

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

**COAI'S PRELIMINARY SUBMISSIONS**

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.

COAI'S preliminary submissions in this regard are as under:

**I. REGULATION IS ANTI-CONSUMER & AGAINST NATIONAL TELECOM POLICY OBJECTIVES**

- a. It is a matter of very serious concern for us to note that **not only is the Authority permitting only a partial recovery of cost of termination through MTC** (by excluding key elements of costs such as cost of capex), but is **in fact advising that the balance costs should be recovered by way of higher outgoing tariffs, rentals, etc.** Attention in this regard, is drawn to the following extracts from the Explanatory Memorandum:
  - *Termination charge is not the only stream of revenue from which all CAPEX and OPEX needs to be recovered. There are other streams like fixed charges, origination charge, revenue from value added services and so on. (para 5.3.20)*
  - *Considering the CAPEX or even proportion of it for calculating the termination charge would unnecessarily transfer the burden to the interconnecting service providers...the interconnecting service provider ...should be required to pay the bare minimum cost.*
  - *Service providers are free to recover their CAPEX from the rental and the origination charge that is under forbearance. (para 5.3.23)*
- b. It is very clear from the above that the Authority is explicitly encouraging a higher tariff regime by **suggesting that the under recovery of termination cost is free to be offset by raising outbound tariffs.**
- c. The Authority is thus advocating 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. This is illogical, incorrect unfair and untenable and goes against all principles of cost based interconnection.
- d. The above view of the Authority is **all the more surprising** as the Authority has repeatedly recognized that operators need to be fairly compensated for both the capex as well as opex costs incurred by them. Attention in this regard, is drawn to the following paras in the Explanatory Memorandum:
  - *Termination of calls generated by subscribers of other interconnecting service providers involves cost for which the service providers need to be fairly compensated. (para 1.4)*
  - *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. (para 2.2)*

- e. It is further submitted that the **method of recovery** suggested by the Authority **goes against the very basic policy objective of the Government, which is the spread of affordable service, especially to rural areas.**
- f. It may be appreciated that the **higher outbound tariffs/rentals advocated by TRAI** (see Para 5.3.23) 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.**
- g. Calculations elsewhere in this document show 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.**
- h. In light of the above, we believe that the **Authority's view that the said costs can be recovered from origination charge or rentals** that are under forbearance or from the revenues earned from value added services is **not only against its own statements that the costs of interconnection should be fairly paid by interconnecting service providers, but is seriously anti-consumer and against all tenets of national telecom policy and Government objectives of affordable telecom services.**

## **II. REGULATION IS AGAINST PRINCIPLES OF COST BASED INTERCONNECTION**

- a. It is respectfully submitted that the said **downward revision** is based on a flawed reasoning inasmuch as the **same deviates from the fundamental principles of cost based interconnection** that are **enshrined in the WTO Reference Paper and the GATT framework** which states that "*interconnection to be ensured for all in a timely manner, under non-discriminatory terms, at cost oriented rates*"
- b. **Cost-based pricing methodologies are widely accepted to be more economically efficient** because they **more accurately reflect the true underlying cost** of providing interconnection services. They are thus more conducive to promoting market entry and competition. Consequently, **most countries have moved or are moving towards cost-based determination of interconnection charge.** WTO, EC and IRG have also recommended adoption of cost based approach.
- c. The above **principles of cost based interconnection** have **also been repeatedly enunciated by the Authority from the very inception** of the interconnection regulations since 1999. The Telecommunication Interconnection (Charges and Revenue Sharing) Regulation 1999 (1 of 1999) states as follows:
  - i. *Interconnection charges shall be cost based, unless as may be specified otherwise.*
  - ii. *For determining cost based interconnection charges, the main basis shall be incremental or additional" costs directly attributable to the provision of interconnection by the interconnection provider.*

*-The Telecommunication Interconnection (Charges and Revenue Sharing) Regulation 1999 (1 of 1999)*

In fact even in its present Amendment, the Authority has noted that *“interconnection usage charges imply setting of charges to compensate explicitly one operator for the costs imposed on him by the other operators for use of his network to originate or terminate a call”*

- d. We fail to understand how the Authority, having recognized the above, can still prescribe and continue with a regime, where it admittedly permits only partial recovery of costs through the IUC/MTC.
- e. This approach flies in the face of the very principle of cost based interconnection and goes against the Authority’s own statements and reasoning.

