JANMABHUMI
AT/PO- BALIKUDA, DIST- JAGATSIGHPUR, ODISHA

Ref No. JANMABHUMI/226/JSPUR Date 7/12/14

Letter No. __/TRAI/12/2014 **Dated (Date) (Month), 2014**

To

The Chairman,

Telecom Regulatory Authority of India,

Government of India,

New Delhi - 110002.

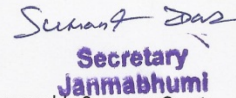
<u>Subject: Interconnection Termination Charges needs overhaul</u>

Dear Sir,

This is in reference to the long-pending issue of reviewing the interconnection termination charges. These charges are levied on the 'source' service provider, i.e. the network in which a call originates (formally known as the Calling Party Pays system). Termination fee was last reviewed in 2009 when the same was reduced to a uniform rate of 20 paisa a minute for all calls originating and terminating within the country. The same regulation continues till date but we would like to highlight the derogatory role played by such charges in the market.

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.

Furthermore, this revenue earned by the incumbents can succinctly be called 'extra earnings' since these operators do not incur any additional costs to bear calls from other networks. In TRAI's own words, these revenues form *"a partial compensation of the total costs incurred for creating and operating the network"*[1] since *"additionality of costs for receiving calls, in the strictest sense, is close to zero"*[1].



Secretary
Janmabhumi

[1] Affidavit, as submitted by the Telecom Regulatory Authority of India to the Honourable Supreme Court, (October, 2011)

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Moreover, these charges act as a virtual price-floor thereby artificially lifting the final tariffs offered to the end-consumers.

The Bill and Keep regime eliminates charges levied for terminating a call on other network and allows an operator to 'bill' its customers and 'keep' all the revenue proceedings instead of transferring a part of the same to the operator on whose network the call ends. This in turn generates greater return for both the operator and the consumer. The former benefits from reduced costs (as B&K obviates the need for the infrastructure required for monitoring traffic flows) and increased revenues (since the operator retains the part of its earnings which were earlier diverted as termination charges). The latter benefits from reduced tariffs since the B&K model eliminate charges which jack-up calling rates by serving as a price-floor for setting the same. Also, the model obviates the need for regulatory intervention.

Real world examples further provide a stronger case for B&K. Various multilateral organizations including the European Commission and the OECD have thrown their weight behind the regime whereas countries including the UK, Denmark, Ireland, Malta and the Netherlands have already envisaged a glide path to Bill and Keep system. The International Telecommunication Union (ITU), the United Nations specialized agency for information and communication technologies, has gone a step further and while supporting the B&K regime, stated that regulation, regarding the termination charges, should be "peeled away" in order to provide for a smoother system to operate.

Turning to India, the regulator, in 2011, envisaged a 3-year period for fully implementing the B&K regime throughout the country. However, this period has already expired and there doesn't seem any action forthcoming from the regulator in this regard. We, therefore, request the Authority to take necessary action(s) on termination charges so that the untapped benefits can be made available to all the stakeholders (including the operators and the consumers) at the earliest.

Apart from benefitting the overall market, implanting 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.

Thanking you.

Warm Regards,

Sumant Das

Secretary
Janmabhumi