

Annexure A

Idea submissions on “Consultation Paper on Interconnection Usage Charges” dated the 19th Nov, 2014

Summary of Idea submissions

Idea Cellular appreciates the Authority’s gesture to come out with this detailed Consultation on this important subject. The Authority has correctly highlighted and acknowledged the following:

- i) At Para 1.1 of the consultation – providing interconnection entails costs for which service providers need to be fairly compensated and that an efficient interconnection and charging regime is central to efficient and seamless connectivity between various networks.
- ii) At Para 2.4 - acknowledged that poor penetration of telecom services in rural India.
- iii) At Para 2.4 – There is consensus amongst economists and regulators that interconnection prices based on cost are most likely to lead to desirable outcomes such as protecting operators investments and keeping retail tariffs affordable
- iv) At Para 3.10- An additional feature that needs to be considered in the present IUC exercise is the shift from administrative allocation of spectrum to a market determination of spectrum prices through auctions.
- v) Lastly at para 3.10- the auction regime introduced in India since 2010 has imposed large upfront costs on access service providers for obtaining access spectrum and that inter alia, the amortized cost of the spectrum would need to be treated in a similar manner as CAPEX.

While Idea is submitting its detailed comments, the overview of our submissions on the issue of IUC is as follows :

A. Approach to IUC should be cost based.

Any interconnection regime has to be cost based. All relevant costs including Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) need to be included. The relevant costs include the operational costs being incurred by the mobile industry today (mentioned in detail in response to Question no. 7 of the consultation at para (c) of Annexure A of our response), the capital expenditure, the borrowing costs, the spectrum costs based on prices as determined in the recent auctions /or will be determined in the upcoming auctions), related depreciation and amortisation charges, the expected return on capital employed, etc.

B. Future Spectrum Costs need to be considered:

Under para 3.10 of the present Consultation, the Authority itself has noted, “An additional feature that needs to be considered in the present IUC exercise is the shift from administrative allocation of spectrum to a market determination of spectrum prices through auctions. The auction regime introduced in India since 2010 has imposed large upfront costs on access service providers for obtaining access spectrum. While spectrum is a intangible asset, the auction prices paid by service providers yield benefits over the tenure of license, and the amortized cost of the spectrum may need to be treated in a similar manner as CAPEX”.

Going forward, over 40 licenses are coming up for renewal over the next 3- 4 years and thus a huge financial capex in the form of spectrum cost will need to be incurred by various incumbents. The impact of such spectrum to be procured from auctions would have to be necessarily considered while undertaking any cost exercise.

C. Impact on rural coverage

As rural penetration is still low (below 50% as per TRAI release) and mostly existing GSM operators with large volume of terminating traffic are expanding into these rural areas, any negative change or reduction in the MTC will hasten to an end the journey of rural mobile telephony coverage expansion. This will be contrary to the stated objective of the Government that aims at bridging the digital divide. If MTC is reduced by the Government, a portion of network coverage assets will have to be relocated for reasons of non-viability and might also result in the need for some un-depreciated assets to be written off.

The Authority will agree that the most important element that allows an operator to invest and rollout for rural and low income users with their typical high incoming to outgoing call ratios, is the level of termination charge that it collects from the calls coming in to such users **Any downward revision in MTC**, thus *carries a grave risk of reduction in geographic coverage in rural belts and impacts the connectivity to hundreds of millions of subscribers, and other consumers trying to reach them. Also, the business case for a relatively new operator with low volumes of terminating traffic and reduced MTC will not allow for expansion to rural markets to address these coverage gaps.*

D. Impact on competition

The TRAI has itself acknowledged in the past that if the interconnection price is set “too low” then inefficient competitors may enter the market. Any reduction in current MTC will in all likelihood facilitate entry of inefficient competition that may look for opportunities to profit by purchasing services at low regulated prices and simply re-selling them, instead of developing innovative new product offerings. Naturally, such a development would not be in the long term interest of the telecom sector which is already in need to become more efficient.

