

TVR/COAI/075  
June 6, 2003

**Shri Pradip Baijal**  
Chairman  
Telecom Regulatory Authority of India  
A 2/14, Safdarjung Enclave  
New Delhi 110029

Dear Sir,

### **COAI Response to TRAI Consultation Paper No. 2003/1 on IUC Issues**

Please find enclosed COAI's detailed response to the Authority's Consultation Paper on IUC Issues.

COAI Submissions vide Letter Nos TVR/COAI/056 dated May 6, 2003 and TVR/COAI/070 dated June 4, 2003 are enclosed as Annexures 1 & 2 respectively and may kindly be read as part of COAI's submissions on this subject.

The highlights of our submissions are :

#### **Principles of IUC Regime**

All tariffs must be consistent with the IUC regime introduced by TRAI. The retail tariff should be equal to or higher than the sum of IUC charges payable for Origination, Carriage and Termination (OCT) of a call. It can vary only to the extent of  $\pm 10\%$  of the IUC values specified in the Regulation. This principle must be applicable in all call scenarios, whether peak or off-peak.

Any tariffs less by more than 10% of this IUC value would be below cost and anti-competitive / predatory in nature. If the Authority allows any such lower tariffs, the IUC regulation would become meaningless and in the long run may jeopardize the very survival of the stand-alone smaller service providers and hurt the interests of consumers

Tariffs for players capable of anti-competitive behaviour must be approved by the Authority. Specifically, this includes the tariffs of dominant incumbents and other vertically integrated operators.

#### **I. Interconnect Usage Charges**

- a. There are several anomalies and interpretative difficulties in the Authority's Telecommunication Tariff Order (24<sup>th</sup> Amendment) and the IUC Regulations

dated January 24, 2003. The Authority may kindly address the same as a part of this exercise.

- i. For example, calls from fixed to WLL (M) are cheaper than calls from fixed to cellular despite the same being competitive mobile services with identical IUC charges. This anomalous treatment discriminates against cellular mobile subscribers and operators.
  - ii. With the introduction and implementation of the IUC regime, there is no justification for separately levying port charges or set-up charges.
- b. The termination charges are based on the principle of cost of work done by the terminating network and therefore, cannot be same for intra-circle calls for all services. However, if the same cannot be based on costs, then uniform termination charges may be applied for the sake of ease of implementation. However, these uniform termination charges must be prescribed justly and fairly, keeping in mind the costs incurred by the service providers and should not result in loss for any class of service providers.

## **II. Access Deficit Charges**

- a. The subject of Access Deficit is a vital and complex element of the present IUC exercise. COAI believes that there are several areas of concern with the approach shown for derivation of the Access Deficit.
  - i. We do not believe that BSNL has an access deficit as Annual Report of BSNL continues to show surpluses year after year - Rs. 6,300 crores in 2001-02 and cumulative surplus of over Rs. 50,000 crores from 1991-92 to 2001-02
  - ii. BSNL has consolidated accounts whereby its low revenue-high-cost activities (rural DEL's, VPTs, etc) are funded through the huge surpluses earned by it through long distance revenues, etc.
  - iii. BSNL has also been enjoying other benefits such as waiver of licence/spectrum fees, financial support from Central Exchequer, etc on account of its social obligations. These subsidies must be adjusted for while calculating the Access Deficit.
  - iv. Rural telephony costs are met through the USO fund to which all operators contribute separately. The subsidies given to such rural connections through the USO Fund must not be taken into account while calculating the Access Deficit.
  - v. If BSNL is providing services at tariffs lower than those mandated by TRAI, either due to a commercial decision taken by BSNL or due to political compulsions, then the costs for this decision should either be borne by BSNL or by the Government Exchequer.

- vi. There should not be any Access Deficit in the case of urban and commercial subscribers. Service providers not having / not meeting their rural obligations should not be extended the rural ADC. Operators offering cost-based fixed WLL services should not be entitled to ADC.
  - vii. If there is an Access Deficit, a differential ADC regime should be adopted to recover this deficit. This would be logical as well as more acceptable to the consumers who are used to paying distance-based charges.
- b. We respectfully submit that the Authority may carry out a more comprehensive analysis of this available data with the help of an independent expert in establishing the scope and extent of the Access Deficit.
  - c. In the interim, the issue of Access Deficit may be kept pending and the tariffs approved by the Authority must be IUC compliant without taking into account the ADC component.

### **III. Tariffs**

- a. As the licensing regime is service specific, TRAI will have to play a proactive role in monitoring and regulating the industry to ensure that pure-play operators are assured of fair competition and that they do not fall victim to predatory / anti-competitive practices of the dominant incumbent or other vertically integrated operators.
- b. Although both WLL (M) and cellular have been placed under forbearance, CMSPs are subjected to more conditions – they are required to file a Reference Tariff Package, roaming tariffs are regulated, etc. WLL (M) operators are not required to file any tariffs and they are illegally offering roaming services with complete freedom. COAI submits that the same tariff policy must be followed for both cellular and WLL (M).

### **IV. Calling Party Pays**

- a. What has been introduced by TRAI is an IUC regime featuring free incoming calls and not a true CPP Regime.
- b. Internationally a CPP regime has two distinguishing features
  - a. There is a significant premium on mobility (fixed to mobile call are priced 4 to 12 times higher than a fixed to fixed calls)
  - b. The share of the mobile operator is usually far higher - the tariff for a fixed to mobile call is usually shared in a 30:70 ratio or higher between the fixed and mobile operator.
- c. In India however, fixed to cellular call are priced at a premium of 33-100% of a fixed to fixed call. Further, the CMSPs get around one-thirds of the charges while FSP retains two-thirds.

- d. Since both WLL (M) and cellular are substitutable mobile services, then to have free incoming calls for the former while denying it to the latter would result in gross discrimination against both the cellular subscribers and operators.

Our detailed response on all the above issues is enclosed. We do hope that our submissions will merit the kind consideration of the Authority.

Kind regards,

Sincerely yours,

**T V Ramachandran**  
Director General

**Cc : All TRAI Members**  
**: Secretary, TRAI**  
**: Advisor (Economics), TRAI**  
**: Advisor (MN), TRAI**  
**: Advisor (FN), TRAI**

Encl: