

TRAI slashes fee for telcos

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NEW DELHI: Come April 1, your STD and local calls from mobiles will become up to 20% cheaper. This is after mobile service providers follow a directive from telecom regulator Trai to slash the fee they pay each other to move calls between networks by a third.

The lower tariff will also apply to third-generation telecom services when they are launched. At present, if a Bharti Airtel subscriber calls a Vodafone user, Airtel is liable to pay 30 paise per minute to Vodafone as termination charges. Reducing it to 20 paise/minute — as directed by Trai — will lead to a direct reduction in mobile tariff.

However, calls made to India from overseas will cost a bit more (less than a cent/minute) from April, as Trai has allowed Indian telecom companies (telcos) to charge foreign operators up to 33% more for terminating overseas calls in India.

Till now, Indian rules did not allow local telcos to charge more than 30 paise per minute for bringing calls into India. Trai has now increased this to 40 paise per minute. For Indian telcos, this will mean an extra revenue of over Rs 300 crore. Trai has asked all telcos to pass on this extra earning to customers by reducing ISD tariffs.

India is divided into 22 telecom circles and calls within a circle are carried only by state-owned BSNL, which charges 20 paise per minute. The regulator has slashed this to 15 paise per minute. This would benefit private operators but will mean a loss of revenue for BSNL.

Trai has also decided not to alter the current ceiling of 65 paise per minute for carrying long-distance calls within the country. For instance, if a BPL customer in Mumbai makes a call to a mobile user in Chennai, and if BPL does not have the requisite infrastructure to carry this call, it pays up to 65 paise per minute to a third operator such as Bharti or Reliance Communications to carry this call to Chennai.

“Keeping this ceiling unchanged will encourage national long distance operators to expand infrastructure into rural areas,” Trai said in an official release here on Monday. At the same time, telcos can agree to offer lower carriage charges to each other. All major operators, including Bharti Airtel, Reliance Communications, BSNL, MTNL and Vodafone Essar, have long distance networks to carry STD calls.

Though Trai’s move will benefit consumers, the industry is divided on how it will impact business. Bharti Airtel, Vodafone Essar and Idea Cellular, players that use GSM technology, criticised the regulator’s move. But others such as Tata Teleservices and Reliance Communications, which primarily use CDMA platform for mobile calls, welcomed it.

This is because lower termination charges result in huge revenue loss for GSM players.

But losses may be lower for CDMA players because the majority of their consumers, who are typically low-end users, receive more calls than they make.

New entrants such as Unitech, Swan, Shyam-Sistema and Datacom, who were granted telecom licences last year, said they were shocked by the termination charge reduction and said “it was too little to create a level-playing field with existing operators”. “We were given to understand that termination charges will be reduced to about 10 paise per minute. Similarly, new entrants will not have nationwide infrastructure to carry their calls and so they will have to pay 65 paise/minute to existing operators as carriage fee for using their network.

Where is the logic in retaining this 65 paise/minute tariff, which was specified in 2003? Especially considering that most of the existing operators have already recovered the cost of building their networks,” said a top executive with Shyam-Sistema. These five new entrants are slated to meet Trai shortly.

The Cellular Operators Association of India (COAI), the industry body representing GSM companies, said calculations based on international best practices show that termination charge should be 35 paise per minute.

“It is inexplicable how the value of 20 paise per minute had been determined,” COAI said. “Such a below-cost termination charge is bound to worsen the already widening urban-rural divide

This will cause operators to re-assess their business viability before venturing into rural and remote areas, where low revenues may not adequately compensate operators for the huge investments they make for rural rollouts,” COAI added.

On the other hand, Tata Teleservices, which has been advocating a reduction in termination charges for a long time, said it “would bring down tariffs and pass on the benefits to the consumer”.

However, all telcos welcomed Trai’s move to allow them to charge foreign players more for bringing calls to India. Most want the regulator to hike these charges further. Indian telcos say foreign operators usually charge them about Rs 3 per minute to terminate outgoing ISD calls in their countries.

“A very small increment in the international incoming calls termination charges does not balance out the huge inequities,” COAI said.

According to industry estimates, from April onwards India would send out 9 billion minutes, which would mean paying up Rs 2,700 crore to foreign telcos, at an average termination rate of Rs 3 per minute. In contrast, India would receive 25 billion minutes but receive only Rs 1,000 crore (at 40 paise per minute).

“This means India will end up paying Rs 1,700 crore more to international carriers even though the country will receive 16 billion minutes more than it sends out,” COAI added.