IDEA Cellular

20th Jan, 2011

The Secretary,
Telecom Regulatory Authority of India
Mahanagar Door Sanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
New Delhi - 110 002

भारतीय दूरसंचार विनियामक प्राधिकरण
महानगर दूरसंचार भवन, नई दिल्ली-2

डायरी सं. 1306

Kind Attention: Advisor (I & FN)

Sub. : Your letter no 409-9/2010- I & FN dated 24th Dec-10 regarding Pre-Consultation on Review of Interconnection Usage Charges

Dear Sir,

At the outset we would like to submit that IDEA Cellular welcomes the initiative of the Authority to invite pre-consultation views on review of IUC charges. We strongly urge the Authority to conduct the whole exercise in a transparent manner so that the accuracy of the proposed review of IUC can be analyzed by all industry participants. It would thus be appropriate that the Authority specifies the methodology it wishes to pursue so that all stakeholders are able to present their views accordingly.

It is our submission that the following may be kept in view while structuring the IUC review :

1. It should be a cost based approach
2. All relevant costs including Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) need to be included.
3. Arbitrary setoff against cost such as those of VAS revenue should not be done.
4. Some Operators have an added element of cost in the form of 3G spectrum and associated roll-out of 3G services.
5. Extensive roll-out done by operators in rural areas and tough terrains needs to be considered.

It is submitted that in such a highly capital-intensive industry such as telecom, Capex / Cost of Capital is a vital element of the real economic cost, and its complete exclusion whilst determining Termination charges, defeats the very objective of the IUC/MTC which is to have a cost based regime. The relevant capital costs include the capital expenditure/investment in network facilities, as well as an appropriate return on capital (cost of money and associated taxes), and return of capital employed (depreciation expense).

It may also be noted that deducting the revenues from one set of services (VAS), from the costs of another service (termination service) is fundamentally flawed. Any VAS revenue adjustment to the MTC indirectly imposes additional costs on the interconnection provider's subscribers that are in fact attributable to the owners and/or subscribers of other networks.

Idea

1005 6, Kailash Building, 26, K G Marg
New Delhi 110 001
Registered Office : Suman Tower, Plot No. 18
Sector 11, Gandhinagar - 382 011

+91 11 2373 0133
+91 99114 40133
+91 11 2373 0135

www.ideacellular.com

Further with respect to TAX Carriage between LDCA to SDCA, it is submitted that in the consumer interest the same should also be reviewed and brought down. The Authority may like to note here that while Carriage Charges for inter circle Long Distance Calls within India had been revised downwards by the Authority in its 23rd February 2006 Regulations from a maximum of Rs 1.10 per minute corresponding to the above 500 Km in 2003, to a flat ceiling based Carriage Charge of Rs. 0.65 per minute in 2006, there was no corresponding reduction in either the Carriage charge between LDCA and SDCA or the Transit charges, leading to an anomalous situation that these charges continued to prevail unchanged at a higher rate for almost six years. Given that the distance based charges, were reduced by 60% of the maximum rate, three years ago, a substantial reduction in the TAX carriage charge is the minimum that can be expected.

Considering the issues involved and the past exercise, we would request the Authority that whatever methodology the Authority wishes to discuss should inter alia consider the following aspects:

(a) The cost elements used;

(b) Nature of the methodology being adopted/ used for estimating the cost of termination.

(c) The specific inputs to be used in the methodology and how those inputs would be calculated.

(d) The assumptions being considered;

(e) Aspects pertaining to network design and calibration.

It may also be pertinent here to point out that TRAI has itself in the past recognized that the "service provider needs to be fairly compensated for its investments and operational expenses" and that "interconnection usage charges imply setting of charges to compensate explicitly one operator for the costs imposed on him by other operators use of his network to originate or terminate a call". It is therefore our sincere submission that TRAI take these enshrined principles into consideration when coming out with its new Consultation Paper.

We earnestly believe that the Authority will give due-consideration to our comments before formalizing the Consultation Paper on review of IUC.

Thanking you,

Yours faithfully,
For IDEA Cellular Ltd.

Rajat Mukarji
Chief Corporate Affairs Officer