

# Trai cuts interconnect charges to 6 paise a minute from Oct 1; Jio gains, incumbents lose

*The regulation, which came as a gazette notification on Tuesday evening, comes more than a year after Trai started consultation process on the contentious issue, which had led to a bitter and escalating war of words between incumbents and the new entrant.* ET Bureau | Updated: September 19, 2017, 20:54 IST

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NEW DELHI: India's telecom regulator has reduced the interconnect usage charge (IUC) to 6 paise per minute, less than half of the present value of 14 paise a minute, from October 1, and will scrap the charge completely from January 1, 2020.

“For [mobile](#) to mobile, termination charge has been reduced from 14 paise per minute to 6 paise per minute wef. 1st October, 2017... From 1st January, 2020 onwards the termination charge for all types of domestic calls shall be zero,” the Telecom Regulatory Authority of India ([Trai](#)) said in a statement issued on Tuesday evening.

IUC is a fee that a mobile service provider pays another to link a call to the latter's network. The move is set to benefit new entrant Reliance Jio which has been battling for lowering of the charge and eventual scrapping, while the reduction would come as a huge blow to incumbent operators Bharti [Airtel](#), [Vodafone](#) India and [Idea](#) Cellular.

Incumbent telcos have been battling against lowering of the charge - which gives them net revenue – and moving to bill and keep (BAK) regime, on the grounds that the current rate was inadequate for covering costs. The top three carriers were pushing for an immediate increase in the IUC to 30-35 paise per minute.

“Lower termination charges are therefore likely to benefit consumers overall (both fixed and mobile) because operators will have greater retail pricing flexibility. Operators would be able to offer consumers a wider variety of retail packages and tariff structures,” Trai said in its explanatory memorandum issued on Tuesday evening, as part of the regulation.

“While on the one hand a lower termination charge benefits the consumer, it does not have a negative effect on the telecom operator because it is open to the operator to recover whatever cost it incurs through the retail tariffs, subject to competitive market conditions,” it added.

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Bank of America-Merrill Lynch said in a recent note that Jio will be a major beneficiary of any material cut in IUC, as “its net interconnect payments could come down materially, helping it to achieve EBITDA (earnings before interest, tax, depreciation & amortisation) break-even earlier than expected”.

On the contrary incumbents Bharti Airtel and Idea would take a 4% and 9% hit on their EBITDA, respectively, if the Telecom Regulatory Authority of India cuts IUC to 5 paise/minute. And if the IUC were scrapped altogether, the negative impact on Bharti and Idea’s EBITDA would be as much as 6% and 15%, respectively, said the note, a copy of which is with ET.

A telco’s EBITDA is a key financial indicator of its operating profit, or the money it makes before paying taxes, interest on loans and accounting for depreciation and amortisation.