

Interconnect Usage charges

June 2, 2020

Why was it news?

- Reliance Jio announced it would start charging customers Interconnect Usage Charge (IUC), which is currently at 6 paisa per minute, on all outgoing calls made to Airtel and Vodafone-Idea's networks.

What is it?

- IUC is the cost paid by one mobile telecom operator to another when its customers make outgoing mobile calls to the other operator's customers.
- Eg: If a caller of Idea calls a subscriber of Airtel, Idea pays Airtel 14 paise/min. Idea recovers this amount from its subscribers.



What are its current charges?

The Telecom Regulatory Authority of India (TRAI) has fixed the IUC rates at 6 paise per minute, though it used be a little higher at 14 paise per minute. TRAI wants to bring IUC to zero from January 1, 2020.

What's behind Jio's move?

- Because of the price difference between free voice on Jio network and high tariffs on 2G networks, customers on Airtel and Vodafone-Idea are relying on giving missed calls to Jio customers.
- Jio further claims that the call back made by the Jio customers results in 65 to 75 crore minutes of outgoing traffic

Arguing against this move:

- This IUC charge implies→ asking for **higher charges to support legacy and inefficient technology.**
- The technological reason for IUC to fall is a change in how voice traffic is carried on mobile networks. As telcos migrate to the next generation IP (internet protocol) networks, the cost of carrying voice traffic is zero as carrying voice in the form of data packets requires little bandwidth.
- If the interconnect charges are high then Jio would not be able to price its services attractively and take data to remote parts of the country even if its own cost of voice is significantly lower than those of the incumbent.

What airtel said?

- TRAI proposed moving IUC to zero with effect from Jan 1, 2020 on the assumption that adoption of VoLTE would bring the cost down, and that with the growth of smaller sized operators, symmetry of traffic would ensue.
- Airtel said both assumptions have not come true and there are still over 400 million 2G customers paying less than Rs 50 per month who cannot afford to buy a 4G device.
- The telecom industry is in a state of deep financial stress since the last three years with several operators having gone bankrupt and thousands of jobs having been lost.

Current update:

- The Reserve Bank of India (RBI) has proposed setting up of a new pan-India umbrella entity (NUE) for retail payment systems, which will be responsible for setting up, managing and **operating new payment systems, especially in the retail space,** including ATMs, White Label PoS, Aadhaar based payments and remittance services.

- The new entity will also have to develop new payment methods, standards and technologies, and monitor related issues in India and internationally.
- The proposed entity can either be a for-profit company or a non-profit organization, RBI said.
- The framework for establishing the NUE is in line with the National Payments Corporation of India (NPCI).