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STANDING COMMITTEE ON COMMUNICATIONS (1998-99)

TWELFTH LOK SABHA

MINISTRY OF COMMUNICATIONS (DEPARTMENT OF TELECOMMUNICATIONS)

Recommendations of Telecom Regulatory Authority of India Regarding Increase in Telephone Tariff of Basic Telecom Services

SIXTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

November, 1998/Kartika, 1920 (Saka)

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RECOMMENDATIONS OF TELECOM REGULATORY AUTHORITY OF INDIA REGARDING INCREASE IN TELEPHONE TARIFF OF BASIC TELECOM SERVICES

Presented to Lok Sabha on 02.12.98
Laid in Rajya Sabha on 30 NOV 1998

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C O R R I G E N D A

TO

THE SIXTH REPORT OF STANDING COMMITTEE ON COMMUNICATIONS
(1998-99)

Page	Para	Line	For	Read
2	4	20	'various'	'variant'
8	24(ii)	2	'rural are as'	'rural areas are'
9	29	10	'increase'	'increased'
13	35(c)	2	'5318'	'52,318'
16		1	Delete 'Part C'	
17	Annexure I	11	'Rs. 1.5'	'Rs.1.25'
30	Annexure II	1 of Note	'10000 lines'	'1000 lines'
30		1	'Proposal is'	'proposal in'
34		1	'Per'	'per'
36		1	'Encrease'	'if increase'

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*Nominted to the Committee *w.e.f.* 25 June, 1998 is place of Shri Beni Prasad Verma who has been nominated as Member Standing Committee on Finance *vide* Bulletin Part-II, No. 338 dated 25 June, 1998.

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3. Shri S.K. Sharma	—	*Deputy Secretary*
4. Shri A.S. Chera	—	*Under Secretary*

*Nominated to the Committee *w.e.f.* 17 July, 1998 in place of Shri Moolchand Meena who ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha *w.e.f.* 4 July, 1998.

INTRODUCTION

I, Chairman, Standing Committee on Communications (1998-99) having been authorised by the Committee to submit the Report on its behalf, present this Sixth Report on proposals of Telecom Relgulatory Authority of India regarding increase in Telephone Tariff of Basic Telecom Services relating to Ministry of Communications (Department of Telecommunications).

2. The Committee took oral evidence of the representatives of the Ministry of Communications (Department of Telecommunications) at its sitting held on 28.10.1998.

3. The Committee wishes to express its thanks to the representatives of the Department of Telecommunications for appearing before the Committee and placing before it the detailed information that the Committee desired in connection with the examination of the subject. The Committee is also thankful to Shri D.K. Sangal for furnishing detailed information required by the Committee.

4. The Report was considered and adopted by the Committee at its sitting held on 13.11.1998.

5. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
13 *November*, 1998
22 *Kartika*, 1920 *(Saka)*

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Communications.

REPORT

Introductory

The National Telecom Policy, 1994 envisaged telecommunication for all and within the reach of all. This necessitated availability of telephone on demand as early as possible. Another objective was to achieve Universal Service covering all the villages of the country. The quality of telecommunication services was also expected to be of world standard. Other objectives included removal of consumer complaints, dispute resolution and public interface. It also envisaged that India should emerge as a major manufacturing base and major exporter of telecom equipment.

2. In the multi-operator situation arising out of opening of basic as well as value-added services in Telecommunication Sector in which private operators will be competing with the Department of Telecommunications (DoT), a pressing need was felt for an independent telecom regulatory body for regulation of telecommunication services apart from protection of consumer interest. Guidelines for the entry of private sector in basic telecommunication services also indicated setting up of Telecom Regulatory Authority of India at an early date.

Telecom Regulatory Authority of India

3. Keeping in view the above, an Act. No. 24 of 1997 known as Telecom Regulatory Authority of India Act, 1997 (TRAI 1997) to regulate the telecommunication services and for matters connected therewith or incidental thereto was enacted by Parliament on 28th March, 1997 for setting up a statutory Telecom Regulatory Authority of India. The TRAI became operational on appointment of Members and Chairperson in the month of March, 1997. It is a multi-member body.

TRAI's proposals on tariff of Basic Telecom Services

4. Under the powers vested in it by section 11 of the above said Act, the TRAI decided to set telecom tariffs after consultations with the providers of services including the Department of

Telecommunications (DoT), consumer associations and the general pubic. After initial process of consultation, the TRAI published its Second Consultation Paper on 9 September, 1998. The recommendations of the TRAI with regard to pricing concepts of various telecom services like basic services, cellular mobile, internet paging, leased lines, ISDN, other value added services and interconnection charges are given at Annexure I. The Committee received a number of representations from public and telecom users associations against the steep increase in tariff recommended by the TRAI and therefore, decided to examine TRAI's proposals with regard to the Basic Telecom Services after discussing the issues with the hitherto sole telecom service provider—Department of Telecommunications. The salient features of TRAI's second consultation paper on basic telecom service are as under :—

(i) Increase in rentals of Telephones from Rs. 50/- p.m. at present to a cap of Rs. 120/- p.m. in rural areas and from Rs. 50-190 per month for others to Rs. 160-310 per month.

(ii) Increase in local call rates from Rs. 0.60—Rs. 1.40 per call for rural areas and Rs. 0.80—Rs. 1.40 per call for urban area (for 5 minute call) to a *cap* of Rs. 1.30 per 3 minute call for both rural and urban areas. The present various pulse rate is proposed to be changed to invariant. For rural PCOs and VPTs, the prevailing call charge (Re. 1/- per call) is proposed as the cap.

(iii) Steep reduction in the domestic long distance call rates with considerable revenue loss. There are at present 8 distance slabs and rates which vary considerably because of escalating tariffs. In TRAI proposals, a reduction is proposed for both, the number of distance slabs and in the domestic long distance charges. In other words, present per minute tariff for call charge ranging from Rs. 0.80 to Rs. 1.40 per call (pulse) which at present ranges from Rs. 0.27 to Rs. 42 according to radial distance for a three minute call between two exchanges will come in the range of Rs. 0.43 to 19.50.

5. In brief, the TRAI has proposed :—

(i) Steep hike in rentals of telephones from 60 percent to 220 percent;

(ii) Significant reduction in STD/ISD rates by about 50 percent;

(iii) Reduction of local call pulse from 5 minutes to 3 minutes @ Rs. 1.30 per pulse;

(iv) Reduction of STD/ISD peak tariff period from the existing 11/17 hours to 8 hours (para 70 Chapter-I, second Consultation paper);

(v) Reduction of STD distance slab from the existing seven to four [Para 2 (B) Part-C Chapter-I second consultation paper]

Objectives

6. The TRAI's main objective behind the proposed changes is stated to have a cost oriented tariff structure.

7. In its second consultation paper it has observed that an essential ingredient of transition from a protected market to competition is alignment of prices to costs (i.e. cost oriented or cost based prices), so that prices reflect their likely levels in a competitive environment. It further states that in basic telecom, a major departure from cost based pricing such as under the prevailing price structure in India, involves a high extent of cross-subsidization. This according to the TRAI, introduces inefficient decision making by both customers and service providers.

8. The TRAI has held the view that for service providers cost based prices prepare the ground better for competition among different operators. Therefore, it has attempted the present exercise to restructure telecom tariffs primarily aiming "to link tariff formulation with some clearly specified principles, providing a consistent and transparent framework for tariff policy, simplify the prevailing system of telecom tariffs and achieve cost based prices through regulation and/or competition". The TRAI has suggested that its proposals may be implemented over a period of three years in a phased manner.

9. When the Committee enquired if the cost based tariff structure as recommended by the TRAI is the only suitable structure for the country to increase telephone density as recommended in the National Telecom Policy the Secretary, DoT replied in the negative.

10. The Secretary further added that DoT has obligation for growth. It has the obligation to take care of the target groups. Therefore,

Department feels that the cost based structure cannot be introduced at every place.

11. The Committee desired to know the implications of the TRAI's proposals on the DoT's operations. In reply, a representative of the Department stated that if the TRAI's proposals were implemented fully, annual revenue would drop by about Rs. 2500 crores to Rs. 3500 crores because of the drastic reduction is the long distance STD and ISD call rates. This would also adversely affect DoT's investment plans and reduce the growth rate.

12. The aggregate effect of the proposed tariff is stated to result in substantial drop in internal surplus of DoT and MTNL at least by nearly 55 percent in the year 1999-2000 if no increase in traffic tariff takes place. This would necessitate revision of funding pattern in the remaining years.

