Gmail

Interconnection TRAI <interconnection.trai@gmail.com>

BIF Response to TRAI's CP on Review of IUC Charges d.18.09.2019

1 message

Tirunelveli Ramachandran <tvr@broadbandindiaforum.com> Sun, Oct 20, 2019 at 10:50 AM
To: "sksinghal@trai.gov.in" <sksinghal@trai.gov.in>
Cc: "interconnection.trai@gmail.com" <interconnection.trai@gmail.com>, Secretary TRAI <secretary@trai.gov.in>

Dear sir,

I have pleasure in attaching the BIF Response to TRAI’s CP on Review of IUC Charges dated 18 September 2019. We earnestly request you to condone the marginal delay in submission.

With best wishes and regards,

TV,

T.V.Ramachandran,

President, Broadband India Forum (BIF).

Sent from Mail for Windows 10

Final BIF Response to TRAI IUC Consultation of Sept 2019 18 Oct 2019 BIF_TVR.docx
23K

Response to TRAi CP on Review of Interconnection Usage Charges 18th Sep 2019

QI. Is there a need to revise the applicable date for Bill And Keep (BAK) regime ie zero mobile termination charge from 01.01.2020? If yes, then what parameters should be adopted to decide the alternate? Give your suggestions with justification.

Ans.:

1. **BAK Critical for Digital India & Broadband for All:-** At the outset, we are much encouraged to note that this Consultation Paper also (like the 19th Sept.2017 IUC 13th Amendment GN and the Explanatory Memorandum thereof) has been appropriately issued by the Broadband Policy Analysis Department of TRAI, thereby underlining, as it were, the critical relevance of the issue raised in this CP for the Broadband goals of the nation. Broadband is the powerful information highway of the Internet and is universally accepted to represent the most important path to increased productivity, economic prosperity and enriched quality of life for the citizens of India. Broadband is also the fundamental foundation of most of the pillars of Digital India envisioned by our Hon'ble Prime Minister, Shri Narender Modi, and oft articulated by our Hon'ble Minister of Communications, Shri Ravishankar Prasad. Broadband India Forum (BIF), which is totally dedicated to the cause of proliferation of affordable broadband in a technology-neutral and all-inclusive manner, is therefore pleased to have this opportunity to respond to the Interconnection issue raised in the CP since it is vitally linked to the expeditious growth of broadband in this country.
2. **BIF's Position:-**Our unambiguous answer to the first question in Q1 is that ***there is absolutely no need to revise the applicable date for BAK or zero termination charge and that it should be firmly held, as earlier scheduled by the Authority, to be effective from 01.01.2020.*** In fact, we sincerely believe and respectfully submit that any revision to this date would be a retrograde step and seriously harm the interests of the consumers and the nation in several ways as explained below.
3. **Investor Confidence Needs Regulatory Consistency:** It is fundamental that Regulatory certainty and predictability constitute the single most important factor sought by all investors and players in the eco-system while making

investments into a sector. Whether it is for Digital India, Smart Cities, Make in India or a spectrum auction, or 5G or any other 'G', the foremost demand is always to seek consistency/certainty/predictability with regard to the regulatory environment and contract/license conditions. In the past, the Authority has also acknowledged that Regulatory certainty is important. Accordingly, in the Explanatory Memorandum to Eleventh Amendment to the Regulations, dated 23rd February 2015, *TRAI had clearly stated that setting a specific timeline for undertaking IUC review would impart a modicum of certainty which is in the interest of all stakeholders. The Authority had decided that the applicable date for implementation of Zero IUC Rates or BAK (Bill & Keep) Regime from 1.1.2020 vide Telecommunication Interconnection Usage Charges (Thirteenth Amendment) Regulations, 2017 dated 19.09.2017 (herein after referred to as IUC Regulations, 2017). This Regulation brought down wireless to wireless domestic call termination charge to Re 0.06 per minute during the period from 1/10/2017 to 31/12/2019 and further went on to prescribe implementation of Bill And Keep (BAK) regime i.e. zero termination charge w.e.f from 1/1/2020 for domestic call termination. To renege on that promise now raises the strong likelihood of adversely impacting India's image for investors and potential players…something we can ill afford.*

4. **Why talk only of the regulatory promise of 2017?** As far back as 2012. TRAI had given notice of Zero MTC or BAK from 2014. That did not happen because probably because the expected technology upgrade to LTE 4G and VoLTE did not happen here despite other nations being well into it. A first faltering, a retarding of progress to a digital India, a delaying of entry into the packet-switched Internet Era. Three years later, in end 2017, well after the nation heralded the entry of 4G LTE & VoLTE, the TRAI had done a detailed review and reached inter alia the following outcomes from their analysis :-

   "*95. Establishment of a clear outlook for IUC would provide regulatory predictability and enable service providers to plan their networks and businesses accordingly….*

   Further, the cost of termination of calls will drastically come down over a period of two years and very small residual value, if any, can be absorbed by the TSPs in their tariff offerings. As a result, the Authority prescribes a Bill and Keep regime for the wireless to wireless calls effective from the 1st Jan 2020."

We respectfully request that the definitive statement "Authority prescribes a Bill and Keep regime…from 1st Jan 2020" in the above quote may kindly be noted.

Thus the already-belated evolution to BAK by 01.01.2020 was already prescribed and it would be incorrect and unfair to revise that decision now.