If MTC is reduced, there would be large geographical pockets in India that will suffer a blackout of mobile services, the coverage will shrink and a large portion of existing rural customers will go out of service or quality of service will suffer as Incumbent operators will not have any incentive to invest in their network or maintain its quality.

The operators in support of a lower MTC will practically need 5 -7 years to build equivalent coverage to serve the same rural customers, **that too, only if the investors of these companies were to take a view as of the present incumbents to invest aggressively in those non-viable and deep interior rural areas and serve the lowest income strata of the country in spite of the reduced MTC.**

E. Financial stress in the Industry

As per published data of TRAI, it is observed that the wireless industry is making losses for last few years and industry’s Return on Capital Employed (RoCE) is abysmally low. Such financially stressed status acts as a disincentive for any future investments in the sector. In fact, overall, the Mobile industry has witnessed a 200% rise in its net debt in FY2013 over FY 2009 and now stands at whopping Rs 240,000 cr against a consolidated gross block investment of Rs 734,800 cr. No Industry can sustain such stress for long. Moreover the large number of players in the market do not provide any flexibility for tariff revisions/cost recovery.

It is a settled principle that IUC can transfer network costs between operators and thus affect their relative scale and prosperity. Any revision in MTC in the current context would tantamount to extending subsidy to competing and originating operators at the cost of terminating operator. Further, it should be taken into cognizance that the existing operators virtually have no freedom to increase tariffs due to the prevailing competition in the retail market and/or market condition. Hence, unrecovered termination cost cannot be recovered from anywhere.

F. Promote efficient network roll out

TRAI has earlier recognized that *'good interconnection arrangements promote efficient infrastructure developments providing incentives to operators to build network and use other networks'*. While most of the investments in telecom infrastructure, are by only few operators, given the fact that the telecom investment has a direct correlation to the GDP growth of the country, any shrinkage of these large investments as a result of reduced MTC will be a colossal national waste, and will shake investor confidence, making it difficult to attract investments for future country needs.

We earnestly believe that the Authority will give due-consideration to our comments before formalizing the Recommendations.

The detailed response to queries begins on page 4 of this document.

Issues for Consultation

Q1. Which of the following approaches would be the most appropriate for Mobile Termination Charge and Fixed Termination Charge:

(i) Cost oriented or cost based;

(ii) Bill and Keep

Please provide justification in support of your response. Please provide justification in support of your answer. In case you feel that the approach should vary according to service, please explain why?

Idea Response :

- a) We have consistently maintained that any IUC review and approach has to be necessarily “cost-based”. We believe that the proper format would be to include all the relevant costs i.e the operational costs being incurred by the mobile industry today, the capital expenditure, the borrowing costs, the spectrum costs as determined in the recent auctions or that will be determined in the upcoming auctions related depreciation and amortisation charges, the expected return on capital employed etc. In effect, the cost oriented / cost based approach should be the normal practice followed by economic regulators in a mature and stable competitive environment.
- b) It is pertinent here to point out that the **TRAI also followed cost-based methodology for calculating and mandating the SMS termination charge of Re. 0.02 (Paise 2 only) per SMS vide its “The Short Message Services Termination Charges Regulations, 2013 (No. 7 of 2013)” dated 24th May 2013. The fact that the above-mentioned SMS termination charge has been well accepted by the Industry and seems to be working well for the last over a year reflects that the cost based Termination Charge is a superior option and can work well for Voice termination also.**
- c) We believe that as mobile operators penetrate further into the rural areas within our country, there would be added element of operational costs and capex costs involved for rollouts in sparse and rough terrains. This will require to be factored in the overall cost while undertaking this exercise.
- d) As mentioned by the Authority in this consultation paper, the “Bill and Keep” (BAK) methodology is generally adopted by regulators only in the infancy stage of the industry life cycle where historical costs are not otherwise available as a convenient initial alternate to the more rigorous cost-based methodologies of IUC settlement. BAK results in the fundamentally flawed incentive to “dump” traffic and costs on competitors, thereby creating the need for highly prescriptive technical network regulation to manage the inevitable congestion and resultant QoS issues.
- e) The Indian mobility market is today already a mature market with more than a dozen operators of various sizes ranging from big to medium to small. The industry’s operating and capital costs already with the authority. We also note that the Authority had itself rightly rejected the “Bill and Keep” methodology in its previous IUC reviews and hence this review will also need to continue with the cost based approach.

