



To,  
Advisor (F&EA), TRAI  
Mahanagar Doorsanchar Bhawan,  
Jawahar Lal Nehru Marg  
(Old minto road) New Delhi-02

{Kind attention: Sh. Manish Sinha}

No. Regln/5-16/2014/

Dated: the 15<sup>th</sup> April 2014

Sir,

Sub:- Comments on Consultation paper on 'Review of Tariff for Domestic Leased Circuits'

Kindly refer to your office press release dated 24-03-2014 on the subject mentioned above vide which you have called for the written comments on the said consultation paper from all concerned stakeholders. BSNL's point wise comments are as follows.

**Q1:** Should TRAI continue to use the bottom-up fully allocated cost method for computation of cost –based ceiling tariffs for point-to-point DLCs (P2P-DLCs)?

**Response:** Yes, bottom-up fully allocated cost method should be used for ceiling tariff of P2P DLC. TRAI should make an attempt to bring the cost –based pricing as close to the market prices as possible so that there is not much leverage available to the service providers.

**Q2:** In case your response to the Q1 is in the affirmative, what values of the following items should be used for estimation of ceiling tariffs for P2P-DLCs:

- (i) Return on Capital Employed (ROCE)
- (ii) Useful lives of transmission equipment and Optical Fiber Cable (OFC) separately.
- (iii) Average no. of fiber pairs lit in OFC in trunk segment and local lead segment separately
- (iv) Utilization factor of OFC system in trunk segment and local lead segment separately?

**Response:**

- (i) ROCE – 15%
- (ii) Useful life of transmission equipment – 10 years  
Useful life of OFC – 15 years
- (iii) Average no. of fiber pairs lit in trunk segment – 2-3, Average no. of fiber pairs lit in local lead segment – 2-3
- (iv) Utilization factor in both trunk & local lead segment – 30-40%

**Q3:** In case your response to the Q1 is in the negative, what should be the alternative approach for determining tariffs for P2P-DLCs of various bandwidth

capacities? Please support your view with a detailed methodology along with supporting data and assumptions, if any.

**Response:** N/A

**Q4:** In your opinion, what are the bandwidth capacities of P2P-DLCs for which ceiling tariffs need to be prescribed?

**Response:** 64 Kbps, 128 Kbps, 256 Kbps, 512 Kbps, 1 Mbps, 2 Mbps, 4 Mbps, 8 Mbps, 10 Mbps, 16 Mbps, 34 Mbps, 45 Mbps, 100 Mbps, STM-1, STM-4, 1 Gbps, STM-16, STM-64

**Q5:** In your opinion, is there a need for prescribing separate ceiling tariffs for local lead and trunk segment?

**Response:** Same tariff can be applied for both local lead and trunk segment, since cost inputs for both are more or less same for a particular technology. However, the currently applied 3-way charging principle should be continued, i.e., local leads (two) and trunk segment should be charged separately and then added up, because they are basically three separate links and efforts required to provide each is independent of each other. Additionally, modems/radio modems/etc in the local lead should be charged extra.

**Q6:** In your opinion, is there a need for prescribing separate ceiling tariffs for remote and hilly areas?

**Response:** Yes, because cost of laying as well as maintaining OFC network in remote/hilly area is more than plain areas. Moreover, utilization factor of OFC network in these areas is very less resulting in poor Return on Investment. To improve the situation, separate higher ceiling tariff should be prescribed for remote and hilly areas.

**Q7:** In your opinion, what are the distances of

- (i) Trunk segment and
- (ii) Local lead segment (separately) of P2P-DLCs for which ceiling tariffs need to be prescribed?

**Response:** Currently the ceiling tariff is prescribed in the distance interval of 5 Km up to a maximum distance of 500 Km. For all distances greater than 500 Km, tariff is same as that for 500 Km. The cost of the OFC network used to provide the DLC increments almost uniformly with the distance, hence it is suggested that the DLC ceiling tariff should be prescribed for distances greater than 500 Km also, may be up to say 2000 Km. This will result in better pricing for high bandwidth long distance circuits, e.g. between Delhi and Mumbai.

**Q8:** In your opinion, is the distance interval of 5 Km still relevant for prescribing distance-based ceiling tariffs for P2P-DLCs?

**Response:** Following distance interval is suggested for prescribing ceiling tariff for P2P-DLC.

DLC Distance	Distance interval
0 – 50 Km	5 Km
>50 – 250 Km	25 Km
>250 Km	50 Km

**Q9:** In case your response to the Q8 is in the negative, what distance interval should be used for prescribing distance-based ceiling tariffs for P2P-DLCs?

**Response:** Please see response to Q8.

**Q10:** What equipped capacities of trunk segment and local lead of P2P-DLC should be used for computation of ceiling tariffs of various bandwidth capacities?

**Response:** For bandwidth up to 2Mbps – Equipped capacity of STM-1  
For bandwidth higher than 2Mbps – Equipped capacity of STM-16

**Q11:** Should VPNs such as MPLS-VPNs also be brought under tariff regulations for DLC?

**Response:** There seems to be no need for that. BSNL MPLS-VPN tariff was a derived tariff from the TRAI prescribed DLC ceiling tariff. Further, the market forces have resulted in heavy discounts on the MPLS-VPN tariff of BSNL. The current market rates are quite competitive due to the presence of a number of service providers in this area.

**Q12:** In case your response to Q11 is in the affirmative, what method should be used for computation of cost based ceiling tariffs for VPNs?

**Response:** N/A

**Q13:** In your opinion, is there still a need for prescribing separate ceiling tariffs for DLCs which are provided on Managed Leased Line Network (MLLN) Technology?

**Response:** Managed services with SLA and last mile monitoring are premium services and should be charged extra as compared to plain vanilla services.

**Q14:** Is there any other relevant issue related to tariff for DLCs which the Authority should keep in mind while carrying out the present review exercise?

**Response:** No.

Yours sincerely

Raghuvir Singh  
AGM (Regulation-II)