

No.: 057/TRAI/2014-15/ACTO

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**Subject: TRAI Consultation Paper No.01/2014 dated March 24, 2014 on Review of Tariff
for Domestic Leased Circuits.**

Dear Sir,

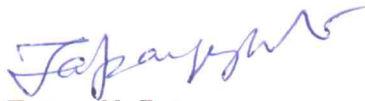
Association of Competitive Telecom Operators (ACTO) is pleased to submit its comments on TRAI Consultation Paper No.01/2014 relating to Review of Tariff for Domestic Leased Circuits.

We hope that our comments (enclosed as Annexure - I) will merit consideration of the Hon'ble Authority.

Thanking you,

Respectfully submitted

Yours sincerely,
for Association of Competitive Telecom Operators



Tapan K. Patra
Director
9899242273

Annexure - I

Response from ACTO on TRAI's Consultation Paper No. 01/2014

on Review of Tariff for Domestic Leased Circuits

1. Current Domestic Leased Circuit (DLC) market in India is competitive with presence of 30+ NLD operators offering services to the customers. Over a period of time, prices/tariffs have been reviewed and as a result of market forces tariff determination has and is being done by way of self-correction.
2. Liberal and pro-competitive regulatory policies such as opening up the NLD sector for private players in 2002, licensing simplification measures taken in November 2005 and other interventions by the regulator ensured that there is sufficient competition and maturity in the NLD segment.
3. We believe that regulatory intervention to correct tariffs in a market is required when there are high tariffs due to lack of adequate competition, impacting the affordability w.r.t a particular product/ service that adversely to the end customers. Given the fact that NLD segment is highly competitive, regulating tariffs may not have much relevance /desired impact in such a scenario as customers are comparatively in a stronger bargaining position due to strong market forces that correct price aberrations in the market.
4. However we believe that there is scope for regulatory intervention in the area of resale of DLC which has remained unaddressed in the past. The Hon'ble Authority may consider reviewing opening up the DLC resale segment by licensed NLD/ILDO's to further enhance competition and optimal utilisation of the bandwidth/capacity (with or without any value addition). From an NLDO perspective, the input bandwidth cost should be allowed to be deducted from the revenue share definition to make the business viable and overall market more affordable for the end user. This will certainly help in further bringing down tariffs in the segment.
5. One of the major problems being faced by the TSPs today is the high cost of RoW in laying underground cables to create access networks. We understand that even small municipalities are demanding approx. Rs 5-10 Lac per KM as RoW cost while the same is in the range of Rs 25-Rs 40 Lac per km in major cities. Thus without bringing down the cost of RoW the ultimate aim of the regulatory to reduce the cost to consumer may not be practically achieved.
6. While most of the telecom tariffs are left to forbearance and to be governed by free play of the market forces, it will be unfair to further regulate the tariff for DLC more so when this segment is already highly competitive in view of reasons explained in preceding paragraphs.

It is important to mention that over a period of time, life span of the telecom equipments in these segments have also reduced to almost half due to rapidly evolving technology and this result in direct impact on Return on Investment (RoI). In addition to this, reduction of tariff as a result of this review will have impact on further investment on new equipment/technologies in this segment.

ACTO suggests that the sufficient level of competition has now reached making it no longer necessary for TRAI to regulate prices. This can now be left to market forces. We can already see significant competitive pressure to lower prices and a lighter touch regulation should encourage further investment in this segment.

ACTO's response on bringing VPN under tariff regulation:

VPN market is already highly competitive as it uses the technology/equipment those are open standard, interoperable and many operators are providing this service. This consultation paper indicates that market dynamics have set VPN cost on lower side as compared to DLC in lower bandwidth segment. VPN services uses lease line, public network which is shared in nature and thus tariff revision in DLC will have automatic impact on the segment of VPN market too.

VPN does not fall in the same service category as DLC. DLC is a dedicated, highly reliable, distance sensitive point to point link to provide services to customers with relatively high bandwidth requirement. VPN is a shared, bandwidth sensitive, secured, scalable service to cater multi location based multi users with best effort quality, not necessarily limited to any national geography/boundary. Regulating its tariffs will lead to a very complex situation for compliance, investment and deployment of any new technology. It may impede the level of innovation in terms of service offerings.

VPN based services are a preferred choice for enterprise segments as a partly alternative to dedicated lease line due to the inherent features like scalability, multi location, efficient bandwidth utilization and lower cost. VPN market in India is growing on an average 10-12 % for last couple of years.

ACTO's comments on the specific questions of the consultation paper are given below:

Question No. 1-5:

ACTO has no comments.