### III. REGULATIONS REJECTS INTERNATIONAL BEST PRACTICE FLLRIC MODEL ON TRIVIAL & FLAWED GROUNDS

- a. It has been **repeatedly submitted by COAI**, both in the present as well as earlier consultation exercises, that as per an examination of global best practices for the determination of mobile termination charges, the Long Run Incremental Cost Model (LRIC) has emerged as the preferred choice of regulators not only in Europe but also in several developing markets.
- b. The desirability / suitability of the FLLRIC methodology has also been recognized by the Authority ever since 2003 when the Authority had opined that a “change over to FLLRIC model is imperative” and had proposed that a full shift to FLLRIC cost would be achieved in a gradual manner over a few years rather than a single year change.
- c. However despite the fact that over 6 years have elapsed since the above principle was enunciated by the Authority, there appears to be **no attempt to shift over to FLLRIC**. This reluctance to adopt, what is well acknowledged to be an international best practice approach, is inexplicable.
- d. Further, within the LRIC framework, it is the Hybrid FLRIC model, based on a hypothetical efficient operator that is widely accepted to be the international best practice in cost modeling for MTC as it provides a view on likely costs of the network going forward, verified against actual past performance.
- e. This is evident from a detailed and comprehensive study done by PriceWaterhouseCoopers for the GSM association on “The setting of mobile termination rates: Best practice in cost modeling”, a copy of which has already been forwarded to the Authority during the pre-consultation process.

For the said study, PwC relied upon its experience of working with mobile operators and regulators in over 20 countries in the context of setting cost-based mobile termination rates (MTRs); publicly available information on the websites of National Regulatory Authorities (NRAs) and network operators and also conducted a survey /study of operators worldwide from 29 countries, both developed (12) and developing (17).

The above exercise has lead PwC to conclude and recommend the areas where best practice has emerged including:

- The use of a hybrid model,
- The use of economic depreciation,

- The use of a **forward looking model incorporating historic data as a sense check**,
- **Allocation of costs between services based on routing factors**,
- Networks are assumed to be efficient in competitive markets, etc

PwC has also opined that the **setting of MTRs is best achieved in a transparent consultative process** that includes the NRA, operators and other interested stakeholders.

- f. Furthermore, **it was based on the principles and best practices enunciated in the said report that COAI-SVP developed a Hybrid FLLRIC model** and submitted the same to the Authority for its consideration in the ongoing IUC review.
- g. However, **to our deep distress, the Authority, despite recognizing that the FLLRIC method has the advantages of subsidy free prices** as each customer pays for his service and inefficiencies of individual operators are excluded, **has completely discarded this methodology** on trivial and flawed grounds, including, inter alia, that:
- The **method requires** that the team involved in such modelling has the advantage of having **network planning expert(s)** among them.
  - Faulty planning process and assumptions could lead to incorrect design of the efficient network and consequently incorrect costing and cost allocations.
  - These **models are hard to develop**.
  - They are **time-consuming and lead to high regulatory cost**.
  - They are not based on accounting procedures and therefore **difficult to audit**.
- h. With all due respect, it is submitted that **when the National Regulatory Authority of a fast growing telecom market like India is examining the crucial and highly commercial issue of interconnection**, it **undoubtedly has access to the best advisory services**, whether in-house or outsourced **to develop and introduce a cost based model that is based on international best practices and sound costing principles**.
- i. We believe that it is **absolutely incorrect and unfair to discard an approach or methodology that is recognized as best practice** and one that is being increasingly adopted by enlightened regulators not only in developed but also developing countries, **on the grounds that it is complicated, time consuming or requires expertise**.
- j. It is submitted that **as per a PwC survey, carried out as a part of the study referred to above, out of the 17 developing countries surveyed, the overwhelming majority of countries are following Hybrid-FLRIC based on a hypothetical operator**. Relevant charts from the PwC GSMA report (see page 36 of the Report) are reproduced here for ready reference.

