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5<sup>th</sup> Nov 2012

Telecom Regulatory Authority of India  
Mahanagar Doorsanchar Bhawan,  
Jawahar Lal Nehru Marg, Old Minto Road,  
New Delhi - 110 002

**Kind Attention : Shri R K Gujral, Joint Advisor (I&FN)**  
**Subject : Consultation Paper on Estimation of Access Facilitation Charges and Colocation Charges at Cable Landing Stations**

Dear Sir,

This is with reference to the Consultation Paper issued by the Authority on 19<sup>th</sup> October 2012 on the captioned subject.

We are pleased to submit our comments and views on the Consultation Paper on "Estimation of Access Facilitation Charges and Colocation Charges at Cable Landing Stations"

We hope that our submission will merit your kind consideration and support.

Thanking you,  
Yours sincerely,

For **Vodafone India Limited, Vodafone Mobile Services Limited, Vodafone East Limited, Vodafone West Limited, Vodafone South Limited, Vodafone Digilink Limited, Vodafone Cellular Limited and Vodafone Spacetel Limited**

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# RESPONSE TO CONSULTATION PAPER NO 14/2012 ON ESTIMATION OF ACCESS FACILITATION CHARGES AND CO-LOCATION CHARGES AT CABLE LANDING STATIONS

## VODAFONE INDIA

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Vodafone India welcomes the *Consultation on Estimation of Access facilitation Charges and Co-location Charges at Cable Landing Stations* issued by TRAI on 19<sup>th</sup> October 2012. We applaud the initiative taken by TRAI to estimate cost based pricing for AFC and CLC. As TRAI notes, access to submarine cable landing stations is an essential input for telecommunications services including broadband requiring international connectivity.

Our comments below follow on from our detailed submissions in the pre-consultation exercise undertaken in August/September 2011 and again in February/March 2012.

### Summary

Vodafone welcomes the reduction in AFC and CLC proposed by the TRAI.

**However, the detailed analysis (including a cost model) provided by Vodafone in its previous submissions showed that a cost reflective charge for AFC of an STM-64 is less than 1% of the prevailing RIO charges.** We submit that only the incremental costs incurred in providing interconnection to non-OCLs should be included in the total amount of cost to be recovered by AFCs (and CLCs). The cost to build and operate the submarine cable, including its landing and lighting, are recovered through submarine cable charges; these cost should not be double recovered through CLS charges.

Co-location charges should include the cost of a standard ETSI rack and power levels required.

We ask that TRAI revisits its costing analysis with the aid of the model that Vodafone has submitted.

In terms of the method for the recovery of costs by CLS owners, Vodafone still suggests that the AFCs should be set per link rather than per unit of capacity. This is because a "per link" charge is consistent with the cost causality principle – that is, the costs associated with the CLS are driven by the number of cables landed and the number of links backhauled; the throughput of each link is irrelevant: a STM-1 costs the same as a STM-64.

In addition to price regulation, Vodafone submits that the TRAI also imposes several non-price conditions on the behaviour of vertically integrated OCLs. Regulation is needed to minimise the potential for vertically integrated CLS owners to exploit CLS ownership in retail telecommunications markets. For instance, regulation should be designed to ensure that OCLs do not self-supply CLS access at a rate more favourably than it supplies externally.

## RESPONSE TO SPECIFIC ISSUES FOR CONSULTATION

Please find below Vodafone's response to the specific issues for consultation.

### **1. Cost data and costing methodology used for estimating the access facilitation charges and co-location charges in this consultation paper. In case of a different proposal, kindly support your submission with all relevant information including cost and preferred costing methodology.**

We reiterate that the worldwide accepted cost modelling principles of cost causation and incremental costing are the appropriate methodology for deriving cost based AFC & CLS prices. Incremental costing ensures that only costs that are incurred to provide the service are included; and cost causation means that costs of an asset are allocated to the factor that causes the cost to be incurred.