13. The DoT has submitted that the Perspective Plan (1997-2007) (of DoT including MTNL) envisages an ambitions plan of adding 470 lakh lines to achieve a tele-density of 9 percent by 2007 AD. Funds needed are projected at Rs. 2,32,002 crores. For this purpose, internal resource mobilisation is planned at Rs. 2,21,734 crores (Rs. 1,92,814 crore by DoT and Rs. 28,920 crore by MTNL). However, in view of the TRAI's proposals, assuming that there is 15.04% decrease in revenue per year, the internal resource generation will decrease by Rs. 52,318 crores. The total internal resources (revised) will come down to Rs. 1,33,778 crores. The DoT will be required to borrow Rs. 98,224 crores from the market for which additional interest liability @ 15 per cent will be Rs. 47,203 crores. The percentage of Extra Budgetary Resources to capital will increase from nil in 1997-98 to 42.3 percent in 2006.07. As part of the Universal service obligations DoT has been providing telecom services even in non-remunerative areas like telephones in remote places, VPTs etc. requiring huge investment of funds.

14. The DoT has further added that based on the pulse rate proposed by TRAI, the internal resources for the whole Perspective Plan would decrease from 95.5 percent to 70.9 percent and Extra

Budgetary Resources (EBR) which means recourse to market borrowing would increase from 4.5 percent to 29.1 percent assuming that there is no tariff increase. To support the planned growth DoT may have to go in for increase in borrowings, thus, further eroding its internal resources. Alternately DoT may have to curtail its plans.

15. The TRAI has however, come to the conclusion on the basis of cost and revenue estimate that DoT will continue to maintain its prevailing profitability. It has also assumed that the proposed tariff would stimulate the use of telecom system which will also contribute to higher economic activity.

16. The Committee desired to know the basis for this optimism. In reply a representative of the DoT stated in evidence that Demand cannot rise hundred percent. Tariffs have been reduced by 50 percent. In order to stay at the same level of revenues, demand must rise by hundred percent or more which is not possible. Demand may rise by only about 10 to 25 percent.

17. Asked if these points have been considered by the TRAI, a representative of the DoT stated in evidence that the TRAI's observation that the incumbent operator (i.e. DoT) will have only some but not a major loss of revenue is not well founded. The DoT has worked it out and intimated to the TRAI.

18. At present, there is only one major service provider throughout the country i.e. DoT. Private operators have entered into basic telecom services very recently in Madhya Pradesh, and Maharashtra and their presence is insignificant in basic telecom services. In this context, the Committee enquired whether extent of competition and its effects have been analysed. In reply, the Adviser (Finance), DoT stated that at present neither the TRAI nor DoT can visualise the extent of competition. The effects of inadequate participation by private service providers in basic telephone services in the future have also not been analysed.

19. Department of Telecom has made precise calculations to gauge the impact of the TRAI proposals on revenues earned from various services and impact of it on Perspective Plan of the Department which

are placed at *Annexure II*. Briefly, the financial implications are as under:—

	Reduction of Revenue on Existing Traffic	Reduction of Revenue on 5% Increase in Traffic	Reduction of Revenue on 10% increase in Traffic
	(Rs. in crores)	(Rs. in crores)	(Rs. in crores)
Rental	2157.41	2157.41	2157.41
Local Calls	27.69	303.02	578.34
NSD	– 2993.42	– 2783.35	– 2573.27
ISD	– 1254.76	– 1194.83	– 1134.89
Leased Lines	– 267.00	– 267.00	– 267.00
Over all Reduction Addl. Loss if Rental Increase	– 2330.08	– 1784.75	– 1239.41
Upto 35% above 1000 Lines	– 1051.38	– 1051.38	– 1051.38
Expected Net Reduction	– 3381.46	– 2836.13	– 2290.79

20. It would be seen that on the basis of existing tariff, the net effect of TRAI proposals if implemented will result in decrease in the DoT's revenue from various services by Rs. 2330.08 crores. However, this amount is likely to be further increased by Rs. 1051.38 crores if increase in rental is not fully implemented and only 35 percent increase is granted by the Government as explained in succeeding paragraphs.

21. The TRAI has also suggested full implementation of its proposals in stages spread over three years period. Detailed analysis of some of the major proposals is as under:—

Rentals

(i) Present Rental is Rs. 50 per month for rural areas and ranges in general from Rs. 50 to Rs. 190 per month for other areas. This rental, and call changes are billed bi-monthly.

(ii) The proposed Rental is with cap of Rs. 120 per month for rural areas and a cap for other areas ranging from Rs. 160 to Rs. 310 per month.

(iii) For areas where proposed cap for rental is above the highest prevailing rental (i.e. Rs. 190 per month) a social package is proposed which reduces the range of rentals to Rs. 160 to Rs. 250 per month. A floor of zero free calls is provided with the social package and it is available only to lowest callers (i.e. those making upto 60 bi-monthly calls).

22. The additional revenue implications of this TRAI proposal for DoT on existing traffic thus will be 2157.41 crores.

23. Asked how far the proposed steep hike ranging from 60 percent to 220 percent in bi-monthly rental can be justified, the DoT stated that rental increases will be too high and abrupt to promote growth of tele-density. It may force marginal customers especially the rural ones whose expenditure on telephones may more than double, to opt out of service and substantially depress the demand. DoT is stated to have received a number of representations from subscribers, associations representing against the increase and accordingly, DoT has apprehended that whole exercise may turn out to be counter productive. The steep increase in rental is being perceived as an anti-poor and socially inequitable measure.

Local calls

24. (i) Present Rate ranges from Rs. 0.60 to Rs. 1.40 per call for rural area and Rs. 0.80 to Rs. 1.40 per call for urban area for 5 minutes call duration. The proposed rate is with a cap of Rs. 1.30 per three minute call for both rural and urban areas. For rural PCOs and VPTs, the prevailing call charge of Re. 1/per call is proposed as the cap. Three minute pulse is proposed because average call holding time is slightly below

3 minutes. Same cap is proposed for rural and urban areas because local call area for rural area is now much larger that the area when rates were last fixed.

(ii) Presently, 150 bi-monthly call in urban areas and 250 bi-monthly calls in rural are as allowed as free calls. This has been proposed to be reduced to a floor of 120 calls bi-monthly in rural as well as urban areas.

25. The DoT is of the view that since the average holding time itself ranges from 2.5 to 3 minutes, restricting local call duration to 3 minutes will hardly boost local call traffic.

(c) STD/ISD rate reduction

26. Presently there are 8 distance slabs and rates vary considerably because of escalation in tariff. The TRAI has proposed reduction in both the number of distance slabs and in the domestic long distance charges. The proposed distance slab entails a huge reduction in pulse rate as one moves to the higher slab. The DoT has suggested that traffic rebalancing in developing telecom networks needs to be gradual. The DoT has therefore, suggested a moderate increase in rental ranging from 25 percent to 35 percent and 15 to 20 percent reduction of the STD/ISD rates.

27. The DoT is of the view that more than 50 percent reduction may push up STD/ISD traffic but the rise cannot be spectacular, as majority of customers, in order to balance their individual telephone budgets, will keep usage at the current levels to pay for higher rentals. Data transmission on the other hand in increasingly seeking cheaper alternatives. The DoT has also pointed out that costing methodology adopted for long distance tariffs excludes the profit margin on the premise that rentals have already taken that into the account. However, calculation of rentals points to omission of capital component of long distance network. Correcting this omission itself will raise the pulse by 24 percent.

28. Similarly, the DoT has pointed out that reduction of peak hours to 8 hours from the existing 17 peak hours will adversely affect DoT's revenues.

29. The Committee asked the DoT if the proposed higher rates being lucrative would be able to attract private service providers who

have not been coming forward easily, the Secretary, DoT stated that the basic Telecom. service operators are concerned not so much about local call charges as about long-distance call charges. Therefore, increase in the rental would reduce the demand in urban as well as rural areas. The rental increase component would, thus, dampen the efforts of increasing the tele-density and the growth of telecom. sector. Reduction in long distance call tariff would adversely affect the resource generation by the DoT. The Department has been raising its own resources out of its earnings and then converting it into capital expenditure. It has increase from Rs. 3000 crores in 1993-94 to Rs. 8600 crores in 1997-98. This would affect the growth of private licences also because the basic service operators' main interest will not be for local calls. 50 percent or more of his revenue would be from long distance telephone calls. These proposals may invite a lot of resentment from the customers particularly the middle class and persons of ordinary means and also hamper generation of adequate resources for the Department for its growth.

30. The Committee enquired whether the reduction in long distance tariff will not help expansion of telecom network. The Secretary, DoT replied that there is no dispute about the fact that the long distance tariff and the ISD tariff is not cost based. DoT is conscious about it, but for the growth of telecom sector resources are required. According to the Secretary, DoT, the likely decrease in tariff may increase in volume of business but it has limitations particularly because of the income level of the customer.

