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Dated: 09.12.2019

To,
Shri Sunil Kumar Singhal,
Advisor (Broadband and Policy Analysis),
Telecom Regulatory Authority of India,
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg, Old Minto Road,
New Delhi – 110002.

Subject: Consultation Paper on 'Review of Interconnection Usage Charges.'

Dear Sir,

This is with reference to your above-mentioned consultation paper. In this regard, please find enclosed our response for your kind consideration.

Thanking You,
Yours' Sincerely
For **Bharti Airtel Limited**

Ravi P. Gandhi
Chief Regulatory Officer

Encl: a.a.

Response to TRAI's Consultation Paper on Review of Interconnection Usage Charges dated 8th November, 2019

At the outset, we would like to thank the Authority for providing us the opportunity to provide our comments on the matter of Review of International Termination Charge (ITC).

Before answering the specific questions raised in the Consultation Paper, we would like to bring to the notice of Authority that the ITC is kept under forbearance in majority of countries, whereby, the terminating access providers decide their termination rate. Regulatory bodies have not fixed these charges in such countries as it does not affect the customer tariffs. Further, a large part of the traffic, instead of being exchanged bilaterally, is exchanged through aggregators. Any decrease in ITC in India benefits the aggregators or the foreign end originating operators with no benefit to Indian or foreign consumers.

Fixing of ITC at an abysmally low level in India takes away the negotiating power of Indian access provider who have to provide their termination services at the regulated price while having to pay for their outgoing calls at the charges fixed by the access provider in foreign countries without getting any benefit for regulated cheaper termination price in India. This places Indian access providers at a huge disadvantageous position and causes loss to the Indian access provider and the country at large. Not only this, it is pertinent to note that any reduction in ITC does not give any advantage to the Indian consumers but only benefits the International carriers.

The last review of ITC was carried out in 2017-18, whereby the ITC were reduced from Rs. 0.53 per minute to Rs. 0.30 per minute. However, the reduction of International Termination Charge hasn't been able to arrest the decline in incoming ILD traffic. The revenue from incoming ILD minutes continues to decline substantially. This, therefore, warrants an urgent change in the ITC.

Keeping this view, our response to the issues raised in the consultation paper is as below.

Q1. Keeping in view the changes happening in the international telephony market structure, is there a need for change in the regulatory regime for International Termination Charge (ITC) i.e. change the existing regulatory regime from fixing uniform rate of ITC to an alternate approach? Kindly justify your comments with supporting arguments.

&

Q2. If your response to the Q1 is affirmative, then what should be the alternate approach? Kindly elucidate the alternate approach and benefits of the same vis-à-vis the present approach.

&

Q3. If your response to the Q1 is negative, then in the changing international telephony market structure, what other regulatory measures are required to be taken by the regulator for protecting the interests of Indian consumers and service providers? Kindly justify your comments with supporting arguments.

&

Q4. Your comments on any other issue related with the international termination charges may also be given.

Bharti Airtel's Response:

The Authority vide regulations dated 12.01.2019 fixed the ITC at Rs. 0.30 per minute w.e.f. 01.02.2018. The ITC prescribed by TRAI is the lowest in the world. The figure below shows the Global International Termination Rates (ITR) trends