Vodafone strongly supports the development of a forward-looking efficient cost model that is consistent with international best practices, including cost causation and exclusion of CLS costs recovered from submarine cable operators.

Since OCLS are vertically integrated operators in direct competition with non-OCLS in the retail domestic market, there is an incentive for OCLS to use the ownership of a key bottleneck asset to increase the costs of competing networks. Vodafone recommends that TRAI is vigilant in ensuring that only costs that are efficient, necessary and directly related to the provision of submarine cable interconnection services be recovered through AFC and CLC.

In the context the 'Per Link' cost based price should be derived on the basis of following principles **as enumerated in Vodafone's Cost Model submitted to TRAI:**

- The cost of building incurred for the purpose of landing the cable should be recovered through Cable consortiums not from access seekers. Equipment such as the SLTE, NPE, DXC and non-interconnect ODF should also be recovered through OCLSs and not from CLS access seekers.
- Only equipment directly incurred for the purpose of providing international interconnection with submarine cable capacity should be recovered through AFC and CLC. This means equipment landside of the interconnect ODF – that is, the distribution frame to which access seekers physical connect. If interconnect occurs at a shared ODF (i.e., used by OCLS and access seekers) then the cost of transmission to the interconnect ODF should not be recovered from AFC. Only when interconnect occurs at a dedicated ODF, and there are legitimate reasons why interconnect cannot occur at the OCLS' ODF should transmission costs to interconnect ODF be recovered through AFC.

Vodafone believes that the above costing and recovery rules will ensure that the CLS owners receive a fair compensation for the service that they provide. Ultimately this will be to the benefit of end users as the resultant cost savings are passed on by service providers and for whom CLS charges form a significant part of their costs.

### **Vodafone's response on method for Calculating Access Facilitation Charges (AFC)**

As submitted in our Cost Model, the AFC should reflect only the costs incurred in providing connectivity for access seekers from the co-location location to the ODF. Cost incurred for landing or lighting the submarine cable should not be included; neither should costs of multiple distribution frames or digital cross connects be recovered from interconnection charges – again, only distribution frames required to physically interconnect access seekers should be recovered through AFC.

### **Vodafone's response on method for Calculating Co-location Charges (CLC)**

The CLC should reflect costs related only to the meet-me-room where co-location physically occurs. Costs associated with other parts of the CLS should be recovered directly from submarine cable owners. Costs that can be included are:

- *CLS space preparation* – charged on hourly basis, reflects time to prepare space where co-location racks will be deployed.
- *New power feed* – charged per item
- *Cable tray* – charged per tray basis. Typical to estimate as one tenth the cost of a cable tray as the tray will be shared with other cables.
- *Standard Rack Size* – charged per rack up and includes base requirement of power.
- *Additional power requirements* – additional power can be obtained in increments of 1kW/h up to a total of 7kW/h.
- *Site Access* – providing access to access seekers for planned or unplanned work during or outside normal working hours.

### **Vodafone's response on Calculation of WACC**

Vodafone submits that WACC should be taken @19%. The detailed grounds for this were given in our earlier response.

### **Vodafone's response on 'Depreciation policy'**

Vodafone supports the 10-year straight line depreciation period. Straight-line depreciation is a reasonable approach except in cases where input prices are changing substantially year-on-year, in which case a tilted-straight line method may be preferred.

## Vodafone's response on Useful life of network elements

Vodafone submits following useful life of network elements:

Asset	Useful Life (yrs)
ODF	5
ODF Cabinet	5
Co-lo Cabinet	5
Fibre link	5
Cable Tray	5
Building	20

Vodafone further submits that only equipment landside of the optical distribution frame (ODF) should be included in CLS charges – as the international norm is to recover the costs of the CLS building and landside submarine cable equipment from the submarine cable owner. As per cost causation principles, only the incremental costs incurred to provide interconnection to the international submarine cable should be recovered via AFC and CLC.

