

Spectranet response to TRAI Consultation Paper No.08/2012 on

Access Facilitation Charges and Co-location Charges at Cable Landing Stations

Issue for Consultation:

Q1: Which of the following method of regulating Access Facilitation Charges and Co-location charges (AFC & CLC) should be used in India?

- (a) The prevalent method i.e. submission of AFC & CLC by owner of the cable landing station (OCLS) and approval by the TRAI after scrutiny**
- (b) Submission of AFC & CLC by OCLS and approval by TRAI after consultation with other stakeholders**
- (c) Fixing of cost based AFC & CLC by TRAI**
- (d) Left for mutual negotiation between OCLS and the Indian International Telecommunication Entity (ITE)**
- (e) Any other method, please elaborate in detail.**

Spectranet response ; TRAI should make sure that transparency is there in fixing the charges and there should be no cross subsidization.

Q 2: In case AFC & CLC are regulated using method (a) or method (b) above, is there a need to issue guidelines containing algorithm and network elements to be considered for calculating AFC & CLC to the OCLSs? If yes, what should be these guidelines?

Spectranet response ; The charges should be fixed such that cross subsidy is not used to benefit incumbents.

Q 3: In case, AFC & CLC are regulated using method (a), (b) or (c) above, please suggest the value of pre-tax WACC, method of depreciation and useful life of each network element? Please provide justification in support of your answer.

Spectranet response ; Value of the weighted cost of capital (WACC), should be subject to market conditions. For depreciation of assets, the most appropriate method is “straight-line method”, reflecting the economic (useful) life of the asset. Since the cost of setting up CLS is reimbursed under the consortium model, WACC and Depreciation should be arrived at after considering the amount reimbursed.

Q 4: Which cost heads/ network elements should be included/ excluded while calculating Access Facilitation and Co-location charges? Please enumerate the items with specific reasons.

Spectranet response ; Relevant costs only need to be taken.

Q5: What should be periodicity of revision of AFC & CLC? Support your view with reasons.

Spectranet response ; TRAI should review these charges once in two/three years. And all stakeholders need to be consulted.

Q 6: In case, cost based AFC & CLC are fixed by TRAI, which costing methodology should be applied to determine these charges? Please support your view with a fully developed cost model along with methodology, calculation sheets and justification thereof.

Spectranet response ; TRAI should use the internationally generally accepted Long Run Incremental Cost (LRIC) methodology.

Q 7: Whether Access Facilitation charges and O&M charges should be dependent on capacity (i.e. STM-1, STM-4 or STM-16) activated? Support your view with reasons.

Spectranet response ; The charges should be cost based and not capacity based.

Q 8: If Access Facilitation charges and O&M charges are fixed on the basis of capacity activated;

(a) Should the charges be linearly proportionate to the capacity activated;
or

(b) Should the interface capacity as provided by the submarine cable system at the cable landing station be charged as a base charge while higher or lower bandwidth be charged as the base charge plus charges for multiplexing/ de-multiplexing?

Spectranet response ; Access facilitation charges should be cost based and not capacity based.

Q 9: Whether there is a need to fix Access Facilitation charges for all types of submarine cables? If no, which kind of submarine cables may be exempted and why?

Spectranet response ; **The scope of the present regulation should equally applicable to all types of submarine cables.**

Q 10: Is there a need to introduce any new provision or to modify/delete any of the clauses of the ‘International Telecommunication Access to Essential Facilities at Cable Landing Stations Regulation 2007’, in order to facilitate access to essential facilities at cable landing station?

Spectranet response ; No comments

As a summary :

1. Over last few years ILL prices have fallen by one tenth or more. CLS charges have remain same over this period thus putting a huge burden for Connection seekers.

E.g. CLS charges are approx Rs 5 Lacs per STM per year. Earlier CLS was just 2% or so rising now to more than 30% of prevailing price in the market today.

2. This clearly shows that there is no competition for this segment and needs regulation to bring CLS charges substantially lower. There has been very high increase of India’s internet traffic thus reducing cost per STM at the gateway.
3. Thus there should be huge reduction if Access facilitation charges, co-location charges are determined based on principles of non-discrimination, fair and transparent manner. This would align access facility charges of Cable Landing Stations (CLS) in India with international ones.

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