



**DG/COAI/REG/2026/1010**

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**Shri D Manoj,**  
**Pr. Advisor (F&EA),**  
Telecom Regulatory Authority of India,  
Tower F, World Trade Centre,  
Nauroji Nagar,  
New Delhi – 110029

**Subject: COAI's response to TRAI's Consultation Paper on "Review of Tariff for Domestic Leased Circuits (DLCs)".**

Dear Sir,

1. This is with reference to the TRAI Consultation Paper on "Review of Tariff for Domestic Leased Circuits (DLCs)", released on 23 January 2026.
2. In this regard, please find enclosed the COAI's response.

We trust that our submission would merit your kind consideration, and we look forward to your valued support on the same.

Thanking you in anticipation.

Sincere regards,

Signed on: 02-03-2026 19:18:26

Digitally Signed by:

Lt Gen Dr SP Kochhar

DG

COAI

Signature Valid From: 2026-02-16 10:14:25

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**Lt. Gen. Dr. S.P. Kochhar**, AVSM\*\*, SM, VSM, ADC, KIGA  
Former Signal Officer in Chief, Indian Army  
Fellow IETE, Fellow AIMA, Member IEEE, Sr. Member CSI

**Director General**

Email id: dg@coai.in

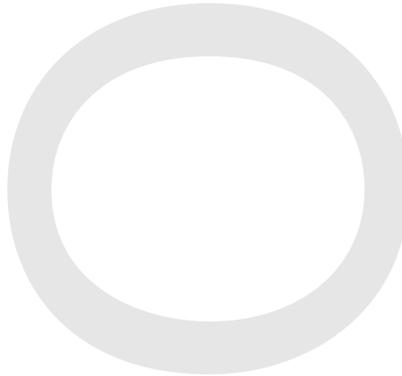
**14, Bhai Veer Singh Marg, New Delhi – 110 001**

tel: +91-11-23349275 fax: +91-11-23349276 email: contact@coai.in website: [www.coai.in](http://www.coai.in)



**Copy to:**

1. Shri Atul Kumar Chaudhary, Secretary, TRAI, Tower F, World Trade Centre, Nauroji Nagar, New Delhi – 110029.



**14, Bhai Veer Singh Marg, New Delhi – 110 001**

tel: +91-11-23349275 fax: +91-11-23349276 email: [contact@coai.in](mailto:contact@coai.in) website: [www.coai.in](http://www.coai.in)



## **COAI response to the TRAI Consultation Paper on “Review of Tariff for Domestic Leased Circuits (DLCs)”.**

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We thank the Authority for providing us with the opportunity to respond to the Consultation Paper on Review of Tariff for Domestic Leased Circuits (DLCs)’. The following submissions reflect our assessment of the current market structure, cost dynamics, issues pertaining to level playing field and the outcomes emerging from the prevailing regulatory framework governing the DLC segment.

### **PREAMBLE**

#### **1. Policy Forbearance and Its Demonstrated Outcomes**

- a) Private telecom operators are established players with a track record of exceptional service for over three decades. COAI and the industry have consistently advocated regulatory forbearance on tariffs. This market-driven approach has fostered strong competition, accelerated the expansion of voice and data services, and built a resilient, nationwide digital ecosystem supported by multiple providers. In this context, the very concept of regulatory intervention in the DLC market is irrelevant.

#### **2. DLC Market Structure**

- a) Since 2014, the enterprise connectivity landscape in India has evolved substantially. Enterprises now have access to a wide range of advanced connectivity options, including SD-WAN, Internet Leased Lines (ILLs), direct cloud interconnects, IP-VPNs, and 4G/5G business-grade wireless and private networks.
- b) These developments have enabled enterprises to design hybrid, scalable, and cost-optimized network architectures, significantly reducing dependence on traditional point-to-point Domestic Leased Circuits (DLCs).
- c) The DLC market has therefore matured into a competitive and technologically advanced ecosystem, marked by the presence of multiple service providers, market-based pricing, and the availability of alternative solutions. No single operator exercises excessive market power in this segment.
- d) Consequently, DLC pricing is determined by market forces and aligned with enterprise-specific service requirements. In this competitive environment, any regulatory intervention in the DLC tariff framework would be unnecessary and potentially disruptive. Therefore, tariff forbearance for DLCs remains the most appropriate and proportionate regulatory approach.