Q2. In case cost-oriented or cost-based approach is used for determining Mobile Termination Charge and Fixed Termination Charge, is there a need to give a glide path towards Bill and Keep and what will be the appropriate time frame to migrate to Bill and Keep regime?

Idea Response :

To enable efficiencies, equity and competitive balance in the industry, inter-operator settlements for termination charges should remain as determined on cost based approach from time to time. We believe that in a Calling Party Pay (CPP) regime there should be no glide path towards a Bill and Keep approach.

Q3. Which method of depreciation for the network elements should be used and what should be the average life of various network elements?

Idea Response :

- a) The Straight Line Method (SLM) of depreciation calculates the allocation to each year, an equal amount of charge over the assets estimated useful life vis-à-vis the Diminishing Balance method (WDV) under which the period charge is high and skewed initially. As rightly pointed out by the authority in this consultation paper under Para 3.4, for the purpose of setting IUC, it is imperative that a normative measure for costing of relevant network elements be developed, quite distinct from what the statutory regime prescribes for taxation purposes.
- b) **We feel that SLM method should only be used.** The estimated useful lives of the network equipment being used currently ranges between (7) seven to ten (10) years. The estimated useful lives of the IT equipment is even lesser. It varies between 3 (three) to 5 (five) years, while the estimated useful life of passive infrastructure equipment including optical fibres is higher at between 10 (ten) to 15(fifteen) years. We believe that the overall weighted average useful life of all such different categories of equipment taken together should be in the range of 8(eight) to 9(nine) years.
- c) However, we would like to draw the attention of the Authority to the fact that considering the fast changing pace of technological obsolescence the average useful life tenure could change going forward and it is thus critical that the TRAI maintain a vigil on the effect of such technological changes on the IUC on a regular basis.

Q4. Should TRAI continue with a pre-tax WACC of 15% as used in framing other regulations, tariff orders, and regulatory exercises? If not, please state what pre-tax WACC would be appropriate for the present exercise, along with justification and computations.

Idea Response :

We believe that the use of the pre-tax WACC rate of 15% can be continued for this present exercise too. However, considering that Indian TELCOS shoulder the burden of one of the highest tax levies across the World, and the fact that interest rates have continued to remain hardened since last many years, a pre-tax WACC of 19% - 20% is more suitable. Hence we would recommend that the Authority keep the Indian context in consideration and consider a pre-tax WACC of 19% - 20%.

Q5. In case a cost-oriented or cost-based approach is used for prescribing Mobile Termination Charge and Fixed Termination Charge, which method would be the most appropriate for estimating these costs?

&

Q6. In case your response to the Q5 is fully allocated cost (FAC) method, would it be appropriate to calculate IUC using historical cost data submitted by the service providers in Accounting Separation Reports (ASRs), Annual Reports/published documents or other reports submitted to TRAI?

Idea Response :

As already mentioned, the cost oriented / cost based approach which includes and covers all costs i.e the fully allocated cost method (FAC) is the appropriate approach. Such FAC cost data would obviously need to be based on industry costs of just concluded annual periods. **Where there exists strong reason to believe that costs would be very different going forward vis-à-vis the available historical costs (such as the case of auction determined spectrum prices vis-à-vis the bundled start up spectrum available as per previous basis), the determined foreseeable impact of such higher costs should be an addition to the respective historical costs.** We believe that the authority has reasonable historical operating data from the industry to calculate the IUC after considering the significant upward impacts related to the spectrum prices and upward impacts in capital expenditure due to rural roll out dimensioning / technology / obsolescence etc. It would obviously be appropriate for the authority to use the relevant historical data available from public / submitted documents to the extent applicable for this exercise.