What cost standard is used in the model?

As shown in the chart below, a clear majority of operators are currently using LRIC models. Some of the respondents have commented that the model which is currently used in price setting is FAC/FDC however there is work in progress on a new LRIC based cost model.

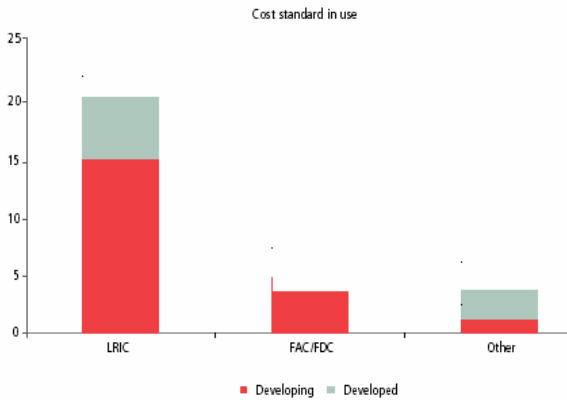


Chart 3 – Costing standard in use

It may be noted that the bulk of the countries are following the LRIC approach. The Report also mentions that even in instances where the FAC/FC model is being used, work is underway to move to an FLLRIC approach.

Further, it is also important to note that FLLRIC is the model of choice for most developing countries.

Even within FLLRIC, it emerges that international best practice is to adopt the Hybrid approach (as has also been done by COAI-SVP).

Here again it is clear that it is the developing countries that are at the forefront of this international best practice.

By far the most common type of model is a hybrid model, although there are still a few countries in which other methods are used. Again, some respondents have commented that although the current model may be either top-down or bottom-up, a new hybrid model is currently in development.

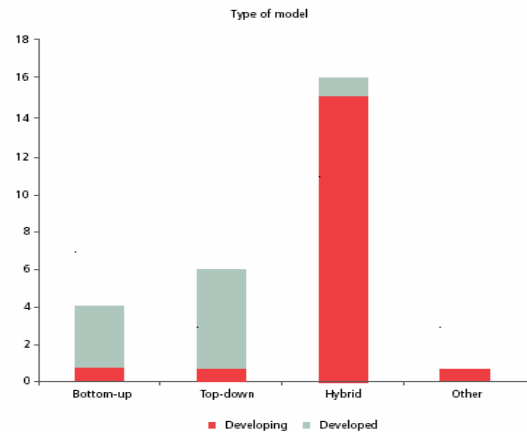


Chart 4 – Type of model in use

In the majority of countries cost modelling involves modelling a hypothetical operator. The answers to this question will have been influenced by the wide use of the World Bank model which is a hypothetical operator model. Where a hypothetical operator was modelled the operator was defined as an efficient operator in all but two countries.

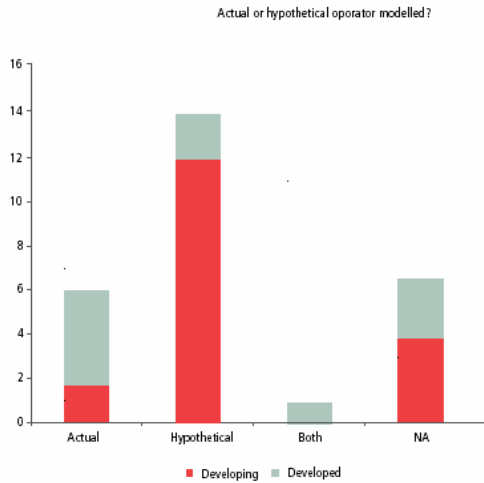


Chart 5 – Actual or hypothetical operator

Use of a hypothetical operator for cost modeling is another best practice, which again has been adopted by most developing countries.