#### **3. Absence of Market Failure or Consumer Harm**

- a) There is no evidence of market failure, denial of access, or consumer harm in the DLC segment that would justify regulatory intervention. On the contrary, competition has thrived and new technologies have emerged over time.
- b) TRAI itself has acknowledged in the CP that the market is very robust, and Enterprises enjoy a wide choice of providers and solutions, The buyers generally resort to tender process citing their requirement and SLAs and enjoy the leverage of selecting a service provider offering them the lowest prices. SLA enforcement and service quality continue to improve due to competitive pressure.



#### 4. **Regulatory Asymmetry and Uneven Playing Field**

- a) Given that the DLC market is robust, with no signs of a market failure, there is no justification for expanding the scope of ISP licenses/authorizations to permit ISPs to also offer DLCs in India.
- b) In fact, allowing ISPs to provide DLC will lead to a non-level playing field. The obligations, including the network and entry fee, imposed on Access Providers and NLDs to provide Domestic Leased Circuits are substantially higher than those applicable to Internet Service Providers.
- c) The Access Service and NLD authorization requires minimum equity and net worth of ₹ 2.5 Cr. each, the same is not required for ISP authorization. Further, the entry fee for a National Long Distance (NLD) license (₹2.5 Cr) is over eight times that of an ISP-A license (₹30 Lakh).
- d) Moreover, the scope of service and revenue generating options under each authorization are pre-decided and any subsequent changes in these terms to benefit one set of stakeholders is not fair. We submit that allowing ISPs to also offer DLC services is to the detriment of access providers that are major investors in India's broadband story. Their contribution ranges from acquiring spectrum through competitive auctions, paying substantial sums to the Government based on careful assessments of business viability and revenue potential and deploying telecom networks across the country. Thus, any curtailment of TSPs scope of service by introducing new competition, would be detrimental to investments in the sector. We submit that anyhow, the entry conditions for NLD/Access service authorizations are not such that it would prevent any serious players from acquiring the authorization to offer DLC services.
- e) Moreover, the TSPs/NLDOs have heavily invested in fiber optic networks and have built redundancy, to ensure high-reliability DLCs with stringent SLAs.
- f) TSPs continue to invest heavily and their service rights, should not be subsequently taken away through policy or regulatory reclassification.
- g) In case a particular ISP operator has the capacity and also wishes to provide leased circuits/VPNs, it has the option to obtain an Access/NLD Service authorisation after meeting the aforesaid criteria of minimum equity/ net worth and paying the requisite entry fee. There is no need to enhance the scope of ISP authorisation as a whole.

#### 5. **Business-to-Business Services**

- a) It must also be recognized that the DLC market is fundamentally a business-to-business arrangement. Imposing price ceilings in the DLC market will create a subsidy from telecom providers to other businesses, including ISPs and enterprise clients. This violates the core principle of a free market, where prices are determined through direct negotiation between business entities.
- b) Further as the tariffs are much below the ceiling, as noted in CP, Technology-specific or technology-neutral or bandwidth/distance-based tariff prescriptions for DLCs and related enterprise connectivity services are not relevant in the current mature and competitive market environment. Regulatory forbearance should apply uniformly across all capacities and technologies. Any ceiling would only lead to artificial constraints on innovation and roll-out of these enterprise services.



## 6. Impact of RoW constraints

- a) As far as infrastructure is concerned, DLC services are to a great extent dependent on physical fiber/OFC, deployment of which is governed by Right of Way (RoW) regulations requiring multiple approvals and permissions across states.
- b) Cost associated with these remain high and varies significantly across regions and terrains. In such a volatile and cost-intensive environment, imposing tariff controls would neither address these structural challenges nor reduce underlying costs, and may in fact deter network expansion, particularly in difficult and remote areas.
- c) Thus, if the Authority wishes to give a boost of DLC services in remote areas, it should leverage its influence in reducing the ROW costs for all service providers.

