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Telecom Regulatory Authority of India

Information note to the Press (Press Release No. 25/2009)

TRAI REDUCES DOMESTIC TERMINATION BY 33% UNDER NEW INTERCONNECTION USAGE CHARGES (IUC) REGIME

New Delhi, 9th of March, 2009. The Telecom Regulatory Authority of India today issued the “Telecommunications Interconnection Usage Charges (Tenth Amendment) Regulations” with the following key features:

- Termination charge for all types of domestic calls viz fixed to fixed, fixed to mobile, mobile to fixed and mobile to mobile has been reduced to 20 paise per minute from 30 paise per minute.
- Termination charge for incoming international calls would be 40 paise per minute against the existing charge of 30 paise per minute. The Authority expects that the service providers would pass on this benefit in the form of lower tariff for outgoing international calls.
- Ceiling on carriage of domestic long distance calls retained at 65 paise per minute. Non-reduction of this ceiling would encourage national long distance operators to expand into rural areas.
- Origination charge has not been specified as it would be residual from tariff after payment of other charges. This would provide service providers flexibility of introducing innovative tariff plans
- Transit/Carriage charge from Level-II Trunk Automatic Exchange to Short Distance Charging Area(SDCA) to be 15 paise per minute as against existing charge of 20 paise per minute

- Intra SDCA transit charge to be less than 15 paise per minute down from less than 20 paise per minute
- Termination charge for 3G voice calls shall be same as 2G voice calls
- The new charges to be effective from 1st April 2009

In general this framework should promote growth of the network.

The prevailing IUC regulation was notified on 29th October 2003 and came into effect from 1st February 2004. This was well accepted by the industry and has been instrumental in growth of the industry and reduction in tariff. A review was conducted through a consultation paper of 17th March 2005 and a revised IUC regime on 23rd February 2006, which has been implemented from 1st March 2006.

Interconnection is the lifeline of telecommunications and therefore it is extremely important for both the service providers and the consumers. Telecommunications users cannot communicate with each other or connect with services they require unless necessary interconnection arrangements are in place. They need end-to-end seamless service within the country and beyond and the regulators and service providers have the joint responsibility to make this happen. A variety of access networks - fixed and mobile, national long distance network and international long distance networks have to interconnect with each other to make local, national and international calls possible. This plurality makes the types and numbers of interconnections large and needless to mention easy to slide into disorder if not managed effectively. Consequently, it becomes very important to have an effective interconnection usage charges (IUC) regime in place to facilitate interconnection arrangements among various co-operating and competing service providers and provide greater certainty to the settlements among them. Such an IUC regime would also ensure that all service providers are able to gain access, on reasonable terms and conditions, to the interconnection facilities and services necessary to provide efficient service to their own customers.

Establishment of IUC is an activity of far reaching consequences for the telecommunications sector. It enables competition, welfare of customers and sustained growth of telecom and development of the country. Absence of such a regime may lead to protracted and costly negotiations at the cost of efficient services to the customers. The regulator in this regard has to tread a fine balance as the the establishment of IUC needs to take into account conflicting views of the stakeholders and also reconcile a number of often conflicting objectives. The bottom line is that the benefits of liberalization should be distributed as quickly as possible to the largest section of the society with consumers able to access the full range of services in the market and not just that offered by the access providers to whose network they are connected.

The Authority is well aware that IUC review is a complex exercise in which close interaction with the stakeholders is necessary for satisfactory completion. The Authority therefore had an extended consultation process with the service providers, telecommunications service providers' associations and other stakeholders. The preconsultation process initiated on 12.9.2008 in which the service providers were requested to comment on the basic principles for review, components to be reviewed, method of calculation and level of each charge, approach/model/methodology to be adopted, network architecture and data on costs, traffic and revenues used by them for such an analysis. The general response was in favour of reviewing all the components of the IUC regime. The comments received during pre-consultations were taken into account while preparing the consultation paper that followed the pre-consultation process and also while evaluating the options.

A detailed consultation paper was issued on 31.12.2008. The main issues for consultation were: Components of IUC should be reviewed, methodology for calculation of mobile termination charge, should fixed and mobile termination cost calculations use the same methodology, should mobile termination charge be same for all existing and new service providers and for fixed and mobile services, how should the termination charge on international incoming calls be fixed, what would

be the effect of service providers' suggestions on tariff, how would new networks and services like 3G, WiMax and NGN affect the IUC. The stakeholders were given time until 30.1.2009 to respond. 23 stakeholders including 13 service providers, 3 associations and 7 consumer groups and members of the public sent written comments that were uploaded on the TRAI website. The Open House discussions on this consultation were held at Delhi on 12.2.2009.

Opportunity was also given to the CEOs and senior functionaries of existing and new operators to present their views on any issue that they consider important. Taking into consideration the importance of the subject to the telecommunications sector, the interest that the consultation paper had generated and various communications sent by the stake-holders in the intervening period, the Authority decided to have a second round of Open House Discussions at Hyderabad on 26.2.2009.

The endeavour of the Authority has been to evolve a framework that would ensure effective interconnections and enable competition, ensure that positive effects of liberalization would percolate to the largest sections of the society and provide sustained growth of telecommunications.

Full text of the "The Telecommunications Interconnection Usage Charges(Tenth Amendment) Regulations, 2009" are available on TRAI's website: www.trai.gov.in

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Authorised for Issue

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