- k. In light of the above, it is most respectfully submitted that **when regulators in other developing countries have access to the expertise and can develop this allegedly complicated and time consuming model, why not India?**
- l. Furthermore, we note that the **Authority has also wrongly** disregarded and discarded the model and calculations submitted by COAI-SVP on the grounds that:
- Details submitted were only for bottom-up analysis and Top-down results were not provided.
  - Results of the model were different for a hypothetical efficient operator and hypothetical new entrant. Use of 'scorched node' approach is not appropriate for new service providers.
  - Inclusion of both CAPEX and OPEX transfers the whole cost of an operator to an interconnecting operator, the smaller and new service providers would be at a disadvantage of high input cost and would not be able to offer innovative tariff plans.
  - method is based on numerous assumptions that may be contested by rival operators.
  - These calculations does not show use of the incremental cost incurred by existing service provider for terminating incremental traffic which should actually be done for the LRIC model.
  - Assumptions with regard to sharing in of infrastructure, call mix, market share etc. has also been taken in such a way that they are leading to higher termination charge.
- m. In respect of the above,

- i. It is first submitted that **the Authority has never once sought any further information, data or clarity from COAI**. In fact, **this issue was brought up for the first time only during the open house at Hyderabad and COAI had categorically confirmed** to the Authority vide our submission No. TVR/COAI/039 dated March 04, 2009 that **the said data can be made available** to the Authority should it so desire. Under these circumstances, we believe that it is **unfair for the Authority to reject our submissions on the ground that some data or information was not provided**
- ii. It is further submitted that the **COAI model has been developed by internationally renowned consultants** that have **extensive experience and expertise in the field on interconnection** and **have advised several countries, regulators, etc** on the important issue of interconnection/MTC. The **credentials of the consultants have also been presented to the Authority during the course of our interactions**.
- iii. The **model developed by SVP is based on international best practice** and the hypothetically efficient operator has been modeled based on the **assumptions which were discussed and finalized during the meeting in COAI in which all the stakeholders were present**. The Model is thus based on assumptions which were arrived at after seeking and incorporating consensus views of all members. The model **also draws information/ data from the industry benchmarking study and the TRAI PMR reports**. Hence the model is based on assumptions and data which are as robust as possible.
- iv. Also, the **rejection of COAI's submissions out of hand on insubstantial grounds** on that a particular approach is inappropriate, or that the assumptions will be contested, or will lead to a higher charge, etc, **is completely incorrect and unfair**. **If the Authority has any varying views** regarding the assumptions, calculations, etc, **it must engage with the stakeholders, consultants, etc to arrive at a consensus view**. The **approach of the Authority should have been "convince or be convinced"**.
- v. Further, **apprehension of litigation cannot and should not stop an Authority from adopting the right approach**. A recognized international best practice approach cannot be discarded for the above reasons.
- vi. The Authorities view that the model will be contested by rival stakeholders overlooks the fact that the **COAI-SVP submissions that represent the consensus view of the entire industry**. In this context, it may also be pertinent to point out that **if COAI, a body with no enforcement powers and limited resources, can engage with its member operators, who also have varying commercial interests, and can arrive at a consensus submission based on sound cost based principles**, we believe that an expert and powerfully body like the **Authority, with significant regulatory and enforcement powers would be far more effective in building consensus**.
- vii. In this regard, attention may be drawn to **another contentious and commercial issue, viz. that of mobile number portability where a joint working group was constituted** by the Authority and **all stakeholders are participating in the same despite having different commercial interests**.
- viii. Thus, we **do not agree with the Authority's view that a joint working group would not be productive given extreme and conflicting pursuits and would create uncertainty** in the industry (para 4.8). It is submitted that the

present approach for calculation of MTC appears to be based upon more upon ease and convenience rather than doing what is correct and proper.