## 7. Price Caps lead to Economic inefficiencies

- a) Lastly, it is also pertinent to note that price ceilings imposed in a robust and well-functioning market introduce economic inefficiencies by disrupting the price signals that guide efficient allocation. When prices are administratively below market levels, there is no incentive for suppliers to provide DLC service, to invest in upgrading the service. This eventually leads to constrained capacity expansion, reduced service availability, and deterioration in service quality in the long run.
- b) In capital-intensive infrastructure markets such as Domestic Leased Circuits (DLCs), these effects are likely to be particularly pronounced, ultimately undermining service quality, innovation, and long-term affordability rather than enhancing them.

### **Therefore, from the above it is evident that-**

- a) *The Domestic Leased Circuit (DLC) ecosystem has evolved as a mature, competitive, technologically advanced and a price driven market.*
- b) *The emergence of alternative and advanced technologies has materially diminished the need for any form of tariff regulation in the DLC segment.*
- c) *There is no evidence of market failure; on the contrary, the Authority itself has acknowledged that the DLC market has functioned efficiently and competitively.*
- d) *The significant disparity in regulatory, licensing, and financial obligations applicable to TSPs and ISPs clearly demonstrates that there is no reasonable justification to expand the scope of ISP to permit DLC services.*
- e) *Any such expansion in scope of ISP service would distort the level playing field, to the detriment of licensed TSPs who operate under far more stringent regulatory conditions.*
- f) *The DLC market is inherently a business-to-business arrangement; regulatory intervention in pricing would interfere with commercially negotiated outcomes and undermine the free-market dynamics essential to a business-oriented segment.*



- g) DLC services are heavily dependent on physical fibre infrastructure, the deployment and maintenance of which involve multiple approvals under Right of Way (RoW) frameworks and entail high and escalating costs.*
- h) Accordingly, any regulatory intervention in this segment would only disrupt a well-functioning and established market, without delivering any corresponding public or consumer benefit.*
- i) Introducing technology-specific retail price regulation at this juncture would be unwarranted, distort an already competitive market and risk undermining long-term efficiency and innovation.*
- j) The Authority should adopt a regime of tariff forbearance for DLC services. Any move towards technology-specific or cost-based ceiling regulation at this stage would be detrimental to sustained investment, innovation, and enterprise consumer welfare.*

With respect to the questions asked in the Consultation Paper, our issue-wise response is as follows:

**Q1 What is expected to be the likely impact on competition and tariffs in the DLC sector, if the ISPs are permitted to provide DLCs in the future? Please provide your response with justification.**

**COAI response**

- a) As stated in the preamble, we reiterate that allowing ISPs to offer DLCs would adversely impact the existing DLC market and lead to non-level playing field. Such a move would weaken the incentive for our member TSPs to invest, innovate, and expand high-quality, reliable DLC infrastructure.
- b) At present, the Access and the NLD Service authorization, in UL provides that the Licensee may provide leased circuits within its respective service area. Further, the ISP authorization in UL clearly states that the Licensee shall not offer VPN/CUG services to its subscribers.
- c) Further, the TSPs/NLDOs have heavily invested in fiber optic networks, and in creating redundancy to ensure high-reliability DLCs with stringent SLAs. Providing entry to ISPs without equivalent investments could fragment the DLC market, leading to predatory pricing in select pockets and reduced incentives for infrastructure expansion in remote areas.
- d) Access Service is a broad, comprehensive authorization that covers public telephony, public internet, and private leased circuits/VPN services. In contrast, ISP authorization is limited in scope and permits only the provision of public internet services. The fact that a particular service falls within the Access Service authorization cannot justify its inclusion under ISP authorization. If such an approach were adopted, ISP operators could also seek permission to offer public telephony services, thereby erasing the fundamental distinction between the two authorizations.
- e) Further, the financial conditions, like entry fee, minimum equity, minimum net worth, etc., prescribed for different authorizations, consider the difference in the respective scope of services of each Authorization. The obligations imposed on Access Providers and NLDs are substantially higher than those applicable to Internet Service Providers.
- f) For instance, the Access Service and NLD authorization requires minimum equity and networth of ₹ 2.5 Cr. each, the same is not required for ISP authorization. Further, the entry fee for a National Long Distance (NLD) license (₹2.5 Cr) is over eight times that of an ISP-A license (₹30 Lakh). The disparity is even greater for Access Services (₹1 Cr), which carries an entry fee fifty



times higher than an ISP-B authorization (₹2 Lakh). The same are reflected in the table below:

