Telecom: Regulatory Update

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According to the recent notification, the Telecom Regulatory Authority of India (TRAI) has reduced the Interconnection Usage Charges (IUC) by more than 50%

TRAI, post release of the consultation paper on IUC in August 2016 and the workshop in July 2017, has notified the "Telecommunication Interconnection Usage Charges (Thirteenth Amendment) Regulations" which prescribes Domestic Termination Charges. Under the notification, the IUC would be charged in the following manner:

- Rs. 0.06 (paise six only) per minute with effect from October 01, 2017 to December 31, 2019;
- Rs. Nil with effect from January 01, 2020

TRAI has justified the reduction in the IUC, which is expected to benefit consumers, from 14 paise to 6 paise on the following grounds

- Deployment of new technologies are expected to reduce the effective cost of calls to near zero
- Current regime inhibits the deployment of more efficient technologies as existing technologies generate additional revenues

CARE's view on reduction in IUC

- The move is expected to benefit customers who would expect their charges paid to telecom companies to reduce *However, the entire benefit may not be transmitted to the consumers considering the financial stress of the telecom operators*
- *The move is expected to adversely affect the incumbent operators* as expensive investment in legacy technology would not be monetized going forward and as they hold a significant share of the subscriber base, with a majority of the calls terminating on their networks (net gainers of IUC).
- *The move to reduce IUC is expected positively affect the new operators*, as they were net payers of IUC.
- Considering the financial stress of the incumbent telecom operators, the government may need to mitigate the impact of the reduction in IUC by measures such as extending the deferred payment period of spectrum acquisition or reducing the other charges.
- The move taken by TRAI appears a step towards adoption of digital and efficient technologies. Also, it encourages the industry to increase the use of (Internet

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Protocol) IP networks but it comes at a time when the industry is facing financial stress

TRAI has released for comments, the draft recommendations on Ease of Doing Telecom Business on September 19, 2017

The draft recommendations include:

- Standing Advisory Committee on Radio Frequency Allocation (SACFA) clearance, issuance of licences/approvals by Wireless Planning and Coordination (WPC) to be paper-less and through an online platform
- Import License to be granted within a defined period and telecom service providers should be allowed to move wireless equipment into another area after intimating WPC rather than after WPC approval
- Demonstration / Experimental License would be granted within 15 days and 30 days respectively, while the validity period of the Experimental License would be six months, extendable by another six months
- The minimum net worth criteria would not be applicable for an existing service provider, for renewal of license or migration of its license to Unified License (UL)
- The recommendations on Merger and Acquisitions include:
    - The licensor should file objections, if any, within 30 days of the merger proposal being notified. Further, DoT would have to written approval for the transfer/merger of licences within 30 days post NCLT approval
    - The current provisions of M&A guidelines state that if the merged entity holds more than 50% market share, then within a year post merger, market share should be reduced to below 50%, however, in practice this does not seem feasible. Consequently, DoT would define a cap (proposed 50%) on the permissible market share of the merging entities; beyond which merger would not be accepted
    - If a transferor company holds spectrum, which has been assigned against the entry fee paid, the merged entity would be liable to pay the differential amount for the spectrum assigned against the entry fee paid by the transferor company