



Cellular Operators Association of India

FOR YOUR MOST URGENT KIND ATTENTION, PLEASE
WITHOUT PREJUDICE

TVR/COAI/051
March 30, 2008

The Telecom Regulatory Authority of India
Mahanagar Doorsanchar Bhawan
Jawahar Lal Nehru Marg (Old Minto Road)
Next to Zakir Hussain College
New Delhi 110002

Dear Sirs,

TRAI'S TELECOMMUNICATION INTERCONNECTION USAGE CHARGES (TENTH AMENDMENT) REGULATIONS, 2009 (2 of 2009)

This is with regard to the revised IUC Regime notified by the Authority on March 9, 2009 that, inter alia, revises the mobile termination charges down from 30 paise per minute to 20 paise per minute.


It is submitted that the said downward revision is deeply flawed as:

1. It permits only a partial recovery of cost of termination through MTC (by excluding key elements of costs such as cost of capex) and advises that the balance costs should be recovered by way of higher outgoing tariffs
2. It advocates a cross-subsidy regime where there is no direct linkage between the party that incurs the cost and the party that pays for the same.
3. It is estimated that the extent of cross-subsidy being transferred from termination costs to outbound tariffs, even as per the numbers and calculations tabled by the Authority, is to the tune of around 7-10 paise per minute.
4. It is anti-consumer and goes against the core objectives enshrined in NTP-99, which is the spread of affordable service, especially to rural areas by stating that the operators are free to recover their capex from rentals and origination charges.
5. Higher outbound tariffs to recover costs of mobile termination will impact the affordability of the service and discourage take up of service amongst low and marginal subscribers, including and especially those in the rural areas.
6. It departs from the fundamental principles of cost based interconnection that are enshrined in the WTO Reference Paper and the GATT framework reasoning and have also been repeatedly enunciated by the Authority from time to time, since 1999 and even in 2009 in the present Regulation.
7. Despite observing in 2003 that a "change over to FLLRIC model is imperative", it has discarded the internationally accepted best practice FLLRIC model on trivial & flawed grounds that it is complicated, time consuming, requires expertise, could lead to litigation, etc.

8. It disregards vital cost elements in determination of MTC viz. exclusion of capex, etc despite recognizing that :
 - a. the service provider needs to be fairly compensated for its investments and operational expenses through appropriate components of IUC to drive growth of telecommunications services.
 - b. *"interconnection usage charges imply setting of charges to compensate explicitly one operator for the costs imposed on him by the other operators use of his network to originate or terminate a call"*
9. Its apprehension that operators may over invest in capex is at variance with the national telecom objective of attracting and encouraging investment for rollout to rural and remote areas so that each and every citizen has access to telecom services. A cost model should not be one that discourages investments especially in circumstances where rural India still needs to be connected on a priority basis.
10. It disregards that as per international best practices, CAPEX costs are included as relevant costs for the determination of mobile interconnection charges. Countries that have considered CAPEX costs include United Kingdom, Malaysia, Pakistan, Brazil, Israel, etc
11. It violates the mandate of transparency ordained under the TRAI Act. By disclosing data /information (again highly inadequate) after amending the Regulation, makes the entire exercise, fait accompli.
12. By not correctly compensating operators for capex, it will discourage rural rollout thus aggravating the already widening digital divide that is a matter of growing concern in the Government.

In light of the above, we would thus like once again urge the Authority to reconsider the MTC calculations in line with our above submissions.

Sincerely,


TV Ramachandran
Director General

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