	<b>Access Service (Telecom Circle / Metro Area)</b>	<b>NLD (National Area)</b>	<b>ISP "A" (National Area)</b>	<b>ISP "B" (Telecom circle/Metro Area)</b>	<b>ISP "C" (SSA)</b>
<b>Minimum Equity (₹)</b>	2,50,00,000	2,50,00,000	-	-	-
<b>Minimum Networth (₹)</b>	2,50,00,000	2,50,00,000	-	-	-
<b>Entry Fee (₹)</b>	1,00,00,000 (50,00,000 for NE & J&K)	2,50,00,000	30,00,000	2,00,000	20,000

- g) Further, in the draft Telecommunications (Authorisation for Provision of Main Telecommunication Services) Rules, 2025, the following criteria has been proposed by the Government:

<b>Service Authorisation</b>	<b>Unified Service Authorisation</b>	<b>Access Service Authorisation</b>	<b>Internet Service Authorisation (National Area)</b>	<b>Internet Service Authorisation (Telecom circle/ Metro Area)</b>	<b>Long Distance Service Area</b>
<b>Entry Fee (₹)</b>	12 crores	50 Lakh (25 Lakh for NE & J&K)	10 Lakh	50,000 (25,000 for NE & J&K)	1 crore
<b>Minimum Equity (₹)</b>	25 crores	2.5 crores	10 Lakh	1 Lakh	2.5 crores
<b>Minimum Networth (₹)</b>	25 crores	2.5 crores	NIL	NIL	2.5 crores

As is evident, under these draft rules, the financial obligations are even more disproportionately higher for ASP and NLD Authorisation than those imposed on Internet Service Providers, with disparities reaching 250 times for minimum equity and net worth, and 120 times for entry fees under the proposed Telecommunications Rules, 2025.

- h) Moreover, access service providers acquire spectrum through competitive auctions, paying substantial sums to the Government based on careful assessments of business viability and revenue potential and subsequently invest heavily in developing the network infrastructure. Permitting Internet Service Providers to also offer services that are essentially access services is an indirect assault on revenue opportunities of access service providers and should be avoided. Thus, permitting ISPs to offer DLCs will be unfair to access service providers and Subjecting NLD operators to competition from hundreds of ISPs nationwide could severely undermine their viability as well.
- i) If an ISP has the capacity and wishes to provide leased circuits or VPN services, it may do so



by obtaining an Access or NLD Service authorisation, subject to meeting the prescribed minimum equity and net worth requirements and paying the applicable entry fee. There is therefore no justification for expanding the scope of ISP authorisation as a whole.

- j) From the above, it is evident that permitting ISPs to offer DLCs would significantly disrupt the existing DLC market, create a non-level playing field, and adversely affect licensed operators who have made substantial investments under the current regulatory framework.

**Q2 What is the likely impact of tariffs for DLC on the bandwidth charges (including the transmission costs) or any other costs incurred by ISP operators, especially for ISP B & C operators who do not have their own transmission infrastructure? Further, what are the specific elements of DLC tariff which can be addressed in the regulation to make it more relevant for ISP B & C business? Please provide your response with justification.**

**COAI response**

- a) ISP-B and ISP-C service providers provide services where there is commercial viability and where they expect to make a profit. This means they will focus on rural areas, cities, towns, where there is a possibility of earning a reasonable return on investments. Other areas are generally ignored. Since ISP-B & C category operators do not serve areas where there is no business case, TSPs should not be asked to subsidize these ISPs.
- b) For ISP-B and ISP-C operators that do not own transmission infrastructure, DLC charges form a negotiated input cost. Therefore, these costs already reflect the competitive price discovery and location-specific economics. Artificial suppression of tariffs would neither reduce underlying transmission costs nor improve access on a sustainable basis and may adversely affect incentives for investment in deployment and expansion of fiber.
- c) TRAI can provide additional support by working with state Governments to reduce ROW costs.

