ARADHANA

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To

The Chairman,

Telecom Regulatory Authority of India,

Government of India,

New Delhi - 110002.

Subject: Interconnection Termination Charges need reassessment

Dear Sir,

The Telecom Regulatory Authority of India (TRAI) issued the first IUC regulation in 2003 where it laid down cost-based interconnection charges modifying the earlier revenue sharing arrangement and prescribed different amount of termination charge for different types of networks. This regulation was revised on 29.10.2003 and a uniform termination charge of Rs 0.30 per minute for all types of calls was prescribed. The IUC regulation was further amended in March 2009 under which the termination charge for all types of domestic voice calls was prescribed as Rs 0.20 per minute and the same arrangement continues till date.

Termination charges are levied on the operator on whose network the call originates and are paid to the operator on whose network the call terminates. Though the charge has been drastically reduced from the highest rate of 50 paisa to 20 paisa, the same still restrict the overall market's growth potential. The domestic market is already plagued by huge inequalities in the calling traffic among the various players and the presence of termination charges exacerbates the situation. These charges contribute heavily towards 'additional revenues' of those firms that host substantial volume of in-bound off-net calls, i.e. the incumbents, and at the same time imposes hefty fines on smaller (or newer) players which are bound to host significant out-bound off-net calls due to their smaller subscriber base. This arrangement within the market may empower the larger players to follow uncompetitive means to maintain their market share. Thus, a market which could easily entail benefits of a freer market may intentionally be restricted to a pseudo-oligopolistic structure.

Moreover, these charges act as a virtual price-floor thereby artificially lifting the final tariffs offered to the end-consumers. In its report submitted to the Honourable Supreme Court in 2011, TRAI also acknowledged the presence of the above-mentioned "asymmetries" and proposed a progressive reduction in termination charges finally converging to zero termination charges at the end of 2 years from November 2011. At the end of this two-year period, the regulator recommended adoption of the Bill & Keep (B&K) regime which obviates termination charges in totality.

Though the asymmetries still exists but removal of termination charges would ensure that the aforementioned unfair practices are taken care of, since B&K regime, coupled with the highly successful Mobile Number Portability (MNP) scheme, would keep the competitive horizon under pressure. Further, adopting the B&K regime should allow operators to have greater retail pricing flexibility which in turn would enable them to offer varied retail packages and tariff structures, ultimately benefitting the consumers. Apart from benefitting consumers, implementing the B&K system falls in line with the present government's broader policy prescription of Lesser Government, Greater Governance. Otherwise, the present system burdens the policy framework with a slew of policy parameters required to support the same.

However, three years have already been passed after submission of the report by TRAI to Supreme Court but no step yet have been taken by the authorities to ensure timely migration towards the B&K system. We, therefore, request the Authority to take necessary action(s) on termination charges so that the untapped benefits can be made available to the consumers at the earliest.

ARADHANA New Delhi

Thanking you.

Warm Regards,

RanuSG