- ix. Further, the Authority's view that inclusion of both CAPEX and OPEX transfers the whole cost of an operator to an interconnecting operator is at variance with its view elsewhere in the Regulation that:
- *“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”*
  - if the interconnection price is set “too low” then inefficient competitors may enter the market. Incumbent operators may not invest sufficiently in the network and compromise on the quality of service. (para 2.2)
- x. With regard to the Authority's apprehensions of complexity are the approach voiced in paras 5.3.8 and Para 5.3.9, it is once again submitted that the **FLLRIC approach has been and is being increasingly adopted by Regulators, both in developed and developing countries** and the issues regarding complexities, varying assumptions, etc are surely not applicable to India alone but must equally be applicable across other markets worldwide. If other Regulators can adopt the FLLRIC methodology, why not India?
- xi. It may also not be out of place to point out that **in a similar case, the Hon'ble TDSAT had rejected the contentions of DoT that a particular definition (of AGR) would pose fewer problems in application, would lead to less disputes and litigations, was easy to verify, etc.**
- xii. Rather, the **Hon'ble TDSAT** in its order dated July 7, 2006, had **given due weightage to the recommendations of the Authority as an expert body and had opted for a correct and proper definition rather than one that was allegedly easier to implement and verify.**
- n. It is once again reiterated that **the Authority in 2003 had itself recognized that move to FLLRIC model is imperative.** Thus the issue before the Authority has never been whether FLLRIC should be adopted, the only issue was when the same should be introduced.
- o. It is submitted **that the Authority's view that it has an open mind for adoption of any methodology in the future** if the situation so warrants, **does not elaborate on what are the considerations that will warrant a change in the methodology.** Further, **the alleged complexities, time consuming nature of the exercise, access to regulatory expertise, apprehensions of litigation are issues that will exist in the future** as well. Does that mean that India will never adopt best practice approach for determination of MTC?
- p. We note that **the Authority has not stated anywhere in its Regulation that Hybrid FLLRIC is an incorrect or flawed approach, rather it has expressly recognized the advantages of this approach.**
- q. Under these circumstances, we believe that **repeatedly deferring the implementation of the FLLRIC model on the grounds of complexity, need for network expertise, time consuming, fear of litigation, etc is completely unwarranted, unjust and unfair to the sector, the consumers as well as the service providers.**

IV. **REGULATION DISREGARDS VITAL COST ELEMENTS IN DETERMINATION OF MTC**

- a. **Notwithstanding the fact that COAI is of the view that the Hybrid FLLRIC approach is desirable** as it is generally accepted as international best practice adopted and implemented by enlightened regulators, **we have also submitted to the Authority that our primary concern is that the Authority should adopt a robust cost model** which includes all cost elements that are involved in the termination of a call and one that justifies investment for expansion of service.
- b. It is submitted that **whilst there may be a difference of opinion on whether the cost model should be based on historical costs, current costs, forward looking incremental costs, etc, there is no deviation in the underlying principle that it interconnection has to be “cost based”**
- c. As already pointed out earlier, the Authority has noted that:
  - **Termination of calls** generated by subscribers of other interconnecting service providers **involves cost for which the service providers need to be fairly compensated.** (para 1.4)
  - 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. (para 2.2)
- d. Under these circumstances we are deeply concerned to note that **despite advocating the principles of cost based interconnection**, the Authority has deliberately and consciously introduced and **continues to follow a regime where only partial costs of termination are sought to be recovered through MTC.**
- e. It may be appreciated that the **accuracy of any cost model will depend on, inter alia, the cost elements which are taken into consideration** whilst developing the model. Depending upon the cost elements that are taken into consideration, the model can yield virtually any result.
- f. Therefore, **to be in line with international best practices, any cost model that is adopted by the Authority should take into account all the internationally accepted cost elements** which are taken into consideration while preparing a cost based model for determination of termination charges.
- g. We believe that the **Authority’s view that the said costs can be recovered from origination charge or rentals that are under forbearance or from the revenues earned from value added services** (para 5.3.20) is not only **against its own statements that the costs of interconnection should be fairly paid by interconnecting service providers**, but is **seriously anti-consumer and against all tenets of national telecom policy and Government objectives of affordable telecom services**, as explained in paras above.
- h. It is reiterated that the **present MTC regime incorporates elements of cross-subsidy** as there is no direct linkage between the party that incurs the cost and the party that pays for the same. This is **illogical, incorrect unfair and untenable and goes against all principles of cost based interconnection.**

