



Comments on TRAI Consultation Paper

on

**Estimation of Access Facilitation Charges and Co-location Charges at
Cable Landing Stations**

RCOM Comments : Consultation Paper on “Estimation of Access Facilitation Charges and Co-location Charges at Cable Landing Stations”

Background:

1. Reliance Communications Ltd welcomes opportunity extended to comment on the above captioned consultation paper.
2. The current Access Facilitation Charges(AFC) are irrational and totally out sync with actual cost. The international bandwidth remains high as charges paid for accessing bandwidth at cable landing station is very high. The bandwidth cost is high to an extent that compared to hosting content even domestic content within India, users find it more cost effective to host content in other major hubs like USA/EU.
3. *It may kindly be noted that for the recently concluded tender process by a PSU (BSNL, Jan 2012) for Internet services, following is the comparison between the CLS AFC and the total price of the Internet service provided in India, by the service providers at ‘L1 prices’. The cost of the Internet service included global Internet peering and upstreams ports, international capacity, AFC, cross-connects and other overheads.*
 - *For the Port+Pipe configuration requested (i.e. Internet Port in USA/Europe, along with extension to India with International Submarine capacity, and Indian CLS AFC included) was quoted at Rs. 1.25 Crs per year for STM16 capacity. The CLS AFC at Mumbai on SMW4 cable itself is Rs. 70,66,496, which corresponds to 56% of total price. (all prices exclude taxes)*
 - *For Internet port at various locations in India, the L1’s quote was Rs. 1.39 Crores per annum (which includes global Internet ports, peering, upstreams, international capacity, AFC, domestic NLD backbone and access network, cross-connects and other overheads). The CLS AFC at Mumbai is therefore close to 51% of the total L1’s price.*
 - *Kindly note that in all the above cases, there service providers are required to furnish bank guarantees, provide SLAs, account for rebates, and bear third party costs, including payments to most suppliers in advance (e.g. for CLS AFC and capacity, the payment is required to be made in advance).*

4. The above example clearly indicate that Owners of CLS (OCLS) are taking advantage of their CLS facilities by charging astronomically high fees for interconnections between the submarine and terrestrial operators at the CLS facility. In addition to the AFC, OCLS also charge collocation and O&M charges thus making total Access Charges to be very high.
5. OCLS-ILD-ISP integrated operators have significant market power and providing services in both upstream and downstream markets. Above example clearly established that they are charging very high fees for accessing CLS but the prices for downstream services like internet and bandwidth are such that it is not possible for standalone ILD operator to effectively compete these integrated operators. It is therefore necessary to check vertical price squeeze and revise AFC to such levels, which create effective level playing field and competition among the standalone and integrated ILD operators.
6. **The Authority is requested to urgently notify new AFC as any further delay would give huge competitive advantage to the owners of Cable Landing Station at the cost of other ILDOs accessing bandwidth through those CLS. The Access Facilitation charges should be in line with the International charges and not more than 2-3% of the prevailing charges.**
7. **TRAI is also requested to carry out regular review of Access Facilitation Charges on regular basis preferably every year so that these charges remain aligned to the cost .**
8. **RCOM's specific comments on issues raised in the consultation paper are given below:**

Issues for Consultation:

1. Cost data and costing methodology used for estimating the access facilitation charges and co-location charges in this consultation paper. In case of a different proposal, kindly support your submission with all relevant information including cost and preferred costing methodology.
1. We agree with the TRAI on costing methodology but **we do not agree with the network elements considered in Table 1, Table 2(a) and 2(c) related to AFC. Inclusion of Digital Cross Connections(DXC) at the CLS and alternate for estimating AFC is not correct for the following reasons:**

- a. DXC is 'the active element' to manage the interfaces and circuits. No active element is required to be considered for estimating AFC as these elements are reimbursed in case of consortium cables as consortiums itself provide interfaces of various capacities at cable landing station.
 - b. In most cases, especially for 10G circuits and above, the subsea equipment like Submarine Line Terminating Equipment(SLTE) can be directly connected to the terrestrial access POP equipment at the CLS via simple optical fiber cross-connects. Thus Capacities 10G and above can be accessed directly and therefore DXC is absolutely redundant especially in alternate location.
- 2. In view of the above we propose that cost, CAPEX and OPEX incurred towards DXC should not be taken into account while deciding AFC.**
- 3. On the power requirement of the transmission equipment i.e. DWDM, DXC equipped with different capacities, supplied by different equipment manufacturers.**

Power requirement for various active elements at CLS are given below:

Equipment	Power requirement
DWDM	100A, 50V i.e 5KW or 6 KVA
DXC	70 A, 50 V DC i.e 3.5 KW or 4 KVA

It may kindly be noted that DWDM/DXC are active elements at CLS which are reimbursed by consortiums. Further there is no justification of DXC especially at alternate location and thus power configurations are not relevant for estimating Access Facilitation Charges.

- 4. Percentage used for OPEX and capacity utilisation factor with supporting data on each OPEX item specially on space and power consumption of various equipments.**

OPEX as percentage of Capital Cost

1. TRAI has taken 30% of Capital Cost as OPEX which is too high. As a result of flawed OPEX estimation assumption, TRAI estimate of CAPEX and OPEX are almost same.
2. We note that TRAI had carried out detailed analysis of OPEX as percentage of CAPEX in its IUC exercise in 2003 and it noted in para 35 and Table 5 of the IUC

Regulation dated 29.10.2003 that OPEX is only 60% of CAPEX and not equal to CAPEX.

3. Further, active elements which mainly cause OPEX are not even relevant for estimating as same is reimbursed by consortiums. Thus high OPEX is not justified.
4. In view of the above, if CAPEX is being taken as 25% of capital cost, OPEX should not be more than 15% of the capital cost.

Capacity Utilisation

5. The capacity utilization factor of 70% is fair assumption for costing of Access Facilitation charges and we support the same. Any benchmark on capacity utilisation lower than 70% would mean over compensation to owners of OCLS.
5. **Whether ceiling of uniform Access Facilitation Charges may be prescribed for all Cable Landing Stations in two categories i.e. AFC at CLS and AFC at alternate Co-location, or these charges should be dependent on submarine cable system or location of cable landing stations?**
 1. There should be uniform ceiling for AFC for all CLS as work done for access facilitation at cable landing station is similar for all cable landing stations. Minor changes in cost can be negotiated and decided within ceiling rates by respective OCLS. Uniform ceiling AFC across all networks is also consistent with TRAI costing and pricing methodology for IUC, DLC, IPLC, Port Charges etc.
 2. In view of the above we suggest that it is not required to estimate the cost based charges separately for each cable landing stations.
6. **Whether prescribing the access facilitation charges on IRU basis is required?**

Yes, AFC on IRU basis is required. This allows access seekers to match the contracts looking for IRU Contract term.
7. **Whether uniform co-location charges may be prescribed or such charges should be location dependent?**

It may be noted that total space required for 6 racks is only 180 sq ft. As collocation requirement is too low, there is no justification to specify separate co-location charges.

8. Whether the restoration and cancellation charges should be either a fixed charge or based on a percentage of the AFC. In case of fixed charge, should the present charges be continued or need revision?

We recommend fixed minimum term of 1 year and the contract should run on month to month basis after completion of minimum term. The cancellation charges should be for the remainder of the term of contract.

9. Any other comment related to Access Facilitation Charges, Co-location charges and other related charges like cancellation charges, restoration charges along with all necessary details.

1. We recommend payment term should be monthly in advance.
2. There should be regular review of Access Facilitation Charges every year. It should be brought out clearly in the regulation that review will take place every year.