Tata Communications Ltd Response to the issue of setting floor price for settlement on India for International Long Distance Minutes

Pursuant to the Authority's letter dated 4th Nov 2010 published on the TRAI website, seeking comments from all the stakeholders on the issue of setting floor price for settlement on India for International Long Distance Minutes, we would like to submit our comments as follows:

International Long Distance Market Facts:

1. The Global International Long Distance market has matured over the last decade and has seen a rapid growth with the expansion of NGN/IP networks. The International Wholesale Market dealings have become more complex and dynamic in view of different market strengths of global carriers and the presence of multi-country operators.
2. Any International Long Distance call can either be directly exchanged between two International Carriers or transited through one or more international wholesale carriers offering transit services. Transit through wholesale carriers is based not only on cost of termination but also on quality of service provided by the concerned wholesale carrier.
3. The cost of termination to a country is primarily a factor of economic, social and regulatory environment prevailing in that country. However, this cost of termination to a destination may be quite different from the rates offered by that country's PTTs (incumbent Carriers) due to availability of transit services offered by many other global carriers. There transit services are offered under complex deals & mechanisms and cover multiple destinations.
4. Different Carriers worldwide offer more than one Quality of service with differentiated costs for the same destination. Factors that influence the rates offered for terminating calls to a specific country depend upon the network coverage, service management, routing optimization and capacity management by the concerned telecom carrier.
5. Effectively this means that for India Terminating calls there are multiple routing options available with any International Carrier/PTT and not only the Indian ILDOs. The growth of IP and NGN networks over the last few decades has made interconnections between different operators simpler, faster and scalable.
6. Besides above, the balance of traffic and payments also plays a significant role in negotiations of settlement rates between wholesale carriers or PTTs for terminating calls to a specific country.

Keeping in view the above market facts we would like to make the following submission:

1. The suggestion of setting floor price of 13 cents for Middle East traffic to India is practically not feasible due to the following.
    a. As pointed out in the letter dated 25th Aug 2010, most of the Middle East countries have a monopoly or duopoly providing significant market strength to the local carriers to regulate termination rates for these countries. As such, these carriers have been successful in holding their rates high and have kept the rates for terminating traffic into these countries almost same for all carriers worldwide (and not different for calls originating from different world regions) and have also not changed the rates for quite some time.
    b. The PTTs in Middle East are connected to various global wholesale carriers operating out of America, Europe, Asia-Pacific and thus have the ability to route India destined calls through telecom Carriers other than Indian ILDOs. Due to multiplicity of interconnections, different networks involved in handling of calls, a complex mesh of TDM and IP networks, it is practically impossible to trace the origin of such calls that may be routed by the Carriers in Middle East through operators other than Indian ILDOs. The growth of mobile networks globally and IP originated traffic makes is even more difficult, if not practically impossible, to determine the point of origin of each call that terminates in India from rest of the world. Thus, a proposal to have a differentiated (Higher)

settlement rate for India terminating calls from a specific world region (Middle East) cannot be implemented practically.

c. It should also be noted that globally almost 25% of countries termination cost is in the region or upwards of $ 0.10 per minute. If the guiding principle is reciprocity of terminating cost, then would this logically have to lead to India having different terminating cost for traffic originating from different countries depending on their cost of termination. This would be a retrograde step towards the archaic TAR (Total Accounting Rate) Regime that ended almost a decade back after multiple inter-carrier disputes in settlements worldwide.

d. Any initiative to increase the termination rate to India for these carriers in the Middle East may induce the Middle East carriers to deal with global Wholesale carriers (instead of the Indian ILDOs) for routing their India terminating traffic. Such traffic would then transit one or more carriers before ultimately being routed to an ILDO in India. This could also lead to a bigger security concerns for India.

e. The Middle East countries are largely monopolistic and an increase in termination rates for India could lead to another round of increase in settlement rates by the Middle East Carriers and thus make it even more expensive to terminate calls to Middle East. Needless to say this would be retrograde step impacting the affordability of calls for India Subscribers.

f. Reference has been made in the consultation paper to FCC orders. However, this needs to be viewed in right context and must not lead to fallacious conclusions. The U.S.A did not take the approach currently being suggested in the Consultation Paper. Rather than raising U.S. termination rates, FCC forbid all U.S. carriers from paying the offending foreign carriers more than a certain rate.

   It may be noted that FCC has not initiated any such action against the carriers in Middle East and current rates for termination of calls in Middle East Region from USA and India are the same.

g. The letter dated 25th Aug 2010 refers to abuse of monopoly situation by Middle East Carriers. While this situation is certainly a reason of concern, if appropriate, this matter could taken up at the World Economic Forum and more in context of the liberalization of telecom sector worldwide. We must not lose sight of our WTO obligations to have more or less Cost Based rates for India terminating calls.

While it may be desirable in the interest of Telecom Service providers, especially Indian ILDOs, to increase termination rates for India inbound calls in order to ensure a fair return on the investments made by them in global telecom networks, a differentiated rate for specific world regions originating calls for India will result in a situation that may not only impact the affordability of calls to India Subscribers but also create serious challenges to monitor the inbound calls to India. The Authority may consider that such situation is necessarily avoidable and accordingly we submit that the request for increase of termination rates may be rejected.