Consumer Rights Education & Awareness Trust(CREAT)

Letter No. 1741_/TRAI/12/2014 Dated 6/12/2014

To

The Chairman,
Telecom Regulatory Authority of India,
Government of India,
New Delhi - 110002.

Subject: Interconnection Termination Charges needs urgent attention

Dear Sir,

The Interconnection Usage Charges were introduced by the Telecom Regulatory Authority of India (TRAI) in 2003 as a mechanism for compensating usage of 'other' service operator's network for terminating a call. The same has been reviewed a number of times since then with the last alteration taking place in 2009. In this set of recommendations, the regulator fixed the mobile termination charge at 20 paise per minute for all local and national long distance charges. It had also raised the mobile termination charge for incoming international calls to 40 paise per minute from 30 paise, while putting a ceiling on carriage fee of 65 paise per minute for domestic long distance calls.

Since 2009, while the regulations have remained the same, the market for which these were designed has undergone tangible changes. The market now boasts of more number of players vying for greater shares, removal of FDI caps on the sector, ever rising penetration of smartphones, technological advancements, etc. The culmination of all such developments has made the need for the regulation in its present form, especially the interconnect termination charges, largely redundant. These charges not only restrict the revenue growth of the market (by requiring operators with lower inbound off-net traffic to transfer a considerable part of their revenue to others) but also inflate the final tariffs offered to the consumers by serving as the minimum fixed cost for the same. Also, these charges provide much less regulatory insight on what should be the optimal fee in case a call transfers from one set of technology to other. These sets include newer technologies like 2G, 3G and 4G. The growing distinction between the IP-based networks and CDN networks exacerbates the problem. The present system is also likely to fail when applied to the rising trend of calls originating in Smartphone-enabled internet-based technologies and terminating in conventional networks. If the present system is continued, it is more likely to result in disputes regarding the optimal termination levy under such settings.

Moreover, this system of termination charges necessitates the need for the terminating operator to have accounting and billing systems to monitor flow of traffic which, of course, comes at a cost. Similarly, the present system needs a constant regulatory support which in turn burdens the policy framework with a slew of policy parameters required to support the same. This further imposes monetary as well as non-monetary costs.

In 2011, TRAI, in its affidavit to the Supreme Court, conceded the need for a change and recommended a progressive reduction in termination charges finally converging to zero termination charges at the end of 2 years from November 2011. This move towards a zero termination charge was to be facilitated by adopting the Bill and Keep (B&K) regime which necessitates removal of termination charges in totality.

Apart from resolving all of the above issues at one go, the B&K would also result in obviating the need for regulatory intervention and in minimising the overall transaction costs associated with interconnection while pushing up the overall 'usage' in the industry due to increased price elasticity of demand.

Under such light, we would like to draw your attention to the fact that the proposed timeframe of three years has already passed and the year 2014 is now in its last months, but the B&K system is yet to see the day's light. We strongly urge you to kindly do the needful in this regard in order to boost consumers' welfare.

Thanking you.
Warm Regards,