Q7: In the FAC method, what items/nature of OPEX should be considered as relevant for the termination cost? Please provide justification in support of your opinion.

Idea Response :

- a) Every originating call has a termination leg whether ending on one's own network or on the network of another operator. **The operating costs therefore are incurred for the overall used capacity of traffic volumes including the originating or terminating legs.** It is therefore important that the terminating cost on a per unit basis be calculated in a manner which will reflect recovery of incurred total costs.
- b) Termination is not a bi-product of originating traffic so as to take a view that only direct or incremental costs must be considered while arriving at the termination cost. Infact, from a pure technical view, the work required to be done by the network elements in terminating a call is more than what is required for an Originating Call implying therefore that the termination cost can be higher than the originating cost. We therefore believe that the relevant methodology for arriving at the reasonable termination cost must be just so as to be able to compensate the terminating operator for the various OPEX costs incurred in order to do business while also facilitating the call termination on its network.
- c) We believe that the Network operating and maintenance Costs, the employee and administration costs, expenditure incurred to acquire and service subscribers, expenditure to market the products/ services, the License levies (LF & SUC) , respective pass through elements, depreciation and amortisation on both tangible and intangible assets(including spectrum costs on auction basis, borrowing costs including charges under the deferred payment mode for spectrum, finance charges including reasonable assumptions for foreign exchange fluctuation losses, bad debts, operational costs on IT infrastructure including costs for disaster management, insurance costs etc should form part of the operational expenses that is required to be considered.
- d) We would like to also submit that the Authority keep sales and marketing costs within the purview for calculation of IUC. We say so because sales and marketing costs are today a substantial portion of an operator's operating expenditure in view of the hyper-competitive environment prevailing in Indian market. Further, with operations going more and more rural / Bottom of the Pyramid, the need to communicate and promote mobile telephony has increased in view of the limited understanding of the rural subscriber who by and large is an incoming call oriented customer. It is also a fact that distribution

costs which form a substantive part of the overall sales costs rise substantially in rural terrains because of the large distances involved. We would therefore urge the Authority that it includes sales and marketing costs also while calculating IUC.

Q8: Should CAPEX be included in calculating termination cost? If yes, what items of fixed assets from the ASRs ought to be considered relevant for termination cost? How should costs incurred by service Providers for acquiring usage rights for spectrum be treated?

Idea Response :

- a) The Authority in para 3.2 this consultation paper notes that *“Depreciation is an important cost element.....Depreciation is a non-cash item of cost and represents the recovery of a part of the Capital Expenditure (CAPEX) incurred”*. Further, under para 3.10, the Authority has noted, *“An additional feature that needs to be considered in the present IUC exercise is the shift from administrative allocation of spectrum to a market determination of spectrum prices through auctions. The auction regime introduced in India since 2010 has imposed large upfront costs on access service providers for obtaining access spectrum. While spectrum is a intangible asset, the auction prices paid by service providers yield benefits over the tenure of license, and the amortized cost of the spectrum may need to be treated in a similar manner as CAPEX”*.
- b) We agree and affirm that expenditure on tangible fixed assets and expenditure on intangibles such as Spectrum, telecom licenses, Software licenses and Indefeasible Right of Use (IRU) values etc. which constitutes Capex for a telecom service provider is a vital component in arriving the real economic cost of providing interconnection. Hence, including them while determining the IUC charge is extremely critical to arrive at a realistic figure for IUC. The Authority will agree that the most important element that allows an operator to invest and rollout for rural and low income users with their typical high incoming to outgoing call ratios, is the level of termination charge that it collects from the calls coming in to such users. Hence, the importance of including CAPEX while calculating MTC cannot be overemphasized.
- c) We recommend that the following **tangible network CAPEX cost** components be necessarily included in the IUC charge assessment along with any other elements that the Authority may deem necessary:
- Core Network - HLR, GMSC, MSC/VLR, STP, BSC, IN (SDP and SCP), SMSC, Transponders, Signalling Gateways etc.
 - Radio Network –BTS, RNC, TRX, Node B, Microwave Hops, Antennas etc.
 - Backhaul – OFC for inter-node connectivity (Transmission)
 - Network Infrastructure, power supply and support equipment costs
 - Relevant IT and billing Capex
 - AuC, EIR, NMS.
 - Office Equipment
- d) We recommend that the following **intangible CAPEX cost components** be necessarily included in the IUC charge assessment along with any other elements that the Authority may deem necessary:
- Telecom Licenses
 - Current Auction / Market / Authority determined Spectrum Costs
 - Software Licenses
 - IRU for dark fibre etc.

