

ADITYA BIRLA



IDEA Cellular

6th Nov, 2012

Telecom Regulatory Authority of India
Mahanagar Door Sanchar Bhawan,
Jawahar Lal Nehru Marg,
Next to Dr. Zakir Hussain College,
New Delhi – 110002

Kind Attn: Advisor (Network, Spectrum & Licensing)

Sub: Consultation Paper on Estimation of AFC and Co-location charges at CLS issued on 19th Oct, 2012

Dear Sir,

Please find attached herewith a copy of our comments vide Annexure 1 on the above-mentioned Consultation Paper dated the 19th Oct, 2012.

We welcome the Authority's step to bring out this Consultation Paper and invite comments from all stakeholders, that should go a long way towards correcting the anomalies currently prevailing in the market place and extending increased benefits to the customers.

We are confident that the Authority will take our comments into consideration before formalizing any opinion on this important subject.

Should you require any clarifications or further information on the positions set out in this response, please do not hesitate to contact us.

Thanking you

सलाहकार (एन.एस.एल.)	T
डायरी सं.	२७६०
दिनांक	9/11/12

Yours Sincerely,

For IDEA Cellular Ltd

Rajat Mukarji
Chief Corporate Affairs Officer

Idea

Annexure 1

Idea Cellular's response to the TRAI Consultation Paper on Estimation of AFC and Co-location charges at CLS issued on 19th Oct, 2012

Q1. Cost data and costing methodology used for estimating the access facilitation charges and co-location charges in this consultation paper. In case of a different proposal, kindly support your submission with all relevant information including cost and preferred costing methodology.

Idea Cellular's comment:

- (i) It is our view, that the costing methodology and the cost data used by TRAI are aligned to the global market realities. We further feel that these are appropriate for the purpose of calculating fair AFC and co-location charges and should lead to market and scale (high capacity) driven charges.

Q2. On the power requirement of the transmission equipment i.e. DWDM, DXC equipped with different capacities, supplied by different equipment manufacturers.

Idea Cellular's comment:

- (i) For a 40 lambda system, the power consumption should be in the range of 2-3kW.
- (ii) However, the precise power consumption varies between manufacturers by a factor of +/- 25%.
- (iii) Therefore, TRAI's assumption of overall OPEX (including electricity) of 30% of Capex seems appropriate and there is no need for factoring in the varying power requirements of different manufacturers.

Q3. Percentage used for OPEX and capacity utilization factor with supporting data on each OPEX item specially on space and power consumption of various equipments.

Idea Cellular's comment:

- (i) In our view the TRAI assumptions related to OPEX and capacity utilization seem appropriate.

Q4. Whether ceiling of uniform Access Facilitation Charges may be prescribed for all Cable Landing Stations in two categories i.e. AFC at CLS and AFC at alternate Co-location, or these charges should be dependent on submarine cable system or location of cable landing stations?

Idea Cellular's comment:

- (i) As the Consultation paper brings out itself, there are no substantive differences in the costs between OCLS1 and OCLS2 on the AFC. As per our estimates, the variation between OCLS1 and OCLS2 costs is of the order of only about 8% in case of AFC at CLS and about 3% in case of AFC at alternate location. We feel that the same is likely to hold true for any new submarine system built in future also.
- (ii) We thus strongly recommend that TRAI prescribe a uniform ceiling for AFC for various capacity-categories for all landing stations in the two location categories – AFC at CLS and AFC at alternate location.

- (iii) We further feel that, that the TRAI mandate the OCLS to provide Access Facilities at the CLS location in the specific event of a customer having technical readiness to accept capacities at the CLS location/ building. E.g. Idea Cellular has its own high capacity OFC MUX at the CLS building of one of the OCLS in Mumbai. However, because of the insistence of the OCLS, Idea Cellular is having to take hand-over of capacities at the MMR located at an alternate place in Mumbai. This is an unnecessary addition to the costs of Idea. Further, it translates to another link (from CLS to MMR) which can become a likely point of failure in future and lead to disturbance in services..

