

Reduction in IUC

What is the issue?

\n\n

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

\n\n

What is the recent decision of TRAI?

\n\n

\n

- The Telecom Regulatory Authority of India slashed the interconnection usage charge (IUC).

\n

- Charges for calls terminating on another network is 6 paise per minute from October 1.

\n

- It planned to abolish it for all local calls from 2020.

\n

\n\n

What is the reason for this move?

\n\n

\n

- TRAI has argued without this move Economic benefits associated with market expansion and liberalisation will be limited.

\n

- Since the cost of terminating a 4G call is relatively small compared to the cost of terminating a call using 2G.

\n

- TRAI is right in arguing that its mandate also is to promote technologies with lesser costs.

\n

- The technology used for carrying calls has changed or is changing rapidly from circuit switching (2G) to packet switching (4G).

\n

- The timing of the TRAI move could have surely been better in view of the severe financial stress that the telecom industry is facing.

\n

\n\n

How this new decision impacts industries?

\n\n

\n

- Reduction in the IUC may have resulted in declining profitability for leading telecom companies which is still using 2G calling.

\n

- Reliance Jio, has been able to bring down cost by using the latest technology, thus it is in a safer zone.

\n

- Even though RJio is asking for abolition of the IUC right away.

\n

- If all telecom operators were more or less of equal size, net revenue from termination charges anyway would have been zero.

\n

- But that is surely not the case, TRAI could have perhaps exercised more caution before doing what it did.

\n

\n\n

\n\n

Source: Business Standard

\n

