

Telecommunications Regulatory Commission of Sri Lanka

**Revision of Interconnection rates determined for Public Switched Telecommunication Network (PSTN) Operators in May 2010.**

The Telecommunications Regulatory Commission of Sri Lanka (the Commission) issued a "Determination on Interconnection Between Public Switched Telecommunication Network (PSTN) Operators – May 2010" and communicated to all PSTN Operators by its letter dated 25<sup>th</sup> May 2010. As per the said determination, for both domestic and international call termination charge is 50 cents per minute throughout the day, irrespective of the nature of the network whilst the SMS/MMS termination charge is 15 cents per message. The Commission considered Operators audited cost information of 2009 to derive call termination charge and considered cost of terminating a SMS/MMS as 1/3 of the call termination charge.

Bharti Airtel Lanka (Pvt) Ltd., Sri Lanka Telecom PLC (including Mobitel), and Hutchison Telecommunications Lanka (Pvt) Ltd vide their letters dated 7<sup>th</sup>, 8<sup>th</sup> and 21<sup>st</sup> Sep 2021 respectively, requested the Commission to remove/abolish existing call termination charge (interconnection charges) considering following factors;

1. Continuation of interconnection rate will be tedious and impractical in light of implementation of Number Portability.
2. Abolishing interconnection rate will facilitate healthy competition among operators and end customers will receive improved benefits.
3. Interconnection rate block for customer centric voice tariffs.
4. Interconnection rate caused to have on-net and off-net tariff rates and it blocks unlimited calling across all networks.
5. No significant different of the volumes of traffic exchanged between the operators.

The Commission vide its letter dated 25<sup>th</sup> October 2021, informed the proposal of above referred Operators to remaining three PSTN Operators namely Dialog Axiata PLC. (Dialog), Dialog Broadband Network (Pvt) Ltd. (DBN) and Lanka Bell Ltd. (Lanka Bell) and requested them to submit their views/comments on same within two weeks.

Responding to the letter, Dialog requested additional two weeks to make a comprehensive submission as such removal or revision of existing interconnection rate would have a major impact on the entire telecommunication industry in both short and long-term value distraction. Accordingly, Dialog submitted their detailed views by their letter dated 24<sup>th</sup> November 2021. According to the submission, the Commission noted followings inter-alia which were highlighted by Dialog.

1. Interconnection is a service, and it entails a cost. Cost based interconnection regime ensure long term sustainability of the industry. Abolishing interconnection rate distort the market and disincentive to investment which may adversely affect to network Quality of Service as well as network expansion to unserved and under-served areas.
2. Quoted Indian experience of increasing retail prices of low- income prepaid customers by 20-25% by Operators after abolishing interconnection rate in India.
3. Potential loss of industry revenue and government tax revenue
4. Current legal and licensing framework requires to maintain cost based/oriented interconnection rate.

  
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5. By abolishing interconnection rate, the resultant impact would be that 2G/3G voice traffic would grow exponentially and impede 4G re-farming activities.
6. No connection between the introduction of Number Portability and removal of the interconnection rate.

Further, the Commission had a meeting with Director/Group Chief Executive of Dialog Axiata PLC. on 7<sup>th</sup> December 2021, on this matter and requested them to submit terminating cost per minute for the years 2019, 2020 and 2021 and Dialog submitted same on 13<sup>th</sup> December 2021, 6<sup>th</sup> January and 17<sup>th</sup> February 2022 respectively. The Commission thoroughly considered the Dialog's concerns regarding the "Universal Broadband" and Long-Term Investment Capacity" and the proposal of eliminating interconnection rates when the 4G traffic exceed 80% of voice traffic (within a period of five years). highlighted in their letter dated 13<sup>th</sup> December 2021. The Commission noted a gradual increase of 4G traffic in the industry and currently it represents about 15% of the total industry traffic.

Responding to the Commission's letter, Lanka Bell informed that as they are a net receiver of interconnection service and as well as they are facing extremely difficult and challenging operating environment, they highlighted the importance of retaining any and all revenues in order to keep the company afloat. Thereby, Lanka Bell conveyed their disagreement for abolishing interconnection rate. If Commission decided to abolish same, they requested to implement same rule to SMS interconnection rate also.