Q5. Whether prescribing the access facilitation charges on IRU basis is required?

Idea Cellular's comment:

- (i) In our view, with the massive growth in the International capacities into India; the AFC should be falling at regular intervals, the fall being proportional to the volume growth in capacities. Infact, we have already recommended a periodic review of these ceiling based rates, on an annual or bi-annual basis.
- (ii) Assuming the above and as also that the TRAI shall periodically review AFC and Co-location charges to reflect actual costs; we do not recommend prescribing AFC on IRU basis.
- (iii) However, on International submarine cables, IRU based agreements are very common and It is thus necessary to protect the interest of a customer who has contracted IRU bandwidth on a submarine section. We thus recommend that it should be made mandatory (as part of the amended regulations) for the OCLS to provide AFC and Co-location facilities in accordance with the ceiling rates prescribed by TRAI for the entire duration of the IRU period for a given capacity.

Q6. Whether uniform co-location charges may be prescribed or such charges should be location dependent?

Idea Cellular's comment:

- (i) Currently, all the Cable Landing Stations are located either in Mumbai or Chennai. Future proposed cables are also likely to have these two cities as landing station locations.
- (ii) As these two cities have varying cost structures, especially on real estate and other infrastructure costs, some difference in the co-location charges is appropriate.
- (iii) We have studied the analysis of these cost elements by TRAI in the Consultation Paper and e find the proposed co-locations charges appropriate for Mumbai as well as Chennai.
- (iv) We thus recommend that TRAI specify ceiling rates for co-location charges in Mumbai and Chennai separately.
- (v) Charges for any other city can be prescribed by TRAI at a later date, if cable landing stations come up in cities other than Mumbai and Chennai.

Q7. Whether the restoration and cancellation charges should be either a fixed charge or based on a percentage of the AFC. In case of fixed charge, should the present charges be continued or need revision?

Idea Cellular's comment:

- (i) In our view, restorations and cancellation of capacities are normal business practices in the leasing of bandwidth and other telecom services and are thus implicit as part of the overall annual charges in Purchase Order/ Agreement.

- (ii) For the domestic leased circuits, there are no cancellation or restoration charges specified by TRAI.
- (iii) Similarly, we propose that there should not be any restoration or cancellation charges and these should be set as Nil.

Q8. Any other comment related to Access Facilitation Charges, Co-location charges and other related charges like cancellation charges, restoration charges along with all necessary details.

Idea Cellular's comment:

- (i) Need to specify for capacities beyond 10Gbps:
 - a. While the base capacity level of 10Gbps taken by TRAI shows the recognition of capacity growth on Submarine cables; we wish to bring the rapid growth to TRAI's notice. According to TRAI Performance Indicators Report, the total International Bandwidth into India is already at a level of about 1000Gbps.
 - b. We estimate that data is likely to grow at rates of 50% and beyond over the next 2-3 years. Thus many service providers would already be accounting for much more than 10Gbps of capacities of Submarine cables, and capacities of multiples of 10Gbps will not be uncommon, moving forward. The internationally accepted factors for rate multipliers for doubled capacity is 1.5 (and that for quadrupling of capacity is 2.6 as already considered by TRAI in the Consultation Paper).
 - c. We thus recommend that TRAI specify the rates capacities beyond 10Gbps in multiples of 10Gbps with a multiplication factor 1.5 for every doubling of capacities and factor of 2.6 for every quadrupling of capacities.
- (ii) Practically, a customer, to begin with, contracts a certain capacity (say 5Gbps) on a submarine cable and then the capacity continually gets upgraded to 10Gbps and beyond in tranches. We also recommend that the regulation also mandate the OCLS to pool differently-timed capacities on a single submarine cable and pass on the bulk AFC rates to the user as the capacity used by it grows. Thus, for example, when pooled capacity grows from 10Gbps to 20Gbps (or even from STM16 to STM64), the additional charges applied should be those only the incremental charges required to be paid at the next capacity slab.