ASSOCHAM Response to TRAI Consultation Paper on Review Interconnection Usage Charges (IUC)

Q1: In view of the recent technological developments in the telecommunication services sector, which of the following approaches is appropriate for prescribing domestic termination charge (viz. mobile termination charge and fixed termination charge) for maximization of consumer welfare (i.e. adequate choice, affordable tariff and good quality of service), adoption of more efficient technologies and overall growth of the telecommunication services sector in the country?

(i) Cost oriented or cost based termination charges; or

(ii) Bill and Keep (BAK)?

Please provide justification in support of your response.

We are not aware that any telecom regulator has changed its wholesale charging approach because of any technological developments in the telecommunication services sector; rather the technological developments get incorporated into the costing model of IUC by the respective regulator. Therefore, we believe that under the present charging regime i.e. Calling Party Pays (CPP), only cost oriented or cost based approach can be implemented.

It is therefore submitted that domestic termination charges should be determined on cost based and work done principle.

Q2: In case your response to the Q1 is 'Cost oriented or cost based termination charges', which of the following methods is appropriate for estimating mobile termination cost?

(i) LRIC+

(ii) LRIC

(iii) Pure LRIC

(iv)Any other method (please specify)

Please provide justification in support of your response.

Under the present competitive environment in the industry, we believe that the adoption of **an Accounting Separation Reports (ASR) based FAC model** would be most appropriate approach which may also considered the future cost of spectrum paid by the operators, for the determination of the termination charge.

We further note that TRAI has not used LRIC or its variants for any other telecom pricing of other network services/ products i.e. IPLC (half Circuits). Port Charges, Cable Landing Station (CLS) Access Charges and ILD Calling Card Access Charges etc.; therefore, we strongly recommend for similarity in the costing approach for termination charges.

Adoption of LRIC method for calculation of termination rates is not the right methodology under current market mix of operators. There is huge imbalance of traffic between the operators and their investments in network. However, if TRAI believes that there is a need to change in the costing approach from FAC to LRIC then we suggest that TRAI should discuss the model and agree with the assumptions in a transparent manner with all the stakeholders.

Q3: In view of the fact that the estimates of mobile termination cost using LRIC method and LRIC+ method yielded nearly the same results in year 2011 (as filed in the Hon'ble Supreme Court on 29.10.2011) and in year 2015 (as estimated for the Telecommunication Interconnection Usage Charges (Eleventh Amendment)Regulations, 2015 dated 23.02.2016), would it be appropriate to put to use the estimates of mobile termination cost arrived in the exercises of year 2011 and year2015 in the present exercise?

And

Q4: If your response to the Q3 is in the negative, whether there is a requirement of running the various LRIC methods afresh using the information on subscriber, usage and network

Since costing models (2011 and 2014) are not available in public domain, therefore, we are not in position to offer our comments.

However, we note that cost structure of the industry has changed substantially due to auction of spectrum, increase in network cost, change in customer behaviors and change in business models etc., therefore, the same cost or cost models cannot be considered for present termination exercise.

In view of above observations, it may be concluded that the previous both models cannot be used for present domestic termination exercise.

Q5: In what manner, the prescription of fixed termination charge as well as the mobile termination charge from wire-line networks as 'zero' through the Telecommunication Interconnection Usage Charges (Eleventh Amendment) Regulations, 2015 is likely to impact the growth of the Indian telecommunication services sector as a whole? Please support your viewpoint with justifications.