### **2. On the power requirement of the transmission equipment i.e. DWDM, DXC equipped with different capacities, supplied by different equipment manufacturers.**

Vodafone in its Cost Model indicated that the additional power requirement of the transmission equipment i.e. DWDM and DXC can be obtained in increments of 1kW/h up to a total of 7kW/h and to arrive at the cost of this additional power we used inflation rate as per Whole Sale Price index as notified by Reserve Bank of India to derive AFC.

For Colocation charge, as per our Cost Model, the Colo charge is on per Cabinet basis hence the associated cost for power is to be determined by the number of active cabinets in the room.

### **3. Percentage used for OPEX and capacity utilisation factor with supporting data on each OPEX item especially on space and power consumption of various equipment.**

Vodafone in its Cost Model submitted assumed OPEX to be not more than 10% of the equipment allocated capital costs (CAPEX). To derive allocated capital cost, the cost needs to be separated between owner's access and the capacity available to access seekers. For example, if the owner reserves 50% of link space, then only 50% of costs can ever be recovered from access seekers.

### **4. Whether ceiling of uniform Access Facilitation Charges may be prescribed for all Cable Landing Stations in two categories i.e. AFC at CLS and AFC at alternate Co-location, or these charges should be dependent on submarine cable system or location of cable landing stations?**

Vodafone fundamentally disagrees with the generic description of items considered by OCLSs for AFC and CLC at alternative locations. First and foremost, co-location at an alternative location comprises three aspects: AFC fixed and recurring charges, CLC charges and transmission costs between CLS and alternative location. When co-location must occur at alternative location because the CLS is full, no additional charges should be levied. Vodafone notes that due to the bottleneck nature of CLS, the OCLS has an incentive and ability to leverage its monopoly power to impose additional costs on the competitors of OCLS. This can be done by dictating that interconnect occur at alternative locations.

**5. Whether prescribing the access facilitation charges on IRU basis is required?**

Vodafone's submits that the AFC should be regulated on 'Per Link" basis and hence the concept of an IRU is not relevant.

**6. Whether uniform co-location charges may be prescribed or such charges should be location dependent?**

Vodafone submits that Co-location charges should be location dependent because real estate cost is different at different locations.

**7. Whether the restoration and cancellation charges should be either a fixed charge or based on a percentage of the AFC. In case of fixed charge, should the present charges be continued or need revision?**

We do not see any cost incurred in restoration and cancellation of link except a very meagre administrative cost. Thus, the charges for Restoration / or Cancellation should not be more than Rs.5000/- per instance.

**8. Any other comment related to Access Facilitation Charges, Co-location charges and other related charges like cancellation charges, restoration charges along with all necessary details.**

Vodafone believes that there are a number of important improvements that can be made to the *International Telecommunication Access to Essential Facilities at Cable Landing Stations Regulations*, as follows:

- (i) Vodafone is of the view that TRAI mandates cost based Ceiling prices for AFC and CLC. While once the ceiling prices are mandated there may not be a need for giving approvals on CSL-RIOs.

- (ii) The ability of an OCLS to refuse to comply with the access facilitation procedure or to provide co-location space should be tightly limited. There should be few valid reasons for an OCLS to refuse requests for access facilitation or co-location, and the TRAI should specify the acceptable reasons in the Regulations. Vodafone accepts that a lack of space is a valid reason for refusing a request for co-location but believes that greater transparency should be introduced by requiring the OCLS to publish, and keep up to date, a register that shows the amount of space that is available for co-location. Each OCLS should also specify the virtual co-location options in their CLS-RIO.
- (iii) ITEs should not be subject to such a timeframe unless all potential suppliers of such backhaul circuits are obliged to accommodate such a request within the same timeframe.
- (iv) An OCLS should not have the power to decide whether or not an ITE is permitted to 'replace, modify or re-arrange' any of the ITE's co-location equipment in the co-location space. Vodafone accepts that the time of access for such a purpose should be mutually agreed between the OCLS and the ITE but the ITE should retain control over decisions relating to the upgrade or replacement of elements of its network.

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