**Q3 Should the MPLS-VPN DLCs be brought under the tariff regulation framework? Please provide your response with justification.**

**COAI response**

- a) At the outset, we would like to reiterate that tariff forbearance remains the most suitable approach in enterprise networks.
- b) MPLS-VPN DLCs function over shared network infrastructure rather than dedicated point-to-point circuits. MPLS-VPNs also allow efficient sharing of network resources across customers. They provide enterprise connectivity through virtual tunnels, which can securely connect multiple locations. MPLS-VPNs are evolving rapidly, integrating with SD-WAN, cloud platforms, and other modern networking technologies.
- c) MPLS-VPN is a business-to-business (B2B) service in which TSPs provide customized bandwidth and priority routing based on the specific requirements of each enterprise. These requirements vary significantly across different businesses and use cases. In addition, the MPLS-VPN market is also very competitive, with multiple TSPs offering enterprise solutions. Prices are negotiated based on bandwidth requirements, number of sites, and SLAs.
- d) We reiterate that any regulatory intervention in such a robust B2B market segment may distort the commercially negotiated outcomes and disrupt a market that is functioning efficiently. It will reduce incentives for TSPs to invest in expanding or upgrading network infrastructure.



- e) In light of the above, imposing fixed tariff ceilings could make regulation obsolete and hinder adoption of next-generation connectivity solutions, thereby slowing digital transformation. Hence, we request TRAI to not consider prescribing any tariffs or ceilings for MPLS-VPN service and instead move towards Forbearance.

**Q4 What are the key differences in cost structure and service delivery between traditional P2P-DLCs and MPLS-VPNs that should be reflected in tariff regulation? Please provide your response with justification.**

**COAI response**

- a) Traditional P2P-DLCs and MPLS-VPNs differ materially in their underlying cost structures and modes of service delivery. P2P-DLCs are provisioned as dedicated, end-to-end circuits with exclusive bandwidth. Each connection requires separate local access and backbone resources, resulting in largely fixed and distance-linked costs.
- b) MPLS-VPNs, on the other hand, are delivered over a shared MPLS core network, where multiple enterprise customers and locations utilise common infrastructure. Each site connects via a single access link, and traffic is logically separated rather than physically dedicated.
- c) Service delivery capabilities also differ significantly. P2P-DLCs offer rigid point-to-point connectivity with limited service differentiation, whereas MPLS-VPNs enable advanced features such as traffic engineering, differentiated SLAs, integration with SD-WAN, cloud interconnects, and managed services.
- d) In this evolving enterprise connectivity and given the fact there is no market failure, the Authority should continue to allow market forces and competition to shape service offerings and pricing.

**Q5 What has been the impact of deployment of DWDM, SD-WAN and Ethernet over Fibre on provisioning of DLCs, in terms of operations, costs and tariffs? Should the regulation incorporate these technological changes in the ceiling tariff framework? Please provide your response with justification.**

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**Q6 Are there any other technological changes apart from the ones mentioned in above paragraphs in provisioning of DLCs in India? If yes, what has been the impact of deployment of such technologies on provisioning of DLCs, in terms of operations, costs and tariffs? Should the regulation incorporate these technological changes in the ceiling tariff framework? Please provide your response with justification.**

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**Q7 As an alternative to Q5 & Q6, should the Authority consider technology-neutral tariff models, focussing on bandwidth and service commitments rather than provisioning technologies? If yes, what should be the criteria for the same? Please provide your response with justification.**

**COAI response**

- a) Technologies such as DWDM, SD-WAN, Ethernet over fiber, and cloud interconnects have expanded enterprise connectivity options and intensified market competition. This has shifted



pricing toward commercial negotiation based on bandwidth and service quality rather than rigid distance-based models.

