26 May 2025

Shri Vijay Kumar,
Advisor (Financial & Economic Analysis),
Telecom Regulatory Authority of India,
Government of India.

Dear Sir,

Subject: BIF Response to Pre-Consultation Paper on Review of Tariff for Domestic Leased Circuits (DLCs) dated 29 April 2025

1. We would like to thank the Authority to provide stakeholders with the opportunity to provide their inputs on this critical subject matter. BIF appreciates the Authority's view that a thorough analysis and a careful consideration of key aspects, including ensuring fair and affordable pricing, promoting healthy competition in the market, evolving technology and market dynamics, and fair returns for service providers be done for review of DLC rates.

2. It is understood that the DLC tariff framework was last revised more than a decade ago by TRAI. Telecom scenario has undergone significant changes since 2014 with the shift from voice to data given the launch of 4G and now 5G. The humungous rise in data traffic, has led to a change in nature of demand and more diverse customer requirements in addition to DLC viz. stringent SLA based enterprise customer requirement. This has been supported by rapid advancements in transmission technology, which warrants a careful examination/review of all the aspects. Hence, this current exercise reflects a forward-looking approach that aligns with evolving consumer demands, rising data usage, and the changing dynamics of the telecom transmission and connectivity landscape.

   We would like to bring the Authority's attention to the following before we list out important aspects that need consideration for this consultation:

3. In terms of technological shifts, now there are next generation Multi-Gigabit supporting transport/transmission equipment upto 800G catering to customer demands. The market is notably influenced by the rising demand for data centres and cloud services, particularly from Cloud Service Providers (CSPs) and the Banking, Financial Services, and Insurance (BFSI) sector. With AI at the core of these sectors, they are undergoing massive technological, market and consumer driven needs.

4. There is emergence of alternative transport technologies like Metro Ethernet, SD-WAN, MPLS, VPNs, etc., to cater to the increasing demand for bandwidth. The cost of providing bandwidth has significantly decreased over time with the switchover from legacy leased circuits to IP based shared bandwidth, and this reduction in cost is a key factor which needs to be considered in the present exercise of reviewing the tariff structure for DLCs.

5. DLCs may continue to remain relevant for smaller ISPs and digital entrepreneurs for accessing internet leased ports. In this context, we believe that the current DLC tariff structure requires rationalization—both in pricing and provisioning methodology.

6. Some of the key customer demands driving the sector in present times are as follows:
    i. Faster speeds and higher bandwidth to support their data-intensive applications and evolving business needs, with SLAs that guarantee uptime, quick recovery times, and robust network performance.
    ii. Flexible, on-demand capacity that can be scaled up or down as business needs evolve.
    iii. Robust security measures and encrypted end -to end data transmission to meet data-protection mandates.
    iv. Fair and affordable pricing, as well as a competitive market that offers a wider range of choices and connectivity across different locations and to cater to different types of demands.
    v. Plans to ensure business continuity and minimize downtime in the event of outages or disruptions.

7. In recent years, with some customers seeking Service Level Agreement (SLA) based bandwidth, the determining factors for pricing for such requirements have undergone a change. The basis for tariff calculation has moved away from geography or distance and is now rooted in performance parameters and customer-specific requirements. For such customers, the pricing is primarily shaped by the terms of the SLA which include factors such as guaranteed uptime, latency thresholds, and overall network reliability. Additionally, tariffs are influenced by the bandwidth or capacity required.

8. In view of the above, the legacy tariff ceilings set in 2014 are no longer reflective of the current realities in terms of bandwidth requirements, availability and the cost of providing these bandwidths. Since the last revision of tariff structures for DLC vide 57th and 58th Telecommunication Tariff Order in 2014, 4G and 5G have been deployed widely, optical fibre coverage has expanded and point to point leased circuits can be provided by many alternate IP based technologies other than DLCs. Given these changes, it would be prudent to consider whether the overall framework fully supports India's digital objectives.

9. We echo the Authority's view that for a thorough analysis and a careful consideration of key aspects, including ensuring fair and affordable pricing, promoting healthy competition in the market, evolving technology and market dynamics, and fair returns for service providers and **we therefore present the following questions for the Authority's consideration for inclusion in the Consultation Paper:**

    i. How much is the average and median DLC bandwidth subscribed in volume (number of links and bandwidths) terms?
    ii. How do evolving bandwidth demands influence core-network design (ports, equipment capabilities) and thus tariff considerations?
    iii. What is the market share of service providers in DLC segment?
    iv. What is the share of DLC in the overall leased circuit market? [This will help understand relevance of DLCs in today's era].
    v. What are the different types and number of customers using DLCs (BFSI, Manufacturing, tourism, ISPs etc) and sharing of total DLC bandwidth subscribed?
    vi. How many users have migrated to alternative technologies and to what extent do customers require dedicated point-to-point circuits versus SLA-based links?

vii. Whether there is adequate competition in the market place, from geographical coverage, bandwidth supply for low and high capacities and implementation of new technologies perspective which may help determine what all segments should be left to the market forces?

viii. Which DLC use-cases justify regulated ceilings, and which can be left to market-driven pricing?

ix. Whether the old tariff specifications are still appropriate, especially considering the substantial increase in average bandwidth requirements for today's DLCs compared to those prescribed in the TRAI TTO (E1/DS3/STM-1 and STM-4)?

x. What measures can ensure equitable infrastructure access for all players irrespective of size?

xi. How can financial constraints in underserved areas be addressed to ensure a healthy DLC market?

xii. What safeguards should be put in place to protect long-term health of the sector and provide sufficient incentives for investment?

Thanking you.

Regards,

T.V. Ramachandran,
President,
Broadband India Forum.