Q9:-Would it be appropriate to take an average life of 10 years for all network elements without any salvage value for the purpose of depreciation in the FAC method? If not, please suggest an alternative method keeping in view the categorization of network elements prescribed in Accounting Separation Regulations, 2012, along with justification.

Idea Response :

We view it appropriate for the authority to take an average life of 8(eight) to 9(nine) years for all network elements since we believe that within the next two years, telecom industry will need to review the current 10 year useful life estimates that it follows and go below this threshold. Moreover, given the technological obsolescence that telecom networks face, the end of life equipment is always viewed as scrap, hence for the purposes of depreciation in the FAC method, there should be no salvage value.

Q10: Is there any need to adjust costs associated (as reported in ASRs) with products other than voice calls, for the purpose of computing termination cost using the FAC method? If yes, please suggest the appropriate cost driver along with justification.

Idea Response :

India is a predominant voice call driven market and we believe that it would remain this way for several more years. It is currently therefore too pre-mature to view the need to adjust costs associated with products other than voice calls for the purposes of computing termination cost using the FAC method.

Q11: Do you agree with the methodologies explained for various variants of LRIC, including the detailed description of computation of the termination cost using LRIC model in the Annexure? If not, please give your answer with justification.

Idea Response :

- a) As mentioned in the Consultation Document, for the LRIC model the following assumptions are used;
*“(i) The model is built for a hypothetical efficient operator.
(ii) The hypothetical efficient operator incurs costs that would occur in a competitive market.
(iii) The method of costing is long-run costing i.e. the size of the network deployed is reasonably matched to the level of network demand; any over- or under- provisioning would be leveled out in the long run.
(iv) The model identifies incremental cost, which would be incurred to support the service demand of the wholesale services i.e. off-net incoming calls.”*
- b) Also as mentioned in the CP, unlike the FAC method, in which historical cost information is generally used, the LRIC method uses present costs.
- c) We feel that the LRIC model thus is theoretical. It is thus quite evident that the estimation of an hypothetical efficient operator whose network dimensioning is modelled on a thumb rule combination of coverage and capacity for an ideal cell radii and BTS requirements in an LSA ignores the realistic problems of passive infrastructure availability, last mile connectivity, local regulation issues, overhyped EMF radiation issues, lack of stable power supply in major rural areas across India and regulatory litigations which currently impact telecom operators for their Capex and operating costs in a very significant way. Given that telecom service providers do not operate in ideal conditions and do not have the required spectrum that operators in developed countries have access to for servicing the sizable subscriber base applicable to India, any computation of termination cost by using LRIC model will to that extent be a distortion and will not reflect the right interconnection costs.

Q12: In case it is decided to go for an LRIC model for determining termination cost, which is the most suitable variant of LRIC for the telecom service sector in the country in the present circumstances and why?

(i) LRIC

(ii) LRIC+

(iii) Pure LRIC

Idea Response :

Due to the reasons mentioned above, we believe that the Authority should look at only the Fully Allocated Cost (FAC) method and that model for determining termination costs should not be adopted by the Authority.