- b) Moreover, as stated in the preamble above, we reiterate that these DLC services are essentially B2B offerings to enterprise customers which are negotiated between licences and business entities and not retail consumers.
- c) Accordingly, regulatory price controls are unwarranted. Introducing technology-specific tariff ceilings would distort market-driven pricing, constrain commercial flexibility, disincentivize investment in network expansion and undermine the natural shift toward hybrid and cloud-first networks.
- d) In light of the above, we humbly submit that TRAI should not consider any Tariff model. Forbearance has always enabled innovation and affordability, and this should be continued with. We reiterate that any imposition of ceilings in the DLC tariff framework will be counterproductive for investment and expansion of DLC market in India. It will discourage innovation and provision of new technologies in the market.

**Q8 What are the various service commitments (such as bandwidth, SLA requirements such as uptime, latency, packet loss, response time etc.) bundled as part of managed DLC service, for both P2P & VPN based DLC? How are the service commitments offered as part of managed DLC services linked with the tariffs? Please provide your response with justification.**

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**Q9 Should the proposed regulation include staggered tariffs in line with service commitments, possibly further staggered for different regions, for both VPN & P2P based DLC? If yes, what are the service commitments, mentioned as reply to Q8, which should be considered for tariff regulation?**

#### COAI response

- a) We would like to highlight that TRAI in its consultation paper has itself acknowledged that a significant competitive activity was witnessed in the DLCs market which drove the prices further downwards. Various new players started offering MPLS- VPN and a host of customized services viz. provision of Service Level Agreements (SLAs), Class of Service (CoS), bandwidth on demand, managed services etc. as per the requirement of the customers.
- b) Further, the service providers keep upgrading their transmission networks on a regular basis in order to meet the demand of their customers. The pricing of DLCs is determined through commercial negotiations, with rates varying by diversity (path, route and service redundancy), location, bandwidth, SLA terms and bundled configurations.
- c) Thus, given the fact that market is working well, there is no justification for introducing a regulatory framework that mandates staggered tariffs based on service commitments or geographic regions.
- d) Additionally, imposition of tariff ceilings or staggered tariffs would adversely impact service availability, and service providers will be discouraged from investing in network expansion and offering higher SLAs or redundancy. This could particularly affect cost-intensive and remote regions, leading to reduced service options, lower quality, and constrained enterprise connectivity solutions.



- e) Moreover, DLC services are wholesale B2B offerings negotiated between licensed entities and enterprises, where buyers can assess proposals, negotiate prices, and choose among multiple providers; therefore, retail-style regulatory price controls are unwarranted and risk constraining commercial flexibility, innovation, and customised SLAs.
- f) **Prescribing a uniform tariff will overlook the structural differences, various variables and will lead to cost misappropriation, therefore, the Authority should not consider technology specific tariff models, which focus only on bandwidth and service commitments. The Authority should continue to maintain full regulatory forbearance for these services.**

**Q10 What reporting mechanisms should be mandated to ensure transparency in discounts and service bundling for DLCs? Please provide your response with justification.**

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**Q11 Should the Authority mandate standardized tariff disclosure formats for all DLC service providers? Please provide your response with justification.**

#### COAI response

- a) It is imperative to note that data in TRAI's consultation paper confirms the P2P and VPN DLC market is highly competitive, with significant, commercially negotiated tariffs (substantially below ceilings) offered on DLCs.
- b) This extensive data on existing tariffs being way too lower than ceilings itself serves as the most compelling evidence of a fiercely competitive market. Such a scenario does not call for any increase in reporting burden on our member TSPs. Introducing new or additional reporting requirements would be redundant and administratively burdensome.
- c) The call for standardized tariff disclosure formats is fundamentally at odds with the nature of the modern DLC product. DLCs are no longer simple commodities but complex, managed service bundles where price is intrinsically linked to custom SLAs, value-added features, and contractual terms. Forcing providers to publish a standardized tariff would create a false and misleading benchmark, confusing enterprise customers and misrepresenting the true value-based pricing model. The existing competitive dynamics are effectively ensuring efficient price discovery and customer protection through informed procurement practices. Mandating additional mechanism, it indicates a departure from well established and successful principles underpinning the current forbearance based regulatory framework. Lastly, it would also create an unnecessary regulatory compliance burden and is completely against the spirit of ease of doing business.
- d) Hence, to ensure transparency, non-discrimination and fairness, we submit that no additional reporting requirement or publications should be prescribed and the endeavour of the Authority should be to reduce the reporting requirement on TSPs, considering the principle of ease of doing business

