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Subject: Tata Communications Limited's response to TRAI Pre-Consultation Paper titled 'Review of Tariff for Domestic Leased Circuits (DLCs)'

Dear Sir,

This is with reference to the TRAI Pre-consultation Paper dated 29-04-2025 on '**Review of Tariff for Domestic Leased Circuits (DLCs)**'.

In this regard, please find enclosed herewith Tata Communication Limited's inputs for your kind consideration as **Annexure**.

We request TRAI to kindly consider our submissions while examining the need for a review of DLC tariffs.

We would be happy to provide any additional information, if required.

Thanking You,

Yours Sincerely,

Alka Selot Asthana
Global Head - Regulatory
Tata Communications Limited

Enclosed: As above



Annexure

Tata Communications Limited's response to TRAI Pre-Consultation Paper on Review of existing Tariff for Domestic Leased Circuits (DLCs)

At the outset, we thank the TRAI for initiating this important pre-consultation on the review of the tariff framework for Domestic Leased Circuits (DLCs). We are pleased to submit our views in support of the current forbearance regime, along with recommendations for further relaxation of regulatory constraints to encourage business growth, investment, and innovation.

Context:

TRAI has been regulating the domestic leased tariffs since the beginning, and the last review was made in the DLC tariff regulation by TRAI in 2014. Since then, TRAI has been monitoring the customer dynamics and technological developments undertaken in the DLC and VPN market over a period of time. The flexibility provided by tariff forbearance has been instrumental in fostering innovation and enabling service differentiation across geographies and sectors in the DLC market.

With the technological advancements, enterprise customers increasingly demand higher bandwidth (e.g., 100G circuits) to consolidate their requirements, reducing the number of circuits but shifting demand to premium, high-capacity services. The Indian DLC market is highly competitive, with operators offering tailored discounts based on enterprise needs, geography, and volume. This trend aligns with global practices where leased circuit tariffs are market driven. Moreover, strict tariffs hinder operators from designing custom solutions (e.g., SD-WAN integration, cloud-optimized circuits) demanded by enterprises. Additionally, VPN tariffs are also not governed under any regulation. TRAI itself has recommended recently in its recommendations of the Service Authorization Framework that ISPs should also be allowed to offer VPN services to enhance competition and innovation. Extending this logic to DLCs ensures parity and reduces regulatory fragmentation.

Tata Communications, being an enterprise service provider, strongly recommend to TRAI that DLC tariffs should be put under forbearance and governed by market dynamics. In our view, there is no regulatory intervention needed for the DLC and VPN market considering that the regulatory intervention risks distorting DLC market efficiency and stifling innovation; therefore, allow market forces to determine pricing, as done for VPNs and higher-capacity DLCs. However, it is essential that a level playing field be maintained by ensuring that only valid licensed entities are continuing to offer such services.

Global experience also demonstrates that tariff forbearance promotes healthy competition, encourages customer-centric service design, and supports rapid technology adoption.



Point wise inputs:

1. Current Trends and Status of the DLC Market

The DLC market in India has evolved significantly over a period of time, driven by the increasing need of high-speed, dedicated, secure and reliable connectivity for applications such as cloud computing, data centers, video conferencing, and IoT across enterprises, BFSI, IT/ITES, healthcare, government, and other sectors. The shift towards digital transformation, cloud adoption, remote work, data intensive applications (AI, big data analytics) and the expansion of data centers are major factors fueling demand for dedicated leased lines of larger capacities. Enterprises are migrating from legacy low-bandwidth circuits to higher capacities to support data-intensive applications. There is also a noticeable shift towards higher bandwidth circuits and flexible managed service models, reflecting the evolving consumption patterns of enterprises. Additionally, this demand is expanding not only in metro and urban regions but also across tier-II and tier-III cities.

The DLC market in India is expected to continue its upward trajectory, supported by the digitalization of the economy, growth in enterprise IT spending, AI related and ongoing infrastructure investments. Therefore, it is an opportune time to make the DLC tariffs also under forbearance which, in our view, will further boost adoption and competition in the sector.

2. Effectiveness of the Existing Tariff System

The existing forbearance-based tariff regime has served the sector well by allowing market forces to determine competitive pricing. This has enabled service providers to design customized offerings, quickly adapt to technological changes, and meet diverse customer needs. TRAI has set ceiling tariffs for certain DLC capacities (E1, DS3, STM-1, STM-4), while tariffs for other capacities are under forbearance, which provides adequate flexibility to service providers cater varied needs of different types of customers which has fostered innovation, cost optimization, and healthy competition, contributing to the overall growth of digital infrastructure and the enterprise telecom sector. Continued forbearance, along with a review of ancillary regulatory constraints, will contribute to the expansion and enhancement of DLC services across India. With the advancement of technology, slowly SDH is phasing out from the market. So, the tariff comparison can also accommodate OTN/Ethernet based capacity slabs other than standard SDH based references.