#### Analysis of Voice Traffic of the Industry.

The Commission considered the traffic behavior of the industry for year 2021 and noted that the flow of traffic between networks are close to symmetric. As per the Table 2 below, industry has originated 68 billion traffic minutes in year 2021 out of which 53% has been originated by Dialog whilst 26% originated by Mobitel. Three Fixed access operators originate only 3.7% of the industry traffic. Table 3 shows that Dialog, SLT and Lanka Bell should receive Rs. Million 340, 97 and 47.5 respectively as interconnection in payment whilst remaining four operators have to pay out for interconnection, as per the traffic information provided by the Operators.

Commission considered the cost per voice call minute submitted by Operators with their tariff proposals with in last three years and noted that the costs per voice call minute were in the range of Cents 14 to 28. Accordingly, the existing interconnection charge per minute is more than twice the cost per voice minute. Hence, interconnection charge is no longer cost based or cost oriented. Due to the high interconnection rate, Operators are promoted to offer on net free bundle tariff plans at a fixed rate but not the offnet. In the prevailing market, very few tariff plans are offered by operators with any net free voice bundles at a fixed rate. Accordingly, as shown in Table 3 it can be observed that on net call volume take very high percentage against to total out-going calls.

**Table 2**

	Termination Minutes in Millions									%
	Operator	Dialog	Mobitel	Hutch	Airtel	SLT	L/Bell	DBN	Total	
Origination	Dialog	31,862	2,418	784	564	469	75	92	36,265	53
	Mobitel	2,652	13,584	564	287	684	72	60	17,867	26
	Hutch	996	619	3,235	144	75	18	28	5,116	8
	Airtel	712	300	138	5,311	50	9	9	6,531	10
	SLT	535	433	67	42	724	23	30	1,855	3
	LankaBell	51	26	7	3	15	42	3	149	0

  
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<b>DBN</b>	135	55	10	9	32	2	68	<b>314</b>	<b>0</b>
<b>Total</b>	<b>36,945</b>	<b>17,401</b>	<b>4,806</b>	<b>6,361</b>	<b>2,049</b>	<b>244</b>	<b>290</b>	<b>68,097</b>	

**Table 3**

<b>Traffic differences amongst Operator networks</b>								
<b>Operator</b>	<b>Dialog</b>	<b>Mobitel</b>	<b>Hutch</b>	<b>Airtel</b>	<b>SLT</b>	<b>L/Bell</b>	<b>DBN</b>	<b>Total</b>
<b>Dialog</b>	0	-234	-213	-148	-66	24	-43	<b>-680</b>
<b>Mobitel</b>	234	0	-55	-14	250	46	5	<b>466</b>
<b>Hutch</b>	213	55	0	6	8	11	17	<b>310</b>
<b>Airtel</b>	148	14	-6	0	9	6	0.3	<b>170</b>
<b>SLT</b>	66	-250	-8	-8	0	8	-2	<b>-195</b>
<b>LankaBell</b>	-24	-46	-11	-6	-8	0	0.2	<b>-95</b>
<b>DBN</b>	43	-5	-17	-0.2	2	-0.2	0	<b>23</b>
<b>Total</b>	<b>680</b>	<b>-466</b>	<b>-310</b>	<b>-170</b>	<b>195</b>	<b>95</b>	<b>-23</b>	
<b>Difference %</b>	<b>1.8%</b>	<b>2.6%</b>	<b>6.4%</b>	<b>2.6%</b>	<b>9.4%</b>	<b>38%</b>	<b>8.2%</b>	
<b>Revenue/(Cost) Rs. Million</b>	<b>340</b>	<b>(233)</b>	<b>(155)</b>	<b>(85)</b>	<b>97</b>	<b>47.5</b>	<b>(12)</b>	
<b>On net Calls %</b>	<b>88%</b>	<b>76%</b>	<b>63%</b>	<b>81%</b>	<b>39%</b>	<b>28%</b>	<b>22%</b>	

By thoroughly considering the viewpoints of all the operators, analyzing traffic and cost information provided by the operators and the powers vested in the Commission under Section 5 (1) of the Sri Lanka Telecommunication Act No. 25 of 1991 as amended, the Interconnection Rules of 2003 and the provisions in the licenses of the operators, the Commission issue following determination:

### **Determination**

The domestic call termination charge (Interconnection Charge) of 50 Cents per minute and the SMS/MMS termination charge of 15 Cents per message in the Determination on Interconnection between Public Switched Telecommunication Network Operators of May 2010, are revised in for steps as indicated in the following table.

<b>Item</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	<b>Step 4</b>
Termination charge per minute (Cents)	20	15	10	0
Terminating charge per SMS/MMS (Cents)	07	05	03	0
Effective dates	15.04.22	15.04.23	15.04.24	15.04.25

  
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