**Q12 Should TRAI use the same cost methodology i.e. BU-FAC for computing cost- based ceiling tariffs for P2P DLCs as was used in 2014? Please provide your response with justification.**

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**Q13** In case response to the above question is affirmative, what values of the following items should be used for estimation of ceiling tariffs for DLCs:

- i. Return of Capital Employed (ROCE)
- ii. Useful lives of transmission equipment and Optical Fibre Cable separately
- iii. Average no. of fibre pairs lit in OFC in trunk segment and local lead segment separately
- iv. Utilization factor of OFC system in trunk segment and local lead segment separately
- v. % of use for the transmission equipments used at local lead junction points and in trunk segment for DLCs
- vi. If the repeaters are still being used in the trunk segment, what is the average distance between two repeater sites?
- vii. What is the factor of use (no. of circuits in underlying OFC system) to be taken into consideration at local lead and trunk segment for computation of ceiling tariffs?

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**Q14** As an alternative to the BU-FAC methodology, or in addition to it, should LRIC or any other methodology be considered for computing ceiling tariffs for P2P DLCs? Please support your view with detailed justification along with data and assumption.

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**Q15** What should the bandwidth capacities be, including the minimum and maximum bandwidth capacity, of P2P DLC for which ceiling tariffs need to be prescribed? In case of bandwidth capacities not regulated in the 2014 TTO, what should be the concomitant value of the relevant factors mentioned at Q13? Please provide your response with justification.

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**Q16** Should the Authority consider the cost methodologies used in other countries for determining tariffs for P2P-DLCs? If so, which methodologies would be appropriate for the present exercise? Please provide your response with justification along with data and assumptions.

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**Q17** Is there a need for prescribing separate ceiling tariffs for local lead and trunk segment? Should the Authority adopt different cost methodology for local lead and trunk segment for provisioning of DLCs? If yes, please provide your response with justification.

### [COAI response](#)

- a) As stated in the preamble we reiterate that India's DLC market has matured into a competitive, technology-driven ecosystem with market-based pricing, owing to number of competitive players serving the market. Further, the proliferation of advanced new alternatives like SD-



WAN, cloud interconnects, and IP-VPNs have enabled flexible, hybrid architecture which has reduced the dependency on DLCs.

- b) Moreover, we again emphasize that the DLC market is a sophisticated Business-to-Business (B2B) environment where business enterprises negotiate contracts with multiple providers based on volume, service levels, and competitive tendering. This sector thrives on commercial flexibility. Regulatory intervention in B2B pricing would only distort these efficient, commercially negotiated contracts and stifle innovation.
- c) Hence, we do not support adoption of any cost-based tariff model. The mature, competitive DLC market functions efficiently through B2B negotiations and should be allowed to continue to do so.

**Q18 Should the Authority adopt BU-FAC, LRIC or any other methodology for computing ceiling tariffs for VPN DLCs? Please support your view with a detailed justification along with data and assumptions.**

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**Q19 What should the bandwidth capacities, including the minimum and maximum bandwidth capacity, of VPN DLC for which ceiling tariffs need to be prescribed? Please provide your response with justification.**

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**Q20 Should the Authority consider the cost methodologies used in other countries for determining tariffs for VPN-DLCs? If so, which methodologies would be appropriate for the present exercise? Please provide your response with justification along with data and assumptions.**