- i. We have repeatedly submitted to the Authority a **cost based / cost reflective MTC will exercise a downward pressure on outgoing retail tariffs**. It has also been pointed out that the **purchase decision is based on the retail tariffs that are offered to the consumers**.
- j. We further wish to state that **the Hybrid FLLRIC model submitted** to the Authority **by COAI-SVP** for a hypothetical efficient operator is a very **good representation of the cost incurred in mobile termination for a typical operator**. The said model, **developed according to the global best practices in LRIC modeling**, aims at removing inherent inefficiencies in an operator and hence would give a lower mobile termination charge as compared to the other cost models.
- k. Thus, the **efficient operator approach is most consistent with the objective of price regulation**. And it also affords greater flexibility and can be applied to all actual market operators even though there may be fundamental cost differences between them.
- l. Under these circumstances, it is **inexplicable how the Authority has been able to come to a lower MTC even after using an alleged FAC approach**. Although we do not have access to all the assumption and the data used by the Authority in its calculation, there are quite a few apparent and obvious flaws in the methodology followed by the Authority.
- m. A major shortcoming in the calculations is that the **Authority has also not included all the cost items which should have been included**, especially Capex and cost of capital, so as to arrive at a cost based termination charge which truly reflects the cost incurred for the relevant service – which is termination of voice calls.
- n. We note from the data given by the Authority in Table 6.2 that out of the total industry revenues of Rs. 78,738 crores, Rs.11,886 crores are on account of depreciation and finance charges.
- o. If these charges were to be included, as is done in international best practice, the percentage of relevant opex to total opex, **in Table 6.2 would go up from 40.6% to 52%. Further, relevant opex would be 40.88% of total revenues**.
- p. **If this factor alone is changed in the Authority's MTC calculations given in Table 6.3, the MTC would go up from 20 paise per minute to 27 paise per minute**.
- q. Further, since the VAS revenues have not been excluded from the ARPU, it is irrational to adjust the opex costs downwards to account for cost of VAS services. If this aberration were to be corrected, the MTC would go up further by 3 paise to 30 paise per minute.
- r. It is thus evident that the cost being transferred from MTC **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**.
- s. **Another major shortcoming in the working of the Authority is that it has NOT separately calculated the cost of termination of voice calls**. A routing table has NOT been used, so as to allocate opex and capex of cost elements used for terminating incoming minutes. It is generally accepted that more network elements

are used in termination and therefore to that extent, the allocation of capex and opex would be proportionately higher.

- t. The above is just a **few illustrative examples to show some of the flaws in the Authority's calculations** and **since we are not privy to the data used** by the Authority, this is not a comprehensive list of flaws/ error in the TRAI assumptions and methodology. **We verily believe that after accounting for all adjustments in the TRAI workings, the correct value of termination charge which reflects the true value of terminating a voice call would be much higher.**
- u. We note that the **Authority does not deny the fact that capex needs to be recovered.** However, the **Authority's view that the costs are being recovered** and there is actually a surplus **disregards the fundamental point that there is no direct linkage between the part incurring the cost and the party paying for the same.**
- v. The **Authority's view that capex varies widely** amongst service providers and **therefore the termination charge will vary is flawed** because **what is included in the LRIC model for termination charges is the incremental capex that is divided up over the terminating minutes of use.**
- w. Further, **investments in networks and rollout** to unconnected and uncovered regions are the **crying need of the hour.** In view of this, we believe that **the Authority's view that operators may have over invested 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.

