

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

STARRED QUESTION NO:434
ANSWERED ON:25.08.2004
INTERCONNECTION USAGE CHARGES
Mahato Shri Bir Sing;Shaheen Shri Abdul Rashid

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the profits of BSNL and MTNL have declined sharply due to the introduction of Interconnection Usage Charges (IUC) regime by TRAI;
- (b) if so, the facts thereof;
- (c) whether the IUC regime has benefited monopoly houses and MNCs only;
- (d) if so, the reaction of the Government thereto; and
- (e) the steps taken by the Government to protect interest of BSNL and MTNL?

Answer

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI DAYANIDHI MARAN)

(a) to (e) A statement is laid on the Table of the House.

STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 434 FOR 25/8/2004 REGARDING INTERCONNECTION USAGE CHARGES.

(a) & (b) The Interconnection Usage Charge (IUC) regime of Telecom Regulatory Authority of India (TRAI) implemented from 1st May, 2003 introduced charges for termination, origination and carriage of calls. It also replaced the cross subsidization mechanism of difference between the cost based and affordable tariffs from higher long distance call charges by Access Deficit Charge (ADC).

Mahanagar Telephone Nigam Ltd. (MTNL) has reported that its profits have not been impacted by IDC. It has been further reported by MTNL that it is neutral to IDC as both costs and revenues have increased in approximate same proportion.

Bharat Sanchar Nigam Ltd. (BSNL) has reported that its revenues declined due to special features in IDC regime, which inter-alia included the following:

- (i) Higher/same termination charge for mobile networks as applicable for fixed networks.
- (ii) levy of ADC only on fixed network originated and terminating calls;
- (iii) Reduction in net retention per minute from incoming and outgoing International Subscriber Dialing calls;
- (iv) Payment to cellular networks for calls terminating in their networks etc.

BSNL has further reported that above-mentioned features along with introduction of 'Calling Party pays (CPP)' regime, made the cellular to cellular calls much cheaper than the long distance calls on the fixed network. This on the one hand led to migration of a major portion of the long distance traffic to cellular networks and on the other hand BSNL was forced by market conditions to reduce the charges for STD/ISD calls.

According to BSNL, the above led to reduced traffic and margin on STD/ISD calls and the ADC envisaged in the IUC regime was not received by BSNL due to lower traffic.

The IDC regime was reviewed with effect from 1.2.2004, which addressed some anomalies e.g. ADC was applied on cell-to-cell calls also. However, the gross ADC for the telecom sector was reduced from Rs. 13000 crores per annum to Rs. 5335 crores per annum.

TRAI has also issued a consultation paper on review of Access Deficit Charge in June, 2004 and sought the comments of various stakeholders. No decision has been taken by TRAI so far.

(c) No, Sir. IDC regime led to implementation of `Calling Party Pays` regime for cellular services which met the long-standing demand of the Cellular Operators.

(d) & (e) As per TRAI Act, 1997, TRAI discharges the functions to regulate the arrangements amongst service providers for sharing their revenue derived from providing telecommunication services and notifies in the Official Gazette the rates at which the telecommunication services within India and outside India are to be provided. The appeal against any directions, decision of the TRAI under TRAI Act lies before Telecom Dispute Settlement and Appellate Tribunal. No appeal has been filed against the said decision of the TRAI by any operator.