### COAI response

- a) As highlighted in the preamble, we suggest that the Authority adopt a **forbearance-based approach** and not prescribe any cost-based ceiling tariffs for Domestic Leased Circuits (DLCs). The current market dynamics, technological evolution, and global regulatory trends support a shift away from ex-ante price controls towards a fully deregulated, market-driven framework for these services.
- b) **In the United States**, the FCC vide its “Statement of Chairman Brenden Carr” in “*Notice of Proposed Rule Making and Order, third further notice of proposed rulemaking and order*” stated that “we propose further deregulating business data services currently subject to ex-ante pricing regulation. We will also commence the first comprehensive review of this market in over half a decade with the goal of identifying additional areas for regulatory relief. Our goal is to make sure carriers have the right incentives to invest in the technologies of the future, not the past.
- c) Hence, there is an emerging view that such markets are best served by deregulation. TRAI should, therefore, adopt a forward-looking policy of forbearance in tariffs for DLCs. This will align India with international best practices, encourage unprecedented investment in digital infrastructure and foster innovation in high-speed connectivity products. Thus, we do not support adoption of any cost-based tariff model for VPN-DLCs. A forbearance-based approach is far more appropriate, allowing market forces to determine pricing while preserving incentives for innovation, investment in resilient networks, and the ability to offer customized, differentiated enterprise services.

**Q21 Should the spectrum charges recommend for a point-to-point link of 28 MHz paired bandwidth in the 6 GHz(lower) band, be taken as reference for DLC ceiling tariff? If yes, what could be the approximate order of multiple between the backhaul link charges and DLC ceiling tariff? Should the reference be considered for local lead or trunk segment or on overall basis? Please provide your response with justification.**

**COAI response**

- a) The Authority in its recommendations on assignment of the Microwave Spectrum for radio backhaul issued on 10<sup>th</sup> December 2025 recommended spectrum charges of ₹ 75,000 per carrier per annum for each point-to-point link assignment in 6 GHz (lower)/ 7 GHz band.
- b) The network architecture and service delivery models for DLCs differ significantly from spectrum based backhaul links, therefore being distortive in nature.
- c) However, we submit that the spectrum charges recommended for a point-to-point link of 28 MHz paired bandwidth in the 6 GHz (lower) band should not be taken as reference for DLC ceiling tariff and the same should be left to market forces under forbearance.

**Q22 Is the distance-based pricing, based on distance slabs contained in the 2014 TTO (57th Amendment), still relevant for prescribing ceiling tariffs for P2P DLCs? Should the Authority consider new distance slabs, separately for both the local lead and trunk segments, for prescribing ceiling tariffs for P2P DLC? Please provide your response with justification.**

**COAI response**

- a) As stated in the preamble and response to Q12 to Q 20 above, we submit that the 2014 distance-based slab model is outdated and no longer suitable for setting DLC ceiling tariffs. Tariff forbearance should be the only approach for P2P-DLCs.

**Q23 Is there a need for prescribing separate ceiling tariffs for remote and hilly areas? What criteria should be used to define such regions? Please provide your response with justification.**

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**Q24 How can the Authority ensure affordability in low-competition areas, such as remote and hilly areas, without distorting market incentives? Please provide your response with justification.**

**COAI response**

- a) It is important to clarify that remote and hilly regions are not inherently low-competition markets, rather areas that require significantly higher levels of investment due to geographical and infrastructural constraints. Deployment and maintenance costs escalate substantially in hilly regions. Imposing tariff ceilings in such conditions may render network expansion becoming commercially unviable, particularly in areas where improved connectivity is most required.
- b) Defining remote or hilly areas for the purpose of tariff prescription would be inherently complex and potentially arbitrary. Such regions are complex and vary significantly in terms of terrain, accessibility, infrastructure density, RoW regulations, climatic conditions, and local administrative practices.



- c) The tariff determination in such difficult terrains is already market driven and commercially assessed by the TSPs, on the basis of demand, viability and infrastructure costs.
- d) Therefore, neither a separate tariff ceiling nor any regulatory intervention is warranted for remote and hilly areas, rather we strongly urge the Authority to consider adopting a forbearance approach for entire DLC tariff framework.

**Q25 Are there any other relevant issues related to revision of tariff framework for DLCs which the Authority should keep in mind, while carrying out the present review exercise, to further the broad objectives as espoused in this Consultation Paper? Please provide full details and justification for consideration of the same.**

**COAI response**

- a) N.A.

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