

October 11, 2019 | Industry Research

Reliance Jio to recover IUC from its customers

On 9 October 2019, Reliance Jio said that it will now be recovering Interconnection Usage Charges (IUC) from its customers. The company stated regulatory uncertainty as a reason for this move. However, the company has stated that it would also provide additional free data to compensate for this charge.

As per a September 2017 release by TRAI, some regulations were issued on domestic termination charges:

- The IUC was reduced to 6 paise per minute with effect from 1 October, 2017 from 14 paise per minute for mobile to mobile services
- The termination charges for all types of domestic calls shall be zero from 1 January 2020.

In September 2019 TRAI however released a consultation paper where the authority asked the stakeholders if there is a need to revise the date of mobile termination charge from 1 January 2020. This indicates that TRAI is ready to reconsider its earlier decision subject to developments in the telecom industry.

Considering this move as regulatory uncertainty, Reliance Jio has come up with the following top-up vouchers for customers to suit their requirements:

Table 1: Top-up vouchers

IUC Top-up Voucher (in Rs.)	IUC Minutes (non-Jio) mobiles	Free data entitlement (in GB)
10	124	1
20	249	2
50	656	5
100	1,362	10

Source: Reliance Jio release

Note: Equivalent minutes with IUC charged at 6 paise per minute, with additional charge for GST and processing fee, and duration of each call rounded up to nearest minute.

The charge of 6 paise per minute however will not be applicable in the following cases for Jio users:

- All Jio to Jio calls;
- All incoming calls;
- Jio to landline calls; and
- Calls using WhatsApp/Face Time/other similar OTT platforms.

Another reason that is believed to have prompted this action by Reliance Jio is the higher percentage of outgoing Minutes of Usage (MoU) from its network to other networks (referred as outgoing off-net) compared to the

Contact:

Madan Sabnavis
Chief Economist
madan.sabnavis@careratings.com
91-022-6837 4433

Author

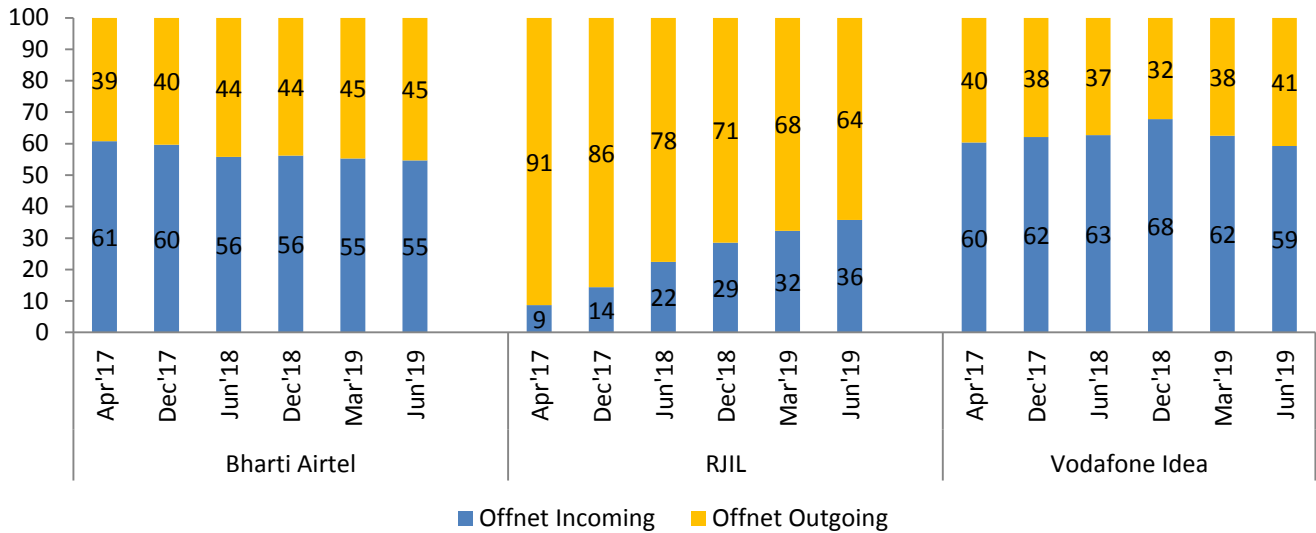
Bhagyashree C. Bhati
Research Analyst
bhagyashree.bhati@careratings.com
+91-22-6837 4407

Mradul Mishra (Media Contact)
mradul.mishra@careratings.com
91-22-6837 4424

Disclaimer: This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report.

percentage of incoming MoU from other networks to its network (referred as incoming off-net). This is depicted in the chart below.

Chart 1: Off-net Incoming & Off-net Outgoing MoUs (in %)



Source: TRAI

The higher off-net outgoing MoUs indicate the higher IUC paid by a particular telco to another operator for terminating a call over the other telco’s network. From the chart it can be seen that the off-net outgoing MoUs is higher for Reliance Jio compared to the incumbents and is also higher compared to its off-net incoming MoUs. The off-net outgoing MoUs however is reducing for Reliance Jio sequentially and the company stated that in the last three years it has paid nearly Rs.13,500 crore as net IUC charges to the other operators from its own resources.

Concluding remark

- Reliance Jio’s move to recover IUC from the customers point out that the telco aims to increase its ARPU and now charge for the voice call services provided free earlier. This will also provide room to the incumbents in the industry to improve their ARPU.
- While Jio is of the opinion that IUC be withdrawn, incumbents want IUC to remain. With this move, it appears that industry is expecting the IUC regime to continue post 1 January 2020. However, it remains to be seen what decision TRAI will take considering market developments in the telecom industry.