

To,

The Advisor (NSL)  
TRAI, New Delhi

**Sub. : Comments on TRAI consultation paper on “Revenue Sharing Arrangements for Calling Card Services”.**

The TRAI issued consultation paper on 14.11.2013 on the aforesaid subject and asked the various stakeholders to comment on the issues mentioned in the consultation paper. The following comments are made for consideration & submission to TRAI:

**1. Whether the access charges to be paid by NLDOs/ ILDOs to access Provider for calling cards should be prescribed both for NLD and ILD Calls or for ILD calls only?**

No, the access charges to be paid by NLDOs/ ILDOs to access Provider for calling cards should not be regulated and should be under forbearance. The market forces / costs of operators shall decide the charges.

**2. As the work done by the Access Provider is the same for NLD and ILD calls, should the originating access charges for NLD and ILD calls be the same or different?**

The “work done” methodology shall not be applicable in this case. The current revenue earnings per minute for NLD/ ILD outgoing calls for operator are different, therefore originating access charges for NLD & ILD calls should be different. The investment made by access service provider is very high in the wireline business and therefore the access charges must be in accordance with the cost investment made by different stakeholders to maintain the level of investment in the network.

**3. What method should be applied for prescribing originating access charge to the Access Provider? Please provide all details including data and calculation sheets, if any.**

MTNL has followed the method of current “average revenue per minute for NLD/ ILD outgoing calls” for deciding the access charges to be charged/paid with other NLD,ILD/ Access Provider operators. The same rate has been offered to other NLD, ILD/ Access Providers for signing the agreements. For this purpose the data

for the Financial Year 2012-13 (4 quarters) has been analyzed. The details are provided in Annexure-I enclosed.

The method of current "average revenue per minute for NLD/ ILD outgoing calls" is justified from the view that allowing our subscriber use other operators service is an opportunity loss.

**4. Whether the access charges should be same for mobile and fixed line?**

Yes, MTNL has concluded the figure of Rs. 1/- per minute for NLD Calls and Rs. 9/- per minute for ILD calls. For details please refer "Annexure-I".

**5. What are the issues that need to be addressed to ensure calling cards are also used when a subscriber is roaming?**

When a subscriber is in roaming, the visiting operator will route the call to the concerned NLDO/ ILDO at concerned PoI and will bill for the agreed rate.

**6. What are the prevalent regulatory practices in other countries regarding access charges in case of calling cards?**

No comments.

**7. Any other relevant information related to subject along with all necessary details.**

- MTNL has followed the method of current "average revenue per minute for NLD/ ILD outgoing calls" for deciding the access charges to be charged/paid with other NLD,ILD/ Access Provider operators. The same rate has been offered to other NLD, ILD/ Access Providers for signing the agreements. For this purpose the data for the quarters of December'2012 and March'13 has been analyzed. The details are provided in Annexure-I enclosed.
- MTNL being a PSU has higher legacy costs and social obligations, therefore the costs of MTNL for any kind of service shall be addressed accordingly. Though the charges prescribed by MTNL for this purpose are not based on costing, if calculated on basis of costs incurred that will be also on much higher side.
- The codes for NLD and ILD services should be different.

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### **Annexure-I**

MTNL is providing mainly Access Services under its different licenses (Basic, CMTS & ISP) agreement with Department of Telecommunication. There is no other service or business is being provided under its other licenses like NLD, ILD etc. Hence the major portion of MTNL's expenditures is on maintaining of its access network only. Therefore, per minute call cost is to be calculated on the basis of expenditure incurred to the total numbers of calls being handled by MTNL access network.

#### **Expenditure:**

**This calculation is based on Balance Sheet as on 31<sup>st</sup> March 2013, taken form Annual Report 2012-13.**

		<b>In Million (Rs.)</b>
Total Annual Expenditure		90158.23
Less Rev. Sharing ( receive from Other Operator)		
Rent and Junction charges	2352.92	
Access and call charges	1134.79	
Interconnection charges	26.41	
Interconnection charges	838.85	
Total		4352.97
Net Annual expenditure		85805.26
Less Revenue received on incoming MOU @ <b>20 paise</b> per min MOU		2625
<b>Net expenditure after deducting revenue on incoming calls</b>		<b>83180.3</b>

(Table-1)

#### **MOU Calculation for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013:**

Total MOU ( OG+IC)	32755162497
TOTAL O/G MOU	19630162706
TOTAL I/C MOU	13124999791
Total ILD MOU(OG+IC)	910389881
Total ILD O/G MOU	104846778
Total ILD I/C MOU	805543103
Total (NLD+Local) MOU O/G	19525315928
Total (NLD+Local) MOU I/C	12319456688
Ratio of ILD MOU to Total MOU (OG+IC)	0.028
Ratio of O/G ILD MOU to Total O/G MOU	0.00534

(Table-2)

**Calculation-I:**

Total outgoing MOU ( Local, NLD & ILD) = 19630162706

Net expenditure after deducting revenue on incoming calls (from Table-1)

= 83180.3 (in Rs. Million)

Hence, Expenditure on per min MOU = **Rs. 4.28/-**

For calculation of expenditure on per minute MOU, the total O/G MOU is the correct parameter since all the income received from other operator is deducted from total expenditure based on the principle that inter operator settlement is primarily done on cost based tariff.

It is also worth mentioned here that MOU for ILD outgoing is only 0.534% of total outgoing MOU. Whereas MTNL is charging to customer only Rs1/- or less for local and NLD MOU for 99.47% MOU against costing of Rs. 4.28/- per min MOU, causing huge loss to MTNL.

Further, The volume of calls generated through calls originated from use of NLDO's/ILDO's VCC card from MTNL's network shall proportionally reduce the volume of call generated from MTNL's own operations. Thus, existing average revenue per call must be taken from the NLDO/ILDO as origination charge to keep the revenue at current level, with no extra benefit to MTNL.

**Calculation-II:** (based on Six Months revenue Reports data from Sep 2012 to March 2013)

<b>ILD</b>		<b>NLD</b>	
MOU-O/G	60525820	MOU-O/G	2657485753
IUC	122359927.8	IUC	676591462.7
Rev.	627755475.6	Rev.	1194676103
Rev./Min.	10.37169716	Rev./Min.	0.449551273
IUC/Min.	2.021615367	IUC/Min.	0.254598341
Revenue per Min OG MOU - ILD = <b>Rs.8.35</b>		Revenue per Min OG MOU - NLD = <b>Rs. 0.2</b>	

In view of the above, MTNL is proposing to charge a nominal amount of Rs. 9/- for ISD and Rs1/- for local as access charge, in order to the survival of its own business. Any, regulation in this regard will badly affect the business of MTNL. The regulator should also take into consideration that the cost of operation on wireline business is very high in view of high investment and operating expenditure. Therefore, the proposed charges are necessary to maintain the network and to meet the goal of NTP 2012 or high speed broadband which is provided by MTNL on copper wire.