31. Certain knowledgeable sources; who have made some studies with regard to the entry of private service providers in the field of telecom. in the post-liberalisation era and the astronomically high rates quoted by the prospective licencee for certain circles as pointed out by this Committee in its Fifth Report (11th Lok Sabha), had apprehended much earlier that it would read to higher rates of local calls and that charges in rural areas which are presently depressed due to cross subsidization would go up in the long run. Their apprehensions appear to have been well founded. The same Experts are now of the view that the proposed revision of telecom. tariff would substantially reduce the overall bills for the business and affluent sections of the society at the cost of small users. The bi-monthly bills of large users making a lot of long distance domestic and foreign calls may come down by 30 percent to 50 percent. However, for a person who restricts his telephone use mostly to local calls, the bi-monthly bill is likely to

increase by 52 percent to 72 percent in the metropolitan cities and by 140 percent to 310 percent in rural area. These conclusions have been reached on the basis of following study:

No. of calls in a Bi-monthly period	Metro cities Bi-monthly Bill			Rural Areas Bi-monthly bill		
	Present (Rs.)	Proposed (Rs.)	% increase	Present (Rs.)	Proposed (Rs.)	% increase
60	399	578	52%	105	252	140%
120	399	620	63%	105	252	140%
250	183	829	72%	105	129	309%
500	693	1169	69%	273	770	182%

32. These experts have analysed as detailed below, the data, presented in the world Telecommunication Development Report 1995, regarding telephone density published by the International Telecommunication Union and have arrived at the conclusion that telephone density in different countries has a direct co-relation with the per capita income and the minimum annual cost of access to the network i.e. the initial installation fee and annual rental as a fraction of per capita income. Minimum annual access charge consists of initial installation charge spread over 10 year period and the rent for residential telephone.

Sl. No.	Country	GDP Per Capita US$ 1993	Telephone Density		Minimum Annual Access Charge As % of per capita GDP 1994
			Total per 100 persons 1994	Residential per 100 households 1994	
1	2	3	4	5	6
Group A : Low Income Countries					
1.	Bangladesh	210	0.23	NA	44.83
2.	India	257	1.07	NA	21.04
3.	Pakistan	353	1.62	NA	8.64

1	2	3	4	5	6
Group B : Middle Income Countries					
4.	Brazil	3,613	7.38	21.00	4.01
5.	Mexico	3,969	9.25	25.30	3.46
6.	Malaysia	3,392	14.69	52.00	2.74
7.	Turkey	2,929	20.10	75.30	1.08
Group C : Upper Middle Income Countries					
8.	Korea	7,509	39.70	103.97	0.56
9.	Argentina	7,634	14.14	39.20	1.96
Group D : High Income Group Countries					
10.	UK	16,251	48.87	96.90	1.04
11.	Canada	19,834	57.54	108.24	0.50
12.	Japan	33,757	47.98	97.20	0.75

33. The Experts have further pointed out that industrialized nations have achieved high levels of telephone density and house-hold penetration under a regime of low rentals subsidized from long distance charges and now restructuring their tariffs for ideological reasons rather than any practical benefit. Even so, they are maintaining rentals for residential telephones significantly below than the rates for business purposes. They have also reportedly developed some fairly complex systems of subsidies for their weaker sections and rural areas.

34. The Committee further learnt that the TRAI held open house discussion with the interested groups after inviting their suggestions about tariff restructuring. However, the service providers and the large users of services benefited from such consultations. In the absence of a suitable organisation, the interests of small telephone users whether residential or small businesses particularly those in rural areas, have mainly gone unrepresented.

35. The Committee notes that under the power vested by section 11 of the Telecom. Regulatory Authority of India Act, 1997, the Telecom. Regulatory Authority of India (TRAI) has proposed restructuring of telecom. tariff link tariff formulation based on the cost of the service. It aims to provide a framework for tariff policy and achieve cost based prices through regulations and/or competition. However, the proposals as recommended by the TRAI would result in steep hike in rentals of telephones and calls from 63 percent to 220 percent; reduction in local call pulse from 5 minutes to 3 minutes @Rs. 1.30 per pulse; significant reduction in STD/ISD rates by about 50 percent; reduction of STD/ISD peak tariff period from the existing 11/17 hours to 8 hours and reduction of STD distance slab from the existing seven to four. These proposals have created a great concern among telephone subscribers since publication on 9 September, 1998 and the Committee has received a number of representations strongly deprecating them. The Department of Telecommunication has also reportedly received a large number of representations from the public. Examination of these proposals relating to basic telecom. services, by the Committee brings out the following disquieting aspects:—

(a) The TRAI aims to achieve cost-oriented tariff structure to prepare ground for competition among different operators "to provide a consistent and transparent frame-work for tariff policy and also to simplify the prevailing system of telecom. tariff". However, these proposals come into direct conflict with the avowed objectives of National Telecom. Policy, 1994 which promises telecommunication for all and within the reach of all as well as universal service covering all villages. The Committee finds that cost based tariff structure is not the only suitable structure for our country to increase telephone density. The DoT, which has been the sole telecom. service provider till recently is under obligation to provide telecom. services to the target groups through cross subsidisation and this policy has yielded the desired results by stimulating the telephone density particularly in rural areas. The Committee therefore, will like the Government and the TRAI to examine in depth, the implications of introduction of cost based tariff structure under the present circumstances when conditions of perfect competition do not exist at all in basic telecom. service and that funds generated by the long distance call tariff are required desperately for expansion of telecom in rural areas. The cost plus principal can hardly be applied in the present state of communication network and should not be applied till fairly good telephone density is achieved.

(b) In pursuance of the National Telecom Policy, 1994 objectives the DoT has been providing telecom services even in non remunerative areas *viz.* remote and difficult areas and village public telephones (VPTs) etc. by cross subsidisation. However, the studies made by DoT with regard to the impact of TRAI's proposals on its revenues indicate substantial drop in internal resources of DoT and MTNL at least by nearly 55 percent in the year 1999-2000. This would necessitate revision of funding pattern in the remaining years of the Perspective Plan (1997—2007) or alternately hike in the telecom tariff.

(c) The Committee is deeply concerned to note that as per the DoT studies, TRAI's proposals will cost DoT Rs. 5,318 crores in terms of internal resource generation during the period of Perspective Plan (1997—2007). Dot has prepared Perspective Plan (1997—2007) envisaging addition of 470 lakh telephone lines to achieve a tele-density of 9 percent by 2007. Internal Resource Generation is projected at Rs. 2,21,734 crores which will come down to Rs. 1,33,778 crores. DoT will be required to borrow funds to the tune of Rs. 98224 crores from market as Extra Budgetary Resources (EBR) instead of Rs. 10268 crores planned originally. Additional interest liability @ 15 percent would work out to Rs. 47203 crores which will be 42.3 percent of the capital employed against nil at present. This is quite alarming requiring attention at the highest level in the Government. Needless to say, the proposed tariff would retard growth of telephone density and would be crippling for the DoT if interest liability on account of increased market borrowings is taken into account. The DoT has also questioned the costing methodology adopted by the TRAI as well as the assumptions made by it to arrive at certain conclusions. These require to be examined in depth with an open mind keeping in view the overall interest of the consumer of telephone services of all categories as is required by section 11 (1)(i) of the Act. The drastic reduction in long distance call rate will hurt the private service providers as well as the DoT.

36. In the light of these findings, the TRAI's observations that DoT will continue to maintain its prevailing profitability and that it would have only some and not a major loss of revenue appear to be based more on assumptions than on any indepth analysis and study.

37. The Committee notes that at present, DoT is the only major basic service provider and private service providers have insignificant presence in a few circles. Neither TRAI nor DoT can visualise the extent of emerging competition. On the other hand, if private operators failed to enter basic services in a big way, the growth in telecom network will certainly be retarded. The DoT's apprehensions that '63 percent to 220 percent' increase in bi-monthly rents are too high and abrupt, and would substantially depress the demand particularly in rural areas require an in-depth study and appreciation before commending TRAI's proposals.

38. The Committee is highly perturbed to note the outcome of the studies made by some experts of the TRAI proposals to restructure the tariff of basic telecom services. These studies point out that bi-monthly bills of people who restrict telephone use to mostly local calls are likely to increase by 52-72 percent in metropolitan cities and by 140-310 percent in rural areas. On the other hand, overall bills of the business and affluent sections of the society making a lot of long distance domestic and international calls may come down by 30 percent to 50 percent. The Committee desires that TRAI's proposals may be examined in the light of these Expert studies to arrive at correct conclusions and as a matter of last resort, the Government may consider taking recourse to the provisions of Section 25(2) of the Act. However, it is expected that before such action is taken, the views of the Committee will be ascertained.