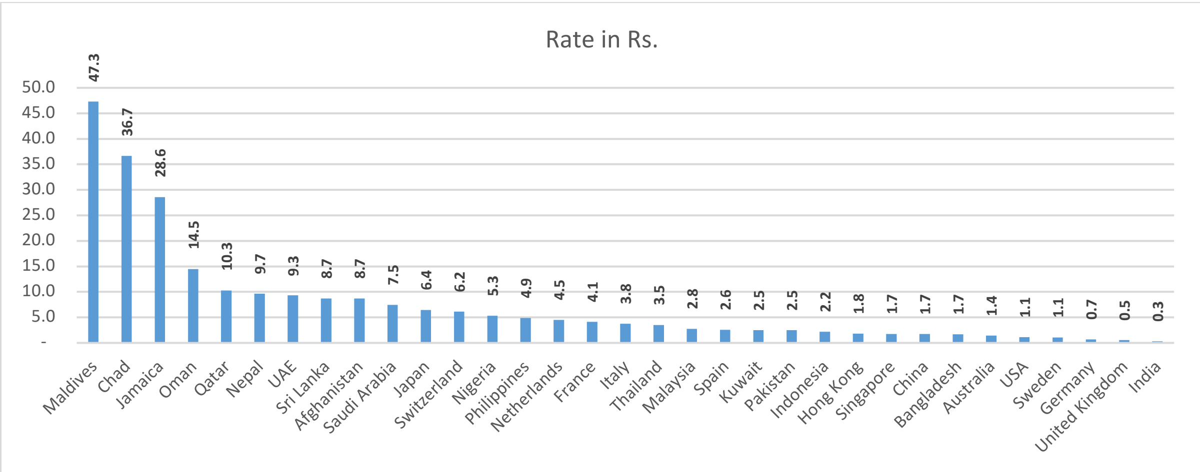

Fig 1: Global ITR trends

Contrary to this, the Indian Operators pay an average of Rs. 3.0 - 3.5 to the foreign carriers/access providers for termination of the calls originated from India. Therefore, TRAI's fixation of ITC for Indian access providers at Rs. 0.30 is less than 10% of the world average. Further nowhere in the world ITR is fixed on the basis of cost, but is fixed to ensure reciprocity and maximize revenues.

The present ITC of Rs. 0.30 per minute has been in force since more than 1.5 years. We believe that the reduction in ITC has not been able to provide the intended benefits as detailed below:

1. **Assumption that reduction in ITC will result in increase in incoming ILD minutes not proven:**

    - The Authority while deciding on reducing the ITC from the existing Rs. 0.53/min to Rs. 0.30/min, has considered curbing of grey route as the most important regulatory priority so that the Indian terminating traffic increases.

    - Even after reduction in ILD termination charge from Rs. 0.53/min to 0.30/min, the ILD incoming minutes continue to decline at a greater rate.

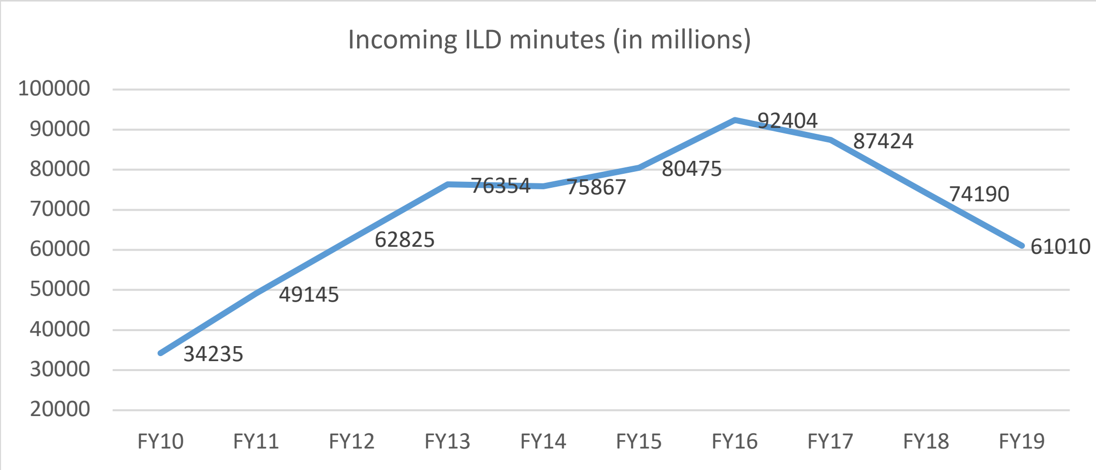

Fig 2: Incoming ILD Traffic Y-o-Y

- A consequence of this reduction in ILD termination charges has been that while the ILD incoming minutes have declined by 30% over the two year period from FY 2016-17 to FY 2018-19, the ILD revenues from incoming traffic have declined even more i.e. by more than 60%. Further, the consumers in India did not get any benefit of this cost reduction.

2. **International traffic continues to remain highly asymmetric:**

- The present ITR fixed by TRAI, is substantially lower than the international average and has resulted in a completely skewed traffic with ratio of incoming to outgoing traffic at **20**:**1**. The Indian Access providers receive around 61 billion MoUs/year of terminating calls as against 3 billion MoUs/year of the outgoing ISD calls.

- The carrier operators such as ILDOs, pass on the burden of higher termination rate of any country to the Indian Access providers, thereby limiting their ability to provide cheaper ISD rates to Indian customers

3. **Significant increase in cost for Outgoing traffic:**

- The Indian operators like Airtel pay an average of Rs. 3-3.5 per minute for international calls terminating outside India.

- Over the two-year period since the last review, we have witnessed a cost/ ITC increase by the telcos in Europe, Africa, Asia Pac either in the form of surcharge or rate increase. It has resulted in higher payout by the Indian Access Providers (also higher foreign exchange going out of country) who have no option but to charge higher rates in the form of ISD tariff from their customers.

