

Telecom Regulatory Authority of India (TRAI)
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TRAI issues Consultation Paper on “Access Deficit Charge (ADC)”

TRAI has initiated a consultation process on Access Deficit Charge (ADC) regime for the financial year 2007-08. The last date for submission of comments by stakeholders is 26th February 2007.

The ADC regime has been put in place by the Authority, within the context of the evolving situation in the telecom market particularly the exponential growth trend, to manage the sustainability of the operations of the fixed line operators in a competitive environment and a transition to overall low tariff regime. The financial support for transition was particularly important for the network with large coverage area and focused on important social objectives in the telecom sector. However, the ADC is a temporary framework of financial subvention mainly to incumbent operator for rebalancing of tariffs during a transition period.

TRAI has been reviewing the ADC regime on an annual basis. Framework of ADC Regime has already been established by the Authority through various Regulations since 2003, which envisaged that:

- **ADC is a depleting regime**
- **ADC cannot be continued in perpetuity**
- **No need of fresh calculations for the admissibility of ADC**
- **ADC would be reduced to zero in the year 2008-09.**
- **ADC should be replaced or merged with USO (Universal Service Obligation) regime from 2008-09**

As per the established framework, ADC will be phased out in 2008-09 and any fixed Wire-lines with below cost operation especially in rural areas with regulated tariffs having any justification for access deficit needs to be covered through USO.

Accordingly the present Consultation Paper issued by TRAI addresses the review of ADC regime and has raised following specific issues for consultation:

- For the funding of ADC in 2007-08, whether the Authority should maintain the present reduction trend in ADC amount.
- Mechanism of contribution to ADC.

The total estimated amount of ADC for the year 2006-07 was Rs. 3335 Crore, out of which Rs. 3200 Crore was the estimated ADC for BSNL. For funding/collection of such amount the specified ADC rates were:

- Rs. 1.60 per minute for Incoming International Long Distance Calls.
- Rs. 0.80 per minute for Outgoing International Long Distance Calls.
- 1.5% of Adjusted Gross Revenue (AGR) of all service providers i.e. Access Providers, National Long Distance Operators and International Long Distance Operators.

The options raised in the consultation paper for funding/collection of ADC are:

- (i) Move to a revenue share regime if the incidence of burden can be ensured on International Calls.**
- (ii) Per Minute basis from ILD incoming and outgoing calls and percentage of revenue share (same as existing Scheme) though at reduced scale.**
- (iii) Per Minute basis from ILD incoming calls only and percentage revenue share on the AGR of all telecom service providers.**
- (iv) Recovery of Complete amount of ADC from ILD Incoming calls on per minute basis only and no ADC from percentage revenue share.**
- (v) Recovery of complete amount of ADC from ILD Incoming and out going calls on per minute basis and no ADC from percentage revenue share.**

Reduction in rates of ADC after due consultation would pave the path for:

- Lower Telecom Tariffs
- Sustained Growth
- Reduction in rate of ADC on International calls would reduce arbitrage hence less incentive for ILD Grey Market
- Greater flexibility to service providers

The consultation paper is available on TRAI's website: (www.traigov.in). All the stakeholders are requested to send their written comments through email/fax/letter by 26th February 2007.

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Authorised for Issue

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