39. The Committee is of the view that there is no reason to rush to restructure the telecom basic services tariff on the pattern of industrialised nations and it is hoped that TRAI as well as the Government will take note of the views of the Committee before finally deciding the tariff. The TRAI's proposals should be examined in the light of policy objectives enshrined in the National Telecom

Policy 1994 to achieve telecommunication for all and within the reach of all as well as to achieve universal service and also planned surplus resource generation programme of fund for future expansion of telecom network. The industrialised nations have already achieved high levels of telephone density and household penetration for which we are striving and there is no hope of reaching these levels, in the near future. Judged in the light of strong pubic reaction to TRAI's proposals, and the ground realities, the Committee feels that it may not be possible to make a steep increase in rentals acceptable to the consumers. The Committee, therefore, recommends only marginal increase in rentals ranging upto 25 percent to 35 percent on the lines suggested by the DoT to make up for the increased cost of service as the tariff has not been revised since 1993.

40. The Committee appreciates that the TRAI held open house discussion with the interested groups to arrive at a just conclusion with regard to tariff restructuring. However, small subscribers, whether residential or small businesses, particularly those in rural areas, have gone unrepresented in the absence of a suitable organisation to espouse their causes and concerns. Only the service providers and the large subscribers of services appear to have benefitted the most from these consultations. This deficiency should be taken care of by the TRAI/Government in future consultations.

NEW DELHI;
13 *November*, 1998
22 *Kartika*, 1920 *(Saka)*

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on Communications.

PART C : COMPARISON OF PRESENT AND TRAI'S PROPOSED TARIFFS

I.C.I. BASIC SERVICES:

(1) Local Calls

(i) For DELs

(a) Present Rates

Number of bi-monthly calls	Per call (per pulse) charge in rural area (Rs.)	Per call (per pulse) charge in urban area (Rs.)
Up to 150	Free	Free
150 to 250	Free	0.80
251 to 450	0.60	0.80
451 to 500	0.80	0.80
501 to 1,000	1	1
1,001 to 2,000	1.25	1.25
More than 2000	1.40	1.40

Pulse rate of 5 minutes. Rural area local call area normally a radial distance of 5 kms.

(b) Proposed Rates

Number of bi-monthly calls	Per call (pulse) charge in rural area (Rs.)	Per call (pulse) charge in urban area (Rs.)
Upto to 120	Free	Free
Above 120	Rs. 1.30	Rs. 1.30

Pulse rate of 3 minutes. A pulse rate of 3 minutes is proposed because, on average, the call holding time is less than 3 minutes.

The revised local area coverage has extended the rural local call area to a much larger area.

(ii) PCOs, VPTs, and Coin Booths

Category	Present situation	Proposal
Non-STD/ISD PCOs or VPTs	Re. 1 per call	Re. 1 per call (pulse) for rural PCOs and VPTs; Rs. 1.30 per call (pulse) for private urban PCOs.
STD/ISD PCOs or VPTs	Rs. 1.5 per call (pulse)	Re. 1 per call (pulse) for rural PCOs and VPTs; Rs. 1.30 per call (pulse) for urban PCOs
Coin Box	Re. 1 per call (five minute pulse)	Rs. 2 per call for urban, and Re. 1 per call for rural, (each for three minute pulse)

(2) Domestic Long Distance Calls

The present rates for shorter distance categories vary according to the holding time of a call. For a comparison, given below are the present per minute charges for a call with holding time of three minutes. The data is for peal period rates.

(a) Present rates

Radial distance between two exchanges (kilometers)	Charge per minute in the prevailing scheme (rate of Rs. 0.6 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 0.8 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 1 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 1.25 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 1.4 per pulse; Rs.)
1	2	3	4	5	6
0 to 20	0.20	0.27	0.33	0.42	0.47
21 to 35	0.40	0.53	0.67	0.83	0.93

1	2	3	4	5	6
36 to 50	1.00	1.33	1.67	2.08	2.33
51 to 100	3.00	4.00	5.00	6.25	7.00
101 to 200	4.60	6.13	7.67	9.58	10.73
201 to 500	9.00	12.00	15.00	18.75	21.00
501 to 1000	12.00	16.00	20.00	25.00	28.00
Above 1000	18.00	24.00	30.00	37.50	42.00

After the recent change altering the local call area to cover SDCA, the rates paid in the lower slab categories will be affected (i.e. reduced).

(b) Proposed rates

The proposed rates incorporate a change in the distance slabs also.

Radial distance between two exchanges (kilometers)	Proposed rate for tariff cap (Rs. per minute)
(a) First distance slab	
0 to 20	0.43
21 to 35	0.43
36 to 50	0.43
(b) Second distance slab	
51 to 100	3.90
101 to 200	3.90
(c) Third distance slab	
201 to 500	9.75
(d) Fourth distance slab	
501 to 1000	19.50
Above 1000	19.50

The rate for rural PCOs and VPTs will be lower than that shown above because it is proposed that the pulse rate remain the same but the price per pulse be Re. 1. This implies the following charges from rural PCOs and VPTs.

Radial distance between two exchanges (kilometers)	Proposed rate for tariff cap (Rs. per minute)
0 to 20	0.33
21 to 35	0.33
36 to 50	0.33
51 to 100	3.00
101 to 200	3.00
201 to 500	7.50
501 to 1000	15.00
Above 1000	15.00

It should be noted that the proposed transition of the new rates is as follows: two-thirds of the overall change in the beginning of the implementation period, and equal changes in the beginning of each of the two subsequent years to reach the proposed tariff cap levels.

The revised distance slabs for national STD calls are also proposed for operator assisted trunk calls (at present these are different. See for example, Table AII 32).

(3) International Call Charge

Once again, the rates will differ depending upon the call charge that is used. We give below the peak period rates prevailing at present, and the rates that would prevail if the peak period tariffs were equal to our proposed caps.

(a) Present rates:

	Charge per minute in the prevailing scheme (rate of Rs. 0.6 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 0.8 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 1 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 1.25 per pulse; Rs.)	Charge per minute in the prevailing scheme (rate of Rs. 1.4 per pulse; Rs.)
SAARC countries and other Neighbouring Countries	18	24	30	37.5	42
Countries in Africa, Europe, Gulf, Asia and Oceania	30	40	50	62.5	70
Countries in the American Continent and Other Places in Western Hemisphere	36	48	60	75	84

(b) Proposed rates

Categories of Countries	Proposed Tariff Cap (Rs. per minute)	Proposed pulse rate (seconds)
SAARC countries and other Neighbouring Countries	Rs. 19.50	4
Countries in Africa, Europe, Gulf, Asia and Oceania	Rs. 30.00	2.6
Countries in the American Continent and Other Places in Western Hemisphere	Rs. 39.00	2

The rate for rural PCOs and VPTs will be lower than that shown above because it is proposed that the pulse rate remain the same but the price per pulse be Re. 1. This implies the following charges from rural PCOs and VPTs.

Categories of Countries	Proposed Tariff Cap (Rs. per minute)	Proposed pulse rate (seconds)
SAARC countries and other Neighbouring Countries	Rs. 15.00	4
Countries in Africa, Europe, Gulf, Asia and Oceania	Rs. 23.08	2.6
Countries in the American Continent and Other Places in Western Hemisphere	Rs. 30.00	2

The phase-in for international call charges is the same as mentioned above for long distance calls.

(4) Rentals

Capacity of Exchange System number of lines	Present Monthly Rental (Rs.)	Proposed Cap of Monthly Rental (Rs.)
Rentals in rural area (for exchanges with capacity up to 999 lines)	50	120
Rentals in urban area (for exchange with capacity of less than 100 lines)	50	160
Other Rentals		
100 to 999 lines	75	160
1,000 to 29,999 lines	100	160
30,000 to 99,999 lines	137.5	220
1 lakh to below 3 lakhs lines	180	310
3 lakhs lines and above	190	310

For PABX junctions, a rental cap of Rs. 625 per month has been proposed, will no free calls.

In addition, ***there is a proposal for a social package,*** with the following criteria:

— zero free calls as a floor for the number of free calls, and a low rental ceiling;

— in rural areas and for urban areas with exchange capacity below 30,000 lines no social package be provided because the proposed rental caps are low;

— the package be limited to those making not more than 60 calls (pulses) bi-monthly [or 30 calls (pulses) monthly];

— the following caps for rental for the social scheme be in place for exchange categories with 30,000 and above lines:

Exchange Capacity (Number of Lines)	Cap for rental for Social Scheme (Monthly rental; Rs.)
For exchange capacity of 30,000 to 99,999 lines	160
For exchange capacity of 1 lakh lines and above	250

(*see* Chapter II for further detail on the social package).

(5) Free Calls

Area	Present Free Call Allowance (Bi-monthly)	Proposed Floor for Free Call Allowance (Bi-monthly, or Monthly)
Rural	250 calls (pulses)	120 calls (pulses) bi-monthly [or 60 calls (pulses) monthly]
Urban	150 calls (pulses)	120 calls (pulses) bi-monthly [or 60 calls (pulses) monthly]

The number of free calls are specified as a floor. This number has been calculated by taking account of the number of calls per month made by low user subscribers.