5. **Termination Cost reduction due to Traffic Increase***:* The Authority had rightly noted (ref above quote) that the cost of termination would come down drastically. This observation is fully justified by actuals. Data usage, which was 1.99 GB per sub per month in Dec.'17 rose by 391% by Jun '19 to 9.77GB per sub pm while data traffic grew by a humongous amount of over 2500 times from 2328 PB pm to 5980192 PB pm during the same period. Voice traffic grew by as much as 42% from 495 MoU per sub pm to 701 per sub pm.
6. **The Paramount Need of Proliferating Broadband:** Regulatory framework drives deployment of more efficient technologies that have the benefit of lowering the cost of delivery to enable innovative and customer friendly offerings. It should be considered that retaining IUC based on the technologies employed by different operators would disincentivize players who boldly invest in the more modern and efficient technologies. We respectfully urge the Authority to understand and appreciate that the concept of interconnect usage charge is an outmoded concept that was is related only to the obsolete 2G technology and circuit-switched mobile networks. At a time when India is looking to be a trillion dollar digital economy, we can ill-afford to have over 600 million digitally unconnected citizens. (It should be remembered that while we may have 500 million broadband connections, taking dual- and multi-sim usage into account, the number of unique broadband subscribers is quite probably less than 400 million). If operators are continued to be incentivized or provided subsidy in the form of IUC for managing the significantly less efficient 2G voice networks, it will not only be detrimental to consumers, but also adversely impact the growth of all digital players, startups, OTTs, application

developers etc who need high speed 4G broadband connectivity to survive and grow, - an aspect important for the economy and the nation..

7. **<u>Any Residual Traffic Imbalance the Result of Continuing MTC:-</u>** The Authority has itself recorded in the CP, that there is significant reduction in traffic imbalance (Ref CP paras 2.19 to 2.21). To therefore still consider any remnant asymmetry in traffic, 2 years after the earlier TRAI regulation, as a justification for levy of IUC is highly unreasonable and unwarranted. In fact, it should only be viewed as a possible fall-out of the continuance of the 6 paise mtc which has which prolonged the subsidy of 2G and quite probably caused the delay the transition to the more efficient 4G technology. **A long-term asymmetry in traffic of some operators arises only due to their inefficiencies and the regulatory framework should help expedite the move to more modern and superior technologies.** *The Authority has rightly observed in Para 2.23,"…while the adoption of new technologies by service providers and customers is progressing, still many of the calls are getting terminated on the circuit-switched networks.. …maximization of consumer welfare (i.e adequate choice, affordable tariff, and good quality of service) in a sustainable manner and adoption of more efficient technologies are vital for orderly growth of the telecommunication services sector in the country."*

   As stated also in September 2017 by TRAI, "In fact, BAK will be a catalyst for traffic symmetry. It gives TSPs appropriate incentives to serve their customers efficiently and brings market discipline to competition."

8. It may be recalled that, before the introduction of CPP and an IUC regime in 2003, India had a tele-density of only about 5%. 2019 is different from 2002. Tele-density has crossed 88%. In such a matured market, for any new operator, subscribers will come mostly as a churn from existing operators, i.e. subscriber shift from one operator to another. It is only a shift in traffic from existing operators to new operator. Therefore, entry of a new operator cannot be a justification for continuance of IUC. This is like compensating the existing operators for loss of profit due to competition or their inability to compete in the market.

9. **<u>The Negligible Cost of Termination:-</u>**The Authority had rightly noted in its Explanatory Memorandum to the Gazette Notification dated 19th September 2017 on IUC Regulation that " 42. During the workshop,..one

leading operator tat cost of terminating the call in all IP network is close to zero (0.11 paisa per minute)....the Authority noted the difference in cost of call in packet switched network and circuit switched network calls....It is essential for the Authority to promote technologies with lesser costs so that consumers can benefit from lower tariffs. With a view to promoting new and more efficient technologies, the Authority is expected to be forward looking and base its regulations on the most efficient technology."

10. **Entry to the Internet Era:-** In the same above-mentioned EM, the Authority observes that:-
"46. With the evolution of technology and convergence, more and more networks are migrating towards IP network worldwide. Regulators are working towards facilitating migration...In internet networks which are IP based networks, there are no interconnection charges and networks can connect globally without interconnection charges. The Authority is of the view that termination charges work as disincentive to deployment of new technologies such as VoLTE and migration to IP networks by operators. Moving towards BAK will encourage adoption of latest technologies and the deployment of IP-based telecom networks. Since IP-based Networks are poised to be the Networks of the future for providing telecom services, a BAK regime should be seen as a natural facilitator for the development of technology."
11. **Pro-Competition:-** Call termination is universally accepted to be a monopoly market. BAK offers a means of addressing this issue of the market power of terminating networks since in this regime, the networks have to recover from their own consumers rather than from their interconnecting operators. This is as relevant today as it was in 2017. And since retail outgoing tariffs are under forbearance, the terminating operators would still have the ability to recover their costs from non-regulated services. Then why review the pre-decided date of introduction?
12. **Affordability:** The Authority has noted (in para 2.12) that, since 2017, subscribers have had ample choice in tariff plans and that there has been a great improvement in affordability with subscriber's average outgo per minute dropping from 23 paise per minute in Sept.2017 to 13 paise per minute in March 2019. This has clearly resulted from the half way movement

to Zero MTC. It is submitted that we need to sustain this trend in affordability by maintaining thescheduled onward march to BAK by 01.01.2020.

In conclusion, we wish to reiterate that all the relevant evidence from the ground, as tabled by the Authority itself in its latest Paper, clearly point to the push on to the already prescribed implementation of BAK by 01 January, 2020. As shown above, any delay would only harm consumer interest, stifle the evolution to superior and more efficient technologies, hurt investor faith and sentiment in a wide range of secors and delay India's achievement of Broadband for All, Digital India and other digital initiatives. From BIF, we earnestly urge the Authority to adhere to its earlier prescribed schedule for BAK.

T.V.Ramachandran,

President, Broadband India Forum,

New Delhi, 18th October 2019.