



Regd. No - 41261802811

SHELTER

Ref. No

Date

Dated: The October 07th 2019

**Shri Ravi Shankar Prasad
Hon'ble Minister for Electronics, Telecommunications & IT
Government of India,
Sanchar Bhawan, 20, Ashoka Road,
New Delhi-110001**

***Sub: Introduction of Bill and Keep policy (BAK) instead of
Interconnection Usage Charge (IUC)***

Hon'ble Sir,

This is in reference to TRAI's Interconnection Usage Charge (IUC) Regulations 2017 regime where it loudly mentioned that on 1st January 2020, the IUC regime will be replaced with Bill and Keep regime where termination charges will be zero.

Subsequently, as is learnt, the TRAI has called for a review of Interconnection Usage Charges Regulation, 2017 as it received representations from some stakeholders about revision of the existing IUC regime. These stakeholders through their representations have argued that the assumptions made in the IUC Regulations of 2017 for introducing BAK from 1.1.2020 are at variance with the actual position on the ground. As per them, during the last two years, while the TSPs have done significant investments in the 4G networks, the same has not resulted in migration of all their customers to VoLTE and balancing of off-net traffic between all operators. This kind of regulatory somersault creates inefficient market which leads to market distortion and creates advantage for non-efficient players.

The other argument is BAK does not lead to optimal outcomes where traffic flows between operators is asymmetric. Traffic balance can be expected if termination rates and retail prices, notably the relative on-net and off-net prices, are approximately set to theoretically optimal levels. This is because individuals' propensity to call each other, if

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undistorted by artificial price differentials, would be unlikely to vary between networks in a way that would lead to traffic imbalance.

In fact, the pricing method itself can influence whether or not traffic is in balance. The asymmetry in traffic in a healthy competitive environment will always exist to some extent.

In fact, BAK will be a catalyst for traffic symmetry. It gives TSPs appropriate incentives to serve their customers efficiently and brings market discipline to competition. The cost methodology based IUC system implies that TSPs recover network costs from competing TSPs through IUC charges. This system confers monopoly power on the called party's TSP with respect to call termination without providing any incentive for reducing its costs through efficient operations and adoption of low cost technologies. This monopoly status also leads to disparity in on-net and off-net tariffs thus creating an unnecessary tariff asymmetry. While this monopoly power enabled TSPs to charge above-cost rates, BAK's dependence on customer payments discourages a TSP from charging high rates to its subscribers because they could, in turn, seek lower prices from competing TSPs. This leads to a situation where no TSP can charge above cost thus bringing in tariff symmetry. This tariff symmetry stops the arbitrage in onnet and off-net tariffs, leading to a symmetry of traffic. Evidently, the demand for cost-based IUC till there is traffic symmetry is a vicious circle. Only by removing the cost based IUC, this vicious circle can be done away with.

We understand the consumers will actually be benefited if the termination charges being made zero and hence, the proposed Bill and Keep method should become a reality. The consumers deserve to get both voice call and data usage services on 4G or 5G platforms. The time are gone to remain in 2G and 3G technology era. Any move to jeopardize consumer benefits on the ground of financial stress of the TSPs should not be encouraged by the Government. If the government plans to extend the IUC regime for further period, this will be an aberration to the world trend where majority countries have already introduced Bill and Keep policy for larger interest of the consumers.

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In view of the foregoing discussion, we believe that BAK will not only strengthen the competitive framework but also ensure better tariff offerings for end consumers maximizing economic value for their telecom spend.

Thanking you

Sincerely Your's

Kausalya Nayak
(Managing Trustee)
SHELTER/10-19

Copy place to

The Principal Secretary to the Prime Minister
Government of India, South Block, Raisina Hill New Delhi-110011

The Chairman, Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan Next to Zakir Hussain College,
Jawaharlal Nehru Marg (Old Minto Road) New Delhi: 110 002

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