(Formerly ABTO)

AUSPI / 12 / 2004 / 129 15th July 2004

Shri Pradip Baijal,
Chairperson,
Telecom Regulatory Authority of India,
A-2 / 14, Safdarjung Enclave,
New Delhi 110 029.

Sub: AUSPI Response to TRAI Consultation Paper No 12/2004 dated 22nd June 2004 on Revision of Ceiling Tariff for Domestic Leased Circuits.

Dear Sir,

We refer to the TRAI Consultation Paper on Revision of Ceiling Tariff for Domestic Leased Circuits.

AUSPI is pleased to provide its response on the various issues raised in this Consultation Paper by TRAI. These are detailed out in our response which is enclosed herewith for your kind perusal.

We look forward to participation in the Open House Sessions and TRAI's favourable consideration of our views while finalizing recommendations regarding Revision of Ceiling Tariff for Domestic Leased Circuits Regulations. We would be pleased to provide any clarifications if necessary.

Thanking you,

Yours faithfully,

S C Khanna
Secretary General

CC: Dr D P S Seth, Member, TRAI
Shri P K Sarma, Member, TRAI
Prof. Sanjay Govind Dhande, Member (Part-time), TRAI
Dr Arvind Virmani, Member (Part-time), TRAI
Dr Harsha Vardhana Singh, Secretary-cum-Principal Advisor, TRAI
Shri R K Bhatnagar, Advisor (FN), TRAI
Shri M Kannan, Advisor (Eco), TRAI
Shri Rajendra Singh, Advisor (MN), TRAI

AUSPI Response to TRAI Consultation Paper on Revision of Ceiling Tariff for Domestic Leased Circuits

1. What are the shortcomings, if any, in the methodology used in this paper?

The methodology used in this paper for the estimation of tariff for domestic leased circuits is o.k. An overall redundancy factor of 25% applied to the cost of cabling is not adequate. Guarantee of uptime by the provider of leased circuits would require a minimum redundancy factor of 50%. TRAI should mandate uptime for ensuring quality of service.

Further, the fill factor of 80% used by the Authority is not an accurate reflection of the true utilization of a new operator's network. During the earlier exercise in 1999, when the Authority had assumed a similar fill factor, that was to take into account the network of the only leased line provider in the country – the incumbent.

Today when the thrust is towards inducting greater competition and creation of new networks to provide world class services, the fill factor in the initial four to five years would not exceed 30-35% at the most. The TRAI should therefore factor in this lower fill factor while calculating tariffs. It is also relevant to mention that a higher fill factor than this would apply only to arteries covering major metro or very large cities.

TRAI's contention that discounts are offered in marketplace and cost of line is reflected in discount is not entirely correct. In any case we recommend that as there are more than four providers of National Leased Lines, there is no necessity for regulation and free marketplace should be allowed to play.

2. Should the tariff for leased line be specified on per kilometer basis for the first 5 Kms and on a slab basis at 5 Km interval thereafter?

The cost of providing a leased line to a customer's premises does not have a direct and linear correlation to the distance itself. For short distances operators may have to bear a higher cost on account of several factors like overheads, measurement distortions in the last mile etc. It is therefore suggested that the tariff for leased line should be specified on a block of 5 kms for the first slab and continued to be priced in 5 km slabs thereafter.

For distances intermediate between two slabs, the tariff should be on pro-rata basis.

3. ***Should the chargeable distance be 1.25 times of the radial distance calculated for the purpose of domestic leased circuit?***

The present system of 1.25 times the radial distance is fair on the operators and should be continued.

4. ***Is the suggested ratio of 1:8:23 with respect to E1, DS3 and STM1 respectively as price multiples appropriate? If not, suggest an alternative approach along with its basis.***

TRAI should not suggest such ratios and permit the market to drive the prices in a competitive environment.

TRAI should therefore leave the pricing mechanism to the market.

5. ***In the event of any demand from buyers for bandwidths between E1 and DS3 and between DS3 and STM1, what should be the basis for arriving at the appropriate price multiple?***

This will be a function of market forces, competition in the sector and availability of infrastructure.

6. ***Should the pricing for local lead/link be considered differently than the pricing for long distance networks? What should be the framework and related terms and conditions for local lead? What should be the coverage of local lead?***

The coverage of local lead should be within the local area, i.e., short distance charging area.

7. ***Should access providers who offer the 'within city limits' or local lead be required to come for prior approval to the Authority for the policy governing the basis for their Rent and Guarantee and Contribution Basis Agreements?***

Access Providers who offer the 'within city limits' or local lead should not be required to obtain prior approval from TRAI for their Rent & Guarantee and Contribution Basis Agreements. TRAI should issue guidelines / regulations setting the terms and conditions of the R & G / Contribution Basis Arrangements, based on which the concerned parties could enter into mutual agreements.

In case of anomalies or differences brought to the notice of TRAI, the same shall be looked into & rectified by TRAI.