



RSM/COAI/2016/183

September 2, 2016

Sh. R S Sharma, IAS
Chairman
Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg
New Delhi – 110002

Subject: Induced Asymmetry and Abnormality of Terminating Traffic

Dear Sir,

We write in continuation to our earlier letters on this subject. The issues and views indicated below are the views of the majority members of COAI and relate to the issue of the financial impact on majority incumbent operators. They may not represent the views of the minority members of COAI, whose views have not been solicited on this issue.

You would recall our drawing your kind attention to activities being conducted for some months by Reliance Jio as being commercial services in contravention to extant regulations and laws, and not beta tests as claimed. We had highlighted the pseudo traffic and abnormal asymmetric traffic patterns being caused **through ostensibly unlimited free usage of Voice and Data, and the scale of data traffic already rivalling the total data traffic of all other operators put together..** On a separate note, you will also recall that the IUC rate set in 2015 by the TRAI, of 14 p (MTC) per Voice Min, is under challenge and is sub judice in the Hon'ble High Courts of Gujarat, Delhi and certain other courts.

The headline announcements by Reliance Jio of 01.09.2016 and of 02.09.2016 comprehensively validate our assessments, and create a grave situation warranting urgent redressal. Reliance Jio made three salient points. First, that they will provide free unlimited Voice services, local and roaming, for ever. Second, that they will achieve 100 million subscribers very soon. And third, they will commence services on 05.09.2016, whatever that may mean.

Let us absorb the import of these announcements. For Voice, Reliance Jio will not only fully subsidize all their own direct and indirect costs, they will also additionally pay from their pocket the 14 p per min MTC to terminating operators, so that unlimited Voice services will be free to their consumers, for ever. Further, the count of such users will rise about 40 times from present levels, to reach 100 mn in a very short time, and will surely rise further thereafter. As unlimited calls will be completely free, some of these connections will inescapably become industrial users. Be that as it may, going by traffic patterns already visible, it can safely be projected that, in a very short time, the total Voice Minutes generated by Reliance Jio alone, will about equal the total Voice Minutes being generated by all other Indian operators, taken together.

Let us next turn to the question of who will shoulder and terminate this humungous volume of Voice Minutes. In India as in the world the Incoming:Outgoing Traffic Ratio is normatively about 1:1. As pointed out in our earlier letter this ratio for the so called Reliance Jio beta tests has tended

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towards an asymmetric and abnormal 10:1. Once Reliance Jio march beyond their 100 mn subscribers, and as such subscribers become more accustomed to the unlimited free service, this ratio will undoubtedly head towards 15:1. Therefore, in a very short time, other operators will have to handle Voice traffic which is double their total present traffic. Of course, this is fanciful, because networks would have collapsed earlier.

Let us finally turn to some back-of-the-envelope calculations. Indian operators typically realize 30 p to 40 p per voice minute. At these realizations, only a handful of operators turn in modest profits, many run losses. Now, once the Incoming Traffic from the 100 mn customers of Reliance Jio is unloaded at an MTC of 14 p per min, and such traffic being about equal to the existing traffic, the weighted average voice realization will plunge from 30p-40 p to 22-25 p per minute or lower. Again, this is fanciful, because companies would have gone into liquidation long before this number is reached.

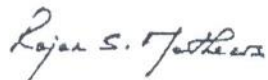
Reliance Jio may well make up some part of this massive voice cross-subsidy by way of their data revenue realizations, by way of acquisition/churn of customers etc. So what is the catch ! It becomes abundantly clear that the overwhelming burden of this free lunch is sought to be passed on to rival operators, through tariff manipulations which exploit and game the IUC regime, and offload tsunamis of asymmetric Voice traffic at IUC terms which will choke and financially destroy competition. IUC regimes anywhere in the world are meant to facilitate fair competition, and are not designed for such abuses.

Our member operators welcome the entry of Reliance Jio in the market, but will stoutly guard their right to fair competition. They wish to politely clarify that they are in no position, by way of network resources, or financial resources, to terminate volumes of traffic which are markedly asymmetric. Neither are they obliged to entertain interconnect requests which are derived from abnormal induced traffic patterns that game the IUC regime and are anti-competitive. They humbly request the authorities to intervene as they deem fit to restore fair competition.

The views of Reliance Jio, Aircel and Telenor, who are also members of COAI but may hold a minority opinion, are not reflected in this letter and they may represent separately in the matter.

With Regards,

Yours faithfully,



Rajan S. Mathews

Director General

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