(6) Interconnection Charges for Basic Services

Under the present interconnection conditions, when Rs. 0.50 per pulse is to be paid for carrying long distance calls, it is proposed that revenue from such calls be shared between the new entrant and DOT in the ratio of 60 to 40. Similarly, whenever at present Rs. 0.70 per pulse is to be paid for carrying international calls, revenue from international calls is proposed to be shared in a 45.55 ratio between the new entrant and DOT, respectively.

For local calls, the proposal is to continue the present system of "bill and keep".

(More detail on interconnection charges is given in other sections below).

DoT'S PROPOSAL OF NSD/ISD PULSE RATES

		Present Pulse (sec)	TRAI's Proposal	% Increase	Proposed 15% Increase	Proposed 25% Increase
STD	0-20 KMS	180	180	0.00%	NIL	NIL
	21-35 KMS	90	180	100.00%	103.50	112.50
	36-50 KMS	36	180	400.00%	41.40	45.00
	51-100 KMS	12	20	66.67%	13.80	15.00
	101-200 KMS	8	20	150.00%	9.20	10.00
	201-500 KMS	4	8	100.00%	4.60	5.00
	501-1000 KMS	3	4	33.33%	3.45	3.75
	> 1000 KMS	2	4	100.00%	2.30	2.50
ISD	SAARC	2.0	4.0	100.00%	2.30	2.50
	SLAB I	2.0	4.0	100.00%	2.30	2.50
	SLAB II	1.2	2.6	116.67%	1.38	1.50
	SLAB III	1.0	2.0	100.00%	1.15	1.25

Note : If TRAI's proposal is implemented in toto decrease in

STD revenue = Rs. 2993.43 Crores

ISD revenue = Rs. 1254.76 Crores

If increase of 15% of pulse rate is implemented drop in

STD revenue = 662.84 Crores

ISD revenue = 234.68 Crores

If increase of 25% of pulse rate is implemented drop in

STD revenue = 1169.84 Crores

ISD revenue = 412.18 Crores

Reduction in NSD Revenue NSD Calls as Per DoT's Proposal of 15% Increase in Pulse Rate 5755.96 (fig. in crores)

NSD Calls

SLAB		Calls	Present Pulse Sec	Increase Pulse by	Present 15% Revenue @ 1.25	Revised Revenue @ 1.30	Reduction Revenue
0-20	2.60%	149.65	180	180	187.07	194.55	7.48
21-35	1.30%	74.83	90	103.50	93.53	84.59	– 8.95
36-50	1.30%	74.83	36	41.40	93.53	84.59	– 8.95
51-100	4.86%	279.74	12	13.80	349.67	316.23	– 33.45
101-200	17.04%	980.82	8	9.20	1226.02	1108.75	– 117.27
201-500	29.21%	1681.32	4	4.60	2101.64	1900.62	– 201.03
501-1000	25.83%	1486.76	3	3.45	1858.46	1680.69	– 177.77
> 1000	17.86%	1028.01	2	2.30	1285.02	1162.10	– 122.91
	100.00%	5755.96			7194.95	6532.11	– 662.84

Comparison of Reduction in ISD Revenue between TRAI Proposal and DoT's Proposal of 15% Increase of Pulse Rate

(Rs. in lakhs)

	Outgoing Minutes	Present Pulse Sec	TRAI Pulse Sec	Present Calls	Revised Calls	Present Revenue	Revised Revenue (TRAI Prop)	Drop in Revenue	If Pulse Increased by 15% on Existing	Revised	Revised Calls (DoT Prop)	Revised Revenue	Loss
1.	SAARC	10718885	2.0	4.0	3215.67	1607.83	4019.58	2090.18	- 1929.40	2.30	2796.23	3635.10	- 384.48
2.	SLAB I	650702	2.0	4.0	195.21	97.61	244.01	126.89	- 117.13	2.30	169.75	220.67	- 23.34
3.	SLAB II	308386302	1.2	2.6	154193.15	71166.07	192741.44	92515.89	- 100225.55	1.38	134081.00	174305.30	- 18436.14
4.	SLAB II	64456288	1.0	2.0	38673.77	19336.89	48342.22	25137.95	- 23204.26	1.15	33629.37	43718.18	- 4624.04
		384212177			196277.80	92208.39	245347.25	119870.91	- 125476.34		170676.35	221879.25	- 23468.00

Reduction in NSD Revenue NSD Calls as Per DoT's Proposal of 25% Increase in Pulse Rate 5755.96 (fig. in crores)

NSD Calls

SLAB		Calls	Present Pulse Sec	Increase Pulse by	Present 15% Revenue @ 1.25	Revised Revenue @ 1.30	Reduction Revenue
0-20	2.60%	149.65	180	180	187.07	194.55	7.48
21-35	1.30%	74.83	90	112.50	93.53	77.82	– 15.71
36-50	1.30%	74.83	36	45.00	93.53	77.82	– 15.71
51-100	4.86%	279.74	12	15.00	349.67	290.93	– 58.75
101-200	17.04%	980.82	8	10.00	1226.02	1020.05	– 205.97
201-500	29.21%	1681.32	4	5.00	2101.64	1748.57	– 353.08
501-1000	25.83%	1486.76	3	3.75	1858.46	1546.24	– 312.22
> 1000	17.86%	1028.01	2	2.50	1285.02	1069.14	– 215.88
	100.00%	5755.96			7194.95	6025.11	– 1169.84

Comparison of Reduction in ISD Revenue between TRAI Proposal and DoT's Proposal of 25% Increase of Pulse Rate

(Rs. in lakhs)

		Outgoing Minutes	Present Pulse Sec	TRAI Pulse Sec	Present Calls	Revised Calls	Present Revenue	Revised Revenue (TRAI Prop)	Drop in Revenue	If Pulse Increased by 15% on Existing	Revised Calls (DOT Prop)	Revised Revenue	Loss
1.	SAARC	10718885	2.0	4.0	3215.67	1607.83	4019.58	2090.18	- 1929.40	2.50	2572.53	3344.29	- 675.29
2.	SLAB I	650702	2.0	4.0	195.21	97.61	244.01	126.89	- 117.13	2.50	156.17	203.02	- 40.99
3.	SLAB II	308386302	1.2	2.6	154193.15	71166.07	192741.44	92515.89	- 100225.55	1.50	123354.52	160360.88	- 32380.56
4.	SLAB II	64456288	1.0	2.0	38673.77	19336.89	48342.22	25137.95	- 23204.26	1.25	30939.02	40220.72	- 8121.49
		384212177			196277.80	92208.39	245347.25	119870.91	- 125476.34		157022.24	204128.91	- 41218.34

Consolidation Sheet : Financial Implications on TRAI's Proposal

	Reduction of revenue on Existing traffic	Reduction of revenue on 5% increase in traffic	Reduction of revenue on 10% increase in traffic
Rental	2157.41	2157.41	2157.41
Local Calls	27.69	303.02	578.34
NSD	– 2993.42	– 2783.35	– 2573.27
ISD	– 1254.76	– 1194.83	– 1134.89
Reased Lines	– 267.00	– 267.00	– 267.00
Over all Reduction	– 2330.08	– 1784.75	– 1239.41
Addl. Loss in Rental Increase upto 35% Above 1000 Lines	– 1051.38	– 1051.38 ANN VI	– 1051.38
Expected Net Reduction	– 3381.46	– 2836.13	– 2290.79

Annexure I : Additional Revenue if TRAI Proposal is Rentals is Implemented in Toto

% subs	Exchange Capacity	No. of Del	Rental Bimonthly Existing	Rental Bimonthly TRAI Proposal	Net Rental Increase	Addl. Revenue P.A.	% increase
3.06%	< 100 Lines	5.45	Rs. 100.00	Rs. 320.00	220	71.94	220.00%
12.25%	100 to 999 Lines	21.82	Rs. 150.00	Rs. 320.00	170	222.56	113.33%
14.29%	1000 to 29999 Lines	25.46	Rs. 200.00	Rs. 320.00	120	183.31	60.00%
20.42%	30000 to 99999 Lines	36.38	Rs. 275.00	Rs. 440.00	165	360.16	60.00%
17.36%	1 Lakh to 3 Lakh Lines	30.93	Rs. 360.00	Rs. 620.00	260	482.51	72.22%
12.37%	3 Lakhs to 10 lakhs	22.04	Rs. 380.00	Rs. 620.00	240	317.38	63.16%
20.25%	10 Lakhs and above	36.08	Rs. 380.00	Rs. 620.00	240	519.55	63.16%
100.00%		178.16				Rs. 2,157.41	

Note :
1. If the rental increase not considered upto 10000 lines capacity, then increase in revenue will be reduced by Rs. 294.50 crores.
2. If the increase of rental taken upto 35%, the increase will be reduced by Rs. 1051.38 Crores.

