Clear connection - Bill and keep; Zero Termination Rate

Why in news?

The telecom industry moves to a new regime from 1 January 2021 with the interconnect usage charge (IUC) becoming zero.

What does this mean?

- A termination charge was paid to the operator on whose network the call terminated by the originating network.
- The new regime, where zero termination rate is payable, is known as bill and keep.
- With this, the operators will no longer have to pay the termination charge of 6 paise per minute to each other.

What impact will this have?

- The development would be revenue-neutral for all operators.
- This is because largely there is a symmetry by now between incoming calls to their networks and the outgoing to other networks.
- Till about a year ago, there was a symmetry between incoming and outgoing calls between the networks of Bharti Airtel and Vodafone Idea.
- However, in case of Jio, the number of outgoing calls was larger than incoming.
- Therefore, it was a net payer of IUC rather than net receiver.
- Reliance Jio was thus the only operator which charged its customers for termination of off-net calls (calls made to another network like Bharti Airtel or Vodafone Idea).
- While levying a termination charge for off-net calls in October 2019, Jio had said it would abolish it the day IUC becomes zero.
- With the new regime, Reliance Jio said it would no longer levy this charge.

What lies ahead for the telcos?

- The measure was delayed by a year by the regulator [TRAI] due to concerns that not all operators were ready.
- Also, the shift to more efficient 4G networks and compatible subscriber handsets was slower than anticipated.

- But now, the need to monitor call termination data and to make IUC payments no longer exists.
- Also, a spectrum auction is scheduled in 2021.
- Given these, the telecom companies can now focus on upgrading their networks and service.
- The focus should shift to giving the users a better deal such as reliable call quality and competitive tariffs.

How about the overall network status?

- India's high density telecom market is poised for further growth as it awaits expansion through 5G and Internet-connected devices.
- Yet, as the Economic Survey of 2019-20 pointed out, intense competition has reduced the number of private players.
- Public sector operators BSNL and MTNL still face a challenge.
- So, their future must be clarified early, with efforts to improve their technological capabilities and service levels.
- A parallel trend has been the rise in 4G subscribers [from 196.9 million in September 2017 to 517.5 million (out of a total wireless subscriber base of 1,165.46 million) in June 2019].
- The end of the IUC should encourage an expansion of high-capacity networks, going beyond 2G and 3G that some telcos continue to use.

What is the way forward?

- TRAI has always stressed the importance of consumer welfare through adequate choice, affordable tariff and quality service.
- So, it is now important to tread cautiously on claims made on behalf of the companies, that higher tariffs alone can ensure the health of telecoms.
- India is a mass market for voice and data services that fuel the digital economy.
- Badly priced spectrum could lead to auction failures. On the other hand, lack of genuine competition is bound to hamper the growth of the next big wave of telecoms. These should be addressed.
- On the consumer side, helping more people migrate to 4G services quickly through affordable handsets will help telcos put their infrastructure to better use.

Source: The Indian Express, The Hindu



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