- A lower termination charge does not ensure parity for Indian TSPs vis-a-vis their foreign counterparts and rather puts them in a disadvantageous situation, given that "termination charges in many other countries is much higher for terminating calls (*over which TRAI has no regulatory authority*) and, the Indian TSPs would be obliged to continue paying these higher charges.

- Further, to encourage customers to call freely, the operators like Airtel have launched various ISD packs which provide benefits to the customers in the form of reduced ISD tariffs. However, the impact of the same has only been that the ILD outgoing minutes are maintained at a consistent level whereas, it has led to reduction in ILD outgoing revenues by 40% in the last two years.

- With the increase in the ILD Costs to be paid to foreign operators and decline in ILD revenues from customers, the overall impact on Airtel and other operators has been hugely negative.

4. **The Nation continue to loose on account of Low ITC:**

- The International Termination Rate, lower than the world average, causes lower revenues for the Indian access providers in comparison to its foreign counterparts. While Indian access providers such as Airtel, RJIO, Vodafone Idea, BSNL, MTNL would be saddled with a very high ITR (Rs 3-3.5 at present), the foreign access providers gets benefitted by the lower termination rate(Rs. 0.30) fixed by TRAI.

- Despite the reduction in ITC the incoming ILD incoming minutes have declined by 30% over the two year period from FY 2016-17 to FY 2018-19 and the ILD revenues from incoming traffic have declined even more i.e. by more than 60%, thereby resulting in lower payout to the government in the form of License Fees.

- In FY 2016-17, with ITC at Rs. 0.53 per minute, the net forex gains to the country was of the tune of Rs. 3675 Crores considering receivable from foreign operators on account of ITC and payable to the foreign operators for outgoing international calls. In FY 2018-19, the net forex gains to the country has reduced to Rs. 950, i.e. an overall reduction in forex gains by approx. 75%.

- It is therefore evident that the reduction in ITC to Rs. 0.30 per minute has resulted in significant loss to the government and nation in terms of reduced License Fees and forex gains.

It is evident from above that the reduction in ITC has not been able to achieve any of the intended benefits.

Further, the primary concerns regarding reduction in ITC had been the Grey market traffic and the transition of traffic to the OTTs (providing free calling). In this regard, we would like to submit as below:

A. Grey Market Concerns:

- TRAI while reducing ITC from Rs 0.53/ min to Rs 0.30/ min has placed its primary reliance on tackling grey market traffic. We are of the firm opinion that grey market as a phenomenon has declined significantly due to stricter KYC norms and enhanced monitoring by the LSA units.

- TRAI while negating the control over grey market due to tighter verification of mobile connections through eEKYC/ DKYC process, has justified that the grey marketeers largely thrive on fixed line for illegal termination of international calls. However, in our opinion the fixed line grey market setups are quite easy to identify and TERM cells take very prompt action in such cases.

- With stringent subscriber verification, due analytics carried out by operators and regular reporting to LSA units, the grey market concerns are already being addressed. Hence, grey market concerns do not warrant reduction in ITC.

- Further, even if some amount of grey market traffic is generated to exploit the ITC arbitrage, it does not warrant lowering the ITC. Instead, these checks and balances require stricter enforcement.

- As far as the security issues related to grey market are concerned, cost is not a concern for people who want to exploit this channel. Hence, by reducing the arbitrage, we cannot eliminate the grey market operation specially setup with an intent to bypass the security requirements. Only stricter verification, vigilance and monitoring of such grey market operations can be helpful in meeting the security requirement.

B. Migration of traffic to OTTs:

- Migration to OTTs cannot be a reason for reduction in ITC. While growth in OTT for international calling has been a global phenomenon, it hasn't forced the operators in foreign countries to reduce their termination rates.

- A snapshot of global termination charges as depicted in 'Fig 1: Global ITR trends' above clearly indicates that the termination charges globally continue to be high despite growth in OTT traffic.

- Further, traffic via the OTTs can't be compared to traffic by licensed operators as the same bypass the entire PSTN network and are delivered as data packets.

- Many countries in Middle East have blocked such OTTs for voice traffic to tackle the security issue associated with such calls. With significant international traffic being carried by the OTTs, there is an urgent requirement for imposition of security conditions on the OTTs.

- In our opinion, reduction in the ITC and thereby reducing our own revenues ourselves proactively is not a solution to resolve the problem of migration of traffic to unlicensed operators (OTTs) providing free services. The solution to that problem lies in regulating OTT players and not cannibalizing our own legitimate revenue.