**Surely operators who are investing** to meet this national objective **cannot be penalized for having "over invested"**. 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.**

- x. It is submitted that **as per international best practices, CAPEX costs are included as relevant costs for the determination of mobile interconnection charges.** The **PWC GSMA report** "The setting of mobile termination rates: Best practices in cost modelling", that has already been forwarded to the Authority, **details how CAPEX cost should be considered as part of the cost models** used to determine mobile termination charges through the use appropriate depreciation methodologies.
- y. Further, **internationally countries that have adopted cost based methodologies to determination of mobile termination charges have considered CAPEX costs** as a relevant cost. **Some such examples include United Kingdom, Malaysia, Pakistan, Brazil, Israel, etc**

**V. REGULATION VIOLATES MANDATE OF TRANSPARENCY ORDAINED UNDER THE ACT**

- a. Section 11(4) of the TRAI Act requires that "The Authority shall ensure transparency while exercising its powers and discharging its functions."
- b. **Requirement for transparency by the Authority in framing of tariffs, etc has also been upheld by the Hon'ble TDSAT on various occasions.** Attention of the Authority in this regard is especially drawn to

- **MSO Alliance, Industrial Area Delhi vs. TRAI & Ors.** – Appeal No. 9(C) of 2006- order dated 15.01.2009;
  - **VSNL vs. TRAI** – Appeal No. 5 of 2005 – order dated 28.04.2005
- c. It is submitted that **right since 2003 when the IUC regime was first introduced, we have been repeatedly requesting the Authority to share with us the data, model, assumptions, calculations, etc on the basis of which the MTC was determined.**
- d. We have also repeatedly submitted that **the few narrative statements divulged by the Authority in its explanatory memorandum were not adequate** for us to understand the assumptions and methodology used by the Authority to arrive at the MTC and/or compare the same with the results of the Hybrid FLRIC model based on international best practices, that has been proposed by COAI.
- e. We note that **it is for the first time since 2003 that the Authority has, in the present amendment to the IUC Regulation, given some modicum of detail (again highly inadequate) on the determination of MTC.**
- f. In this regard it is first submitted that **the details that have now been divulged by the Authority form an integral part of its decision making process. This data and detail were no doubt available to the Authority even during the duration of the consultation process and the same ought to have been made available to the stakeholders before the Authority relied upon it to make its MTC determination.** Sharing this data /information with the stakeholders during the consultation process would have **enabled us to engage more constructively with the Authority rather than having the same disclosed to us after amending the Regulation, thus making the entire exercise, fait accompli.**
- g. The **above view has also been taken by the Hon'ble TDSAT in its order dated 15.01.2009 in MSO Alliance, Industrial Area Delhi vs. TRAI & Ors, where the Hon'ble TDSAT has rejected the contention of the Authority that as long as the reason for arriving at a decision are recorded, it satisfies the test of transparency.** In fact the Tribunal has held that **the very fact that the documents that were relied upon by the Authority have been made available subsequently amount to an admission that these documents ought to have been made available earlier and by not doing so the principle of transparency ordained under Section (4) of the TRAI Act has been violated by the Authority.**
- h. It is **therefore submitted that despite the above disclosures, the mandate of transparency under the Act has not been met by the Authority.**

## **VI. REGULATION WILL DISCOURAGE RURAL ROLLOUT**

- a. The Authority is aware that **while India is one of the fastest growing mobile markets in the world, the recent years have seen a sharply widening gap between urban and rural tele density.** The same has also been noted by the Authority in its recent draft recommendations on Rural Telephony.
- b. The **national coverage objectives** with regard to population and geographic coverage **are yet to be achieved.** It is important to ensure that benefits of connectivity are available to all across the length and breadth of the country.

- c. **Whilst operators are making efforts to continuously expand their networks** and increasingly reach out into the rural and remote areas, it may be appreciated that **such rollout will entail huge capital investments.**
- d. Further, **since such areas will experience higher percentage of incoming calls** that are not revenue generating from a retail perspective, **mobile termination revenue is an important revenue stream** for operators to recover this investment
- e. Under these circumstances, **it will become increasingly crucial for the cost of capex to be incorporate / included as part of the interconnection cost modelling.**

**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.**