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Comments on Consultation Paper on Review of Inter connection usage charges.

1 message

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CONSUMER PROTECTION ASSOCIATION
HIMMATNAGAR
DIST. : SABARKNTHA
GUJARAT

To,

Hon. Shri Sunil Kumar Singhal,
Advisor (Broadband and Policy Analysis)
TRAI.

Hon. Sir,

Namaskar.

Please find herewith our comments on " Consultation Paper on Review of Inter connection usage charges ".

You are requested to do needful and oblige.

Thanks.

Yours faithfully,

(Dr. Kashyapnath)
President

Member organization : TRAI

Encl. : Comments.

 **Comments on IUC.pdf**
229K

**CONSUMER PROTECTION ASSOCIATION
HIMMATNAGAR
DIST. : SABARKANTHA
GUJARAT**



Comments on

Review of Interconnection Usage Charges

Introduction :

BAK benefits all stakeholders, including consumers and operators. Firstly, it allows modernization of networks by encouraging incumbent operators to adopt latest network technologies, which was getting difficult in a cost based termination scenario owing to in built cost compliancy. Thus, cost effectiveness of packet switched call, using latst IP technologies, shall prompt operators to implement VoLTE technology on all IP network platforms. This will not only reduce their operational costs but will also improve call quality and fix call drops.

Once BAK is implemented, all operators will move to latest technologies as fast as possible because of inherent cost benefits and they themselves would prefer IP-based interconnection. Even Globally, IP-based

network is the preferred model to address the so-called Next Generation Network (NGN).

Secondly, consumers will be benefited significantly. Existing mobile termination charges acted as a barrier for reduction in retail tariff. The operator of the originating call has to design and collect tariff from consumers which includes IUC payable to the terminating network operator.

Hence, end user-tariffs cannot be reduced unless IUC is eliminated. BAK will directly reduce consumer retail tariff, which will promote wider adoption of wireless telecommunication among marginal sections of society who are yet to enjoy the merits of telecom revolution. It will encourage flat rate billing, which will be in the interest of consumers and will address higher tariff differentials for on-net and off-net calls on legacy networks.

This would result in simplification of tariff plans and more competitions. Operators can design innovative tariff plans such as, bundled pricing and new operators can effectively compete with incumbent operators on pricing arena. BAK will help in efficient and optimum network usage as operators will offer tariff schemes best suited to customer needs. Reduced retail tariffs and increased usage will boost growth of the sector.

Thirdly, there will be fair and transparent competition. This is crucial in today's scenario where operators are in conflict mode even publically.

BAK empowers operators by providing a level playing field with over-the-top (OTT) applications. Operators who have upgraded to IP-based

technologies network can now compete more effectively with OTT applications.

There are no interconnection costs faced by OTT applications and therefore, these communication apps are able to offer voice service at close to zero cost. The BAK regime will enable telecom operators to compete effectively with the OTT apps as they would also be able to offer voice at close to nil cost possibly, this will be a better and practical approach to counter the OTT reach.

Q1: Is there a need to revise the applicable date for Bill And Keep (BAK) regime i.e. zero mobile termination charge from 01.01.2020? If yes, then what parameters should be adopted to decide the alternate date? Give your suggestions with justification.

Comments :

No.

Because :

1. IUC directly impacts the call tariff. Reduction in IUC is likely to yield consumer benefits through low call charge. So scrapping the IUC is in the interest of Consumers and the Industry also.
2. This step will trigger a downward revision in tariffs and benefit all consumers.

3. 2014 International Telecommunication Union (ITU) Report recommends that " The regulator should follow a " bill and keep " regime. If immediate implementation of bill and keep is not possible, then it should move towards a zero termination charge regime as fast as possible. "
4. Singapore already has a BAK regime in place for mobile interconnection. IDA observed that :

" The BAK model will be able to work regardless of whether voice traffic is capacity – based or minutes – based. As each operator bears its own costs, the BAK arrangements also helps to steer operators to more efficient technology to keep their cost low. It also avoids the problem of terminating network monopolies and relieves the industry of the transaction cost associated with interconnection billing and settlements. Hence, IDA is of the view that the BAK regime may be an appropriate long term solution that could apply to all interconnection settlements, whether between fixed or mobile, PSTN, cellular or IP and regardless of the devices used and the number level assigned.
5. A BAK methodology allows mobile operators to recover the cost of providing service within their network from their own customers. Customer can then respond to pricing and other market signals to select the mobile operator offering the best value of money.
6. Several recent theoretical papers have advocated the adoption of BAK as the most appropriate regime in the presence of call externalities. The general conclusion from this literature is that there

is no wholesale regime that can be expected to be efficient under all circumstances for all types of calls, but BAK is likely to perform better than average.

7. The majority of service providers in India and globally have been moving away from pure per minute pricing or linear pricing to flat rate or bucket plans. These plans involve a set spend per month and include up to a certain number of minutes and SMS, data and other VAS. Often the higher level plans have an unlimited allowance for calls or SMS, effectively moving away from a pure retail level calling party to pay (CPP) approach as the customer now faces a zero incremental retail cost for each additional call minutes.
8. In addition to multiple academic studies, the European Regulatory group BEREC stated in their 2010 common statement that :

" BAK is expected to lead to higher average usage per capita and a lower average price per minute, estimated on the basis of both empiric data and on analytical reasoning. From the section on empirical evidence, limited to mobile services, it seems evident that countries that use BAK regimes or with very low mobile termination rates have far higher usage per capita and lower average price per month.
9. Currently, the Indian mobile networks have almost balanced incoming and outgoing traffic. This is evidenced in the TRAI's submission to the Supreme Court in their 2011 affidavit.