Considerable reduction in ILD voice revenues, therefore, warrant some changes in existing regulatory regime for International Termination Charge (ITC) as detailed below:

a) Considering that different countries charge different International Settlement Charges, the termination charge for an incoming international call to India should be ideally under forbearance and may also vary with region/ country

b) However, it might be a challenge in implementing origin based ITC as the calls are being transited/ hubbed by the various aggregators/ foreign ILDOs. In view of the same, it is recommended that the **ITC should be raised to Rs. 1 per minutes on immediate basis** and be subsequently raised to Rs. 3 – 3.50 per minute, i.e. equivalent to the charge paid by the Indian Access Providers for termination in foreign countries.

An increase in the ITR would not impact the Indian customers. It would result in an increased inflow of forex to the Indian operators yielding increased revenues to the exchequer in the form of License fees and taxes and will also enhance the Indian operators' ability to provide affordable services. An estimated national gain in terms of Forex gains is shown in table below.

Scenarios: **ITC** **Rs per min**	**Annual Market Size Mn Min (Estimated for FY 19-20)**	**ITC Rs per min**	**Rate Rs per minute (including International carriage charge)**	**Negative Impact on overall market % (assumed)**	**Forex Inflow Mn USD**	**Incremental Forex Mn USD**	**Incremental Forex Rs Cr**
Current: 0.30	50000	0.30	0.33	0%	232		
1.00	50000	1.00	1.10	10%	697	465	3300
1.50	50000	1.50	1.65	20%	930	697	4950
2.00	50000	2.00	2.20	25%	1162	930	6600
2.50	50000	2.50	2.75	30%	1356	1123	7975
3.00	50000	3.00	3.30	35%	1511	1278	9075
3.50	50000	3.50	3.85	50%	1356	1123	7975

c) Presently, there is no mandate to the foreign operators for sending proper CLI for all incoming ILD calls. In case of no CLI, the Indian ILDO operator is required to insert the operator code along with the country code from which the call has been received. We believe that there is a requirement to regulate receipt of non CLI/invalid CLI international calls from international locations.

While 'no CLI calls' have to be pre-fixed with carrier access code, the same does not give full traceability to end users in cases where the calls have been generated by application.

Besides, there is also a significant concern on the invalid CLI or fabricated CLI (of the high cost countries), where missed calls from such country's CLI tend to generate Wangiri calls. We have observed that significant calls are coming from the countries where there exists no community of interest.

Mandating proper CLI calls will aid in stemming spam traffic on the network, reduce fraud calls, wangiri and will enable traceability to address Security concerns. This is now enforceable as all networks across are fully digital and/or are IP based which allows generation and transmission of proper CLI as per E.164. We should, therefore, not allow our country to be flooded with no CLI calls only because it suits the business of aggregators. Security is paramount and hence no CLI calls should be penalized.

It is therefore recommended that the **ITC for Invalid CLI/ No CLI calls be fixed at Rs. 3 – 3.50 per minute**. It will motivate the operators to pass proper CLI and hence will reduce security problem.

d) Globally Telcos charge their customers on per minute basis, while they settle charges with the terminating operators on per second basis. Also, significant amount of 'low-duration-traffic' gets generated with fabricated CLI from app originated calls where the aggregators charge a higher premium rate to the customer and pay only on per second basis at a much lower rate to the terminating operators. Such low duration calls also impact the network utilisation. We have also observed a trend wherein several countries have shifted from per second to per minute based charging.

   We therefore recommend that the billing should be mandated to be done to international carriers/ ILDOs/ Access Service Providers for international traffic on per minute basis rather than on per second basis for international calls terminating in India. This will help in reducing low duration and spam traffic

e) International Carriage Charges: While international aggregators present in the originating and/or providing transit/ termination of calls in different country, are responsible for actual interconnection and carriage of traffic but the settlement charge between any two set of operators (located in different countries) is governed by the prevailing termination charge(ITC). Indian ILDOs, acting as domestic aggregators for outgoing and incoming international traffic should not be any exception.

   International Settlement rates globally are a function of the mobile/ fixed termination charges and therefore indirectly contribute to margin for ILDOs as they operate on cost plus basis, covering their carriage costs and the business risk associated with international long distance business. In such manner, the ILDOs will be safeguarded from any business associated risks and the interests of ILDOs will be taken care as per the competitive market forces. It is therefore recommended that the **International carriage charge by the ILDOs should continue to be on forbearance.**

Summarizing, the recommendations:

- ITC to be raised to Rs. 1 per minutes on immediate basis and be subsequently raised to Rs. 3 -3.5 per minute
- ITC for Invalid CLI/ No CLI calls be kept at Rs. 3 – 3.50 per minute.
- Mandating billing on per minute basis to international carriers/ ILDOs/ Access Service Providers for international traffic.
- Continue with forbearance on International carriage charge by the ILDOs