Mobile Termination Charges

Why in news?

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The Telecom Regulatory Authority of India (TRAI) has slashed mobile termination charges (MTC) by 57%.

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What is Mobile Termination Charge?

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- It is an Interconnection Usage Charge payable by the operator whose subscriber makes a call to the operator whose subscriber receives the call.
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- It has a direct bearing on the call tariff.
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- MTC is now reduced from the current 14 paise to 6 paise per minute, with effect from October 1.
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- The regulator added that these charges would be completely done away with by January, 2020.
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What is the rationale?

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- The revision in the mobile termination charges is in line with the international trends.
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- As per TRAI's argument this is likely to result in direct benefit to customers through lower tariffs.
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- These charges worked as disincentive for deployment of new technology such as VoLTE and migration to IP networks where there are no interconnection charges.
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- They made telecom service providers uncompetitive with rapid increase in use of OTT applications.
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- And possibly, reduction in MTC would encourage operators to invest in new technology and bring down the cost of voice services close to nil.
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What are the drawbacks?

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- To cater to the needs of users who still consume basic 2G voice services, mobile operators invested heavily in rolling out GSM networks to the remotest parts of the country.
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- This investment was being partially recovered through the mobile termination charges.
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- Thus, the reduction in MTC would result in:
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1. loss of revenue to the incumbent operators.
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2. making operations in many of the rural regions economically unviable.
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3. destabilising the sector as the current rates are already way below the cost.
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4. forcefully investing in rolling out new networks based on 4G services.
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- Rising the retail tariffs or investing in 4G networks would only add to the existing financial stress of the sector.
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- Also, given the prevalence of feature phone users, rolling out 4G networks on large scale would not be an inclusive measure.
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- TRAIS's decision also goes against the spirit of unified licensing regime that allows operators to offer all types of telecom services using any technology.
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What should have been done?

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- Incumbent operators have been gradually shifting from a ‘voice only’ network to a ‘voice plus data’ network.
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- Given this transformative stage, TRAI should have adopted a policy where the interconnection charges are phased out gradually.
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- This would have given enough time for consumers and the operators to be ready for technological innovations.
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- It is now for the Centre to at least ensure that the financial burden on the sector is alleviated by lowering some of the levies such as the spectrum usage charge and licence fees.
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Source: Business Standard, BusinessLine

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