

Information note to the Press (Press Release no. 38/2014)

For Immediate Release

TELECOM REGULATORY AUTHORITY OF INDIA

TRAI reduces ceiling tariffs for Domestic Leased Circuits (DLCs).

New Delhi, the 14th July, 2014: TRAI has reduced ceiling tariffs for Point-to-Point Domestic Leased Circuits (P2P-DLCs) of E1 (2Mbps), DS3 (45 Mbps) and STM-1 (155 Mbps) capacities and has brought DLCs of STM-4 (622 Mbps) capacity under tariff regulation. The tariffs for DLCs of less than E1 capacity have been left under forbearance. The revised tariff regime for DLCs will come into effect from the 1st August, 2014.

A leased circuit is a two-way link for the exclusive use of a subscriber regardless of the way it is used by the subscriber. A leased circuit having both of its end-links within India is termed as a Domestic Leased Circuit (DLC). As per the present licensing regime in the country, both, national long distance operators (NLDOS) and access service providers (ASPs) can provide DLCs.

The DLCs form crucial building blocks for the delivery of various services like e-commerce, e-governance, Internet access for the masses and knowledge based industries like Business Process Outsourcing (BPO), Information Technology (IT) and Information Technology Enabled Services (ITES) industries. Enterprises, having their offices spread out in the country, lease-in bandwidth capacities (i.e. DLCs) from the TSPs to carry their data and voice traffic. Besides, telecom service providers (TSPs) who do not own sufficient transmission infrastructure in any geographical area also lease-in DLCs in order to provide various telecommunication services to their customers. Given the fact that DLCs provide the backbone for not only the telecommunication services sector but also a host of knowledge based industries, these are arguably key inputs for the economic growth of the country.

Since 1999, the tariffs for P2P-DLCs have been regulated in the form of ceiling tariffs on the basis of capacity and distance. The tariffs for DLCs were last revised in the year 2005.

The present exercise to review tariffs for DLCs was initiated by TRAI earlier this year in the context of decline in per unit costs of providing DLCs due to (i) increase in demand, (ii) increase in transmission infrastructure and (iii) increase in the bandwidth carrying capacity of transmission media, and signs of lack of competition in some parts of the country.

After following a comprehensive consultation process, the Authority, through the TTO (57th Amendment), 2014, has brought about the following changes in the tariff regime for DLCs:

- (a) Tariffs for DLCs of less than E1 capacity have been kept under forbearance.
- (b) Ceiling tariffs for DLCs of E1, DS-3 and STM-1 capacities have been reduced.
- (c) The DLCs of STM-4 capacity, tariff for which was under forbearance, have been brought under tariff regulation by way of prescription of ceiling tariffs.

The following table summarizes the reduction in ceiling tariffs for DLCs after the implementation of the TTO (57th Amendment), 2014:

Capacity of DLC	Ceiling tariffs for DLCs (in Rs. per annum)					
	For the lowest distance band*			For the highest distance band (>500 Km)		
	Existing	Revised	Percent change	Existing	Revised	Percent change
E1	17,016	12,086	-29%	850,000	341,000	-60%
DS-3	666,798	584,000	-12%	6,159,000	2,654,000	-57%
STM-1	1,787,528	1,610,000	-10%	16,520,000	6,965,000	-58%
STM-4		4,188,000	-		18,108,000	-

* The lowest distance band is 5 Km for E1 capacity and <50 Km for the remaining capacities.

With the implementation of the reduced ceiling tariffs, the customers seeking DLCs on the thin routes connecting small cities, remote and hilly areas etc. (i.e. the routes which are not sufficiently competitive) would be benefited. The Authority is of the view that this reduction in the ceiling tariffs for DLCs would give a boost to the overall growth of the economy.

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Secretary, TRAI