

10/12/14

No. JBC/TRAI/2014/2

To  
The Chairman,  
Telecom Regulatory Authority of India,  
Government of India,  
New Delhi - 110002

***Subject: Reforming Interconnection Termination Charges***

Dear Sir,

Interconnection Termination Charges lie at the very core of an ongoing spat between the service providers and the Telecom Regulatory Authority of India (TRAI). After reducing the same to Rs. 0.2 per minute in 2009, the regulator, after Supreme Court's intervention in 2011, floated a consultation paper inviting feedback from various stakeholders on the issue of termination charges. While old operators suggested revising the interconnection usage charge (IUC) upwards, newer operators were of the view that the charge should be lowered to help further growth of the industry, as was widely expected. In its affidavit, the TRAI calculated these rates by employing four different methodologies. On such basis, the resultant IUCs ranged from Rs. 0.1 per minute to Rs. 0.19 per minute. However, the regulator concluded in favour of adopting the Bill and Keep regime in the third year following the submission of this report. It recommended adoption of Pure LRIC method during the period of two years.

The fee so imposed prevents the market from realizing its full potential in a number of ways. Since these serve as a 'price-floor' for retail tariffs, the charges bend an otherwise elastic responsiveness of demand towards inelasticity by curtailing the operators' retail pricing flexibility and artificially inflating retail tariff rates. Also, because there is a massive imbalance of calling traffic between earlier and later networks in favour of the earlier operators, late entrants tend to make net payments to the incumbents for termination, in spite of the per-minute asymmetry. This in turn reduces the competitive pressure on the market and allows the incumbents to execute their market dominance. Moreover, these charges necessitates for the terminating operator to have accounting and billing systems to monitor flow of traffic, thus imposing extra costs which the operator then strive to recover from consumers, further adding-up to their bills.

Moreover, termination charges act as an obstacle in migrating from CDN networks to IP-based networks, the latter being the current global phenomenon. IP-based networks have certain advantages over the conventional CDN networks. While CDNs provide data only in terms of minutes and that too supported by high-maintenance infrastructure, IP-based networks provide more data (including voce and internet) requiring

the minimal and cost-effective infrastructure which explains today's trend of larger adoption of such networks.


This growing and largely unavoidable migration towards IP networks makes termination rates redundant. This is so because calculation of optimal termination charges in IP networks is a cost-heavy and complex process. This matter is exacerbated by the increasing adoption of smartphone-enabled and internet-based calling services (including apps like Skype, Viber, etc.) which originate in an unregulated environment but terminate in a regulated one. Assessing termination charges under such conditions is only going to get more complex, requiring more regulatory intervention.

Under this context where the merits of B&K regime and demerits of termination fee is so clear, we fail to understand the regulator's lax approach towards the issue. This system of no-termination charge becomes more important when measured in terms of the benefits it entails for the consumers, especially in sense of increased affordability. This rise in affordability, in turn, is certain to support the central government's welfare schemes, especially the grand vision of Digital India. Moreover, this system also lies in line with the central government's emphasis on more governance and lesser government since it resolves the regulatory bottlenecks.

Under such a lucid environment, we hate to say this but we suspect that the mainstay of this negligence of consumer interests stems from the Chairman's own pro-industry stance which is costing the consumers, and the country, dearer. The same should also receive special attention especially when the regulation on adopting B&K does not require any new regulation or amendment to be ratified or any other bureaucratic involvement, it just need a relatively simpler mechanism and more importantly, an honest intention to work for the good of consumers, which seems to be lacking at the moment. We sincerely request you to kindly steer away the entire framework away from serving industry's expectations and towards enhancing consumer welfare.

Thanking you.

Warm Regards,



**RAKESH KUMAR**  
Partner.

Copy to:

- 1). Hon'ble Prime Minister, Government of India
- 2). Hon'ble Minister, Telecommunications and Information Technologies, Government of India