly becomes all-pervading with access to digital resources being facilitated through 3G and 4G rollouts and fall in tariffs making it more affordable for the consumers to avail internet services any artificial charges for international inbound termination only ensures to increase the arbitrage between the local termination and international call termination.

Accordingly, its suggested that termination charges for international calls should be brought down to the same level of termination charges as currently applicable for domestic termination i.e. Nil for fixed line and Rs. 0.14 per minute for mobile termination traffic. This will ensure that any concerns of termination charges being avoided by unscrupulous service provider if any are proactively addressed." …

"Keeping in view the above the interconnection regime proposed for internet telephony calls ensures that all stakeholders in the licensing regime – Access Providers, Internet Providers, NLDOs and ILDOs get their due share at the same time the regime progressively allows the benefits of Internet to be provided to the consumers.

We again submit that the interconnection usage charges should be reviewed to align with cost based usage charges for all the license holders to create a seamless interconnection regime.

1. *Termination Charges for Fixed Line: Nil*
2. *Termination Charges for Mobile Termination: Rs. 014 per minute*
3. *Termination Charges for Internet Telephony Termination: Nil*

Additionally, the revision should align the carriage applicable for all calls (including international inbound calls) and receivable by the NLDO as well as ILDO to be a ceiling of Rs 0.35 per minute.

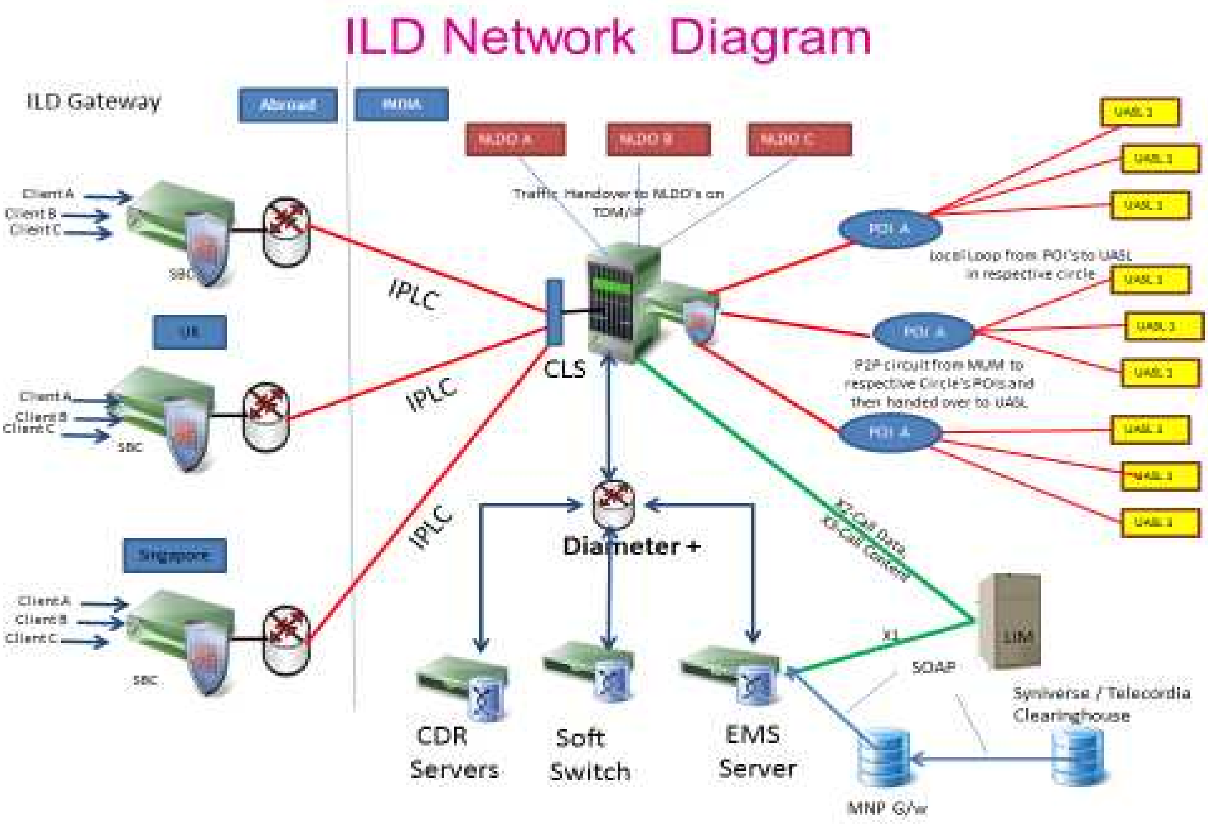
To clarify, for all domestic calls handling/carriage the carriage payable to NLDO by TSPs/ISPs should be Rs 0.35 per minute at the same time a carriage of Rs 0.35 per minute should be notified receivable by ILDOs for all inbound calls being terminated by the ILDO to the various Access Service Providers/ISPs."

Alternatively, in the existing licensing regime, we support option no. (ii) above subject to the caveat that the floor prescribed should not be less than 53 paise which is the international call termination charge presently payable to Access providers and subject to the conditions that the charges payable to access providers should also be clearly defined as a spot value equal to the determined domestic call termination charges (on the basis of work done principle) and the international termination charge floor price should be monitored for compliance on the floor level by the Regulator.

The rationale for the above recommendation is to compensate the involved Licensed operators on the basis of the work done by them. It may be noted that in respect of the international calls, ILDOs perform major part of the work-done in handling of international calls which is enumerated below:

- Bandwidth charges for carriage of call from international sources to ILDOs Indian POP (ILD Gateway).
- Switching function at ILD Gateway in Indian and abroad.
- Ensuring international traffic Quality of Service (QOS).
- LIM and monitoring function in India.
- Billing domestic and billing international to handle multiple billing timeframes and currencies
- Reconciliation of minutes and Revenue Assurance.
- Management of managing multiple carriers for billing reconciliations.

- Bad debt and legal costs to settle and recover the receivable amount.
- Sales & Marketing in India and abroad.
- International travel and promotion of India as a destination.
- Network Operations Center 24 x 7 in India and abroad.
- Meeting various Regulatory Compliances including detailed Call Detail Records.
- Attending to demands from various Law Enforcement Agencies.
- Handing over traffic to NLDOs and Access Providers.
- Mobile Number Portability interconnect and compliance.
- Employee and office costs in India and abroad.
- Maintenance of accounts and audit thereof.
- Managing risks of foreign exchange rate variation



The above approach would provide appropriate remuneration to the stand-alone ILDO as well on the basis of well-established work done principle. This would also lead to sustenance of existing stand-alone ILDOs and proliferation of new ones leading to increase in the competition thereby providing the benefits of competition to the end consumers. This will also enable ILDOs to increase their presence worldwide for effective and high quality calling services for Indian business and Indian diaspora.

10. Is there any other relevant issue which should be considered in the present consultation on the review of Interconnection Usage Charges?

TCL Response:

1. There is also a need for timely and economical interconnection to be achieved. The pre-consultation paper which was issued on interconnection framework needs to be followed up with a full Consultation Paper resulting in to a robust interconnection framework.
2. Presently the termination charges for international SMS are under forbearance which is resulting in distorted market in respect of termination charges for international transactional SMS charges vis-à-vis domestic transactional SMS charges. In fact the termination charges for SMS viz domestic peer to peer SMS, domestic A2P SMS needs to be reviewed and made cost based and the international SMS termination charges should be mandated to the same as domestic SMS on the principles of work done being the same in both the cases.

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