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Shri. Sunil Kumar Singhal,
Advisor (B&PA),
Telecom Regulatory Authority of India,
Mahanagar Doorsanchar Bhawan,
Jawahar Lal Nehru Marg,
New Delhi – 110002.

Subject: COAI Response to the TRAI Consultation Paper on “Review of Interconnection Usage Charges”

Dear Sir,

This is with reference to the TRAI Consultation Paper on “Review of Interconnection Usage Charges” released on November 08, 2019.

In this regard, please find enclosed COAI response to the Consultation Paper.

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

With Regards,

Yours faithfully,

Rajan S. Mathews
Director General

14, Bhai Veer Singh Marg, New Delhi – 110 001

tel: +91-11-23349275 fax: +91-11-23349276 email: contact@coai.in website: www.coai.in



Response to the TRAI Consultation Paper on Review of Interconnection Usage Charges released on November 08, 2019

COAI welcomes the opportunity to comment on the TRAI Consultation Paper on Review of Interconnection Usage Charges.

We would like to make following submissions on the issues raised by TRAI in the consultation paper:

Q.1 Keeping in view the changes happening in the international telephony market structure, is there a need for change in the existing 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.

Q.2 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.

COAI Response:

At the outset, we are thankful to the Authority for issuing this consultation paper to review the International termination charge (ITC).

ITC is the amount paid by the domestic ILDO to Indian Access Service provider for international calls being terminated in India, and since ITC has been set lower (30p/min) than the prevailing ITC in the other parts of the world, it has adversely affected the Indian TSPs vis-a-vis their foreign counterparts. This is because the foreign TSPs continue to charge higher fees for terminating calls (over which TRAI has no regulatory authority) and, the Indian TSPs are obliged to continue paying these higher charges. Thus, Indian subscribers continues to pay higher charges for their outgoing international calls even as foreign subscribers enjoy the benefits of lower overall tariffs for calling Indian subscribers, partly because of the much lower Indian ITC.

The reduction in the international termination charges has adversely impacted the profitability of Indian telecom operators as basis the current termination charge, Indian operators' share on the total tariffs charged, for the outbound calls from the foreign countries to India, has just been a miniscule percentage.

Thus, keeping the Indian ITC at a level far short of that prevailing in other countries effectively means that the domestic consumers are subsidizing their foreign counterparts; and, this is abundantly clear from the adverse international incoming-outgoing calls ratio.

To ensure that the Indian TSPs are not in a disadvantageous position vis-à-vis the foreign players, the ITCs should either be prescribed country/region wise or should be increased to the value arrived at by averaging the ITCs applicable overseas.

Implementation of country/region wise ITC is difficult and may lead to routing of incoming ILD calls by the foreign carriers through the countries having the least ITC. Thus, TRAI should fix a higher ILD termination charge which can be charged by the Indian Access Providers. The ILDOs can continue to charge the foreign operators at a margin which includes their carriage cost as is being done presently.

Imbalance between the Incoming and the Outgoing minutes

From the figure 4 of the consultation paper, it can easily be concluded that while the outgoing ILD traffic from India has remained more or less constant in last two years, the skew between the Incoming and Outgoing ILD minutes is still substantial and stood at 18:1 i.e., the incoming ILD minutes in India is 18 times higher than the outgoing ILD minutes from India.

As is evident from the above, the Indian operators' cost towards termination charges is much higher in comparison to the revenue earned by them in the form of termination charge paid by foreign operators on the per min basis. Due to the lower fixed ITC in India, the Indian operators are not in a position to negotiate with the foreign counterparts and thus cannot influence the settlement rates. This would not be the case if the ITC in India is fixed at a higher level, as in that case the Indian TSPs would be suitably compensated and would be in a better position to protect their interest.

The international callers in many of the other countries predominantly have a much higher paying capacity (per capita GDP) than consumers in India. The fixed lower ITC has led to Indian subscribers and telecom operators being treated in an inequitable and unfair manner and also contributes to creating disequilibrium in the Balance of Payments for India.

We are of the view that an increase in the termination rates will help reduce the pricing arbitrage which presently exists in the favour of foreign operators which has built up over the years and thus reduce the tariffs of the ILD calls originating from India.

Thus, we submit that the existing regulatory regime to fix the ITC at lower rate needs to be changed and TRAI should increase the ITC charges. The increase in ITC can be prescribed considering the International termination charges applicable in other countries. The table below shows the International Termination charges applicable in some of the countries:

International Termination charges in other countries

	US\$ per min	INR per min		US\$ per min	INR per min
Afghanistan	0.03	2.15	Oman	0.07	4.68
Pakistan	0.0885	5.93	Qatar	0.04	2.67
US	0.01	0.67	UAE	0.02	1.33
Australia	0.13	8.68	Germany	0.16	10.69
Nepal	0.10	6.68	UK	0.20	13.36
Brazil	0.19	13.60	Luxembourg	0.22	15.75

Source: AT&T IMTC rate – 08.01.2019

Increasing the value of ITC will have the following advantages:

- a) It will increase the share of Indian TSPs on the total tariffs charged, for the outbound calls from the foreign countries to India, thus allowing the Indian TSPs to earn revenue in the form of FOREX.
- b) Indian TSPs would be better placed in terms of ILD calling charges and can bring down the outgoing ILD calling rates for the Indian subscribers.
- c) This will bring back the ILD traffic to the carrier route from the OTT route and will thus be a step towards ensuring a level playing field amongst the TSPs and OTT players.
- d) More traffic flow through the licensed Service providers is also important from the national security perspective

In view of the above, so as to protect the interest of Indian TSPs, we submit that TRAI should specifically prescribe a much higher rate of ILD termination charge, considering the fact that ILD termination rates of other countries is far higher as compared to India.

Q 3. 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.

Not applicable in view of our response to Q1 and Q2.

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

TRAI has rightly mentioned that the carrier route for carrying international incoming voice traffic is facing a fierce competition from Over-the-Top (OTT) route. There has been a considerable increase in the ILD calls which are being sent /received through OTT route, where no security provisions are applicable. The same is not in the interest of the country and is also creating a non-level playing field.

While the TSPs and ILDOs who are in the legitimate business of providing telecommunication services, are required to comply with the security provisions of their licenses, no such obligation is there on the OTT service providers. We believe that with the OTTs carrying significant international traffic, ensuring security compliance is of paramount importance.

TRAI had floated a consultation paper on Regulatory Framework on OTT communication services. TRAI Recommendations on this issue are still awaited. We request TRAI to kindly come out with the Regulatory Framework for OTT players at the earliest to address these concerns.