3. Tariff Structures Across Technologies, Bandwidths, and Distances

Under the forbearance regime, service providers have developed dynamic tariff structures based on bandwidth scalability, technology (e.g., fiber, wireless, OTN, Ethernet), distance, and redundancy requirements. Tariffs are increasingly bundled with SLAs, security, and



managed services, offering value-added benefits to customers beyond raw bandwidth. A prescriptive tariff framework would limit such flexibility. The current model enables enterprise service providers to set prices based on market dynamics, customer demand, and technological advancements, which fosters competition and encourages investment in infrastructure, ultimately supporting the broader goals of digital transformation.

4. Impact of New Technologies

The existing tariff system for DLCs has provided a foundation for market growth and competition but faces challenges in keeping pace with technological evolution, market diversity, and the needs of both customers and service providers. Emerging technologies such as SD-WAN, NFV, and cloud-based routing are reshaping how enterprises consume connectivity. These solutions often integrate or bypass traditional DLC services, underscoring the need for a flexible tariff environment that accommodates hybrid models and fosters innovation without regulatory friction. We emphasize that advancements like 5G, SDN, and NFV have transformed the connectivity landscape, enabling more scalable, cost-effective solutions. These technologies support high-speed, low-latency services catering to the evolving needs of businesses. Therefore, there is a need to adopt a light-touch approach to allow for the organic growth of these technologies without imposing any tariffs regulations.

5. Tariff Differences Across Regions and Routes

Tariff differentials across regions reflect underlying cost structures, terrain challenges, infrastructure availability, and demand density. For instance, remote or hilly regions may face higher costs due to limited fiber reach or right-of-way issues. A market-based approach allows for these differences to be absorbed in pricing, ensuring commercial sustainability. Such regional differences are a natural outcome of market dynamics, therefore, imposing standardized tariffs across all regions will restrict the incentives for investment in underserved areas thereby limit the growth of Telecom infrastructure which is instrumental in enabling Digital inclusiveness. Thus, it is our submission that tariffs for DLCs should be put under forbearance.

6. How Service Providers Set Tariffs Under Forbearance

In a forbearance regime, tariffs are determined based on competition, cost of delivery, customer requirements, bandwidth requirements and service differentiation. Larger customers benefit from economies of scale, while pricing for smaller customers is optimized through bundling or managed solutions. Internal benchmarking, competitive intelligence, and customer feedback are key drivers in tariff determination.



7. Changing Customer Needs and Expectations

Enterprise customers now seek high-speed, secure, scalable, and flexible connectivity solutions. Static, distance-based DLC models are giving way to demand-based, on-demand solutions. Customers also expect integrated SLAs, cloud integration, and analytics—features that rigid tariff regulations would be ill-suited to address. For instance, Customers in sectors like BFSI, IT/ITES, healthcare, manufacturing, and government, are demanding higher bandwidth, low-latency, and highly reliable connectivity to support data-intensive applications, cloud adoption, and remote work.

Further, there is a clear shift from analog to digital leased lines, with fiber-based solutions becoming the norm due to their superior speed, uptime, and scalability. Enterprises increasingly expect managed leased line services that include network monitoring, security, support, and simplified management, rather than just raw connectivity. Customers look for end-to-end solutions that can be tailored to their specific business needs, including SLAs for uptime and performance. Moreover, Enterprises also require flexible contracts and scalable bandwidth options to accommodate fluctuating needs, seasonal spikes, or rapid expansion. All these requirements can only be enabled with the customised services which will have a price differentiation. Therefore, TRAI should bring the DLC tariffs under forbearance.

8. Challenges Faced by Smaller Operators or New Entrants

Smaller operators and new entrants in India's DLC market face barriers related to capital requirements, pricing pressures, infrastructure rollout, and technology adoption. Addressing these challenges will require targeted policy support, rationalization of levies, and initiatives to foster a more level playing field in the market. Any move towards tariff regulation could disproportionately affect them by constraining pricing flexibility and business innovation. Therefore, there is no need for DLC tariff regulations. TRAI may continue monitor the market dynamics to maintain the harmony of the complete ecosystem including Service Provider, Enterprises and End users.

9. Global Best Practices and Relevance for India

Internationally, several best practices have emerged in the regulation and pricing of Domestic Leased Circuits (DLCs). Progressive telecom markets, such as the U.S., U.K., and Singapore, adopt a forbearance or light-touch regulation approach for enterprise and leased line services. This has fostered innovation, competitive pricing, and infrastructure investments. India, too, must continue on this path to ensure that regulatory frameworks keep pace with evolving technology and enterprise demands.



Some of the international trends are as follows:

- **United States (FCC):** The FCC allows market-based pricing for Business Data Services (BDS), including DLCs, promoting innovation and substantial investment in enterprise-grade networks.
- **United Kingdom (Ofcom):** Ofcom applies targeted regulation only in areas with market dominance, encouraging competition and service innovation in competitive zones.
- **Singapore (IMDA):** The IMDA's forbearance approach has led to a rapid rollout of high-capacity leased lines and Ethernet services, benefiting data-intensive sectors like finance.
- **Australia (ACCC):** ACCC's light-touch regulation encourages private investment in fiber and enterprise networks, promoting greater competition and network expansion.
- **European Union (EU Electronic Communications Code):** The EU's deregulation in competitive areas has led to significant investment in leased lines and business broadband services.