



TRAI/Aircel/Corr-1/2010/ 380

3rd December 2010

The Secretary

Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawaharlal Lal Nehru Marg (Old Minto Road)
New Delhi 110002

Sub: Views sought by TRAI on setting floor price for settlement in India of ILD minutes

Dear Sirs,

This is with reference to the above mentioned subject, wherein the Authority has sought comments on setting floor price for settlement in India of incoming ILD minutes originating from the Middle East. In this regard our submission is as follows:

- a) We firmly believe that this is an area of concern which requires urgent attention and intervention of the Authority and hence this entire issue should be examined in a more holistic manner.
- b) While the issue with regard to incoming traffic from Middle East has been brought to the notice of the Authority, we believe that this is a much larger issues and what holds true for Middle East holds true for the entire ILD traffic terminating in India.
- c) As per estimates provided by our member companies, international voice traffic terminating into India is over 4 times the outgoing international traffic. A similar trend has been brought to the notice of the Authority with regard to Middle East, wherein inbound traffic is almost 4X outbound traffic.
- d) As per estimates provided by our member companies for financial year ending 2010, India received about 28 billion minutes of international incoming traffic on which Indian ILDOs earned revenue, while it sent out approximately 6.2 billion minutes of outgoing international traffic on which they paid termination cost to foreign operators. Of the total ILD traffic estimates, India-in traffic from Middle East is 8.5 billion minutes and India-out traffic to Middle East is around 2.2 billion minutes.

	Detail	In-bound ILD traffic (billion minutes)	Out-bound ILD traffic (billion minutes)
1	Middle East	8.5	2.2
2	India	28	6.2

Aircel Limited :

- e) In spite of the much higher number of incoming ILD calls; India becomes a net payer of foreign exchange because of the high termination charge levied by the foreign operators on the outbound ILD traffic from India. As per the estimates available with us, in FY 2009-10 the average termination rate for incoming ILD calls was around 1.4 cents per minute as compared to an average termination rate of around 8.3 cents per minute for ILD calls originating from Indian and terminating abroad.

Sno	Detail	In-bound ILD traffic Rate (Cents/min)	Out-bound ILD traffic Rate (Cents/min)
1	Middle East	1.2	13
2	India	1.4	8.3

- f) The skew is much higher when we look at the specific case of Middle East since there exists a monopoly and, in the absence of enough competition, the operators have unilaterally pushed up international call settlement charges payable by the Indian Operators. There exists a clear case of 'market failure' as the termination rate paid by the Indian operators for ILD calls terminating in Middle East is 10 times more than the rate paid by the operators in Middle East for call terminating in India.
- g) Contrary to the scenario in Middle East, presence of high competition in the ILD space in India, with up to 8 operators, has led to a steep fall in India incoming rates. Even though ADC was abolished and termination charges were raised from Rs. 0.30 per min to Rs. 0.40 per min beginning FY 2009-10, Indian operators could not pass on this increase to the foreign operators due to a highly competitive market which actually led to very competitive pricing.
- h) Thus, despite the fact that much higher ILD traffic terminates in India, we end up being net payers of foreign exchange; there is outflow of valuable foreign exchange whereas given the ILD traffic ratio, India should be a net gainer of foreign exchange. It has been brought to the notice of the Authority that the outflow in the case of Middle East alone is USD 180 mn (Rs 825 crs). This figure of outflow would be much higher when we look at the complete ILD traffic.
- i) In light of the above we would like to submit that termination charge for international incoming calls should be prescribed on a flat basis globally in the range of 10-15 cents. Setting termination rates on reciprocal basis will not serve the purpose as this will promote call re-origination (re-filing) from certain other countries. We also feel that should this be done only for Middle East Countries, then the calls from Middle east Carriers would be routed via other Country operators as Non-CLI calls or masked with the other country's CLIs. This is actually call Re-origination and promote development of Grey Market / Alternate route traffic from Middle East to India which will hamper the Indian telecom Industry and may pose security risks as well.
- j) A higher termination charge on incoming ILD calls will make more funds available for all service providers, including BSNL, for expansion of service, without increasing the burden on service

providers or the Indian consumers. The same will enable the much needed expansion of service to rural and far flung areas of the country.

- k) Flexibility granted to the Indian operators to negotiate for higher incoming ILD termination rates on a reciprocal basis, will also ensure that there is a balance in the tariffs for terminating as well as originating ILD calls
- l) Additionally, Indian ILD operators incur cost of international connectivity (cross-connect with foreign operators and international bandwidth), Gateway/switching, LIMS (Legal Intercept Monitoring System), Bad Debt and Settlement variances etc. The flexibility to charge higher termination charge for incoming ILD calls will help recover the cost incurred.

Our Summary Submissions

In light of the above we would like to submit as follows:

Termination charge for international incoming calls should be prescribed on a flat basis globally in the range of 10-15 cents.

- The same will make more funds available for expansion of service, especially to rural areas, at no additional cost to the Indian consumers.
- The same will also ensure that there is a balance in the tariffs for terminating as well as originating ILD calls.
- Most importantly, increase of termination charges globally for ILD calls will stop the outflow of valuable foreign exchange on account of the imbalance in the ILD termination charge which exists as of now.

We hope that our submissions will merit your kind consideration and we seek your kind support in the matter.

Kind regards,

Sincerely yours,

For AIRCEL Group



Ashok Sharma
National Head - Regulatory