Annexure II : Local Calls (TRAI's Proposal on Local Calls is Implemented : Free Calls 120 Call rate Rs. 1.30 for all slabs)

Metered Calls 11511.92

% of		Total	Call Rate		Revenue		Addl.
Calls	Slab	Calls	Existing	Proposed	Existing	Proposed	Revenue
1	2	3	4	5	6	7	8
0.56%	1 to 120	63.89	Free	Free	0	0	0.00
0.19%	121 to 150	21.30	Free	Rs. 1.30	Rs. 0.00	Rs. 27.69	27.69
0.39%	151 to 175	44.90	Rs. 0.80	Rs. 1.30	Rs. 35.92	Rs. 58.37	22.45
1.99%	176 to 300	229.09	Rs. 0.80	Rs. 1.30	Rs. 183.27	Rs. 297.81	114.54
4.83%	301 to 500	556.03	Rs. 0.80	Rs. 1.30	Rs. 444.82	Rs. 722.83	278.01
4.76%	501 to 750	547.97	Rs. 1.00	Rs. 1.30	Rs. 547.97	Rs. 712.36	164.39
4.77%	751 to 1000	549.12	Rs.1.00	Rs. 1.30	Rs. 549.12	Rs. 713.85	164.74

1	2	3	4	5	6	7	8
11.92%	1001 to 2000	1372.22	Rs. 1.25	Rs. 1.30	Rs. 1,715.28	Rs. 1,783.89	68.61
14.79%	2001 to 5000	1702.61	Rs. 1.40	Rs. 1.30	Rs. 2,383.66	Rs. 2,213.40	- 170.26
11.17%	5001 to 10000	1285.88	Rs. 1.40	Rs. 1.30	Rs. 1,800.23	Rs. 1,671.64	- 128.59
44.64%	10001 and Above	5138.92	Rs. 1.40	Rs. 1.30	Rs. 7,194.49	Rs. 6,680.60	- 513.89
100.00%	Total	11511.92			Rs. 14,854.75	Rs. 14,882.44	27.69

Notes :
1. If Free Calls retained as 150 calls, then addl. loss will be Rs. 27.69 Crores.
2. If Free Calls retained as 150 calls, and rates Rs. 1.00 upto 500 and Rs. 1.30 above 501 then additional loss will be RDs. 221.31 Crores.

Annexure III : Details of Reduction in NSD Calls as per TRAI's Proposal

NSD Calls 5755.96 (fig. in crores)

Slab		Calls	Present Pulse SEC	TRAI Pulse SEC	Present Revenue @ 1.25	Revised Revenue @ 1.30	Reduction Revenue
0-20	2.60%	149.65	180	180	187.07	194.55	7.48
21-35	1.30%	74.83	90	180	93.53	48.64	– 44.90
36-50	1.30%	74.83	36	180	93.53	19.46	– 74.08
51-100	4.86%	279.74	12	20	349.67	218.20	– 131.48
101-200	17.04%	980.82	8	20	1226.02	510.02	– 716.00
201-500	29.21%	1681.32	4	8	2101.64	1092.86	– 1008.79
501-1000	25.83%	1486.76	3	4	1858.46	1449.60	– 408.86
> 1000	17.86%	1028.01	2	4	1285.02	668.21	– 616.81
	100.00%	5755.96			7194.95	4201.53	– 2993.42

Annexure IV : Details of Reduction in ISD Calls as Per TRAI's Proposals

(Rs. in lakhs)

		Outgoing Minutes	Present Pulse Sec	TRAI Pulse Sec	Present Calls	Revised Calls	Present Revenue	Revised Revenue (TRAI Prop)	Drop in Revenue
1.	SAARC	10718885	2.0	4.0	3215.67	1607.83	4019.58	2090.18	- 1929.40
2.	SLAB I	650702	2.0	4.0	195.21	97.61	244.01	126.89	- 117.13
3.	SLAB II	308386302	1.2	2.6	154193.15	71166.07	192741.44	92515.89	- 100225.55
4.	SLAB II	64456288	1.0	2.0	38673.77	19336.89	48342.22	25137.95	- 23204.26
		384212177			196277.80	92208.39	245347.25	119870.91	- 125476.34

Annexure V : Expected Reduction in Revenue Under Circuit

(in Crores)

1.	Projected Revenue for 1998-99 (As per DFG)	267
2.	Anticipated for 1999-2000	401
3.	Reduction Due TRAI Proposal 2/3rd of Item 2	267

Annexure VI : Additional loss of Rental Encrease upto 35% for above 1000 lines Capacity

% Subs	Exchn Capacity	No. of Del	Rental Bimonthly Existing	Rental Bimonthly TRAI Proposed	Net Rental Increase	Addl. Revenue P.A.	% increase
3.06%	< 100 Lines	5.45	Rs. 100.00	Rs. 100.00	0	0.00	0.00%
12.25%	100 to 999 Lines	21.82	Rs. 150.00	Rs. 150.00	0	0.00	0.00%
14.29%	1000 to 29999 Lines	25.46	Rs. 200.00	Rs. 275.00	75	114.57	37.50%
20.42%	30000 to 99999 Lines	36.38	Rs. 275.00	Rs. 375.00	100	218.28	36.36%
17.36%	1 Lakh to 3 Lakh Lines	30.93	Rs. 360.00	Rs. 475.00	115	213.42	31.94%
12.37%	3 Lakhs to 10 lakhs	22.04	Rs. 380.00	Rs. 525.00	145	191.75	38.16%
20.25%	10 Lakhs and above	36.08	Rs. 380.00	Rs. 550.00	170	368.02	44.74%
100.00%		178.16				Rs. 1,106.03	

Additional Revenue if TRAI's Proposal Implemented in toto	Rs. 2,157.41
Additional Revenue Above	Rs. 1,106.03
Net Drop in Rentals	Rs. 1,051.38

Annexure VII : Local Calls Effect of TRAI's Proposal if Traffic Increase is Presumed 5% or 10% Increase

Free Calls 120 Call rate Rs. 1.30 for all slabs

		Metered Calls					11511.92	212.97		425.94	
% of		Total	Call Rate		Revenue		Addl.	5%		10%	
Calls	Slab	Calls	Existing	Proposed	Existing	Proposed	Revenue	increase calls	increase amount	increase calls	increase amount
1	2	3	4	5	6	7	8	9	10	11	12
0.56%	1 to 120	63.89	Free	Free	0	0	0.00	1.18	0.00	2.36	0.00
0.19%	121 to 150	21.30	Free	Rs. 1.30	Rs. 0.00	Rs. 27.69	27.69	0.39	0.51	0.79	1.02
0.39%	151 to 175	44.90	Rs. 0.80	Rs. 1.30	Rs. 35.92	Rs. 58.37	22.45	0.83	1.08	1.66	2.16
1.99%	176 to 300	229.09	Rs. 0.80	Rs. 1.30	Rs. 183.27	Rs. 297.81	114.54	4.24	5.51	8.48	11.02
4.83%	301 to 500	556.03	Rs. 0.80	Rs. 1.30	Rs. 444.82	Rs. 722.83	278.01	10.29	13.37	20.57	26.74
4.76%	501 to 750	547.97	Rs. 1.00	Rs. 1.30	Rs. 547.97	Rs. 712.36	164.39	10.14	13.18	20.27	26.36

1	2	3	4	5	6	7	8	9	10	11	12
4.77%	751 to 1000	549.12	Rs.1.00	Rs. 1.30	Rs. 549.12	Rs. 713.85	164.74	10.16	13.21	20.32	26.41
11.92%	1001—2000	1372.22	Rs. 1.25	Rs. 1.30	Rs. 1,715.28	Rs. 1,783.89	68.61	25.39	33.00	50.77	66.00
14.79%	2001—5000	1702.61	Rs. 1.40	Rs. 1.30	Rs. 2,383.66	Rs. 2.213.40	- 170.26	31.50	40.95	63.00	81.90
11.17%	5001—10000	1285.88	Rs. 1.40	Rs. 1.30	Rs. 1,800.23	Rs. 1,671.65	- 128.59	23.79	30.93	47.58	61.85
44.64%	10001 and Above	5138.92	Rs. 1.40	Rs. 1.30	Rs. 7,194.49	Rs. 6,680.60	- 513.89	95.07	123.59	190.14	247.18
100.00%	Total	11511.92			Rs. 14,854.75	Rs. 14,882.44	27.69	212.97	275.33	425.94	550.65
								303.01	578.34		

Notes : 1. If Free Calls retained as 150 calls, then addl. loss will be Rs. 27.69 Crores.