Q13: In case your response to the Q12 is LRIC+, what are the common costs that should be considered for computation of termination costs?

Idea Response :

In line with our response to the above query, we are unable to offer comments to this question.

Q14: In case there is a significant difference in the mobile termination cost and fixed termination cost, will it be appropriate to prescribe different mobile termination charge and fixed termination charge?

Idea Response :

Under the FAC model, if there are significant differences in the mobile termination cost and fixed termination cost, we view it appropriate for the authority to prescribe different charges for mobile termination and fixed termination charge based on cost. It is however pertinent to add that applicable termination charges will impact subscriber tariffs and hence if at all fixed termination charges are prescribed much higher, the acceptability of the subscriber to make calls to fixed line operators may skew it further.

Q.15 The Authority has already prescribed access charges to facilitate the introduction of calling cards. Is there any other issue which needs to be addressed so that the consumer gets the most competitive tariff for ISD calls?

Idea Response :

Idea's view on the issue of ILD calling cards has already been shared with the Authority earlier.

Q16: Do you feel that the Authority's intervention is necessary in the matter of International Settlement Rates? If so, what should be the basis to determine International Settlement Rates?

Idea Response :

International settlement rates (i.e. rates given by foreign ILDO's to Indian ILDO's) are completely market determined (not administratively controlled) and in a large way are almost dependent on the termination rates of that particular foreign countries.

Q17: Is there a need to fix a floor for international carriage charge for incoming international traffic or prescribe some revenue share between access service provider and the ILDO to safeguard the interest of ILDOs?

Idea Response :

We believe a floor is required for carriage of International Incoming. Currently the international carriage charges are determined by the market forces. But in India due to hyper competitive market the rates keep fluctuating a lot on monthly basis and are sometimes not feasible. If TRAI can fix the floor rate for international carriage charges in addition to the termination charges for ILD incoming minutes then both access service providers and ILDO can co-exist profitably. It is recommended to have a fixed charge for international carriage as opposed to Revenue share which will be difficult to implement.

Q18:- What is the most appropriate level for International Termination Charge? Should it be uniform or should it depend on the originating country/region? Please provide full justification for your answer.

Idea Response :

- a) *ILD worldwide is a very competitive business and lot of small companies are aggregators/sell calling cards to collect traffic. In case of India bound traffic, majority of India incoming traffic is originated by small companies (dialers), it is impossible to track the originating country/region for the call as the A number is arbitrary. Thus it is not recommended to fix the India termination charges based on originating country/region as it will be difficult to implement. Also we are not aware of any country which has followed this system.*
- b) India has one of the lowest termination rates for IDD. The termination rates in the smaller neighbouring countries as illustrated below

Country	Rates in cents/min
India	0.75
Pakistan	8.8
Bangladesh	1.5
Srilanka	9.6
Nepal	8.75
Maldives	65

- c) This creates a huge imbalance and opportunity loss for the country to earn more forex. Today for one outbound minute, India gets about 15- 20 min Inbound minutes. **Considering this, the optimal level for India termination charges should at least be Re 1/min.. However considering the risk of rise in grey traffic under a regime of high termination rates, the Authority may need to prescribe strict monitoring of grey traffic.**

Q 19:- What should be the methodology for determining the domestic carriage charge? Is there a need to specify separate carriage charges for some specific geographic regions? If yes, on what basis should such geographic regions be identified? How should the carriage charges be determined separately for such geographic regions?

Idea Response :

We feel that there is sufficient competition in the carriage market, with over double digit number of large NLD operators and therefore there is no need for review of the current ceiling of 65p/min.. Further, we do not recommend a move to segregate carriage charges on the basis of geography as it is likely to introduce avoidable complexities in the prevailing carriage regime. Competitive forces are directing the operators to make more Greenfield investments which will allow for continuous growth of vital transmission infrastructure for future requirements of increasingly digital economy.

