Reduction in IUC

What is the issue?

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The recent decision of TRAI is seen as an extensive action rather than a practical one.

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What is the recent decision of TRAI?

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- The Telecom Regulatory Authority of India slashed the interconnection usage charge (IUC).
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- Charges for calls terminating on another network is 6 paise per minute from October 1.
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- It planned to abolish it for all local calls from 2020.
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What is the reason for this move?

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- TRAI has argued without this move Economic benefits associated with market expansion and liberalisation will be limited.
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- Since the cost of terminating a 4G call is relatively small compared to the cost of terminating a call using 2G.
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- TRAI is right in arguing that its mandate also is to promote technologies with lesser costs.
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- The technology used for carrying calls has changed or is changing rapidly from circuit switching (2G) to packet switching (4G).
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- The timing of the TRAI move could have surely been better in view of the severe financial stress that the telecom industry is facing.
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How this new decision impacts industries?

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- Reduction in the IUC may have resulted in declining profitability for leading telecom companies which is still using 2G calling.
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- Reliance Jio, has been able to bring down cost by using the latest technology, thus it is in a safer zone.
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- Even though RJiois asking for abolition of the IUC right away.
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- If all telecom operators were more or less of equal size, net revenue from termination charges anyway would have been zero.
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- But that is surely not the case, TRAI could have perhaps exercised more caution before doing what it did.
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Source: Business Standard

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