Annexure VIII : Details of Reduction in NSD Calls as per TRAI's Proposal if Traffic Increase is Presumed 5% or 10% increase

NSD Calls 5755.96 (fig. in crores)

Slab		Calls	Present Pulse Sec	TRAI Pulse Sec	Present Revenue @ 1.25	Revised Revenue @ 1.30	Reduction Revenue	5% addl traffic	rev @ Rs. 130	reduction in revenue afters %	10% addl traffic	rev @ Rs. 1.30	reduction in revenue after 10%
0-20	2.60%	149.65	180	180	187.07	194.55	7.48	7.48	9.73	17.21	14.97	19.46	26.94
21-35	1.30%	74.83	90	180	93.53	48.64	- 44.90	3.74	2.43	- 42.46	7.48	4.86	- 40.03
36-50	1.30%	74.83	36	180	93.53	19.46	- 74.08	3.74	0.97	- 73.11	7.48	1.95	- 72.13
51-100	4.86%	279.74	12	20	349.67	218.20	- 131.48	13.99	10.91	- 120.57	27.97	21.82	- 109.66
101-200	17.04%	980.82	8	20	1226.02	510.02	- 716.00	49.04	25.50	- 690.49	98.08	51.00	- 664.99
201-500	29.21%	1681.32	4	8	2101.64	1092.86	- 1008.79	84.07	54.64	- 954.15	168.13	109.29	- 899.50
501-1000	25.83%	1486.76	3	4	1858.46	1449.60	- 408.86	74.34	72.48	- 336.38	148.68	144.96	- 263.90
> 1000	17.86%	1028.01	2	4	1285.02	668.21	- 616.81	51.40	33.41	- 583.40	102.80	66.82	- 549.99
	100.00%	5755.96			7194.95	4201.53	- 2993.42	287.80	210.08	- 2783.35	575.60	420.15	- 2573.27

Annexure IX : Details of Reduction in ISD Calls as Per TRAI's Proposal if Traffic Increase is Presumed 5% or 10% Increase

(Rs. in lakhs)

	Outgoing Minutes	Present Pulse Sec	TRAI Pulse Sec	Present Calls	Revised Calls	Present Revenue	Revised Revenue (TRAI Prop)	Drop in Revenue	5% addl traffic	rev @ Rs. 1.30	reduction in revenue after 5%	10% addl traffic	rev @ Rs. 1.30	reduction in revenue after 10%
				[......... in lakhs ....]										
SAARC	10718885	2.0	4.0	3215.67	1607.83	4019.58	2090.18	- 1929.40	160.78	104.51	- 1824.89	321.57	209.02	- 1720.38
SLAB I	650702	2.0	4.0	195.21	97.61	244.01	126.89	- 117.13	9.76	6.34	- 110.78	19.52	12.69	- 104.44
SLAB II	308386302	1.2	2.6	154193.15	71166.07	192741.44	92515.89	- 100225.55	7709.66	4625.79	- 95599.75	15419.32	9251.59	- 90973.96
SLAB II	64456288	1.0	2.0	38673.77	19336.89	48342.22	25137.95	- 23204.26	1933.69	1256.90	- 21947.37	3867.38	2513.80	- 20690.47
	384212177			196277.80	92208.39	245347.25	119870.91	- 125476.34	9813.89	5993.55	- 119482.79	19627.78	11987.09	- 113489.25

STATEMENT SHOWING EFFECT OF TRAI TARIFF PROPOSAL ON DOT & MTNL'S PERSPECTIVE PLAN (1997-2007)

(Rs. in Crore)

Year	(Prov) 1997-1998	(B.E) 1998-1999	1999-2000	2000-2001	2001-2002	Total IX Plan	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total X Plan	Grand Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Revenue	19366	22484	25704	29758	34228	131540	39101	44393	50106	56233	62777	252610	384150
Plan Outlay DoT	10916	11000	13950	15468	17236	68570	21213	23649	26291	29177	32090	132420	200990
MTNL	1518	2772	1968	2279	2479	11016	2980	3424	3952	4480	5160	19996	31012
	12434	13772	15918	17747	19715	79586	24193	27073	30243	33657	37250	152416	232002
Source of Funds													
DoT Internal Resources	10916	8709	10047	14304	16418	60394	21213	23649	26291	29177	32090	132420	192814
E.B.R (Market Borrowing)	0	2291	3903	1164	818	8176	0	0	0	0	0	0	8176
Total	10916	11000	13950	15468	17236	68570	21213	23649	26291	29177	32090	132420	200990

1	2	3	4	5	6	7	8	9	10	11	12	13	14
MTNL													
Internal Resources	1518	2042	1677	1876	1811	8924	2980	3424	3952	4480	5160	19996	28920
E.B.R (Market Borrowing)	0	730	291	403	668	2092	0	0	0	0	0	0	2092
Total	1518	2772	1968	2279	2479	11016	2980	3424	3952	4480	5160	19996	31012
Total I.R.	12434	10751	11724	16180	18229	69318	24193	27073	30243	33657	37250	152416	221734
Total EBR	0	3021	4194	1567	1486	10268	0	0	0	0	0	0	10268
% of EBR to Capital		21.9%	26.3%	8.8%	7.5%	12.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
Reduction in Revenue due to TRAI Proposal													
Decrease	0	845	3865	4475	5147	14332	5880	6676	7535	8456	9440	-37986	52318
Revised Source of Funds													
Total Plan Outlay	12434	13772	15918	17747	19715	79586	24193	27073	30243	33657	37250	152416	232002

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Revised													
Internal Resources	12434	9906	7732	10980	11576	52628	16531	16877	16665	11260	19817	81150	133778
EBR (Market Borrowings) (inc. all interest liability and repayment after 5th year)	0	3866	8186	6767	8139	26958	7662	10196	13578	22397	17433	71266	98224
% of EBR to Capital	0.0	28.1%	51.4%	38.1%	41.3%	33.9%	31.7%	37.7%	44.9%	66.5%	46.8%	46.8%	42.3%
Addl. Int. Liability (15%)		0	127	726	1506	2516	2504	3653	5182	7219	10578	13193	47203

Presumed 15.04% decrease of revenue per year. However 1/4th of this has been adopted for the year 1998-99

Base Year 1998-99

Projection Based on 470 Lakhs Lines and Tele-Density 9 per Hundred upto 2007

PERSPECTIVE PLAN OF DoT (INCLUDING MTNL) (1997-2007)
(WITH ASSUMPTION OF 5% TRAFFIC INCREASE)

(Rs. in Crore)

Year	(Prov.) 1997-1998	(B.E.) 1998-1999	1999-2000	2000-2001	2001-2002	Total IX Plan	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total X Plan	Grand Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Revenue	19366	22484	25704	29758	34228	131540	39101	44393	50106	56233	62777	252610	384150
Plan Outlay													
DoT	10916	11000	13950	15468	17236	68570	21213	23649	26291	29177	32090	132420	200990
MTNL	1518	2772	1968	2279	2479	11016	2980	3424	3952	4480	5160	19996	31012
	12434	13772	15918	17747	19715	79586	24193	27073	30243	33657	37250	152416	232002
Source of Funds													
DoT													
Internal Resources	10916	8709	10047	14304	16419	60395	21213	23648	26290	29176	32090	132417	192812
E.B.R (Market Borrowing)	0	2291	3903	1164	818	8176	0	0	0	0	0	0	8176
Total	10916	11000	13950	15468	17237	68571	21213	23648	26290	29176	32090	132417	200988

1	2	3	4	5	6	7	8	9	10	11	12	13	14
MTNL													
Internal Resources	1518	2042	1677	1876	1811	8924	2980	3424	3952	4480	5160	19996	28920
E.B.R (Market Borrowing)	0	730	291	403	668	2092	0	0	0	0	0	0	2092
Total	1518	2772	1968	2279	2479	11016	2980	3424	3952	4480	5160	19996	31012
Total I.R.	12434	10751	11724	16180	18230	69319	24193	27072	30242	33656	37250	152413	221732
Total EBR	0	3021	4194	1567	1486	10268	0	0	0	0	0	0	10268
% of EBR to Capital Reduction in Revenue due to TRAI Proposal		21.9%	26.3%	8.8%	7.5%	12.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
Decrease Revised Source of Funds	0	709	3242	4475	4317	12743	4932	5599	6320	7093	7918	31863	44606
Total Plan Outlay Revised	12434	13772	15918	17747	19715	79586	24193	27073	30243	33657	37250	152416	232002
Internal Resources	12434	10042	8375	11097	12541	54489	17758	18553	19217	13604	23617	92748	147237