10. In the countries where BAK is active, such as the US, Canada, Hong Kong and Singapore, the mobile operators are profitable and have not faced financial problems. It has benefited consumers and enhanced competition.
11. Competition remains the most effective driver to promote network efficiency, innovation and inclusion. The best way of addressing rural expansion and low income inclusion is through improved consumer welfare, which is through improved consumer welfare, which is linked by competition to a zero IUC. Therefore BAK is compatible with network investment to increase capacity, expand coverage and to upgrade to newer technologies.
12. BAK will encourage flat rate billing and time differentiated charges, both of which will improve capacity utilization and will be in the interest of consumers. It will also reduce the inter-operator off-net traffic imbalance, and thus could help in convergence to any equilibrium situation.
13. The ITU report – 4th Generation regulations : driving Digital Communication Ahead – also cautions regulators against a general misuse of interconnection regulations by the service providers.
14. The ITU report states that “ where regulations are needed to mediate interconnection disputes, rate should be based on maximizing economic welfare.

In the Indian scenario, the economic welfare of masses is maximized when the 4G network are expanded so that benefits of digital

economy reach everywhere. The major bottleneck of the " Digital India " program is lack of availability and access as well as high cost of broadband.

15. ITU has recommended a pure long range incremental cost (LRIC) method that was followed successfully in European union (EU). In pure LRIC only those costs are allowed that would hypothetically be avoided if the termination service were withdrawn. This excludes all fixed costs and common cost mark ups. It ensure that economies of scale are fully incorporated into the termination rates.
16. IUC is associated with old telecom technology. It has been out paced by rapid modernization and technology evolution in the sector. Since IP based networks are poised to be the networks of the future for providing telecom services, a Bill And Keep (BAK) regime should be seen as a natural facilitator for the development of technology.
17. If IUC system continue for long, it would delay the development of more efficient technologies and more innovative and customer friendly tariff offering. That in turn, will hurt the growth of the telecommunication service sector.
18. A zero IUC regime works as an incentive for technology upgrades. Termination charges are working as a disincentive to the deployment of new technology such as VoLTE and migration to IP network by operators. Moving towards BAK will encourage adoption of the latest technologies and the deployment of IP-based telecom network.

19. IUC should not be considered as a source of revenue, it should be treated as a reimbursement from calls being terminated on a rival network. IUC can't be a revenue generation model.
20. Vodafone India and Idea cellular has completed their merger in August 2018 and are currently undergoing an integration exercise to create synergies which would bring down costs of operating networks. The company has also raised Rs. 17920 crore into a Vodafone Idea via the right issues of Rs. 25,000 crore.
21. They have monetized its fiber assets and stake in the joint entity of Bharati Infratel and Indus towers. This is likely of saving by way of lower administrative cost, saving on account of common expenses, tower operating center costs etc.. Apart from this saving on common investments such as IT, facilities like corporate headquarters, tower operating centers etc..
22. Bharati Airtel and Vodafone Idea both companies wrap up reframing bulk of their respective 2G and 3G airwaves for 4G services. Airtel expects to shut its country wide 3G network by December. Vodafone Idea is also expected to conclude its dual network integration by June 2020.
23. TRAI should comply with its affidavit submitted to the Supreme court.
24. Now there is no absence of Traffic symmetry in the industry as, the subscriber share is just near about each other i.e. Reliance Jio has a share of 36% voice minutes, Bharati Airtel has 33.5% and Vodafone Idea has 30.7%.

25. The average Revenue Per User (ARPU)does not recognize IUC. At a time when the world is moving towards IP based technologies, it cost of voice has come down to a fraction of paisa and customer should enjoy this advantage.
26. The telecom Industry recorded a near 9% sequential jump in Adjusted Growth Revenue (AGR) in the June quarter, which is the sharpest on quarter growth over for the financial stressed sector amid some stability in tariff.
27. As per the Sanjay Kaul, Managing director, Golbal Service provider, Cisco, 4G coverage in India is expected to cross 90% availability mark, both in rural areas and across the country in the next couple of years.
28. The total number of internet users in India will double to 829 million by 2021, and it is expected to most of this growth to come from rural India. Today, one out of every three 4G users are living in rural area, and this is to grow significantly over the next couple of years. This growth in internet usage, and in particular 4G penetration in rural India is mainly driven by the proliferation of smart phones, lowering of data costs and increasing household disposable incomes.
29. Scraping the interconnect usage charges from January is likely to drive incumbent telecom operators to rapidly launch and expand calling over VoLTE technology and unveils more bundled offers to protect their tariff.
30. After a comprehensive review of the IUC regime through a transparent and elaborate consultation process in 2016, the Authority

issued the “ **Telecommunication Usage Charges (Thirteen Amendment) Regulation, 2017** ” (Placed before the Parliament) that confirmed IUC for mobile calls will be zero from the January 2020. (Ref. (3) outcome of Authority’s Analysis, Point 97(b))

Caution :

1. Rural coverage of 4G network is not adequate.. Telecom operators are in the process of expanding their 4G network to meet growing demand in both rural and urban locations.
2. Telecom infrastructure used for terminating voice, installed in rural areas are primarily backed by revenue generated from incoming calls.

Thanks.

Yours faithfully,

(Dr. Kashyapnath)
President