Thus the current ceiling of 65p is not only fair in prevailing robust competitive environment but will continue to help augment existing telecom infrastructure for increasing national tele-density and bring it at par with developed world for better efficiencies in future.

Q20: Is there a need to regulate the TAX transit charges or should this be left to mutual negotiations? In the event, the transit charge is to be regulated, please provide complete data and methodology to calculate TAX transit charges.

Idea Response :

- a) There may be case wherein a new entrant may not be in a position to establish direct interconnection in one go with all service providers and therefore there may be a need to allow transit connectivity in the interim. It must however be emphasized that such facility **should be time bound and should be cost based** so that the burden of the transit charge does not get transferred in the form of higher tariff to the consumers.
- b) In this regard, it is also pertinent to note that wherever BSNL is not able to provide POI/ direct connectivity to operators at its Cellone MSC, BSNL is asking the operators to transit the calls through L1 TAX. Thus, while on one hand BSNL is not in a position to provide connectivity, on the other hand it is also levying Tax Transit charge.
- c) In light of the above, we would like to submit that:
 - i. Transit charge should not be levied in case of inability of BSNL to provide connectivity at its Cellone MSC.
 - ii. Further, to ensure parity, private operators should also be allowed to provide the transit services inclusive of transit and termination to BSNL's network. This will bring competition between BSNL and other NLD/Access Provider by providing a free choice to the originating operator to either use BSNL L-I TAX or alternatively choose other operator's facility to terminate the call on BSNL Mobile/ Fixed network.

Transit Charge should only be applicable if the transit services are used only due to the reasons solely attributable to the private service provider and they should not be arbitrary but strictly cost based. Otherwise no charges should be applicable.

Q21: How can the cost of providing transit carriage be segregated from the cost data in the ASR? Please provide a method and costing details to separately calculate this charge.

&

Q22: If the costs of all relevant network elements are taken into account in the calculation of the fixed line termination charge, is there any further justification to have a separate transit carriage charge? Please give reasons for your answer.

Idea Response :

As the need for transit carriage charges largely pertains to the earlier era of monopolistic fixed line telecom networks, we believe that removal of transit carriage charges is required.

In that context our submission is as follows:

- 1) BSNL does not provide direct POIs at SDCA and declare Level-2 TAX as the only point of termination for intra-circle calls from mobile to Fixed line of BSNL
- 2) Therefore, intra circle mobile calls made to BSNL Fixed Line subscribers are mandatory required to be handed over by Access Providers /CMSPs at Level-2 TAX which is the declared termination point, from where it is carried by BSNL to SDCA in which the subscriber is located. BSNL has an exclusive monopoly on this carriage, thus making it a de facto termination charge. At present, intra circle mobile calls made to BSNL Fixed Line subscribers are handed over by Access Providers /CMSPs at Level 2 TAX, from where it is carried by BSNL to SDCA in which the subscriber is located. BSNL has an exclusive monopoly on this carriage, thus making it a de facto termination charge
- 3) Although the licenses on the NLD operators have been amended to permit them to carry intra circle long distance calls *with mutual agreement with originating service provider* and access providers are allowed to enter into agreements with NLDOs for carrying intra circle calls, the private cellular operators have not yet been able to take advantage of this facility and are forced to continue to handover their traffic to BSNL at Level-II TAX on account of BSNL's monopoly behavior as explained above.
- 4) Consequently the private operators have to pay a transit charge of 15 paise per minute for the same even though the private NLDOs are willing to carry the same at a fraction of the price.
- 5) The Authority may either ensure increased competition in this segment by :
 - a) Directing BSNL to provide connectivity at all terminating points/ SDCAs, failing which Level 2 will be treated as the handover point for termination.
 - ii) Allow the access providers to use private NLDOs for their intra circle long distance calls for termination at SDCA
- 6) In either of the two scenarios, transit charge is not justified and should be abolished as in the former scenario, only the termination charge should be payable to BSNL whilst in the latter, the competition in the NLD segment will ensure competitive charges.