1	2	3	4	5	6	7	8	9	10	11	12	13	14
EBR (Market Borrowings) (inc. all interest liability and repayment after 5th year)	0	3730	7543	6650	7174	25097	6435	8520	11026	20053	13633	59668	84765
% of EBR to Capital	0.0	27.1%	47.4%	37.5%	36.4%	31.5%	26.6%	31.5%	36.5%	59.6%	36.6%	39.1%	36.5%
Addl. Int. Liability (15%)		0	106	609	1371	2237	2224	3190	4468	6122	9130	11175	40630

Projection based on 470 lakhs lines and tele-density 9 per hundred upto 2007

PERSPECTIVE PLAN OF DoT (INCLUDING MTNL) 1997-2007
(WITH ASSUMPTION OF 10% TRAFFIC INCREASE)

(Rs. in Crore)

Year	(Prov.) 1997-1998	(B.E.) 1998-1999	1999-2000	2000-2001	2001-2002	Total IX Plan	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total X Plan	Grand Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Revenue	19366	22484	25704	29758	34228	131540	39101	44393	50106	56233	62777	252610	384150
Plan Outlay													
DoT	10916	11000	13950	15468	17236	68570	21213	23649	26291	29177	32090	132420	200990
MTNL	1518	2772	1968	2279	2479	11016	2980	3424	3952	4480	5160	19996	31012
	12434	13772	15918	17747	19715	79586	24193	27073	30243	33657	37250	152416	232002
Source of Funds													
DoT Internal Resources	10916	8709	10047	14304	16419	60395	21213	23648	26290	29176	32090	132417	192812
E.B.R (Market Borrowing)	0	2291	3903	1164	818	8176	0	0	0	0	0	0	8176
Total	10916	11000	13950	15468	17237	68571	21213	23648	26290	29176	32090	132417	200988

1	2	3	4	5	6	7	8	9	10	11	12	13	14
MTNL													
Internal Resources	1518	2042	1677	1876	1811	8924	2980	3424	3952	4480	5160	19996	28920
E.B.R (Market Borrowing)	0	730	291	403	668	2092	0	0	0	0	0	0	2092
Total	1518	2772	1968	2279	2479	11016	2980	3424	3952	4480	5160	19996	31012
Total I.R.	12434	10751	11724	16180	18230	69319	24193	27072	30242	33656	37250	152413	221732
Total EBR	0	3021	4194	1567	1486	10268	0	0	0	0	0	0	10268
% of EBR to Capital Reduction in Revenue due to TRAI Proposal		21.9%	26.3%	8.8%	7.5%	12.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.4%
Decrease Revised Source of Funds	0	573	2619	3032	3488	9712	3984	4523	5106	5730	6397	25740	35451
Total Plan Outlay Revised	12434	13772	15918	17747	19715	79586	24193	27073	30243	33657	37250	152416	232002
Internal Resources	12434	10178	9019	12656	13721	58008	19233	20514	22098	14883	27636	104365	162373

1	2	3	4	5	6	7	8	9	10	11	12	13	14
EBR (Market Borrowings) (inc. all interest liability and repayment after 5th year)	0	3594	6899	5091	5994	21578	4960	6559	8145	18774	9614	48051	69629
% of EBR to Capital	0.0	26.1%	43.3%	28.7%	30.4%	27.1%	20.5%	24.2%	26.9%	55.8%	25.8%	31.5%	30.0%
Addl. Int. Liability (15%)		0	86	492	1020	1709	1696	2440	3424	4646	7462	8904	31879

Projection based on 470 lakhs lines and tele-density 9 per hundred upto 2007

ANNEXURE III

MINUTES OF THE TWENTIETH SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1998-99)

The Committee sat on Wednesday, the 28th October, 1998 from 15.00 hours to 16.45 hours in Committee Room No. 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Chandrashekhar Sahu
3. Dr. Chhatrapal Singh
4. Shri Rajveer Singh
5. Shri Baijnath Rawat
6. Shri Harpal Singh Sathi
7. Shri Giridhar Gamang
8. Dr. (Smt.) Prabha Thakur
9. Shri K. Asungba Sangtam
10. Shri T. Govindan
11. Shri P. Rajarethinam
12. Shri Mahendra Baitha
13. Shri Braja Kishore Tripathy
14. Shri P.C. Thomas

Rajya Sabha

15. Smt. Veena Verma
16. Shri K. Rahman Khan
17. Smt. Chandresh Kumari
18. Shri Shatrughan Sinha
19. Shri Raj Babbar

SECRETARIAT

1.	Shri S.K. Sharma	—	*Deputy Secretary*
2.	Shri A.S. Chera	—	*Under Secretary*

REPRESENTATIVES OF DEPARTMENT OF TELECOMMUNICATIONS, MINISTRY OF COMMUNICATIONS

1.	Shri Anil Kumar	—	Chairman (TC)
2.	Shri R.R.N. Prasad	—	Member (P)
3.	Shri N.K. Sinha	—	Member (T)
4.	Shri R.N. Goyal	—	Advisor (O)
5.	Shri C. Ramesh	—	Advisor (P)
6.	Shri S.P. Purwar	—	Advisor (F)
7.	Shri A.C. Padhi	—	DDG (TCF)
8.	Shri N.K. Mangala	—	DDG (Rgulations)
9.	Shri V.P. Sinha	—	DDG (LTP)
10.	Shri Asim Abbas	—	Dir. (T&C)
11.	Shri K.K. Sapra	—	Dir. (PHE)
12.	Ms. Annie Moraes	—	DDG (BLF)

2. At the outset, the Chairman welcomed Shri Anil Kumar, Chairman (TC) and other officials accompanying him.

3. The Committee, then, sought certain clarifications on the issues relating to the recommendations of Telecom Regulatory Authority of India (TRAI) regarding increase in Telephone Tariff and DoT's response thereto and the representatives replied to the same.

4. The Chairman thanked the officials of the Department of Telecommunications for furnishing valuable information to the Committee and for the free and frank views expressed on various points raised by the Members.

5. A verbatim record of the sitting has been kept.

The Committee then adjourned.

MINUTES OF THE TWENTY-FIRST SITTING OF THE STANDING COMMITTEE ON COMMUNICATIONS (1998-99)

The Committee sat on Friday, the 13th November, 1998 from 11.00 hours to 12.00 hours in Committee Room 'C' Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri K.L. Sharma
3. Shri Nakli Singh
4. Shri Rajveer Singh
5. Shri Somjibhai Punjabhai Damor
6. Shri Giridhar Gamang
7. Shri Dowarka Prashad Bairwa
8. Shri K. Asungba Sangtam
9. Shri Shantilal Purushottamdas Patel
10. Shri T. Govindan
11. Shri Surendra Prasad Yadav
12. Shri Mahendra Baitha
13. Shri Braja Kishor Tripathy
14. Shri M. Durai
15. Shri Surender Singh

Rajya Sabha

16. Ms. Mabel Rebello
17. Shri K. Rahman Khan
18. Smt. Chandresh Kumari

19. Shri Shatrughan Sinha
20. Shri Dawa Lama
21. Shri K. Kalavenkata Rao
22. Shri Raj Babbar
23. Shri Kartar Singh Duggal

SECRETARIAT

1. Shri S.K. Sharma	—	*Deputy Secretary*
2. Shri A.S. Chera	—	*Under Secretary*

The Committee took up for consideration the Draft Report on Recommendations of Telecom Regulatory Authority of India (TRAI) regarding increase in Telephone tariff of Basic Telecom Services.

2. The Committee adopted the Draft Report with some modifications as shown in the Annexure.

3. The Committee then authorised the Chairman to finalise and present/lay the Report to Hon'ble Speaker/both the Houses of Parliament.

The Committee then adjourned.

Sl. No.	Page No.	Para No.	Line No.		Modification
1	2	3	4		5
1.	17	38	Add at the end :		"and as a matter of last resort; the Government may consider taking recourse to the provisions of Section 25(2) of the Act. However, it is expected that before such action is taken, the views of the Committee will be ascertained.
2.	17	39	1	For :	"Concludes that there should be no"
				Read :	"is of the view that there is no reason to"
3.	17	39	3	For :	"instead, there is a need to pause and think of the consequences"
				Read :	"and it is hoped that TRAI as well as the Government will take note of the views of the Committee before finally deciding the tariff"

1	2	3	4		5
4.	17		Last	For :	"for a popular Government to commend such"
				Read :	"to make'
5.	17	39	Last	Add at the : end	"acceptable to the consumers"
6.	18	39	1	Add after "increases"	"in rentals"
7.	18	40	5	For :	"suffered the most"
				Read :	"have gone unrepresented"
8.	18	40	5	For :	"take care"
				Read :	"espouse"
9.	18	40	7	For :	"of their interests"
				Read :	"their causes and concerns"
10.	18	40	7	Add after "services"	"appear to have"
11.	18	40	8	For :	"such"
				Read :	"future"
12.	18	40	9/10	Delete	"in future............ comes up"